



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 01, 2007**

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

**Citizens National Bank of Wills Point  
Charter Number 17015**

**500 North Fourth Street  
Wills Point, TX 75169**

**Comptroller of the Currency  
500 North Akard Street, Suite 1600  
Dallas, TX 75201-3323**

**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.**

## **INSTITUTION'S CRA RATING:**

### **This institution is rated Satisfactory.**

The Citizens National Bank of Wills Point (CNB) has satisfactory lending performance given its size, financial condition, and the credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- A substantial majority of loan originations are within the bank's assessment area. Based on our review of residential real estate loans, consumer loans, and commercial real estate loans originated since January 1, 2005, 81% of the number and 79% of the dollar volume of loans are in the assessment area.
- The distribution of loans made to businesses of different sizes and to individuals of varying incomes reflects a reasonable penetration of the assessment area.
- The average loan to deposit ratio of 64.7% meets the standards for satisfactory performance.

## **DESCRIPTION OF INSTITUTION**

The CNB is headquartered in the city of Wills Point, Van Zandt County, Texas, approximately 55 miles east of Dallas, Texas. CNB is a wholly owned subsidiary of its parent holding company, Wills Point Financial Corporation. As of December 30, 2006, total assets were \$79.2 million, total gross loans were \$45.0 million, and total deposits were \$69.5 million. In addition to its primary location in Wills Point, the bank has one branch office located in the city of Grand Saline, Van Zandt County, Texas. CNB offers a full range of loan products and deposit services, with an emphasis on residential real estate, commercial real estate, and consumer lending. Drive-up services and ATM's are provided at both locations and hours of operation are commensurate with other area banks. As of December 31, 2006, net loans to deposits equaled 60%. The following table depicts the loan mix:

<b>Loan Category</b>	<b>Amount (\$000's)</b>	<b>% Of Total</b>
Residential Real Estate	19,870	43.85
Consumer	10,438	23.04
Commercial Real Estate	8,417	18.58
Agricultural Real Estate	3,651	8.06
Agricultural Production	1,348	2.98
Commercial	1,097	2.42
Other	488	1.08
<b>Total</b>	<b>45,309</b>	<b>100.00</b>

CNB was rated *Satisfactory* on its last CRA Performance Evaluation, dated June 30, 2002. The bank has no financial or legal obstacles hindering its ability to meet its community's credit needs. CNB was not required to maintain and report Home Mortgage Disclosure Act data during this evaluation period due to its size, and it is not located in a Metropolitan Statistical Area.

## DESCRIPTION OF VAN ZANDT COUNTY

The assessment area (AA) for CNB consists of the entire Van Zandt County. The AA, which consists of ten census tracts, meets regulatory guidelines by including whole geographies and does not arbitrarily exclude any low or moderate-income areas. All ten of the census tracts are classified as middle- or upper-income. There are no low- or moderate-income geographies in the AA. The following table depicts the demographics of the AA:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>		
<i>Population</i>	<i>Census Year: 2000</i>	
Number of Families	13,790	
Number of Households	18,233	
<i>Geographies</i>	<i># of Tracts</i>	<i>% of Tracts</i>
Low-Income Census Tracts	0	0%
Moderate-Income Census Tracts	0	0%
Middle-Income Census Tracts	8	80%
Upper-Income Census Tracts	2	20%
Total Number of Census Tracts	10	100%
<i>Median Family Income (MFI)</i>		
2000 MFI for AA	\$ 41,841	
2005 HUD-Adjusted MFI	\$ 42,000	
2006 HUD-Adjusted MFI	\$ 43,100	
<i>Economic Indicators</i>		
2000 Median Housing Value	\$ 67,414	
% of Unemployment	2.61%	
% of Households Below Poverty Level	13.79%	
% of Households on Social Security	35.23%	
% of Households in Retirement	19.61%	

The AA has a diversified employment base. Many Van Zandt County residents commute to the larger cities of Tyler, Terrell, Greenville, and Dallas for employment. Growth patterns reflect increased commuter movement as residential development occurred in those areas closest to the larger cities. However, a significant amount of the new residential development falls slightly outside Van Zandt County. Census tract data indicates the average age of housing in the assessment area is 27 years old. Median family income increased from \$36,100 in 2002 to

\$43,100 in 2006, possibly due to the broader range of employment options available to the increasing number of commuters. Major employers located within the AA are Morton Salt International and the Cozby Germany Hospital. The Canton First Monday Trade-Days is a well-established trade market that brings thousands of customers to the county every month. Our discussions with a prominent Wills Point community leader confirmed the bank's satisfactory involvement in the community. The person we interviewed occupies an elected office, which serves the City of Wills Point.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

CNB has satisfactory lending performance. The bank provides residential, commercial, and consumer loans throughout the AA. Lending within the AA is reasonable.

