



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

November 20, 1997

Community Reinvestment Act Performance Evaluation

**First National Bank of Fort Smith
Charter Number: 1950**

**6th and Garrison
Fort Smith, Arkansas 72901**

**Office of the Comptroller of the Currency
Southwestern District Office
1600 Lincoln Plaza, 500 N. Akard
Dallas, Texas 75201-3394**

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

General Information	2
Definitions and Common Abbreviations	3
CRA Rating	4
Description of Institution	5
Description of the Assessment Area	5
Conclusions with Respect to Performance Tests	
Lending Test	7
Investment Test	13
Service Test	14
Fair Lending Review	18
Appendix A: Scope of Examination	19

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 of Fort Smith (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 20, 1997**. 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 the 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 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500,000 or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution’s CRA Rating: This institution is rated “**Satisfactory.**”

The major factors which support this rating include:

- ▶ The good responsiveness to credit needs of FNB’s assessment area, as reflected in the volume of small business and home mortgage loan products originated within the assessment area.
- ▶ The excellent distribution of loan originations throughout the assessment area geographies.
- ▶ The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes.
- ▶ FNB demonstrates an adequate record of serving the credit needs of low-income individuals and a good record of serving the credit needs of small businesses consistent with safe and sound banking practices.
- ▶ FNB has adequately responded to investment needs within the assessment area.
- ▶ A service delivery system that is accessible to essentially all portions of the assessment area.
- ▶ An adequate level of community development services within the assessment area.

The following table indicates the performance level of **First National Bank of Fort Smith** with respect to the lending, investment, and service tests:

Performance Levels	First National Bank of Fort Smith Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory		X	
Needs to improve			
Substantial noncompliance			

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

Description of Institution

The First National Bank of Fort Smith is the largest bank in the city with total assets of \$528 million at September 30, 1997. FNB is owned by First Bank Corporation, a non-regional multi-bank holding company, and is the lead bank in the company. Affiliate banks include the National Bank of Sallisaw, Oklahoma and the Citizens Bank and Trust in Van Buren, Arkansas. Both are relatively close in proximity to Fort Smith. The bank's primary competition in the local market includes Superior Federal Bank, City National Bank, and Deposit Guaranty National Bank.

FNB's primary business focus is on commercial lending which includes lending to small businesses and agricultural businesses to a lesser degree. Specifically, FNB's loan portfolio composition as reported in the June 30, 1997 Call Report, includes the following:

Loan Type	Dollar Volume (000)	Percent of Loan Portfolio
Commercial	213,970	74%
Individual Consumers	35,794	12%
1-4 Family Residential	29,556	10%
Agriculture	2,079	1%
Other	10,133	3%
Total Gross Loans	291,532	100%

The financial condition of FNB does not hinder the institution's ability to service their community. The previous CRA examination was concluded on August 15, 1994, and an outstanding rating was assessed under the previous CRA guidelines.

Description of the Assessment Area

FNB is located in Fort Smith, Arkansas which is located in northwest Arkansas adjacent to the Oklahoma border. The bank's assessment area consists of MSA 2720, a multi-state MSA, and census tracts 401.02 and 401.98 in Oklahoma which are contiguous to the MSA. The following census tracts have been excluded: 201, 202.01, 204.02, 301.01, 302.01, 302.02, and 303. These census tracts were excluded based on the effective trade area of the bank's lending per internal analysis and because of the geographic distance from Fort Smith. Approximately 2% of the deposits and 5% of the loans outstanding at September 30, 1997, were located in these areas. The assessment area consists of 37 census tracts. The table below provides the economic breakdown of the geographies and families located in the bank's assessment area.

Name of Bank and Name of Assessment Area															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
2	5%	8,236	18%	3	8%	7,834	17%	23	62%	10,420	23%	9	24%	18,355	41%

Source: Demographic Data - 1990 U.S. Census

The income designations of the census tracts are based on a median family income (MFI) of \$26,101 per year according to 1990 Census Bureau data. The Housing and Urban Development updated MFI for 1997 is \$31,493.

