



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

March 30, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank and Trust Company
Charter Number 10750
201 West Walnut Street
Rogers, Arkansas 72757-0809**

**Supervisory Agency: Office of the Comptroller of the Currency
Tulsa Duty Station
7134 South Yale, Suite 910
Tulsa, Oklahoma 74136**

Note: 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.

Table of Contents

Glossary of Terms and Common Abbreviations	3
General Information	5
Description of the Institution	6
Description of the Rogers Assessment Area in the Fayetteville-Springdale-Rogers, AR MSA #2580	6
Scope of the Examination	8
Conclusions about Performance Tests - Overall Institution	9
<i>Lending Test</i>	9
<i>Investment Test</i>	16
<i>Service Test</i>	16
Fair Lending Review	18
Other Conclusions about Performance Tests for:	
Metropolitan Assessment Areas:	
Rogers AA:	19
Nonmetropolitan Assessment Areas:	
Arkansas	20

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA. A rural assessment area may contain one or more neighboring counties.

Block Numbering Area (BNA) or Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Bureau of the Census in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4 thousand.

Community Development Purpose is defined as affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that meet size and revenue standards defined by the CRA regulation; and, activities that revitalize or stabilize low- and moderate-income geographies. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses or farms, except for multi-family rental housing loans, which can be reported under both categories.

Community Development Loan - A loan which must have as its *primary* purpose community development.

Community Development Service - A service that must have community development as its *primary* purpose and be related to the provisions of financial services.

Demographic Characteristic- A statistical representation of people, housing, geographical areas or other measurable factors with regard to size, density, distribution, or other measurable characteristics.

Geography - A Census Tract (CT) or Block Numbering Area (BNA).

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.)*

Income Levels - These relate to individuals, families or the CTs in an MSA.

Low = An income level that is less than 50 percent of the median income.

Moderate = An income level that is at least 50 percent and less than 80 percent of the median income.

LMI = An income level that is less than 80 percent of the median income.

Middle = An income level that is at least 80 percent and less than 120 percent of the median income.

Upper = An income level that is 120 percent or more of the median income.

Large Financial Institution - A financial institution with total assets of \$250 million or more or an institution of any size that is an affiliate of a bank holding company with \$1 billion or more in banking and thrift assets.

Loan Originations and Purchases - Throughout this evaluation, the term “originations” or “loans made” includes both originations and purchases.

Market Share - The portion of loans or deposits in a specific geographic area attributed to a financial institution. This is expressed as a percent of the total of loans or deposits reported by all financial institutions subject to loan and deposit reporting requirements in the same area.

Median Family Income - The median family income for a specific MSA or nonmetropolitan statewide area as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50 thousand or an urbanized area with a population of at least 50 thousand and a total metropolitan population of at least 100 thousand. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Qualified Investment - A lawful investment that has as its *primary* purpose community development.

Small Business or Small Farm - A business or farm that has \$1 million or less in gross annual revenues.

Small Business or Small Farm Loan - A loan of \$1 million or less to a business of any size or a loan of \$500 thousand or less to a farm of any size.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First National Bank and Trust Company, Rogers, Arkansas (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)** as of **March 30, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution’s branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution’s CRA Rating: FNB is rated “**Satisfactory.**” The main factors contributing to FNB’s rating were:

- Significant volumes of HMDA and small business lending in its AAs, with good penetration of HMDA lending to low- and moderate-income borrowers and business lending to firms with revenues of \$1 million or less in its Rogers AA.
- Leadership in providing financial education to low- and moderate-income individuals and small business owners and reasonable access to branches and services through its branching network.
- A low level of qualified community development investments.

The following table indicates the performance level of FNB with respect to the lending, investment and service tests.

Performance Levels	First National Bank and Trust Company Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs To Improve		X	
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF THE INSTITUTION

FNB is a \$478 million financial institution headquartered in Rogers, Arkansas. It is a 99 percent owned subsidiary and the lead bank of Arvest Bank Group, Inc. which is headquartered in Lowell, Arkansas. Arvest Bank Group is a \$2.9 billion multi-bank holding company with nine other community banks located primarily in northwest Arkansas and central and northeast Oklahoma.

FNB is a full-service banking institution, offering a full range of retail and commercial banking services through a network of 9 branches and one motor bank. Branches are located in the northwest Arkansas communities of Rogers, Pea Ridge, Lowell, Eureka Springs and Berryville. The bank's wholly-owned subsidiary, Arvest Mortgage Company, provides a substantial volume of mortgage loans, i.e. home purchase and refinance, for customers of FNB and several of its affiliate banks. As of December 31, 1997, FNB's loan portfolio consisted of: 41 percent 1-4 family residential; 31 percent commercial and commercial real estate; 13 percent loans to individuals; ten percent construction and land development; three percent agricultural; and two percent multifamily. The net loan to deposit ratio for this time period was 86 percent.

FNB has two AAs. They are: one Metropolitan AA, consisting of 18 Census Tracts of Benton County in the Fayetteville-Springdale-Rogers, Arkansas MSA #2580; and one Nonmetropolitan AA, consisting of Carroll, Boone and a portion of Madison County in northwestern Arkansas. The following table shows the dollar volume of loans and deposits and the number and percentage of branches which are attributed to each AA. As shown, 73 percent of the loan volume outstanding, 88 percent of deposits and 60 percent of branches are attributed to the Rogers AA.

