

# **PUBLIC DISCLOSURE**

March 3, 1997

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Monroe County Bank  
06011410

Monroeville, Alabama

Federal Reserve Bank of Atlanta  
104 Marietta Street, N.W.  
Atlanta, Georgia 30303

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency 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 (CRA) performance of The Monroe County Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of March 3, 1997. 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.

The Monroe County Bank was assigned a satisfactory rating because the majority of the bank's loans are within its assessment area. Also, based on available resources and the demographics of the assessment area, lending activities reflect a reasonable penetration among individuals of different income levels. In addition, the geographic distribution of loans is reasonable throughout the assessment area. The bank is in substantial compliance with all provisions of the antidiscrimination laws and regulations, including fair lending and fair housing laws. The Monroe County Bank has not received any CRA-related complaints since the previous examination.

**GENERAL INFORMATION (CONTINUED)**

The following table indicates the performance level of The Monroe County Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE MONROE COUNTY BANK		
	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 previous examination.		

## DESCRIPTION OF INSTITUTION

The Monroe County Bank has two bank offices located in Monroeville, Alabama. The bank is a wholly owned subsidiary of South Alabama Bancorporation, Inc., Mobile, Alabama (formerly First Monco Bancshares, Inc.). The bank is one of three affiliate banks (including First National Bank of Brewton and The Bank of Mobile) owned by the holding company. Total assets reported in the December 31, 1996 Consolidated Reports of Condition and Income were \$98 million. No legal or financial impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

The Monroe County Bank is a retail banking institution active primarily in consumer and small business lending. A review of lending activity since the previous examination showed that the bank originated 58 residential real estate loans, 68 small business loans, 51 small farm loans, 21 community development loans, and 359 consumer loans. The composition of the loan portfolio according to the December 31, 1996 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	2.0%
Secured by one- to four-family dwellings	29.2%
Other real estate:	
Farmland	0.7%
Nonfarm nonresidential	23.7%
Agriculture	0.6%
Commercial and industrial	28.4%
Loans to individuals	15.1%
All other	0.3%
Total	100.0%

The above table shows that real estate loans, which include one- to four-family dwellings and other real estate, make up 53.6 percent of the loan portfolio. Loans for commercial and industrial purposes make up 28.4 percent of the loan portfolio. Although the bank originates more consumer loans than any other product type, their percentage of the loan portfolio is less because of the relatively small dollar amounts of the consumer loans.

## **DESCRIPTION OF INSTITUTION (CONTINUED)**

### **Competition**

Within the bank's assessment area are located five other banks or their branches, and various other financial institutions, including credit unions. Of the five banks in the assessment area, four are community banks and one is a statewide bank. Although terms and rates vary, the banks in the assessment area offer essentially the same credit products. Of the four community banks, three have two offices. Three of the community banks' main offices, including that of The Monroe County Bank, are located in Monroeville. Competition for loans is joined by finance companies, credit unions, and nontraditional lenders such as insurance companies.

## **DESCRIPTION OF ASSESSMENT AREA: MONROE COUNTY, ALABAMA**

The bank's assessment area is part of Monroe County, Alabama, which is not located in a metropolitan statistical area. Monroe County consists of seven block numbering areas (BNAs), five of which are included in the bank's assessment area. Of the five BNAs in the bank's assessment area, one is moderate-income, three are middle-income, and one is upper-income. There are no low-income BNAs in the assessment area or Monroe County. Within the bank's assessment area are the cities of Monroeville, Franklin, Frisco City, Mexia, Peterman, and Excel.

### **Population and Income Data**

20,702 persons reside in the bank's assessment area. Of the total population, 2,317 (11.2 percent) reside in the moderate-income BNA, 11,573 (55.9 percent) live in middle-income BNAs, and 6,812 (32.9 percent) live in the upper-income BNA. The following table summarizes the distribution of households and families in the bank's assessment area by income.