The population of the assessment area is 72,438 based on the 1990 Census. Fort Smith is the largest city in Sebastian County and the second largest in the state according to the last Census data. The daytime population increases to approximately 250,000 because Fort Smith is the major manufacturing center in Western Arkansas. Fort Smith is home to several large manufacturing entities including OK Foods, Whirlpool, and Rheem.

The local economy is growing. 1996 was a record year for industrial expansion in the Fort Smith region. The August, 1997 MSA unemployment rate was 5.1%. This is lower than the state rate and only slightly higher than the national rate of 4.9%. Agricultural related industry is nominal in this area.

According to the 1990 Census data, approximately 59% of the housing was owner-occupied. Permits for new homes from 1990 through 1995 were in excess of 1,000. The average cost of a new single family, three bedroom home with approximately 2,000 square feet is \$85,000. The average monthly rent is \$400. The median housing value is \$46,000.

Housing problems encountered in Fort Smith include substandard housing and a lack of affordable housing. The most prevailing need of the owner population is for funds to rehabilitate housing, down payment and closing costs.

We conducted one community contact meeting during this examination and reviewed information from a contact conducted in the last twelve months by another regulatory agency to gather data on community credit needs. Both individuals contacted were local government officials. These meetings provided similar information as to the credit needs within the community, those being affordable mortgage products including home purchase and home improvement loans, and loans to small businesses.

Conclusions with Respect to Performance Tests

LENDING TEST

In assessing lending performance, we focused on FNB's lending activity; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and, product flexibility.

Conclusions:

- ▶ FNB's lending level reflects a good responsiveness to assessment area credit needs.
- ▶ A substantial majority of the loans made are within the assessment area.
- ▶ The distribution of loans reflects an excellent penetration throughout the assessment area.
- ▶ This bank's record of serving the credit needs of low-income borrowers and very small businesses is good and consistent with safe and sound banking practices.
- ▶ The bank's community development lending levels are adequate.

Lending Activity

FNB's responsiveness to the credit needs within the identified assessment area is adequate. The loan-to-deposit ratio has been stable, averaging 65% since the last CRA evaluation in 1994. FNB's ratio is comparable to other banks of similar size (City National Bank with total assets greater than \$400 million and Deposit Guaranty National Bank, formerly Merchants National Bank with total assets greater than \$300 million) within the same market. A substantial majority of loans were originated within the assessment area. The volume of loans to small businesses is commensurate with the primary business focus of the bank and meets one of the primary credit needs within the community. Consumer and mortgage related lending is conducted by the bank but on a much smaller scale. FNB refers all requests for 30 year fixed rate mortgages to Citizens Bank and Trust, a state bank affiliate. Consumer lending does not represent a significant segment of the loan portfolio.

Assessment Area Concentration

Small Business and Small Farm Loans

FNB's level of small business loans reflects a good responsiveness to credit needs within the assessment area. A substantial majority, 90%, of the small business and farm loans originated in 1996 were to borrowers in the bank's assessment area.

Volume of Small Business and Small Farm Loan Originations in 1996 Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	1,345	\$74,116	1,233	92%	\$64,668	87%
Small Farm	18	\$505	4	22%	\$25	5%
Grand Total	1,363	\$74,621	1,237	91%	\$64,693	87%

Source: Bank prepared Small Business and Small Farm Data Collection Registers

Home Mortgage Loans

The total volume of home mortgages, home refinances, home improvement, and multifamily loans originated in 1995, 1996, and YTD 1997 is illustrated in the table below. A substantial majority of these loans were originated within the assessment area.

Volume of Home Mortgage Loan Originations in 1995, 1996 and YTD 1997 Within the Assessment Area						
Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Home Purchase/Refinance	148	\$5,299	133	90%	\$4,876	92%
Home Improvement	41	\$827	36	88%	\$772	93%
Multifamily	5	\$2,836	4	80%	\$2,546	90%
Total 1995	194	\$8,962	173	89%	\$8,194	91%
Home Purchase/Refinance	125	\$6,438	115	92%	\$5,955	92%
Home Improvement	37	\$848	35	95%	\$736	87%
Multifamily	6	\$546	6	100%	\$546	100%
Total 1996	168	\$7,832	156	93%	\$7,237	92%
Home Purchase/Refinance	103	\$4,082	90	87%	\$3,088	76%
Home Improvement	31	\$926	30	97%	\$916	99%
Multifamily	4	\$534	4	100%	\$534	100%
Total YTD 1997	138	\$5,542	124	90%	\$4,538	82%
Grand Total	500	\$22,336	453	91%	\$19,969	89%

