



Public Disclosure

December 31, 1997

Community Reinvestment Act Performance Evaluation

**Consumer National Bank
Charter No. 16500**

**Post Office Box 22767
Jackson, Mississippi 39225-2767**

**Office of the Comptroller of the Currency
800 Woodland Parkway, Suite 111
Ridgeland, Mississippi 39157**

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 CRA performance of **Consumer National Bank (CNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of December 31, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **Outstanding**.

We concluded that the bank's performance is "outstanding" based on the following:

- o CNB's average loan-to-deposit ratio of 52.71% is considered reasonable considering the size of the institution and the level of competition within its assessment.
- o A substantial majority of CNB's loans originated in 1996 and 1997 were within the bank's assessment areas.
- o Lending patterns show a excellent representation of loans made to individuals with various income levels and businesses and farms of different sizes. Strong lending was noted to low- and moderate-income borrowers as well as small businesses.
- o The bank is lending throughout its assessment area with strong lending to borrowers in low- and moderate-income census tracts.

The following table indicates the performance level of the Consumer National Bank with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Consumer National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes	X		
Geographic distribution of loans	X		
Response to complaints	No complaints have been received since the prior examination		

Description of Institution

Consumer National Bank (CNB) is a \$21 million financial institution headquartered in Jackson, Mississippi. The bank is primarily a consumer lender with over 80% of the portfolio consumer loans. Ninety-one (91%) of the bank's number of loans are under \$25,000 and only 1% are over \$100,000. CNB operates three offices, downtown Jackson, Terry Road in Jackson, and Crossgates in Brandon. The branch in Brandon was opened in 1996. There are no supervisory concerns (impediments) that would affect CNB's ability to meet various credit needs based on their financial condition and size. Competition is strong from four large regional banks as well as numerous community banks and credit unions. CNB is the smallest bank operating in its assessment area (AA).

Description of Assessment Area

The bank's AA consists of the city of Jackson and Rankin County. Both of these are located in the Jackson MSA. Due to the bank's size, management does not feel they are large enough to serve the entire Jackson MSA. The AA meets regulatory guidelines. The population for the AA is 288,198. The HUD updated 1997 MSA median family income is \$41,000. Table 1 below shows the demographic makeup of the AA by census tract and family income. Low income is considered to be less than 50% of median family income, moderate income is considered to be between 50% and 79% of median family income, middle income is 80% to 119% while upper income is 120% and above.

Assessment Area Demographics - Table 1				
Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	16	23.5%	17,702	23.7%
Moderate	13	19.2%	11,642	15.6%
Middle	23	33.8%	15,885	21.3%
Upper	16	23.5%	29,425	39.4%
Total	68		74,654	

The AA has a strong economy and low unemployment. For December 1997, Hinds County had an unemployment rate of 2.9% (11th lowest in the state) while Rankin County had an unemployment rate of 1.8% (3rd lowest in the state). Mississippi's unemployment rate for December 1997 was 4.1%. Employment in the AA is relatively mixed with highest percentages employed by the service industry (26.3%), government (21.2%), and retail (17.9%).

The primary needs identified through community contacts are affordable housing loans, small consumer loans, and small business loans.

Conclusions with Respect to Performance Criteria

Loan-to-deposit ratio

CNB's average loan-to-deposit ratio (LTD) of 52.71% is reasonable. The ratio was averaged over thirteen quarters which covers December 1994 to December 1997. This is the time elapsed since the bank's CRA performance was last reviewed. CNB's LTD ratio increased steadily from 52.63% at December 31, 1994 to a high of 57.67% at September 30, 1996. At that time the bank promoted a prepaid certificate of deposit promotion that attracted a large amount of deposits to the bank, dropping the LTD to 45.44% by December 31, 1996. The bank had been unable to increase loan demand to offset this increase in deposits but as of December 31, 1997, their LTD was 57.06%. As noted previously in this evaluation CNB is the smallest bank in the AA and must compete with much larger institutions for loans. There are no similar-situated institutions within the AA.