### Loan-to-Deposit Ratio

Name of Institution	Total Assets (000) (3/31/2007)	Average LTD Ratio
First State Bank	39,106	76.79
<b><i>Citizens National Bank of Wills Point</i></b>	<b>79,239</b>	<b>64.69</b>
First State Bank of Ben Wheeler, Texas	80,875	55.69
The First National Bank of Canton	79,744	53.41
The First National Bank of Edgewood	16,959	52.39

The loan-to-deposit ratio, (LTD), is satisfactory considering the bank's size, financial condition, and lending opportunities. The average LTD was calculated using data from the previous 18 quarters. The average LTD for that period is 64.69%, which compares favorably with other similarly situated financial institutions within the same AA.

### Lending in Assessment Area

The table below shows the distribution of residential real estate, commercial real estate, and consumer loans extended to borrowers residing or operating in the AA. We reviewed all loans originated since January 1, 2005 in each category. A substantial majority of the lending is within the AA. Based on this analysis, the bank exceeds the standards for satisfactory performance for lending within its AA. Approximately 81% of the number of loans originated and 80% of the original dollar amount were extended to borrowers residing and/or operating within the designated AA.

Total Loans Reviewed (1/1/2005-12/31/2006)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	70	72.2	27	27.8	97	6,465,747	77.9	1,832,683	22.1	8,298,429
Commercial RE	23	69.7	10	30.3	33	3,567,918	85.1	624,133	14.9	4,192,052
Consumer	409	83.6	80	16.4	489	6,281,667	77.9	1,785,042	22.1	8,066,710
Total	502	81.1	117	18.9	619	16,315,332	79.4	4,241,858	20.6	20,557,191

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

We reviewed a sample of 20 residential real estate loans originated within the AA, as indicated in the table below.

Borrower Income Distribution of Residential Real Estate in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	17	5	15	5	21	20	47	70

CNB's residential lending to low-income and moderate-income (LMI) borrowers is reasonable. Although CNB's penetration to LMI borrowers appears less than satisfactory compared to the percentage of LMI families within the AA, this is typical with residential real estate data, as results are often skewed toward middle-and upper-income borrowers. This is primarily due to the traditional qualification requirements for conventional home purchases. These qualifications often demand larger income levels given the significant closing costs and down payment requirement, which many LMI individuals are unable to produce. According to management, the majority of the residential lending consists of home purchase loans and few LMI families apply for this type of funding. In addition, substantial portions of households in the AA are on fixed-incomes, such as social security, public assistance, or retirement income. Households on fixed-incomes are less likely able to produce the funds associated with residential real estate purchase. Management also indicated that a significant number of housing units located within the AA are participants of the federal government housing assistance program, Section 8.

We reviewed a sample of 20 consumer loans originated within the AA, as indicated in the table below.

Borrower Income Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	22	10	14	20	17	35	47	35

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CNB's consumer lending to low-income and moderate-income borrowers is reasonable. Although our sample shows consumer lending penetration to LMI borrowers is well below the percentage of LMI households within the AA, our limited sample may not be an accurate depiction of the bank's consumer lending patterns. We confirmed management's ascertain that there is no minimum loan amount required for extending a consumer credit. Based on our cursory review of the 489 consumer loans originated since January 1, 2005, a substantial number (approximately 45%) had origination amounts of less than \$10 thousand and several less than \$5 thousand. The purposes of many of these loans were for various consumer needs including, paying bills, school expenses, medical expense and auto or household equipment repairs. This supports the assumption that our sample of 20 loans is not indicative of CNB's overall consumer lending performance to LMI households.

<b>Borrower Income Distribution of Commercial Real Estate Loans in AA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Businesses	61.41%	2.91%	35.69%	100%
% of Bank Loans in AA by #	85%	15%	-	100%
% of Bank Loans in AA by \$	65%	35%	-	100%

*\*Source; Loan Sample; Census Demographic data \*35.69% of AA businesses did not report revenue data..*

CNB meets the standards for satisfactory performance in lending to small businesses. We reviewed a sample of 20 commercial real estate loans made within the AA to assess the bank's performance regarding lending to businesses of different sizes. Our analysis revealed that 65% of the dollar volume and 85% of the number of loans were extended to small business borrowers. Small businesses are defined as those with gross annual revenues or sales of one million dollars or less.

### **Geographic Distribution of Loans**

CNB's AA does not contain any low or moderate-income census tracts; therefore, a geographical analysis would not be meaningful.

### **Responses to Complaints**

CNB did not receive any CRA related complaints during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practice inconsistent with helping to meet community credit needs.