

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

Minden Bank & Trust Company

Name of Institution

Minden

City

Louisiana

State

Mary A. Clouthier

Examiner-in-Charge

401 Main Street

Street

Webster

Parish

71058-0400

Zip Code

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CRA PERFORMANCE ASSESSMENT

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 **Minden Bank & Trust Company, Minden, Louisiana**, prepared by the **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of September 29, 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 bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. The bank's loan-to-deposit ratio is consistent with its local competition and lending within the bank's assessment area remains at high levels. The distribution of the bank's loans within its assessment area penetrates all areas of its assessment area. To a large extent, income data was not available for review; therefore, loan amounts were used a proxy to determine the level of lending to borrowers of different incomes and to businesses of different sizes. Based upon the lending performance described in detail within this report, Minden Bank & Trust Company is considered to have met the standards for satisfactory performance.

DESCRIPTION OF INSTITUTION

Minden Bank & Trust Company (MB&T) is an independent, retail bank owned by Minden Bancshares, Inc., a one-bank holding company located in Minden, Louisiana. MB&T's main office is located at 401 Main Street, Minden, Louisiana. The bank has a total of eight branch locations: three in Minden, four in Shreveport, and one in Sarepta. One of the eight branches is located in a low-income census tract and three are located in moderate-income census tracts. All of the bank's locations offer a full line of loan and deposit products, banking services, extended banking hours, and a drive-through facility. Two of the locations in Minden and all four branches in Shreveport have ATMs. At the last CRA examination conducted as of August 13, 1996, MB&T received a Satisfactory rating.

As of June 30, 1997, the bank reported total assets of approximately \$288 million. Net loans and leases represented 52.9% of total deposits. As indicated in the following chart, MB&T has a primary and increasing lending emphasis in residential 1-4 family real estate loans. In response to a strong real estate market in Bossier City and Shreveport, Louisiana, mainly driven by an expanding gambling industry, management has opened two branches in this area in the past two years, established a mortgage banking center, and is planning for future expansion in this growing market. During the 12-month period ending June 30, 1997, the bank's concentration in residential 1-4 family real estate loans increased from 22.2% to 29.6% of total loans. Secondary concentrations were noted in commercial real estate at 24.4% and commercial and industrial loans at 21.7%.

The asset distribution by loan type is as follows as of June 30, 1997:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$ 4,855	3.58
Residential 1-4 Family	40,110	29.58
Multifamily	864	0.63
Commercial	33,019	24.35
Agricultural	2,683	1.98
Total Real Estate	81,531	60.12
Consumer:		
All other	20,889	15.41
Commercial and Industrial	29,462	21.73
Agricultural	1,360	1.00
State and Political	381	0.28
Other	1,973	1.46
Total Loans	\$135,596	100.00%

Overall, the bank's ability to meet community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic or economic factors present in the assessment area, or the lending opportunities available in the assessment area. For the twelve-month period ended June 30, 1997, total loans

grew by \$25.5 million or 23.2%, as strong real estate loan demand and the purchase of a savings and loan institution in Shreveport accounted for the majority of this loan growth. Residential 1-4 family, commercial real estate, and commercial and industrial loans grew by \$15.7 million, \$3.9 million and \$2.1 million, respectively. According to President Jack E. Byrd, the local economic environment has been favorable on an overall-basis since the last examination. However, he noted that the Caddo Parish and Webster Parish differ in their economic condition, growth patterns, and levels of diversification.

DESCRIPTION OF CADDO AND WEBSTER PARISHES

The bank has identified its assessment area as Caddo and Webster Parishes, which are part of the Shreveport-Bossier City, Louisiana Metropolitan Statistical Area (SBC MSA). The SBC MSA also includes Bossier Parish, which lies directly in between Caddo and Webster Parishes. The SBC MSA is located in the northwest corner of Louisiana near the state boundaries with Texas and Arkansas. This area is commonly referred to as the “Ark-La-Tex” region and is known for its ample oil and gas and timber reserves and beautiful and scenic recreational areas and parks. Shreveport, Louisiana, is located approximately 185 miles east of Dallas, Texas, on United States Interstate 20 (U.S. I-20). Bossier City, Louisiana, lies adjacent to Shreveport across the Red River in Bossier Parish. Minden, Louisiana, lies approximately 30 miles east of Shreveport on U.S. I-20.