Assessment Area	Net Loans (in millions)	% of Net Loans	Total Deposits (in millions)	% of Total Deposits	Total Branches	% of Total Branches
Rogers AA	260	73%	378	88%	6	60%
NonMSA Arkansas AA	96	27%	52	12%	4	40%
Total	356	100%	430	100%	10	100%

Source: Loan and branch information: Bank records as of December 31, 1997

Deposit information: Federal Deposit Insurance Corporation as of June 30, 1997

FNB has the financial capacity to assist in meeting its communities' credit needs. For 1997, FNB realized net income of \$4.9 million. Equity capital as of December 31, 1997 was \$32 million. There are no known legal or financial constraints which could impede its CRA efforts. The OCC assigned a CRA rating of "Satisfactory Record of Meeting Credit Needs" during the last CRA evaluation ending July 11, 1996.

DESCRIPTION OF THE ASSESSMENT AREA

Following is a description of the bank's Rogers AA, where CRA activities weighed most heavily in assessing FNB's overall CRA performance. A description of the Nonmetropolitan Arkansas AA can be found later in this evaluation. Refer to the *Table of Contents* for its location.

FNB's Rogers AA consists of 18 CTs within Benton County of the Fayetteville-Springdale-Rogers, Arkansas MSA. The MSA has two counties, Benton and Washington. The portion of the MSA which is excluded from the bank's AA is served by the bank's affiliates. These include: Benton County: First National Bank, Siloam Springs, AR and Bank of Bentonville, Bentonville, AR; Washington County: McIlroy Bank & Trust, Fayetteville, AR; Springdale Bank & Trust, Springdale, AR; and The Farmers and Merchants Bank, Prairie Grove, AR. FNB's Rogers AA encompasses the cities of Rogers, Lowell and Pea Ridge.

The following table shows the demographic characteristics of FNB's Rogers AA.

ROGERS ASSESSMENT AREA PROFILE: A PORTION OF BENTON COUNTY IN MSA # 2580-FAYETTEVILLE-SPRINGDALE-ROGERS, AR MSA						
DEMOGRAPHIC CHARACTERISTICS	#	Low % of (#)	Moderate % of (#)	Middle % of (#)	Upper % of (#)	NA*
Population	69,981					
Family Distribution	21,462	13%	20%	25%	42%	0%
Census Tracts	18	0%	0%	83%	11%	6%
Businesses (% of # in CT)	3,138	0%	0%	92%	8%	0%
Farms (% of # in CT)	81	0%	0%	90%	10%	0%
Owner Occupied Housing (% of # in CT)	20,327	0%	0%	82%	18%	0%
Median Housing Value = \$62,194						
HUD Adjusted Median Family Income for 1997 = \$39,100						

Data Source: 1990 Census Data - U. S. Bureau of the Census; Dun and Bradstreet; Bureau of Labor Statistics

* NA=No income designation.

These demographics were used to provide some insight into the opportunities available for different loan types among geographies and borrowers of different income levels. Other pertinent demographic information used in this analysis is discussed with the presentation of the bank's lending data in this Performance Evaluation.

Rogers is located in northwest Arkansas within the eastern portion of the Fayetteville-Springdale-Rogers, Arkansas MSA. Rogers has a population of approximately 34,267 per a 1996 Special Census of the City. The city as well as the surrounding area is experiencing significant population growth from an influx of retirees and Hispanic immigrants seeking work at area poultry processing plants. The economy is strengthened through the poultry, trucking, manufacturing, retirement living and tourism industries. Unemployment consistently runs well below the national average. Major employers and businesses headquartered in this area include: Wal-Mart, J. B. Hunt Trucking and Tyson foods.

Fourteen commercial banks, four savings institutions and several mortgage companies provide strong competition for banking services in the Rogers AA. As of June 30, 1997, FNB held a 21 percent market share of deposits in Benton County. Deposit information is gathered by the Federal Deposit Insurance Corporation June 30th of each year. Two other affiliate banks, located in Bentonville and Siloam Springs, held an additional 34

percent market share of the deposits in Benton County. Other than affiliate banks, no other financial institution held more than seven percent of the deposits in the County for this time period.

We reviewed two recent community contacts with government officials and community organizations which regulatory agencies performed. We also reviewed a study completed by the Federal Reserve Bank of St. Louis which discussed community needs, including opportunities for financial institutions and barriers to overcome in meeting community needs. These sources found the most pressing needs for the Rogers AA were: affordable housing for low- and moderate-income families, including downpayment assistance and flexible terms; financial education, especially for the growing population of Hispanic immigrants; and providing technical assistance to community organizations in meeting affordable housing needs. High construction and development costs present a barrier to meeting the area's affordable housing needs.

SCOPE OF EXAMINATION

The OCC evaluated FNB's CRA performance using the Lending, Investment and Service Tests for Large Banks pursuant to the revised CRA Regulation. These tests assess the bank's record of helping to meet community credit needs. This evaluation covers the time period from the last CRA evaluation, July 11, 1996 to March 30, 1998, the date of this evaluation. We analyzed 1997 mortgage (HMDA), small business, small farm and community development loan data which the bank is required to collect and report. We used 1996 lending data to analyze trends in the bank's lending volumes. We considered mortgage lending data from FNB's wholly-owned subsidiary mortgage company, Arvest Mortgage Company. In addition to the lending data, the OCC evaluated the number and types of qualified investments; branch distribution and accessibility; and retail and community development services.

