



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**December 16, 2003**

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

**The First National Bank  
Charter Number 18373**

**110 West Main Street  
Ashdown, AR 71822**

**Comptroller of the Currency  
F. Christian Dunn, Assistant Deputy Comptroller  
10201 West Markham, Suite 105 Ozark National Life Bldg.  
Little Rock, AR 72205**

**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 average loan-to-deposit ratio at 69% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

## DESCRIPTION OF INSTITUTION

The First National Bank (FNBA) is located in Ashdown (Little River County), Arkansas (AR) which has a population of 4,781 according to the 2000 census. The bank has the main office in downtown Ashdown, a deposit and payment branch in Ashdown, a branch in Foreman (located 18 miles west of Ashdown with a population of about 1,125 people), and a branch in Texarkana, AR (located 16 miles south of Ashdown in adjacent Miller County). All of the offices have drive-in facilities and there are automated teller machines (ATMs) in the Ashdown and Texarkana branches. The Texarkana office was opened in October 1998. No other offices have been opened or closed since the previous CRA examination. Miller County, AR and Bowie County, TX comprise the Texarkana Metropolitan Statistical Area (MSA). As of September 30, 2003, the bank reported total assets of \$89 million with \$72 million in deposits and \$56 million in loans (63% of total assets).

The bank's primary business focus is commercial and commercial real estate, consumer, and residential real estate loans. FNBA offers residential real estate, home improvement, consumer, agriculture, commercial real estate, commercial and business loans. The loan portfolio composition as of September 30, 2003, is as follows

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial & Commercial Real Estate Loans	\$27,102	49%
Consumer Loans	\$13,765	25%
Residential Real Estate Loans	\$10,916	19%
Agriculture Loans	\$3,773	7%
<b>Total</b>	<b>\$55,556</b>	<b>100%</b>

FNBA offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank is 100% owned by First National Security Company, a multi-bank holding company headquartered in DeQueen, Arkansas. As of September 30, 2003, First National Security Company had total assets of \$477 million. The bank's last CRA examination was performed by the OCC as of September 14, 1998 and was rated **Satisfactory**.

## **DESCRIPTION OF LITTLE RIVER, MILLER AND BOWIE COUNTIES**

FNBA's assessment area (AA) is all of Little River County and the Cities of Texarkana, (Miller County) AR and Texarkana (Bowie County), TX. Texarkana, AR/TX were included in the AA since the previous CRA examination. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are four Block Numbering Areas (BNAs) in Little River County and 19 Census Tracts (CTs) in the cities of Texarkana, AR (eight CTs) and Texarkana, TX (eleven CTs). The Median Family Income (MFI) for non Metropolitan Statistical Areas (MSA) in Arkansas was \$34,709 in 2000. This income figure is used to determine the income level of individual BNAs/CTs. According to the 2000 census, three of the BNAs are middle-income and one is upper-income. The MFI for the Texarkana MSA in was \$39,704 in 2000. According to the 2000 census, there are three low-income CTs (206, 105, and 106), four moderate-income CTs (204, 205, 104, and 108), nine middle-income CTs and three upper-income CTs. The 2003 Housing and Urban Development (HUD) estimated MFI for non-MSA in Arkansas is \$38,500 and the estimated MFI for the Texarkana MSA is \$44,300. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants.

Ashdown and Texarkana, AR are located in the southwestern part of AR, and Texarkana, TX is located in the northeastern part of TX. According to the 2000 Census, the population of Little River was 13,628. The population of Texarkana, AR was 26,448 and the population of Texarkana, TX was 34,742. The population of the Texarkana MSA was 129,749 according to the 2000 Census. The economy of Little River, Miller, and Bowie Counties is considered to be in a moderate growth mode.

The largest employers in Little River County are Domtar Corporation (lumber mill) in Ashdown with about 1,800 employees, and the Ashgrove Cement Company in Foreman with about 500 employees. The largest employers in Texarkana, AR/TX are Cooper Tire Company with about 2,000 employees, Alumax (Alcoa Steel) with about 1,500 employees, and Wardley and Saint Michael hospitals with about 4,000 employees. Unemployment as of September 2003 was 4.5% for Little River County and 5.3% for the Texarkana MSA. The unemployment rates for Little River County and the Texarkana MSA are below the Arkansas average of 6.0% and the U.S. average of 6.1% as of September 2003.

