



## **PUBLIC DISCLOSURE**

September 26, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Hartford  
Charter Number 7592

101 South 3rd Avenue  
Hartford, AL 36344

Office of the Comptroller of the Currency

3595 Grandview Parkway  
Suite 655  
Birmingham, AL 35243

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

- The bank has maintained a reasonable loan-to-deposit ratio since the prior examination.
- A majority of loans were made inside the bank's Assessment Area (AA).
- The bank's lending performance reflects excellent penetration to low- and moderate-income residential real estate and consumer borrowers.

## **SCOPE OF EXAMINATION**

The First National Bank of Hartford (FNB Hartford) was evaluated under the Small Bank examination procedures, which is comprised of a lending test. The lending test evaluates the bank's record of meeting the AA's credit needs through its lending activities. The evaluation period for this performance report is February 15, 2011 through September 25, 2016.

The lending test for FNB Hartford covers its performance from January 1, 2014 through September 25, 2016, as this is representative of its lending strategy since the last CRA examination. The 2013 HMDA data could not be utilized due to corruption of the 2013 HMDA .dat file. FNB Hartford's primary loan products are home and consumer loans. We selected a sample of home and consumer loans to evaluate the bank's lending performance in each area. The 2014 and 2015 HMDA data was utilized along with a 60 consumer loan sample. The 60 consumer loan sample included 20 loans from each of the years, 2014, 2015, and 2016.

## **DESCRIPTION OF INSTITUTION**

FNB Hartford is a community bank with its sole location in Hartford, Alabama. As of June 30, 2016, the bank had \$120 million in total assets and is the largest bank in Hartford and the second largest bank in Geneva County. FNB Hartford is wholly owned by First Hartford Bancshares, Inc., a one bank holding company. The bank focuses on consumer lending, specifically, real estate loans and installment loans to individuals. The bank offers 1-4 family residential mortgages for home improvement, purchase, and refinance. The Bank offers various deposit products, including personal checking, savings, money market, certificates of deposit, Individual Retirement Accounts, and business checking accounts. There are no legal or financial impediments affecting the bank's ability to meet the credit needs within the assessment area. The bank's previous CRA rating was "Satisfactory" as of February 14, 2011.

The bank's loan portfolio totals \$58.6 million with the composition split between residential real estate (40%), consumer (16 percent), commercial and commercial real estate (25 percent), and agriculture loans (13%). The bank has not experienced

significant growth in the overall portfolio or in any particular segment since the previous examination. The composition of the portfolio has remained relatively unchanged.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB Hartford's AA is made up of contiguous geographies. The bank designated all of Geneva County, Alabama (County Code 061) as its assessment area. It is primarily rural in nature and falls under the MSA/MD 20020 – Dothan, AL. The assessment area consists of six census tracts, 501-506, with 501-502 being defined as moderate-income tracts and 503-506 being defined as middle-income tracts. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income geographies.

### **Geneva County, AL**

Geneva County is made up of six geographies, all of which are primarily rural. There are no low-income tracts, two moderate-income tracts, four middle-income tracts and no upper-income tracts. Based on the 2010 census, the total population of the AA was 26,790 which included 10,720 households and 7,373 families. As of July 2015, the population had grown to 27,275. The FFIEC estimated 2015 MSA median family income was \$53,600. Based on the 2010 census data, the weighted average of median family income within the AA was \$41,673 compared to the weighted average medium household income of \$33,524. According to the Alabama Department of Labor, as of August 2016, the Geneva County unemployment rate was 5.5 percent, which was slightly above the state average of 5.4 percent. However, according to 2010 census data, 18.95 percent of households in the AA were below poverty level. The 2010 Census data shows the median housing value in the AA is \$76,085.

Based on 2015 business demographic data, there were 1,396 non-farm businesses in Geneva County. The largest employer in the county is Reliable Metal Products, who employs approximately 400 people. Agriculture and related items of farm products make up the largest part of the business climate in Geneva County.

Competition among financial institutions in Geneva County is moderate. Within the AA, FNB Hartford competes with four other financial institutions. However, the nearby city of Dothan, AL contains 37 other financial institutions within the MSA market, including large institutions like Regions Bank and Wells Fargo Bank. According to the Federal Deposit Insurance Corporation's June 30, 2015 deposit market share report, FNB Hartford ranks first in the Hartford community with 77.72 percent of the Hartford market share and FNB Hartford ranked first with 24.51 percent of the Geneva County market share. Three community contacts identified consumer and small business lending as credit needs for Geneva County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

First National Bank's average loan-to-deposit (LTD) ratio is reasonable given its size, financial condition and assessment area (AA) credit needs, and meets the standards for satisfactory performance. The LTD ratio averaged 47 percent over the twenty-one quarters since the previous CRA examination. This figure is in line with historical LTD averages. The average is low compared to other institutions located in the AA. FNB Hartford continues to operate in its one location with no desire to expand or grow outside of the AA. The average of the other banks LTD is 60 percent. Considering the small population of the AA (Geneva County) there are a moderate number of banks operating in the county, significantly increasing competition for loans. The high concentration of financial institutions operating within a county with relatively few lending opportunities indicates that although FNB Hartford has a lower LTD, it has reasonably met the credit needs of the AA. In addition, the AA high poverty level contributes to a lack of lending opportunities.