During the evaluation, we found the bank materially overstated its small business lending activity in the Rogers AA for this evaluation period due to misinterpretation of the small business loan definition per the new CRA regulation. Approximately 18 percent of the loans were misreported in 1997. We used bank generated reports to determine which loans should have been reported for 1997 and used the updated 1997 numbers for our analysis. It is reasonable to assume a similar percentage of loans were reported in error for 1996 since the bank used the same parameters for data collection. Therefore, we placed little reliance on 1996 small business lending data for our analysis.

We focused our analysis on the Rogers AA since over 69 percent of the bank's HMDA and small business loans from this evaluation period originated there. We weighed the bank's CRA performance in this AA most heavily in forming our conclusions about FNB's overall performance. The ratings and conclusions, as well as the facts and data presented which support the bank's overall CRA performance, are synonymous with the ratings and conclusions for FNB's CRA performance within the Rogers AA. Conclusions about the bank's performance in its Nonmetropolitan Arkansas AA are located under the *Nonmetropolitan Area* section of this Performance Evaluation unless otherwise indicated in the text of this Evaluation.

CONCLUSIONS ABOUT PERFORMANCE TESTS

LENDING TEST

FNB's lending levels reflect good responsiveness to its assessment areas' credit needs. Over 80 percent of the bank's reported HMDA and small business loans for 1997 originated within its assessment areas. FNB's HMDA lending in its Rogers AA shows very good distribution of mortgage loans to moderate-income borrowers, but distribution to low-income borrowers is not as strong. FNB made a significant portion of its reported business loans to smaller firms, i.e. those with revenues of \$1 million or less. FNB extended a reasonable level of community development loans, primarily in the form of construction lending for affordable single-family homes. FNB and its affiliated mortgage company offer mortgage loan products with flexible terms to assist in providing homeownership opportunities to families with low- and moderate-incomes.

The following information discusses FNB's CRA lending performance in the Rogers AA, which formed the primary basis for our conclusions regarding the bank's performance overall. Details regarding the bank's lending performance in the Nonmetropolitan Arkansas AA are discussed later in this evaluation under the *Nonmetropolitan Area* section.

Assessment Areas' Concentration

FNB made a significant percentage of its HMDA and small business loans within its AAs. Based on 1997 HMDA activity, the bank made 84 percent, by number, and 81 percent, by dollar volume, within its two AAs. For this same time period, FNB made 86 percent, by number, and 89 percent, by dollar volume, of its small business loans within its AAs. Per the CRA regulation, the HMDA ratios do not include any affiliate lending activity. Therefore, the percentage of HMDA loans in the AAs does not include any of the home purchase or refinance loans attributed to FNB by its mortgage company, Arvest Mortgage Company, which originates loans for all Arvest Bank Group affiliates in Arkansas and Oklahoma.

HMDA Loans - Lending Activity

FNB and its affiliated mortgage company, Arvest Mortgage Company (AMC) extended a significant volume of HMDA loans within the Rogers AA in 1997. We weighed the bank's HMDA lending performance more heavily than the small business lending since mortgage loans were identified as a primary need in the AA as well as a significant line of business for FNB. Table 1 shows the volume, by number and dollar amount, of the HMDA loans FNB and AMC made in the Rogers AA during 1997.

Table 1

Rogers AA: FNB and Arvest Mortgage Company - HMDA Activity for 1997

HMDA PRODUCT	FNB		Arvest Mortgage Company		Combined Totals	
	# of Loans	\$ (000's)	# of Loans	\$ (000's)	# of Loans	\$ (000's)
Home Purchase	118	10,057	189	16,676	307	26,733
Refinance	80	5,164	133	1,700	213	16,864
Home Improvement	188	2,271	0	0	188	2,271
TOTAL	386	17,492	322	18,376	708	45,868

Data Source: Bank and Arvest Mortgage Company Records

FNB directly made 386 loans totaling \$17.5 million in 1997 which exceeded 1996 lending levels by 32 loans, a nine percent increase. By product type, FNB achieved a 12 percent increase in home purchase loans and a 27 percent increase in home improvement loans from 1996 levels. For AMC, comparable data was not provided for the portion of its activity attributed to FNB for 1996 so trend analysis was not performed.

In 1996, FNB was the market leader in extending home improvement loans within the Rogers AA. Based on 1996 aggregate HMDA data for all lenders within the Rogers AA, FNB made 148 loans or 35 percent of all of the home improvement loans which 23 lenders reported within this AA. FNB's closest competitor was its affiliate, Bank of Bentonville, which made an additional 27 percent of the home improvement loans. No other lender made over six percent of the home improvement loans. FNB and AMC also made a significant portion of the home purchase loans reported for 1996. For home purchase loans, FNB made 105 loans, four percent, of the 2,608 loans reported by the 88 lenders which reported home purchase loans. AMC made an additional 17 percent of the home purchase loans which are attributed to FNB and its affiliate bank, Bank of Bentonville, which has an AA that overlaps with FNB's. We did not place significant weight on AMC's 1996 lending activity since the bank did not provide information regarding the specific portion of AMC's loans which were attributed to FNB. Other than FNB and its affiliates, the highest market share by any other nonaffiliated lender in 1996 was 11 percent. Market share information for 1997 is not yet available.

