

# **PUBLIC DISCLOSURE**

April 28, 1997

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Aliant Bank  
06010040

Alexander City, 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 Aliant Bank, Alexander City, Alabama, prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of April 28, 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's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment areas' credit needs. A substantial majority of loans and other lending-related activities are in the bank's assessment areas. The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. No CRA-related complaints have been received since the bank's membership in the Federal Reserve System as of October 1995. A review of the loan policies and procedures found the bank and its subsidiaries to be in compliance with the substantive provisions of antidiscrimination laws and regulations.

## **DESCRIPTION OF INSTITUTION**

On January 1, 1997, Aliant National Corporation, a multibank holding company, merged its three subsidiary banks, Aliant Bank of Alexander City, First Montgomery Bank of Montgomery, and Elmore County Bank of Wetumpka. The bank is now known as Aliant Bank. The bank has 12 offices: 4 in the Alexander City region, 5 in the Montgomery region, 2 in the Elmore County region, and 1 in the Birmingham region. The Vaughn Road office, located in the Montgomery region, was opened in March 1996. The Millbrook office, located in the Elmore County region, was opened in March 1997. The bank opened its first Birmingham branch in July 1996 and plans to open the second location in the fall of 1997; that office will serve as Birmingham's regional main office. Aliant Bank has a wholly owned mortgage company subsidiary, Aliant Mortgage Corporation, located in Montgomery, and a wholly owned finance company subsidiary, Alabama's First Finance, located in Alexander City. Before the merger, the mortgage company was a subsidiary of First Montgomery Bank.

Aliant Bank offers a variety of credit products to meet the community's credit needs. The types of credit products offered, as listed in the bank's public file, include real estate, consumer, commercial, and small business loans.

The composition of the loan portfolio according to the March 31, 1997 Consolidated Reports of Condition and Income is as follows:

<b>LOAN TYPE</b>	<b>PERCENTAGE</b>
Construction and development	7.9
Secured by one- to four-family dwellings	40.6
Other real estate:	
Farmland	1.3
Multifamily	1.0
Nonfarm nonresidential	20.6
Commercial and industrial	17.3
Loans to individuals	10.4
All other	1.0
<b>Total</b>	<b>100.0</b>

## **DESCRIPTION OF INSTITUTION (CONTINUED)**

As illustrated by the table above, a large portion of the bank's loan portfolio is made up of home mortgage loans and nonfarm nonresidential real estate loans; however, bank management said that the two major loan products are unsecured consumer loans and small business loans based on the number of loans made rather than the dollar volume of loans made. These two loan types were analyzed during the review.

Additionally, because the former First Montgomery Bank and Elmore County Bank were Home Mortgage Disclosure Act (HMDA) reporters, the banks' 1996 HMDA-related loans were analyzed. The mortgage company subsidiary of First Montgomery Bank is also a HMDA reporter; therefore, 1996 HMDA-related data for the mortgage subsidiary is included in the report.

The analyses of the unsecured consumer loans, small business loans, and all HMDA-related loans are discussed further in the "Conclusions with Respect to Performance Criteria" section of the evaluation. Additional information about the bank's affiliates and products reviewed is shown in Appendix A of this evaluation.

## **DESCRIPTION OF ALIANT BANK'S ASSESSMENT AREAS**

The bank has four assessment areas that consist of the eastern portion of Coosa County and the western portion of Tallapoosa County, all of Montgomery County, all of Elmore County, and an eastern portion of Jefferson County, Alabama.

- C The eastern portion of Coosa County and the western portion of Tallapoosa County are in a nonmetropolitan statistical area. One block numbering area (BNA) in Coosa County and five BNAs in Tallapoosa County are included in the bank's Alexander City assessment area.
  
- C Montgomery County and Elmore County are included in the Montgomery Metropolitan Statistical Area (MSA). All 53 census tracts in Montgomery County are included in the bank's Montgomery assessment area, and all 13 census tracts in Elmore County are included in the bank's Elmore County assessment area.
  
- C An eastern portion of Jefferson County is included in the Birmingham MSA. 12 census tracts in Jefferson County are included in the bank's Birmingham assessment area.

