

# **PUBLIC DISCLOSURE**

**November 4, 1996**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**River Valley Bank and Trust  
RSSD# 293549**

**P. O. Box 110  
Lavaca, Arkansas 72941-0110**

**Federal Reserve Bank of St. Louis  
P.O. Box 442  
St. Louis, Missouri 63166-0442**

**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 Reserve concerning the safety and soundness of this financial institution.**

## 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 Community Reinvestment Act performance of **River Valley Bank and Trust** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of **November 4, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

River Valley Bank and Trust meets the standards to receive a satisfactory rating. The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of its assessment area. It also has a majority of loans and other lending related activities within its assessment area and a reasonable dispersion of its loans among individuals of different income levels and businesses of different sizes. The geographic distribution of its loans also reflects reasonable dispersion throughout the assessment area.

The following table indicates the performance level of River Valley Bank and Trust with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>River Valley Bank and Trust</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

River Valley Bank and Trust is owned by Sebastian Bancshares, Inc., a one-bank holding company. The main office, which houses the majority of bank personnel, and a separate facility for its operations department, are located in Barling, Arkansas. The three other branches are situated in the nearby towns of Van Buren (two) and Charleston. As of September 30, 1996, the bank reported assets of \$77.3 million. Primary credit products offered by the bank include consumer-purpose loans secured by motor vehicles and business-purpose loans.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as all of Crawford, Sebastian, and Franklin Counties, which are contiguous and located in Arkansas. Crawford and Sebastian Counties comprise two-thirds of the tri-county, multi-state, Fort Smith Metropolitan Statistical Area (MSA).<sup>1</sup> Franklin County is in a nonmetropolitan area.

---

<sup>1</sup>The third component of this MSA is Sequoyah County, Oklahoma.

The assessment area encompasses 37 census tracts, categorized as follows:

**Census Tract Categorization by Income Level <sup>2</sup>**

1990 DATA	Low	Moderate	Middle	Upper	TOTAL
Crawford	0	0	8	0	8

---

<sup>2</sup>Low-income is defined as borrower income, or in the case of a census tract, a median family income that is less than 50 percent of the area median income. Area median income means the median family income for the Metropolitan Statistical Area (MSA) if a person or census tract is located in a MSA; or the statewide nonmetropolitan median family income if a person or census tract is located outside a MSA.

Moderate-income is borrower income, or in the case of a census tract, a median family income that is at least 50 percent and less than 80 percent of the area median income.

Middle-income is borrower income, or in the case of a census tract, a median family income that is at least 80 percent and less than 120 percent of the area median income.

Upper-income is defined as borrower income, or in the case of a census tract, a median family income that is 120 percent or more of the area median income.

Sebastian	2	3	12	9	26
Franklin	0	0	3	0	3
<b>TOTAL</b>	2	3	23	9	37
<b>Percentage of Population Residing in Each Income Category Census Tract</b>	1.2%	5.9%	71.7%	21.2%	100%

Economic activity in the assessment area is solid with strong housing activities and low unemployment relative to current national and state levels. However, per capita income for this area continues to be well below the national average. The area's per capita income was 77.0 percent of the national average in 1993, which is a decrease from 77.8 percent in 1983. This decrease stems largely from the abundance of low-skill, low-paying manufacturing employment opportunities; most notable in the Fort Smith area is the large number of poultry processors. Family income stratification is shown as follows:

**Assessment Area Income Stratification**

<b>1990 Census Data</b>	<b>Assessment area within MSA</b>	<b>Assessment area outside MSA</b>	<b>Assessment area Composite</b>
Low-Income Family Population	17.7%	19.7%	17.9%
Moderate-Income Family Population	17.4%	18.9%	17.6%
Middle-Income Family Population	23.5%	23.0%	23.5%
Upper-Income Family Population	41.4%	38.4%	41.1%

**CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:**

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable given its performance context, which includes the bank's capacity to lend, the capacity of other similarly-situated banks to lend in the assessment area, demographic and economic factors present in the assessment

area, and lending opportunities available in the bank's assessment area. The bank's average loan-to-deposit ratio for the six quarters since the previous examination is 70.6 percent. In comparison, the loan-to-deposit ratios for four regional competing institutions for the same time period range from 65.2 to 80.4 percent.

