



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**January 5, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Community National Bank at Bartow  
Charter Number 18270**

**1375 North Broadway Avenue  
Bartow, FL 33830**

**Comptroller of the Currency  
ADC-North Florida Field Office  
8375 Dix Ellis Trail, Suite 403  
Jacksonville, FL 32256**

**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 Outstanding.**

- ❖ Community National Bank's (CNB) average loan-to-deposit ratio is more than reasonable given the bank's size and financial condition.
- ❖ A substantial majority of loans were originated within the assessment area.
- ❖ CNB has excellent penetration among individuals of different income levels and businesses of different sizes.
- ❖ The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

## DESCRIPTION OF THE INSTITUTION

Community National Bank at Bartow (CNB) is located in Bartow, Polk County, Florida. The bank was chartered in July 1984 and is a subsidiary of Community One Bancshares, Inc., a one-bank holding company. The bank has one office with an automatic teller machine (ATM) at that location. There is also an ATM located at the Bartow Memorial Hospital. As of December 31, 2003, bank assets totaled \$74 million. Net loans represent 74% of total assets. The bank's primary focuses are small business and residential lending. Loans to businesses represented 52% of total outstandings at year-end 2003. Residential lending accounted for 36% of total outstandings. Loans for other consumer purposes represent 8% of total loans outstanding.

In 1999, the bank began a consumer program to finance residential construction loans for homebuyers. The loans are done through an arrangement CNB has with a select group of mortgage bankers. The loans are generally short-term--four to six months, while permanent, post-construction financing is provided by other banks. As of December 31, 2003, CNB has made \$64 million in loans under this arrangement with \$5 million currently outstanding. There are no financial, legal, or other impediments to the bank's ability to meet community credit needs. The evaluation period for this review is October 1997 through January 2004. At the last CRA exam in September 1997, the bank received a rating of "Outstanding".

## DESCRIPTION OF THE ASSESSMENT AREA

CNB's assessment area is the entire Lakeland-Winter Haven Metropolitan Statistical Area [MSA#3980]. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The MSA consists only of Polk County. Bartow is the county seat of the MSA, which also includes the cities of Lakeland, Winter Haven, Lake Wales and Fort Meade. Bartow is a small city, with a population of 15,000 that can increase to over 30,000 daily due to county government activities. The assessment area consists of the 76 census tracts that comprise the county. Based on the 1990 Census, the MSA has a total population of 405,382, 115,537 families and a median family income of \$28,966. The census tract designations and family distribution in the assessment area are as follows.

	Census Tracts		Families
<b>Low-Income</b>	2	2.6%	18.4%
<b>Moderate-Income</b>	17	22.4%	19.1%
<b>Middle-Income</b>	45	59.2%	24.1%
<b>Upper-Income</b>	11	14.5%	38.4%
<b>Data Not Available<sup>1</sup></b>	1	1.3%	0.0%
<b>Totals</b>	76	100.0%	100.0%

Community banks, regional banks and large banks represent banking competition in the MSA. There are 16 financial institutions operating more than 118 offices. CNB has 1.29% of the market share of deposits in the MSA.<sup>2</sup> Polk County has primarily a working population with 80% of the population being wage earners. While 12% live below the poverty level, 6% receive

<sup>1</sup> Census Tracts where data is not available are typically uninhabited or woodlands.

<sup>2</sup> Source: FDIC; June 30, 2003

public assistance. Eighty-four percent (84%) of all housing units are occupied, with 59% being owner-occupied. The median home value for the MSA is \$81,617. Data from the Department of Housing and Urban Development (HUD) estimates the median family income for the MSA to be \$47,000 for 2002. Polk County is known for its agricultural economy, particularly citrus crops and phosphate mining. But retail trade and services also support the local economy. Major private employers include Publix Supermarkets, Lakeland Regional Medical Center and IMC-Agrico.

As part of our examination, we contacted the director of an organization in Polk County that supports economic development. We discussed the credit needs of the community and the performance of financial institutions in meeting those needs. The discussion indicated that financial institutions are performing favorably in meeting community credit needs and there were no areas needing improvement.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

To evaluate the following performance criteria, we focused on 2002 loan activity per regulatory requirements to maintain consistency with Census information. Updated income and census tract data for loans originated in 2003 would not be consistent with data used to categorize prior years' loan activity. As such, they were not used in this analysis. We used data collected from 2002 for residential mortgages, business and consumer loan products. Specific information regarding data analyzed is discussed under each criterion.

