



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**June 18, 2003**

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

**Great Southern National Bank  
Charter Number 17038**

**218 22nd Avenue  
Meridian, MS 39302**

**Comptroller of the Currency  
ADC-Birmingham  
100 Concourse Parkway Suite 240  
Birmingham, AL 35244**

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

## TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING .....</i>	<i>2</i>
<i>DESCRIPTION OF INSTITUTION .....</i>	<i>3</i>
<i>DESCRIPTION OF ASSESSMENT AREAS.....</i>	<i>3</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</i>	<i>4</i>

## INSTITUTION'S CRA RATING

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 an examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of the community.

This document is an evaluation of the CRA performance of Great Southern National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 18, 2003. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 CFR § 25.

**This institution is rated Satisfactory.** The rating is based on the following:

- Overall lending reflects a good responsiveness to meeting the credit needs of the assessment area.
- A majority of the loans have been made inside the bank's assessment area.
- The net loan-to-deposit ratio is reasonable compared to similarly situated banks.
- GSNB has a satisfactory level of lending to low- and moderate-income borrowers.
- GSNB has a satisfactory level of lending within low- and moderate-income tracts.

## DESCRIPTION OF INSTITUTION

Great Southern National Bank (GSNB) is a \$222 million community bank located in Meridian, MS. The bank is majority owned by Great Southern Capital Corporation (GSCC), a one-bank holding company located in Meridian, MS. Great Southern National Bank is comprised of its main office in Meridian, MS as well as four branches in the Meridian area. The bank has other full service branches located in the communities of Decatur, Enterprise, Pachuta, Quitman, and Waynesboro. These branches are located in Clarke, Newton, and Wayne Counties, MS. Great Southern also includes branches in Hattiesburg, MS. The bank also operates 10 proprietary automated teller machines (ATM's) at several branch locations. GSNB offers a variety of traditional loan and deposit products for individual and commercial concerns. The bank's niche is in commercial lending, but holds a significant portion in consumer real estate. The loan mix based on 3/31/03 Call Report data is as follows:

**Loan Categories**

<b>Type</b>	<b>\$ Volume ('000)</b>	<b>\$ Percentage</b>
Consumer Real Estate	\$37,455	29.62%
Commercial	\$22,122	17.50%
Commercial Real Estate	\$35,852	28.36%
Consumer	\$26,501	20.96%
All Other	\$4,505	3.56%
Total	\$126,435	100.00%

Source: 3/31/03 Call Report

Great Southern National is in sound financial condition with no legal impediments, which would prevent it from meeting the credit needs of the community. The bank's previous CRA rating was "Satisfactory" (12/97). The information used in the analysis was obtained using Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) data and business loan samples, which were analyzed and reviewed for accuracy.

## DESCRIPTION OF ASSESSMENT AREAS

Great Southern National Bank has two assessment areas. Great Southern National's primary assessment area (AA) is a non-metropolitan statistical area (Non-MSA) and is comprised of all census tracts in Clarke, Lauderdale, Newton, and Wayne counties and tract 9501 of Jasper County. The AA meets all CRA requirements and does not arbitrarily exclude any low and moderate-income tracts. Meridian is located in Lauderdale County. Meridian is the largest city within a 75-mile radius.

There are 30 tracts in the Non-MSA AA. There are 7 upper-income tracts, 17 middle-income tracts, one low-income tract, and 5 moderate-income tracts in the AA. The AA is considered both urban and rural with service and retail trade being its largest industries. The population for the area is 134,471 people with 36,788 families and 50,149 households. The average median family income is \$36,000. Twenty-three percent (23%) of total families, or 8,306 families are considered low-income. Fifteen percent (15%) of total families, or 5,426 families are considered moderate-income. Service and retail trade make up 36% and 20% of the area's industry, respectively. The largest employers in the area include Peavey Electronics, Rush Medical

Center, Anderson Medical Center, and the Riley Foundation Hospital. Seventy-five percent (75%) of businesses are small businesses (<\$1 million gross revenue). Fifty-six percent (56%) of businesses employ between one and four people. The unemployment rate varies significantly for each county from 6.5% in Lauderdale County to 15.9% in Clarke County. As of 4/03, the average unemployment rate is 9.93%. The unemployment rate information was provided by the Mississippi Employment Security Commission.

