



PUBLIC DISCLOSURE

June 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fidelity National Bank of West Memphis
Charter Number - 15608**

**330 West Broadway
West Memphis, Arkansas 72301**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee 38103**

<p>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.</p>

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 **Fidelity National Bank of West Memphis, West Memphis, Arkansas**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of June 8, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The conclusion is based on the following:

- ▶ **A substantial majority of loans are made in the assessment area.**
- ▶ **The bank has a reasonable distribution of loans to borrowers of different income levels and businesses and farms of different sizes.**
- ▶ **The loan-to-deposit ratio is reasonable.**
- ▶ **The geographic distribution of loans is reasonable.**

DESCRIPTION OF INSTITUTION:

Fidelity National Bank, West Memphis, Arkansas (Fidelity) is an \$86 million institution located in eastern Arkansas, approximately 5 miles west of Memphis, Tennessee. The bank's primary focus is small business, home mortgage, and other consumer loans. The loan portfolio composition as of March 31, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
Commercial	\$22,778	64%
1-4 Family Residential	5,001	14%
Consumer	5,868	17%
Farmland & Agriculture	719	2%
Other	1,227	3%
TOTAL	\$35,593	100%

Fidelity operates from its main office at 330 West Broadway, with one branch located in West Memphis, Arkansas, at 350 West Service Road, and one branch located in Marion, Arkansas, at 200 Military Road. The bank offers a full range of banking services at its main office and the Marion, Arkansas branch, with an ATM at all three locations. There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

Fidelity has numerous indirect competitors in the Memphis MSA including several large regional banks. In addition, Fidelity competes directly with branches of regional banks in West Memphis and Marion, Arkansas and with community banks in Crawfordsville and Earle, Arkansas.

DESCRIPTION OF ASSESSMENT AREA:

Fidelity's assessment area, Crittenden County, Arkansas, includes 12 census tracts (CTs) in the Memphis MSA. Four are middle-income CTs, five are moderate-income CTs, and three are low-income CTs. Crittenden County is located in eastern Arkansas, directly across the Mississippi River from Shelby County, Tennessee, which comprises the greater part of the Memphis MSA. The median family income (MFI) for the MSA is \$31,990.

According to the 1990 U. S. Census demographic data, Crittenden County reported a population of 49,939. The Department of Housing and Urban Development (HUD) 1997 updated MFI is \$42,800. This income figure is updated annually and is used to determine the income level of individual applicants. There are 13,229 families in the assessment area of which: 4,250 (32%) are low-income; 2,436 (19%) are moderate-income; 3,099 (23%) are middle-income; and 3,448 (26%) are upper-income.

Local economic conditions are good with low unemployment (approximately 5%), and there is a diverse employment base. The employment and economic stability of the assessment area is largely due to its beneficial geographical position. Interstate Highways 40 (East - West) and 55 (North - South) intersect in the assessment area. The Mississippi river ports of Memphis and West Memphis and the junctions of several rail lines also serve to make the area a regional transportation and distribution hub.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

A substantial majority of loans originated by the bank during 1997 and the first quarter of 1998 are within Fidelity’s assessment area. The bank originated 1,457 loans during that period, totaling \$28 million. Of these loans, 1,337, or 92%, are within the bank’s assessment area. In terms of dollar volume, approximately \$24 million, or 86%, were made within the assessment area.

Lending to Borrowers of Different Incomes

The distribution of lending to borrowers reflects a reasonable penetration of lending to individuals of different income levels (including low- and moderate-income). We reviewed 125 home mortgage related loans made in 1997 in addition to a sample of 20 consumer loans. The following table reflects the results of this analysis and show that the number and dollar volume of lending to borrowers of different income levels adequately reflects the demographics of the assessment area.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
	%		%		%		%	
Family Characteristics	4,250	32%	2,436	19%	3,099	23%	3,448	26%
Number of Loans	36	25%	32	22%	26	18%	51	35%
Dollar Volume	\$278,000	11%	\$340,000	14%	\$273,000	11%	\$1,590,000	64%

Fidelity also has a good record of making loans to small businesses. A small business is defined as an entity with annual gross revenues of less than \$1 million. A sample of 18 business loans was used to determine if Fidelity is making loans to small businesses. The sample showed that 14 of the 18 loans, or 78%, were to businesses with gross revenues of less than \$1 million. In terms of dollar volume, approximately 58% of the loans sampled were to small businesses. The gross revenues of the largest farm borrowers were reviewed and it was determined that none were above \$1 million. Therefore, the \$719 thousand in agricultural loans are all to small farms.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable in comparison to the only comparable bank in West Memphis. Fidelity's loan-to-deposit ratio since the last evaluation has averaged 47% and has ranged from 42% to 51%. Over that same period, the comparable bank's loan-to-deposit ratio averaged 43% and ranged from 34% to 54%. The major factor contributing to the loan-to-deposit ratio is the level of competition in this market, given its proximity to Memphis, Tennessee and the large regional banks located there.

Geographic Distribution

The geographic distribution of loans is reasonable. The following table details the geographic distribution of all loans (by number) originated in 1997.

Census Tract	Family Income	Distribution of Loans	% of Assessment Area Population
0301.00	MIDDLE	10.6%	13.4%
0302.00	MIDDLE	28.8%	17.1%
0303.00	MIDDLE	9.0%	9.0%
0308.00	MIDDLE	20.0%	16.3%
0306.98	MODERATE	7.1%	6.9%
0307.00	MODERATE	5.9%	6.6%
0309.00	MODERATE	0.8%	2.3%
0310.00	MODERATE	1.8%	3.9%
0311.00	MODERATE	0.9%	7.6%
0304.00	LOW	2.5%	6.6%
0305.00	LOW	1.8%	6.8%
0306.10	LOW	0.8%	3.5%

While there is a concentration in middle-income CTs, this is due, in part, to the fact that all of Fidelity's offices are located in middle-income CTs (302, 303, and 308). In addition, most businesses are located in these CTs and the bank is primarily a small business lender.

There is a low level of penetration for three of the bank’s moderate-income CTs. However, these three CTs (309, 310, and 311) are not contiguous to the main office and branch CTs. These CTs are rural and are served by local community banks in those areas. The remaining two moderate-income CTs are contiguous to the main office and branch CTs and have satisfactory penetration of lending.

The low level of penetration of loans in the low-income CTs can be attributed to the limited business borrowing needs and low median family incomes of these tracts. Industrial warehouses are located in these CTs and there are very few retail businesses. Households in these CTs would be expected to have a lower borrowing capacity. Despite these limitations, Fidelity is lending to all CTs in the assessment area including low- and moderate-income areas. See table below for detail related to low-income CTs and their median family incomes.

Census Tract	Median Family Income
304	\$13,875
305	\$12,971
306.1	\$7,362

Response to Complaints

No complaints have been received from the public that specifically relate to the bank’s performance in helping to meet community credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A fair lending review was conducted in conjunction with the bank’s CRA evaluation. The sample criteria included loans to purchase residential real estate. No evidence of discrimination or disparate treatment was noted during this review. Fidelity is in technical compliance with fair lending laws and regulations.