**DESCRIPTION OF ALIANT BANK'S ASSESSMENT AREAS (CONTINUED)**

Overall, Aliant Bank's assessment areas include 8 census tracts and no BNAs (9.5 percent) defined as low-income, 12 census tracts and no BNAs (14.3 percent) defined as moderate-income, 40 census tracts or BNAs (47.6 percent) defined as middle-income, and 24 census tracts or BNAs (28.6 percent) defined as upper-income. Additional information about the bank's assessment areas, branches visited, and office hours is shown in Appendix A.

Of the total population in the bank's assessment areas, 7.7 percent reside in low-income census tracts, 14.2 percent reside in moderate-income census tracts, 48.4 percent reside in middle-income census tracts or BNAs, and 29.6 percent reside in upper-income census tracts or BNAs. The Census Bureau estimates that the population in the bank's assessment areas increased approximately 3.4 percent for Coosa County, 2.5 percent for Tallapoosa County, 3.5 percent for Montgomery County, 18.8 percent for Elmore County, and 1.6 percent for Jefferson County from 1990 to 1996. According to the 1990 Census, the assessment area contained 139,594 housing units, of which 59.7 percent were owner-occupied, 30.2 percent were rental units, and 10.1 percent were vacant. The median housing age was 34 years, and the median housing value was \$64,340. The median family income for the assessment areas was \$33,175.

The following table shows the number of families by family income levels in the bank's assessment areas according to the 1990 Census:

<b>FAMILY INCOME</b>	<b>NUMBER OF FAMILIES</b>	<b>PERCENTAGE IN ASSESSMENT AREA</b>
Low-income	18,601	20.9
Moderate-income	13,862	15.5
Middle-income	17,814	20.0
Upper-income	38,933	43.6
Total	89,210	100.0
Below Poverty	11,249	12.6

According to information reported by the U.S. Bureau of Labor Statistics, the unemployment rate as of February 1997 was 3.1 percent for Coosa County, 4.8 percent for Tallapoosa County, 3.9 percent for Montgomery County, 3.5 percent for Elmore County, and 3.2 percent for Jefferson County. Generally, the

**DESCRIPTION OF ALIANT BANK'S ASSESSMENT AREAS (CONTINUED)**

unemployment rates in the assessment areas compare favorably with the 4.8 percent unemployment rate for the state of Alabama as of February 1997.

According to information obtained from the Regional Economic Information System as of 1994, the leading industries in the bank's assessment areas include services, retail trade, government, manufacturing, and farm employment. From 1990 through 1994, most of the leading industries in the bank's assessment areas experienced some growth except for manufacturing and farm employment. Employment levels in the bank's assessment areas increased from 1990 through 1994; however, farm proprietors throughout the assessment areas and nonfarm proprietors in Jefferson County experienced a decrease in employment levels.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Loan-to-Deposit Ratio Analysis

Before the merger, the banks' average loan-to-deposit ratios for the five quarters beginning October 1995 through December 1996, are 78.2 percent for Aliant Bank, 82.0 percent for First Montgomery Bank, and 87.1 percent for Elmore County Bank. After the merger, Aliant Bank's March 31, 1997 loan-to-deposit ratio was 82.4 percent. The following table shows the bank's competitors; their asset size as of December 31, 1996; and their average loan-to-deposit ratio for the five quarters October 1995 through December 1996:

<b>BANK NAME</b>	<b>TOTAL ASSETS (\$000)</b>	<b>LOAN-TO-DEPOSIT RATIO (%)</b>
Sterling Bank	175,628	79.2
Whitney Bank of Alabama	240,831	101.7
Farmers National Bank	227,119	78.4
First National Bank of Wetumpka	191,435	70.1
Peoples Bank and Trust Co.	343,034	72.9
First Commercial Bank	643,546	82.8
First National Bank of Shelby County	133,354	58.3
Highland Bank	180,537	66.4
National Bank of Commerce	613,411	87.6
Peoples Bank of North Alabama	112,770	86.6
Union State Bank	188,431	54.5

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Loan-to-Deposit Ratio Analysis (Continued)

As of December 31, 1996, Aliant Bank's asset size was \$238.4 million; First Montgomery Bank's asset size was \$189.1 million; and Elmore County Bank's asset size was \$65.8 million. As of March 31, 1997, after the merger of the three banks, Aliant Bank's asset size was \$489.9 million. The loan-to-deposit ratios of comparable banks before and after the merger ranged from 54.5 percent to 101.7 percent. Overall, the loan-to-deposit ratio is reasonable.