**DESCRIPTION OF ASSESSMENT AREA: MONROE COUNTY, ALABAMA (CONTINUED)**

**Population and Income Data (Continued)**

<b>INCOME LEVEL</b>	<b>NUMBER OF FAMILIES IN ASSESSMENT AREA <sup>1</sup></b>	<b>% OF FAMILIES IN ASSESSMENT AREA</b>	<b>NUMBER OF HOUSEHOLDS IN ASSESSMENT AREA <sup>2</sup></b>	<b>% OF HOUSEHOLDS IN ASSESSMENT AREA</b>
Low = Less than 50 percent of median income	1,149	21.4	1,920	26.7
Moderate = 50 to 79 percent of median income	831	15.5	929	13.0
Middle = 80 to 119 percent of median income	898	16.7	984	13.7
Upper = 120 percent or more of median income	2,492	46.4	3,348	46.6
Total	5,370	100.0	7,181	100.0

Of 5,370 families in the assessment area, 36.9 percent are low- to moderate-income families; 17.5 percent of these families and 22.8 percent of assessment area households live below the poverty level.

According to the 1990 Census, the median family income of the assessment area was \$27,083 compared with \$28,688 for the state of Alabama and \$24,500 for nonmetropolitan areas of Alabama. The median household income for the assessment area was \$21,402 compared with \$23,597 for the state of Alabama and \$19,707 for nonmetropolitan areas of Alabama.

<sup>1</sup>Families exclude a single person living alone or two or more unrelated individuals living together.

<sup>2</sup>Households include all persons occupying a housing unit.

## **DESCRIPTION OF ASSESSMENT AREA: MONROE COUNTY, ALABAMA (CONTINUED)**

### **Housing Data**

8,173 housing units were in the assessment area according to 1990 Census information. 5,506 of the housing units were owner-occupied, 1,747 were rental, and 920 were vacant. 6,032 (73.8 percent) of the housing units were one- to four-family units, and 1,634 (20.0 percent) were mobile homes. The median housing value for the assessment area was \$44,831 compared with the state's median housing value of \$53,205 and \$41,673 for nonmetropolitan areas of the state. The median age of the housing units in the assessment area was 18 years. The affordability ratio for the assessment area was .477 compared with the state's median ratio of .444. The affordability ratio represents the relationship between the cost of single-family owner-occupied housing and the median income of households in a given area. Values closer to 1.0 indicate a greater affordability. The average gross rent for the assessment area was \$278.

### **Economic Data**

According to the Regional Economic Information System, establishment employment had declined to 12,184 jobs in 1994 from 12,756 in 1990, a decline of 4.5 percent. Establishment employment is an estimate of full- and part-time jobs by major source and standard industrial classification. The manufacturing sector is the largest employer followed by government and government enterprises in Monroe County. From 1990 to 1994, employment in manufacturing establishments increased 10 percent, from 4,625 to 5,088 jobs. However, during the same period employment in construction declined by 69 percent, from 1,276 to 394 jobs. According to the Bureau of Labor Statistics, the unemployment rate for Monroe County as of December 1996 was 10.6 percent. The unemployment rate for the state of Alabama as of December 1996 was 4.0 percent. According to the U.S. Census, as of March 1993, Monroe County had 424 business establishments, of which 399 (94 percent) employed fewer than 50 employees. The largest employer in the county is Vanity Fair Mills, Inc., a clothing manufacturer that employs over 2,000 persons. Other major industries for the area include timber, wood pulp, newsprint, and oil and gas production.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio for Monroe County Bank does not meet the standards for satisfactory performance. The bank's average loan-to-deposit ratio for the seven quarters ended December 31, 1996, was 26.3 percent, which is representative of the bank's performance for the past three years. This ratio does not compare favorably to the average loan-to-deposit ratio (60.1 percent) of the four financial institutions of similar size in the bank's assessment area, or to the average ratio for the two banks located in the city of Monroeville (66 percent). According to management, stagnant loan demand and strong competition, are primarily responsible for the bank's low loan-to-deposit ratio. Our analysis indicates that a conservative lending philosophy and the bank's focus on serving the need for small dollar consumer loans are contributing factors. Net loans averaged only 22.24 percent of the total assets since December 1993 according to the September 30, 1996 Uniform Bank Performance Report. Federal funds sold and the bank's investment portfolio made up over 70 percent of assets during that time. The chart below depicts the total assets, loans, and deposits and the average loan-to-deposit ratios for the five community banks including The Monroe County Bank as of December 31, 1996.