Caddo Parish is a less-diversified, wider-banded economy whose condition has been tied closely to the rapidly expanding riverboat gambling industry in the Shreveport/Bossier City market. Due to the relocation of several riverboat gambling facilities from the struggling New Orleans market and the opening of several new ones, the local economy has been experiencing strong growth as measured by an increased employment base and a strong and fairly tight commercial and residential real estate market. In the past three months, 10,000 new jobs have been added to the Shreveport/Bossier City market mainly in the gambling and related hotel, motel, and restaurant industries. It is estimated that the unemployment rate has been reduced to the 5-6% range. Wage inflation appears to be heating up, as the area is exhibiting strong demand for professional, clerical, service, and blue collar workers. This growth appears to have escalated in the past year, due to the opening of 25 new retail eateries, 6-12 new hotels, two additional Wal-Mart stores, and numerous other speculative commercial and residential real estate projects. While management indicated that there was a lot of growth in residential construction, community contacts contend that there appears to be a worsening affordable housing shortage. The energy sector appears to be doing well with plenty of reserves and increased rig counts in the past twelve months. The completion of the Horseshoe Hotel and Casino in late November, 1997, added several thousand permanent jobs to the local economy.

Webster Parish is considered to be a more diversified, tighter-banded economy. Since the closure of the Louisiana Army Ammunition Plant, which resulted in a loss of approximately 1,500 jobs, and downturns in the energy and timber industries, the local economy has become more diversified and reliant on the Shreveport/Bossier City market in the past few years. The unemployment rate in Webster Parish has declined from 12.3% in 1993 to approximately 7-8% in 1997; however, there has been no real job growth in the area and much of the improvement is attributed to local residents obtaining jobs in the fast growing cities of Shreveport and Bossier City. The major industries in the area include the government and school system, small manufacturing companies including a metal portable building and trailer manufacturer, medical facilities including a hospital and nursing care center, a welding company and training center, and timber and paper product companies. A fairly tight housing market exists, particularly in the

upper-income home segment. This has led to the proposal of three speculative residential real state developments involving a 90-acre site with homes in the \$60-80 thousand range, a 40-acre site with homes in the \$125-175 thousand range, and another 40-acre site for mobile homes in the past few months.

According to the 1990 United States Census (Census), the two Parishes had a combined population of 290,242, total households of 108,817, and total families of 77,119. Caddo Parish had a total population of 248,253 and Webster Parish had a total population of 41,989, of which 13,661 lived in Minden, Louisiana. Further analysis of the Census data indicates that the Caddo and Webster Parish population closely approximated the state of Louisiana (state) metropolitan areas' population in terms of borrower income characteristics. The 1990 Census combined median family income (MFI) for the assessment area was \$26,590, in comparison to the state metropolitan MFI of \$26,313. Low- and moderate-income families represented a total of 41.5% of the total population in Caddo and Webster Parishes, in comparison to 40.3% for low- and moderate-income families residing in metropolitan areas throughout the state. Of the total 41.5% figure, low-income families represented 25.7% and moderate-income families represented 15.8%. Further analysis of the low-income families living in the two Parishes found that 19.3% of the population were below the poverty level in the assessment area in comparison to 19.4% for the entire state.

On an individual-basis, the Caddo Parish population appeared to be generally more affluent than the Webster Parish population. In Caddo Parish, the MFI equaled \$27,301, low- and moderate-income families represented 40.6% of the population, and 19.1% of the families lived below the poverty level. In Webster Parish, the MFI equaled \$23,307, low- and moderate-income families represented 46.9% of the population, and 20.2% of the families lived below the poverty level.

Caddo Parish consists of 63 CTs, of which 24% are low-income, 25% are moderate-income, 24% are middle-income, and 27% are upper-income. Of the 11 CTs comprising Webster Parish, 9% are low-income, 18% are moderate-income, 64% are middle-income, and 9% are upper-income. In terms of the total population of 290,242 living in the two parishes, 9.5% live in low-income CTs, 27.1% live in moderate-income CTs, 38.0% live in middle-income CTs, and 25.4% live in upper-income CTs. Because a small percentage of the population resides in low-income CTs, it would be expected to see a lower percentage of lending in those tracts.

Two community contacts interviewed during the examination, one in Shreveport and one in Minden, indicated that a tight housing market exists in both areas. Analysis of the Census data revealed a 13.4% vacancy rate, a median housing value of \$52,627, and gross median monthly rent of \$341 for the assessment area. Additionally, 57% of the homes are owner-occupied and 29.6% are rental units, which were virtually identical to the state metropolitan figures of 57.6% and 29.8%, respectively. While the median housing age for the assessment area of 19.5 years is relatively young, the bank's mortgage lending reflects a strong demand for home improvement loans.