Small Business Loans - Lending Activity

FNB's small business lending activity reflected good responsiveness to the credit needs of commercial borrowers in its Rogers AA. The CRA regulation requires banks to collect and report loan data for business loans which originated in amounts of \$1 million or less to businesses with revenues of any size. The definition of a "small business loan" under the new CRA regulation mirrors the definition of "loans to small businesses" which are reported each June 30 in the bank's Consolidated Reports of Condition.

Table 2 shows the volume, by number and dollars, of small business loans FNB made in 1997 in its Rogers AA.

Table 2

Rogers AA:

PRODUCT LINE	1997	
	# of Loans	\$ (000's)
Small Business	449	27,893
Small Farm	15	424
TOTAL	464	28,317

Data Source: Bank Records

In 1997, FNB made 449 small business loans totaling over \$28 million within its Rogers AA. Due to inaccuracies with the bank's reported small business loans for 1996, comparable lending volumes were not available. However, based on bank generated reports of loans originated which would have been reported as "loans to small businesses" in the Consolidated Reports of Condition, FNB's lending activity declined by approximately six percent in 1997.

Aggregate small business lending information, compiled by the Federal Reserve, showed that 46 lenders subject to CRA data collection requirements reported "small business loans" in the Rogers AA for 1996. Only Large Financial Institutions, those with total assets of \$250 million or more or banks of any asset size which are part of a bank holding company with total assets of \$1 billion or more, are required to report these loans. For Benton County, FNB was the leader in originating small business loans among Large Financial Institutions for 1996 even after adjusting for loans which should not have been reported. Market share information, by institution, is only available at the County level and is not yet available for 1997.

Small Farm Loans - Lending Activity

FNB originated only 36 small farm loans in 1996 and 1997 combined within its Rogers AA. All of these loans were made to farms with revenues of \$1 million or less and all except one were made in amounts of \$100 thousand or less. Only two percent of the households in the MSA are engaged in self-employed farming activities. Further discussion and analyses of small loans for agrarian purposes are not meaningful in the context of this evaluation.

HMDA Loans - Distribution by Borrower Income

FNB, combined with AMC, achieved good distribution for HMDA lending to borrowers of different income levels, including those borrowers with low- and moderate-income levels. Table 3 shows FNB/AMC's HMDA loan distribution, by product type, number and percentage, according to the income level of the borrower. It compares the percentage of loans FNB/AMC made to borrowers of different income levels with the percentage of families in the AA which are designated low-, moderate-, middle- or upper-income. This provides some perspective on the potential lending opportunities to borrowers of different income levels. We focused on the number of HMDA loans rather than the dollar volume as it more clearly depicts the number of borrowers who have benefitted from these loan types. We considered the percentage of families who are living below poverty since it is unlikely they would have the financial capacity to repay a loan of this type. It is also reasonable to

believe that a larger portion of families living below poverty would be in the low- and moderate-income categories even though poverty level is determined by family size in conjunction with the income level.

Table 3

Rogers AA: HMDA Loan Distribution by Borrower Income Level - January 1, 1997 - December 31, 1997

Borrower Income Level	%Families in AA by Income Level*	Home Purchase		Refinance		Home Improvement	
		# of Loans	% by #	# of Loans	% by #	# of Loans	% by #
Low	13%	21	7%	15	7%	27	14%
Moderate	20%	72	23%	42	20%	39	21%
Middle	25%	82	27%	65	31%	34	18%
Upper	42%	128	42%	88	41%	83	44%
NA	0%	4	1%	3	1%	5	3%
Total	100%	307	100%	213	100%	188	100%

Data Source Bank and Arvest Mortgage Company Records; U. S. Bureau of the Census

*Families Below Poverty = 6%.

As Table 3 shows, FNB/AMC achieved very good distribution of lending to borrowers at the moderate-income level. Its portion of HMDA lending in all product types was comparable to the percentage of families which are considered moderate-income. For low-income borrowers, the bank achieved very good representation with its home improvement lending, but distribution among low-income borrowers was less strong for home purchase and refinance loans. This is not considered unreasonable, however, since low-income families would have a more difficult time qualifying for these types of loans due to their more limited income.

In 1996, FNB was the market leader in extending home improvement loans to low- and moderate-income borrowers within the Rogers AA. Based on 1996 aggregate HMDA data for all lenders within the Rogers AA, FNB made 37 of the 106 home improvement loans extended to low- and moderate-income borrowers in this area. No other lender made over 10 home improvement loans to low- and moderate-income borrowers, other than FNB's affiliate, Bank of Bentonville, which made 27 such loans. FNB and AMC also made a significant portion of the home purchase loans extended to low- and moderate-income borrowers in 1996. For home purchase loans, FNB made 15 loans, or two percent, of the 621 loans reported. AMC made an additional 94 home purchase loans to low- and moderate-income borrowers, 15 percent of 621, which are attributed to FNB and its affiliate bank, Bank of Bentonville. We did not weigh AMC's home purchase lending activity significantly in our analysis since we could not determine the specific loans which were attributed to FNB for 1996. Other than FNB and its affiliates, the highest market share by any other nonaffiliated lender was 11 percent. Market share information for 1997 is not yet available.

