



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**February 5, 2001**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Commerce National Bank  
Charter Number 23710**

**306 South Cass Street  
Corinth, MS 38834**

**Comptroller of the Currency  
ADC - Memphis  
57 Germantown Court Suite 309  
Memphis, TN 38108**

**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 Commerce National Bank, Corinth, MS as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 05, 2001. 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 conclusion is based on the following:

- ❑ **A substantial majority of loans are made in the assessment area.**
- ❑ **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms of different sizes.**
- ❑ **The loan-to deposit ratio is good given the bank's size, financial condition, and the assessment area credit needs.**
- ❑ **The geographic distribution of lending was not reviewed due to the nature of the assessment area. Block Numbering Areas cover the assessment area and either middle-income or upper-income.**

## DESCRIPTION OF INSTITUTION

Commerce National Bank (CNB), Corinth, Mississippi, is a DeNovo Bank chartered January 19, 1999. The bank has been operational for two years and had total assets of \$31.3 million as of September 30, 2000. The bank is located in northeast Mississippi, in Alcorn County, approximately 110 miles southeast of Memphis, TN. This is the bank's first Community Reinvestment Act (CRA) examination. The bank's primary business focus is residential real estate and consumer loans with the loan portfolio representing approximately 60% of total assets. As a percentage of Tier 1 Capital, real estate loans totaled 196%, commercial loans 103%, consumer loans 160%, with farmland and others 11%. The loan portfolio composition as of September 30, 2000 was as follows:

<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% of Portfolio</b>
Residential Real Estate	7,836	42%
Consumer	6,399	34%
Commercial	4,110	22%
Farmland & Other	454	2%
<b>Total</b>	<b>18,799</b>	<b>100%</b>

CNB only operates in Mississippi, has no branches, and is not affiliated with a holding company. The main facility is located in Corinth, MS. The bank offers a full range of banking services that are accessible at the main office and owns two Automated Teller Machines (ATM's) in Corinth. There are no legal, merger and acquisition, or financial constraints that prohibit the bank from meeting assessment area credit needs.

Within Alcorn County, the bank's deposit competition consists of four regional banks, and three Mississippi state-chartered banks. CNB and one other state-chartered bank are locally owned. See the table below for a breakdown of deposit market shares as of June 30, 2000 for Alcorn County.

<b>Deposit Market Share Within Alcorn County</b>			
	<b>CNB</b>	<b>Four Regional Banks</b>	<b>Three State Banks</b>
As of 9/30/2000	6.27%	81.76%	11.97%

## DESCRIPTION OF ASSESSMENT AREA

CNB's assessment area consists of all of Alcorn County, MS. Within the county, Corinth is the only incorporated town and is the county seat. The 1990 U.S. Census median family income for non-Metropolitan Statistical Areas in Mississippi, including the assessment area, was \$23,981. This number is used to determine the income level of the block numbering areas (BNAs) in the assessment area. CNB's assessment area is comprised of five (5) middle-income and two (2) upper-income BNAs. None of the BNAs in the assessment area is considered low-and moderate-income. The bank's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low-and moderate income geographies.

According to the 1990 U.S. Census demographic data, Alcorn County reported a population of 31,722. Thirteen percent of households showed income below the poverty level. The 1999 updated median family income is \$32,100. This income figure is updated annually and is used to determine the income level of individual applicants. There are 9,363 families in the assessment area of which: 1,924 (20%) are low-income, 1,505 (16%) are moderate-income, 1,762 (19%) are middle-income, and 4,172 (45%) are upper-income families. The average cost of housing in Alcorn County is \$38,025, with owner occupied housing representing 69% of the population.

Alcorn County has a history of low unemployment, compared to the State of Mississippi and national averages. Unemployment within Alcorn County for the year 2000 averaged 3.4% of the population. Low unemployment can best be explained by the employment opportunities in that market.

The bank's assessment area is primarily manufacturing, retail trade and services related. Within Alcorn County, manufacturing employs 5,335 people, retail trade employs 2,692, and services related employs 3,248. Major employers within the county consist of World Color 1,100 employees (printer of National Geographic Magazine), Magnolia Heights Hospital 866 employees, and ACT Manufacturing 800 employees. Smaller businesses such as Caterpillar, Kimberly Clark, Intex, and Corinthian manufacturing all employ between 450 and 650 each.

One community contact was made during this CRA review period. According to the contact person there were no credit needs identified that have not been adequately satisfied by area financial institutions.

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

### **Lending in the Assessment Area**

A majority of loans and other lending-related activities are in the bank's assessment area, with the level of lending inside and outside the assessment area meeting the standards outlined in the procedures.

For the time period of August 1, 2000 through January 10, of 2001, the bank made a total of 550 new loans. Of these, 499 (91%) were made inside the bank's assessment area. The original dollar amounts of all new or renewed loans for this time period represent approximately 50% of the current loan portfolio.

### **Lending to Borrowers of Different Incomes**

The distribution of loans originated from August 1, 2000 through January 10, 2001 reflects reasonable penetration among individuals in all income levels (including low-and moderate income), given the demographics of the assessment areas. These loans represent all major loan types.

Our review shows that loans have been made to individuals in all four income levels. The analysis reflected that the percentage of loans to low-income families is slightly less than the percentage of low-income families within the census tracts. Although the moderate-income

group has the lowest number of families, the bank has generated 25% of loans to these families. The following table reflects the results of the sample:

<b>Distribution of Loans in Assessment Area by Borrower Income</b>										
	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>		<b>Total</b>	
	#	%	#	%	#	%	#	%	#	%
Family within Census Tracts	1,924	20%	1,505	16%	1,762	19%	4,172	45%	9,363	100%
Borrower Distribution of Loans	75	15%	125	25%	130	26%	169	34%	499	100%

CNB also has a good record of making loans to small businesses and small farms and businesses of different sizes. Demographic information indicates 88% of farms in Alcorn County generated revenues of less than \$1 million and 76% of businesses generated revenues of less than \$1 million. Since the bank does not collect information on business or farm revenue, we used loan size as a proxy for businesses and farms to determine whether CNB is making loans to businesses and farms of different sizes. Our review shows CNB's loan sizes to business and farms fall in the range of up to \$100,000.

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

For purposes of the loan to deposit ratio, the quarterly loan-to-deposit ratio was calculated for the eight quarters since inception of the bank. The calculated loan to deposit ratio, based on quarterly data, was 64.77%. The following chart illustrates this.

<b>Loan-to-Deposit Ratio by Quarter</b>									
Quarter	3/99	6/99	9/99	12/99	3/00	6/00	9/00	12/00	Avg.
Percentage	58.49%	63.97%	61.02%	64.64%	63.25%	69.57%	68.55%	67.98%	64.77%

### **Geographic Distribution**

A geographical analysis of the number and income distribution was not meaningful. CNB's assessment area contains seven census tracts. Five are middle income and two are upper income. There are no low or moderate income levels in the assessment area.

### **Response to Complaints**

No complaints have been received from the public specifically related to the bank's performance in helping to meet community credit needs.

## **ADDITIONAL INFORMATION**

### **Discrimination or Other Illegal Credit Practices**

A Fair Lending review was conducted to complete the bank's first CRA evaluation. We analyzed loan approvals and denials using OCC's benchmark approach. Automobile purchase loans extended in 2000 was the loan product sampled. Female denials and male approvals were the control group. No violations of anti-discrimination laws and regulations were identified.