



**Comptroller of the Currency
Administrator of National Banks**

Washington, DC 20219

PUBLIC DISCLOSURE

March 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank
Charter Number: 7266**

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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** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 24, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. 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 table indicates the performance level of **Citizens National Bank** with respect to the lending, investment, and service test:

Performance Levels	Citizens National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs to improve		X	
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Citizens National Bank (CNB) is not affiliated with a holding company or chain banking organization. As of December 31, 1996, total bank assets were \$405 million, including \$137 million in loans, \$237 million in investments, and \$357 million in deposits. The majority of loans (72%) are real estate related credit. Consumer and commercial loans represent 14% and 11% respectively. There are no impediments, legal or otherwise, which would impact the bank's ability to help meet the credit needs of its assessment area.

CNB operates 21 full service and 2 deposit only branches in 11 counties throughout Mississippi. Automated teller machines (ATMs) are located in 11 branches and in 1 free standing location.

CNB has 10 separate assessment areas for the 9 counties and 1 MSA in which it has branches. The assessment areas are the Hattiesburg MSA, Attala County, Clarke County, Jones County, Lauderdale County, Leake County, Lowndes County, Neshoba County, Noxubee County, and Wayne County. The assessment area meets regulatory guidelines and does not arbitrarily exclude any low- and moderate-income(LMI) areas and has a total population of 406,783. The only low-income tracts are located in the cities of Hattiesburg (Hattiesburg MSA) and Meridian (Lauderdale County assessment area). The moderate-income tracts are disbursed throughout all 10 assessment areas with the exception of Clarke County, which has no LMI tracts. Table 2 shows the demographics of CNB's entire assessment areas.

Table 2 Assessment Area Demographics				
Designation	# of Tracts	% of Tracts	% of Families	% of Owner-Occupied Housing Units
Low	6	7	23	3
Moderate	17	19	16	14
Middle	52	56	19	54
Upper	16	18	42	29
Total	91	100	100	100

There are 148,817 owner-occupied housing units with a median house value of \$39,844. The unemployment rate for the assessment area is 5%. Employment in the assessment area varies but highest employment levels are in service, retail, and manufacturing areas.

In an effort to help us understand the credit needs within the assessment area, we contacted two community groups dedicated to providing affordable housing to low- and moderate-income individuals.

Conclusion with respect to performance

LENDING TEST

Conclusions

- ▶ Lending levels are good with a high level of loans being made within CNB's assessment areas.
- ▶ Loans are well dispersed geographically within the assessment area.
- ▶ Loans have a good penetration of tracts within the assessment area.
- ▶ Loans are well dispersed among persons of different income levels.
- ▶ Loans are very well dispersed among businesses and farms of different sizes.
- ▶ Community development lending, as defined in the CRA regulation, is limited.

Lending Activity

In 1996, CNB originated over \$100 million in loans. This is 73% of the total loans on the bank's books at December 31, 1996. As indicated by the tables that follow, CNB demonstrates a good responsiveness to serving the credit needs within its assessment area. Table 3 shows that in 1996, 89% of the number and 94% of the dollar volume were within the assessment area. This table also shows the breakdown of loans originated in 1996 by loan type.

Table 3				
Loans Originated Within Assessment Area				
Loan Type	# of Loans	% of Loans (#)	\$ of Loans (000's)	% of Loans (\$)
HMDA	587	12	26821	25
Consumer	3490	70	31175	29
Small Business	707	14	47247	43
Small Farm	163	3	1139	1
Other	24	1	1931	2
Total Originated in assessment area	4971	89	107522	94
Total Originated out of assessment area	621	11	7036	6
Total Loan Originated	5592	100	114558	100

Geographic Distribution

HMDA and Consumer Lending

A review of the geographic distribution of HMDA loans reflects adequate dispersion throughout the assessment area. Table 4 shows the distribution of loans by number and dollar volume compared to the characteristics of the assessment area. When reviewing geographic distribution, two items need to be noted:

- ▶ CNB acquired a branch in Lowndes County in the fourth quarter of 1996, providing less than three months of lending. Only 24 loans were originated in Lowndes County in 1996. The Lowndes County assessment area contains 3 of CNB’s 23 LMI tracts.
- ▶ In 1996, CNB completed its first year of operation in the Hattiesburg MSA, in a very competitive market. The Hattiesburg MSA contains 7 of CNB’s 23 LMI tracts.

The Hattiesburg MSA and Lowndes County contain 43% of CNB’s LMI tracts. Therefore, lending in LMI tracts will be lower than the percentage of LMI tracts.

The average level of HMDA loan activity (12%) in the LMI tracts in relation to the number of LMI tracts for the entire assessment area (26%) is reasonable when considering (1) the percentage of owner occupied housing in these tracts (17%) and (2) the income level of LMI borrowers. A low-income family in the assessment area makes on average less than \$11, 859 per year while a moderate-income family makes between \$11,860 and \$18,974. With a median house value of almost \$40,000, it is very difficult for many to qualify for a loan.