Lending in the Assessment area

A substantial majority of the loans originated by CNB are within the bank's AA. In 1997, the bank extended 75.9% of the number and 73.8% of the dollar amount of consumer instalment loans within its AA. In 1996 these percentages were 75.3% and 67.3% respectively. The remainder of the bank's consumer instalment loans are within the Jackson MSA. If the bank's AA was expanded to include the entire Jackson MSA the percentage of loans within the AA for 1996 and 1997 would be 93.8% and 95.1% respectively.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

CNB's loan dispersion for 1996 and 1997 reflects excellent lending levels to borrowers of different incomes and businesses of different sizes. The tables below show the bank's distribution of both HMDA loan originations (tables 2 and 3) and consumer instalment loan originations (tables 3 and 4) for 1996 and 1997. It should be noted that 10.4% of the total HMDA loans by all banks were not tracked by borrower income.

In 1996 CNB originated 26 HMDA loans in their AA totaling \$493M. In 1997 CNB originated 30 HMDA loans in their AA totaling \$895M. Of these HMDA loans originated in 1996 and 1997, 42.3% and 26.7% of the number were made to low- and moderate-income (LTM) borrowers. While these number are slightly lower than the percentage of LTM families in the AA (39.3%), it is significantly higher than the total HMDA loans originated to LTM borrowers by all banks in 1996 (25.5%). It should be noted again that CNB is the smallest institution headquartered in the AA.

1996 HMDA Loans by Borrower Income Level - Table 2				
Income Level of Borrower	Percentage # of Loans	Percentage \$ of Loans (000)	Percentage # of Loans All Banks	Percentage of Families
Low	19.2%	13.8%	7.3%	23.7%
Moderate	23.1%	27.0%	18.2%	15.6%
Middle	26.9%	25.1%	23.1%	21.3%
Upper	30.8%	34.1%	41.0%	39.4%

1997 HMDA Loans by Borrower Income Level - Table 3				
Income Level of Borrower	Percentage # of Loans	Percentage \$ of Loans (000)	Percentage # of Loans All Banks	Percentage of Families
Low	10.0%	1.8%	NA	23.7%
Moderate	16.7%	7.0%	NA	15.6%
Middle	33.3%	29.1%	NA	21.3%
Upper	40.0%	62.1%	NA	39.4%

CNB's consumer lending to LTM borrowers is even stronger than their HMDA lending. In both 1996 and 1997, the percentage of consumer instalment loans to LTM borrowers exceeded significantly the percentage of LTM families in their assessment area. Sixty nine percent (69%) of the total number of consumer instalment loans in 1996 and 70.1% in 1997 were originated to LTM borrower while only 39.3% of the families in the AA are LTM. Tables 4 and 5 below show the distribution of consumer instalment loans originated in 1996 and 1997 by borrower income level.

1996 Consumer Instalment Loans by Borrower Income Level - Table 4					
Income Level of Borrower	Total # of Loans	Total \$ of Loans (000)	Percentage # of Loans	Percentage \$ of Loans	Percentage Families
Low	122	648	32.6%	19.1%	23.7%
Moderate	136	1235	36.4%	36.3%	15.6%
Middle	74	844	19.8%	24.8%	21.3%
Upper	42	674	11.2%	19.8%	39.4%
Total	374	3401			

1997 Consumer Instalment Loans by Borrower Income Level - Table 5					
Income Level of Borrower	Total # of Loans	Total \$ of Loans (000)	Percentage # of Loans	Percentage \$ of Loans	Percentage Families
Low	133	1009	37.8%	22.7%	23.7%
Moderate	114	958	32.3%	21.5%	15.6%
Middle	66	1329	18.8%	29.8%	21.3%
Upper	39	1159	11.1%	26.0%	39.4%
Total	352	4455			

CNB's volume of loans to small businesses, those with annual revenue less than \$1 million, is good. The bank's computer system does not track the income of business borrowers but these borrowers can be separated by business purpose code. As shown in the chart below, the bank originated 84% and 82.2% of its loans in 1996 and 1997 respectively to small businesses in amounts of \$25M of less. These small loan amounts indicate a strong lending pattern to small businesses. The results of our review are reflected in table 6 below.

