

## **PUBLIC DISCLOSURE**

February 5, 1996

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Peoples Bank and Trust Company

Selma, 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**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of The Peoples Bank and Trust Company, Selma, Alabama, by the Federal Reserve Bank of Atlanta, the institution's supervisory agency.

This evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of February 5, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977, (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take the record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the agencies to make public certain portions of their CRA performance assessments of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## **ASSIGNMENT OF RATING**

### **Identification of Ratings**

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### **Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

### **Institution's Rating:**

This institution is rated Outstanding, based on the findings presented in the following discussion of the institution's performance.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

### **I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

**Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.**

The Peoples Bank and Trust Company has an outstanding record of ascertaining credit needs throughout its delineated community, including low- and moderate-income areas. The directors, officers, and employees are involved in ongoing contact with various types of individuals, community leaders, and local government officials. These contacts serve to identify credit needs. Bank personnel are also routinely in contact with local realtors, religious leaders, and education officials. These contacts include the local city and county boards of education, the Manufacturers Association, the Selma-Dallas Economic Development Authority, the Housing Development Corporation, the Selma Housing Authority, and the local chapter of Habitat for Humanity. Bank officers have also contacted the Selma Development Corporation and the Alabama Housing Finance Authority. The contacts are meaningful and enable management to maintain a high level of awareness of local credit needs.

The bank places officers on-site at a local Wal' Mart store to obtain feedback about banking services and credit needs as well as to promote the bank's products and services. This practice has been well received and is planned to continue. On December 11, 1995, bank officers and board members held a meeting with representatives of the minority community to obtain feedback on the bank's products and services. Additional meetings are planned for 1996. The bank's officer call program includes business development calls. In 1995, 48 officers made 2,435 calls. The bank's product brochure package includes a credit needs survey that can be completed and mailed to the bank.

The bank has identified a need for loans under \$1,000. Although the bank's policy establishes a minimum loan amount of \$1,000, officers are given the flexibility to make smaller loans based on the customers' needs and circumstances.

**The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act (CRA).**

The board of directors is actively involved in planning and implementing the bank's CRA program. Board members are personally involved in efforts to identify and meet consumer credit needs and in efforts to promote community development. A review of board minutes indicated a high level of oversight over the planning and monitoring of the bank's CRA activities. The discussions at board meetings included community development initiatives; geographic distribution of loan application activity, including credit extensions and denials; marketing efforts; and fair lending issues. The board of directors has supported

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS (CONTINUED)**

an extensive ongoing training program that includes CRA and fair lending. The content of the bank's CRA Statement is consistent with the technical requirements of the regulation and was reviewed and approved at the April meeting of the board of directors.

The bank has a comprehensive CRA plan in place that contains specific goals and objectives. The bank's CRA program includes a methodology for self-assessment and involves the board of directors, which monitors the implementation of the bank's CRA plan.

### **II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

**The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.**

The bank's marketing and advertising programs have direct oversight by the board of directors, senior management, and the CRA officer. The advertisements have extensive coverage and are designed to reach all segments of the local delineated community. Specific advertisements are targeted to African-American residents and senior citizens. Many of the bank's print advertisements promote a community bank image to contrast it with the larger regional banks in the area. Feedback from local residents has provided evidence of the success of this approach. Other advertisements are credit specific and promote personal loans, automobile loans, mortgage loans, home improvement loans, and small business loans. Advertisements are placed in the Selma Times-Journal, which has the highest circulation in the area; The Public Review, an African-American owned and targeted newspaper; and Seniors, a newsletter for senior citizens. The bank sponsors many events such as fundraisers and sporting events and routinely places advertisements in related programs and brochures. The bank was a sponsor of the Bridge Crossing Jubilee, a high profile celebration of the civil rights movement in Selma in the 1960s.

The bank places a high level of importance on its business development call efforts and community involvement by employees of all levels in the bank. These activities allow management to promote the bank's image in the community and to market products and services.

