

PUBLIC DISCLOSURE

December 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Forest
#06280590
Forest, Mississippi

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713

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 of Forest prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of December 15, 1997. 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 has a satisfactory record of meeting credit needs in its assessment area. The loan-to-deposit ratio and the geographic distribution of loans are reasonable given the institution's size, financial condition, and assessment area credit needs. Because the bank does not obtain income information consistently on all loans, insufficient information was available to determine whether or not the bank extends loans to borrowers of different income levels in the assessment area. Therefore, this performance criterion was not rated. However, a substantial majority of loans are within the institution's assessment area. No CRA-related complaints have been received since the previous examination. A review of the bank's loan policies and procedures found the bank to be in compliance with the substantive provisions of antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

A subsidiary of First Forest Corporation, Forest, Mississippi, Bank of Forest operates one full-service office with drive-through and automated teller machine (ATM) facilities. The bank had approximately \$100 million in total assets as of the September 30, 1997 Consolidated Reports of Condition and Income. No legal or financial impediments were identified that would hinder the bank's ability to help meet the credit needs of the community. The bank received a satisfactory CRA rating at its previous examination as of May 28, 1996.

The composition of the loan portfolio according to the September 30, 1997 Consolidated Reports of Condition and Income was as follows:

LOAN TYPE	PERCENTAGE
Construction and development	0.4%
Secured by one- to four-family dwellings	25.6%
Other real estate:	
Farmland	21.2%
Multifamily	0.9%
Nonfarm nonresidential	15.0%
Commercial and industrial	9.4%
Agricultural loans	4.9%
Loans to individuals	19.7%
All other	2.9%
TOTAL	100.0%

The table above shows that loans secured by one- to four-family residential property are the bank's primary product line, based on total dollars outstanding. Loans secured by farmland and loans to individuals are the second and third largest categories. By volume, loans to individuals exceed loans secured by one- to four-family residential property; however, loans secured by one- to four-family residential property were the focus of this review.

DESCRIPTION OF ASSESSMENT AREA: SCOTT COUNTY, MISSISSIPPI

Scott County, Mississippi, has been designated as the bank's assessment area. The assessment area consists of six block numbering areas (BNAs). Five (83.3 percent) of the BNAs in the assessment area are middle-income and one (16.7 percent) is moderate-income. The assessment area contains no low- or upper-income BNAs; however, families of all income levels are disbursed throughout the assessment area.

According to 1990 Census data, the county population of 24,137 accounted for only 0.9 percent of Mississippi's total population. The assessment area contained 8,515 households and 6,526 families. The median family income was \$21,218. 24.9 percent of the families were low-income; 17.9 percent were moderate-income; 17.1 percent were middle-income; and 40.1 percent were upper-income. 22.4 percent of the families were below the poverty level. 17 percent of the families lived in the moderate-income BNA, and 83 percent lived in middle-income BNAs.

The unemployment rate for Scott County has increased gradually since 1994. According to information from the Bureau of Labor Statistics, the unemployment rate for the county was 6.1 percent as of August 1997 and was comparable with the state unemployment rate of 6.0 percent. According to the 1993 County Business Patterns data compiled by the U.S. Census Bureau, the four major types of industries in the county, in terms of the number of persons employed, were manufacturing; retail trade; services and other; and transportation and public utilities. Scott County is a diversified industrial community anchored by the poultry industry. The largest manufacturers in the county are B. C. Rogers Processors, Inc.; Green Acres Farms, Inc.; McCarty Farms, Inc.; and Hughes Aircraft Mississippi, Inc. The U.S. Census Bureau information shows that 95.7 percent of the establishments in the county have fewer than 50 employees and are therefore considered to be small businesses.

Housing units in the assessment area totaled 9,488 according to 1990 Census data and had a median age of 18 years. Owner-occupied units accounted for 72.4 percent of the housing units and had a median value of \$34,439. 17.3 percent of the housing units in the assessment area were rental units with a median gross rent of \$270 monthly. Additionally, 55.6 percent of the rental units rented for less than \$350 monthly. A substantial majority (74.6 percent) of the housing units in the assessment area were one- to four-family dwellings. Mobile homes were the second largest housing category and accounted for 20.8 percent of the assessment area's housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area with the majority of the loans being made in the middle-income BNA where the bank is located. 95.2 percent of the 62 real estate loans in the assessment area were originated in middle-income BNAs and 4.8 percent were originated in the moderate-income BNA. 83 percent of the families live in middle-income BNAs, and 17 percent live in the moderate-income BNA. In addition, 82 percent of the owner-occupied housing units in the assessment area are in middle-income BNAs, and 18 percent are in the moderate-income BNA. The relatively low percentage of loans made in the moderate-income BNA is mitigated by the fact that 26 percent of the families in this BNA are below the poverty level and would probably not qualify for a real estate loan. Another factor is the existence of alternative credit sources at nonbank financial institutions. Given these factors, the distribution of loans meets the standards for satisfactory performance.

Lending in the Assessment Area

During the examination, 80 real estate loans were reviewed; 5 of the 80 loans had missing data. Of the remaining 75 loans, 62 (82.7 percent) were extended in the bank's assessment area accounting for approximately 80 percent of the total dollar volume of the loans. The extent of the bank's lending in the assessment area exceeds the standards for satisfactory performance.

Loan-to-Deposit Ratio Analysis

The bank's average loan-to-deposit ratio for the six quarters ended September 30, 1997, is 64.9 percent according to the Consolidated Reports of Condition and Income. During this period, the bank's total assets and total deposits remained relatively stable while total net loans increased slightly (6 percent). The loan-to-deposit ratio at quarter-end increased from 61.7 percent on June 30, 1996, to 66.4 percent on September 30, 1997.

Of the seven other financial institutions in Scott County and communities immediately adjacent to the county, only three are comparable in terms of asset size and branch locations. The range of average loan-to-deposit ratios for the comparable banks during the same six-quarter period was 61.7 percent to 78.0 percent. The bank's ratio falls within range of its competitors and is considered reasonable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Lending to Borrowers of Different Incomes

The bank does not consistently collect income information when processing real estate loan applications. Of the 80 loans selected for review, more than 75 percent contained no income information. Because data was insufficient to determine whether or not the bank extended loans to borrowers of different incomes, this performance criterion could not be rated.

Compliance with Antidiscrimination Laws

The bank is in compliance with the substantive provisions of the fair lending laws and regulations. The examination revealed no evidence of discrimination or illegal credit policies or practices. No practices have the intent or the effect of discouraging credit applicants.

Complaints

The bank has received no CRA-related complaints since the previous examination.