



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 02, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commonwealth National Bank
Charter Number 16553**

**2214 St. Stephens Rd.
Mobile, AL 36617**

**Comptroller of the Currency
ADC-Birmingham
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.

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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 **Commonwealth National Bank** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 2, 2003. 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** based on the following:

- Overall lending reflects a good responsiveness to meeting the credit needs of the assessment area (AA).
- A substantial majority of mortgage loans are originated in the bank's assessment area.
- The geographic distribution of mortgage loans reflects very good distribution within low- and moderate- income areas.
- Mortgage loans are reasonably distributed among borrowers of different income.
- The distribution of commercial loans to small businesses is good.

DESCRIPTION OF INSTITUTION

Commonwealth National Bank (CNB) is a minority owned and operated bank located in Mobile, Alabama. The Mobile metropolitan area is located in the southwest corner of Alabama, bordered by Mississippi to the west, Florida to the east, and Mobile Bay to the south. The bank serves its community with the main office in Mobile and a full service branch in the Crichton area of Mobile. The bank also maintains a drive through only branch in Prichard that accepts deposits. ATM's are located at both the Mobile and Crichton office. All offices are located in the Mobile, Alabama metropolitan statistical area (MSA).

As of 3/31/03, the bank had \$47 million in total assets and \$20 million in net loans and leases. CNB offers traditional loan and deposit products with the primary focus in residential real estate lending. The loan portfolio is distributed as follows:

Loan Type	Dollar Amount \$(000)	% Of Total Loans
RE Residential (1-4)	9713	49.29%
RE Construction & Dev.	187	0.95%
Multifamily Residential	151	0.77%
Non-Farm Non-Res RE	4001	20.31%
Commercial and Industrial	3448	17.50%
Consumer	1929	9.79%
Other	275	1.40%
Total:	19704	100.00%

Source: 3/31/03 Call Report

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. The bank's CRA performance was rated Satisfactory at its last examination. However, CNB is limited by its relatively small asset size in relation to the overall market. Branches of several large, state holding companies also serve the bank's primary market area of low- and moderate-income, predominantly minority communities. There are no other similarly situated institutions in the bank's market area to which a fair comparison can be made.

DESCRIPTION OF MOBILE COUNTY ASSESSMENT AREA

The bank's assessment area (AA) is designated as Mobile County, Alabama, which is located entirely within the Mobile, Alabama metropolitan statistical area (MSA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Based on 1990 census information, the Mobile, County AA consists of 123 census tracts, of which 41 or 33% are considered to be low- or moderate- income areas. Selected demographic and income information for the assessment area is presented in the following table.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF MOBILE COUNTY ASSESSMENT AREA	
Population	
Number of Families	378,643
Number of Households	137,404
Geographies	
Number of Census Tracts/BNA	123
% Low-Income Census Tracts/BNA	17%
% Moderate-Income Census Tracts/BNA	16%
% Middle-Income Census Tracts/BNA	41%
% Upper-Income Census Tracts	23%
Median Family Income (MFI)	
1990 MFI for AA	\$ 28,710
2002 HUD-Adjusted MFI	\$ 45,100
Economic Indicators	
Unemployment Rate	4.03%
1990 Median Housing Value	\$ 56,446
% Of Households Below Poverty Level	20.43%

Source: CRA Wiz reports for Mobile, County.

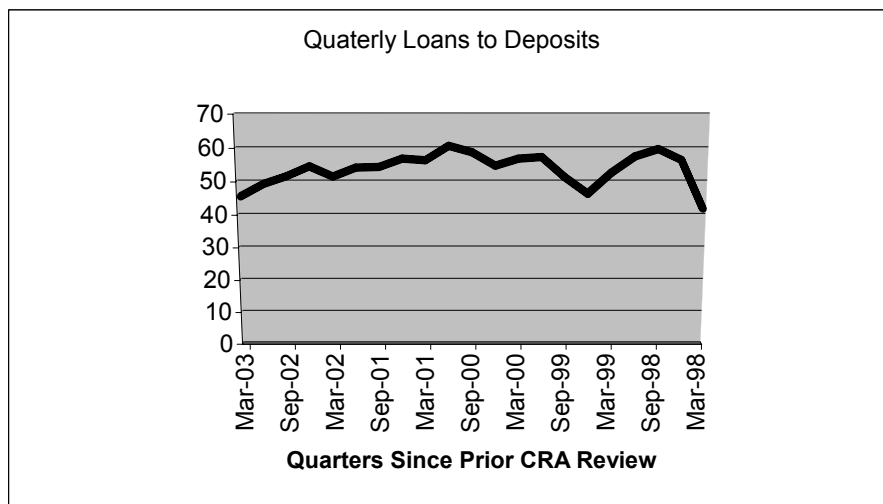
The local economy is centered in the retail and service related industries along with some light manufacturing. The Mobile County School System is the city's largest employer, followed by the University of South Alabama and affiliated health care facilities. The assessment area unemployment rate of 4.03% is lower than the state average of 5.08% as of April 2003.

