



## **Small Bank Performance Evaluation**

---

### **PUBLIC DISCLOSURE**

**March 21, 1997**

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

**Citizens National Bank & Trust Company  
Charter Number 21652**

**9550-1 U.S. Highway 19  
Port Richey, Florida 34688**

**Office of the Comptroller of the Currency  
Tampa Duty Station  
5650 Breckenridge Park Drive, Suite 202  
Tampa, Florida 33610**

**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 & Trust Company** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 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 Needs to Improve.

The factors that contributed to this rating are:

- ☞ Citizen's National Bank & Trust's loan-to-deposit ratio is well below other banks of similar size situated in the bank's primary market area. The loan-to-deposit ratio is a clear indicator of how well a bank is reinvesting its deposits back into the community through loans. Lending patterns since the last CRA examination show Citizens National Bank & Trust has a very low level of reinvestment.
- ☞ There were no significant safety and soundness issues which precluded Citizen's National Bank & Trust from extending more loans in the community.

The following table indicates the performance level of Citizens National Bank & Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITIZENS NATIONAL BANK &amp; TRUST COMPANY</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 by the bank or our agency since the prior examination.		

**DESCRIPTION OF INSTITUTION**

Citizens National Bank & Trust Company (CNB) of Port Richey, Florida, is an independent community bank chartered on December 29, 1988. The bank has one office with total assets of \$76 million as of December 31, 1996. The bank is structured with a majority of its assets in investments (55%).

The bank's primary lending focus has been residential lending, however, there has been a substantial shift toward more small business loans since our prior CRA examination on March 2, 1995. The bank's loan portfolio mix, as of December 31, 1996, is shown in the following table.

<i>Loan Type</i>	<i>Percentage of Total Loans</i>
<b>1-4 Family Residential Loan</b>	<b>56%</b>
<b>Commercial Real Estate</b>	<b>33%</b>
<b>Commercial Loans</b>	<b>8%</b>
<b>Consumer Loans</b>	<b>3%</b>

The bank's credit products are residential mortgages, mobile home loans, home improvement, installment, commercial, student loans and small business loans. In addition, the bank offers Trust services. The bank's ability to meet the various community credit needs is not hindered by its financial condition, size, product offerings, local economic conditions or any other factors.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The bank's assessment area is bounded on the north and south by the Pasco County lines, and the Gulf of Mexico to the west. The assessment area represents only a part of the Tampa/St. Petersburg/Clearwater metropolitan statistical area (MSA).

The assessment area consists of twenty census tracts. Based on the 1990 census, nine census tracts are considered moderate income and eleven are middle income census tracts. CNB is located in a moderate income census tract.

The assessment area is primarily a retirement community with a population of 194,748 based on the 1990 census. Demographic data shows that a substantial portion of the population in the assessment area (36%) is 65 years of age or older. Fifty five (55%) of all households receive social security income and 35% receive retirement income.

The principal employment sector is the service and retail industries. The largest employer is *HCA Columbia Hospitals* and *Pall Aeropower* which makes air filters. Largely effecting the area is the seasonal population due to the warm weather which attracts northern residents, particularly retirees, and agriculture which attracts migrant workers. The seasonal population can effect the county by up to 20% of its resident population.

The bank has strong competition provided by regional banks and mortgage companies in the assessment area. Regional bank competition is First Union, Barnett Bank, NationsBank, Republic Bank, SunTrust and branches of other community banks. Citizens National Bank & Trust Company is the only community bank headquartered in the assessment area.

Local community contacts state that population demographics are changing though they expect the area to remain a bedroom community to the nearby cities of Tampa, St. Petersburg and Clearwater. Over 30% of the population works in these cities while living in Pasco County. Population growth is coming more from families moving into the area though retirees are still the primary population. The *Committee of 100* and the city government have a strategy to attract new businesses to improve economic opportunity for these families and other residents. They hope to attract light manufacturing businesses to help improve the standard of living for lower income individuals who would otherwise work at lower paying service or retail jobs.

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

### **☞ *Loan to Deposit Ratio***

**CNB's average loan-to-deposit ratio is less than satisfactory.** CNB's average loan-to-

deposit ratio for the eight quarters since the last Community Reinvestment Act examination in March 1995 was 36%. This is well below the 68% average loan-to-deposit ratio for other banks of similar size located in CNB’s market area. “Similar size” banks consisted of 15 banks in Hernando, Pasco and Pinellas counties with assets less than \$100 million. As of December 31, 1996, these similar size banks had loan-to-deposit ratios which ranged between 50% to 80% with CNB as an outlier at 38%. The trends have shown a slight increase for CNB from the 34% loan-to-deposit ratio at the last CRA examination.

