

PUBLIC DISCLOSURE

January 29, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Merchants Bank
DSBB #06281880

Vicksburg, Mississippi

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 **Merchants Bank, Vicksburg, Mississippi**, prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **January 29, 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 Satisfactory.

The bank's overall CRA performance is rated Satisfactory. Based on available resources, lending activities reflect a reasonable penetration of all segments of the bank's assessment area, and a high portion of loans originated by the bank are secured by properties within its assessment area, including low- to moderate-income areas. The bank is in substantial compliance with all provisions of the antidiscrimination laws and regulations.

The bank is a consumer and small business lender throughout Warren County, primarily the City of Vicksburg, Mississippi. Two of the bank's branches are located in census tracts 106.00 and 113.00 (towns of Utica and Edwards in Hinds County), but most of the lending has occurred in Warren County. The examination results show that over 80 percent of the bank's consumer and small business loan originations are in its assessment area. In addition, a substantial percentage of these loan originations are in low- to moderate-income areas or made to low- and moderate-income individuals.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of **Merchants Bank, Vicksburg, Mississippi**, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	MERCHANTS BANK		
	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	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

Merchants Capital Corporation was incorporated on January 5, 1981, as a one-bank holding company for the purpose of acquiring the stock of Merchants Bank, N.A., Vicksburg, Mississippi (100 percent of the bank's stock is owned by the holding company). The bank converted to a state charter effective September 24, 1994. Merchants Bank is the only independently owned bank in the community. On December 31, 1995, the bank's total assets were \$195.7 million.

Merchants Bank's main office is located in Vicksburg, Mississippi, in Warren County. Four of the bank's six branches are within a ten-mile radius of Vicksburg. The other two branches are located in Hinds County in the towns of Utica and Edwards, which are in predominately minority and low- and moderate-income census tracts. In addition, the main office and the Belmont branch office are located in low- and moderate-income areas. The bank also operates a loan production office in Jackson, Mississippi. Currently, the bank has no plans to open or close any branch offices.

Bank products are reviewed annually for their effectiveness in addressing the financial needs of the community and satisfying the business strategies of the bank. The bank offers the following types of credit:

Real Estate Loans

- Construction and land development
- FHA and VA mortgage loans
- Down payment assistance loans
- Conventional 1-4 family mortgage loans
- Home equity lines of credit
- Conventional multifamily (5+) residential properties
- Nonfarm and nonresidential property loans

Commercial and Industrial Loans

Loans to Farmers

Loans to Public Entities

Small Business Administration Guaranteed Loans

FmHA Guaranteed Loans

Guaranteed Student Loans

- Federal Stafford
- Federal SLS
- Federal Plus

DESCRIPTION OF INSTITUTION (CONTINUED)

Loans to Individuals

Automobile purchase loans
Loans for household, family, and personal expenses
Instalment loans for purchasing retail consumer goods
Loans to repair and modernize residential dwellings
Credit Cards - Visa and Mastercard

Loans to Nonprofit Organizations

Loans to Financial Institutions

Domestic commercial banks
Other depository institutions
Other financial institutions

Loans to Individuals for Purchasing or Carrying Securities

A review of the loan portfolio revealed that the bank offers and extends all types of credit listed.

The composition of the loan portfolio according to the December 31, 1995 Consolidated Reports of Condition and Income is as follows:

LOAN TYPES	PERCENTAGE
Secured by nonfarm nonresidential properties	22.9
Commercial and industrial	17
Secured by 1-4 family residential properties	19.4
Secured by multifamily	2.1
Construction and land development	6.3
Secured by farmland (including farm residential)	2.4
Loans to finance agricultural production and other loans to farmers	1.3
Loans to individuals	24.9
Other loans	3.7

Merchants Bank
Vicksburg, Mississippi
January 29, 1996

DESCRIPTION OF INSTITUTION (CONTINUED)

According to the 1994 Home Mortgage Disclosure Act (HMDA) data, the bank originated 477 loans totaling \$18.1 million to either purchase, improve, or refinance single and multi-family dwellings. This includes 37 government loans (FHA, FmHA and VA) totaling \$2.1 million.

There are no financial or legal constraints that hinder the bank's lending capacity.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Merchants Bank's assessment area consists of 12 block numbering areas (BNAs) in Warren County, one of which is low-income, two are moderate income, four are middle-income, and five are upper-income. The assessment area also includes two census tracts in Hinds County, both of which are moderate-income.

The Vicksburg area is a regional medical, financial, and wholesale/retail trade center for several surrounding Mississippi counties and Louisiana parishes. This is reflected in the Warren County employment patterns. According to 1993 economic patterns, approximately 9,232 workers were employed in non-manufacturing industries. Additionally, 6,131 workers are employed by local, state, and federal governments.

Tourism and the gaming industry have also played a large role in the economic development of Vicksburg and Warren County. Warren County's unemployment rate of 6.6 percent is below both the state rate of 7.0 percent and the national rate of 6.8 percent.¹

The development of Washington Street Mall and the recent legalization of river boat gambling have stimulated the rehabilitation efforts of downtown Vicksburg. The rehabilitation of the Vicksburg Hotel into a 54-unit luxury apartment building, the recent renovation of the Downtowner Hotel, and the construction of the Harrah Hotel are examples of activity in the downtown area. The Vicksburg area contains an extensive amount of interstate frontage, which will continue to be a growth corridor for commercial and industrial development in the coming years.