The geographic distribution of consumer loans reflects a much better dispersion through the assessment area. The average level of loan activity (18%) in the LMI tracts in relation to the number of LMI tracts for the entire assessment area (26%) is reasonable.

<p align="center">Table 4 Geographic Distribution of HMDA and Consumer Loans Within Assessment Area</p>						
Income Level	% of Owner-Occupied Housing Units	% of HMDA (#)	% of HMDA (\$)	% of Tracts	% of Consumer (#)	% of Consumer (\$)
Low	3	1	0	7	1	0
Moderate	14	11	6	19	17	13
Middle	54	47	32	56	52	38
Upper	29	41	62	18	30	39
Total	100	100	100	100	100	100

Small Business and Small Farm Lending

CNB shows a good pattern of lending to small business and small farms in all portions of its assessment area. Table 5 shows that CNB originated 18% of the number of small business loans and 29% of the number of small farm loans within LMI designated tracts. This performance is good when compared to the percentage of LMI census tracts within the assessment area (26%). It should be noted that all of the low-income tracts are located in the cities of Hattiesburg and Meridian, therefore it is not expected that small farm loans would be originated there.

Table 5 Geographic Distribution of Small Business and Small Farm Loans Within Assessment Area					
Income Level	% of Tracts	% of Business (#)	% of Business (\$)	% of Farm (#)	% of Farm (\$)
Low	7	2	5	0	0
Moderate	19	16	35	29	15
Middle	57	66	37	63	78
Upper	18	16	23	7	6
Total	100	100	100	100	100

Borrower's Profile

HMDA and Consumer Lending

Overall, lending to borrowers of different incomes is reasonable considering the characteristics of the assessment area. As noted in the table 6 below, HMDA loans to LMI borrowers (14%) is low in comparison to the percentage of LMI families. Once again this can be attributed to the low level of income for LMI families (see comments under Geographic Distribution)

Consumer loan distribution by income level of the borrower is significantly better and considered good. Table 6 shows 39% of the number of consumer loans were made to LMI borrowers compared to 39% of the families in the assessment area being LMI.

It should be noted that the NAs marked on the tables are loans to individuals where income was not considered when making the credit decision, i.e. savings or certificate of deposit secured loans. These loans were excluded from the percentage calculations in each of the Borrowers' Profile Tables due to their distortion of the percentages.

Table 6
Borrowers' Profile of HMDA and Consumer Loans
Within Assessment Area

Income Level	% of Families	% of HMDA (#)	% of HMDA (\$)	% of Consumer (#)	% of Consumer (\$)
Low	23	6	2	17	8
Moderate	16	8	4	22	14
Middle	19	16	11	24	18
Upper	42	70	83	37	60
Total	100	100	100	100	100
NA	0	10	9	30	44

Small Business and Small Farm Lending

The distribution of CNB's small business and small farm loans based upon business size is excellent. Table 7 reveals that a majority of the loans originated were to small businesses and farms, i.e., businesses and farms with gross annual revenues of less than \$1 million. In 1996, 88% of all commercial loans were to small businesses and all but 1 farm loan was to a small farm.

The new CRA regulation indicates that loan size generally correlates to the size of the business/farm borrower. Based upon our analysis, also shown in table 7 below, CNB's distribution of loans to businesses and farms of different sizes is also excellent. In 1996, 85% of the business loans and all of the farm loans originated were in amounts smaller than \$100,000. The average business loans originated in 1996 was \$67,000 and the average farm loan was \$7,000. This performance is a strong indicator of CNB's commitment to serve small businesses and small farms in their assessment area.

Table 7
Distribution of Small Business and Small Farm Loans
by Business Size and Loan Amount

Business Size	% of Business (#)	% of Business (\$)	% of Farm (#)	% of Farm (\$)
< \$1 Million	88	64	99	100
> \$1 Million	12	36	1	0
Totals	100	100	100	100
Loan Amount	% of Business (#)	% of Business (\$)	% of Farm (#)	% of Farm (\$)
< \$100,000	86	30	100	100
\$100,000 to \$250,000	9	22	0	0
> \$250,000	5	48	0	0
Totals	100	100	100	100

Community Development Lending

CNB originated an adequate level of community development loans. Community development loans are those that do not meet the definition of home mortgage, small business, or small farm loans but do meet the definition of community development contained in the CRA regulation (12 CFR 25.12(h)). Based upon bank generated reports and our review of files, CNB originated eleven loans since the last review totaling \$860,000. One loan for \$60,000 was made for a multi-family structure in Hattiesburg to house low-to-moderate income families. The remaining 10 loans totaling \$800,000 were made through the East Mississippi Development Corporation (EMCDC), which CNB helps to fund. The EMDC provides four different loans funds to small businesses.

Innovative or Flexible Lending Practices

CNB has created a special low-cost mortgage program specifically to help low- and moderate-income families afford a home, the Home Opportunity Mortgage. CNB began offering this program in 1996. The program was initially offered on a test basis in the city of Meridian. The requirements of the program include more flexible underwriting standards when compared to traditional mortgage products, e.g. down payments as little as 2% and housing and debt to income ratios of 30% and 42%. To be eligible for the program you must either have annual income of \$26 thousand or less, or be purchasing a home in one of the neighborhoods in a designated LMI tract. To date CNB has originated 6 loans totaling \$216 thousand and has commitments for another three loans totaling \$107 thousand.

INVESTMENT TEST

Conclusions

- ▶ CNB has a low level of qualified investments in the assessment area.

In 1995 and 1996, CNB has only one qualified investments of \$208,000. This investment was a Meridian Multi-Modal Transportation Revenue Bond used to provide a transportation hub in a LMI area of Meridian. This transportation hub will help revitalize the LMI area.

SERVICE TEST

Conclusions

- ▶ CNB's delivery systems are easily accessible to all portions of its assessment area.
- ▶ CNB's record of opening/closing offices has not adversely affected the accessibility to bank services.
- ▶ Services do not vary in a way that would inconvenience any portions of the assessment area.
- ▶ The level of community development services provided by CNB is good.

Accessibility of Delivery Systems

As reflected in table 8, 39% of the bank's offices are located in moderate-income tracts. This compares favorably to the number of LMI tracts as a percentage of total tracts in the assessment area (26%). It should be noted that there are only 6 low-income tracts in the assessment area. One is in Meridian (Lauderdale County assessment area) and is bordered by 6 branches located in moderate-income tracts, including the CNB's headquarters. The other low-income tracts are located in Hattiesburg MSA, where CNB has only one office which is located in an upper-income tract.

Table 8			
Distribution of Delivery Systems within Assessment Area			
Designation	# of Branches	% of Branches	% of Tracts
Low	0	0	7
Moderate	9	39	19
Middle	12	52	56
Upper	2	9	18
Totals	23	100	100

Overall branch hours are reasonable and convenient to CNB's customers. The majority of offices have Saturday banking, including those located in moderate-income tracts. In addition, all branches in moderate-income tracts are full-service. Since the last review, CNB expanded its branch network by opening two new offices, one in Lowndes County (middle-income tract) and one in the Hattiesburg MSA (upper-income tract). No branches were closed since the last review.

Alternative Delivery Systems

There are 12 ATMs located in 8 of CNB's 11 assessment areas. Three ATMs are located in moderate-income tracts. In 1996, the bank introduced its 24-hour voice response telephone service. The service provides customers with the ability to verify deposit and loan balances, checks paid and deposits credited, make payments, transfer funds, order checks, etc. The system currently receives over 20,000 call per month with over 60% of the calls coming after banking hours. This especially benefits working LMI individuals who may not be able to use banking services during the day.

In response to surveys which indicated a need for low cost checking service, CNB offers Discount Checking. This account gives customers the ability to keep personal checking cost to \$2.95 per month. Unlike some competitive products, ATM access to these depositors is free.

Community Development Services

CNB provides a good level of community development services. The following community development services are provided by the bank.

- ▶ Provides, free of charge, mortgage servicing to the Lauderdale County Habitat for Humanity.
- ▶ Provided financial expertise to the City of Meridian's Community Development Department in applying for special renovation grants and acquisition/relocation projects targeting low-income housing.
- ▶ Senior Vice President and CRA officer have served as finance chairman of the Lauderdale County Habitat for Humanity for four years and "Walk for Housing" Chairman for three years.
- ▶ Presents loan seminars on the Title I home improvement loan program to churches and neighborhood watch programs in LMI neighborhoods.
- ▶ Presents annual credit counseling programs for low-and moderate income military students at the NAS Meridian.

FAIR LENDING REVIEW

A fair lending review completed in April 1997, did not identify any violations of various antidiscrimination laws and regulations. CNB's fair lending policies, procedures, training programs, and internal assessment efforts have been effective in assisting lenders on these issues.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in the Hattiesburg MSA

CNB's performance in helping to meet the credit needs of its assessment area within the Hattiesburg MSA is consistent with the overall rating assigned to CNB. CNB's Hattiesburg assessment area includes the Hattiesburg MSA, which includes both Forrest and Lamar counties. Refer to the Assessment Areas section of this Evaluation for detailed information regarding CNB's operations in, description of, and performance in the Hattiesburg MSA.

Nonmetropolitan Statewide Areas

Conclusions with Respect to Performance Tests in the Mississippi Nonmetropolitan Statewide Area

CNB's performance in meeting the loan, investment, and service needs of its assessment areas within the Mississippi nonmetropolitan statewide area is consistent with the overall rating assigned to CNB. CNB has 9 assessment areas that are non-metropolitan. They are the counties of Attala, Clarke, Jones, Lauderdale, Leake, Lowndes, Neshoba, Noxubee, and Wayne. CNB's operations in the Lauderdale county assessment area far outweigh its operations in other assessment areas, therefore, more weight was placed on its performance. In 1996, 62% of the dollar volume of loans were originated in the Lauderdale county assessment area. The next closest assessment area in volume was Jones County with only 7%. Refer to the Assessment Area section of this Evaluation for detailed information regarding CNB's operations in, description of, and performance in the Lauderdale county assessment area. For detailed information regarding the remaining 8 assessment areas see the Assessment Area Reviewed section of this Evaluation.

Assessment Area

This section applies to CNB’s performance in each assessment area examined using the examination procedures, as it relates to lending, investment and service tests. These assessment areas include the Hattiesburg MSA and the Lauderdale County assessment area, which constitute the largest portion of the bank’s loan originations.

Summary of the Institution’s Operations in the Hattiesburg MSA Assessment Area

CNB serves the Hattiesburg MSA with a single “de novo” branch, opened in November of 1995. The branch is located in west Hattiesburg, in an upper-income census tract of Lamar County. All of the adjacent census tracts are either middle- or upper-income. The branch is some distance from any low- and moderate-income census tracts. Loans made in the Hattiesburg MSA constitute only 4% of the total number of loans and 6% of the total dollar amount of loans originated by CNB in 1996. Of CNB’s 10 assessment areas, only two have lower origination levels. Competition in the Hattiesburg MSA is strong with 4 regional banks, 3 savings and loans, 4 community banks, 4 credit unions and 16 finance companies. There are 56 local banking offices and 79 loan officers from which to obtain credit. CNB has one office and 2 loan officers.

Description of the Hattiesburg MSA Assessment Area

The Hattiesburg MSA consists of Forrest and Lamar counties. 1990 U.S. Census data shows a total population of 98,738. The HUD updated 1996 median family income for the Hattiesburg MSA is \$24,469. Unemployment was 4% in 1995. The services sector employs the largest number of individuals. The median value of an average home is \$41,300 with the average home built in 1974. There are 23,516 owner-occupied housing units in the assessment area. Table 9 shows demographic information for the Hattiesburg assessment area.

Table 9				
Assessment Area Demographics				
Designation	# of Tracts	% of Tracts	% of Families	% of Owner Occupied Housing Units
Low	5	22	24	9
Moderate	2	9	16	7
Middle	12	52	18	59
Upper	4	4	42	25
Totals	23	100	100	100

Discussion of Performance Tests in the Hattiesburg MSA Assessment Area

LENDING TEST

CNB’s overall lending performance in this assessment area is adequate. In 1996, 221 loans totaling \$5.9 million were originated by the Hattiesburg bank. Table 10 shows that 85% of the number and 89% of the dollar volume of these loans were within the assessment area. Table 10 also shows the breakdown of loans originated in 1996 by loan type.

Table 10 Loans Originated Within Assessment Area				
	# of Loans	% of Loans (#)	\$ of Loans (000's)	% of Loans (\$)
HMDA	37	16	1996	31
Consumer	180	80	1862	29
Small Business	7	3	2161	33
Small Farm	0	0	0	0
Other	3	1	506	7
Total Originated in assessment area	227	100	6525	100
Total Originated by Branch	221		6799	
Total Originated by Branch in assessment area	185	85	5906	87

Geographic Distribution

HMDA and Consumer Lending

Overall CNB’s geographic distribution shows a reasonable penetration considering the length of time the branch has been open and the location of the branch. Table 11 shows the distribution of loans by number and dollar volume and is compared to the characteristics of the assessment area. The level of HMDA loans made in LMI tracts is low (3%) relative to the number of owner occupied housing units in LMI tracts (16%). The banks consumer loans distribution is significantly better with 9% of consumer loans made in LMI tracts.

The low distribution of loans to LMI tracts (as well as LMI borrower noted below) is a result of: (1) the low income level of low to moderate income families (less than \$12,235 for low and \$12,235 to \$19,575 for moderate) versus the median value of homes (\$41,300), (2) the distance from the bank's only office (located in upper income tract) to the LMI tracts, and (3) the limited number of loans officers (2).

Table 11 Geographic Distribution of HMDA and Consumer Loans Within Assessment Area						
Income Level	% of Owner-Occupied Housing Units	% of HMDA (#)	% of HMDA (\$)	% of Tracts	% of Consumer (#)	% of Consumer (\$)
Low	9	3	0	22	3	2
Moderate	7	0	0	9	6	5
Middle	59	51	56	52	49	39
Upper	25	46	44	17	42	54
Total	100	199	100	100	100	100

Small Business Lending

In 1996, the branch originated 7 small business loans totaling \$2 million. All of these loans are located in the middle- and upper-income tracts surrounding the bank's single office. This is reasonable considering the location and size of the Hattiesburg office.

Borrowers' Profile

HMDA and Consumer Lending

The bank's record of lending to borrowers with different income levels closely mirrors its distribution by geographies. As noted in table 12, only 6% of the bank's HMDA loans and 18% of its consumer loans were made to low- and moderate-income individuals while 40% of the families in the MSA are low- and moderate-income.

Table 12
Borrowers' Profile of HMDA and Consumer Loans
Within Assessment Area

Income Level	% of Families	% of HMDA (#)	% of HMDA (\$)	% of Consumer (#)	% of Consumer (\$)
Low	24	0	0	7	3
Moderate	16	6	2	11	5
Middle	18	18	10	9	5
Upper	42	76	88	73	88
Total	100	100	100	100	100

Small Business Lending

CNB shows a good record of lending to businesses by size of business and loan amount. All of the bank's business loans were to businesses with revenues less than \$1 million and 57% of the business loans were in amounts smaller than \$100 thousand. This indicates that CNB focuses its business lending to small businesses in its MSA. Table 13 shows the distribution of small business loans by business size and loan amount.

Table 13
Distribution of Small Business Loans
by Business Size and Loan Amount

Business Size	Number	% of Number	Dollar	% of Dollar
< \$1 Million	7	100	2161	100
> \$1 Million	0	0	0	0
Totals	7	100	2161	100
Loan Amount	Number	% of Number	Dollar	% of Dollar
Less than \$100,000	4	57	246	11
\$100,000 to \$250,000	1	15	200	10
More than \$250,000	2	28	1715	79
Totals	7	100	2161	100

CNB made one community development loan in the Hattiesburg MSA. A \$60,000 loan was made to construct a multi-family dwelling for low-to-moderate income families.

INVESTMENT TEST

CNB made no qualified investments in the Hattiesburg MSA.

SERVICE TEST

CNB opened its only office in the Hattiesburg MSA in December, 1995. The office is located in an upper income tract which is adjacent to only middle and upper income tracts. The office provides extended Saturday hours as well as an ATM.

Summary of the Institution’s Operations in Lauderdale County Assessment Area

CNB serves Lauderdale County with 8 full service branches and 2 deposit only facilities. All but 2 full service branches are located in low- and moderate-income census tracts. Lauderdale County is CNB’s most significant market with 36% of the number and 62% of the dollar total loans originated in 1996. Competition is provided by 3 regional banks, 4 community banks, 4 credit unions and 18 finance companies. There are 53 banking offices and 59 loan officers from which to obtain credit. CNB has 8 offices and 14 loan officers. CNB is one of two local banks.

Description of the Lauderdale County Assessment Area

Based on 1990 U.S. Census data, the total population of the assessment area is 75,555. The HUD updated 1996 median family income is \$25,489. Unemployment was 5.4% in 1995. The services sector employs the largest number of individuals. The median value of an average home is \$42,400 with the average home built in 1965. There are 18,750 owner-occupied housing units in the assessment area. Table 14 shows demographics of the Lauderdale County.

Table 14 Assessment Area Demographics				
Designation	# of Tracts	% of Tracts	% of Families	% of Owner Occupied Housing Units
Low	1	6	21	2
Moderate	4	24	13	16
Middle	5	29	18	6
Upper	7	41	48	85
Totals	17	100	100	100

Discussion of Performance Test in the Lauderdale County Assessment Area

LENDING TEST

CNB's overall lending performance in this assessment area is good. In 1996, the Lauderdale County branches originated 1,923 loans totaling \$69 million. Table 15 shows that in 1996, 88% of the total number and 94% of the dollar volume of these loans were within the assessment area. Table 15 also shows the breakdown of loans originated in 1996 by loan type.

Table 15				
Loans Originated Within Assessment Area				
Loan Type	# of Loans	% of Loans (#)	\$ of Loans (000's)	% of Loans (\$)
HMDA	254	14	16459	25
Consumer	1255	71	15163	23
Small Business	249	14	34566	52
Small Farm	10	1	34	0
Other	6	0	322	0
Total Originated in assessment area	1774	100	66544	100
Total Originated by Branch	1923		69358	
Total Originated by Branch in assessment area	1691	88	65325	94

Geographic Distribution

HMDA and Consumer Lending

CNB shows a good distribution of both HMDA and consumer loans to different geographies within Lauderdale County. Table 16 shows the distribution of loans by number and dollar volume and is compared to the characteristics of the assessment area. In 1996, CNB originated 254 HMDA loan totaling over \$16 million and 1255 consumer loans totaling about \$15 million within Lauderdale County. Table 16 shows that 11% of the HMDA loans and 18% of the consumer loans were in LMI tracts. This compares well to the 18% of owner-occupied housing units in LMI tracts as well as the 30% of census tracts that are LMI.

Table 16
Geographic Distribution of HMDA and Consumer Loans
Within Assessment Area

Income Level	% of Owner-Occupied Housing	% HMDA (#)	% of HMDA (\$)	% of Tracts	% of Consumer (#)	% of Consumer (\$)
Low	2	2	0	6	2	1
Moderate	16	9	4	24	16	10
Middle	6	9	4	29	15	8
Upper	85	80	92	41	65	64
NA	0	0	0	0	2	17
Total	100	100	100	100	100	100

Small Business and Small Farm Loans

As shown in Table 17, CNB has a excellent penetration of small business and small farm loans within different geographies of Lauderdale County. In 1996, CNB originated 249 small business loans totaling almost \$35 million and 10 small farm loans totaling \$34 thousand within Lauderdale County. Table 17 shows that 37% of the business loans and 10% of the farm loans were made in LMI tracts. It should be noted that demographic information shows only 20 agricultural entities in Lauderdale County. In addition, all of the LMI tracts in Lauderdale County are located in the city of Meridian, where farm lending opportunities are limited.

Table 17
Geographic Distribution of Small Business and Small Farm Loans
Within Assessment Area

Income Level	% of Tracts	% of Business (#)	% of Business (\$)	% of Farm (#)	% of Farm (\$)
Low	6	4	7	0	0
Moderate	24	33	45	10	6
Middle	29	23	23	0	0
Upper	41	40	25	90	94
Total	100	100	100	100	100

Borrower Characteristics

HMDA and Consumer Lending

The level of HMDA related loans to persons of varying income levels is adequate while the level of consumer loans is excellent. As noted in table 18, 13% of HMDA loans by number were to LMI borrowers. While this is significantly lower than the 34% of families that are LMI, it should once again be noted that many of these families have income so low as to limit their ability to purchase a home. The level of consumer lending to LMI borrowers is much higher at 43%. Small consumer loans have been identified as a significant credit need of LMI borrowers in the assessment area.

Table 18 Borrowers' Profile of HMDA and Consumer Loans Within Assessment Area					
Income Level	% of Families by Income Level	% of Number HMDA	% of Dollar HMDA	% of Number Consumer	% of Dollar Consumer
Low	21	6	1	19	8
Moderate	13	7	4	24	14
Middle	18	11	5	19	11
Upper	48	76	90	38	68
Total	100	100	100	100	100
NA	0	15	12	32	52

Small Business and Small Farm Lending

CNB distribution of small business and small farm loans based on business size is very good. Seventy percent of the commercial loans made in 1996 were to small businesses while 90% of the farm loans were to small farms. In addition, 65% of the small business and 100% of the small farm loans were in amounts smaller than \$100 thousand. This performance indicates that CNB is doing a good job in lending to small businesses and farms. Table 19 shows the distribution of small business and small farm loans by business size and loan amount.

Table 19
Distribution of Small Business and Small Farm Loans
by Business Size and Loan Amount

Business Size	% of Business (#)	% of Business (\$)	% of Farm (#)	% of Farm (\$)
< \$1 Million	70	37	90	91
> \$1 Million	30	63	10	9
Totals	100	100	100	100
Loan Amount	% of Business (#)	% of Business (\$)	% of Farm (#)	% of Farm (\$)
< \$100,000	65	18	100	100
\$100,000 to \$250,000	24	27	0	0
> \$250,000	11	55	0	0
Totals	100	100	100	100

INVESTMENT TEST

The only qualified investment made by CNB in 1995 and 1996 was in Lauderdale County. See the first section of this PE for details on this investment.

SERVICE TEST

As reflected in the Table 20, 60% of the CNB offices in the Lauderdale County are located in moderate income census tracts. This distribution is excellent when compared to the percentage of moderate income geographies in Lauderdale County (24%). Four of the six branches located in moderate-income tracts are full-service branches. Although the bank does not have any branches in the low-income tract, it should be noted that the one low-income tract is surrounded by 6 branches in adjacent moderate-income tracts. Overall branch hours are reasonable and convenient to CNB's customers. Four of the 10 branches have Saturday banking and five have ATMs. Four ATMs are located in moderate-income tracts.

Table 20			
Distribution of Delivery Systems within Assessment Area			
Designation	# of Branches	% of Branches	% of Tracts
Low	0	0	6
Moderate	6	60	24
Middle	3	30	29
Upper	1	10	1
Totals	10	100	100

All of CNB's community development services were provided in the Lauderdale County assessment area. See the first section of this PE for details on these services.

Summary of the Institution's Operations in the Attala, Clarke, Jones, Leake, Lowndes, Neshoba, Noxubee, and Wayne County Assessment Areas

Twelve full service branches, as well as six ATMS serve these 8 assessment areas. Of the loans originated in the bank's assessment area in 1996, 60% of the total number and 26% of the dollar volume were made in these 8 counties.

Description of the Attala, Clarke, Jones, Leake, Lowndes, Neshoba, Noxubee, and Wayne County Assessment Areas

The demographics of these combined areas closely mirror the demographics for the Nonmetropolitan area. Based on 1990 U.S. Census data, the total population of these assessment areas is 232,490. Median family income varies from a low of \$17,121 in Noxubee County to a high of \$27,932 in Lowndes County. There are 63,615 owner-occupied housing units in the assessment areas with median house values of between \$31,200 and \$42,400. Tables 21 and 22 shows demographic information for the assessment areas. Lowndes County has not been included in the total as the one office in that assessment area was not acquired until the fourth quarter of 1996 and loan volume was very limited.

Table 21 Assessment Area Demographics				
Designation	# Tracts	% Tracts	% of Families	% of Owner Occupied Housing Units
Low	0	0	24	0
Moderate	8	20	18	16
Middle	31	78	20	80
Upper	1	2	38	4
Totals	40	100	100	100

Table 22 Assessment Area Demographics by County						
County	Population	# of Tracts	# of Tracts LMI	% of Tracts LMI	% of Families LMI	% of Owner Occupied Housing Units LMI
Attala	18481	6	2	33	47	19
Clarke	17313	4	0	0	37	0
Jones	62031	11	1	9	36	9
Leake	18436	5	1	20	46	19
Neshoba	24800	7	1	14	40	4
Noxubee	12604	3	2	67	51	81
Wayne	19517	4	1	25	46	23
Total without Lowndes County	173182	40	8	20	42	16
Lowndes County	59308	11	3	27	31	18

Discussion of Performance Tests in the Attala, Clarke, Jones, Leake, Lowndes, Neshoba, Noxubee, and Wayne County Assessment Areas

Overall, lending in these assessment areas is satisfactory. In 1996, 3,448 loans totaling over \$38 million were originated by branches in the assessment area. Table 23 shows that 76% of the number and 82% of the dollar volume of loans were made within the assessment area. Seventy percent of the total number of loan originated were consumer related, which was identified as a significant credit need. Table 23 also shows the distribution of loans by type.

Table 23 Loans Originated Within Assessment Area				
Loan Type	# of Loans	% Loans (#)	\$ of Loans (000's)	% of Loans (\$)
HMDA	296	10	8366	24
Consumer	2055	70	14150	42
Small Business	451	15	10520	31
Small Farm	153	5	1105	3
Other	9	0	120	0
Total Originated in assessment area	2964	100	34261	100
Total Originated by Branches	3448		38401	
Total Originated by Branches in assessment area	2628	76	31674	82

Table 24 shows the distribution of loans originated in each county. In should be noted that the Lowndes County branch was not opened until fourth quarter 1996 and is not included in the chart.

Table 24 Loans Originated by County		
County	% Originated in County (#)	% Originated in County (\$)
Attala	15	6
Clarke	8	4
Jones	13	7
Leake	9	6
Neshoba	5	4
Noxubee	8	3
Wayne	3	2
Total in assessment area	61	32

Geographic Distribution

The bank’s dispersion of loans between different geographies is satisfactory. Table 25 shows the distribution of all loan types in moderate income census tracts. There are no low income tracts in the assessment areas. There are three assessment areas that have low penetration in LMI areas in some loan categories. They are the Neshoba, Leake and Noxubee County assessment areas.

The Neshoba County assessment area has one moderate-income tract which encompasses the Choctaw Indian reservation. There are only 309 owner-occupied houses on the reservation. All of these houses are built and ownership is financed by the Choctaw Indian Housing Authority and land on the reservation is leased by tribe members. Small business and farm lending is also nonexistent on the reservation. The majority of tribe members work in tribe owned businesses, including the Silver Star Casino. CNB did made 5% of their consumer loans in this moderate income census tract.

The Leake County assessment area has one moderate-income tract located in the rural northwest portion of the county. CNB has only one branch which is located in the center of the assessment area. While the bank had no loans in the moderate-income tract in Leake County, they did make a significant portion of their loans to LMI individuals. See the Borrower’s Profile section of this review.

The Noxubee County assessment area has 2 moderate-income tracts (rural areas of county) and 1 middle-income tract (city of Macon). CNB has a low penetration of HMDA and small business loans in moderate-income tracts. Only 23% of HMDA loans were made in moderate income tracts while 67% of the tracts are moderate and 81% of the owner-occupied housing units are in moderate-income tracts. Based on comments by one of the community contacts in the assessment area, many low-and moderate-income individuals cannot qualify for mortgage loans. Without down payment assistance programs and principal reduction programs, many cannot afford the monthly mortgage payments. There is a nonprofit organization in the assessment area that provides principal reduction assistance, home ownership counseling, and helps the borrower secure funding through the Farmers Home Administration. This organization has help construct new homes for 107 families since 1992. The low penetration of small business loans in moderate-income tracts has a lot to do with the location of businesses in Noxubee County. Most businesses are located in the city of Macon, which is a middle-income tract.

Table 25 HMDA, Consumer, Small Business and Small Farm Loans Originated in Moderate Income Tracts						
County	% of Tracts	% of Owner Occupied Housing Units	% of HMDA (#)	% of Consumer (#)	% of Small Business (#)	% Small Farm (#)
Attala	33	19	22	29	15	30
Clarke	0	0	0	0	0	0
Jones	9	9	15	14	4	33
Leake	20	19	0	0	0	0
Neshoba	14	4	0	5	0	0
Noxubee	67	81	23	48	26	39
Wayne	25	23	42	37	100	50
Total	20	16	14	19	7	31

Borrower's Profile

HMDA and Consumer Lending

The level of HMDA related loans to persons of varying income levels is adequate while the level of consumer loans is excellent. As noted in Table 26, 16% of HMDA loans were to LMI borrowers. While this is significantly lower than the 42% of families that are LMI, it should once again be noted that many of these families have income so low as to limit their ability to purchase a home. Low-income families average from less than \$8560 per year in Noxubee County to a high of \$11,896 per year in Clarke County. Moderate-income families average between \$8560 and \$13,696 in Noxubee to a high of between \$11,896 and \$19,034 in Clarke County. The level of consumer lending to LMI borrowers is much higher at 39%.

Table 26				
HMDA and Consumer Loans Originated to Low- and Moderate-Income Borrowers				
County	% of Tracts	% of Families	% HMDA (#)	% Consumer (#)
Attala	33	47	25	41
Clarke	0	37	11	46
Jones	9	36	2	22
Leake	20	46	30	36
Neshoba	14	40	15	44
Noxubee	67	51	13	49
Wayne	25	46	6	30
Total	20	42	16	39

Small Farm and Small Business Lending

CNB shows a excellent record of lending to businesses by size of business and loan amount. In 1996, 99% of the small business and 100% of the small farm were to businesses with revenue less than \$1 million. In addition, as shown in Table 27, 98% of the small businesses loans were in amounts smaller than \$100 thousand. All of the small farm loans were in loan amounts smaller than \$100,000 with an average loan size of about \$7,000.

**Table 27
Distribution of Small Business Loans by Loan Amount**

County	% <\$100,000	% \$100,000- \$250,000	% >\$250,000	% TOTAL
Attala	98	2	0	100
Clarke	91	6	3	100
Jones	99	1	0	100
Leake	100	0	0	100
Neshoba	78	11	11	100
Noxubee	97	3	0	100
Wayne	100	0	0	100
Total	98	2	0	100

INVESTMENT TEST

None of the qualified investments purchased by CNB in 1995 and 1996 benefited these assessment areas.

SERVICE TEST

As reflected in the following table, 25% of CNB's offices in the assessment area are located in moderate income census tracts. All of these branches are full service. This distribution compares well to the percentage of moderate income geographies in the assessment areas (20%). Overall branch hours are reasonable and convenient to CNB's customers. The majority of the branches have Saturday banking and the majority of counties in the assessment area have a least one ATM.

Table 28			
Distribution of Delivery Systems within Assessment Areas			
Designation	# of Branches	% of Branches	% of Tracts
Low	0	0	0
Moderate	3	25	20
Middle	9	75	78
Upper	0	0	2
Total	12	100	100

None of CNB’s community development services benefited these assessment areas.

Appendix A: Scope of Examination

Sample Scope of Examination		
Time Period Reviewed	1/1/95 to 12/31/96	
Financial Institution	Products Reviewed	
Citizens National Bank Meridian, Mississippi	Home Mortgage, Consumer, Small Business and Small Farm Loans	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Mississippi		
MSA 3285 Hattiesburg	on-site	Part of Hattiesburg MSA
Attala County	on-site	Part of Non-MSA Statewide Area
Clarke County	on-site	Part of Non-MSA Statewide Area
Jones County	on-site	Part of Non-MSA Statewide Area
Lauderdale County	on-site	Part of Lauderdale Co. Assessment Area
Leake County	on-site	Part of Non-MSA Statewide Area
Lowndes County	on-site	Part of Non-MSA Statewide Area
Neshoba County	on-site	Part of Non-MSA Statewide Area
Noxubee County	on-site	Part of Non-MSA Statewide Area
Wayne County	on-site	Part of Non-MSA Statewide Area