



Comptroller of the Currency
Administrator of National Banks

Southeast District Office
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION

June 22, 1996

Citizens National Bank
Charter Number 14086
201 N.W. Railroad Avenue
Hammond, LA 70404

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Citizens National Bank (CNB), prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of June 22, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: “SATISFACTORY RECORD OF MEETING COMMUNITY CREDIT NEEDS”.

Bank Profile

Citizens National Bank (CNB) of Hammond, LA is a wholly owned subsidiary of Deposit Guaranty Corporation (Corp.), a multi-bank holding company headquartered in Jackson, MS. The Corp. acquired CNB in May of 1995. The Corp. had total assets of approximately \$6 billion as of December 31, 1995. The Corp. operates approximately 137 branches in the states of Mississippi, Louisiana, and Arkansas. The Corp. owns Deposit Guaranty Mortgage Company (DGMC). The mortgage company acts as a mortgage banker and engages in mortgage lending, brokerage, and servicing in Mississippi and Louisiana. CNB is a \$193 million institution serving primarily Tangipahoa Parish, and adjacent communities in the surrounding parishes of St. Tammany, Washington, St. Helena, and Livingston. The largest portion of the bank's business is derived from Tangipahoa Parish. The bank operates five branches throughout Tangipahoa Parish. The bank is in the process of acquiring a \$124 million institution in Gonzales, LA. This will expand the bank's delineated community into the east portion of Ascension Parish.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- o CNB has established ongoing and meaningful contacts with a full range of groups and individuals throughout its delineated community.

A process to ascertain the community's credit needs is established. The Board of Directors and management are responsive to information received through contacts with community leaders representing local civic, nonprofit, religious, minority, and small business organizations throughout Tangipahoa Parish.

CNB's participation in community organizations has proven effective in identifying community credit needs. Examples of participation in local organizations include:

DISCUSSION OF INSTITUTION'S PERFORMANCE

- o Hammond Industrial Development Foundation Board - This Board's purpose is to promote economic development in the city through attracting new industries to relocate or expand in the City of Hammond. CEO Phil Livingston is on this Board.
- o Ginger Ford Habitat for Humanity - This organization's purpose is to help low-income residents obtain affordable housing. VP Lou Goudeau and VP Charlotte Hanna serve on the application committee of this organization.
- o Hammond Chamber of Commerce - VP Christina Buehler is the President of this civic organization which promotes small business development in the city of Hammond.
- o Leadership Tangipahoa - This is a joint venture with all Chambers of Commerce in Tangipahoa Parish. The organization's primary objective is to develop future leaders for the parish. CEO Phil Livingston and VP Christina Buehler are on the Board of Trustees.
- o Downtown Development District - This organization's purpose is to implement initiatives which will revitalize the downtown area. SVP Joey Gautier provides technical assistance to the organization through serving on its loan review committee.

Other methods used to ascertain banking needs include:

- o outreach meetings - The bank has met with members of local church congregations. CNB staff members answered questions about obtaining loans and solving credit problems. Bank management discussed specific loan products that meet the credit needs of the community.
- o surveys - CNB periodically surveys community leaders with a CRA questionnaire to determine unmet credit needs. These questionnaires are discussed at the bank's Community Relations Committee meetings.

As a result of the bank's ascertainment efforts, CNB has identified the following community needs:

- o loan products tailored to small businesses;
- o affordable home loans;
- o small personal loans; and,
- o low cost checking accounts for senior citizens and students.

