



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

November 18, 2002 

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**City National Bank  
Charter Number 17652**

**1465 West Second Avenue  
Corsicana, TX 75110**

**Comptroller of the Currency  
ADC - Dallas South  
500 North Akard Street Suite 1600  
Dallas, TX 75201**

**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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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

City National Bank's lending performance reflects responsiveness to its community credit needs. The lending performance is satisfactory given its size, financial condition, and known credit needs of the community it serves. The primary factors supporting the bank's overall rating include:

- An average quarterly loan-to-deposit ratio of 65% since December 1997 compares favorably with that of other independent banks in Navarro County.
- The bank's residential real estate and consumer lending to borrowers of different income levels meet the standards for satisfactory performance. Over the evaluation period, we sampled a total of 40 consumer and residential real estate loans. We found that 58% of the loan sample was made to low/moderate income families. Based on the same sample of loans, the bank has made 93% of the sampled loans within the designated assessment area.
- Consumers have filed no consumer complaints regarding City National Bank's CRA performance during the evaluation period.

## **DESCRIPTION OF INSTITUTION**

City National Bank (CNB) is located in Navarro County, Corsicana, Texas. CNB is a full service bank located in a predominately residential area approximately four blocks from the central business district of Corsicana. The bank offers a full range of loan products and deposit services, with a lending emphasis on residential real estate lending. The bank has no branches, but offers ATM services at five locations in Corsicana. There are no financial or legal impediments to the bank's ability to meet the credit needs of its assessment area. As of December 31, 2001, the bank had total assets of \$47 million with total loans of \$29 million and total deposits of \$42 million. The loan mix is reflected in the following table:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate Loans	10,835	37.22%
Consumer Loans	5,583	19.18%
Commercial Loans	3,742	12.85%
Commercial Real Estate Loans	4,150	14.26%
Construction/Development	2,546	8.75%
Ag Loan & loans secured by farmland	2,007	6.90%
Credit Cards	245	0.84%
<b>Total</b>	<b>29,108</b>	<b>100.00%</b>

### **Description of City National Bank's Assessment Area**

The bank's assessment area includes eleven census tracts and is defined as Navarro County. There are no low-income census tracts, and only one census tract is designated as moderate-income. Eight census tracts are designated as middle-income, while two census tracts are designated as high-income. The assessment area meets the requirements of CRA regulation by including whole geographies and does not arbitrarily exclude any low-or moderate-income areas. The population of Navarro County is approximately 45,710. The area is growing and its economic condition is stable. The major employers in the area are Russell Stover's Candies, Corsicana Independent School District, Kohl's Distribution Center, Collin Street Bakery, and Guardian Industries. We contacted a member of the Corsicana Chamber of Commerce and had discussion with bank management to obtain information concerning the credit needs in the assessment area. The primary credit need is affordable housing. The following table depicts various aspects regarding the demographics of the assessment area:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	10,703
Number of Households	14,776
<i>Geographies</i>	
Number of Census Tracts/BNA	11
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	1
% Middle-Income Census Tracts/BNA	8
% Upper-Income Census Tracts/BNA	2
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,585
2001 HUD-Adjusted MFI	36,100
<i>Economic Indicators</i>	
Unemployment Rate	5.8
2002 Median Housing Value	\$39,364
% of Households Below Poverty Level	20.84

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

City National Bank's loan-to-deposit ratio is reasonable given the bank's size, financial conditions, and assessment area credit needs. The ratio meets the standards for satisfactory performance. The average loan-to-deposit ratio compares favorably with other local financial institutions in Navarro County. The chart below reflects the ratio comparisons:

Institution	Assets (as of 12/31/01)	Average LTD Ratio
Corsicana National Bank & Trust	\$161,839	68.97%
Powell State Bank	\$17,433	24.39%
First Bank & Trust Company	\$19,302	66.64%
First State Bank of Rice	\$12,909	36.61%
<b>City National Bank</b>	<b>\$46,625</b>	<b>64.64%</b>

### Lending in Assessment Area

Based on our review of City National Bank's lending patterns, the bank meets the standards for satisfactory performance for lending within its assessment area. We reviewed a sample of twenty residential real estate loans, and twenty consumer loans. The table below reflects the distribution of these loans made in and out of the bank's defined assessment area:

TOTAL LOANS REVIEWED (Evaluation Period)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential R/E	20	100	1,200	100	0	0	0	0
Consumer	17	85	119	73.01	3	15	44	26.99
Total Reviewed	37	93	97	87	3	7	3	13

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Our review of the bank's two primary loan types included residential real estate loans and consumer installment loans. Commercial loans were not included in the sample due to the low volume of those type loans in the bank's loan portfolio. The bank meets the standards for satisfactory performance for lending to borrowers of different income levels. The charts below

reflect the outcome of the level of lending to borrowers of different income levels and is based on the sample of loans reviewed:

RESIDENTIAL REAL ESTATE 1999 - 2001								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families <sup>1</sup>	21.6		14.8		19.7		43.9	
LOANS BY PRODUCT	% of Number	% of Amount						
1-4 Family	15	9.25	30	26.17	5	6.33	50	58.25

The residential real estate chart reflects the percentage of the dollar volume for 1-4 family residential purchases, and how the dollar volume was distributed by income level. The total dollar amount of the loan sample is \$1.2 million. The loan sample included a random sampling of twenty loans.

CONSUMER (1999 - 2001)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>2</sup>	24.9		14.1		16.7		44.3	
LOANS BY PRODUCT	% of Number	% of Amount						
Consumer Installment	65	53.99	5	1.22	--	--	30	44.79

The consumer installment chart reflects the percentage of the dollar volume of consumer loans made to borrowers of different income levels. The total dollar amount of the loan sample is \$163 thousand. The loan sample included a random sampling of twenty loans.

### Geographic Distribution of Loans

Based on the loan sample review, the bank meets the standards for satisfactory performance for geographic distribution of loans. The data reflected in the table under “Lending In Assessment Area” illustrates the level of loans made in/out of the bank’s assessment area. We found that 100% of the consumer loan sample was made within the assessment area, and 85% of residential real estate loans was made within the assessment area. The in/out ratio based on the total loans reviewed is 93%. The bank does not code their loans by census tract number and income group levels during the ordinary course of business. Therefore, an analysis of the entire loan portfolio could not be performed.

### Response to Complaints

Neither the bank nor the OCC received any CRA complaints since the previous CRA examination.

**Fair Lending Evaluation**

An analysis of 1997 – 2002 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.