According to 1990 census bureau information, the population of Warren County is 47,880. Approximately 38.7 percent of the Warren County population is black. Hispanics and other minorities represent about 1.2 percent. The cities of Utica and Edwards have populations totaling 9,542. Approximately 70.9 percent of the population of Utica and Edwards is black.

The median family income of Warren County is \$29,216. The median family income for Utica and Edwards is \$19,823. Because Edwards and Utica are located in moderate-income census tracts, the entire population is designated as such. The low- and moderate-income population for Warren County is 7,248 (15.1 percent.)

¹Information obtained from Unemployment Rate Map of Mississippi Counties - March 1994.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA (CONTINUED)

According to 1990 Census data, there are a total of 19,512 housing units in Warren County of which 61.4 percent are owner-occupied and 27.8 percent are rental units. The median housing value for the county is \$50,391. 1,359 (39.5 percent) of the owner-occupied units are located in low- and moderate-income census tracts. The median age of housing stock is 33 years.

There are a total of 3,401 housing units in the census tracts that include the cities of Utica and Edwards, of which 71.5 percent are owner-occupied and 19.6 percent are rental units. The median housing value is \$38,821. The median age of housing stock is 16 years.

A contact in the community indicated that as a result of the recent growth in Vicksburg, there is a need for affordable housing, particularly single family dwellings. Merchants Bank has worked with several programs (primarily through the City of Vicksburg) to provide financial assistance to those individuals seeking more affordable housing. Based on discussions with the bank and an individual in the city planning office, it seems that affordable housing programs are available.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

A sample of 53 small business and 153 consumer loans was reviewed to determine the percentage of loans made in the bank's assessment area and whether low- and moderate-income areas and individuals are adequately served. Small business and consumer loans were reviewed because they constitute the majority of the bank's loan portfolio. 79 percent of the small business loans originated are in the bank's assessment area. In addition, 40 percent of these loans are in low- and moderate-income BNAs and census tracts.

Based on the consumer loans reviewed, 95 percent of the loans originated are in the bank's assessment area. Additionally, 15 percent of these loans are in low- and moderate-income areas, and approximately 36 percent of the loans were to low- and moderate-income borrowers.

The bank's four-quarter average (1995) loan-to-deposit ratio is 70.5 percent. The average loan-to-deposit ratio for the other seven banks in the community is 67.9 percent. Based on the bank's size, resources, and office facilities, the loan-to-deposit ratio meets the standards for satisfactory performance.

The bank solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. The examination revealed no evidence of any practices intended to discourage individuals from applying for credit, and no credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Procedural violations of technical aspects of HMDA and the Equal Credit Opportunity Act's Regulation B were noted. Merchants Bank's fair lending policy has been incorporated into all bank loan policies. Extensive fair lending training is provided to all employees on a consistent and periodic basis. In addition, the bank has been proactive in its approach to fair lending by adopting a second review process for all HMDA-related denials.

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.
- C ADD THE FOLLOWING LANGUAGE TO YOUR CRA PUBLIC NOTICE THAT IS POSTED IN EACH OF YOUR OFFICES, NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION:

"YOU MAY OBTAIN THE PUBLIC SECTION OF OUR MOST RECENT CRA PERFORMANCE EVALUATION, WHICH WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA, AT (YOUR MAIN OFFICE ADDRESS)."

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

19

TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS JANUARY 29, 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)

MERCHANTS BANK

(Name of Bank)

VICKSBURG, MISSISSIPPI

(Location)

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.
- C ADD THE FOLLOWING LANGUAGE TO YOUR CRA PUBLIC NOTICE THAT IS POSTED IN EACH OF YOUR OFFICES, NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION:

"YOU MAY OBTAIN THE PUBLIC SECTION OF OUR MOST RECENT CRA PERFORMANCE EVALUATION, WHICH WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA, AT (YOUR MAIN OFFICE ADDRESS)."

FEDERAL RESERVE BANK OF ATLANTA

VICE PRESIDENT

(Date)

RONALD N. ZIMMERMAN

(Title)

.....

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

19

TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS @, 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)

@

(Name of Bank)

@

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Merchants Bank
820 South Street
Vicksburg, Mississippi 39180

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Elizabeth M. Hipple 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

FEDERAL RESERVE BANK OF ATLANTA

Ronald N. Zimmerman
VICE PRESIDENT

Use this letter for bank rated Substantial Noncompliance

Board of Directors
@

Dear Board Members:

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

Ronald N. Zimmerman

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Merchants Bank
820 South Street
Vicksburg, Mississippi 39180

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Elizabeth M. Hipple 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.
- C Add the following language to your CRA public notice that is posted in each of your offices, no later than 30 business days after receiving the evaluation:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Reserve Bank of Atlanta, at (your main office address)."

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.

Board of Directors
Merchants Bank
Vicksburg, Mississippi

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: MERCHANTS BANK

City and State: VICKSBURG, MISSISSIPPI

Date of Examination: JANUARY 29, 1996