DISCUSSION OF INSTITUTION'S PERFORMANCE

CNB has met the aforementioned needs through product development and participation in government loan programs. CNB's product line has expanded since the merger with Deposit Guaranty Corporation. Examples of products offered by CNB include:

- o Small Business Administration (SBA) "low doc" loan program - This program offers business loans less than \$100,000 with a streamlined application process. This process reduces documentation requirements normally required by the SBA;
- o accounts receivable factoring (Business Manager) - CNB recently began offering this product geared towards meeting the needs of small growing businesses;
- o affordable home loans - Affordable home loan programs are offered through the bank's mortgage affiliate, Deposit Guaranty Mortgage Company. The mortgage company has an office located on the first floor at the bank's main branch. Examples of affordable housing products offered through the mortgage company include the Fannie Mae Community Home Buyer program, Fannie Neighbors program, Veteran Administration (VA) home loans, and Federal Housing Authority (FHA) home loans;
- o no minimum amount personal loans - CNB regularly makes small personal loans to individuals of all income segments; and,
- o low cost checking accounts - CNB offers low cost checking accounts tailored to meet the special needs of senior citizens and college students.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- o CNB's directors and senior management participate in the CRA process by providing oversight through policy review and self assessment audits.

The Board of Directors are generally involved in the CRA process. The Board has approved a written CRA policy which sets forth broad guidelines. The Board and senior management participate in community activities. Regular contact with community leaders allows the bank to be aware of and responsive to community credit needs.

The Board monitors the bank's CRA activities through the Community Relations Committee. This Committee is responsible for ascertaining credit needs and implementing action plans to meet identified needs. The bank's CRA Officer reports the committee's findings to the Board on a periodic basis. The bank recently implemented a second review program. This program requires that all denied residential mortgage and small business credit applications be reviewed for a second time to ensure fairness in the lending decision.

A CRA self-assessment analysis was performed in May of 1996. The bank's compliance officer monitors technical compliance with the Act on a periodic basis. Policies and procedures are in place to ensure ongoing technical compliance with CRA. No violations of CRA were found during our examination.

The Board requires annual CRA training for all employees. All officers and employees attended a training seminar held on May 16, 1996. The bank's policy requires new employees to receive CRA training shortly after they are hired.

DISCUSSION OF INSTITUTION'S PERFORMANCE

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- o CNB's marketing program is designed to reach all segments of its delineated community.

The bank's marketing efforts are designed to provide image and bank recognition in the community. In addition, marketing efforts inform the community of specific loan and deposit products offered through the bank. Media used to market bank products include local newspapers (Hammond Daily Star, The Ponchatoula Times, and the Amite-Tangi Digest), radio (WFPR, WHMD, and WABL radio stations), direct mail, and statement stuffers.

CNB utilizes non-traditional forms of marketing by participating in credit education seminars at churches located in low- and moderate-income (LMI) areas. Also, bank representatives have made presentations at local small business seminars sponsored by the Service Corps of Retired Executives and the Small Business Development Center at Southeastern Louisiana University. The presentations were geared toward teaching prospective business owners on how to apply for SBA loans.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- o CNB has made concerted efforts to address identified credit needs through the origination of consumer, real estate, and commercial loans within its delineated community.

The bank is addressing the identified needs of its community. Three of the major credit needs in Tangipohoa Parish are the origination of consumer, residential mortgage, and commercial related loans. These loan types represent 20%, 25%, and 42% of the bank's loan portfolio, respectively. CNB regularly originates small business loans under \$100 thousand and small personal loans under \$1 thousand. In 1995 and the first quarter of 1996, CNB originated 374 consumer loans totaling \$223 thousand with original loan amounts less than \$1 thousand. In the same time period, CNB originated 293 commercial loans with original amounts less than \$100 thousand. In the first quarter of 1996, approximately 10% of the bank's approved mortgage related loans were to LMI individuals. Also, the bank has funded 51 mobile home loans totaling \$815 thousand over the past year. This performance demonstrates CNB's willingness to meet the credit needs of its community regardless of income or loan size.

CNB's loan to deposit ratio was approximately 51% as of March 31, 1996. The bank has experienced modest growth in its loan portfolio of approximately 5% from December 31, 1993 to March 31, 1996. A review of the bank's June 30, 1995 call report reflects a diversified loan portfolio. The distribution by loan type is as follows:

<u>Loan Type</u>	<u>Amount Outstanding</u> (in thousands)	<u>Percent Total Loans</u>
1-4 Family Residential	21,724	25%
Commercial Real Estate	27,519	31%
Consumer	17,791	20%
Commercial	9,479	11%
Multi-Family	5,731	7%
Construction and Development	2,172	2%
State and Political Obligations	1,375	1%
Other	<u>2,727</u>	<u>3%</u>
Gross Loans	88,518	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- o CNB participates in governmentally insured programs geared towards small business, housing, and student loans.