The community contact in Minden mentioned that demand for affordable housing for single- and multi-families, particularly in the \$80-150 thousand range, has increased due to a general improvement in the local economy and a slight increase in the population. An affordable housing shortage in the community has existed for some time due to the lack of effective and coordinated economic planning and development in this area by the local government and the business sector. According to the contact, demand for moderately-priced homes has not been met, as local builders have focused on developing higher-profit, upper-income homes in the past year.

The community contact in Shreveport noted that an existing affordable housing shortage has been exacerbated by economic and population growth resulting from the booming riverboat gambling and related industries, the aging of the local housing stock, and overall urban decay. The city of Shreveport's housing authority has a current waiting list of 200 families with an average waiting time of 2-3 years. This community contact also indicated that the city has an urgent need for home rehabilitation loans, as 25% of the homes are considered to be substandard. While the city government offers several affordable housing assistance programs geared towards low- and moderate-income individuals for first-time home purchase and home repair loans, these funds are not sufficient to meet current demand. As of this date, community development corporations (CDCs) operating within the SBC MSA have not been effective in creating partnerships with local financial institutions in addressing this affordable housing shortage.

Other major community credit needs identified by the community contacts were small business and venture capital loans to create additional employment opportunities and provide additional economic diversification. The community contact in Minden noted that a loan pool of low-interest loans funded by local banks and targeted to small businesses is greatly needed, particularly to revitalize the economically depressed downtown business district. The Shreveport community contact mentioned that small business lending provided by CDCs and local financial institutions would supplement the city's small business revolving loan fund that provides below-market, long-term loans for qualifying companies. During the examination, the Coordinating and Development Corporation, a CDC operating in Caddo, Webster, and seven other nearby parishes, received an \$891 thousand loan from the United States Department of Agriculture's Rural Business Cooperative Service to help meet this business credit need.

In summary, it appears that there are numerous opportunities for the bank to participate in community development and other credit-related programs in the area, particularly in the area of affordable housing, home repair, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The CRA analysis was conducted using statistical samples of 150 consumer motor vehicle loans and 96 commercial loans made during the six-month period from January 1 through June 30, 1997. Additionally, 435 home purchase, home improvement, and refinanced loans reported on the bank's 1996 Home Mortgage Disclosure Act Loan Application Register (1996 HMDA loans) and 327 similar loans reported on the bank's 1997 Home Mortgage Disclosure Act Loan Application Register prepared through August 31, 1997 (1997 HMDA loans) were analyzed.

LOAN TO DEPOSIT RATIO

The institution's loan-to-deposit (LTD) ratio is considered reasonable in light of its performance context, which includes the institution's capacity to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area. The bank's quarterly-average LTD ratio since the last examination equaled 52.4%. As of June 30, 1997, the bank's net loans represented 52.9% of total deposits, which fell below the national peer level of 72.1%. The bank's LTD ratio has increased by 400 basis points from the 48.9% figure cited at the last examination.

MB&T’s quarterly-average LTD ratio was compared with two other banks operating within the assessment area, in order to obtain a more meaningful comparison and more accurately assess the bank’s performance. These two banks were considered to be similarly-situated institutions based upon management’s contention that they represented MB&T’s primary competitors, in addition to their similar asset sizes, loan portfolio mixes, loan growth patterns, and other factors. MB&T’s quarterly-average LTD ratio of 52.4% closely approximated the 53.3% average of the two similarly-situated bank’s quarterly-average LTD ratios. This ratio is considered reasonable and meets the expectations for satisfactory performance.

LENDING IN ASSESSMENT AREA

The institution met the expectations for satisfactory performance, as a vast majority of the consumer motor vehicle, commercial, 1996 HMDA, and 1997 HMDA loans were made inside the bank’s assessment area. Overall, 87% on a number-basis and 72% on a dollar-basis of the motor vehicle and commercial loans were made inside Caddo and Webster Parishes. Analysis by each product type and summary totals on both a number- and dollar-basis are presented on the following two charts:

LENDING IN/OUT OF ASSESSMENT AREA ANALYSIS ON NUMBER-BASIS		
LOAN TYPE	% OF LOANS IN	% OF LOANS OUT
Motor Vehicle Loans	90%	10%
Commercial Loans	83%	17%
1996 HMDA Loans	88%	12%
1997 HMDA Loans	66%	34%
Total Loans	87%	13%

LENDING IN/OUT OF ASSESSMENT AREA ANALYSIS ON DOLLAR-BASIS		
LOAN TYPE	% OF LOANS IN	% OF LOANS OUT
Motor Vehicle Loans	93%	7%
Commercial Loans	65%	35%
1996 HMDA Loans	91%	9%
1997 HMDA Loans	48%	52%
Total Loans	72%	28%

