



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 12, 2008**

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

**First National Bank of Chatsworth  
Charter Number 16487**

**701 North 3rd Avenue  
Chatsworth, GA 30705**

**Office of the Comptroller of the Currency  
Georgia Field Office  
3 Ravinia Drive, Suite 550  
Atlanta, GA 30346**

**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.**

First National Bank of Chatsworth's (FNB) performance rating is supported by the following:

- a reasonable loan-to-deposit ratio;
- a substantial majority of loans are in the assessment area;
- a reasonable penetration of loans among borrowers of different incomes and to businesses of different sizes; and
- a reasonable penetration of loans to borrowers in different geographies.

## **SCOPE OF EXAMINATION**

This Performance Evaluation is an assessment of FNB's ability to meet the credit needs of the communities in which it operates. Examiners conducted a full-scope review of the bank's Assessment Area (AA), which is defined as the Dalton Metropolitan Statistical Area (MSA). During the previous CRA exam, the AA was not a part of an MSA. The Dalton, GA area became an MSA in 2004 and includes Murray and Whitfield Counties.

This evaluation covers the period of March 2003 to December 2007. Loan performance was determined by analyzing the bank's primary products including home purchase, home refinance, and commercial loans. All home purchase and refinance loans reported on the 2006 and 2007 Home Mortgage Disclosure Act Loan Application Registers were reviewed. Also, a random sample of 30 commercial loans originated between January 2006 and February 2008 was chosen to assess the bank's distribution of business loans in the AA. Commercial and residential real estate loans were important to the overall conclusions.

## **DESCRIPTION OF INSTITUTION**

FNB is a wholly owned subsidiary of First Chatsworth Bankshares, a one bank holding company headquartered in Chatsworth, GA. FNB is an intrastate financial institution with five banking offices throughout the Dalton MSA. The main office is located in Chatsworth, GA. In addition to the main office, there are four branch offices, located in the following GA cities: Chatsworth (in Bi-Lo's supermarket), Eton, Dalton, and Tunnel Hill. Both the Chatsworth and Eton branch offices are teller and drive through only locations. All offices are within 25 miles of the main office. All of the bank's ATM machines are non-deposit taking ATMs. There is one free-standing non-deposit ATM located in Whitfield County that opened November 2006.

FNB offers a full range of banking products and services. FNB's home loans are typically 5 year adjustable rate bullets. FNB opened a mortgage loan office in April 2007, in Dalton, GA. The mortgage company offers fixed rate, long term mortgages that are sold in the secondary market. Business lending and residential mortgage lending are FNB's primary focus, with farm loans comprising a small portion of the loan portfolio. Deposit products and services include basic deposit banking accounts and an electronic funds transfer account between FNB accounts.

As of December 31, 2007, assets totaled \$157 million with net loans equaling 65 percent of assets. The distribution of the bank's loan portfolio is as follows:

Loan Portfolio Summary by Product Type: December 31, 2007	
Business Loans	68.19%
Home Loans	20.24%
Consumer Loans	6.72%
Farm Loans	4.40%
Other Loans	.45%

No legal or financial constraints or other factors impede FNB's ability to meet the credit needs of its AA. FNB received a "Satisfactory" rating during the last CRA review dated January 6, 2003.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB defines its AA as the Dalton MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

### **Dalton, GA MSA**

The Dalton MSA is comprised of two complete counties, Murray and Whitfield Counties. These counties are located in North Georgia. Whitfield County is considered the hub of this MSA. Dalton, located in Whitfield County, is the MSA's largest city. It is also known as the carpet capital of the world. There are 25 census tracts within this MSA consisting of no low-income, 4 moderate-income, 18 middle-income, and 3 upper-income geographies. Dalton, GA became an MSA in 2004. According to the 2000 US Census, the population of the Dalton, GA MSA was comprised of 120,031 residents, 42,667 households, and 32,650 families. Twelve percent of households within this MSA had income considered below the poverty level. According to 2006 Georgia Department of Labor data, the population of the Dalton, GA MSA increased to 134,397, with Whitfield County having the highest number of residents.

