



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**April 05, 2004**

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

**Consumer National Bank  
Charter Number 16500**

**140 West Pearl Street  
Jackson, MS 39201**

**Comptroller of the Currency  
Birmingham Field Office  
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.**

## INSTITUTION'S CRA RATING

### **This institution is rated Outstanding based on the following:**

- Consumer NB's loan-to-deposit (LTD) ratio is considered good in light of the bank's size, competition, and market loan demand.
- A substantial majority of the bank's loans are made within the bank's assessment area.
- Mortgage and consumer loan patterns reflect excellent distribution among borrowers of different income levels, particularly among low and moderate-income customers.
- Geographic distribution reflect good distribution throughout the bank's assessment area, particularly among RE and commercial loans.

## DESCRIPTION OF INSTITUTION

Consumer National Bank (CNB) is a \$30 million bank headquartered in Jackson, MS. Jackson is Mississippi's most populous city and serves as the center of government both for the state and Hinds County. The bank, chartered in 1975, has its ownership concentrated in several individuals, in addition to a minority ownership stake being held by an out-of-state holding company. CNB conducts business from four locations within its assessment area (AA) including its main office and Terry Road branch in Jackson and its Crossgates branch in Brandon, MS (Rankin County). In late March 2004, CNB opened its newest branch in northeast Jackson. This office is the only banking facility opened since Consumer's previous CRA examination. No acquisition or merger has been completed since the previous examination. All branches are full service locations operating with traditional business hours. CNB does not operate ATMs, but it does offer cards which allow the use of its competitor's machines. However, CNB does not subsidize transaction fees. With the exception of the bank's main office, all of Consumer NB's offices have drive up facilities.

Since the previous CRA examination, Consumer NB's primary business focus has shifted from consumer lending and more towards commercial lending. This change was implemented as a result of the 2001 change in senior management. The bank's loan mix based on the 12/31/2003 Call Report is as follows:

| <b>Loan Type</b>            | <b>Dollar Amount \$(000)</b> | <b>% Of Total Loans</b> |
|-----------------------------|------------------------------|-------------------------|
| RE Residential (1-4 Family) | 4,163                        | 20.57                   |
| Commercial and Industrial   | 9,758                        | 48.23                   |
| Consumer                    | 6,173                        | 30.51                   |
| Ag RE                       | 140                          | 0.69                    |
| <b>Total</b>                | <b>20,234</b>                | <b>100</b>              |

The bank’s CRA performance was rated “Outstanding” at its last such examination (12/31/97). As of this examination date, there were no legal or regulatory impediments that would impact the bank’s lending capacity or ability to help meet the credit needs of the assessment area. However, CNB is somewhat limited by its relatively small asset size in relation to the overall Jackson market.

CNB’s competition is intense as 17 banks operate within the bank’s assessment area. Offices of statewide or regional holding companies provide most of the bank’s competition, but credit unions and nonbank financial intermediaries provide additional competition. Since the previous CRA examination, offices of banks not traditionally operating in central Mississippi have entered the Jackson market in order to take advantage of the growth of the area. This growth is partially attributed to the presence of Nissan Motor Co.’s newest vehicle manufacturing plant, located in nearby Canton, MS. However, CNB is the smallest bank operating within the AA and has no other similarly situated competition. Because of CNB’s size, the bank is not a market leader in any measurable category, ranking 12<sup>th</sup> in deposits with a market share of 0.46 percent. The top five competitors in this market include Trustmark Bank, AmSouth Bank, BancorpSouth Bank, Union Planters Bank, NA and Bank Plus Bank.

Conclusions for this public evaluation are based on a random sample of 90 total loans. This sample consisted of 30 commercial, 30 consumer and 30 1-4 family RE loans originated between January 1, 2000 and December 31, 2002. A community leader was also consulted to gain feedback on area demographics, perceived credit needs, and financial institution responsiveness regarding the CRA within the bank’s AA.

## **DESCRIPTION OF HINDS/RANKIN COUNTY, MS**

Consumer NB’s assessment area consists of Hinds and Rankin Counties, Mississippi. These two counties comprise two thirds of the Jackson, MS MSA. This area is contiguous and does not arbitrarily exclude any low to moderate-income areas. The third county comprising the Jackson MSA (Madison County) was excluded as Consumer NB has no branches in the county and as a result, does not expect to reasonably serve the area. The bank’s AA meets all legal requirements as specified by the CRA.

