



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**April 05, 2004**

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

**The First, A National Banking Association  
Charter Number 22949**

**6480 US Highway 98 West  
Hattiesburg, MS 39402**

**Comptroller of the Currency  
100 Concourse Parkway Suite 240  
Birmingham, AL 35244**

**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.**

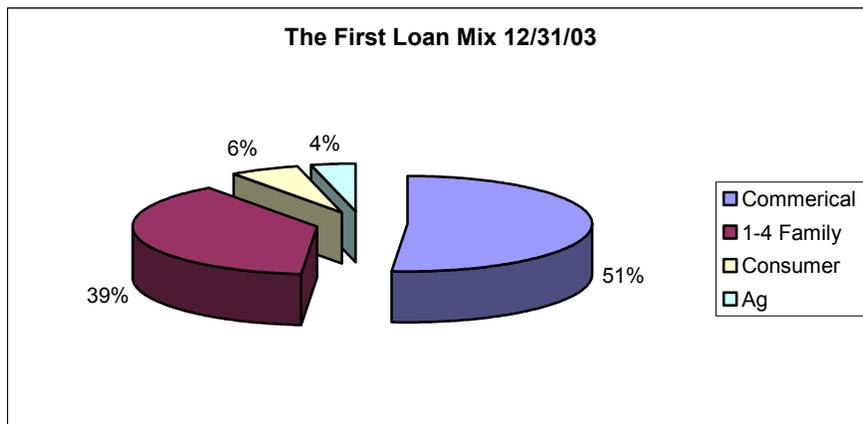
## INSTITUTION'S CRA RATING

### **This institution is rated Satisfactory.**

- The level of and trends in the bank's loan-to-deposit (LTD) ratio are strong.
- A substantial majority of loans are made within the bank's assessment area (AA.)
- Loan analysis indicates the bank lends to borrowers of all income levels and to businesses of different sizes.
- The geographic distribution of loans within the AA is reasonable.

## DESCRIPTION OF INSTITUTION

The First, a National Banking Association (The First) is a \$111 million bank headquartered in the Oak Grove community of Lamar County. In addition to the main office, the bank has three branches: the Lincoln Road branch (Hattiesburg/Forrest County), the University branch (Hattiesburg/Forrest County) and the Purvis branch (Purvis/Lamar County). All branches contain Automated Teller Machines (ATMs). The First is wholly owned by First Bancshares, a two-bank holding company. The bank's business focus is to meet the financial needs of the community via deposit acceptance and loan offerings. The bank's loan mix based on the 12/31/2003 Call Report is as follows:



The First is in sound financial condition with no legal impediments, which would prevent it from meeting the credit needs of the community. The bank's previous CRA rating was "Satisfactory" (9/30/98). The evaluation period for this performance report is October 1, 1998 through April 4, 2004 and includes commercial and home mortgage loans. Conclusions for this public evaluation are based on a random sample of 40 commercial loans originated between January 1, 2000 and December 31, 2002 as well as Home Mortgage Disclosure Act (HMDA) data for 2000, 2001 and 2002.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is the Hattiesburg MSA, which includes Forrest and Lamar

Counties. The AA consists of twenty-three Census Tracts (CTs) with a total population of 98,738. The median family income for the assessment area is \$24,469 with a Housing and Urban Development adjusted median family income for 2002 of \$39,100. Twenty-five percent of households live below the poverty level. Table 1 below shows the demographic makeup of the AA by census tract and family income.

<b>Table 1 – Assessment Area Demographics</b>				
Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	5	21.74%	6,142	24.26%
Moderate	2	8.70%	4,078	16.11%
Middle	12	52.17%	4,576	18.07%
Upper	4	17.39%	10,523	41.56%
Total	23		25,319	

The First is not the market leader, ranking 7<sup>th</sup> in deposits with a 6.10% market share. Local banking competition is aggressive and includes branches of regional banks, numerous community banks, credit unions, and non-bank financial service providers. The top five competitors in this market include: BancorpSouth Bank, Hancock Bank, Union Planters Bank NA, Trustmark National Bank, and Amsouth Bank.

The AA has a strong economy and low unemployment. As of January 2004, unemployment for the Hattiesburg MSA was 4% versus a statewide and US unemployment rate of 6.3%. The Lamar County unemployment rate as of January 2004 was 2.9% while the Forrest County unemployment rate was 4.7%. Hattiesburg is the medical center for south Mississippi and is home to the University of Southern Mississippi (enrollment of about 15,000). Other main employers include Marshall Durbin Poultry, Sunbeam, Murray Envelope and Georgia Pacific.

We discussed community-lending needs with several affordable housing non-profit organizations and a local government official. These community contacts identified affordable housing for low- and moderate-income individuals as the primary lending need in the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

- The First’s loan-to-deposit (LTD) ratio is trending upward and is excellent in light of the bank’s size, competition, and market loan demand.

The quarterly average LTD ratio for the period since the last CRA examination is 87%. The First’s LTD ratio has increased from 75% at the last CRA examination to 98% at 12/31/03. This is significantly higher than the national peer average at 12/31/03 of 79%. It is also significantly higher than the average of 87% for the 72 banks headquartered in Mississippi with total assets under \$250 million. There are no similarly situated banks in the Hattiesburg MSA.

