

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

October 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community National Bank at Bartow
Charter Number 18270**

**1375 North Broadway
Bartow, Florida 33831-1869**

**Office of the Comptroller of the Currency
North Florida Field Office**

**8382 Baymeadows, Suite 1
Jacksonville, Florida 32256-7432**

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 the **Community National Bank at Bartow** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 23, 1997. 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 Outstanding.

Community National Bank at Bartow maintains an above average loan-to-deposit ratio and makes the majority of its loans within its assessment area. The bank's distribution of loans to borrowers of different income levels is excellent and the bank makes a majority of commercial loans to small businesses. The distribution of loans among the geographies of the assessment area is good. And, the bank is taking a leading role in community development efforts. The bank has not received any consumer complaints nor public comments relative to its performance under the CRA. The bank complies with antidiscrimination laws and regulations.

The following table indicates the performance level of the **Community National Bank at Bartow** with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>Community National Bank at Bartow</u> 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 were received since the prior examination. | | |

DESCRIPTION OF INSTITUTION

Chartered in 1984, the Community National Bank at Bartow (CNB) is locally owned and operated. The bank has two full service offices, both located in Bartow, Florida. On September 30, 1997, total assets were \$62.5 million. At approximately 74% of total loans, the bank's lending focus is on real estate, both for businesses and individuals. Commercial and industrial loans at 18% comprise another large portfolio component. There are no financial, legal or other impediments that would inhibit CNB's ability to meet community credit needs. The evaluation period for this review is July 1995 through August 1997.

DESCRIPTION OF THE ASSESSMENT AREA

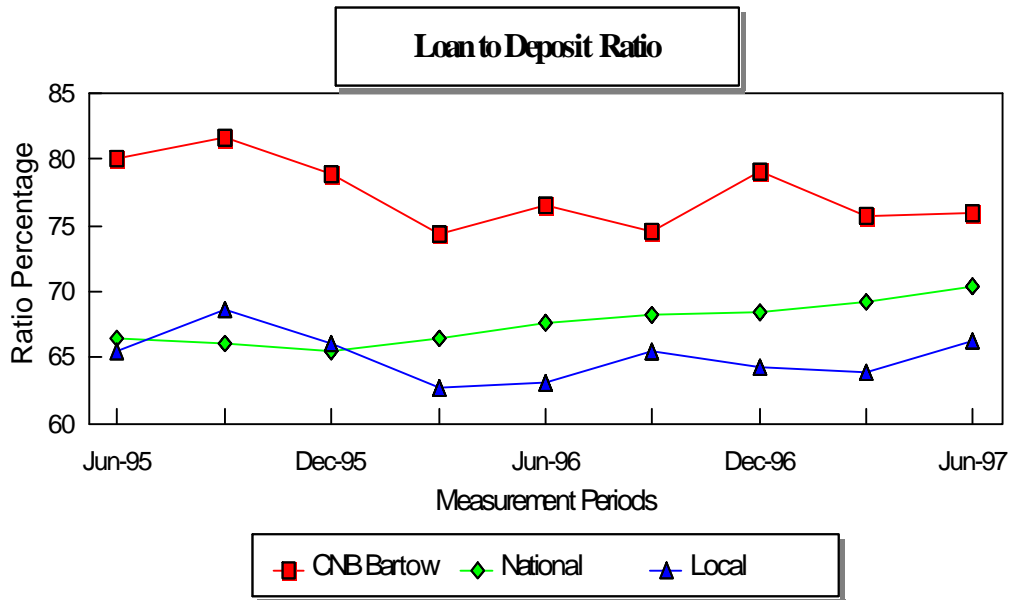
CNB's assessment area is located within the Lakeland-Winter Haven Metropolitan Statistical Area (MSA) #3980. The MSA includes all of Polk County. With a population of 14,902, Bartow is the third largest city within the MSA. In addition to being a residential area, Bartow serves as the county seat. Most major employment is linked to various levels of government but phosphates, light manufacturing and agriculture, especially citrus, contribute to the area. Many wage earners commute to their county governmental, legal and financial jobs from the two larger population centers of Lakeland and Winter Haven. As estimated by the Department of Housing and Urban Development (HUD), the MSA's 1996 median family income was \$37,200. While wage earners predominate, 46% of the households receive Social Security or other retirement income.

The assessment area for this review consists of 16 census tracts. CNB's assessment area includes all 4 census tracts in and around Bartow as well as 12 adjoining census tracts. The assessment area contains 1 moderate-income tract, 10 middle-income tracts and 5 upper-income tracts. It does not contain any low-income census tracts. This is based on the 1990 U.S. Census median family income of \$28,966 for the Lakeland-Winter Haven MSA. CNB's assessment area meets the legal requirements of the CRA. It does not arbitrarily exclude low- or moderate-income census tracts.