The Hattiesburg MSA is the bank's secondary assessment area. Only 14% of the reviewed HMDA-related loans made within the AA were made in the Hattiesburg MSA. The largest employers in the area include Forrest General Hospital, University of Southern Mississippi, and the Hattiesburg Clinic. Marshall Durbin Poultry, Sunbeam Household Goods, and Hood Cable Company are the largest manufacturing and distribution employers in the area. The unemployment rate for Hattiesburg MSA is 5.00%. The industry, employment, and unemployment rate information was provided by the Mississippi Employment Security Commission.

Competition in the primary AA is strong given the presence of several large and community banks in Meridian, MS. Citizens National Bank and Community Bank are both headquartered in Meridian, MS and provide GSNB's main competition. There are an additional 137 banks, finance companies, and mortgage companies that compete in the market area. GSNB holds a strong market position in the surrounding counties of Clarke, Newton, and Wayne County.

A representative of the Meridian Housing Authority (MHA) was interviewed in conjunction with the CRA evaluation. The representative stated that there is a significant need in the community for affordable housing. The representative stated that local financial institutions meet the credit needs of the community. The MHA currently operates 1,149 housing units with 4,000 residents. Single-parent families support a large percentage of the need for affordable housing. The area has a high volume of housing with structural problems in need of repair or reconstruction. Currently, the MHA is demolishing 148 housing units and has plans to demolish 78 more units later in the year.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

Great Southern National Bank's loan mix is centered in consumer real estate (30%) and commercial lending including commercial real estate (46%). Equal weight is placed upon consumer real estate and commercial lending for the analysis. To perform the analysis, information was collected from the HMDA-LAR report and a sample of 20 business loans made in the Non-MSA AA. No analysis was performed for the Hattiesburg MSA, based on the low percentage of loans made in that AA. We reviewed all originated loans on the HMDA-LAR report for the evaluation period of January 1999 through December 2002. The business loan sample covered the same time period. The information was analyzed to determine the bank's performance with CRA requirements. CRA Wiz reports provided additional information for analysis. This information uses 1990 U.S. Census data. Also, the bank's quarterly loan-to-deposit ratios from March 1998 through March 2003 were compared with similarly situated banks over the same time period.

## Loan-to-Deposit Ratio

- Great Southern National's net loan-to-deposit ratio (LTD) meets the standards for satisfactory performance.

The bank's quarterly LTD ratio averaged 65% over the past 21 quarters. The LTD ratio was 62% at 3/31/03. The current LTD ratio was also compared to other banks in the area. The LTD average for similarly situated banks over the same time period was 67%.

## Lending in Assessment Area

- A substantial majority of both the dollar volume and the number of loans originated since 1/1/99 were made within the AA. This meets standards for satisfactory performance.

For all consumer real estate loans originated since 1/1/99, 88% (by #) and 86% (by \$) were made inside the AA. Eighty percent (80%) of the business loans (by #) and 74% (by \$) sampled were within the AA.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

- The distribution of lending to low- and moderate-income borrowers in the Non-MSA AA is satisfactory. The bank is also performing satisfactorily with lending to small businesses.

Based on the HMDA-LAR data, the bank's lending to low-income borrowers is well below their consumer mortgage lending to all borrowers. Approximately 23% of the families are low-income. There are 8,306 families in the AA considered low-income. Eighty-eight percent (88%) of these low-income families, or 7,317 families, live below the poverty level. Lending to moderate-income borrowers exceeds demographic information. Refer to Table 1 for further details.

**Table 1:**  
**Consumer RE Income Distribution - Non-MSA**

Income Level	# of Families by Income	% of Families by Income	# of Loans Originated	% of Total (by #)	\$ of Loans Originated ('000)	% of Total (by \$)
Low-Income	8,306	22.58%	67	9.90%	\$627	2.19%
Moderate-Income	5,426	14.75%	101	14.92%	\$1,493	5.22%
Middle-Income	6,676	18.15%	147	21.71%	\$3,305	11.57%
Upper-Income	16,380	44.53%	362	53.47%	\$23,151	81.02%
Total	36,788	100.00%	677	100.00%	\$28,576	100.00%

Source: CRA Wiz & HMDA-LAR reports

Lending to small businesses exceeds demographic information. The sample included 20 business loans. Eighty percent (80%) of the loans were made to small businesses, or 64% (by \$).

