



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

October 11, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank
Charter Number 18646**

**12038 Highway 82 West
Detroit, TX 75436**

**Comptroller of the Currency
Longview Field Office
1800 West Loop 281, Suite 306
Longview, TX 75604**

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, Detroit, Texas has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank's loan-to-deposit ratio is satisfactory based on its size and complexity.
- A substantial majority of the bank's loans are extended within its assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

Community National Bank, Detroit, Texas (CNB) is an \$18 million bank that is owned by Red River Financial Corporation. The bank is located at Highway 82 West, Detroit, Texas. The bank has no other branches or banking facilities. As of June 30, 2005, loans totaled \$9 million and represented 48% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	863	9.67
Commercial Loans	2,545	28.52
Residential Real Estate Loans	1,578	17.68
Consumer Loans	1,298	14.54
Agriculture Real Estate Loans	711	7.97
Agriculture Loans	1,930	21.62
Total	\$8,925	100.00%

There are no legal impediments or other factors that inhibit the bank's ability to meet the credit needs of the community. The bank was rated satisfactory during the prior CRA Examination dated November 19, 1999.

DESCRIPTION OF RED RIVER COUNTY

The Board has designated Red River County and census tract number 0003 located in Lamar County as its assessment area. These Red River County and CT 0003 make up a contiguous assessment area and include the communities of Detroit, Blossom, Clarksville, Deport and other small rural communities. Each of these tracts has been designated as middle-income areas. The assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low and moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and 2004 Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	5,908
Number of Households	8,152
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	100.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	36,380
2004 HUD-Adjusted MFI	42,000
<i>Economic Indicators</i>	
Unemployment Rate	2.84%
2000 Median Housing Value	54,873
% of Households Below Poverty Level	18.17%

The bank's designated assessment area has a total population of 20,450. The distribution of families by income level, regardless of census tract location, consists of the following: 22.09% are low income, 19.65% are moderate income, 23.92% are middle income, and 34.34% are upper income. Major industries in the assessment area are farm and ranch operations with few single major employers. Most employment is located in nearby Paris, Texas, which has several large manufacturing facilities, medical and educational opportunities. Competition within the assessment area is limited to branches of other banks in some of the small communities and several larger banks located in Paris, Texas. The economy in Red River County is primarily rural and is considered depressed with minimal economic growth or job opportunities.

Contacts with a local business organization and a local realtor revealed the primary community credit needs for the assessment are small agriculture loans and commercial loans. The business organization also noted the lack of availability of housing stock.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio of CNB is reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly average loan-to-deposit ratio was 47.06% since the prior CRA examination in November of 1999. The average loan-to-deposit ratio of banks within the assessment area for the same time period was 53.03%.

Institution	Assets (000s) (as of 6/30/05)	Average LTD Ratio
Community National Bank, Detroit	19,000	47.06%
Delta Bank, Cooper	19,000	47.50%
Enloe State Bank, Enloe	16,000	95.30%
Farmers & Merchants State Bank, Ladonia	15,000	34.77%
First Bank Roxton, Roxton	16,000	64.56%
First National Bank, Cooper	19,000	30.01%

Lending in Assessment Area

A majority of the bank's lending activity is located within its assessment area. We reviewed a sample of 20 residential mortgages, 25 commercial loans and 25 agriculture loans that originated since the previous examination. This sample reflected that approximately 83% of the number of loans and 66% of the dollar amount of loans in our sample were extended within the bank's assessment area. The breakdown by loan category is illustrated in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential	16	80.00	598	71.85	4	20.00	234	28.15
Commercial	20	80.00	483	61.41	5	20.00	303	38.59
Agriculture	22	88.00	547	63.31	3	12.00	317	36.69
Total Reviewed	58	82.86	1,628	65.57	12	17.14	855	34.43

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

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses and farms of different sizes. Community National Bank's primary product lines are commercial, agriculture, and residential loans. Our sample of loans inside the assessment area included 16 residential loans totaling \$598M. The distribution of home purchase generally approximates the income characteristics of the assessment area. While home purchase loans to low-income families are below the level compared to the demographics of the assessment area, home purchase loans by moderate-income families meet the percentage by number of moderate-income families. Borrowing for home purchases by low-income individuals is limited due to the low level of affordable housing stock available in the area. Additionally, 18% of the population residing in the assessment area is below poverty level.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	22.09		19.65		23.92		34.34	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	12.50	15.05	18.75	9.13	31.25	42.06	37.50	33.76

The distribution of business loans reflects an excellent penetration among businesses of different sizes. Based on U.S. Census information, there are 551 businesses in the assessment area with revenues less than \$1 million. This number represents 95.33% of all businesses with income reported within the assessment area. Our sample of commercial loans inside the assessment area included 20 loans totaling \$483M. The distribution of commercial loans exceeds the income characteristics of the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	95.33%	4.67%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

The distribution of agriculture loans reflects a good penetration among farms of different sizes. Based on U.S. Census information, there are 98 farms in the assessment area with revenues less than \$1 million. This number represents 96.74% of all farms with income reported within the assessment area. Our sample of agriculture loans inside the assessment area included 21 loans totaling \$517M. The distribution of agriculture loans approximates the income characteristics of the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS		
Agriculture Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	96.74%	3.26%
% of Bank Loans in AA #	95.45%	4.55%
% of Bank Loans in AA \$	94.52%	5.48%

Geographic Distribution of Loans

All block numbering areas and census tracts within the bank's assessment area are middle-income geographies. There are no low- or moderate-income geographies in the assessment area. Therefore, we did not complete a review of the bank's geographic distribution of loans.

Responses to Complaints

Management has not received any written complaints related to CRA performance since the prior CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.