



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commercial National Bank of Texarkana
Charter No. 15257**

**224 E. 4th Street
Texarkana, Arkansas 75504-5954**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, TX 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 **Commercial National Bank of Texarkana, Texarkana, Arkansas** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 21, 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.

- ▶ Commercial National Bank's lending performance reflects reasonable responsiveness to its community's credit needs. The bank's average loan-to-deposit ratio is 66.59%.
- ▶ A substantial majority of loans made are within the bank's designated assessment area.
- ▶ Distribution of borrowers in the assessment area demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes.
- ▶ The geographic distribution of loans reflects satisfactory dispersion in the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Commercial 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 complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Commercial National Bank of Texarkana (CNB) reported total assets of \$96 million at December 31, 1996. Gross loans represent 67% of total assets with the following loan mix as of December 31, 1996: 56% real estate, 22% commercial, 21% consumer and 1% miscellaneous. CNB is located in Texarkana, Miller County, Arkansas, and is the fifth largest commercial bank in the Texarkana, Arkansas-Texas Metropolitan Statistical Area (MSA). CNB is a full service institution and offers a variety of deposit and loan products. CNB's business focus is small business loans, residential real estate loans, and consumer lending. CNB has four full service branches located in Texarkana, Arkansas, and one branch has a 24 hour automated teller machine (ATM). Additionally, CNB has three stand-alone ATMs, two are located in Texarkana, Texas, and one in Texarkana, Arkansas. The ATMs in Texas are strictly cash-dispensing and cannot accept deposits.

Major commercial bank competitors in the Texarkana MSA range in asset size from \$96 million to \$431 million. CNB is 100% owned by Commercial Bancshares, Inc. It is the only locally-owned commercial bank in the assessment area.

DESCRIPTION OF TEXARKANA MSA

The assessment area is the institution's effective lending territory and includes all of Miller County, Arkansas and Bowie County, Texas. These counties make up the Texarkana MSA, which is a multi-state MSA. The largest cities contained in this MSA are Texarkana, Arkansas, located 140 miles southwest of Little Rock, the state capital of Arkansas. Texarkana's twin city is adjacently located across the state line in Bowie County, Texas. The Texarkana MSA has a population of 120,132 and is comprised of 28 census tracts (CTs): three low-income CTs, six moderate-income CTs, 14 middle-income CTs, and five upper-income CTs. Miller County has a population of 38,467, and Bowie County has a population of 81,665 according to 1990 census information.

The local economy for the Texarkana MSA is supported by a wide variety of small and medium-sized manufacturers, retail, and industrial businesses which provide a strong employment base for the MSA. Based on 1990 business demographic data, there are 3,927 businesses in the MSA with 2,929 or 74% having sales of \$1 million or less. Defense-related companies have declined in recent years, but the MSA economy has grown steadily and grew 9.54% in 1996. A state penitentiary in Bowie County was recently completed and will provide an additional 1,100 jobs to the area. According to local Chamber of Commerce information, the unemployment rate in the MSA was 8% in February 1997. Community leaders contacted in the area indicated that affordable housing programs are available but additional communication of these products to the public is needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN-TO-DEPOSIT

CNB has a reasonable lending performance. The average loan-to-deposit ratio since the March 2, 1995 CRA examination is 66.59%. The loan-to-deposit ratio has fluctuated since March 31, 1995 between 62% and 74%. Loan-to-deposit ratios range from 57% to 68% for other similarly-situated lending institutions in the assessment area. CNB's loan-to-deposit ratio is reasonable in light of local economic and demographic data for the outlined assessment area.

ASSESSMENT AREA CONCENTRATION

A substantial majority of the bank's residential real estate loans are within the assessment area according to the 1996 Home Mortgage Disclosure Act (HMDA) data. The 1996 HMDA data indicates that 79 of 84 loans or 94% were originated in assessment area. The dollar amount of these loans originated in the assessment area totaled \$3,485,000 or 93% of all loans originated.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

HMDA Loans:

1990 census data indicates the Texarkana MSA has the following family income characteristics: 23% low-income families, 17% moderate-income families, 20% middle-income families, and 40% upper-income families. The 1996 HMDA data revealed a reasonable penetration among individuals of different income levels as depicted below.

HMDA Loans by Borrower Income				
Income Level	Count	%	\$000's	%
Low	4	5.1%	49	1.4%
Moderate	10	12.7%	226	6.5%
Middle	20	25.3%	715	20.5%
Upper	43	54.4%	2,363	67.8%
Not Available	2	2.5%	132	3.8%
TOTAL	77	100.0%	3,485	100.0%

Small Business Loans:

A small business loan is any loan that originated at \$1 million or less. This analysis focused on small business loans originated at \$1 million or less *and* with gross annual revenue of less than \$1million. A sample of 50 commercial loans originated in 1996 revealed that the majority or 78% were small business loans. The majority of the small business loans sampled had an origination amount under \$100,000.

GEOGRAPHIC DISTRIBUTION OF LOANS

HMDA Loans:

A review of the bank’s geographic distribution of 1996 HMDA data reveals a reasonable dispersion of loans in the bank’s assessment area. There were no significant gaps of lending in the assessment area based on the 79 loans reviewed. The table below depicts the location by census tract of these 79 loans.

Location of HMDA Loans by Census Tract				
Census Tract Income Level	Count	%	\$000's	%
Low	1	1.3%	4	0.1%
Moderate	11	13.9%	300	8.6%
Middle	51	64.6%	2,456	70.5%
Upper	16	20.2%	725	20.8%
TOTAL	79	90.0%	3,485	100.0%

The total number of families living in the three low-income and six moderate-income CTs comprise only 3.77% and 11.88%, respectively, of the entire Texarkana MSA family population. As a result, the volume of loans originated in the low-income tracts is less than the other tracts in the assessment area. Also, a portion of all three low-income CTs contain commercial developments which reduces the geographic area for residential lending.

Small Business Loans:

A sample of fifty small business loans was reviewed to determine their geographic distribution. However, this analysis was not meaningful because most of the addresses listed were post office box numbers instead of the actual business location.

DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

The Fair Lending procedures performed during this evaluation disclosed no violations of the substantive provisions of the antidiscrimination laws and regulations.