



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

April 21, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank in Waxahachie
Charter Number 13516**

**200 North Elm Street
Waxahachie, Texas 75165**

**Office of the Comptroller of the Currency
Southwestern District
500 N. Akard, 1600 Lincoln Plaza
Dallas, Texas 75201-3394**

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 the **Citizens National Bank in Waxahachie** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 21, 1998**. 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 Citizens National Bank in Waxahachie (CNB) is responsive to the credit needs of the community including low- and moderate-income (LMI) individuals and areas. The bank's loan-to-deposit ratio has been increasing throughout 1996 and 1997. The average total loan-to-deposit ratio for that period of 46.43% is somewhat lower than that of peer institutions. A substantial majority of loans are in the bank's assessment area. The loans reasonably penetrate various geographies and borrower income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITIZENS NATIONAL BANK IN WAXAHACHIE</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 received since the prior examination.		

DESCRIPTION OF INSTITUTION

CNB is headquartered in Waxahachie, Ellis County, Texas. Waxahachie is a community of approximately 18,000 located approximately 30 miles south of Dallas, Texas. The local economy is centered in manufacturing and production oriented industries. As of December 31, 1997, the bank had total assets of \$124 million with \$60 million in total loans. The loan mix consists of 57% real estate (of which 32% are construction, development, and 1 to 4 family residential), 21% consumer and 19% commercial. CNB has four banking offices and two mortgage offices. Automated teller machines (ATM's) are located at all offices except at the temporary office in Red Oak, Texas and at the mortgage office. The banking office locations are: 200 North Main Street in Waxahachie, Texas; 1001 North Highway 77 in Waxahachie, Texas; 1021 East Highway 287 in Midlothian, Texas; and a temporary facility at 278 East Ovilla Road in Red Oak, Texas. A CNB mortgage office is located at 200 North Rogers in Waxahachie, Texas. The other mortgage office is housed at the Midlothian location. Construction of a permanent facility in Red Oak, Texas (including an on-site ATM) at the intersection of Interstate 35E and Ovilla Road is scheduled for completion in the summer of 1998.

CNB is a subsidiary of First Citizens Bancshares, Inc., a one bank holding company. There are no financial or legal impediments to the bank's ability to meet the credit needs of its assessment area. CNB's primary business focus is to serve the banking needs of its community.

DESCRIPTION OF ASSESSMENT AREA

CNB defines its assessment area as Ellis County, which includes Waxahachie, Midlothian, and Red Oak. Ellis County is in the Dallas Primary Metropolitan Statistical Area (PMSA).

The assessment area contains 19 census tracts with a population of 85,167 based on 1990 census data. The income characteristics of the census tracts are as follows: one low income tract, five moderate income tracts, twelve middle income tracts, and one upper income tract. Median family income is \$39,226. Housing units total 31,314 of which 25% are occupied rental units.

The economy is diverse with various industries including: manufacturing; industrial operations; retail and wholesale trade; finance, insurance, and real estate; and, farming/ranching. Major employers include Owens-Corning Fiberglass, Tyler Refrigeration Corporation, Lofland Company, Chaparral Steel Company, and Texas Industries. Unemployment of approximately 3% is commensurate with state and national averages. Primary credit needs include housing, small business/small farm, and consumer loans. The community contacts interviewed for this assessment area stated CNB is a willing and important participant in seeking economic development for the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

CNB has a satisfactory lending performance. The bank's net loan-to-deposit ratio is below peer institution averages but has been increasing at a rate of 5.9 times these institutions from the beginning of 1996 through the end of 1997. The peer group is comprised of banks of similar asset size and type and location. CNB's net loan-to-deposit ratio averaged 46% for the past eight quarters while its peer average was 71%. CNB sells a majority of its residential loans in the secondary market to the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). CNB originated 170 home loans for approximately \$12 million according to its 1997 Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR). Of these, 129 loans approximating \$11 million were sold. Resultantly, retention of these loans would increase the bank's loan-to-deposit ratio to the 60 percent range.

A substantial majority of the bank's home mortgage lending is within the assessment area. According to the 1997 HMDA-LAR, 92% of the home mortgage loans originated were in the assessment area.

A bank report shows 88% of all new loans as of March 31, 1998 are within the assessment area, with 21% being in LMI census tracts.

CNB participates in the City of Waxahachie, Texas First Time Home Buyers Assistance Program. This program provides first time home buyers with down payment and closing cost assistance. CNB is also involved in the Farmers Home Administration (FmHA) Approved Lender Program for Guaranteed Rural Housing Loans, and the FHLMC Affordable Gold Mortgage and Rural Housing Service Guaranteed Rural Housing Mortgage Programs. These programs assist home buyers with low down payments; allow closing costs from gifts and grants; allow variance from industry established debt to income ratio guidelines and loan to value guidelines. Bank records indicate that it has funded 25 loans totaling \$1.8 million in these programs.

Geographic loan distribution is reasonable throughout the assessment area. Based on the 1997 HMDA-LAR, the distribution within the assessment area is as follows:

CENSUS TRACT	# OF LOANS	\$ OF LOANS (000's)
Low Income	12	437
Moderate Income	13	589
Middle Income	128	8,521
Upper Income	17	2,109

Dispersion of loans by income level is reasonable. According to the 1997 HMDA-LAR, there are no income levels with little or no loan penetration. The following table illustrates the dispersion:

INCOME LEVEL	# OF LOANS	\$ OF LOANS (000's)
Low	16	404
Moderate	27	1,236
Middle	49	3,519
Upper	77	6,465
Not Available	1	32

Bank records indicate that a reasonable penetration among business of different sizes with gross annual revenues ranging from under \$1 million to \$33 million.

CNB did not receive any consumer complaints regarding CRA performance since the last examination. Our most recent fair lending examination revealed no violations of antidiscrimination laws or regulations.