Review of the 1996 and 1997 HMDA loans also found that a substantial majority of these loans were made inside the bank’s assessment area. Specifically, 88% of the 1996 HMDA loans and 66% of the 1997 HMDA loans were extended in the assessment area. However, the decreased lending percentage in the assessment area for the 1997 HMDA loans reflects the increased residential lending activity in Bossier Parish resulting from a strong local economy being driven by the thriving gambling industry. Approximately 24% of the 1997 HMDA loan originations were made in Bossier Parish.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

On an overall-basis, the bank’s distribution of consumer, 1996 HMDA, and 1997 HMDA loans by borrower income information and commercial loans by revenue data were considered to be reasonable and met the standards for satisfactory performance.

The Department of Housing and Urban Development (HUD) updates MFI on an annual-basis and reports the 1997 SBC MSA MFI at \$36,000. For CRA purposes, borrower income information and analysis are based upon this figure. A breakdown by income range for each income category is detailed below:

1997 SHREVEPORT-BOSSIER CITY MSA MEDIAN FAMILY INCOME - \$36,000		
INCOME CATEGORY	INCOME RANGE AS A PERCENT OF MEDIAN	UPPER LIMIT OF RANGE
Low-Income	0-50%	\$18,000
Moderate-Income	51-80%	\$28,800
Middle-Income	81-120%	\$43,200
Upper-Income	121% and Above	Over \$43,200

The distribution of motor vehicle loans by income category is detailed on the following table.

MOTOR VEHICLE LOAN SAMPLE IN ASSESSMENT AREA BY INCOME LEVEL				
NUMBER OF LOANS		INCOME CATEGORY	DOLLAR AMOUNT OF LOANS	
NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS		NUMBER OF LOANS BY INCOME OF APPLICANT (THOUSANDS)	PERCENT OF TOTAL LOANS
8	22	Low-Income	\$ 52	15
13	35	Moderate-Income	133	40
10	27	Middle-Income	95	28
6	16	Upper-Income	56	17
37	100%	Totals	\$336	100%

While the analysis of the motor vehicle loans among the various income categories found an above-average distribution pattern, nearly three quarters of the loan sample was excluded from the analysis. Approximately 73%, or 98 out of the 135 motor vehicle loans made inside the bank’s assessment area, were missing borrower income information. In order to mitigate the lack of borrower income information, an analysis was performed using the loan amount as a proxy for borrower income information. As shown on the following table, the bank is making a significant number of small dollar motor vehicle loans, as 31% were made for amounts of \$5,000 or less.

While there is no direct correlation between income and loan amount, this demonstrates management’s willingness and efforts to meet the community’s credit needs, in particular for small dollar motor vehicle loans.

MOTOR VEHICLE LOANS IN ASSESSMENT AREA BY DOLLAR AMOUNT		
DOLLAR LEVEL CATEGORY	NUMBER	PERCENT OF TOTAL
\$5,000 Or Less	42	31
\$5,001 - \$10,000	47	35
\$10,001 - \$20,000	33	24
\$20,001 - \$30,000	12	9
Above \$30,000	1	1
Totals	135	100%

As shown on the following two tables, analysis of the 1996 and 1997 HMDA loan samples also revealed a reasonable distribution pattern which more closely matched the distribution of families living throughout the assessment area by income category. Approximately 42% of the 1996 HMDA loans and 47% of the 1997 HMDA loans were made to low- and moderate-income borrowers.

1996 HMDA LOANS IN ASSESSMENT AREA BY INCOME LEVEL (% OF TOTAL LOANS)				
Income Category	Home Purchase	Home Improv.	Refinancing	Combined
Low-Income	18	24	18	20
Moderate-Income	19	21	23	22
Middle-Income	15	27	26	24
Upper-Income	48	27	33	34
Totals	100%	100%	100%	100%

1997 HMDA LOANS IN ASSESSMENT AREA BY INCOME LEVEL (% OF TOTAL LOANS)				
Income Category	Home Purchase	Home Improv.	Refinancing	Combined
Low-Income	7	36	27	24
Moderate-Income	29	19	22	23
Middle-Income	20	14	24	19
Upper-Income	44	31	27	34
Totals	100%	100%	100%	100%

Analysis of the commercial loans among the various income categories appears satisfactory, as 56% of the commercial loans with revenue data were made to small businesses with gross revenues of \$1 million or less. However, 69%, or 55 of the 80 commercial loans made inside the bank’s assessment area, were missing current business revenue data and were excluded from the analysis.