#### Lending in the Assessment Area

As previously mentioned, the bank is most active in the origination of unsecured consumer loans and small business loans. During the examination, 165 unsecured consumer loans and 150 small business loans were geocoded and analyzed to determine the percentage of loans originated in the bank's assessment areas. Of the loans sampled, 139 (84 percent) of the consumer loans and 148 (99 percent) of the small business loans were inside the bank's assessment areas. Additionally, \$648,863 (75 percent) of the consumer loans and approximately \$5.2 million (99 percent) of the small business loans were inside the bank's assessment areas. A substantial majority of the bank's unsecured consumer and small business lending is inside the bank's assessment areas.

As noted above, some of the bank's branches are in an MSA. First Montgomery Bank and Elmore County Bank, which are now part of Aliant Bank, were HMDA reporters. First Montgomery Bank's assessment area was Montgomery County, and Elmore County Bank's assessment area was Elmore County. The banks' 1996 HMDA data was reviewed, and a substantial majority of the banks' HMDA-related lending, 95 percent, was inside the banks' assessment areas. Additionally, Aliant Mortgage Corporation, which was formerly a subsidiary of First Montgomery Bank, originated 263 HMDA-related loans in 1996. Of the 263 originations, 150 (57 percent) of the loans originated were in the banks' assessment areas. A substantial majority of the HMDA reporter banks' mortgage lending is in the assessment areas, and a majority of the mortgage company subsidiary's lending is inside the banks' assessment areas. Overall, a substantial majority of loans are in the bank's assessment areas; therefore, performance under this criterion exceeds the standards for satisfactory performance.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's lending to borrowers of different incomes, based on the unsecured consumer loans originated in the bank's assessment areas, is shown in the table below:

BORROWER / FAMILY INCOME LEVEL	PERCENTAGE OF FAMILIES	UNSECURED CONSUMER LOANS			
		Number	% of Total	Dollars (\$)	% of Total
Low	21	27	19	55,824	9
Moderate	15	31	22	67,926	10
Middle	20	37	27	123,519	19
Upper	44	44	32	401,594	62
Total	100	139	100	648,863	100

In the sample, originations in the bank's assessment areas were distributed among borrowers of different income levels generally consistent with the assessment areas' demographic composition. The bank has made an adequate number of unsecured consumer loans to low- and moderate-income applicants in relation to their proportion of the assessment areas' demographic makeup. As expected, a lower dollar volume of unsecured consumer loans was made to low- and moderate-income applicants, in relation to their proportion of the assessment areas' demographic makeup, because of the smaller dollar loan amounts.

The bank's lending to businesses of different sizes, based on the small business loans originated in the bank's assessment areas, is shown in the table below:



**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

LOAN AMOUNT	SMALL BUSINESS LOANS			
	Number	% of Total	Dollars (\$000)	% of Total
\$100,000 or less	137	93	2,989	57
\$100,000 to \$250,000	9	6	1,597	31
\$250,000 to \$1 million	2	1	653	12
Total	148	100	5,239	100

The bank has made a substantial number of small business loans for \$100,000 or less in the bank's assessment areas. Additionally, a substantial dollar volume of small business loans for \$100,000 or less was made in the bank's assessment areas. The April 1995 issue of Entrepreneur magazine included an article about a study conducted by the Small Business Administration's Office of Advocacy. The criteria of the study included the number of small business loans made for less than \$250,000 versus the total percentage of bank loans, loans versus total bank assets, the bank's total deposits, and the dollar value of small business loans. First Montgomery Bank, which was merged into Aliant Bank, was ranked as one of the top banks most likely to lend to small businesses.

In addition to the unsecured consumer loans and small business loans sampled, First Montgomery Bank's and Elmore County Bank's 1996 HMDA-related lending in the banks' assessment areas to borrowers of different incomes is shown below:

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

BORROWER/ FAMILY INCOME LEVEL	PERCENTAGE OF FAMILIES	HMDA-RELATED LOANS			
		Number	% of Total	Dollars (\$000)	% of Total
Low/Moderate	25	78	29	1,613	13
Middle	50	58	22	1,859	16
Upper	25	130	49	8,639	71
Total	100	266	100	12,111	100

A greater percentage of the number of 1996 HMDA-related loans was made to low- and moderate-income applicants in relation to their proportion of the assessment areas' demographic makeup. A lower percentage of the number of 1996 HMDA-related loans was made to middle-income applicants, and a greater percentage of the number of 1996 HMDA-related loans was made to upper-income applicants in relation to their proportion of the assessment areas' demographic makeup. Four of the loans made did not have income information available. As expected, a lower dollar volume of HMDA-related loans was made to low- and moderate-income applicants in relation to their proportion of the assessment areas' demographic makeup, because of lower average loan amounts.