Small Business Loans - Distribution by Revenue and Loan Size

FNB's small business lending reflects good distribution among businesses of different revenue sizes, especially those businesses with gross annual revenues of \$1 million or less. As previously stated, the CRA regulation requires lenders to report loans of \$1 million or less which are made to businesses of any revenue size. We place more emphasis on the distribution of loans to smaller businesses, those with revenues of \$1 million or less.

Table 4 shows the volume, by number and dollars, of small business loans FNB made in 1997 in its Rogers AA. It also shows the business revenue size of the borrowers, if known.

Table 4

Rogers AA:

SMALL BUSINESS LOANS	% Businesses in AA	1997			
		# of Loans	% by #	\$ (000's)	% by \$
Revenues <= \$1 Million	75%	396	88%	20,945	75%
Revenues > \$1 Million	7%	53	12%	6,948	25%
Unknown Revenues	18%	0	0%	0	0%
TOTAL	100%	449	100%	27,893	100%

Data Source: Bank Records and Dun and Bradstreet

As shown in Table 4, FNB extended a significant portion of its reported business loans to firms with gross annual revenues of \$1 million or less. Of the 449 loans reported in 1997, FNB extended 88 percent, by number and 75 percent by dollar volume to businesses with this revenue size. This is comparable to the portion of businesses within the Rogers AA which report revenues of \$1 million or less per data compiled by Dun and Bradstreet. This data shows that 75 percent of the businesses in the Rogers AA report revenues of \$1 million or less.

In addition to revenue size, the CRA regulation stratifies banks' small business lending activity by loan size category. Loan size has generally been found to correlate to the size of the business. The loan size categories per the CRA regulation are: \$100 thousand or less; greater than \$100 thousand to \$250 thousand; and greater than \$250 thousand to \$1 million. FNB extended a significant portion of its reported business loans in smaller dollar amounts. FNB made 84 percent of its 449 loans in amounts of \$100 thousand or less, with an average loan size of \$62 thousand. This is shown in Table 5.

Table 5

Rogers AA: Small Business Loans - Distribution by Loan Size to Businesses with Revenues of Any Size - 1997

Loan Size (in 000's)	1997			
	# of Loans	% by #	\$ (000's)	% by \$
\$0 to \$100	376	84%	9,690	35%
>\$100 to <= \$250	44	10%	7,190	26%
>\$250 to \$1,000	29	6%	11,013	39%
TOTALS	449	100%	27,893	100%

Data Source: Bank Records

As previously mentioned, we place more emphasis on the bank's lending to the smaller businesses, i.e. those with revenues of \$1 million or less. Table 6 further illustrates FNB's lending to smaller businesses, those with revenues of \$1 million or less, by loan size. It shows the number and dollar amount of FNB's loans to smaller businesses, by size category, for 1997. FNB made 87 percent of these loans in amounts of \$100 thousand or less. FNB's average loan size to businesses with revenues of \$1 million or less was \$53 thousand over this time

period, approximately \$10 thousand less than the average size of its “small business loans” to firms of any revenue size.

Table 6

Rogers AA: Small Business Loans - Distribution by Loan Size to Businesses with Revenues of \$1 Million or Less

Loan Size (in 000's)	1997			
	# of Loans	% by #	\$ (000's)	% by \$
\$0 to \$100	346	87%	8,773	42%
>\$100 to <= \$250	31	8%	4,843	23%
>\$250 to \$1,000	19	5%	7,329	35%
TOTALS	396	100%	20,945	100%

Data Source: Bank Records

Geographic Distribution

Geographic analysis of FNB’s loan distribution is not meaningful since there are only middle- and upper-income CTs and BNA’s in the bank’s two assessment areas. There are also no clearly defined low- and moderate-income areas within these middle- and upper-income tracts.

Community Development Lending

FNB made an adequate level of community development loans considering its size, lending capacity and the opportunities available in its AAs. Community development loans must meet the community development definition as stated in the new CRA regulation. Refer to the *Glossary of Terms and Common Abbreviations* page for this definition.

FNB did not formally report any community development loans in gathering its data under the CRA regulation. However, during the examination, the bank identified several loans to developers for the construction of affordable housing for low- and moderate-income families which warranted consideration. Since these loans were not reportable as HMDA or small business loans, we considered them for community development lending. For the evaluation period, the bank made 31 loans totaling \$2.1 million for constructing single-family affordable housing within its Rogers AA.

FNB also made one other community development loan totaling \$72 thousand in its Nonmetropolitan Arkansas AA. Further details regarding this loan can be found in the narrative regarding the bank’s performance in the Arkansas Nonmetropolitan Area. Opportunities in the Nonmetropolitan AA are more limited and FNB has fewer resources dedicated to these AAs.

Flexible Loan Programs

FNB offers flexible lending programs to help meet the credit needs of low- and moderate-income homebuyers and small business owners in its AAs. Loans made under these programs are included in the HMDA and small business loan data previously discussed.

