

# **PUBLIC DISCLOSURE**

**December 9, 1996**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Peoples Bank and Loan Company  
RSSD# 294041**

**P. O. Box 1100  
Lewisville, Arkansas 71845-1100**

**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 CRA performance of **Peoples Bank and Loan Company** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of **December 9, 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.

Peoples Bank and Loan Company meets the standards to receive a satisfactory rating. The 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 Peoples Bank and Loan Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Peoples Bank and Loan Company</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

Peoples Bank and Loan Company is owned by The Citizens National Bancshares, Inc., a multi-bank holding company located in Hope, Arkansas. The bank has one office, which has been located in Lewisville since the bank was chartered in 1911. As of September 30, 1996, the bank reported assets of \$30.7 million. The bank's lending focus is primarily retail, emphasizing agricultural loans and secured, consumer-purpose loans.

## DESCRIPTION OF ASSESSMENT AREA

Management defines the bank's assessment area as all of Lafayette County which is located in the southernmost part of western Arkansas. Lafayette County contains three Block Numbering Areas (BNAs) which include two middle-income BNAs (9701.00 and 9702.00) in the northern portion of the county. The third BNA (9703.00), which is also the most southern BNA, is categorized as moderate-income.<sup>1</sup> The Peoples Bank and Loan Company office is located approximately midway between the two northern, middle-income BNAs.

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<sup>1</sup>Low-income is defined as borrower income, or in the case of a geography, a median family income that is less than 50 percent of the statewide nonmetropolitan median family income.

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

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

Upper-income is defined as borrower income, or in the case of a geography, a median family income that is 120 percent or more of the statewide nonmetropolitan median family income.

Economic activity in the assessment area may be categorized as relatively slow, with aged housing stock and high unemployment when compared to state levels, as displayed in the following table:

**Arkansas State, State Nonmetropolitan, and Assessment Area  
Employment/Living Condition Indicators**

<b>1990 Census Data</b>	<b>State</b>	<b>State Nonmetropolitan</b>	<b>Assessment Area</b>
Population Change 1990-1994		2.9%	(3.1%)
Unemployment Rate	6.7%	7.6%	10.6%
Housing Median Age (years)	17	16	30
Families Living Below the Poverty Level	14.8%	17.4%	27.9%

Perhaps most notable in the preceding table is the high percentage of families living below the poverty level, as defined by the U. S. Census. In addition, the fact that the Lafayette County population level is decreasing may be due to individuals migrating to nearby metropolitan areas, such as Hope or Texarkana, in order to take advantage of public services not available in Lafayette (public transit or greater availability of low-income housing, for example).

Using 1990 census data, the following table compares population percentages of families by income level within the assessment area. These figures are particularly valuable as general guidelines when analyzing a bank's lending penetration among individuals of different income levels.

**Arkansas State, State Nonmetropolitan, and  
Assessment Area Income Stratification**

<b>1990 Census Data</b>	<b>State</b>	<b>State Nonmetropolitan</b>	<b>Assessment Area</b>
Low-Income Population	20.8%	21.3%	32.1%
Moderate-Income Population	17.7%	17.4%	16.9%
Middle-Income Population	21.9%	21.0%	18.3%
Upper-Income Population	39.6%	40.3%	32.7%

**CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is adequate 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 four quarters since the previous examination is 45.2 percent. In comparison, the average loan-to-deposit ratios for three regional competing institutions for the same time period range from 24.3 to 72.1 percent, as of September 30, 1996. One factor taken into account while reviewing the bank's loan-to-deposit ratio is the relatively large number of small dollar amount loans the bank provides. Although not very profitable, especially in light of Arkansas State interest rate caps currently in place, these small loans are particularly important in a relatively poor area such as Lafayette County.