**The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.**

The bank's CRA Statement lists the following types of credit made available to the community:

## DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

### II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (CONTINUED)

#### **Personal Loans**

- direct and indirect automobile loans
- boat loans
- loans for other consumer purposes
- mobile home loans
- home improvement loans
- aircraft loans
- loans for other personal purposes

#### **Real Estate Loans**

- construction loans
- term mortgage loans

#### **Business Loans**

- unsecured loans
- equipment loans
- inventory loans
- loans on receivables
- loans on contract rights
- commercial real estate loans
- loans to civic organizations and churches

#### **Agricultural Loans**

- crop loans
- livestock loans
- equipment loans
- timber loans
- farm real estate loans
- household farm loans

A review of the bank's portfolio indicated that the bank actively offers and extends the types of credit listed in the CRA Statement.

The bank addresses local community credit needs through the origination of loans. According to the September 30, 1995 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio was 69.16 percent compared with a peer group average of 74.02 percent. The bank's peer group includes all insured banks with assets between \$300 million and \$500 million with three or more offices. The

## DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

### II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (CONTINUED)

bank is at the lower end of its peer group in terms of asset size at \$318.3 million. The bank is lower than peer average in one- to four-family residential loans, but significantly higher in commercial loans and loans to individuals.

The bank's permanent mortgage loans are usually adjustable rate mortgages. Permanent fixed-rate mortgages are made through arrangements with several mortgage companies that have direct secondary marketing capabilities.

According to the December 31, 1995 Consolidated Reports of Condition and Income, the bank's portfolio includes the following loans outstanding:

LOAN TYPE	PERCENTAGE
Construction and land development	3.1
Secured by 1-4 family residential properties	18.0
Loans to finance agricultural production	7.8
Secured by nonfarm nonresidential properties	6.8
Commercial and industrial loans	24.6
Loans to individuals	38.0
Other loans	1.7
<b>Total</b>	<b>100.0</b>

The following table lists the bank's loan production for 1995:

LOAN TYPE	NUMBER	AMOUNT
Small farm loans	319	\$ 15,022,847
1-4 family residential loans	389	12,377,134
Small business loans (less than \$1 million)	988	41,779,421
Home improvement loans	164	924,264

The bank responded to consumer credit needs for small dollar loans by allowing loan officers to go outside of bank policy and originate loans for less than \$1,000. At the end of 1995, there were 164 of these loans valued in excess of \$131,000. In conjunction with this initiative, the bank conducted an analysis that revealed that loans under \$2,000 are not profitable to the bank. An analysis of the applicants' incomes indicated that 89.4 percent of the applicants were low- to moderate-income.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (CONTINUED)**

The bank has been active in community development lending. The bank extended \$1.1 million in loans to two developers for the construction and renovation of housing for low- to moderate-income families. In 1995, the bank made a loan to a nursing home company for \$1.8 million. Another loan was made to a convalescent home for \$1.3 million. The bank extended a \$3.6 million loan for the construction of a 32-bed assisted living facility. The bank has also made numerous loans to local hospitals, churches, schools, nonprofit organizations, and volunteer fire departments.

#### **The institution's participation in governmentally insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms.**

The bank participates with government entities in its efforts to meet local community credit needs. The bank has made nine SBA-guaranteed loans totaling \$1.9 million and has made 13 loans totaling \$61,600 for housing rehabilitation through the Economic Development Program in partnership with the Selma Housing Authority.

### **III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

#### **Reasonableness of Delineated Community**

The bank has defined its delineation as Autauga, Butler, and Dallas Counties. The bank operates its 15 branches in Prattville, Greenville, and Selma, which are the primary municipalities in each of these counties. Based on the rural nature of these counties and the geographic distribution of loan originations for the period of January 1, 1995, through September 30, 1995, the delineation seems reasonable. It does not arbitrarily exclude any low- or moderate-income areas.

#### **The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

The bank's analysis of its loan applications, denials, and originations, which were geocoded by census tract or block numbering area (BNA), revealed a reasonable distribution of loan activity throughout the delineation. The analysis included a review of activity in census tracts and BNAs by income level and racial composition. Color-coded maps were produced which provided management and the board of directors a visual representation of the distribution of loan activity.