As part of this review, we conducted a joint interview with the director of a local organization that provides affordable housing for low-income individuals and a member of the Prichard Chamber of Commerce. Both individuals felt that affordable housing and small business loans were the primary credit needs of the community. Also, both indicated that local financial institutions were doing a satisfactory job of lending to low and moderate-income individuals in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

- **Loan-to-Deposit Ratio – Meets the Standard for Satisfactory Performance**

The loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and assessment area credit needs. Commonwealth National Bank's average quarterly loan-to-deposit ratio since the last CRA examination is 54%. The ratio is considered reasonable considering the bank's small size relative to the number of large holding company banks with offices in the local market. The following table reflects the quarterly loan to deposit ratio since the last CRA review.



Source: Quarterly Call Reports

- **Lending in Assessment Area – Exceeds the Standard for Satisfactory Performance**

To assess the bank's lending within the assessment area, we reviewed originations of home mortgage loans, which are required to be reported in accordance with the home mortgage disclosure act (HMDA). A substantial majority of HMDA reportable loans are originated within the assessment area. Ninety-six percent (96%) of the number of HMDA loans originated in 2001 and 2002 were within the bank's assessment area. Ninety-four percent (94%) of the dollar volume of home mortgage loans originated in 2001 and 2002 were within the assessment area.

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes – Meets the Standard for Satisfactory Performance**

To assess lending to borrowers of different income levels, we also reviewed the bank's originations of HMDA reportable loans. Home mortgage loans originated in 2001 and 2002 reflect a reasonable distribution to borrowers of different incomes and businesses of different sizes. This distribution is illustrated in the table below, which compares the percentage of loans made to families of different income levels to the percentage of families within the assessment

area categorized by income level.

Distribution of Mortgage Lending to Borrowers of Different Income Levels Loans Originated in 2001 and 2002					
Family Income Level	% Of Families in AA	# Of Loans	% Of Total	Loan Amounts	% Of Total
Low	24.5%	16	10%	481	6%
Moderate	16.4%	23	15%	701	9%
Middle	19.6%	32	21%	1922	24%
Upper	39.4%	82	54%	4924	61%

Source: HMDA-LAR and CRA-Wiz reports.

Although, the table shows discrepancies in lending to low-income individuals compared to the percentage of families in the assessment area, there are several mitigating factors that indicate the distribution is reasonable. Approximately 54% of low-income individuals in the assessment area are below the poverty level. Our community contacts cited the lack of affordable housing in the Prichard area as one of the largest obstacles facing financial institutions in meeting the needs of the community. The director of a local housing authority indicated that the current wait list for housing was over 3000 families while only 300-400 units typically become available within a year.

Commonwealth National Bank typically lends to small businesses. Small business loans are defined as loans to businesses with gross annual revenue of less than \$1 million. We randomly selected 20 commercial loans to review. Of our sample, 17 or 85% were to small businesses. This compares favorably to the overall level of small business within the AA as 79% of all businesses are defined as small business.

- **Geographic Distribution of Loans – Exceeds the Standard for Satisfactory Performance**

HMDA reportable originations in 2001 and 2002 reflect very good penetration among tracts of different income levels within Mobile County. Mortgage loans originated in low-income tracts far exceeded the percentage of owner occupied housing located in low-income tracts within the assessment. Mortgage lending within moderate-income tracts also exceeded the level of owner occupied in these tracts within the AA. This performance is illustrated in the table below.

Distribution of Mortgage Loans within Tracts of Different Income Levels Loans Originated in 2001 and 2002					
Family Income Level	% Of owner occupied housing units in AA	# Of Loans	% Of Total	Loan Amounts	% Of Total
Low	8%	46	31%	1659	22%
Moderate	11%	31	21%	1671	22%
Middle	52%	48	32%	2899	38%
Upper	29%	23	16%	1388	18%

Source: HMDA LAR & CRA Wiz reports.

- **Responses to Complaints**

There were no CRA related complaints during the evaluation period.

- **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.