Additionally, the mortgage company's 1996 HMDA-related lending activity is shown in the table below:

BORROWER/ FAMILY INCOME LEVEL	PERCENTAGE OF FAMILIES	HMDA-RELATED LOANS			
		Number	% of Total	Dollars (\$000)	% of Total
Low/Moderate	25	27	18	1,751	10
Middle	50	23	15	1,931	12
Upper	25	100	67	13,044	78
Total	100	150	100	16,726	100

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

A lower percentage of the number of HMDA-related loans was made by the mortgage company subsidiary to low-, moderate-, and middle-income applicants in relation to their proportion of the assessment area's demographic makeup; however, a greater percentage of 1996 HMDA-related loans was made by the mortgage subsidiary to upper-income applicants in relation to their proportion of the assessment area's demographic makeup. 62 percent of the loans originated by the mortgage company were for the purpose of refinancing home purchase loans, 32 percent of the originations were for the purpose of conventional home purchase loans, and 6 percent of the originations were for the purpose of government-insured home purchase loans.

Overall, the bank meets the standards for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration among individuals are businesses.

Geographic Distribution of Loans

The bank's lending to individuals in the bank's assessment areas by income level of census tracts and BNAs is shown in the table below:

INCOME LEVEL OF CENSUS TRACTS/ BNAs	PERCENTAGE OF POPULATION BY CENSUS TRACT/BNA INCOME LEVEL	UNSECURED CONSUMER LOANS			
		Number	% of Total	Dollars (\$)	% of Total
Low	8	0	0	0	0
Moderate	14	10	7	44,497	7
Middle	48	109	79	391,299	60
Upper	30	20	14	213,067	33
Total	100	139	100	648,863	100

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

### Geographic Distribution of Loans (Continued)

No unsecured consumer loans sampled were made in low-income census tracts and a lower proportion than the percentage of the population in the moderate-income census tracts; however, this position is somewhat mitigated by the fact that 12.6 percent of the families in the bank's assessment areas are below poverty level. Specifically, 50.8 percent of the households in low-income census tracts are below poverty level, and 28.4 percent of the households in moderate-income census tracts are below poverty level. Generally, individuals with an income below poverty level do not have an adequate source of repayment for loans; therefore, lending opportunities to individuals in low- and moderate-income census tracts are minimal.

A substantial majority of the unsecured consumer loans sampled were made in middle-income census tracts or BNAs, and a lesser percentage of unsecured consumer loans sampled was made in upper-income census tracts or BNAs. 34.4 percent of total families reside in middle-income census tracts or BNAs. 45.1 percent of low-income families and 57.6 percent of moderate-income families reside in middle-income census tracts or BNAs; therefore, most families reside in middle-income census tracts or BNAs regardless of their income level. Because a greater percentage of families of all income levels reside in middle-income census tracts or BNAs, lending to individuals in middle-income census tracts or BNAs is expected to be higher than lending to individuals who live in other income level census tracts or BNAs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Geographic Distribution of Loans (Continued)

The bank's lending to small businesses in the bank's assessment areas by income level of census tracts and BNAs is shown in the table below:

INCOME LEVEL OF CENSUS TRACTS/BNAs	PERCENTAGE OF CENSUS TRACTS/BNAs BY CENSUS TRACT/BNA INCOME LEVEL	SMALL BUSINESS LOANS			
		Number	% of Total	Dollars (\$000)	% of Total
Low	8	18	12	787	15
Moderate	14	10	7	408	8
Middle	48	89	60	2,763	53
Upper	30	31	21	1,281	24
Total	100	148	100	5,239	100

A greater percentage of small business loans sampled was made in low-income census tracts than the percentage of low-income census tracts in the bank's assessment areas, and a lower percentage of small business loans was made in moderate-income census tracts than the percentage of moderate-income census tracts in the bank's assessment areas. A substantial majority of the small business loans were made in middle-income census tracts or BNAs, and a lower percentage of small business loans was made in upper-income census tracts or BNAs. It seems that the bank is adequately meeting the credit needs of businesses located in low-income census tracts, and because the majority of the census tracts or BNAs are middle-income, it is expected that the largest percentage of small business loans would be made to businesses in middle-income census tracts or BNAs.