Source: HMDA Loan Application Registers

Geographic Distribution of Loans within the Assessment Area

Small Business and Small Farm Loans

The geographic distribution of small business loans in 1996 reflects an excellent penetration throughout the assessment area. There are no gaps in the distribution of small business loans in any of the census tracts of the assessment area. The distribution of loans by census tract designation is representative of the potential opportunities available based on the distribution of businesses within the designated census tracts. The low volume of small farm loans originated leaves some obvious gaps. The low- and moderate-income census tracts are not conducive to agriculture related industries. These tracts are characterized primarily by residential or mid-city area locations.

Distribution of Small Business and Farm Loan Originations in 1996 Within the Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	2	5%	3	8%	23	62%	9	24%
Census Tracts Penetrated (% of tracts in income group)	2	100%	3	100%	23	100%	9	100%
Number of Businesses	412	9%	871	18%	2,341	49%	1,183	25%
Number of Farms	1	1%	4	4%	70	74%	20	21%
Loan Product	#	%	#	%	#	%	#	%
Small Business	104	8%	270	22%	492	40%	367	30%
Small Farm	0	0%	0	0%	4	100%	0	0%
Total 1996	104	8%	270	22%	496	40%	367	30%

Source: Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

Home Mortgage Loans

As previously stated, FNB is not an active originator of home mortgage loans. Based on the limited volume generated, the geographic distribution of home mortgage loans originated by FNB reflects an adequate penetration throughout the bank's assessment area. The following table illustrates that there are no conspicuous gaps in lending to census tracts of any designation. The lack of home improvement loan originations in low-income census tracts is attributable in part to a large volume, approximately 60%, of the occupied housing units being non-owner occupied within the two low-income tracts.

Distribution of Home Mortgage Loan Originations in 1995, 1996 and YTD 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	2	5%	3	8%	23	62%	9	24%
Census Tracts Penetrated (% of tracts in income group)	2	100%	3	100%	23	100%	9	100%
Number of 1-4 Family Units	819	2%	3,450	6%	37,834	71%	11,103	21%
Median Year Built of Housing	1944		1944		1969		1973	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	8	6%	21	16%	81	61%	23	17%
Home Improvement	0	0%	4	11%	20	56%	12	33%
Total 1995	8	5%	25	15%	101	60%	35	21%
Home Purchase/Refi	3	3%	16	14%	73	63%	23	20%
Home Improvement	0	0%	3	9%	28	80%	4	11%
Total 1996	3	2%	19	13%	101	67%	27	18%
Home Purchase/Refi	0	0%	7	8%	65	72%	18	20%
Home Improvement	1	3%	4	13%	18	60%	7	23%
Total YTD 1997	1	1%	11	9%	83	69%	25	21%
Grand Total	12	3%	55	13%	285	65%	87	20%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

Distribution by Borrowers' Income within the Assessment Area

Small Business and Farm Loans

The distribution of small business and farm loans to businesses and farms of different sizes is excellent. The distribution analysis reflects the bank's efforts to make small business loans to businesses of all sizes. This data substantiates the primary business focus of this bank and demonstrates that the majority of these loans are to businesses with revenues less than one million dollars which is consistent with the market demographics.

Distribution of Small Business and Farm Loan Originations in 1996 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	1,090	88%	\$22,362	35%	1,040	95%	\$20,792	93%
\$100,000 to \$250,000	90	7%	\$15,867	25%	73	81%	\$12,795	81%
\$250,000 to \$1,000,000	53	4%	\$26,439	41%	38	72%	\$18,489	70%
Totals	1,233	100%	\$64,668	100%	1,151	93%	\$52,076	81%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:					< 1 Million	65%	*As a percentage of loans of the size category	
					> 1 Million	13%		
					Unknown	21%		

Source: Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

Home Mortgage Loans

The distribution of HMDA related lending to individuals of different income characteristics indicates that the bank is doing an adequate job of serving the home mortgage needs of all borrowers.

