

PUBLIC DISCLOSURE

August 5, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank Independent
06011827

Sheffield, Alabama

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Bank Independent prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of August 5, 1996. 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 Outstanding.

The bank's loan-to-deposit ratio is reasonable considering local demographics, bank competition, and assessment area credit needs. Most of the loans sampled were in the bank's assessment area. The geographic distribution of loans reflected an excellent dispersion throughout the bank's assessment area. The distribution by borrower income, given the demographics of the assessment area, reflected excellent penetration among individuals of different income levels and businesses of different sizes. Bank management has taken action in response to a complaint about its performance in meeting the credit needs of the assessment area. No evidence of discrimination or other illegal credit practices was noted during the examination.

GENERAL INFORMATION (CONTINUED)

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>BANK INDEPENDENT</u>		
	PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes	X		
Geographic distribution of loans	X		
Response to complaints	X		

DESCRIPTION OF INSTITUTION

Bank Independent is an affiliate of a one-bank holding company, Banclndependent, Incorporated, Sheffield, Alabama. The bank has ten branch locations and an operations center. As of the June 30, 1996 Consolidated Reports of Condition and Income, assets totaled \$250 million. The safety and soundness examination as of March 31, 1996, conducted by the Federal Reserve Bank of Atlanta, identified no legal or financial impediments that would hinder the bank's ability to help meet the credit needs of the community.

To meet the community's credit needs, Bank Independent offers a wide variety of credit products. According to the bank's CRA policy, the bank offers the following types of credit:

- C Real estate loans
- C Housing rehabilitation loans
- C Small business loans
- C Farm loans
- C Community development loans
- C Construction loans
- C Commercial loans
- C Consumer loans
- C Letters of credit and revolving credit
- C Automobile financing
- C Debt consolidation loans
- C Student loans
- C Home equity loans
- C Conventional mortgage loans and adjustable rate mortgage loans
- C Overdraft protection lines of credit

DESCRIPTION OF INSTITUTION (CONTINUED)

The composition of the bank's loan portfolio according to the June 30, 1996 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	2.1%
Secured by one- to four-family dwellings	47.5%
Other real estate:	
Farmland	0.3%
Multifamily	1.7%
Nonfarm nonresidential	20.4%
Commercial and industrial	13.5%
Loans to individuals	14.1%
All other	0.4%
TOTAL	100.0%

As illustrated by the table above, management has originated each type of loan described in the bank's CRA policy. Management has identified real estate loans and small business loans as major credit needs of the community.

During the first half of 1996, Bank Independent made 310 real estate loans for a total of \$13.5 million. Most of these are home improvement and home purchase loans. Management granted 494 small business loans for a total of \$8.3 million.

DESCRIPTION OF ASSESSMENT AREA: COLBERT COUNTY AND LAUDERDALE COUNTY

Bank Independent's assessment area consists of Colbert and Lauderdale counties. According to the 1990 Census data, the total population of the bank's assessment area was 131,327. Colbert County has 10 census tracts (CTs), and Lauderdale County has 18 CTs. The 28 CTs in the assessment area consist of 2 low-income tracts, 6 moderate-income tracts, 16 middle-income tracts, and 4 upper-income tracts.

The largest employers in the area are Reynolds Alloys, Tennessee Valley Authority, and Eliza Coffee Memorial Hospital. According to the U. S. Bureau of Labor Statistics, unemployment in 1994 decreased to 6.6 percent from 7.4 percent in 1992. Most of both counties' employed residents are in the private services sector. Per capita personal income rose from \$14,811 to \$16,244 in Colbert County and from \$15,265 to \$16,505 in Lauderdale County between 1990 and 1993. Also, the total number of jobs in all areas of employment increased 3.7 percent in the same three years.

According to the 1990 Census data, the median family income for the assessment area was \$28,843. Of the 38,250 families in the assessment area, 21.1 percent have an income of less than 50 percent of the median income. 18.3 percent of the families have an income from 50 percent to 79 percent of the median income. 20.7 percent of the families earn from 80 percent to 119 percent of the median income, and 39.9 percent of the families are earning 120 percent or more of the median income.

Furthermore, the Census data show that there were 55,334 housing units in the assessment area. Of the total housing units, 68.3 percent were owner-occupied, and 23.9 percent were rental properties. Only 7.8 percent of the units were vacant. The median housing age was 32 years, and the median housing value was \$49,234.

Management hired a firm to conduct an analysis of the demographics of the bank's assessment area and to evaluate the types of loans and services offered by the bank. This analysis revealed that the majority of the population is over the age of 56 and predominantly female. Most residents have lived in the area for more than 20 years. The population is considered stable and is generally loyal to particular financial institutions.

DESCRIPTION OF ASSESSMENT AREA (CONTINUED): COLBERT COUNTY AND LAUDERDALE COUNTY

During the examination, two members of the community were contacted to discuss Colbert and Lauderdale counties. These individuals represented the interests and perceptions of government and private individuals. Their primary concern for the area was economic development. The contacts stated that the financial institutions in the counties are to be commended for their involvement with community development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-deposit ratio: The bank's average loan-to-deposit ratio for the eight quarters from June 30, 1994, to March 31, 1996, is 71.2 percent. The range of loan-to-deposit ratios for similarly sized financial institutions located in the bank's assessment area is from 69.5 to 117.4 percent. For the quarter ended June 30, 1996, the bank's loan-to-deposit ratio was 73.3 percent. Considering local demographics, direct competition, present economic factors, and available opportunities, the loan-to-deposit ratio is adequate and demonstrates the bank's capacity to lend.