FINANCIAL INSTITUTION	TOTAL ASSETS	TOTAL LOANS	TOTAL DEPOSITS	L/D RATIO
The Monroe County Bank	\$ 98,132,000	\$ 23,522,000	\$ 80,315,000	26.30%
First Citizens Bank of Monroe	\$ 31,585,000	\$ 24,182,000	\$ 28,655,000	70.65%
Peoples Exchange Bank of Monroe	\$ 29,913,000	\$ 16,058,000	\$ 26,626,000	60.60%
Peterman State Bank	\$ 20,730,000	\$ 8,950,000	\$ 18,542,000	52.69%
United Bank	\$145,534,000	\$ 73,003,000	\$123,429,000	56.35%

### Lending in the Assessment Area

To evaluate the bank's performance, motor vehicle loans and small business loans were geocoded and analyzed. The analysis was used to determine the percentage of loans within the assessment area, the pattern of lending to borrowers of different income levels, and the geographic distribution of loans.



**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

**Lending in the Assessment Area (Continued)**

132 loans were sampled, including 83 consumer motor vehicle and 49 small business loans. These loans were analyzed to evaluate the bank's lending performance within its assessment area. A majority of the bank's lending activity occurs within its assessment area. 72 consumer motor vehicle loans (87 percent) and 32 small business loans (65 percent) were originated within the bank's assessment area. Of the small business loans outside the bank's assessment area, most were participation loans with an affiliate bank in Mobile, Alabama. Overall, 104 (79 percent) of the loans were within the bank's assessment area. This percentage meets standards for satisfactory performance.

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

The bank's lending to borrowers of various income levels, based on consumer motor vehicle loans in the assessment area, is detailed below.

FAMILY/BORROWER LEVEL OF INCOME	% OF TOTAL FAMILIES IN ASSESSMENT AREA	CONSUMER MOTOR VEHICLE LOANS	
		NUMBER	PERCENT
Low-income	21.4	24	41.4
Moderate-income	15.5	18	31.0
Middle-income	16.7	10	17.2
Upper-income	46.4	6	10.4
Total	100.0	58 <sup>1</sup>	100.0

The consumer motor vehicle analysis indicates that the bank has a satisfactory penetration among individuals of different income levels, especially low-income individuals. The Monroe County Bank has made substantial loan originations to low- and moderate-income applicants in relation to their proportion of the assessment area's demographic make-up. Low- to moderate-income applicants received 72.4 percent of sampled loans while low- and moderate-income families make up only 36.9 percent of the assessment area's population.

<sup>1</sup>Total does not include loans where income information was unavailable.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)**

The bank's originations to middle-income applicants reflects the population composition for middle-income families. Originations to upper-income applicants are less than their population composition in the assessment area because many of the upper-income residents are elderly and generally not in the market for automobile loans.

Small business loans were not analyzed based on gross annual revenues of the business or income of the borrower because of missing data regarding business revenues and borrower income. Overall, the bank meets standards for satisfactory performance.

**Geographic Distribution of Loans**

The table below shows loan originations in relation to key demographic information. Of the 132 loans reviewed, 104 were within the bank's assessment area. The table summarizes the bank's lending in terms of the community's make-up and BNA characteristics. The bank's assessment area does not have any low-income BNAs.