1996 and 1997 Business Loan Originations by Loan Size - Table 6								
Size of Loan	1996 # of Loans	1996 \$ of Loans (000)	1996 % # of Loans	1996 % \$ of Loans	1997 # of Loans	1997 \$ of Loans (000)	1997 % # of Loans	1997 % \$ of Loans
< \$10,000	32	149	62.7%	18.3%	90	506	69.8%	27.6%
\$10,000-\$24,999	11	185	21.6%	22.7%	16	279	12.4%	15.2%
\$25,000-\$49,999	4	125	7.8%	15.4%	18	537	14.0%	29.2%
>\$50,000	4	355	7.8%	43.6%	5	515	3.8%	28.0%
Total	51	814			129	1837		

Geographic Distribution of Loans

The geographic distribution of loans originated by CNB shows excellent penetration throughout all areas of the AA. CNB codes and analyzes all consumer instalment loans by CT. Based on this analysis the bank has a excellent penetration of loans in all areas of their AA. No conspicuous gaps were observed. In 1996 and 1997 CNB had consumer instalment loans in 65 of the 68 CT in their AA. The tables below show the bank's distribution of HMDA loan

originations (tables 7 and 8) and consumer instalment loan originations (tables 9 and 10) by CT income level.

In 1996 CNB originated 26 HMDA loans totaling \$463M. In 1997 they originated 30 HMDA loans totaling \$895M. Fifty percent of these loans in 1996 and 36.7% in 1997 were in LTM CTs. Only 10.4% of HMDA loans originated by all banks in 1996 were in LTM CTs. Twenty one point seven percent (21.7%) of the owner-occupied units in the AA are located in LTM CTs and 28.3% of the families in the AA live in LTM CTs.

1996 HMDA Loan Originations by Census Tract Income Level - Table 7					
Income Level of Census Tract	Total # of Loans	Total \$ of Loans (000)	Percentage # of Loans	Percentage \$ of Loans (000)	Percentage Owner-Occupied Units
Low	5	107	19.2%	21.7%	8.0%
Moderate	8	113	30.8%	22.9%	13.7%
Middle	9	244	34.6%	49.5%	43.3%
Upper	4	29	15.4%	5.9%	35.0%
Total	26	493			

1997 HMDA Loan Originations by Census Tract Income Level - Table 8					
Income Level of Census Tract	Total # of Loans	Total \$ of Loans (000)	Percentage # of Loans	Percentage \$ of Loans (000)	Percentage Owner-Occupied Units
Low	6	98	20.0%	11.0%	8.0%
Moderate	5	82	16.7%	9.2%	13.7%
Middle	9	131	30.0%	14.6%	43.3%
Upper	10	584	33.3%	65.2%	35.0%
Total	30	895			

CNB's consumer lending to borrowers in LTM is also good. In both 1996 and 1997, the percentage of consumer instalment loans to borrowers in LTM CTs exceeded the percentage of families in LTM CTs. Thirty three (33) percent of the consumer instalment loans in 1996 and 29.8% in 1997 were originated to borrowers in LTM CTs. These both compare well to the 28.3% of the families in the AA that live in LTM CTs. Tables 8 and 9 below show the distribution of consumer instalment loans originated in 1996 and 1997 by CT income level.

1996 Consumer Instalment Loans Originations by Census Tract Income Level - Table 9					
Income Level of Census Tract	Total # of Loans	Total \$ of Loans (000)	Percentage # of Loans	Percentage \$ of Loans (000)	Percentage Families
Low	39	380	13.9%	16.6%	12.3%
Moderate	55	398	19.6%	17.4%	16.0%
Middle	132	1090	46.9%	47.6%	41.3%
Upper	55	421	19.6%	18.4%	30.4%
Total	281	2289			

1997 Consumer Instalment Loans Originations by Census Tract Income Level - Table 10					
Income Level of Census Tract	Total # of Loans	Total \$ of Loans (000)	Percentage # of Loans	Percentage \$ of Loans (000)	Percentage Families
Low	27	116	10.2%	3.5%	12.3%
Moderate	52	400	19.6%	12.1%	16.0%
Middle	124	1414	46.8%	42.8%	41.3%
Upper	62	1376	23.4%	41.6%	30.4%
Total	265	3306			

The bank does not maintain CT information on businesses loans.

Response to Complaints

The bank's public file did not contain any complaints regarding the bank's performance under the CRA. We found no evidence of discrimination or disparate treatment during our examination.