We reviewed the circumstances surrounding CNB’s low loan-to-deposit ratio. Our review found there were no external circumstances that could have prevented the bank from meeting the credit needs of the community.

**☛ Comparison of Credit Extended Inside and Outside the Assessment Area**

*The bank originates a majority of its loans within the assessment area (AA).* We based our conclusion on an analysis of all residential loan originations in 1996, and business loan originations since June 30, 1996. A total of 31 residential loans and 18 business loans were analyzed. We verified and used documentation provided by the bank to complete our analysis. The following tables illustrate both residential and business lending within the assessment area.

<b>Residential Lending</b>		
	<b>Inside AA</b>	<b>Outside AA</b>
<b>% by Number of Loans</b>	<b>84%</b>	<b>16%</b>
<b>% by \$ Amount Of Loans</b>	<b>79%</b>	<b>21%</b>

<b>Commercial Lending</b>		
	<b>Inside AA</b>	<b>Outside AA</b>
<b>% by Number of Loans</b>	<b>83%</b>	<b>17%</b>
<b>% by \$ Amount Of Loans</b>	<b>84%</b>	<b>16%</b>

☞ ***Lending to Borrowers of Different Income and to Businesses of Different Sizes***

***The bank’s lending to borrowers of different income is reasonable.*** We reviewed all residential loans originated in 1996. Our analysis showed that the bank’s loan distribution by income is similar to the income characteristics of the assessment area. Though distribution to low income families is lower, our discussion with the community contacts and bank management confirmed that some of these low income families include retirees that do not meet the true definition of low income families. Many retirees have significant equity, live on fixed incomes and have no desire or need for credit. Additionally, the bank extended 52% of their loans to low- and moderate-income families compared to the actual HUD income distribution of 50% for those income levels. The following table illustrates this comparison.

<b>Income Levels of Borrowers</b>	<b>CNB’s Loan Distribution by Income</b>	<b>1996 HUD Median Family Income Distribution</b>
<b>Low Income Families</b>	<b>14%</b>	<b>23%</b>
<b>Moderate Income Families</b>	<b>38%</b>	<b>27%</b>
<b>Middle Income Families</b>	<b>14%</b>	<b>26%</b>
<b>Upper Income Families</b>	<b>33%</b>	<b>25%</b>

***The bank’s lending to businesses of different sizes is reasonable.*** We sampled 18 new loans originated since June 30, 1996. The sample represents 78% by dollar volume of all business loans made in the same period. Since business revenue information was not readily available, we used loan amounts as a proxy for business size. We determined there is a direct correlation between the size of business and the amount of loan obtained. We analyzed loans made within a range of dollar amounts. Our findings show that CNB lends to businesses of all sizes with a significant *number* of loans (78%) to businesses with loan amounts less than \$150,000, and a significant *dollar* amount (63%) to businesses with loan amounts over \$151,000. It is important to note that the percentage dollar amount of loans to large businesses is not considered unusual as it takes fewer number of loans to generate a large dollar amount of loans. This is shown in the table below.

	<b>% by Number of Loans</b>	<b>% by \$ Amount of Loans</b>
<b>\$0-\$50,000</b>	<b>39%</b>	<b>9%</b>
<b>\$51,000-\$100,000</b>	<b>22%</b>	<b>13%</b>
<b>\$101,000-\$150,000</b>	<b>17%</b>	<b>16%</b>
<b>\$151,000-\$200,000</b>	<b>6%</b>	<b>8%</b>
<b>\$201,000 +</b>	<b>17%</b>	<b>55%</b>

 ***Geographic Distribution of Loans***

***Geographic distribution of loans is reasonable throughout the assessment area.*** We analyzed the number of loans made within each census tract by income level. We found that the distribution of loans is comparable to the distribution of income by census tract. We plotted all residential loans made in 1996, and 78% of business loans by dollar volume since June 30, 1996. The table below depicts the percentage by number of loans in the different census tracts by income.

<b>Income Level of Tract</b>	<b>% of Tracts</b>	<b>% of Loans in Tracts</b>
<b>Low Income Tracts</b>	<b>NA</b>	<b>NA</b>
<b>Moderate Income Tracts</b>	<b>45%</b>	<b>51%</b>
<b>Middle Income Tracts</b>	<b>55%</b>	<b>49%</b>
<b>Upper Income Tracts</b>	<b>NA</b>	<b>NA</b>

 ***Response to Complaints***

Citizens National Bank & Trust Company has not received complaints relative to Community Reinvestment Act performance.

☞ ***Compliance with Antidiscrimination Laws and Regulations***

Our examination of compliance with antidiscrimination laws and regulations revealed no substantive violations.