FNB and AMC participated in several governmentally-sponsored, subsidized home loan programs that benefit low- and moderate-income borrowers. These programs include:

Arkansas Development Finance Authority First-Time Homebuyers Program (ADFA): FNB, through AMC, offers this program for low- and moderate-income first-time homebuyers. This program includes below market interest rates. The ADFA funds this program through state bond issues. The ADFA limits the number of applicants it will accept per financial institution. During 1997, AMC made eight loans on behalf of FNB totaling \$538 thousand. FNB also participates in another component of this program, the Home Buyer's Assistance Program, which includes homebuyer education and closing cost grants funded by ADFA. These aspects of the program and FNB's role are further described under the *Service Test* of this evaluation as ***Community Development Services***.

Rural Housing and Community Development Guaranteed Loan Program: This government guaranteed loan program, available in areas meeting certain population guidelines, assists low- and moderate-income families in buying a home. It features no downpayment requirement. FNB has offered this program since September 1995. Loans are available in rural areas which excludes the City of Rogers. During this evaluation period, FNB made eight loans totaling \$148 thousand in its Nonmetropolitan Arkansas AA.

FNB also regularly originates Small Business Administration (SBA) loans for small business owners who need assistance with financing. The bank made 14 SBA loans which have balances outstanding of \$947 thousand. FNB also has 36 other SBA loans totaling \$5.1 million which originated during prior evaluation periods.

FNB has an outstanding \$500 thousand commitment representing its participation in a \$3.5 million low-interest loan program for revitalizing the downtown Rogers area through small business development. Seven lenders, including FNB, participate in the program. Each financial institution makes and services the loans it makes under the program. Loans are available at a reduced interest rate for property acquisition and rehabilitation as well as new business construction. A local economic development organization markets the program. Borrowers under the program have been limited to date. However, a committee of the organization reviews loan eligibility requirements annually in an effort to make the program more attractive.

FNB continues to offer its Certificate of Deposit loan program to assist borrowers in establishing credit. This program is particularly beneficial to low- and moderate-income individuals who have immigrated to the area and have no established credit history. FNB advances \$500 to the individual which is used to purchase a Certificate of Deposit. The loan is repaid over a specified period of time, thereby helping the individual establish credit history. Over this evaluation period, the bank made 24 loans totaling \$12 thousand.

INVESTMENT TEST

FNB has a low level of qualified community development investments and grants based on its size, financial capacity and the opportunities within its AAs. However, opportunities for purchasing qualified bond issues have been very limited due to the demographic make-up of the bank's AAs. There are no low- and moderate-income areas within these AAs. Qualified investments must have a "community development purpose" as described in the new CRA. Refer to the *Glossary of Terms* for this definition. During this evaluation period, FNB made \$46 thousand in grants and donations to organizations that have a qualified "community development" purpose. FNB has an additional \$2 thousand investment outstanding from a prior evaluation period.

FNB's grants and donations primarily supported organizations which are engaged in furthering the economic development of the Rogers AA. Other donations funded community organizations' efforts to provide services, including food, shelter and counseling, for low- and moderate-income individuals and families .

FNB has an investment of \$1,875 outstanding since 1995. This represents 18 percent of a total of a \$10,200 micro-loan fund administered by a local community development organization. This organization provides no interest, low payment loans to families in need of temporary assistance with housing, utilities, transportation and child care costs. The program since inception has made 28 loans for \$7,262.

SERVICE TEST

FNB's branches and services are reasonably accessible to its customers. FNB is a leader in providing community development services, with particular emphasis on financial education for low- and moderate-income individuals and small business owners.

Retail Banking Services

FNB has nine branches and one motor bank facility located in its AAs. The bank has three branches and a motor bank deposit-taking facility in Rogers, and one branch each in Pea Ridge and Lowell within the Rogers AA. FNB has two branches in Berryville and two in Eureka Springs in its Nonmetropolitan AA. The main office in Rogers, branches in Pea Ridge and Lowell as well as one branch each in Berryville and Eureka Springs offer a full array of loan and deposit services. Other branches offer limited loan services, but loan officers will see any applicant by appointment. Extended weekday hours are offered at the two Wal-Mart Supercenter branches located in Berryville and Rogers. Extended weekday hours are also available at the Dixieland branch in Rogers. Branches in each city also feature Saturday hours, with extended hours at the Supercenter branches. FNB also has 17 ATMs distributed throughout its AAs. There have been no branch closings during this evaluation period.

FNB offers a toll-free 24 hour Account Information Line which allow customers free access to select financial services including account information, funds transfer and rate information.

Community Development Services

FNB regularly initiates and provides valuable community development services in its AAs. Community development services must have a primary purpose of community development and relate to the provision of financial services. Officers provided their financial expertise extensively during this evaluation period through educating potential first-time homebuyers, small business owners and low- and moderate-income Hispanic immigrants.

