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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

October 7, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Citizens National Bank  
Charter Number 17456**

**1320 East Loop 304  
P.O. Box 1420  
Crockett, Texas 75835**

**Office of the Comptroller of the Currency  
Southwestern District  
1600 Lincoln Plaza  
500 North Akard  
Dallas, Texas 75201-3394**

**NOTE: 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.**

## 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 **Citizens National Bank** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of October 7, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**

Citizens National Bank has a satisfactory record of meeting community credit needs. This satisfactory rating is based upon:

- ▶ The bank's loan-to-deposit ratio of 42.52% is comparable to the ratios of other area banks.
- ▶ A significant portion of the bank's core loan products are extended within its assessment area.
- ▶ Credit activity is reasonably distributed to borrowers of different income levels.
- ▶ Geographic distribution of loans reflects a reasonable penetration throughout the assessment area.

The following table indicates the performance level of **Citizens National Bank** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>CITIZENS NATIONAL BANK</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
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 have been received since the previous CRA examination		

## **DESCRIPTION OF INSTITUTION:**

Citizens National Bank is a community bank with total assets of \$70 million. Outstanding loans totaled \$28 million on June 30 1997. Loan products offered include 1- 4 family residential (interim construction and permanent), home improvement, consumer, commercial, and agricultural loans. Composition of the loan portfolio by type is as follows: commercial 28%; agricultural 27%; consumer 22%; residential real estate 20%; and other 3%. The primary business focus consists of agricultural (including loans secured by farmland), commercial, and consumer lending. There are no legal impediments which limit the bank's ability to meet the credit needs of the assessment area. The financial institution is located at 1320 East Loop 304, Crockett, Texas.

## **DESCRIPTION OF HOUSTON COUNTY:**

The Board has designated the bank's assessment area as Houston County. The designated assessment area includes Block Numbering Areas (BNA) 9501, 9502, 9503, 9504, 9505, 9506, and 9507. These BNA's consist of the communities of Grapeland, Porter Springs, Crockett, Kennard, Ratcliff, and Lovelady. Within the assessment area, two of the seven BNA's are designated as moderate income areas (9502 and 9504) with the remaining BNA's designated as middle income areas. The county's population is 21,375 according to 1990 Census Bureau data. Approximately 26% of the families are low income, 17% are moderate income, 18% are middle income, and 39% are upper income. According to 1996 Department of Housing and Urban Development (HUD) data, the median family income in Houston County is \$31,500. The area economy is stable with an unemployment rate of approximately 4.9% (1997). Local employment opportunities are centered in the following industries: Services (health, government, finance), manufacturing, agriculture, and timber. Major area employers include: Crockett I.S.D., East Texas Medical Center, Crockett State School, Northcutt Woodworks, Millennium Petrochemical, and Earl's Manufacturing. A recent contact with a local quasi-government official revealed that area financial institutions have been responsive to the needs of the community. The official also believes that there continues to be a need for affordable housing within the City of Crockett.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### LOAN TO DEPOSIT RATIO:

The loan-to-deposit ratio of Citizens National Bank is comparable to the ratios of other area banks. As of June 30, 1997, Citizens National Bank's loan-to-deposit ratio equaled 43.27%. The loan-to-deposit ratio has averaged 42.52% since our previous assessment of the bank's CRA activities dated February 28, 1995. The average loan-to-deposit ratio of five other national and state chartered banks located in Houston County was 49.16% during the same time period. Individual loan-to-deposit ratios for these banks averaged from a low of 15.82% to a high of 63.88%.

### LENDING IN ASSESSMENT AREA:

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 34 home purchase, owner occupied, residential mortgages, 23 consumer loans, and 19 business loans originated in 1996 and year-to-date 1997. The combined sample reflected approximately 91% of loans by number and 87% of loans by dollar amount were extended within the bank's assessment area. The breakdown by loan category is illustrated in the tables below.

<b>Residential Mortgages</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	31	91%	\$1,580	79%
Outside Assessment Area	3	9%	\$412	21%

<b>Consumer Loans</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	21	91%	\$113	87%
Outside Assessment Area	2	9%	\$17	13%

<b>Business Loans</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amt. (000's)</b>	<b>Percent</b>
Inside Assessment Area	17	89%	\$1,526	97%
Outside Assessment Area	2	11%	\$55	3%

**LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:**

The distribution of loans within the assessment area reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. We performed an analysis based on a sample of consumer, residential, and business loans originated within the bank’s assessment area in 1996 and 1997. The distribution of loans within each income category generally approximates the income characteristics of the assessment area’s population. The income disbursement in our residential mortgage sample falls below the income characteristics of the assessment area population. Affordable residential loans for low- and moderate-income persons are available with Federal Housing Authority (FHA) programs through a local FHA office. The City of Crockett also participates in the Texas Department of Community Development and Housing Affairs Home Program. This program sets aside grant money which is matched by the city to assist low- and moderate- income persons in obtaining funds for home improvement and housing reconstruction purposes. Additionally the assessment area is also made up of a stable retirement community of which a majority of the citizens are established homeowners. The following table details the results of our income analysis.

<b>Lending to Borrowers of Different Income Levels</b>										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
Area Demographic Characteristics	26%		17%		18%		39%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	2	6%	3	10%	3	10%	23	74%	31	100%
Consumer	6	29%	7	33%	2	9%	6	29%	21	100%
Revenue Ranges	Less than \$100,000		\$100,000-\$500,000		\$500,000--\$1,000,000		Over \$1,000,000			
Commercial	6	35%	5	29%	2	12%	4	24%	17	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS:**

The geographic distribution of loan originations reflects a reasonable distribution throughout the Block Numbering Areas (BNA) within the assessment area. Based on addresses of loan recipients, we were able to determine in which BNA our sample of consumer, residential, and business loans were originated. The following table reflects the distribution by number of loan originations in the assessment area:

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		22%		78%		0%		100%	
Population	0		4,763		16,612		0		21,375	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	10	32%	21	68%	0	0%	31	100%
Consumer	0	0%	10	48%	11	52%	0	0%	21	100%
Commercial	0	0%	7	41%	10	59%	0	0%	17	100%

**RESPONSE TO COMPLAINTS:**

There have been no written complaints related to CRA performance since the previous CRA examination. Furthermore, we did not identify any substantive violations involving anti-discrimination laws or regulations.