Seventy-two percent (72%) of the businesses in the bank's AA are small. Refer to Table 2 for further details.

**Table 2:**  
**Commercial Loan Distribution**

Revenue	# of Loans	\$ of Loans Originated (000's)	% of Total (by #)	Benchmark	% of Total (by \$)
<b>\$0-\$0.5 (000's)</b>	15	\$3,577	75.00%	71.53%	62.70%
<b>\$0.5-\$0.99 (000's)</b>	1	\$43	5.00%	3.83%	0.75%
<b>Small Business</b>	16	\$3,620	80.00%	75.36%	63.45%
<b>Large Business</b>	4	\$2,085	20.00%	5.60%	36.55%
<b>Not Reported</b>	N/A	N/A	N/A	19.04%	N/A
<b>Total Business</b>	20	\$5,705	100.00%	100.00%	100.00%

Source: Loan Sample and CRA Wiz Reports

### Geographic Distribution of Loans

- Lending in low- and moderate-income tracts is satisfactory as evidenced by a reasonable dispersion of consumer real estate and commercial loans.

The Non-MSA AA contains one low-income tract and 5 moderate-income tracts. GSNB's lending performance within the low-income tract is below demographic information, but is considered reasonable based on the following: 1) 46% of the families in the tract live below the poverty level, and 2) There are a high number of housing units with structural problems in the tract. The bank's lending performance within the moderate-income tract is below demographic information, though current lending ratios represent lending to 72% of families in the area. This represents a satisfactory level of lending in the moderate-income tract. Refer to Table 3 for further details.

**Table 3:**  
**Loans by Census Tract - Non-MSA**

Origination	% of Owner Occupied Housing	# of Loans in Census Tract	% of Total	\$ of Loans in AA ('000)	% of Total
<b>Low Tract (1)</b>	1.25%	2	0.29%	\$33	0.11%
<b>Moderate Tract (5)</b>	11.59%	57	8.30%	\$1,960	6.72%
<b>Middle Tract (17)</b>	54.54%	431	62.74%	\$13,194	45.27%
<b>Upper Tract (7)</b>	32.62%	197	28.68%	\$13,960	47.90%
<b>Other - NA (0)</b>	0.00%	0	0.00%	\$0	0.00%
<b>Total (30)</b>	100.00%	687	100.00%	\$29,147	100.00%

Source: HMDA-LAR & CRA Wiz Reports

Overall lending to businesses located in low- and moderate-income tracts is satisfactory. Based on the sample of 20 businesses loans, no loans were made in the low-income tract. This is

reasonable given that businesses located in this tract do not represent a large portion of the market. The bank's lending performance in the moderate-income tracts meets demographic information by dollar volume, but is slightly below by number. Refer to Table 4 for further details.

**Table 4:**  
**Commercial Geographical Analysis**

<b>Census Tracts</b>	<b># of Loans</b>	<b>\$ of Loans Originated (000's)</b>	<b>% of Total (by #)</b>	<b>Benchmark</b>	<b>% of Total (by \$)</b>
<b>Low</b>	0	\$0	0.00%	2.34%	0.00%
<b>Moderate</b>	3	\$1,269	18.75%	32.70%	30.09%
<b>Middle</b>	7	\$951	43.75%	39.35%	22.55%
<b>Upper</b>	6	\$1,998	37.50%	25.61%	47.37%
<b>N/A (Loans not in AA)</b>	4	\$1,475	N/A	N/A	N/A
<b>Total</b>	20	\$5,693	100.00%	100.00%	100.00%

Source: Loan Sample and CRA Wiz Reports

## **Responses to Complaints**

Great Southern National Bank has not received any complaints about its performance in helping to meet assessment area needs during the evaluation period.

## **Fair Lending Review**

An analysis of 1999 - 2003 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.