- FNB continued its efforts to reach out to the growing Hispanic population in the Rogers area, which is predominantly low- and moderate-income. These efforts, initiated during the previous CRA evaluation period, have received national recognition and have been a catalyst for spurring other organizations to develop programs targeted toward the growing Hispanic population. During this evaluation period, FNB hosted and bank officers conducted numerous seminars targeted toward Hispanic immigrants to assist in their understanding of banking and financial services. Many of these seminars were held at local plants and churches. Seminars included: Introduction to Banking Services; How to Establish a Credit History; Home Loans in the United States; How to Write Checks in English; and Investment and Retirement Plans. In addition, the bank has employed bilingual deposit counselors, tellers and loan officers at its Dixieland branch to assist Hispanic customers in conducting banking business.
- A bank officer partnered with the area director of the Small Business Development Center (SBDC) and was instrumental in creating an active and ongoing training program for potential and existing small business owners. This program has evolved since fourth quarter 1996 and now consists of a basic curriculum for potential or new small business owners and an advanced curriculum for existing small business owners. The bank regularly hosts SBDC training seminars for small business owners at its main bank facility. The bank officer also lent his financial expertise in educating small business owners on how to develop a business plan and the types of financing available to small businesses during applicable seminars.
- FNB sponsored four Arkansas Development Finance Authority (ADFA) First-Time Homebuyers' Seminars in 1997. Two loan officers from the bank presented information on the home buying process, including how to obtain a loan, the application process, the types of financing available and budgeting for homeownership. These seminars are part of the ADFA's Home Buyer's Assistance Program which is funded and offered in conjunction with the ADFA's First-Time Homebuyer's Program. Upon completion of a homebuyer's counseling program, a potential low- or moderate-income homebuyer receives a certificate which can be used to defray up to \$3 thousand in closing costs. The ability to use the grant certificates is limited to the availability of first-time homebuyer funds from ADFA bond issues. FNB has offered this program since early 1996. In 1997, FNB provided this training to 135 potential homebuyers, however specific numbers of applicants awarded grants was not available.
- FNB participated in the Federal Home Loan Bank's (FHLB) Helping Hands Grant Program in 1997. The FHLB awarded FNB \$30,000 in monies to be used to provide downpayment and closing cost assistance for LMI homebuyers. At the bank's request, the FHLB allocated funds for the bank to use for this service based on a percentage of funds the bank borrowed from the FHLB for general funding needs. Through this program, the bank provided \$21,824 for seven low- and moderate-income homebuyers with closing cost assistance ranging from \$2,200 - \$4,500 each.

- A bank officer serves as a Director and a committee member for an economic development organization which promotes the continued viability of the downtown Rogers area through small business development. The committee provides oversight for the organization's low-interest loan program by annually reviewing the criteria for eligibility. Through this oversight, the program has been expanded to include construction of new businesses in addition to rehabilitation and improvements for existing store fronts and interior improvements.
- An officer is a member of the Board which oversees a local community development organization's micro-loan pool which provides small, short-term loans to low income individuals in need of financial assistance. All banks which contributed to the fund are represented on the Board of the micro-loan pool. The Board meets quarterly to review the loans made and provides financial advice and counsel to the Director of the community organization who administers the loan program.

Other qualified community development services which FNB offers in its AAs include:

- Free checking with a minimum deposit of \$100 to open the account.
- A small business checking account designed for businesses with lower monthly transaction volumes. For a low monthly service fee, the small business owner can transact up to 200 monthly transactions free of charge.
- Two savings account products for children under age 18 to encourage establishing savings. The YES Account, for those 10-17 years of age, has no minimum opening deposit and no services charges. The Moola Moola Savings account is offered to children age nine and under. In addition to the features of the YES account, the Moola Moola accountholder receives special incentives for each \$5 or more deposited.

FAIR LENDING REVIEW

We did not identify any discriminatory practices or substantive violations of anti-discrimination laws. FNB contracted an independent consulting firm to perform a comprehensive fair lending self-evaluation. The scope of the evaluation included a detailed comparison of loan terms and underwriting processes for minority applicants versus a control group of white males to determine if applicants received equal and fair treatment. A sample of loans were tested to validate the results of the consultants findings and conclusions. Our conclusions were consistent with FNB's fair lending self-evaluation which concluded that FNB does not engage in discriminatory or unfair lending practices.

Metropolitan Area

Description of Institution's Operations in Rogers AA (Fayetteville-Springdale-Rogers MSA #2580):

The operations in this assessment area were discussed previously under the *Service Test* in the conclusions regarding the overall institution.

Conclusions about Performance Tests in the Rogers AA:

The conclusions about the bank's performance in this assessment area are synonymous with FNB's overall conclusions. Since a significant majority of the bank's loans are attributed to this AA, it weighed most heavily in rating overall CRA performance. Refer to the previous discussion of FNB's overall CRA performance for further details of the bank's performance under the three tests.

Nonmetropolitan Statewide Areas

Description of Institution's Operations in the Nonmetropolitan Arkansas Area (Eureka Springs and Berryville, Arkansas AA)

FNB has two branches in each of these communities. Approximately 12 percent of the bank's deposits and 30 percent of the bank's HMDA and small business loans for 1997 were attributed to this AA. In addition, for Carroll County, FNB ranked fourth of the five financial institutions reporting deposits, with a deposit market share of 15 percent as of June 30, 1997. Refer to the previous discussion under the *Service Test* for the entire institution for more information regarding the services provided.

Both Eureka Springs and Berryville are located in Carroll County of this AA. Based on 1990 U. S. Bureau of the Census, the population of Eureka Springs and Berryville was 1,900 and 3,212, respectively. Although the bank does not have any branches in Boone or Madison Counties, its proximity and the number of loans originated here prompted management to include it as part of the AA. Credit needs within this AA are similar to those of the Rogers AA and include affordable housing for low- and moderate-income families and financial education.

