



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

November 16, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank
Charter Number: 18646
P O Box 279
Detroit, Texas 75436**

**Office of the Comptroller of the Currency
Dallas North Field Office
1600 Lincoln Plaza
500 North Akard
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 **Community National Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 16, 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 factors support the overall rating:

- ! Community National Bank meets the standards for satisfactory performance taking into consideration its size, financial condition, and assessment area credit needs.
- ! The majority of business, farm, consumer, and home loans sampled during this examination were originated to persons residing within the assessment area.
- ! Lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels.
- ! Geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- ! There is no evidence of illegal discrimination.
- ! There are no CRA complaints.

The following table shows the performance level of Community National Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | COMMUNITY NATIONAL BANK 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 | Community National Bank did not receive any complaints concerning its CRA performance. | | |

Scope of the Examination

This public evaluation summarizes the results of our analysis of Community National Bank 's (CNB) CRA performance from January 19, 1996 through November 16, 1999. This evaluation is based upon CNB's lending activities in the assessment area, which includes all Block Numbering Areas (BNA 's) in Red River County, Texas and BNA 0003 of Lamar County, Texas.

To gather information on the credit needs of the assessment area, we held discussions with management, reviewed previous community contacts made by the O.C.C. and other regulatory agencies, and conducted community contacts independently. The primary credit needs identified for the assessment area are low cost housing, agriculture, and consumer loans. Community contacts indicate that financial institutions are meeting the community 's credit needs.

Description of Institution

CNB is a \$19 million institution in Detroit, Texas. CNB is 92% owned by a one-bank holding company, Red River Financial Corporation, a Texas corporation. CNB offers low cost checking accounts to all customers. Free checking accounts are offered to persons receiving social security or disability payments and students. Loans for purchase of one-to-four family real estate, consumer purposes, and operation of small businesses and small farms are CNB's primary loan products. CNB has only one office. Drive-in banking services are offered for extended hours. CNB was rated "Satisfactory" in the previous CRA public disclosure dated January 19, 1996.

| Community National Bank Office Hours | | |
|--------------------------------------|------------------|------------------|
| | Main Lobby | Drive-Up |
| Monday - Thursday | 9:00am -- 3:00pm | 8:00am -- 5:00pm |
| Friday | 9:00am -- 6:00pm | 8:00am -- 6:00pm |
| Saturday | None | None |

CNB is the only bank in Detroit, Texas. There are branches of other community banks and credit unions in Red River County, and several financial institutions in Paris, Texas, which is 14 miles west of Detroit, Texas. CNB does not have financial or legal obstacles that affect its ability to meet the credit needs of the assessment area.

Description of Assessment Area

CNB's assessment area of Red River County does not arbitrarily exclude any low- or moderate-income areas. CNB's defined assessment area consists of the six BNA's in Red River County and BNA 0003 in Lamar County. The Lamar County BNA is adjacent to the west side of Red River County and is approximately 3 miles from the banking office.

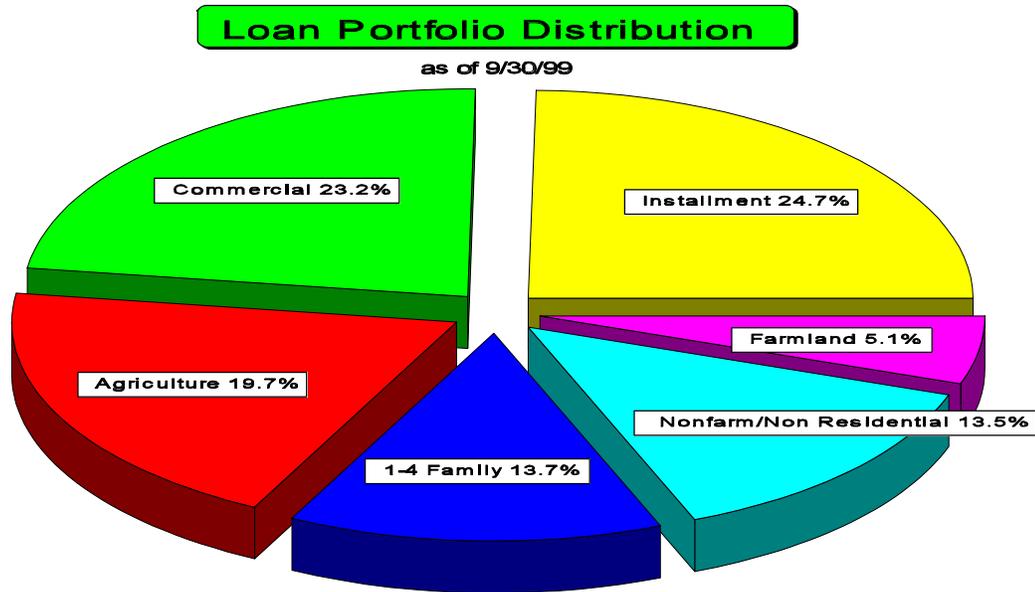
The assessment area is predominantly farm and ranch land. Most farming operations are beef production and dairy cattle. The largest employers in the assessment area are Prairieland Consolidated Independent Schools, Detroit Independent Schools, Red Cap, Magnolia Brush and Red River County Hospital. Employment opportunities are mainly in Paris, Texas. Clarksville, Texas is the Red River county seat and is 17 miles east of Detroit, Texas. The chart on the following page shows the number of BNA's and percentage of households in various income categories according to the 1990 Census Bureau median income data for persons residing in each BNA.

