

PUBLIC DISCLOSURE

May 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

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

**Office of the Comptroller of the Currency
500 N. Akard, Suite 1600
Dallas, Texas 75201**

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 of Wills Point** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 14, 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 (CNB) demonstrates good lending practices. Within the context of local-area loan demand, the bank's asset size and financial condition, CNB originates a significant volume of residential mortgage loans, small business and consumer loans. CNB conducts a substantial preponderance of its lending activity within the bank's assessment area. A review of residential mortgage loans, small business and consumer loans originated in 1996, reflect a reasonable level of credit extensions to individuals of different income levels and businesses of different sizes. Our loan sample also reflects a geographic distribution of loans commensurate with the income characteristics of the block numbering areas that make up the assessment area.

The following table indicates the performance level of Citizens National Bank, Wills Point, Texas, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITIZENS NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
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 CRA complaints were received.		

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) is located in the city of Wills Point, Van Zandt County, Texas, approximately 55 miles east of Dallas. Wills Point is located in western Van Zandt County, near the boundaries of Kaufman and Hunt County. CNB was chartered in 1981 and is 90% owned by the Directorate. The bank is profitable and has a good capital base. In addition to the main office, CNB has a branch in Grand Saline, approximately twenty miles east of Wills Point. Both banking offices have drive up facilities. The bank's lending focus is real estate (residential and commercial), small business, consumer and agriculture loans. Real estate loans represent 53% of gross loans, with commercial and consumer loans representing 21% and 17%, respectively. The bank does not participate in government guaranteed loan programs for housing or small farms. Currently there are two SBA loans on the books, with balances representing less than 1% of the total loan portfolio. A full range of deposit and other banking services is available. The loan and deposit products offered are commensurate with the bank's size and resources. Neither the bank's financial condition nor the legal, regulatory, or economic environment hinder its ability to make loans and provide reasonable banking services.

DESCRIPTION OF THE ASSESSMENT AREA

CNB defines its assessment area as Van Zandt County, Texas. The assessment area is divided into 10 Block Numbering Areas (BNAs). All the assessment areas are defined as middle income. According to 1990 Census Bureau data, the population of the assessment area is 38 thousand persons, 11 thousand families and 14 thousand households. Sixty seven percent of the total housing stock is owner occupied, of which, 19% are mobile homes or trailers. The median family income for the assessment area is \$24 thousand. Based on the 1990 Census Bureau median family income data for the Van Zandt County BNAs, the income characteristics of the assessment area geographies are outlined in the table below.

Tract Characteristics	Count	%	Households	%
Low	0	0%	0	0%
Moderate	0	0%	0	0%
Middle	10	100%	14,451	100%
Upper	0	0%	0	0%

The assessment area has a diversified employment base. There are no companies that employ a substantial majority of the workforce. Morton Salt International's mine in Grand Saline employs 250 persons and is the most high profile employer in the county. Major employers

in the county include the hospitals, and or health care facilities, retail trade, oil and gas servicing companies, retail trade and manufacturing. The Canton First Monday Trade-Day is an internationally known flea and trade market that brings thousands of customers to the county on a monthly basis. Much of the county's growth is due to persons moving to the county who work for employers in Dallas and its suburbs, Greenville or Tyler. Within the assessment area there is a high amount of competition. Those competitors include the First National Bank of Van Zandt, the Bank of Van Zandt, the First National Bank of Edgewood, and branches of American National Bank of Texas, First National Bank of Athens, and Austin Bank, N. A., of Longview. Also, there are small branches of various savings and loans. There is competition for home loans from several mortgage companies.

To obtain additional information regarding community credit needs and the effectiveness of the local financial institutions, we used information from community contacts from August 1995. During the examination, we talked with the Wills Point City Manager, who was one of the 1995 community contacts. He states the bank is meeting the credit needs of the community as it was in 1995. The bank was a participant in the Texas Community Development Grant Program, where they made loans to contractors refurbishing homes for low and moderate income persons. He states bank management has been a willing lender to low and moderate income persons in the city. He feels credit needs include home improvement loans. He complimented the bank for offering seminars on credit counseling, the loan application process, and how to fill out a loan application.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOANS-TO-DEPOSITS

CNB's lending level exceeds similarly situated banks and is commensurate with its size, competition, available resources and the nature of its lending activities as well as the demographics of the assessment area. The bank's loan to deposit ratio averaged 57% over the seven quarters since the previous CRA examination conducted 7/10/95. This ratio is above other banks operating in and around the same assessment area, whose loan-to-deposit ratios range from 33% to 50% over the last seven quarters. The other banks range in asset size from \$11 million to \$446 million. Six of the other banks are nationally chartered and two are state chartered banks.