In various contact meetings with the Office of the Comptroller of the Currency, leaders of local community development and small business organizations indicated that the primary credit needs are for housing and small business.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio: *The bank's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance.* For this performance criterion, we determine whether the bank reinvests deposits back into the community it serves through loans. For the period June 1995 through June 1997, CNB's LTD ratio averaged more than 77%. This ratio is well above those reported for banks of similar size, both nationally (average = 68%) and locally (average = 65%). The accompanying graph illustrates CNB's historical LTD ratio compared to national and local peer ratios over the evaluation period. As the graph portrays, CNB's ratio has been consistently higher than the industry. The local peer comparison included seven locally based banks.



Lending in the Assessment Area: *The majority of CNB's loan originations are within the assessment area.* For this performance criterion, we determine the extent of the bank's lending in the area designated as its primary market, or assessment area. We based our conclusion on analyses performed by the bank, which we tested for accuracy. The bank's analyses included all loan originations between July 1995 and August 1997. By number, over 81%, and nearly 70% by dollar, of loans were originated within the assessment area.

Lending to Borrowers of Different Incomes and to Small Businesses: *CNB's record of lending to borrowers of different incomes is excellent.* For a portion of this performance criterion, we review the bank's record of lending to borrowers of different income or revenue levels. CNB lends funds for a wide variety of purposes including a substantial number of home purchase and improvement loans. Additionally, the bank serves the community by making small loans available. During the evaluation period, nearly 6% of all non-business credits were loans of less than \$1,000.

Our analysis included all personal loan originations between September 1996 and August 1997. We verified and used the bank's reports covering all lending for this period. We compared the income distribution of the borrowers to the distribution of families within the assessment area. Based on the sample, the distribution among income groups is portrayed in the following chart.

| | CNB Loans | Families in Assessment Area |
|-----------------|------------------|------------------------------------|
| Low-Income | 23.42% | 15.55% |
| Moderate-Income | 21.76% | 16.62% |
| Middle-Income | 20.39% | 22.67% |
| Upper-Income | 34.44% | 45.16% |

Lending to small businesses is good. CNB originates nearly 83% of its commercial loans in its assessment area and makes the majority of them to small businesses. Small businesses are defined as those with total annual revenues less than \$1 million. We analyzed commercial lending patterns by loan amount. Nearly 82% of loans extended were smaller than \$150,000, while two thirds were originated at less than \$50,000. We also reviewed the distribution of loans to businesses of different sizes based on total annual revenue. Nearly 60% of CNB's business loans were made to businesses with annual revenues of less than \$1 million. By this measurement as well, the majority of loans the bank originates are to small businesses. Our analysis used bank prepared data, which we verified, that tracked business loans for the year ending August 1997. The results are shown below.

| Small Business Loans | | |
|---------------------------------|------------------------|----------------------|
| Borrower Revenues | Number of Loans | Dollar Amount |
| Less than \$100,000 | 10.61% | 5.96% |
| \$100,000 to \$250,000 | 15.64% | 5.63% |
| \$250,000 to \$500,000 | 16.76% | 16.33% |
| \$500,000 to \$1,000,000 | 16.76% | 11.41% |
| Over \$1,000,000 | 40.22% | 60.67% |

Geographic Distribution of Loans: *The geographic distribution of CNB's loans is good.* For this performance criterion, we determine whether the bank lends throughout its assessment area in a reasonable pattern, regardless of the income level of the individual census tracts. Our conclusion is based on analysis by income levels of the distribution of CNB's loans compared to both the number of census tracts stratified by income and the percentages of the population within them. Our analysis includes all consumer, real estate and small business loans originated between September 1996 and August 1997. The following chart supports our conclusion.

| Census Tracts | % Of Tracts | % Of Population | % Of Loans # Of Loans | % Of Loans \$ Amount |
|-----------------|-------------|-----------------|--------------------------|-------------------------|
| Moderate-Income | 6.25% | 5.42% | 14.94% | 8.91% |
| Middle-Income | 62.50% | 62.18% | 41.77% | 46.57% |
| Upper-Income | 31.25% | 32.40% | 43.29% | 44.52% |

Community Development: CNB is taking the lead to rehabilitate a blighted 64 lot area of Bartow.

In April 1997, bank management inspected the community and identified this area as needing improvement. Management brought a group of community leaders and residents together to develop an improvement plan which will be adopted by the City of Bartow, other financial institutions and Polk County. Rehabilitation efforts will be managed under the auspices of the Neighborhood Improvement Corporation a non-profit corporation whose start-up funding was donated by CNB. This project is the first of its type in the area.

Response to Complaints: CNB has not received any complaints relative to its performance under the CRA.

Compliance with Antidiscrimination Laws and Regulations: During our concurrent examination of fair lending we determined that CNB complies with antidiscrimination laws and regulations. We did not uncover any violations of law.