| ASSESSMENT AREA DEMOGRAPHICS | | |
|--|-------------------|------------------------------------|
| Income Characteristics | # of BNA's | % of Households in Each BNA |
| Low Median < 50% of | 0 | 0% |
| Moderate 50%-79% of Median | 2 | 29% |
| Middle 80%-120% of Median | 5 | 71% |
| Upper Median >120% of | 0 | 0% |
| Total | 7 | 100% |
| Median refers to HUD median family income | | |

Of the bank's seven BNA's, the 1990 census characterized two as moderate and five as middle-income. There are no low income BNA's in the assessment area. As of the 1990 census, approximately 19 thousand residents lived in the assessment area. Based upon Housing and Urban Development (HUD) 1998 income information, median family income for Non-MSA's in the State of Texas is \$33,900, and the median housing value is \$26,479. The data also reflects 87% occupied housing units and 66% owner-occupied housing units.

Conclusions with Respect to Performance Criteria:

We reviewed agriculture, consumer, home mortgage, and commercial loans as of 9/30/99. The table on the following page illustrates CNB's loan portfolio composition at that time.



Loan-to-Deposit Ratio

CNB meets the standards for satisfactory performance given the size, financial condition, and credit needs of its assessment area. CNB's average loan-to-deposit ratio for the past 15 quarters is 48%. We compared this to CNB's local peer group, which consists of state and national banks in Delta, Fannin, and Lamar Counties, with total assets of \$22 million or less. The local peer group's quarterly average loan-to-deposit ratio for the past 15 quarters is also 48%.

CNB is meeting the credit needs of their assessment area through the origination of consumer, agriculture and 1-4 family residential loans. As of September 30, 1999, 25% of CNB's loan portfolio consisted of loans for consumer purposes, such as personal unsecured and auto loans, with an additional 20% dedicated to agricultural needs and 14% to family housing needs.

Lending in Assessment Area (AA)

CNB meets the standards for satisfactory performance in lending within its assessment area. We reviewed a sample of CNB's consumer, commercial, residential, and farm loans. The table on the following page illustrates CNB's lending in the assessment area for these primary loan types.

| ASSESSMENT AREA LENDING | | | | | |
|--------------------------------|----------------------|-------------------------|---------------------------|------------------------|--------------------|
| Loan Type | Total Sampled | # of Loans in AA | % of # Loans in AA | Amount (\$000s) | % of Amount |
| One-to four Family | 20 | 17 | 85% | 483 | 86% |
| Commercial Loans | 10 | 7 | 70% | 126 | 55% |
| Agriculture Loans | 10 | 4 | 40% | 108 | 44% |
| Consumer Loans | 20 | 15 | 75% | 88 | 59% |
| | | | | | |
| Total | 60 | 43 | 72% | 805 | 68% |

As reflected in the table above, the majority of loans were originated to borrowers in the assessment area.

Lending to Businesses of Different Sizes

CNB meets the standards for satisfactory performance in lending to businesses and farms of different sizes. Small business and small farm loans are defined as loans originated for commercial purposes to businesses or farms with gross revenue of \$1 million or less. Based on our sample of ten loans to businesses or farms located in the assessment area, 90% were originated to small businesses or small farms.

Lending to Borrowers of Different Incomes

Our sample of loans for residential and consumer purposes reflected a satisfactory distribution to borrowers of different income levels, including reasonable penetration of loans to low income and moderate income borrowers.

| Distribution of Loans to Borrowers of Different Incomes | | | | | |
|--|---------------------------------------|----------------------|----------|-----------------|----------|
| Income Level | % of Families by Income Levels | Home Mortgage | | Consumer | |
| | | # Loans | % | # Loans | % |
| Low | 27% | 1 | 3% | 5 | 33% |
| Moderate | 16% | 6 | 25% | 4 | 27% |
| Middle | 20% | 3 | 20% | 2 | 13% |
| Upper | 37% | 6 | 52% | 4 | 27% |
| TOTAL | 100% | 16 | 100% | 15 | 33% |

The percentage of consumer loans to low income individuals and the percentage of loans to moderate-income individuals exceeds the percentage of the population represented by this group.

Geographic Distribution of Loans

The distribution of loans within the bank's assessment area meets the standards of satisfactory performance. The assessment area consists of six BNA 's within Red River County and BNA number 0003 in Lamar County.

| GEOGRAPHIC DISTRIBUTION OF LOANS WITHIN THE ASSESSMENT AREA | | | |
|--|---------------------------|-------------------------|----------------------|
| BNA | Tract Income Level | # of Loans In AA | % of AA Loans |
| 9501 Big Lake, Avery | Middle | 0 | 0% |
| 9502 Manchester | Middle | 0 | 0% |
| 9503 Detroit | Moderate | 16 | 37% |
| 9504 Clarksville, Bagwell | Middle | 4 | 9% |
| 9505 Clarksville | Moderate | 2 | 5% |
| 9506 Bogota | Middle | 4 | 9% |
| 0003 Deport, Blossom | Middle | 17 | 40% |

| GEOGRAPHIC DISTRIBUTION OF LOANS WITHIN THE ASSESSMENT AREA | | | |
|---|--|----|------|
| Total | | 43 | 100% |

As illustrated in the chart on the preceding page, loans are being originated in the majority of BNA 's in the assessment area. This distribution is considered reasonable given the size of the institution and the fact that there are no branch offices.

Compliance with Anti-discrimination Laws

A fair lending review performed in conjunction with the CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.