ASSESSMENT AREA CONCENTRATION

Examiners reviewed the bank's internal analysis of consumer, mortgage and commercial loans to determine the extent of the bank's lending within its assessment area, as noted in the table on the following page.

Assessment Area Lending - Originations 1996						
	Residential Mortgage Loans			Consumer & CML Loans		
	\$ (000)	#	% of #	\$ (000)	#	% of #
Inside Assessment Area	2,112	39	87%	6145	507	89%
Outside Assessment Area	551	5	13%	906	62	11%
Totals	2,663	44	100%	7,051	569	100%

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

The bank does not perform an analysis of its loans to borrowers of different income levels. Since there were no internal reports, examiners reviewed a sample of the various loan types originated within the assessment area in 1996. Our sample included 44 residential mortgage loans, 54 small business loans and 75 consumer loans. The "Applicant Income" on the following tables is based on a percentage of the 1990 Van Zandt County median income of \$24,535.

The tables reflect an overall reasonable distribution of the various types of loans to borrowers of different income levels. The sampled residential mortgage loan information shows an apparent disproportionate number of loans to upper income individuals. Lending opportunities for mortgage lending to lower income individuals is limited. As stated earlier, the bank's competition includes branches of large community banks as well as numerous mortgage companies, which can, and do offer better rates and special home loan programs for low and moderate income borrowers.

Distribution of Residential Mortgage Loans By Applicant Income			
Applicant Income	1996		
	\$(000)	#	% of Total #
Low	38	1	2%
Moderate	234	6	14%
Middle	135	5	11%
Upper	2,256	32	73%
TOTAL	2,663	44	100%

Distribution of Consumer Loans Made in 1996 by Applicant Income			
Applicant Income	\$(000)	#	% of Total #
Low	81	9	12%
Moderate	157	15	20%
Middle	126	14	19%
Upper	364	37	49%
TOTAL	728	75	100%

Distribution of Small Business Loans by Revenues - 1996			
Revenues	#	\$(000)	% of Total #
\$1 million or less	38	1,326	70%
Excess of \$1 million	16	1,778	30%
TOTAL	54	3,104	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

Due to the lack of an internal analysis, the tables below are derived from our limited sample of real estate, consumer and commercial loans originated in 1996 and the first quarter of 1997. The geographic distribution of loans reflect a reasonable dispersion throughout the middle income block numbering areas that make up the assessment area. The "Income Characteristics of the BNAs" in the tables are based on a percentage of the 1990 Census Median Family Income for Van Zandt County of \$24,535.

Geographic Distribution of Residential Mortgage Loans			
Income Characteristics of Block Numbering Areas (BNAs)	1996		
	\$(000)	#	% of Total #
Low	0	0	0%
Moderate	0	0	0%
Middle	2,663	44	100%
Upper	0	0	0%
TOTAL	2,663	44	100%

Geographic Distribution of Consumer and Small Business Loans Made in 1996			
Income Characteristics of BNAs	\$(000)	#	% of Total #
<i>Consumer Loans</i>			
Low	0	0	0%
Moderate	0	0	0%
Middle	728	75	100%
Upper	0	0	0%
TOTAL	728	75	100%
<i>Small Business Loans</i>			
Low	0	0	0%
Moderate	0	0	0%
Middle	3,104	54	100%
Upper	0	0	0%
TOTAL	3,104	54	100%

FAIR LENDING ANALYSIS

CNB is in compliance with provisions of the anti-discrimination laws and regulations. The analysis we performed did not disclose any discriminatory treatment or illegal practices on the prohibited basis of the applicant's sex and marital status.