Distribution of Home Mortgage Loan Originations in 1995, 1996 and YTD 1997 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	8,236	18%	7,834	17%	10,420	23%	18,355	41%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	8	6%	22	17%	25	19%	78	59%
Home Improvement	4	11%	7	19%	8	22%	17	47%
Total 1995	12	7%	29	17%	33	20%	95	56%
Home Purchase/Refi	6	5%	11	10%	18	16%	78	69%
Home Improvement	4	11%	5	14%	9	26%	17	49%
Total 1996	10	7%	16	11%	27	18%	95	64%
Home Purchase/Refi	9	10%	20	22%	22	24%	39	43%
Home Improvement	3	10%	9	30%	4	13%	14	47%
Total YTD 1997	12	10%	29	24%	26	22%	53	44%
Grand Total	34	8%	74	17%	86	20%	243	56%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

Community Development Lending

FNB has made an adequate level of loans that qualify as community development loans. The primary purpose of these loans was to construct affordable housing for low-and moderate-income applicants.

\$867,839 - a loan to a non-profit organization to construct 17, three bedroom single family rental units. The tenant is allowed the option of purchasing their unit at 85% of the appraised value at the end of a ten year period. Additional homes were constructed in Van Buren, Arkansas with funds to this same organization. The funds were used to construct ten, three bedroom single family units with the same purchase agreement as previously described. The Federal Home Loan Bank contributed approximately \$110,000 in interest rate subsidy money.

\$1,630,000 - FNB made a loan to construct a 58 unit affordable apartment complex for low-and moderate-income families. The property is located in census tract 13.03 which is an upper-income census tract.

\$1,600,000 - FNB made a loan to construct a 134 unit apartment complex. This property is located in census tract 6.00 which is an upper-income census tract. The rent structure is targeted at low- and moderate-income individuals.

\$1,000,000 - FNB made a line of credit to a residential builder for the construction of one to four family residences. In 1996, funds in excess of \$1.5 million were advanced and used to construct 28 homes that have typically been pre-sold with buyers approved by FmHA. Thirty-five percent of these homes were purchased by low- or moderate-income individuals. The average price range of the homes built was \$60,000 to \$70,000. All of the homes were built in South Sebastian County and are located in census tract 101 which is a middle-income census tract. In 1997, funds in excess of \$1 million were advanced to construct 17 homes under this same program. Two of these homes have been purchased by low- or moderate-income individuals.

In 1989, FNB made a \$167,000 loan to a non-profit corporation that provided the local funds necessary to obtain a \$500,000 grant from the Economic Development Administration. The corporation makes small business loans to applicants that would have difficulty obtaining credit through conventional products. The line is approved on an annual basis.

INVESTMENT TEST

To assess FNB's performance under the Investment Test, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and, its initiatives with community development.

Conclusions:

- ▶ FNB has an adequate level of qualified community development grants.
- ▶ Responsiveness to credit and community development needs of the assessment area are adequate.
- ▶ The grants are not considered innovative or complex.

Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation. Based on information obtained from bank management, FNB has six qualified investments totaling \$70,250. Although the various entities that received grants are located in the city of Fort Smith, the entire assessment area benefits from these organizations. There appears to be limited opportunities within Fort Smith for community development investments. The primary vehicle that the bank has used is through grants and contributions.

The following information details the nature and specific dollar volume of grants reviewed during this examination.

Grants that provide community service to low- and moderate-income persons total \$42,500:

- ▶ a treatment facility for multiple handicapped children in need of physical and occupational therapy;
- ▶ an emergency shelter for homeless children; and
- ▶ a shelter for abused women.

Activities that help revitalize and stabilize low- and moderate-income geographies total \$27,750:

- ▶ a donation to the United Way relief fund earmarked for tornado victims in the Fort Smith area;
- ▶ a five year pledge to an organization engaged in affordable housing rehabilitation; and
- ▶ a two year pledge to an organization that provides job training and skills to mentally retarded and disabled children.

Information provided by a community contact revealed several community development opportunities in the bank's assessment area that would benefit low- and moderate-income individuals and low- and moderate-income areas.