### **❖ Loan-to-Deposit Ratio - Exceeds the Standard for Satisfactory Performance**

***CNB's average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and financial condition.*** The bank's average LTD ratio over the evaluation period was 84%. The quarterly ratios ranged between 62% and 95%. For comparison, we obtained the quarterly LTD ratios for a selected peer group. The peer group consisted of five financial institutions headquartered in Polk County. The average LTD ratio was 69% with a range between 59% and 77%. The average LTD ratio for the nationwide peer group was 74%.

### **❖ Lending in Assessment Area - Exceeds the Standard for Satisfactory Performance**

***The bank makes a substantial majority of loans within its assessment area.*** This conclusion is based on an analysis of loans originated during the evaluation period. Our analyses included data provided by the bank for all residential mortgages, business loans, and consumer loans made in 2002. Total originations for each product are detailed in the first table below. Loans made under the residential construction program are included in consumer loans. We sampled loans from each category to validate the accuracy of the bank's data. On an aggregate basis, 94% of the total number and 87% of the total dollar volume of all loans were originated in the assessment area. A breakdown by loan product for 2002 is detailed in the second table below.

<b>2002 Loan Originations</b>	<b>Total Number</b>	<b>Total Dollar</b>
Business Loans	153	\$16,008,000
Residential Loans	73	\$3,606,000
Consumer Loans	573	\$27,723,000

Loans In the Assessment Area	Residential Loans		Business Loans		Consumer Loans	
	# of Loans	\$ Volume of Loans	# of Loans	\$ Volume of Loans	# of Loans	\$ Volume of Loans
In the AA	100%	100%	96.2%	82.6%	93.3%	88.4%
Out of the AA	0%	0%	3.8%	17.4%	6.7%	11.6%

❖ **Lending to Borrowers of Different Incomes and Businesses of Different Sizes - Exceeds the Standard for Satisfactory Performance**

*CNB has excellent penetration among individuals of different income levels.* For this criterion, we used the same samples of residential and consumer loans originated within the assessment area discussed in the previous performance criterion. Income information was obtained for each borrower. Borrowers were then categorized as low-, moderate-, middle-, or upper-income based on the HUD Median Family Income figures for 2002. The aggregate results were compared to the total distribution of families in the assessment area for residential loans and households in the assessment area for consumer loans. In the case of consumer loans, CNB's distribution more than approximates the demographics of the area.

<i>Income Category</i>	<i>Consumer Loans 2002</i>		<i>Households within the Assessment Area</i>
	# of Loans	\$ Volume of Loans	
Low-Income	39.4%	29.8%	22.3%
Moderate-Income	15.7%	12.0%	16.7%
Middle-Income	17.8%	19.8%	21.0%
Upper-Income	27.1%	38.4%	40.0%
No Income Data	0.0%	0.0%	0.0%

CNB has historically made small dollar consumer loans available to the community, which has filled a credit need for low- and moderate-income borrowers. Consumer loans made in 2002 ranged in amounts from \$1,000 to \$1 million. Sixty-five percent (65%), or 370, of the 573 consumer loans made were less than \$40,000. Of these, 46% and 16% of the total number were made to low- or moderate-income borrowers, respectively.

The results for residential lending are detailed in the table below.

<i>Income Category</i>	<i>Residential Mortgages 2002</i>		<i>Families within the Assessment Area</i>
	# of Loans	\$ Volume of Loans	
Low-Income	9.6%	7.9%	18.4%
Moderate-Income	20.6%	14.5%	19.1%
Middle-Income	27.4%	27.3%	24.1%
Upper-Income	38.4%	41.6%	38.4%
No Income Data	4.0%	8.7%	0.0%

***CNB has excellent penetration among businesses of different sizes.*** We obtained annual revenue information for business loans used in our analysis. Our analysis determined that the bank makes loans to businesses of varying sizes within each assessment area, but particularly to small businesses (those with less than \$1 million in annual revenues). Ninety-percent (90%) of the total number and 75% of the total dollar of business loans made in 2002 were to small businesses. In comparison, economic data shows 69% of all businesses in the MSA are considered small businesses. CNB also makes a large portion of their business loans in smaller dollar amounts. For example, in 2002 we noted business loans amounts ranging from \$2,000 to \$1,000,000. A breakdown of loans by size is given below.