### **Lending in Assessment Area**

- The First originates a substantial majority of its loans within the AA.

Ninety-five percent of the number and almost 97% of the dollar volume of loans in our commercial sample were made to businesses located within the bank's AA. A high volume of residential real estate loans were also made in the AA with over 80% of the number and 83% of dollar volume of loans made to individuals within the AA. Table 2 shows the bank's lending to businesses and individuals in the AA.

<b>Table 2 – Lending in Hattiesburg AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	38	95.0	2	5.0	40	3,977	96.6	142	3.4	4,119
Residential RE	445	80.9	105	19.1	550	36,415	83.1	7396	16.9	43,819
Totals	484	82.0	107	8.0	590	40,392	84.3	7,538	5.7	47,938

Source: Loan sample, Data reported under HMDA for 2000, 2001, and 2002.

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

- Loan analysis indicates the bank lends to borrowers of all income levels and to businesses of different sizes.

Table 3a shows that in the AA, 92.32% of businesses have gross revenues of less than \$1 million. The First's lending patterns closely correlate, with 80% of the number of loans made to businesses with revenues less than \$1 million. While somewhat less than the percentage of businesses in the AA, the dollar volume of commercial loans made to businesses with revenues under \$1 million at 62.38% is reasonable considering typical lower loan sizes for small businesses.

<b>Table 3a - Borrower Distribution of Loans to Businesses in Hattiesburg AA</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	92.32%	7.68%
% of Bank Loans in AA by #	80.00%	20.00%
% of Bank Loans in AA by \$	62.38%	37.62%

Source: Loan sample; US Census data. \* 35.70% of AA businesses did not report revenue data

Table 3b illustrates the distribution of home mortgage loans in relation to the number of families in the AA by income level. While 24.26% of families in the AA are low-income, only 3.15% of the banks residential real estate loans were made to low-income borrowers. This low penetration is understandable when considering a low-income family earns on average \$12,234 while the median housing cost is \$48,593. A family at this income level is less likely to qualify for a traditional mortgage. While a moderate-income family earning on average less than \$19,575 would more likely qualify to purchase a home, income barriers also exist for these families. The bank's percentage of loans to moderate-income borrowers is only slightly lower than the percentage of moderate-income families in the AA, 10.79% to 16.11%.

<b>Table 3b - Borrower Distribution of Residential Real Estate Loans in Hattiesburg AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	24.26%	2.78%	16.11%	11.11%	18.07%	18.33%	41.56%	67.78%
Home Refinance	24.26%	6.59%	16.11%	14.29%	18.07%	27.47%	41.56%	51.65%
Home Improvement	24.26%	1.76%	16.11%	8.82%	18.07%	24.71%	41.56%	64.71%
All Residential RE	24.26%	3.15%	16.11%	10.79%	18.07%	22.47%	41.56%	62.70%

Source: Data reported under HMDA for 2000, 2001 and 2002; U.S. Census data.

### Geographic Distribution of Loans

- The First makes a reasonable proportion of its commercial and residential real estate loans in its low- and moderate-income CTs, and there are no indications of exclusionary lending with regard to any specific areas in the AA.

Table 4a below shows that 5% of the number of commercial loans was originated to businesses located in the bank's low-income CTs which is slightly lower than the 8.13% of businesses located in low-income CTs. Penetration in moderate-income CTs was lower with 7.50% of the number of commercial loan originations made to businesses located in the bank's moderate-income CTs compared to the 14.80% of businesses located in low-income CTs. Both moderate-income tracts are located a significant distance from any of The First branches, making loan penetration difficult.

<b>Table 4A - Geographic Distribution of Loans to Businesses Hattiesburg AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	8.13%	5.00%	14.80%	7.50%	33.34%	42.50%	43.73%	45.00%

Source: Loan sample; US Census data.

Table 4b below illustrates that while approximately 9.36% of owner-occupied units in the AA are located in the low-income CTs, 2.95% of the bank's loans were originated in the low income CTs. Numerous barriers exist in penetrating these low-income CTs. Over 50% of the families living in these low-income CTs live below the poverty level. In addition, over 57% of the housing units are rental; driven by the large demand from students attending the University of Southern Mississippi. While 7.21% of the owner-occupied units in the AA are located in the moderate-income CTs, the bank originated 3.85% of their residential real estate loans in those CTs. There only 2 moderate income CTs in the Hattiesburg AA, with both located a significant distance from The First branches.

<b>Table 4b - Geographic Distribution of Residential Real Estate Loans in Hattiesburg AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan type</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>
Home Purchase	9.36%	3.33%	7.21%	1.67%	58.82%	51.11%	24.62%	43.89%
Home Refinance	9.36%	3.30%	7.21%	3.30%	58.82%	75.82%	24.62%	17.58%
Home Improvement	9.36%	2.35%	7.21%	6.47%	58.82%	55.29%	24.62%	35.88%
Total Residential RE	9.36%	2.95%	7.21%	3.85%	58.82%	57.82%	24.62%	35.37%

Source: Data reported under HMDA for 2000, 2001 and 2002; U.S. Census data.

### **Responses to Complaints**

The First has received no CRA-related complaints from the public since the prior CRA examination.

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

We found no evidence of discrimination or other illegal credit practices.