CNB recently began to offer Small Business Administration loan products to its customers. One loan with an origination balance of \$100 thousand has been funded. CNB regularly refers customers to its affiliated mortgage company (Deposit Guaranty Mortgage Corporation) which makes government insured mortgage loans. The bank referred nine customers who received Federal Housing Authority (FHA), Veteran's Administration (VA), and Rural Economic and Community Development loans totaling \$496 thousand over the past year. CNB also participates with the Louisiana Public Facilities Authority in the Trust Origination Program (TOP). This program provides student loans to individuals attending two-and four-year colleges and universities. The bank referred 16 customers who received TOP loans totaling \$50 thousand.

DISCUSSION OF INSTITUTION'S PERFORMANCE

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- o The bank's community delineation is reasonable.

CNB's delineated community is defined as Tangipahoa Parish as well as the adjoining parishes of Livingston, St. Helena, Washington, and St. Tammany. The bank's delineated community was recently expanded to include East Ascension Parish in anticipation of CNB acquiring a bank located in Gonzales, LA. The delineation is based on parish boundaries and is reasonable as it does not exclude any low- and moderate-income areas. The delineation is consistent with the bank's size and resources.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- o The geographic distribution of the bank's credit extensions reflects penetration of all segments of its community, including low- and moderate-income areas.

The bank prepared a geographic distribution analysis of all lending activity from January 1, 1995 through September 14, 1995. This analysis breaks down the bank's credit extensions by zip code. The analysis reflects lending efforts in all areas of its community, including low- and moderate-income areas. This analysis discloses that approximately 80% of the bank's dollar volume of loans is located within its delineated community.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- o The bank has not opened or closed any branches since the last CRA assessment. Existing branches are reasonably accessible to all segments of the community.

The bank has four full service banking offices and one office limited to deposit transactions (Hammond South branch). The branches are located within the cities of Hammond (three branches), Ponchatoula, and Amite. The South Morrison, Amite, Ponchatoula, and main offices are equipped with automated teller machines (ATM). The bank also has an ATM machine located on the campus of Southeastern Louisiana University. CNB has not closed any branches subsequent to the previous examination. During July of 1994, CNB relocated a full-service branch from the Town & Country Shopping Center to a new location on South Morrison Boulevard. This relocation did not have an adverse impact on the local community. The new location is approximately one mile from the old branch. The bank has a branch opening/closing policy which requires an assessment of the potential impact that an office closing would have on its local community.

Banking hours are reasonable. CNB offers Saturday lobby and drive-up banking hours at its South Morrison location. Management performs periodic reviews of services and hours to assure reasonable access and accommodation to all community segments.

DISCUSSION OF INSTITUTION'S PERFORMANCE

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- o CNB does not engage in any practices to discourage applications for the types of credit offered.

CNB generally solicits credit applications from all segments of the community, including low- and moderate-income areas. The Board has developed adequate policies, procedures, and training programs supporting nondiscrimination.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- o No evidence of discrimination was found.

The bank is in substantial compliance with anti-discrimination laws and regulations. This conclusion was reached after reviewing approved and denied home improvement loan files for disparate treatment based on a prohibited basis. Thirty-six white approved applicant files were compared to eight denied African American files. Our review focused on whether the bank's lending standards are consistently applied on all applicants. No instances of unfair or disparate treatment were noted.

DISCUSSION OF INSTITUTION'S PERFORMANCE

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- o The bank actively participates in development and redevelopment projects and/or programs within the community.

CNB fosters economic development through funding loans for new businesses, business expansion, and multifamily dwellings. Some loans have been made in low- and moderate-income areas. These loans have spurred job creation and helped provide reasonable housing to community members of all income segments. CNB has funded approximately \$5.7 million in multi-family dwelling loans. The bank has financed millions of dollars in business expansion and new business loans since the previous CRA examination.