The Housing and Urban Development (HUD) updated 2000 MSA median family income for Jackson was \$53,100. Low income is defined as less than 50 percent of the median family income. Moderate income is defined as 50 percent to less than 80 percent of the median family income. Middle income is defined as 80 percent to less than 119 percent of the median family income. Upper income is defined as income of 120 percent and over the median family income. Income classification categories are listed in Table 1.

| <b>Table 1 – Income Categories</b> |                   |                     |           |
|------------------------------------|-------------------|---------------------|-----------|
| Low                                | Moderate          | Middle              | Upper     |
| <\$26,549                          | \$26,550 – 42,479 | \$42,480 - \$63,719 | >\$63,720 |
|                                    |                   |                     |           |

*Source: U.S. Census data.*

The AA consists of seventy-seven (77) tracts with a total population of 341,602. Twenty-three

percent of households in the bank’s AA live at or below the poverty level. Total housing units within the assessment area equaled 131,732, and of these, 60.54 percent are owner occupied. The area’s median housing value is \$58,819. Table 2 below shows the demographic makeup of the AA by census tract and family income.

| <b>Table 2 – Assessment Area Demographics</b> |          |          |               |               |
|---|----------|----------|---------------|---------------|
| Income Level                                  | # of CTs | % of CTs | # of Families | % of Families |
| Low   | 16       | 20.78%   | 20,682        | 23.36%        |
| Moderate                                      | 16       | 20.78%   | 13,642        | 15.41%        |
| Middle  | 26       | 33.77%   | 18,471        | 20.86%        |
| Upper   | 19       | 24.68%   | 35,734        | 40.36%        |
| Total   | 77       |          | 88,529        |               |

*Source: U.S. Census data.*

The economy of the Jackson MSA is heavily weighed towards service industries as government, medicine and education play major roles in the area’s employment. As of January 2004, unemployment rates for the Hinds and Rankin Counties were 4.6 percent and 3.0 percent respectively, compared to the U. S. average of 6.3 percent for the same period. Major employers in the area include the State of Mississippi (31,566), the University of Mississippi (7,200) and the U. S. Government (5,500). Other major employers include the Jackson Public School District, Nissan North America, and Baptist Health Systems.

As previously noted, Consumer NB’s offices are primarily located within the city limits of Jackson. Two of CNB’s four branches are located either in a low or moderate-income census tract. The main office of CNB is located in a low-income census tract (CT 27). Approximately 55 percent of the tract’s families are considered low-income and only 15.87 percent of the tract’s homes are owner occupied.

As part of this review, we conducted an interview with a local government official. Information received from this interview indicated that the area’s most pressing credit need was for small business lending to encourage and sustain entrepreneurial endeavors. Our contact offered that business development has been seen as of primary importance for the City of Jackson as well as surrounding areas. The contact was complimentary of CNB’s performance in the local community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

- Consumer NB’s loan-to-deposit (LTD) ratio is increasing and is considered good in light of the bank’s size, competition, and market loan demand.

The 24 quarters since the 12/31/97 CRA examination resulted in an average loan-to-deposit ratio

of 62.15 percent. Actual loan-to-deposit ratios for the period ranged from a high of 77.49 percent at 9/30/03 to a low of 53.23 percent at 6/31/01. Over the past three years, management has attempted to increase lending efforts, primarily commercial products. Their efforts have met with success as CNB has generally posted gains in its loan-to-deposit ratio for every quarter since 9/30/01. However, the bank's average ratio is slightly less than the national peer group average of 67.81 percent for the same period.

As of 12/31/03, CNB's ratio of 76.88 percent better its national peer group average of 69.61 percent for the same period. This ratio also compared favorably to a comparison of banks headquartered in Mississippi with total assets of \$30 million or less (61.43 percent). As previously stated, CNB is the smallest bank located within its assessment area and must compete with larger banks that have a wider variety of products and name recognition due to more extensive marketing programs.

### Lending in Assessment Area

- A substantial majority of the bank's loans are extended to borrowers within its assessment area.

Table 3 denotes the distribution of a sample of major bank products originated between January 1, 1998 and December 31, 2002. As shown by the table, a substantial majority of bank loans are made within the bank's assessment area.

| Loan Type      | Number of Loans |    |         |    |       | Dollars of Loans |    |         |    |           |
|----------------|-----------------|----|---------|----|-------|------------------|----|---------|----|-----------|
|                | Inside          |    | Outside |    | Total | Inside           |    | Outside |    | Total     |
|                | #               | %  | #       | %  |       | \$               | %  | \$      | %  |           |
| Commercial     | 27              | 90 | 3       | 10 | 30    | 720,485          | 94 | 46,559  | 6  | 767,044   |
| Residential RE | 27              | 90 | 3       | 10 | 30    | 1,624,554        | 88 | 214,785 | 12 | 1,839,339 |
| Consumer       | 25              | 83 | 5       | 17 | 30    | 194,172          | 95 | 13,001  | 5  | 207,173   |
| Totals         | 79              |    | 11      |    | 90    | 1,891,211        |    | 274,345 |    | 2,810,556 |

Source: OCC loan sample

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

- The distribution of loans made to different borrower income levels and to different business sizes is excellent.

As Table 4 shows, lending to borrowers of different income levels for 1 to 4 family residential RE loans exceeds the percentage of their respective portion of the population within CNB's assessment area, especially among moderate-income families. RE lending to low-income families generally is in line with their percentage population of the assessment area. However, combined lending to low and moderate income customers amounted to 48 percent of our sample, compared to the two groups comprising 38 percent of the assessment area's population.

| Borrower Income Level | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
|-----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
|                       | % 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 |
| 1-4 Family RE         | 23.36            | 22.22                | 15.41            | 25.93                | 20.86            | 18.52                | 40.36            | 33.33                |
|                       |                  |                      |                  |                      |                  |                      |                  |                      |

Source: OCC Residential RE loan sample, U.S. Census data.