**Lending in the Assessment Area**

A review of a statistical sample of the motor vehicle secured loans originated by the bank in the past six months and agricultural loans made since the last examination revealed that a substantial majority of its loans were made inside the bank's assessment area. Of the 95 loan files sampled, 84 (88.4 percent) were located within the assessment area; 81 percent of the total dollar volume was 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**

Loan Type	Sample Size	Number in Assessment Area		Dollar Amount in Assessment Area	
		Count	Percentage	Amount	Percentage
Motor Vehicle	48	41	85.4%	\$396,553	89.7%
Agricultural	47	43	91.5%	\$1,651,962	79.5%
<b>Total</b>	95	84	88.4%	\$2,048,515	81.3%

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

A statistical review of the distribution of loans made to borrowers of various income levels and to farm operations of different revenue levels shows that the bank sufficiently provides loans to borrowers of all income levels and to farms of different sizes, thus, meeting the standards for satisfactory performance.

The distribution of motor vehicle loans categorized by the borrower's income level is reflected as follows:

**Distribution of Loans Across Assessment Area by Income Level of Borrower<sup>2</sup>**

Loan Type	Borrower Income Level				
	Number of Loans				
	Dollar Volume				
	Low	Moderate	Middle	Upper	Total
Motor Vehicle	16 39.0%	7 17.1%	8 19.5%	10 24.4%	41 100%
	\$70,389 17.7%	\$43,422 11.0%	\$65,460 16.5%	\$217,282 54.8%	\$396,553 100%
Assessment Area Population	32.1%	16.9%	18.3%	32.7%	100%

The distribution of borrowers reflects effective penetration of lending to low- and moderate-income individuals. Data in the table demonstrates that the bank made 56.1 percent of its motor vehicle secured loans to low- and moderate-income borrowers. In comparison, 49.0 percent of the families in the assessment area are classified as low- and moderate-income.

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<sup>2</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 of 1990 census data.



The bank also has a satisfactory record of lending to small farms. Of the seven agricultural loans with complete revenue information, all were made to farms with gross revenue of less than \$100,000. Because revenue information was not available for 36 loans in the sample<sup>3</sup>, loan amount was used as a proxy for farm size, with loan amounts equal to or less than \$100,000 assumed to be made to small farm operations. Of the aforementioned 36 loans, 34 were for \$100,000 or less. Assuming these loans are to small farms, 95.4 percent of the bank's total agricultural lending since the previous examination was to small farm operations.

### **Geographic Distribution**

A statistical review of the distribution of loans to individual borrowers and farms shows that the bank's loans are concentrated in the middle-income BNAs.

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<sup>3</sup>The files for these agricultural loans originated in the bank's assessment area did not include revenue information because bank management utilized borrower income in the underwriting decision.

The bank's combined distribution of motor vehicle and agricultural credits is shown in the following table.

**Geographic Distribution of Loans Across Assessment  
Area by Income Level of BNA**

Loan Type	BNA Income Level				
	Number of Credits				
	Dollar Volume				
	Low	Moderate	Middle	Upper	Total
Motor Vehicle	N/A <sup>4</sup>	0 0.0%	41 100%	N/A <sup>4</sup>	41 100%
	N/A	\$0 0.0%	\$396,553 100%	N/A	\$396,553 100%
Agricultural	N/A	1 2.3%	42 97.7%	N/A	43 100%
	N/A	\$10,837 0.7%	\$1,641,125 99.3%	N/A	\$1,651,962 100%
Total	N/A	1 1.2%	83 98.8%	N/A	84 100%
	N/A	\$10,837 0.5%	\$2,037,678 99.5%	N/A	\$2,048,515 100%
Population Percentage in Each Income Category BNA	N/A	27%	73%	N/A	100%

<sup>4</sup>No low- or upper-income BNAs are located in the bank's assessment area.

The above table indicates that the bank made only one of its loans in the moderate-income designated BNA. As might be expected, the majority of the bank's lending occurs in the northernmost part of the county, where the bank's only office is located. The limited lending activity in the moderate-income BNA (9703) is somewhat explained by several legitimate factors. Bank management pointed out that this BNA contains an Arkansas state park and much of the area is timber industry property. Further, Bradley, Arkansas, which is located centrally in this BNA, has a lending institution servicing that area of Lafayette County. Although the mitigating factors listed above are considered authentic, the extremely limited penetration of lending to the only moderate-income BNA in the bank's assessment area does not meet standards for satisfactory performance.

### **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) and the Fair Housing Acts was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.