The following table shows the demographic characteristics of the entire Nonmetropolitan Arkansas AA.

ASSESSMENT AREA PROFILE: EUREKA SPRINGS AND BERRYVILLE, ARKANSAS CARROLL, BOONE AND A PORTION OF MADISON COUNTIES, ARKANSAS					
DEMOGRAPHIC CHARACTERISTICS	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population	55,763				
Family Distribution by Income Level*	16,451	16%	18%	23%	43%
Census Tracts by Income Level	14	0%	0%	93%	7%
Businesses (% of # in CT)	2,304	0%	0%	97%	3%
Farms (% of # in CT)	87	0%	0%	94%	6%
Owner Occupied Housing (% of # in CT)	16,796	0%	0%	92%	8%
Median Housing Value = \$46,832					
HUD Adjusted Median Family Income for 1997 = \$29,500					

Data Source: 1990 Census Data - U. S. Bureau of the Census; Dun and Bradstreet

*Families Below Poverty = 12 percent.

Conclusions about Performance Tests in Eureka Springs and Berryville, Arkansas Assessment Area

Since only 30 percent of the bank’s HMDA and small business originations for 1997 were attributed to this AA, performance in this AA weighed less heavily in our overall conclusion regarding the bank’s performance. FNB’s lending performance and its level of community development services within this AA is somewhat weaker than that of the overall institution. However, this variance was not significant enough to warrant a downgrade in the bank’s overall rating for the Lending or Service Tests. FNB’s small business lending, investment and retail service performance in this AA is substantially similar to that of the overall institution.

FNB demonstrated good responsiveness to HMDA and small business credit needs within this AA. The bank showed adequate distribution of HMDA loans to borrowers of different income levels, with better lending performance to moderate-income borrowers than low-income borrowers. The bank extended a significant portion of its reported small business and small farm loans to entities with revenues of \$1 million or less. The bank has a very low level of qualified community development investments attributed to this AA, which is an area the bank can improve. FNB provides reasonable access to banking services and an adequate level of community development services for this AA.

Lending Test

Lending Activity:

FNB made a significant number of HMDA and small business loans and a reasonable number of small farm loans in its Nonmetropolitan AA based on its resources dedicated to this AA. The following table shows the bank’s lending activity in the Nonmetropolitan Arkansas AA for 1997.

LENDING TEST: EUREKA SPRINGS AND BERRYVILLE, ARKANSAS AA							
LOAN TYPE	#	\$ (000's)	CT	Low % of #	Moderate % of #	Middle % of #	Upper % of #
			B				
HMDA Products	241	15,764	CT	NA	NA	99%	1%
			B*	7%	14%	29%	49%
Small Business Loans	204	7,120	CT	NA	NA	100%	0%
Small Farm Loans	37	605	CT	NA	NA	100%	0%
Community Development	1	72					
TOTAL LENDING	483	23,561					

Data Source: Bank and Arvest Mortgage Company Records

(CT) = Income level of census tracts.

(B) = Income level of borrower.

* Row does not equal 100% because 1% of the borrowers did not report income.

Distribution by Borrower Characteristic:

Distribution of HMDA lending among borrowers of different income levels is adequate when considering the 12 percent of families in the AA who live below poverty. FNB’s small business and small farm lending shows efforts to make loans to smaller businesses and farms, i.e. those with revenues of \$1 million or less. FNB made

98 percent of its 204 reported small business loans to firms with revenues of \$1 million or less. This compares favorably with Dun and Bradstreet business demographics which show that 83 percent of the businesses in this area report revenues of \$1 million or less. In addition, the average loan size to businesses with revenues of \$1 million or less was \$35 thousand which gives some indication of the bank's efforts to meet the credit needs of smaller businesses. Loan size has generally been found to correlate with the size of a business. FNB made all of its 37 reported farm loans to farms with revenues of \$1 million or less. Approximately 90 percent of the farms in this AA report revenues of \$1 million or less per Dun and Bradstreet business demographics. FNB's average loan size to these farms was \$16 thousand.

Geographic Distribution:

The geographic distribution of FNB's lending in this AA is not meaningful, since there are no low- and moderate-income areas in this AA.

Community Development Loans:

FNB provided one community development loan totaling \$72 thousand in this AA. This loan assisted with constructing a facility for a community organization which will provide needed services for low- and moderate-income individuals.

Refer to *Flexible Loan Programs* in the overall conclusions for a discussion of the loan products available.

Investment Test

FNB provided a very low level of community development grants and donations in this AA. Grants and donations were limited to \$623 during this evaluation period. These funds assisted the community in providing food and other community services targeted toward low- and moderate-income families in the AA.

Service Test

Retail Services:

FNB's branches and services are reasonably accessible to its AA. Refer to the *Service Test* in the overall conclusions for further details regarding the branches and services available in this AA.

Community Development Services:

FNB provided an adequate level of community development services in this AA. The bank did not report any community development services unique to this AA. Refer to the previous discussion under the ***Community Development Services*** section for the overall institution for details of the community development services which the bank provides for all AAs.