To further substantiate the bank’s adequacy in lending to borrowers of different incomes, a sample of 25 consumer purpose loans made during the evaluation period and within the assessment area was analyzed to show distribution by income (Table 5). Consumer NB has historically been a consumer lender and the information shown in a preceding table reflects that consumer lending is still a major product of the bank. This table shows that CNB’s lending performance to low and moderate-income borrowers was more than adequately represented.

| Borrower Income Level | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
|-----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
|                       | % 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 Loans        | 12.4               | 24.00                | 17.9               | 44.00                | 37.9               | 8.00                 | 31.8               | 24.00                |

Source: OCC Consumer loan sample.

Due to the absence of gross revenue information on most of the business borrowers in our commercial loan sample, loan distribution by revenue could not be performed. Many of the loans comprising our commercial sample were to sole proprietorships or partnerships operating under trade names. Because income from these types of businesses are often included with the business principal’s income, gross revenue from the specific business is often impossible to distinguish. However, an analysis utilizing loan size as a proxy for gross revenue was performed. Although CNB is not a major business lender in its assessment area, the chart below shows that the bank has good loan penetration to small businesses as 89 percent of the number of loans were made to businesses for amounts less than \$100,000.

|   |
|---|
| <b>Table 6 – Borrower Distribution of Loans to Businesses by Loan Size in Hinds and Rankin Counties</b> |
|---|

| Loan Size (000's)       | Number of Loans | Percent of Number | Dollar Volume of Loans (000) | Percent of Dollar Volume |
|-------------------------|-----------------|-------------------|------------------------------|--------------------------|
| \$0 - \$100,000         | 24              | 89                | 352                          | 36                       |
| \$100,001 - \$250,000   | 2               | 7                 | 368                          | 38                       |
| \$250,001 - \$500,000   | 1               | 4                 | 251                          | 26                       |
| \$500,001 - \$1,000,000 | 0               | 0                 | 0                            | 0                        |
| Over \$1,000,000        | 0               | 0                 | 971                          | 0                        |

Source: OCC Commercial loan sample.

### Geographic Distribution of Loans

- The geographic distribution of loans in CNB's assessment area is good, particularly with regards to RE and small business lending.

Table 7 reflects that the geographic distribution of residential real estate loans is considered excellent in low and moderate-income tracts of its assessment area. While barriers exist in extending loans to low and moderate income geographies, residents of these areas that own real estate often offer their property as collateral on loans in order to obtain better interest rates. In addition, multiple loans to the same borrower may be secured by the same collateral.

| Census Tract Income Level | Low                            |                      | Moderate                       |                      | Middle                         |                      | Upper                          |                      |
|---------------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Loan type                 | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| 1-4 Family RE             | 6.65                           | 14.81                | 16.60                          | 25.93                | 40.85                          | 29.63                | 35.90                          | 29.63                |
|                           |                                |                      |                                |                      |                                |                      |                                |                      |

Source: OCC RE loan sample, U.S. Census data.

The geographic distribution of consumer loans by tract does not reflect the assessment area's characterization by income as only 12 percent of our consumer sample was extended in low and moderate-income census tracts. While all branches of CNB are easily accessible by car, some branches are more than 5 miles away from low and moderate-income census tracts. Larger institutions that operate in the assessment area have a more extensive branching network that offer more convenient locations to where area residents live. As previously stated, CNB has only four branches to serve Hinds and Rankin Counties.

| Census Tract Income Level | Low | Moderate | Middle | Upper |
|---------------------------|-----|----------|--------|-------|
|                           |     |          |        |       |

|                | % 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 Loans | 12.4               | 4.00                 | 17.9               | 8.00                 | 37.9               | 60.00                | 31.8               | 28.00                |

Source: OCC Consumer loan sample, U.S. Census data.

The geographic distribution of commercial loans by census tract is good. Management has attempted to improve the viability of the bank by concentrating its emphasis on growth of its commercial loan portfolio. CNB's geographic distribution of commercial loans in low and moderate-income tracts generally equals their percentage makeup of businesses in the area. However, the majority of businesses in CNB's AA are located in middle-income census tracts. Our sample shows that CNB has extended more of its commercial loans in these tracts.

| <b>Table 9 - Geographic Distribution of Loans to Businesses in Hinds and Rankin Counties</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level  | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
| Loan Type  | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Commercial   | 22.10              | 22.22                | 19.12              | 18.52                | 34.01              | 44.44                | 24.77              | 14.81                |

Source: OCC Commercial loan sample, U.S. Census data.

### Responses to Complaints

Consumer NB has received no CRA-related complaints from the public since its prior CRA examination.

### Fair Lending or Other Illegal Credit Practices Review

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