



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**September 30, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Citizens National Bank Of Nashville  
Charter Number 17945**

**420 South Main Street  
Nashville, AR 71852**

**Comptroller of the Currency  
F. Christian Dunn, Assistant Deputy Comptroller  
10201 West Markham, Suite 105 Ozark National Life Bldg.  
Little Rock, AR 72205**

**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.**

- ◆ The average loan-to-deposit ratio at 59% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A substantial majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

## DESCRIPTION OF INSTITUTION

Citizens National Bank of Nashville (CNB) is located in Nashville (Howard County), Arkansas. Nashville is located in the southwestern part of the state and has a population of about 4,878 people according to the 2000 census. The bank has the main office (South Main Street) and another branch (North Main Street) in Nashville. Both locations have drive-in facilities and the main office has an automated teller machine (ATM). The North Main Street branch is primarily a paying and receiving branch. As of June 30, 2002, the bank reported total assets of \$46 million with \$40 million in deposits and \$24 million in loans (52% of total assets).

The bank's primary business focus is residential real estate, forestry and timber, and agriculture (poultry and cattle). The loan portfolio composition as of June 30, 2002, is as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate Loans	\$9,716	40%
Commercial Loans	\$6,379	27%
Consumer Loans	\$4,751	20%
Agriculture Loans	\$3,082	13%
<b>Total</b>	<b>\$23,928</b>	<b>100%</b>

CNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank is 100% owned by First National Security Company, a multi-bank holding company headquartered in DeQueen, Arkansas. As of December 31, 2001, First National Security Company had total assets of \$435 million. The bank's last CRA examination was performed as of September 29, 1997, and was rated **Satisfactory**.

## DESCRIPTION OF HOWARD, HEMPSTEAD, AND PIKE COUNTIES, ARKANSAS

CNB's assessment area (AA) is comprised of two Block Numbering Areas (BNA's) in Howard County (9502 and 9503); two BNA's in adjacent Hempstead County (9801 and 9802), and BNA 9535 in adjacent Pike County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Based on the Median Family Income (MFI) for 1990 of \$22,208 for non-Metropolitan Statistical Areas (MSA) all BNA's in the assessment area are considered middle-income, except BNA 9502, which is considered upper-income.

The economy of the area is considered to be in a slow growth mode. Unemployment as of July 2002 was 5.0% for Howard County, 4.9% for Hempstead County and 5.9% in Pike County. The unemployment rates for Howard and Hempstead Counties are below the Arkansas average of 5.7% and the U.S. average of 5.9% as of July 2002. The unemployment rate for Pike County is above the Arkansas average and comparable to the U.S. average.

The primary industries are forestry and timber, and agriculture (poultry, swine and cattle). Tyson Foods, Inc., an integrated poultry company, has a processing plant located in Nashville and employs about 2,400 people. Poulan Industries (weed eaters and chainsaws) has a plant in Nashville and employs about 1,000 workers.

The following table shows the demographic and economic characteristics of the assessment area.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	6,254
Number of Households	8,316
<i>Geographies</i>	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	80%
% Upper-Income Census Tracts/BNA	20%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$23,033
2002 HUD-Adjusted MFI	\$34,200
<i>Economic Indicators</i>	
Unemployment Rate	5.0%
1969 Median Housing Value	\$34,960
% of Households Below Poverty Level	21.89%

A community contact with the current mayor of Nashville, AR, was conducted in conjunction with this CRA examination. This contact revealed that housing and small business loans are the primary needs in the area. The mayor feels that banks in the city are meeting these needs for borrowers who have the 20% down payment on housing loans, and for businesses that are well established. However, banks are reluctant to make housing loans without large down payments, or business loans to start up businesses or businesses with low equity.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

CNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's primary competitor is Diamond State Bank, which is headquartered in Murfreesboro, Arkansas (13 miles northeast of Nashville), and has a full-service branch in Nashville that opened in 1991. The following table shows total assets as of March 31, 2002, and the average loan-to-deposit ratio from December 31, 1998 through March 31, 2002 (14 quarters), for these two banks.

Institution	Assets (as of 3/31/2002)	Average LTD Ratio
Diamond State Bank	\$159 million	73%
Citizens National Bank	\$46 million	59%

### Lending in Assessment Area

A substantial majority of CNB loans are in the bank's assessment area. A sample of 30 consumer loans, 27 residential real estate and mobile home loans, and 30 agriculture and commercial loans made in the past 12 months was reviewed to determine lending within the assessment area. Lending within the assessment area is detailed in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	24	80%	\$96	78%	6	20%	\$28	22%
Residential	26	96%	\$1,050	95%	1	4%	\$59	5%
Agri & Com'l	28	93%	\$917	97%	2	7%	\$24	3%
Total Reviewed	78	90%	\$2,063	95%	9	10%	\$111	5%

CNB performs an annual CRA self-evaluation. Based on the bank's evaluation of compliance with

CRA dated February 2002 for the year ended December 31, 2001, about 91% of all loans (by number) were made within the assessment area. The self-evaluation did not detail the loans by category or by dollar volume.

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. The same samples for lending within the assessment area were used to determine lending to borrowers of different incomes. The following tables show the distribution of residential real estate and mobile home loans, and consumer loans within the various income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families <sup>1</sup>	20%		17%		23%		40%	
LOANS BY YEAR	% of Number	% of Amount						
PAST 12 MONTHS	8%	5%	19%	11%	12%	6%	62%	78%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <sup>2</sup>	23%		16%		17%		44%	
LOANS BY YEAR	% of Number	% of Amount						
PAST 12 MONTHS	8%	2%	42%	35%	17%	20%	33%	43%

The above tables show that most of the residential real estate loans were made to upper-income borrowers with loans to low-income borrowers below the percentage of low-income people in the assessment area. Residential real estate loans to moderate-income borrowers were comparable (by number of loans) to the percentage of moderate-income borrowers in the assessment area. While the consumer loans made to low-income borrowers were below the percentage of low-income people in the assessment area, consumer loans to moderate-income borrowers were significantly above the percentage of moderate-income people in the assessment. Consumer loans (by number of loans) to low- and moderate-income borrowers were above the percentage of low- and moderate-income people in the assessment area.

Based on the bank's self-evaluation of compliance to CRA dated February 2002 for the year ended December 31, 2001, there were 547 consumer loans made. The following is a detail by income level:

Low	99	18%
Moderate	132	25%
Middle	106	20%
Upper	<u>200</u>	<u>37%</u>
	547	100%

The self-evaluation did not detail consumer loans by dollar volume. Residential real estate loans were not detailed by income level.

A sample of 30 business and farm loans made in the past 12 months was reviewed. Two loans were outside the assessment area and 28 loans were inside the assessment area. Of the 28 loans in the assessment area, 26 had revenues of less than \$1 million. The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	94%	6%
% of Bank Loans in AA #	93%	7%
% of Bank Loans in AA \$	95%	5%

### **Geographic Distribution of Loans**

This Office did not perform an analysis of the geographic distribution of the bank's lending during this examination. The analysis would not be meaningful since all the BNA's in the assessment area are designated as middle-income or upper-income.

### **Responses to Complaints**

Citizens National Bank of Nashville has not received a formal CRA complaint since the previous examination.

### **Fair Lending Review**

An analysis of 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. The latest comprehensive fair lending exam was performed in 1997.