<b>Loan Size</b>	<b># of Loans</b>	<b>\$ Volume of Loans</b>
< \$100,000	69.9%	26.6%
\$100,001 - \$250,000	19.0%	27.0%
\$250,001 - \$500,000	9.1%	30.9%
\$500,001 - \$1,000,000	2.0%	15.5%
> \$1,000,000	0.0%	0.0%

❖ **Geographic Distribution of Loans - Exceeds the Standard for Satisfactory Performance**

***The geographic distribution of loans reflects excellent dispersion throughout the assessment area.*** Using our same loan data, we noted the geographic location of the consumer, business, or property purchased, depending on the purpose of the loan. For comparison of business loans, we reviewed economic data that shows the geographic location of businesses in the MSA. For consumer loans, we compared the number of households (HH) within each tract category. For residential loans, we compared the amount of owner-occupied housing (OOH) within each tract category. Lending patterns indicated penetration of most census tracts. In none of the analyses did we identify any conspicuous gaps in lending patterns.

It should be reiterated that there are only two low-income census tracts in the assessment area. Together, they are very small, with 429 business, 637 families, 1,294 households and 455 owner-occupied housing units located within their boundaries. Therefore, opportunities for lending in these tracts are limited. Furthermore, most low- and moderate-income persons in the area reside in middle-income census tracts. Sixty-four percent (64%) of low-income families and 72% of moderate-income families live in middle-income census tracts.

CNB's record of business lending in moderate-income census tracts is further enhanced by construction loans made to a builder of affordable housing in a 41-unit, single-family residential subdivision. Home prices ranged from \$73,900 to \$79,900. From August 2000 through September 2002, the bank provided funding for 24 of the units totaling \$1.6 million. Because this activity occurred over a period of time, it will not be fully reflected in the numbers below. However, it was given additional consideration because it is located in a moderate-income tract, targeted borrowers with a maximum income of 120% of the MSA median and provided up to 10% down payment assistance through the City of Lakeland.

In the case of residential loans, CNB's distribution—by number of loans—more than approximates the demographics of the area. For business and consumer loans, the distribution closely approximates the demographics of the area, particularly for a bank of this size.

<b><i>Geographic Distribution of Residential Loans (2002)</i></b>			
<b>Tract Category</b>	<b># of Loans</b>	<b>\$ Volume of Loans</b>	<b>OOH in the AA</b>
<i>Low-Income</i>	0.0%	0.0%	0.4%
<i>Moderate-Income</i>	17.8%	11.0%	13.7%
<i>Middle-Income</i>	46.6%	57.1%	69.1%
<i>Upper-Income</i>	35.6%	31.9%	16.8%

<b><i>Geographic Distribution of Business Loans (2002)</i></b>			
<b>Tract Category</b>	<b># of Loans</b>	<b>\$ Volume of Loans</b>	<b>Businesses in the AA</b>
<i>Low-Income</i>	1.3%	0.7%	1.6%
<i>Moderate-Income</i>	13.7%	18.7%	19.3%
<i>Middle-Income</i>	56.9%	52.1%	61.9%
<i>Upper-Income</i>	28.1%	28.5%	17.2%

<b><i>Geographic Distribution of Consumer Loans (2002)</i></b>			
<b>Tract Category</b>	<b># of Loans</b>	<b>\$ Volume of Loans</b>	<b>Households in the AA</b>
<i>Low-Income</i>	0.2%	0.2%	0.8%
<i>Moderate-Income</i>	13.3%	12.9%	17.1%
<i>Middle-Income</i>	53.6%	60.7%	67.6%
<i>Upper-Income</i>	32.8%	25.7%	14.5%
<i>Not Available</i>	0.1%	0.5%	0.0%

❖ **Response to Complaints - Not Applicable**

CNB has not received any complaints about its performance in helping to meet the assessment area needs during this evaluation period.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

We found no evidence of illegal discrimination or other illegal credit practices.