

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

March 9, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Quitman
Charter Number 14255**

**100 Stevens Street
Quitman, Georgia 31643**

Prepared By:

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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 Quitman** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 9, 1999. 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 following major factors provide support for Citizens National Bank of Quitman's rating:

- < The loan-to-deposit ratio is adequate given the bank's size, financial condition, area competition and the credit needs of the assessment area.
- < A majority of loans and other lending related activities are in the bank's assessment area.
- < The distribution of loans reflects reasonable dispersion among individuals of different income levels and businesses of different sizes throughout all sections of the assessment area.
- < There have been no adverse complaints against the bank for failure to adequately meet the credit needs of the local community.

The following table indicates the performance level of Citizens National bank of Quitman with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITIZENS NATIONAL BANK OF QUITMAN</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 CRA examination.		

DESCRIPTION OF INSTITUTION

Citizens National Bank of Quitman (CNB) is a nationally-chartered financial institution located in Quitman, Georgia. Quitman is the county seat for Brooks County. The bank is primarily owned by individuals and families in the Brooks County area. As of December 31, 1998, CNB had total assets of \$51 million. Banking locations include the main office and one supermarket branch. Brooks County has been labeled as the bank's primary service area, also known as the assessment area as defined in

the CRA regulation. The loan portfolio mix is as follows: commercial, agricultural and consumer loans secured by real estate (72%), commercial loans (5%), agricultural loans (6%) and other loans to consumers (17%).

CNB offers a wide variety of consumer, business, agriculture and real estate lending products. Additionally, CNB offers deposit products and services standard to banks of its size. Banking hours are tailored to meet the specific needs of the community. The bank plans to close its supermarket branch on June 11, 1999. Bank management's analysis of this closing indicates that it will not have an adverse impact on the community. The branch's closing, due to its close proximity (approximately ½ mile) to the main office is not expected to damage the bank's efforts to meet the credit and banking needs of community members. Moreover, management has recently added an automated teller machine at the main office and will be expanding office hours to help maintain and improve customer service. Currently, there are no legal impediments that would prevent the bank from meeting any credit or banking service need of the community.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

CNB's assessment area consists of Brooks County, Georgia. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Brooks County borders the State of Florida to the south. It has close proximity to U.S. Interstate 75 to the east, a heavily traveled highway which runs from Florida, through Georgia, and up to Michigan. Quitman is the county seat and the county's largest municipality.

The 1998 population of Brooks County, based upon census data, is estimated to be almost 16,000 persons. The economy has been negatively impacted by the effects of the North American Free Trade Agreement (NAFTA). NAFTA has forced the shutdown of local textile businesses and a decline in sales of agricultural products. While overall unemployment rates have remained stable, there has been a shift toward lower wage jobs. Major employers in the area include Langbord Industries, Microcraft, Presbyterian Homes of Georgia, and the public school system. However, agriculture still plays a major role in the local economy from the production of cotton, peanuts, tobacco, and livestock.

The updated Median Family Income for 1998 was \$34,600 per year. The county is not part of a Metropolitan Statistical Area (MSA); therefore, it is subdivided into Block Numbering Areas (BNAs). Of the seven (7) BNAs in the county, five (5) are designated as middle-income and two (2) are designated as moderate-income, both of which comprise the entire city of Quitman and Quitman's immediate surrounding area. CNB has healthy local competition from one community bank and two savings banks. The bank also competes with financial institutions in neighboring counties as some Brooks county residents commute to work in nearby Valdosta and Thomasville. During an interview with an official from the local Industrial Development Authority, it was noted that the involvement of financial institutions to meet community credit needs is positively perceived within the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The loan-to-deposit ratio is good given the bank's size, financial condition, competition and credit needs of the assessment area. The average net loan-to-deposit ratio using quarter-end information for the twelve quarters from March 31, 1996 to December 31, 1998 was 62%. This ratio is in line with other banks of similar size on a national level, which had an average net loan-to-deposit ratio of 67% during the same period. Banks of similar size in Georgia had a 68% average ratio. Despite the effects of a sluggish local economy, management strives to meet all reasonable credit needs of the community within the safe and sound operation of the bank.

The bank is not required to capture data on residential lending as required under the Home Mortgage Disclosure Act (HMDA) since it is not located in an MSA (HMDA data is normally used extensively in regulatory examinations of banks' CRA performance). Therefore, a sample of 39 loans (to be referred to as the Sample) made since January 1996 was selected to evaluate the bank's CRA performance. This Sample consisted of loans to individuals for various purposes and is considered to be of adequate size to help assess the bank's lending record.

CNB's record of lending to borrowers within its assessment area has been good. Twenty-seven (27) of the 39, or 70%, of the Sampled loans were located within the bank's assessment area. This percentage demonstrates the bank's commitment to lend to individuals in Brooks County who desire credit. CNB's record of lending to borrowers of different income levels and businesses of different sizes is also good. The following table illustrates the bank's lending to borrowers of different income levels based on the Sample:

Income Level	Income Cutoffs (\$/year)	Families by Income in Brooks County	% of Families by Income in Brooks County	Loans Made by Family Income level (from Sample)	% of Sampled Loans by Income
Low	<17,300	1,102	27.22%	9	33.33%
Moderate	17,300 - 27,680	721	17.81%	8	29.63%
Middle	27,680 - 41,520	927	22.89%	3	11.11%
Upper	> 41,520	1,299	32.08%	7	25.93%
Totals		4,049	100.00%	27	100.00%

As the chart displays, approximately 63% of the loans in the Sample were extended to individuals who are considered to be low- or moderate-income. This compares favorably with demographic data in Brooks County which indicates that 45% of families are designated as low- or moderate-income.

The bank also has demonstrated commitment to lending to businesses and farms. Data in the table

below was derived from the *Consolidated Reports of Condition and Income*. Banks are required to provide data on their lending to businesses and farms on June 30 of each year.

Category	Number of loans in each category outstanding as of June 30, 1998	Number of loans in each category outstanding as of June 30, 1997	Number of loans in each category outstanding as of June 30, 1996
Loans Secured by Nonfarm, Nonresidential Properties	50	44	48
Commercial and Industrial Loans	106	120	120
Loans Secured by Farmland	127	108	92
Loans to Finance Agricultural Production and Other Loans to Farmers	114	143	153
Totals	397	415	413

The majority of the loans reported above were originally made in an amount less than \$100,000. Therefore, the assumption can be made that the majority of these loans were made for the benefit of small businesses and small farms. As the table shows, the number of business and farm loans outstanding has not been increasing, which mirrors the slowdown in the local economy.

The geographic distribution of loans reflects that the bank is willing to lend throughout the entire assessment area. The table below demonstrates the dispersion of loans in the Sample within the assessment area.

BNA within Brooks County	Income Designation of BNA	Number of Loans in Sample made within each BNA
9901	Middle	0
9902	Middle	1
9903	Middle	4
9904	Moderate	5
9905	Moderate	9
9906	Middle	3
9907	Middle	5
Total Loans in Sample Located Within the Assessment Area		27

The chart shows that the bank is willing to make loans in areas which are predominately low- or moderate-income, as 14 of the 27 loans were located within the moderate-income BNAs.

The bank has satisfactory policies, procedures, training programs, and other practices in place to prevent discriminatory or other illegal credit practices. A review of CNB's consumer lending practices was performed to determine if any discriminatory practices exist based on the gender of the applicant. No violations of the substantive provisions of the antidiscrimination legislation were identified. We performed a comparative analysis of denied females versus approved males for different types of consumer loans. Analysis of these loans did not disclose any evidence of discrimination.