### Lending in Assessment Area

During the review period, FNB Hartford originated a majority of its residential and consumer loans inside the assessment area (AA). The bank originated 68.37 percent of the number of total residential real estate loans and 56.45 percent of the dollar amount of total residential real estate loans inside the AA. The HMDA data was only available for 2014 and 2015. The 2013 HMDA .dat file was corrupted, making it unavailable for analysis. We reviewed a sample of 60 consumer loans originated from January 1, 2014 through September 25, 2016. Approximately 83.33 percent of the number of consumer loans and 89.91 percent of the dollar amount of consumer loans were originated inside the AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	34	62.96	20	37.04	54	1,421	46.45	1,638	53.55	3,059
Improvement	9	81.82	2	18.18	11	524	86.33	83	13.67	607
Refinance	24	72.73	9	27.27	33	1,113	63.56	638	36.44	1,751
Total Residential	67	68.37	31	31.63	98	3,058	56.45	2,359	43.55	5,417
Consumer Loans	50	83.33	10	16.67	60	201	89.91	23	10.09	224
Totals	117	74.05	41	25.95	158	3259	57.77	2382	42.23	5641

Source: 2014 - 2015 HMDA; Consumer Loan Sample

### Lending to Borrowers of Different Incomes

Lending to borrowers of different income within the AA reflects excellent penetration of residential and consumer loans to low- and moderate-income borrowers.

*Home Loans*

FNB Hartford's lending to borrowers of different income levels reflects excellent penetration. Low- and moderate-income families represent 25.67 percent and 20.75 percent of the AA, respectively. The Bank's penetration of lending to low-income borrowers is below the demographic comparator in the purchase category; wherein the bank originated 8.82 percent of purchase residential real estate loans in the low-income category and 17.65 percent in the moderate-income category. However, for home improvement and refinance residential real estate loans, the bank met or exceeded the demographic comparator. The bank originated 33.33 percent and 22.22 percent of residential real estate home improvement loans to borrowers with low income levels and moderate income levels, respectively. The bank originated 25.00 percent of residential real estate finance loans to borrowers in both the low income levels and the moderate income levels.

The following table shows the distribution of residential loans among borrowers of different incomes within the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA	% Loan	% of AA	% Loan	% of AA	% Loan	% of AA	% Loan
Purchase	25.67	8.82	20.75	17.65	21.78	23.53	31.79	32.35
Improvement	25.67	33.33	20.75	22.22	21.78	0.00	31.79	33.33
Refinance	25.67	25.00	20.75	25.00	21.78	8.33	31.79	25.00

*Source: data reported under 2014 and 2015 HMDA; 2010 U.S. Census data.*

*Consumer Loans*

The distribution of consumer loans to borrowers of different incomes reflects excellent penetration. Low- and moderate-income households represent 29.87 and 17.17 percent of the AA, respectively. The Bank's penetration of lending to low-income borrowers is in-line with the demographic comparator, representing 28.00 percent of the number of loans sampled. The bank's penetration of lending to moderate-income borrowers exceeds the demographic comparator at 30.00 percent.

The following table shows the distribution of consumer loans among borrowers of different income levels in the AA.

**Table 2B - Borrower Distribution of Consumer Loans in AA**

Census Tracts	Low		Moderate		Middle		Upper		Unavailable
	% of AA	% # Ln	% of AA	% # Ln	% of AA	% # Ln	% of AA	% # Ln	% # Ln
% of Total	29.87%	28.00%	17.17%	30.00%	19.54%	24.00%	33.41%	14.00%	4.00%

*Source: Consumer Loan Sample; 2010 US Census Data*

### Geographic Distribution of Loans

The geographic distribution of loans in both AAs reflects a very poor dispersion throughout the two moderate-income census tracts within the AA.

#### Home Loans

The Bank's geographic distribution of home loans in this AA reflects very poor dispersion among borrowers in the two moderate-income census tracts. Owner-occupied housing in the moderate-income census tracts represents 28.79 percent of AA housing. The Bank originated 4.17 percent of Refinance loans inside the two moderate-income census tracts. The Bank originated no Home Purchase or Home Improvement in the two moderate-income census tracts. The two moderate-income tracts are located in the western part of Geneva county; while, the bank's one location is located in the eastern part of Geneva county. Loan data from the HMDA and the consumer loan samples indicate very poor dispersion by the bank of the moderate-income tracts. Within the two moderate-income tracts, there are four other community banks that serve those two tracts; which impacts the bank's ability to originate loans in that segment of the market. The western part of the county is highly agricultural; which is not a primary lending product of FNB Hartford.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in AA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA	% # Ln	% of AA	% # Ln	% of AA	% # Ln	% of AA	% #Ln
Purchase	0.00	0.00	28.79	0.00	71.21	100.00	0.00	0.00
Improvement	0.00	0.00	28.79	0.00	71.21	100.00	0.00	0.00
Refinance	0.00	0.00	28.79	4.17	71.21	95.83	0.00	0.00

Source: 2014, 2015 HMDA; U.S. Census data.

#### Consumer Loans

The Bank's geographic distribution of consumer loans within the two moderate-income census tracts reflects very poor dispersion, as 8.00 percent of consumer loans as a percentage of households within the sample were originated in the moderate-income census tracts. This is below the demographic comparator of 29.03 percent.

**Table 3B - Geographic Distribution of Consumer Loans in AA**

Census Tract								
Income Level	Low		Moderate		Middle		Upper	
	% of AA	% # Ln	% of AA	% # Ln	% of AA	% # Ln	% of AA	% of # Ln
Consumer Loans	0.00	0.00	29.03	8.00	70.97	92.00	0.00	0.00

Source: 2014, 2015 HMDA; U.S. Census data.

The bank will be opening a branch in Slocomb in the first quarter of 2017. Slocomb is located in the moderate-income census tracts of 501 and 502. Management anticipates that the new branch will enhance their performance in the moderate-income tracts.

### **Responses to Complaints**

FNB Hartford has not received any CRA related complaints since the previous CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.