The following tables illustrate the number of applications, originations, and denials by income level of the census tracts or BNAs in the three counties in the bank's delineation. The applications geocoded include small business loans less than \$1 million, small farm loans less than \$500,000, and residential mortgage loans.

**DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

**III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (CONTINUED)**

<b>AUTAUGA COUNTY</b>				
<b>CENSUS TRACT/BNA</b>	<b>APPLICATIONS</b>	<b>ORIGINATIONS</b>	<b>DENIALS</b>	<b>DENIAL RATE</b>
Low- and moderate-income	249	207	42	16.9%
Middle- and upper-income	911	840	71	7.8%

<b>BUTLER COUNTY</b>				
<b>CENSUS TRACT/BNA</b>	<b>APPLICATIONS</b>	<b>ORIGINATIONS</b>	<b>DENIALS</b>	<b>DENIAL RATE</b>
Low- and moderate-income	922	840	82	8.9%
Middle- and upper-income	518	456	62	12.0%

<b>DALLAS COUNTY</b>				
<b>CENSUS TRACT/BNA</b>	<b>APPLICATIONS</b>	<b>ORIGINATIONS</b>	<b>DENIALS</b>	<b>DENIAL RATE</b>
Low- and moderate-income	1,794	1,298	496	27.6%
Middle- and upper-income	972	783	71	7.3%

The low- and moderate-income census tracts and BNAs generally have a higher minority population than the middle- and upper-income census tracts and BNAs. In Autauga County, the low- and moderate-income census tracts range from 46.7 percent to 49.1 percent minority population, and the middle- and upper-income tracts range from 2 percent to 22.1 percent minority population. In Butler County, the low- and moderate-income BNAs range from 42.9 percent to 65.3 percent minority population, and the middle- and upper-income BNAs range from 2.9 percent to 33 percent minority population. In Dallas County, the low- and moderate-income BNAs range from 58.5 percent to 97.8 percent minority population, and the middle- and upper-income BNAs range from 9.6 percent to 67.7 percent minority population.

Although the denial rates are generally higher in the lower income and minority areas, the bank has demonstrated that its marketing efforts are effective and that credit standards are used as guidelines. Flexibility is used when justified. It is significant to note that the bank received 2,965 applications from low- and moderate-income tracts and BNAs compared with 2,401 from the middle- and upper-income tracts.

A review of the maps used for the bank's geoanalysis indicated that the tracts and BNAs with lower application volume were a greater distance from the bank than those with higher levels of activity.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (CONTINUED)**

#### **The institution's record of opening and closing offices and providing services at offices.**

The bank operates 15 offices in its delineation. All locations are in or close to the major towns in the three counties. Because of the rural nature of these counties, residents have to drive into town for banking services. The offices are reasonably accessible to all segments of the community. The bank has placed a branch inside a Wal' Mart store that is in a low- to moderate-income area. The bank has two drive-through facilities and one full-service branch open on Saturday in Selma. In Prattville, which is in Butler County, one full-service branch is open on Saturday. In Greenville, which is in Autauga County, two full-service branches are open on Saturday. In the three counties, the bank operates eight automated teller machines (ATMs), which are connected to the Alert® and Cirrus® networks.

The bank's board of directors and senior management periodically review the bank's branch locations and hours. The board of directors has adopted a branch closing policy consistent with the provisions of section 42 of the Federal Deposit Insurance Act.

### **IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

#### **Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement.**

The bank generally solicits credit applications from all segments of the local community. The examination revealed no policies or practices that would discourage individuals from applying for any of the types of credit listed in the CRA Statement. A committee has been established to conduct a second review of residential mortgage loan applications that are subject to denial. The bank's loan policy is comprehensive and objective and is reviewed annually by senior management to ensure that it contains no discriminatory policies.