SERVICE TEST

In assessing FNB's performance under the Service Test, we focused on the accessibility of its delivery systems; changes in branch locations; reasonableness of its business hours and services in meeting the needs of its assessment areas; and, level of community development services.

Conclusions:

- ▶ FNB uses delivery systems that are accessible to essentially all portions of the institution's assessment area.
- ▶ FNB has opened two branches and changed the location of one branch since the last evaluation.
- ▶ Business hours and services offered at FNB locations are convenient and accessible to all segments of the assessment area.
- ▶ The institution provides an adequate level of community development services.

RETAIL BANKING SERVICES

Accessibility of delivery systems

Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area. FNB has nine branches in its assessment area.

Office Location	Street Address	Hours of Operation	Income Designation for Census Tract
Main Office	Sixth & Garrison	Mon-Thur 9-3, Fri 9-6	Low-Income
Midland Boulevard	2000 Midland Blvd	Mon-Thur 9-3, Fri 9-6	Moderate-Income
Grand Avenue	2727 Grand Avenue	Mon-Thur 9-3, Fri 9-6	Moderate-Income
Central Mall	5201 Rogers Avenue	Mon-Fri 8-6, Sat 9-2	Upper-Income
Phoenix Village	228 Phoenix Village Mall	Mon-Fri 8-6, Sat 9-2	Moderate-Income
Stonewood Village	7410 Rogers Avenue	Mon-Fri 8-6, Sat 9-2	Upper-Income
Greenwood City	311 East Center St Greenwood, AR	Mon-Fri 8-6, Sat 9-2	Middle-Income
Brooken Hill	9300 Highway 71 South	Mon-Thur 9-3, Fri 9-6 Drive-In Mon-Fri 8-6	Upper-Income
Cornerstone Branch	3515 Old Greenwood Road	Mon-Thur 9-3, Fri 9-6 Drive-In Mon-Fri 8-6	Upper-Income

The bank's ATMs are conveniently and reasonably located throughout the entire assessment area. FNB has ten proprietary ATMs which are available 24-hours a day, 7 days a week. Seven of the ATMs are paired with branches. Two ATMs are located outside the city limits of Fort Smith in Barling, Arkansas and Greenwood, Arkansas. FNB customers with ATM cards also have access to five additional ATMs available through Citizens Bank and Trust Company in Van Buren, Arkansas and National Bank of Sallisaw in Sallisaw, Oklahoma. The banks in Van Buren and Sallisaw are affiliated with FNB. A fee is not charged to FNB customers who use the affiliate banks' ATMs.

ATM Distribution Within the Assessment Area					
	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Number	0	2	3	5	10
Percent	0%	20%	30%	50%	100%

Changes in branch locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the August 1994

evaluation, FNB opened two branches--Greenwood (September 1994) and Cornerstone (May 1995). The branch at 1900 South Zero Street (Jenny Lind) was relocated in March 1996 to 9300 Highway 71 South (Brooken Hill). The branch was relocated because the old location was small, outdated, and in a very congested area. The new location is larger, modern, and has a much better traffic flow. The old and new locations are in the same general area, and both are in upper-income tracts (13.04 and 13.03). Otherwise, no branches have been closed since the last CRA review.

Reasonableness of business hours and services in meeting assessment area needs

Banking hours are convenient and accessible to the entire assessment area. Four branches are open for extended hours Monday through Friday and have lobby hours on Saturday. Two branches have drive-in facilities.

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. FNB offers a variety of loan, deposit, and other traditional banking products to meet the assessment area banking needs. Thirty-year, fixed rate mortgages can be obtained through FNB's affiliate, Citizens Bank and Trust Company, in Van Buren. Trust and discount brokerage services are also available. Visa[®] and MasterCard[®] credit cards can be obtained through First USA Bank. A 24-hour automated teller machine (ATM) system allows customers easy and convenient access to their funds during and outside of banking hours. The majority of services the bank offers are available at all offices. With the exception of the Grand Avenue branch, all locations have a loan officer. The Grand Avenue branch is not physically large enough to have a loan officer located there. The branch locations primarily make consumer loans while commercial loans are made at the main office. Credit applications for all loan types are available at the branches. To facilitate the delivery of banking services to the entire community, a bank employee at the Midland Avenue branch has taken courses in Spanish in order to assist Spanish-speaking customers with their banking transactions. FNB is the only bank to have a physical presence in this section of Fort Smith which is a moderate-income census tract.