COMMERCIAL LOAN SAMPLE IN ASSESSMENT AREA BY INCOME LEVEL				
NUMBER OF LOANS		GROSS REVENUES (THOUSANDS)	DOLLAR AMOUNT OF LOANS	
NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS		NUMBER OF LOANS BY INCOME OF APPLICANT (THOUSANDS)	PERCENT OF TOTAL LOANS
1	4	\$100 Or Less	\$ 5	1
6	24	\$101 to \$250	122	6
1	4	\$251 to \$500	12	1
1	4	\$501 to \$750	15	1
5	20	\$751 to \$1,000	947	52
11	44	Over \$1,000	708	39
25	100%	Totals	\$1,809	100%

An analysis was performed of the commercial loan sample using the loan amount as a proxy for business income information. Approximately 73% of the commercial loans made inside the bank’s assessment area were for amounts of \$25,000 or less and 93% were for amounts of \$100,000 or less. This further substantiates management’s willingness and efforts to help meet the community’s credit needs, in particular for small dollar business loans.

COMMERCIAL LOANS IN ASSESSMENT AREA BY DOLLAR AMOUNT		
DOLLAR LEVEL CATEGORY	NUMBER	PERCENT OF TOTAL
\$10,000 Or Less	34	42
\$10,001 - \$25,000	25	31
\$25,001 - \$50,000	11	14
\$50,001 - \$100,000	5	6
\$100,001 - \$250,000	3	4
Above \$250,000	2	3
Totals	80	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the bank’s geographical lending distribution was considered reasonable and met the standards for satisfactory performance. The breakdown of the 74 CTs comprising the bank’s assessment area are detailed in the following chart:

DISTRIBUTION OF CTS WITHIN ASSESSMENT AREA BY INCOME LEVEL		
INCOME CATEGORY	NUMBER	PERCENT OF TOTAL
Low-Income	16	22
Moderate-Income	18	24
Middle-Income	22	30
Upper-Income	18	24
Totals	74	100%

Analysis of the population residing in each CT income level category throughout the assessment area found a disproportionately low percentage of the population residing in low-income CTs in both parishes and in moderate-income CTs in Webster Parish.

POPULATION DISTRIBUTION WITHIN ASSESSMENT AREA BY CT INCOME LEVEL (% OF TOTAL)			
Income Category	Caddo Parish	Webster Parish	Combined
Low-Income	10	10	10
Moderate-Income	29	17	27
Middle-Income	33	68	38
Upper-Income	29	5	25
Totals	100%	100%	100%

As detailed in the following three charts, the bank’s pattern of lending shows an overall reasonable geographical dispersion of motor vehicle, commercial, 1996 HMDA, and 1997 HMDA loans throughout the assessment area. Approximately 18% of the motor vehicle loans, 30% of the commercial loans, 27% of the 1996 HMDA loans, and 26% of the 1997 HMDA loans were made in low- and moderate-income CTs. Based upon a detailed review of this information and an MB&T internal geocode analysis of all loans made in 1997 which yielded similar results, there does not appear to be any gaps in the bank’s geographical lending distribution.

LOAN SAMPLE IN ASSESSMENT AREA BY BY INCOME CATEGORY				
INCOME CATEGORY	COMMERCIAL LOANS		MOTOR VEHICLE LOANS	
	LOANS IN CT INCOME CATEGORY	PERCENT OF TOTAL LOANS BY LOAN TYPE	LOANS IN CT INCOME CATEGORY	PERCENT OF TOTAL LOANS BY LOAN TYPE
Low-Income	9	11	7	5
Moderate-Income	15	19	17	13
Middle-Income	43	54	93	69
Upper-Income	13	16	18	13
Totals	80	100%	135	100%

1996 HMDA LOANS IN ASSESSMENT AREA BY CT INCOME LEVEL (% OF TOTAL)			
Income Category	Caddo Parish	Webster Parish	Combined
Low-Income	6	9	8
Moderate-Income	26	13	19
Middle-Income	47	67	58
Upper-Income	21	11	15
Totals	100%	100%	100%

1997 HMDA LOANS IN ASSESSMENT AREA BY CT INCOME LEVEL (% OF TOTAL)			
Income Category	Caddo Parish	Webster Parish	Combined
Low-Income	4	18	11
Moderate-Income	18	12	15
Middle-Income	46	63	55
Upper-Income	32	7	19
Totals	100%	100%	100%

RESPONSE TO COMPLAINTS

The institution has not received any written complaints about its CRA performance since the last examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)

No violations involving illegal discrimination or discouragement were noted during the examination.