#### **Evidence of prohibited discriminatory or other illegal credit practices.**

20 denied single payment loans were reviewed to test for consistent application of the bank's credit standards. 16 approved and 13 denied small business loans were reviewed and compared for consistent use of credit standards as well as the requirement for spousal guarantees. 15 approved and 23 denied residential loan files were reviewed to test for fair treatment of black and female applicants compared with white and male applicants. Lending standards were applied consistently to all applicants, and rates charged on booked loans were found to be priced according to risk or market without regard to race or gender.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES (CONTINUED)**

Generally, the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations; however, violations of technical aspects of Regulation B - Equal Credit Opportunity Act were noted during the examination. No evidence of discrimination or other illegal credit practices was noted in the review of the bank's policies and procedures.

### **V. COMMUNITY DEVELOPMENT**

#### **The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The management and board of directors of the bank are extensively involved in local community development and redevelopment lending and related initiatives. In addition to the community development loans previously mentioned in the report, bank officers and directors are involved in organizations that assist the community such as the Selma-Dallas County Economic Development Authority, the Selma Housing Authority, Habitat for Humanity, and the Selma-Dallas Chamber of Commerce as well as local civic organizations, churches, and school boards.

The bank, in conjunction with the Chamber of Commerce, has identified a lack of education as a source of many problems in the area. A lack of knowledge about banking, credit, and household budgeting has prevented some people from becoming bankable customers. Bank employees have taught numerous seminars and classes on lending, both for personal and small business purposes, and personal finances.

#### **The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions, and other factors.**

The main office of The Peoples Bank and Trust Company is located in Selma, Alabama, in Dallas County. The bank also has branches in Butler County and Autauga County. Autauga County is included in the Montgomery, Alabama Metropolitan Statistical Area (MSA). The population of Selma is 23,755, and the population of Dallas County is 48,130<sup>1</sup>. The population of Butler County is 21,892<sup>2</sup>, and Autauga County has a population of 34,222. The median family income of the three-county delineated community is \$24,380. 14 of the 34 census tracts and BNAs have median family incomes less than 80 percent of the delineation median, or less than \$19,504. The population of Dallas County is 58.2 percent minority,

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<sup>1</sup>Selma Showcase '95 - '96.

<sup>2</sup>Butler County Commission for Economic Development.

## DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

### **V. COMMUNITY DEVELOPMENT (CONTINUED)**

and the population of Butler County is 44.4 percent minority<sup>1</sup>. The population of Autauga County is 20.9 percent minority<sup>2</sup>. In the three counties combined, 42.1 percent of the population is minority. The combined census tracts and BNAs that are defined as low- to moderate-income are 64.9 percent minority. The remaining middle- and upper-income census tracts and BNAs are 21.7 percent minority<sup>3</sup>. Autauga County has become a residential suburb of the city of Montgomery. The primary industry in the area is manufacturing, much of it related to the processing of timber into paper and other products. Other major employers in the area are retailers and service industries of various types.

There are a total of 40,522 housing units in the three counties, 25,798 (63.7 percent) of which are owner-occupied. The median housing value is \$46,783.

**Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.**

Bank management and employees are involved in numerous other nonbank-related charitable and civic organizations that serve to enhance the local community. The bank makes donations to local charities.

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<sup>1</sup>Center for Business and Economic Research, University of Alabama.

<sup>2</sup>U.S. Census Bureau.

<sup>3</sup>The Attus Group, Cinninnati, Ohio.

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 FEBRUARY 5, 1996, 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 PEOPLES BANK AND TRUST COMPANY

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

SELMA, ALABAMA

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

# FEDERAL RESERVE BANK OF ATLANTA

**Cynthia C. Goodwin**  
ASSISTANT VICE PRESIDENT

Board of Directors  
The Peoples Bank and Trust Company  
Post Office Box 799  
Selma, Alabama 36702

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Jeff Bragg 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

**PUBLIC DISCLOSURE**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Name of Bank:** The Peoples Bank and Trust Company

**City and State:** Selma, Alabama

**Date of Examination:** February 5, 1996