FNB offers low-cost checking accounts for individuals and non-profit organizations:

- ▶ *First Checks* requires a minimum deposit of \$100 to open the account. The monthly service charge is \$2.00 per month plus \$0.20 per check posted on the account. There is no minimum balance charge. This account also offers special end-stub checks at no charge.
- ▶ *Prime Time* checking is for seniors age 60 and over. This account also requires a minimum \$100 to open the account. There is no monthly service charge or minimum balance charge. Pocket-style personalized checks are provided at no charge.
- ▶ *Non-Profit Accounts* are for unincorporated non-profit organizations such as clubs, charitable organizations, and religious groups. A minimum deposit of \$100 is required to open the account and there is no minimum balance or monthly service charge.

COMMUNITY DEVELOPMENT SERVICES

FNB provides other services within the assessment area that are primarily for economic and community development and are related to the provision of financial services. These services include providing technical assistance on financial matters to small business owners and nonprofit organizations. The following services benefit the assessment area:

Small Business Seminars

FNB conducted three seminars for small business owners in the summer of 1995. The seminars covered the following topics: *Understanding Financial Statements*, *Managing Your Company's Cash Flow*, and *Marketing Planning: A Step-By-Step Guide*. These seminars were designed to help small business owners to better manage their businesses.

Consumer Credit Counseling

Credit Counseling of Arkansas, Inc. (CCOA) was established in June 1995. This organization is funded by the Walton Foundation and serves northwest Arkansas. CCOA is a nonprofit community service organization dedicated to helping people manage their finances and solve their debt problems through counseling and debt management programs. An FNB officer served on the Northwest Arkansas Board. CCOA is based out of Fayetteville, Arkansas and has offices in the cities of Bentonville and Fort Smith. The Fort Smith office opened in November 1995. Referrals are made from local businesses, banks, and hospitals in an effort to help people experiencing financial problems to manage their personal finances.

Downtown Fort Smith Revitalization

FNB's Community Development Officer (CDO) is actively involved in various projects that promote and revitalize downtown Fort Smith. The CDO also serves as the chairman of the Downtown Volunteers and has spent numerous hours on obtaining funds from the city of Fort Smith to rebuild sidewalks on Garrison Avenue. These efforts have revitalized and improved the area and resulted in several businesses moving to downtown.

Community Coalition Corporation (CCC)

FNB is one of four financial institutions in Fort Smith that is a member of the CCC. The CCC was founded in February 1995 as a 501C3 corporation. The purpose of the CCC is to develop affordable housing in low- and moderate-income areas for low- and moderate-income individuals. The CCC works closely with the McGill Center, which is also a member of the CCC. FNB has worked with the other financial institutions in obtaining a \$312,300 grant from the Department of Housing and Urban Development's (HUD) Home Investment Partnership Program. The city of Fort Smith administers this program locally. These funds were used to construct ten first-time home buyer units and ten rental units. Ten units are completed to date. The entire project is expected to be completed by year end 1997.

Fair Lending Review

The scope of the fair lending portion of the examination included a comparative file review of unsecured, consumer loan applicants. Our comparative analysis focused on gender. Denied female applicants were chosen as the prohibited basis group and approved male applicants were chosen as the control group. We reviewed 40 denials and 50 approvals to draw our conclusions. We did not identify instances of discrimination. We did recommend the development of policy guidelines for underwriting consumer credit applications.

Appendix A: Scope of Examination

The scope of our evaluation focused on FNB's activities in its assessment area as defined in the Performance Context section of this document. We utilized the CRA Examination Procedures section of the *Comptroller's Handbook* to conduct the evaluation. We evaluated activities since the prior evaluation of CRA performance August 15, 1994 through November 20, 1997.

We included lending activity for the following products in our analysis: small business and farm loans and mortgage related products (including home purchase/refinance and home improvement loans). Data on the small business and farm lending was analyzed for 1996. Data regarding home mortgage related loans were analyzed for 1995, 1996, and through September 30, 1997. The data evaluated is based on originations that occurred during the noted time frames.