**Lending in the Assessment Area**

A review of a statistical sample of the motor vehicle and business loans originated by the bank in the past six months reveals that a substantial majority of its loans were made inside its assessment area. Of the 155 loan files sampled, 146, or 94.2 percent, are located within the assessment area. The following table shows the number and percentage of loans that are located inside of the assessment area.

**Distribution of Loans In/Out of the Assessment Area**

<b>Loan Type</b>	<b>Sample Size</b>	<b>Number in Assessment Area</b>		<b>Dollar Amount in Assessment Area</b>	
Motor Vehicle	95	88	92.6%	\$578,675	92.9%
Business	60	58	96.7%	\$2,852,022	94.3%
<b>Total</b>	155	146	94.2%	\$3,430,697	94.1%

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

A statistical review of the distribution of loans to borrowers of different income levels and businesses of different sizes shows that the bank meets the standards for satisfactory performance.

The bank's distribution of motor vehicle secured loans by the borrowers' income level is shown in the following table.

**Distribution of Loans Across Assessment Area<sup>3</sup>  
by Income Level of Borrower**

Loan Type	Borrower Income Level Number and Volume (000s)			
	Low	Moderate	Middle	Upper
Motor Vehicle	11 12.5%	21 23.9%	27 30.7%	29 33.0%
	\$47,976 8.3%	\$137,800 23.8%	\$175,539 30.3%	\$217,360 37.6%
Assessment Area Composite Family Population	17.9%	17.6%	23.5%	41.1%

The distribution of borrowers reflects a reasonable penetration to low- and moderate-income individuals. Data in the table demonstrates that the bank made 36.4 percent of its motor vehicle secured loans to low- and moderate-income borrowers. In comparison, 35.5 percent of the families in the assessment area are classified as low- and moderate-income families.

The bank also has a satisfactory record of lending to small businesses. Of the 13 business loans with complete revenue information, all were made to small businesses. The files for the remaining 45 business loans which were in the assessment area did not include business revenue information. Bank management used borrower income in the underwriting decision. Because revenue information was not available, loans with amounts equal to or less than \$100,000 were used as a proxy for small business loans.

---

<sup>3</sup>The distribution of loans to individuals by income level is determined using the income definitions in footnote one but is based on the most current median family income figures made available by the Department of Housing and Urban Development, rather than 1990 census data.

Of the aforementioned 45 loans, 41 were for \$100,000 or less. Assuming these loans are to small businesses, 93.1 percent of the bank's business loans originated in the past six months are to small businesses.



**Geographic Distribution**

A statistical review of the distribution of loans to individual borrowers and businesses shows that the bank's loans are dispersed in a reasonable manner throughout the assessment area. As such, the geographic distribution of the bank's loans meets the standards for satisfactory performance. The bank's combined distribution of motor vehicle and business loans is shown in the following table.

**Geographic Distribution of Loans Across Assessment Area by Income Level of Census Tract**

Loan Type	Census Tract Income Level Number and Volume				
	Low	Moderate	Middle	Upper	Total
Motor Vehicle	0 0.0%	3 3.4%	78 88.6%	7 8.0%	88 100%
	\$0.00 0.0%	\$18,544 3.2%	\$508,041 87.8%	\$52,090 9.0%	\$578,675 100%
Business	0 0.0%	5 8.6%	37 63.8%	16 27.6%	58 100%
	\$0.00 0.0%	\$293,570 10.3%	\$1,556,333 54.6%	\$1,002,119 35.1%	\$2,852,022 100%
<b>Total</b>	0 0.0%	8 5.5%	115 78.8%	23 15.8%	146 100%
	\$0.00 0.0%	\$312,114 9.1%	\$2,064,374 60.2%	\$1,054,209 30.7%	\$3,430,697 100%
<b>Population Residing in Each Income Category Census Tract</b>	1.2%	5.9%	71.7%	21.2%	100%

The above table indicates that the bank made 5.5 percent of its loans in low- and moderate- income tracts, where 7.1 percent of the assessment area's population resides. By dollar volume, loans in the low- and moderate- income areas comprise 9.1 percent of total loans dollar amount.

### **Review of Complaints**

No complaints have been received since the prior examination.

### **Additional Information:**

A fair lending analysis focusing on Regulation B (Equal Credit Opportunity), Regulation C (Home Mortgage Disclosure), and the Fair Housing Act was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.