The following table shows the demographic and economic characteristics of Little River and Miller Counties.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population Little River County 2000</i>	
Number of Families	3,928
Number of Households	5,482
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	75%
% Upper-Income Census Tracts/BNA	25%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,709
2003 HUD-Adjusted MFI	\$38,500
<i>Economic Indicators</i>	
Unemployment Rate September 2003	4.5%
1975 Median Housing Value	\$55,157
% of Households Below Poverty Level	17%

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population Texarkana, AR/ TX 2000</i>	
Number of Families	23,232
Number of Households	33,373
<i>Geographies</i>	
Number of Census Tracts/BNA	19
% Low-Income Census Tracts/BNA	16%
% Moderate-Income Census Tracts/BNA	21%
% Middle-Income Census Tracts/BNA	47%
% Upper-Income Census Tracts/BNA	16%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$39,704
2003 HUD-Adjusted MFI	\$44,300
<i>Economic Indicators</i>	
Unemployment Rate September 2003	5.3%
1971 Median Housing Value	\$66,941
% of Households Below Poverty Level	18%

A community contact with the County Judge of Little River County was conducted in conjunction with this CRA examination. This contact revealed that local banks are meeting the primary credit needs in the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNBA's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. There is one other bank that is similarly situated in the AA. Commercial National Bank, which is headquartered in Texarkana (Bowie County), TX, has four offices in Texarkana, AR. The main office of Commercial National Bank was moved from Texarkana, AR to Texarkana, TX in 1997. Texarkana, AR is located 16 miles south of Ashdown. Century Bank, National Association which is headquartered in New Boston, TX, (23 miles west of Texarkana, TX) has two branches in Texarkana, AR, and five offices in Texarkana, TX. However, Century Bank is not similarly situated since it is considerably larger with total assets of \$405 million. The following table shows total assets as of September 30, 2003 and the quarterly average loan-to-deposit ratio from December 31, 1999 through September 30, 2003 (16 quarters) for these two similarly situated banks.

Institution	Assets (as of 9/30/2003)	Average LTD Ratio
FNB-Ashdown, Ashdown, AR	\$89 million	69%
CNB, Texarkana, TX/AR	\$161 million	72%

### Lending in Assessment Area

A majority of FNBA loans are in the bank's assessment area. The bank geocodes all loans that are made, but does not categorize the loans as consumer, residential real estate, or agriculture and commercial loans. Lending within the assessment area for 2003 is detailed in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Total Reviewed	1,297	79%	\$14,160	77%	336	21%	\$4,333	23%

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. All residential loans listed in the 2003 Home Mortgage Disclosure Act Loan Applicant Register, and a sample of 30 consumer loans and 35 business loans were used to determine lending to borrowers of different incomes. The following tables show the distribution of residential real estate and consumer loans within the various income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families <sup>1</sup> <b>Little River County</b>	18%		19%		19%		44%	
LOANS BY YEAR	% of Number	% of Amount						
2003	11%	2%	33%	35%	0%	0%	56%	63%
% of AA Families <sup>1</sup> <b>Texarkana, AR/TX</b>	25%		15%		17%		43%	
LOANS BY YEAR	% of Number	% of Amount						
2003	33%	36%	33%	20%	8%	8%	25%	35%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>2</sup> <b>Little River County</b>	23%		15%		20%		42%	
LOANS BY YEAR	% of Number	% of Amount						
2003	42%	37%	17%	5%	8%	3%	33%	54%
% of AA Households <sup>2</sup> <b>Texarkana, AR/TX</b>	27%		15%		16%		42%	
LOANS BY YEAR	% of Number	% of Amount						
2003	17%	8%	56%	49%	17%	11%	11%	32%

The above tables show that residential real estate loans to low-income and moderate-income borrowers are comparable to the percentage of low-income and moderate-income people in the assessment area. In addition, consumer loans made to low-income and moderate-income borrowers were above the percentage of low-income and moderate-income people in the assessment area.

The distribution of business and agriculture loans reflects reasonable penetration among businesses of different sizes. The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS LITTLE RIVER COUNTY		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	95%	5%
% of Bank Loans in AA #	90%	10%
% of Bank Loans in AA \$	93%	7%

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS TEXARKANA, AR/TX		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	92%	8%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The geographic distribution of loans was performed for the cities of Texarkana, AR/TX only. All BNAs for Little River County are middle to upper-income and the geographic distribution of loans would not be meaningful.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied <sup>4</sup>	6%		14%		57%		24%	
	% of Number	% of Amount						
2003	8%	3%	17%	9%	58%	53%	17%	36%

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>5</sup>	8%		17%		54%		21%	
	% of Number	% of Amount						
2003	6%	5%	33%	43%	50%	38%	11%	14%

AGRICULTURE AND BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses <sup>6</sup>	12%		22%		43%		23%	
	% of Number	% of Amount						
2003	8%	2%	23%	7%	38%	15%	31%	76%

The above tables show that the bank is making loans in low and moderate-income areas. The above tables also show that loans made to borrowers residing in moderate geographies, especially by number, are slightly above the percentage of moderate-income geographies in the Texarkana, AR/TX area for all loan categories.

### **Responses to Complaints**

The First National Bank, Ashdown, AR, has not received a formal CRA complaint since the previous examination.

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

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.