



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 16, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Charter No. 10579

**200 South Elm Street
Hope, Arkansas 71801-4391**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
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 Hope** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 16, 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”.

- ▶ The bank's average loan-to-deposit ratio is 56%.
- ▶ A substantial number of the bank's loans originated in the assessment area.
- ▶ The distribution of borrowers reflects reasonable dispersion among individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of **Citizens National Bank of Hope** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Citizens National Bank of Hope</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		✓	
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		✓	
Geographic Distribution of Loans	Not Meaningful		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Citizens National Bank of Hope (CNB) is located in Hope, Arkansas. At March 31, 1997 the bank reported total assets of \$234 million. CNB is 100% owned by Citizens National Bancshares, Inc. (CNBI). CNBI also wholly owns Peoples Bank and Loan Company in Lewisville, Arkansas. At December 31, 1996, CNBI reported total assets of \$30 million. CNB operates with five banking offices. The main office is located in downtown Hope and is a full service institution. Three branches are located in Hope and are primarily deposit taking facilities. A full service branch is located in Texarkana, Arkansas. Automated Teller Machines (ATM) are located at the three limited service branches in Hope. The branch in Texarkana does not have an ATM; however, arrangements have been made with other ATM networks for CNB customers. CNB is the largest of four institutions located in Hope. Local competitors include a locally owned national bank, a full-service branch of a national bank located in Texarkana, Arkansas, and a local savings and loan institution. CNB offers a full range of banking services and products. CNB considers itself a bank for all needs and does not have a defined business focus. The loan portfolio composition as of March 31, 1997 consisted of the following: 15% commercial, 40% commercial real estate, 15% installment, 27% residential real estate, and 3% agriculture.

DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area is defined as all of Hempstead County and the corporate city limits of Texarkana, Arkansas in Miller County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Community contacts were made in Hope and Texarkana, Arkansas with local community leaders and/or government officials. The credit needs most often mentioned were home purchase, home rehabilitation loans, and affordable housing loans. Additional needs mentioned were lower down payments and providing additional assistance with borrowers who normally would not qualify for a loan.

Hempstead County

Hempstead County is in a non-Metropolitan Statistical Area (MSA) and has five block numbering areas (BNAs) which are all designated as middle-income. The 1990 census data reports median family income for Hempstead County at \$22,420 (statewide average). The 1990 population for Hempstead County is reported at 21,621. According to 1990 census data, Hempstead County has 6,080 families. Within the five

middle-income tracts, the income distribution of families is as follows: 22% low-income, 21% moderate-income, 21% middle-income, and 36% upper-income.

The economy in Hempstead County is well diversified with several small-to-medium manufacturing companies, farming operations (poultry processing and livestock), timber operations, and baked goods. Based on 1990 business demographic data, Hempstead County has 538 businesses of which 406 or 75% have gross sales of \$1 million or less. There are 23 farms in the county with 19 or 83% reporting gross sales of \$1 million or less. The 1996 annual average unemployment rate for Hempstead County is 8.3%.

Miller County

Miller County is part of the Texarkana, TX/AR MSA, a multi-state MSA, which also includes Bowie County in Texas. Miller County has a total of ten census tracts; the corporate city limits of Texarkana consist of eight census tracts. The income distribution of the tracts includes one low-income, three moderate-income, three middle-income, and one upper-income. The two excluded tracts (#209 and #210) are middle-income tracts. The 1990 census data reports median family income for Miller County at \$28,088. In the defined assessment area for Miller County, there are 6,854 families. Family income distribution is as follows: 30% low-income, 16% moderate-income, 19% middle-income, and 35% upper-income. The population for Miller County is 38,467. The assessment area for Miller County reported a population of 25,416.

The economy for Miller County is combined with the economy of the MSA. 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 1,062 businesses in Miller County with 784 or 74% having gross sales of \$1 million or less. Miller County reported 37 farms with 36 or 97% having gross sales of \$1 million or less. As of February 1997, the unemployment rate for the MSA was 8%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The average loan-to-deposit ratio since the January 1995 evaluation is 56%. During the past eight quarters the bank's loan-to-deposit ratio went from 55% on March 31, 1995 to 53% on December 31, 1996. The loan-to-deposit ratio for CNB's major competitor in Hope averaged 63% for the same time period.

ASSESSMENT AREA CONCENTRATION

HMDA Loans:

A substantial majority (78%) of the number of loans originated in 1996 was made in the bank's assessment area. CNB originated 399 loans of which 312 were made in the assessment area. In dollar volumes, CNB originated \$10.7 million in the assessment area, comprising 63% of the total dollar volume. The average loan size is \$34,381. Approximately 95% of the number of originations in the assessment area was made to applicants living in Hempstead County (297 in Hempstead County and 15 in Miller County). The dollar volume originated in Hempstead County in 1996 is \$9.9 million or 93%.

Small Business/Small Farm Loans:

Based on a sample of 50 loans, a substantial majority (92%) of small business and small farm loans was made in the assessment area. And, 98% of the loans made in the assessment area were made in Hempstead County.

BORROWERS' PROFILE

Given the demographics of the assessment area, the distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

HMDA Loans:

The following chart shows the number and dollar volume of HMDA reportable loans made in the assessment area.

HMDA Loans by Borrower Income				
Income Level	Count	%	\$000's	%
Low	13	4.2%	129	1.2%
Moderate	39	12.5%	492	4.6%
Middle	68	21.8%	1,702	15.9%
Upper	160	51.3%	7,361	68.6%
Income Not Available †	32	10.3%	1,043	9.7%
TOTAL	312		10,727	

†Seven loans were employee loans, income is not required to be disclosed. In some case the applicant did not provide income information, or income was not used to qualify the applicant, or income information reported was less than \$9,000 or greater than \$1 million.

Out of the 376 applications in the assessment area, 86 or 23% came from low- and moderate-income applicants.

Small Business and Small Farm Loans:

A sample was taken of 40 business loans and 10 farm loans totaling \$2.8 million to determine the size of the business or farm and where the loans originated in the assessment area. The sample consisted of loans originated in 1996. A small business loan is defined as a loan which originated at \$1 million or less. A small farm loan is defined as a loan which originated at \$500,000 or less. A business or farm is considered small in size if gross annual revenues total \$1 million or less. All of the business and farm loans originated at less than \$1 million and \$500,000, respectively. The average loan size of the sample is approximately \$56,000. Gross annual revenues for the businesses and farms were well below \$1 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of residential, small business, and small farm loans reflects a reasonable dispersion throughout the assessment area. Due to all five BNAs in Hempstead County designated as middle-income and the low volume of lending activity in Miller County (19 applications with 15 originations), geographic distribution of loans is not meaningful. Geographic distribution of the 50 small business and/or small farm loans sampled for this analysis is also not meaningful, as the majority of those loans were made in Hempstead County.

RESPONSE TO COMPLAINTS

No complaints concerning CRA have been received since the last examination in January 1995.

ADDITIONAL INFORMATION

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.