The Dalton, GA MSA has a diverse industrial base that includes: manufacturing, services, and retailing.

### **Murray County**

The 2000 US Census showed the population of Murray County to be 36,506 and the median family income to be \$41,853. The Department of Housing and Urban Development's (HUD) 2007 updated median family income estimate is \$50,800. Owner occupied housing in the county is 68 percent while rental occupied units represent 24 percent of the total housing units in the county. The county's 14,320 existing housing units consist of 97 percent 1-4 family units and 3 percent multi-family units. The median housing value is \$72,277. Households living below poverty level equal 13 percent, with unemployment at 4 percent.

Leading employers in Murray County are Bouckaert Farms, Global Employment Solutions, Marquis Industries, Mohawk Carpet Corp, and Shaw Industries.

**Whitfield County**

The 2000 US Census showed the population of Whitfield County to be 83,225 and the median family income to be \$46,187. HUD’s 2007 updated median family income estimate for the MSA is \$50,800. Owner occupied housing in the county is 65 percent while rental occupied units represent 31 percent of the total housing units in the county. The county’s 30,722 existing housing units consist of 91 percent 1-4 family units and 9 percent multi-family units. The median housing value is \$90,421. Households living below poverty level equal 11 percent with unemployment at 3.6 percent.

According to 2006 U.S census data, the population of Murray and Whitfield Counties increased to 41,398 (13 percent) and 92,999 (11 percent), respectively.

Leading employers in Whitfield County include three carpet manufactures and a hospital. These employers are Beaulieu Group, LLC, Mohawk Carpet, Corp., Shaw Industries, Inc., and Hamilton Medical Center, Inc.

The following table highlights the demographic composition of the bank’s assessment area.

**Table 1**

<b>Demographic and Economic Characteristics of Assessment Area (AA)</b>	
<b>Population</b>	
Number of Families	32,650
% Low Income Families	15%
% Moderate Income Families	17%
% Middle Income Families	22%
% Upper Income Families	46%
<b>Geographies</b>	
Number of Census Tracts	25
% Low Income Census Tracts - (0)	0%
% Moderate Income Census Tracts - (4)	16%
% Middle Income Census Tracts - (18)	72%
% Upper Income Census Tracts - (3)	12%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$43,713
2007 HUD Adjusted MFI	\$50,800
<b>Economic Indicators</b>	
2006 Unemployment Rate (est.)	4.40%
2000 Median Housing Value	\$81,793
% of Households Below Poverty Level	12%

*Source: 2000 United States Census data and HUD updated income data.*

In addition to FNB, there are numerous financial institutions in this AA. Fourteen different banks with 44 offices are located in the AA.

As part of our examination, we obtained information from community leaders regarding local economic conditions and community credit needs. Based on information provided by our contact, the primary credit needs in the community are small business loans and other small business services such as development of business plans. Our contact indicated that financial institutions in the area provide the necessary resources to fulfill community needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

*FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area credit needs, and years of existence.* The bank's average quarterly loan-to-deposit ratio since the last CRA examination in January 2003 is approximately 72 percent. During this period, FNB's quarterly loan-to-deposit ratio ranged from a low of 68 percent in March 2004 to a high of 77 percent in March 2003. FNB's average loan-to-deposit ratio of 72 percent is lower than the average loan to deposit ratio of three of its peers at 85 percent; however, the variance is reasonable given the minimal borrowings FNB has relative to peer banks. (Borrowings are not included with deposits when determining the loan-to-deposit ratio, thereby elevating the ratio for banks with borrowings.)

### Lending in Assessment Area

*Lending levels reflect an outstanding responsiveness to community credit needs.* We reviewed the bank's home purchase and home refinance loans and a sample of 30 business loans originated during the evaluation period. The amount of home improvement loans originated was insignificant, so we did not include them in our evaluation. A substantial majority of loans we evaluated were granted within the AA. The results of this analysis are highlighted below:

Table 2 - