



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 17, 2009**

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

Community National Bank & Trust of Texas  
Charter Number 14898

321 North 15th Street  
Corsicana, TX 75151

Office of the Comptroller of the Currency  
Dallas Field Office  
17300 Dallas Parkway, Suite 2020  
Dallas, TX 75248-1145

**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.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

Community National Bank & Trust of Texas (CNB&T) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- CNB&T's quarterly average loan-to-deposit ratio of 71% is reasonable and exceeds the standards for satisfactory performance given its size, financial condition, and assessment area (AA) credit needs.
- Loans originated within the bank's designated AA represent 88% of the number and 82% of the dollar volume of loans outstanding as of March 31, 2008 and originated after December 31, 2002.
- The overall distribution of sampled loans to borrowers of different income levels and businesses of different sizes reflects satisfactory performance. A majority of loans by number and dollar volume were extended to businesses with annual revenues less than \$1 million. In addition, a majority of consumer loans were extended to low-to-moderate income families. However, improved focus is warranted for residential lending to low and moderate-income families as a majority of 1-4 family real estate loans was made to middle-to-upper income families.

## **SCOPE OF EXAMINATION**

In May 2008, Corsicana National Bank & Trust (CNB&T) merged with its affiliate bank, First National Bank of Fairfield (FNB). In conjunction with the merger, the bank's name changed from Corsicana National Bank & Trust to Community National Bank & Trust of Texas. First National Bank of Fairfield CRA performance was evaluated in April 2007 and received a "Satisfactory" CRA rating. ***Given the recent FNB evaluation and the timing of the merger, the scope of this review focused on the performance of Corsicana NB&T prior to the merger.*** The OCC evaluated the bank's lending in the assessment area (AA) defined prior to merger. The sample for determining the bank's lending within its AA included all consumer, commercial/industrial, and 1-4 family residential loans outstanding as of March 31, 2008 that originated after December 31, 2002, which is the as of date of CNB&T's last CRA evaluation. For determining the bank's performance in lending to borrowers of different income levels and businesses of different sizes, we sampled sixty loans, or twenty each of the loan types mentioned above. These loans originated within the same evaluation period.

## DESCRIPTION OF INSTITUTION

CNB&T is a full service community bank located at 321 North 15<sup>th</sup> Street in Corsicana, Texas. It is wholly owned by Community Bank Holdings of Texas, a one-bank holding company. As of March 31, 2008, CNB&T's total assets were \$189 million; gross loans totaled \$121 million and deposits totaled \$155 million. CNB&T serves all of Navarro County through its main office and branch location in Corsicana and an additional office in Frost, Texas. Since the merger in late May 2008, CNB&T's branch locations have expanded to Fairfield, Richland Chambers and Buffalo, Texas. CNB&T offers all loan types and traditional banking services, including trust activities. Bilingual employees are available in the teller and lobby areas of the main location. All banking offices have drive-in facilities and provide extended weekday hours. An ATM is located at each of the banking offices. A stand-alone ATM is located at 1811 West 7<sup>th</sup> Avenue, Corsicana, Texas. CNB&T's public file, which is available upon request, details branch addresses, operating days and hours, phone numbers and ATM locations.

The following table reflects CNB&T's loan portfolio mix as of March 31, 2008:

| <b>Loan Category</b>          | <b>\$ (000)</b>  | <b>%</b>    |
|-------------------------------|------------------|-------------|
| Commercial Real Estate Loans  | \$51,455         | 42%         |
| Residential Real Estate Loans | \$35,283         | 29%         |
| Commercial Loans              | \$16,545         | 14%         |
| Agricultural Loans            | \$11,220         | 9%          |
| Consumer Loans                | \$5,673          | 5%          |
| Other Loans                   | \$1,174          | 1%          |
| <b>Total</b>                  | <b>\$121,350</b> | <b>100%</b> |

CNB&T received a "Satisfactory" rating in its previous CRA Public Evaluation dated May 14, 2003. The bank has no financial, legal, or other obstacles that impedes its ability to meet the credit needs of its designated AA.

## DESCRIPTION OF NAVARRO COUNTY

CNB&T's AA is defined as Navarro County. The AA includes ten census tracts, all of which are designated as middle-income tracts. The population of Navarro County is 45,124 (2000 census). There are approximately 43 cities/towns, seventeen that are incorporated, within the county. Corsicana is the county seat of government and the only sizable city in Navarro County with a population of 24,485 (2000 census). Corsicana is located in Northeast Central Texas approximately 53 miles southeast of the Dallas/Fort Worth Metroplex area. Smaller cities/towns in Navarro County include Kerens (1,681), Blooming Grove (833), Dawson (852), Frost (648), Mildred (405), Oak Valley (401), and Retreat (339). A diverse array of manufacturing concerns, agribusinesses, and oilfield operations are the central element of the area's economy. In 2002, the county had 1,864 farms and ranches, 49% of which were devoted to pasture, 42% to crops, and 6% to woodlands. Beef cattle, cotton, hay, grain sorghum,

wheat, herbs, and corn were the chief agricultural products. More than 316,000 barrels of oil and 430,000 cubic feet of gas-well gas were produced in the county in 2004. (Source: Handbook of Texas Online)

The AA meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas.

The following table reflects the demographics for the AA:

| <b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b> |          |
|---|----------|
| Population  |          |
| Number of Families                                    | 12,045   |
| Number of Households                                  | 16,531   |
| Geographies   |          |
| Number of Census Tracts/BNA                           | 10       |
| % Low-Income Census Tracts/BNA                        | 0        |
| % Moderate-Income Census Tracts/BNA                   | 0        |
| % Middle-Income Census Tracts/BNA                     | 100      |
| % Upper-Income Census Tracts/BNA                      | 0        |
| <i>Median Family Income (MFI)</i>                     |          |
| 2000 MFI for AA                                       | \$34,700 |
| 2003 MFI HUD-Adjusted MFI                             | \$41,200 |
| 2004 MFI HUD-Adjusted MFI                             | \$42,000 |
| 2005 MFI HUD-Adjusted MFI                             | \$42,000 |
| 2006 MFI HUD-Adjusted MFI                             | \$43,100 |
| 2007 MFI HUD-Adjusted MFI                             | \$41,800 |
| 2008 MFI HUD-Adjusted MFI                             | \$43,600 |
| Economic Indicators                                   |          |
| Unemployment Rate                                     | 7.3%*    |
| 2000 Median Housing Value                             | \$56,512 |
| % of Households Below Poverty Level                   | 17.77%   |
| % of Households on Social Security                    | 32.84%   |

Source: 2000 U.S. Census data and Texas Workforce Commission website

\*The unemployment rate for Navarro County is as of March 2009 – Not seasonably adjusted

Using 2000 U.S. Census data, owner occupied housing units are 63.21%, rental units are 26.18%, while 10.61% are vacant units. Although a downturn in the economy is noted, economic conditions for Navarro County remain fairly stable. As of March 2009, the unemployment rate of 7.3% for Navarro County is slightly higher than the unemployment rate for the state of Texas at 6.7%. The largest employers in Navarro County include Russell Stover Candies, Corsicana ISD, Guardian Glass, Kohl's Distribution Center, Navarro Regional Hospital and Home Depot Distribution Center.

The OCC obtained information regarding the credit needs of the AA from discussions with representatives of the Economic Development Corporation of Navarro County and the City of Corsicana. Our contact revealed that there is an overwhelming need for affordable housing. Furthermore, there is a general credit need for commercial loans to small businesses to grow and expand, and gap financing for residential real estate developers. Our contact also stated that several new businesses are considering establishing various operations in Navarro County which will bring additional employment opportunities for area residents.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

CNB&T's performance is assessed by focusing on the five performance criteria; the loan-to-deposit ratio, lending in the AA, lending to borrowers of different income levels and to businesses of different sizes, the geographical distribution of loans, and responses to consumer complaints.

Overall, CNB&T is meeting the standards for satisfactory performance. CNB&T's loan-to-deposit ratio is satisfactory and compares favorably with competing banks within the AA. The bank's lending to borrowers residing and/or operating within its AA is excellent.

Lending to borrowers of different income levels and businesses of different sizes reflect satisfactory performance, however, CNB&T needs to focus on improving its lending to low-to-moderate income families for 1-4 family real estate loans. Given there are no low- or moderate-income tracts within the AA, an analysis of the geographical distribution of loans would be meaningful. There were no CRA related consumer complaints. For additional details, please refer to the following charts and discussions.

### **Loan-to-Deposit Ratio**

As reflected in the table below, CNB&T's loan-to-deposit (LTD) ratio is reasonable, and exceeds that of similarly situated financial institutions. The bank's LTD ratio averaged 71% over twenty quarters from March 31, 2003 through March 31, 2008. Per the FDIC's June 2008 Deposit Market Share Report, out of 11 financial institutions in Navarro County, CNB&T has the largest market share of deposits of approximately 29%. Competing institutions included regional and local community banks. Given the bank's size, financial condition, AA credit needs, and area competition, CNB&T's LTD ratio exceeds the standard for satisfactory performance. See chart on the following page:

| <b>Institution</b>                                  | <b>Assets as of 03/31/08</b> | <b>Average LTD Ratio</b> |
|---|------------------------------|--------------------------|
| Citizens National Bank                              | \$753,315                    | 50.73%                   |
| City National Bank                                  | \$43,838                     | 63.78%                   |
| First Bank & Trust Company                          | \$30,578                     | 64.52%                   |
| Powell State Bank                                   | \$23,694                     | 64.86%                   |
| <i>Community National Bank &amp; Trust of Texas</i> | <i>\$189,464</i>             | <i>71.00%</i>            |

### Lending in Assessment Area

The table below reflects the distribution of CNB&T’s residential, consumer and commercial lending within the AA. CNB&T lending within the AA exceeds the standards for satisfactory performance as a substantial majority of loans extended both by number and dollar volume originated within the AA. The overall in/out ratio by number is 88% and 82% by dollar volume.

| <b>Table 1 – Lending in Navarro County AA</b> |                 |               |            |               |              |                  |               |               |               |                 |
|---|-----------------|---------------|------------|---------------|--------------|------------------|---------------|---------------|---------------|-----------------|
| Loan Type                                     | Number of Loans |               |            |               |              | Dollars of Loans |               |               |               |                 |
|   | Inside          |               | Outside    |               | Total        | Inside           |               | Outside       |               | Total           |
|   | #               | %             | #          | %             |              | \$               | %             | \$            | %             |                 |
| 1-4 Family RE                                 | 398             | 85.22%        | 69         | 14.78%        | 467          | 30,800           | 78.31%        | 8,533         | 21.69%        | \$39,333        |
| Consumer                                      | 861             | 87.95%        | 114        | 11.64%        | 975          | 7,297            | 84.53%        | 1,310         | 15.17%        | \$8,607         |
| Commercial                                    | 401             | 89.91%        | 45         | 10.09%        | 446          | 29,302           | 84.87%        | 5,225         | 15.13%        | \$34,527        |
| <b>Totals</b>                                 | <b>1,660</b>    | <b>87.92%</b> | <b>228</b> | <b>12.08%</b> | <b>1,888</b> | <b>67,399</b>    | <b>81.73%</b> | <b>15,068</b> | <b>18.27%</b> | <b>\$82,467</b> |

Source: CNB&T bank records. The data represents loans outstanding as of March 31, 2008 and excludes loans originating prior to January 1, 2003.

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

CNB&T overall lending to borrowers of different incomes and to businesses of different sizes meets the standards for satisfactory performance. However, CNB&T needs to improve its penetration of 1-4 family real estate loans to low- to moderate-income families. Based on a sample of 20 loans, 85% was extended to middle- and upper-income families. Bank management stated that they receive limited applications from low- to moderate-income families. In an effort to improve penetration, management is in the process of setting up a FHA program that will allow smaller down payments to finance 1-4 family real estate loans. See chart on the following page:

**Table 2 - Borrower Distribution of Residential Real Estate Loans in Navarro County AA**

| Borrower Income Level | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
|-----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
|                       | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| 1-4 Family R/E        | 21.33%           | 15.00%               | 16.15%           | 0.00%                | 19.44%           | 25.00%               | 43.08%           | 60.00%               |

Source: Loan sample; 2000 U.S. Census data.

CNB&T lending distribution to small businesses is excellent. Based on a sample of 20 commercial and industrial loans, CNB&T originated a majority of loans both by number and dollar volume to businesses located within the AA with annual revenues less than \$1 million. This compares favorably given the percentage of small businesses operating within the AA.

| Table 2A - Borrower Distribution of Loans to Businesses in Navarro County AA |              |              |                         |       |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales)   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/<br>Unknown | Total |
| % of AA Businesses   | 59.74%       | 2.70%        | 37.56%                  | 100%  |
| % of Bank Loans in AA by #   | 80.00%       | 20.00%       | 0.00%                   | 100%  |
| % of Bank Loans in AA by \$  | 62.00%       | 38.00%       | 0.00%                   | 100%  |

Source: Loan sample; 2000 U.S. Census data.

In addition, based on a sample of 20 consumer loans, CNB&T loaned 65% of loans to low-to-moderate income households, which exceeds the percentage of low- to moderate-income households within the AA.

| Table 2B - Borrower Distribution of Consumer Loans in Navarro County AA |                    |                      |                    |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Borrower Income Level   | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
|   | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans |
| Consumer Loans  | 25.42%             | 40.00%               | 15.45%             | 25.00%               | 16.34%             | 25.00%               | 42.79%             | 10.00%               |

Source: Loan sample; 2000 U.S. Census data.

### Geographic Distribution of Loans

An analysis of the geographical distribution of loans was not assessed during this evaluation. Based on 2000 Census data, there are no low-income or moderate-income census tracts within the AA; therefore, such an analysis would not be meaningful.

### **Responses to Complaints**

CNB&T has not received any consumer complaints related to its CRA performance during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.