CNB has funded numerous loans totaling approximately \$1.3 million to churches and nonprofit organizations. Examples include loans for the following:

- o To purchase group homes for the adult mentally challenged so they can learn to live independently;
- o To provide affordable housing to low-income residents in Tangipahoa Parish;
- o To purchase a building for a teen pregnancy crisis center; and,
- o To renovate church buildings located in low-income and rural areas.

CNB has funded several loans where the proceeds were used to revitalize the Hammond downtown business district. Approximately \$1 million in loans have been funded to renovate downtown buildings.

CNB has invested in its delineated community through the purchase of 20 municipal securities totaling \$4.2 million. The monies were used for various purposes including public improvements and the construction of new schools.

CNB has funded approximately \$2 million in loans to public entities. Examples include loans to the city of Hammond, the Tangipahoa Water District, and the Town of Amite. A portion of the loan proceeds were used to install water systems in rural and low- and moderate-income areas. Loan proceeds have also been used to purchase and renovate office space for the Tangipahoa School Board.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- o CNB's efforts to meet community credit needs are consistent with its size and financial resources.

The bank's current financial condition does not adversely impact its ability to meet the credit needs of the local community.

Community Profile

Hammond is not located in a Metropolitan Statistical Area (MSA). The population of Tangipahoa Parish is approximately 86,000. The composition of the parish's population is approximately: 71% non-hispanic white and 29% black. The 1990 census median family income for Tangipahoa Parish is \$20,984. The parish consists of 17 census tracts including four moderate, three upper, and ten middle income tracts. The local economy is well diversified. Employment is centered in services - 37%, retail trade - 19%, manufacturing - 12%, transportation - 8%, contract construction of 7%, and other - 17%. The unemployment rate for the parish is 7.4% which is above the state average of 6.2%.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

CNB regularly makes monetary contributions to charitable causes throughout the local community. Additionally, employees donate their time and effort to similar activities. Examples of employees participation in activities include the United Way, Kiwanis Club, University Development Foundation, and the Tangipahoa Association for Retarded Citizens.

CNB makes its auditorium facilities available to numerous nonprofit groups at no cost. Examples of activities include defensive driving classes for senior adults, small business seminars held by SCORE, employment training to employees who work with the mentally challenged, and groups that work with disadvantaged young people.

ADDITIONAL INFORMATION

None.



Comptroller of the Currency
Administrator of National Banks

Southeast District Office
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303

October 1, 1996

Board of Directors
c/o Phil Livingston, CEO
Citizens National Bank
201 N.W. Railroad Avenue
Hammond, Louisiana 70404

Members of the Board:

Enclosed is your bank's Community Reinvestment Act Performance Evaluation ("evaluation"). The Office of the Comptroller of the Currency used the procedures established by the Federal Financial Institutions Examination Council to analyze your bank's performance under the Act. We prepared this evaluation in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

The amended Act requires that your bank make this evaluation available to the public within 30 business days after receipt of this letter. You make this information available by placing the evaluation, in its entirety, in the bank's CRA Public File located at:

- o your head office, and
- o a designated office in each local community.

Upon request, your bank must provide a copy of the evaluation to the public. You may, however, charge a reasonable fee not to exceed the cost of reproduction and mailing, if applicable.

The format and content of the evaluation may not be altered or abridged in any manner. You are encouraged to comment, separately, on the evaluation, detailing subsequent actions taken which reflect the bank's efforts to meet its obligations under the Community Reinvestment Act. We request that any written comments you place in the CRA Public File concerning this evaluation also be forwarded to this office.

You may direct any questions concerning this evaluation to me at (404) 659-8855 or Examiner-In-Charge Ronald A. Orr at the Jackson Duty Station, (601) 956-2918.

Sincerely,

A. Duncan McFarlane
Director for Regional Bank Supervision
Southeastern District