Lending in the assessment area: A sample of 143 small business loans was analyzed to determine the percentage of loans in the bank's assessment area. The analysis revealed that 99.3 percent (142) of the number of loans and \$3.2 million (99.9 percent) of the total dollar volume were extended in the assessment area.

The bank's 1994, 1995, and 1996 Home Mortgage Disclosure Act (HMDA) data complemented the bank's credit performance within the assessment area. The 1994 HMDA data revealed that 92 percent (389) of the 423 mortgage loan originations were within the assessment area. The 1995 HMDA data showed that 97.8 percent (356) of the 364 mortgage loans were within the assessment area. The 1996 HMDA information for the first half of the year indicated that 94.5 percent (293) of the 310 mortgage loan originations were within the assessment area. The HMDA data together with the results of loans sampled during the examination exemplify the bank's exceptional record of lending in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to borrowers of different incomes and to businesses of different sizes: The distribution of loans by borrower income and business revenues was analyzed. The analysis of 1994, 1995, and 1996 HMDA data disclosed the following lending patterns in the bank's assessment area:

Borrower Income Level	1994 HMDA Data	1995 HMDA Data	1996 YTD HMDA Data	Percentage of Families in AA ¹
Low-income	35.0%	31.7%	25.3%	21.1%
Moderate-income	12.6%	10.7%	11.3%	18.3%
Middle-income	10.0%	16.3%	9.6%	20.7%
Upper-income	42.4%	41.3%	52.2%	39.9%

Over 50 percent of low-income families in the assessment area have incomes below the poverty level. It is often difficult for prospective borrowers whose income is in this range to meet debt-to-income underwriting guidelines. As such, the above chart depicts particularly high lending levels to low-income borrowers.

The analysis of 142 small business loans originated in the assessment area also revealed particularly high levels of lending to businesses with relatively smaller revenues. Approximately 80 percent of loans reviewed were made to businesses with annual revenues less than \$100,000. Less than 3 percent of the loans were made to businesses with annual revenues above \$1 million.

Geographic distribution of loans: The geographic distribution analysis of the loan sample showed that none of the loans to small businesses were extended in low-income CTs. 4.9 percent (7) of the small business loans were extended to borrowers in moderate-income CTs. 71.9 percent (102) of the small business loans were extended to borrowers in middle-income CTs. 23.2 percent (33) of the small business loans were extended to borrowers in upper-income CTs. Management attributed the fact that no loans were made in the two low-income CTs to the composition of the area. One of the two tracts is composed of doctor offices, one hospital, one grocery store, and one restaurant which are well established and have not traditionally borrowed from local financial institutions. The other area is purely residential.

¹AA represents assessment area. Because of a lack of data on the composition of the assessment area population by individual income, family income was used for comparison.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic distribution of loans (Continued): An analysis of 1994, 1995, and 1996 HMDA data disclosed the following geographic distribution of lending within the assessment area:

Income Level of Census Tracts	1994 HMDA Data	1995 HMDA Data	1996 YTD HMDA Data	% of Population Residing in Census Tracts by Income Level
Low-income	2.8%	2.3%	2.0%	3.4%
Moderate-income	7.2%	9.6%	5.8%	9.1%
Middle-income	74.0%	74.1%	76.8%	68.8%
Upper-income	16.0%	14.0%	15.4%	18.7%
Total	100.0%	100.0%	100.0%	100.0%

Although lending levels in low- and moderate-income CTs seem somewhat low, consideration should be given to the high percentage of households below poverty level in these areas. Approximately 50 percent of the households residing in low-income CTs have incomes below the poverty level. Additionally, 31 percent of the households residing in moderate-income CTs have incomes below the poverty level. Only 15 percent and 8 percent of the households residing in middle- and upper-income CTs had incomes below poverty level. As such, the geographic distribution of lending reflects excellent dispersion throughout the assessment area.

Complaints: No CRA-related complaints have been filed with the Federal Reserve Bank since the previous examination; however, one complaint was received by the bank. The complaint was efficiently and effectively handled without prejudicing the community reinvestment policy of Bank Independent. Management solicits credit applications from all segments of its assessment area.

Compliance with antidiscrimination laws: No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified. However, repeat violations of technical aspects of HMDA were noted. The violations noted do not suggest that illegal discrimination occurred.

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 AUGUST 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)

BANK INDEPENDENT

(Name of Bank)

SHEFFIELD, ALABAMA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Bank Independent
Post Office Drawer B
Sheffield, Alabama 35660

Dear Board Members:

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

- C At a minimum, place the evaluation in your CRA public file located at your head office (and a designated office in each of your local communities) no later than 30 business days after receiving this letter.
- 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: BANK INDEPENDENT

City and State: SHEFFIELD, ALABAMA

Date of Examination: AUGUST 5, 1996