Seven of the eight low-income census tracts in the bank's assessment areas are in the Montgomery region. The Montgomery Civic Center, the train station, a park, and a junior college are located in census tract 1.00. A college, the federal courthouse, and small businesses are located in census tract 2.00. A landfill, the state docks, low-income residential property, and a flood plain unsuitable for development are located in census

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Geographic Distribution of Loans (Continued)

tract 3.85. The downtown area, which includes businesses and government buildings, makes up census tract 6.00.

A park and low-income residential property are located in census tract 10.00. A portion of the downtown area including some low-income residential property is located in census tract 11.00. Low-income residential property makes up census tract 12.00. Because the low-income census tracts are composed mostly of businesses and other nonresidential property, the geographic distribution of the unsecured consumer loans and small business loans in the bank's assessment areas seems reasonable.

In addition to the unsecured consumer loans and small business loans sampled, First Montgomery Bank's and Elmore County Bank's 1996 HMDA-related lending in the banks' assessment areas by income level of census tracts is shown below:

INCOME LEVEL OF CENSUS TRACTS/ BNAs	PERCENTAGE OF POPULATION BY CENSUS TRACT/BNA INCOME LEVEL	HMDA-RELATED LOANS	
		Number	% of Total
Low/Moderate	25	35	13
Middle	50	156	58
Upper	25	79	29
Total	100	270	100

A lower percentage of HMDA-related loans was made in low- and moderate-income census tracts than the percentage of the population in these census tracts. Lending in middle- and upper-income census tracts is reflective of the population in the middle- and upper-income census tracts. HMDA-related lending by geographic distribution seems reasonable.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

### Geographic Distribution of Loans (Continued)

Aliant Mortgage Corporation's 1996 HMDA-related lending in the banks' assessment areas by income level of census tracts is shown below:

INCOME LEVEL OF CENSUS TRACTS/ BNAs	PERCENTAGE OF POPULATION BY CENSUS TRACT/BNA INCOME LEVEL	HMDA-RELATED LOANS	
		Number	% of Total
Low/Moderate	25	5	3
Middle	50	50	33
Upper	25	95	64
Total	100	150	100

A lower percentage of HMDA-related loans was originated in the low-, moderate-, and middle-income census tracts than the percentage of the population. A greater percentage of HMDA-related loans was originated in the upper-income census tracts compared to the percentage of the population. The mortgage company's HMDA-related lending activity complements the banks' HMDA-related lending activity; however, it seems that the mortgage company is servicing the credit needs of the individuals in upper-income census tracts rather than the credit needs of the individuals in other income level census tracts.

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

### Complaints

No CRA-related complaints have been filed since the bank's membership in the Federal Reserve System as of October 1995.

### Compliance with Antidiscrimination Laws

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures. No practices have the intent or the effect of discouraging applicants.

**APPENDIX A**

**SCOPE OF EXAMINATION**

**TIME PERIOD REVIEWED:** October 1, 1995, to April 28, 1997

<b>FINANCIAL INSTITUTION</b>	<b>PRODUCTS REVIEWED</b>
Aliant Bank, Alexander City, Alabama	Real Estate Loans Consumer Loans Commercial Loans Small Business Loans

<b>AFFILIATES</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
Aliant Mortgage Corporation	Bank Subsidiary	Mortgage Loans
Alabama's First Finance	Bank Subsidiary	Consumer Loans Mortgage Loans

**LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION:**

<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
ALABAMA: MSA 1000 (BIRMINGHAM)	On-site	Crestline Office	Office Hours: Lobby M-Th 9-4 F 9-6 Drive-in M-Th 8:30-5 F 8:30-6
MSA 5240 (MONTGOMERY) Montgomery	On-site	Regional Main Office Downtown Office	Lobby M-Th 9-1/2-4 F 9-1/3-6 Drive-in M-Th 9-4 F 9-6
MSA 5240 (MONTGOMERY) Elmore County	On-site	Regional Main Office Millbrook Office	Lobby and Drive-in M, T, Th 9-5 Wednesday 9-12 Friday 9-6
Alexander City	On-Site	Regional Main Office	Lobby and Drive-in M, T, Th, F 8:30-5 Wednesday 8:30-12