BNA TYPE	CONSUMER MOTOR VEHICLE LOANS		PERCENTAGE OF FAMILIES IN EACH BNA GROUP	SMALL BUSINESS LOANS	
	#	%		#	%
Moderate-income	6	8.3	10.9	0	0
Middle-income	36	50.0	57.5	13	40.6
Upper-income	30	41.7	31.6	19	59.4
Total	72	100.0	100.0	32	100.0

The Monroe County Bank's origination of motor vehicle loans in moderate- and middle-income tracts is slightly less than the percentage of families residing in those tracts. The distribution of motor vehicle loans throughout the assessment area is considered reasonable. As for small business lending, all of the loans reviewed were in middle- and upper-income BNAs. According to bank management, there are very few businesses in the moderate-income BNA. According to a representative of the community contacted in connection with the examination, most businesses are located in the city limits of Monroeville and the lower portion of Monroe County, which does not include the moderate-income BNA. The bank's geographic distribution of loans meets standards for satisfactory performance.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

### **Complaints**

No complaints relating to CRA performance have been filed against the bank since the previous examination.

### **Compliance with Antidiscrimination Laws**

No violations of the substantive provisions of the antidiscrimination laws and regulations were noted. Personnel involved in the lending process have good knowledge of fair lending issues and how they relate to credit applications and the evaluation process. Through periodic employee training, the bank's policy on fair treatment of all customers has been communicated from senior management to all staff members.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE (AND A DESIGNATED OFFICE IN EACH OF YOUR LOCAL COMMUNITIES) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
  
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.

**FEDERAL RESERVE BANK OF ATLANTA**

ASSISTANT VICE PRESIDENT

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
CYNTHIA C. GOODWIN

\_\_\_\_\_  
(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS MARCH 3, 1997, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

\_\_\_\_\_  
(Signature of Authorized Officer)

\_\_\_\_\_  
(Title)

THE MONROE COUNTY BANK

\_\_\_\_\_  
(Name of Bank)

MONROEVILLE, ALABAMA

\_\_\_\_\_  
(Location)

# FEDERAL RESERVE BANK OF ATLANTA

**Cynthia C. Goodwin**  
ASSISTANT VICE PRESIDENT

Board of Directors  
The Monroe County Bank  
Post Office Box 806  
Monroeville, Alabama 36461

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner M. Clarissa Mercer using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office (and a designated office in each of your local communities) no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

# FEDERAL RESERVE BANK OF ATLANTA

**Cynthia C. Goodwin**  
ASSISTANT VICE PRESIDENT

Ms. Patricia Hartje  
Regional Compliance Manager  
Office of the Comptroller of the Currency  
Marquis One Tower, Suite 600  
245 Peachtree Center Avenue, N.E.  
Atlanta, Georgia 30303

Dear Ms. Hartje:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for The Monroe County Bank, Monroeville, Alabama, as of March 3, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

# FEDERAL RESERVE BANK OF ATLANTA

**Cynthia C. Goodwin**  
ASSISTANT VICE PRESIDENT

Mr. Joel Palmer  
Assistant Director II  
Regional Operations - Compliance  
Office of Thrift Supervision  
1475 Peachtree Street, N.E.  
Atlanta, Georgia 30309

Dear Mr. Palmer:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for The Monroe County Bank, Monroeville, Alabama, as of March 3, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

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# FEDERAL RESERVE BANK OF ATLANTA

**Cynthia C. Goodwin**  
ASSISTANT VICE PRESIDENT

Mr. Jimmy Loyless  
Regional Director  
Federal Deposit Insurance Corporation  
One Atlantic Center, Suite 1600  
1201 West Peachtree Street, N.E.  
Atlanta, Georgia 30309-3449

Dear Mr. Loyless:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for The Monroe County Bank, Monroeville, Alabama, as of March 3, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

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**PUBLIC DISCLOSURE**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Name of Bank: THE MONROE COUNTY BANK

City and State: MONROEVILLE, ALABAMA

Date of Examination: MARCH 3, 1997

**FEDERAL RESERVE BANK OF ATLANTA**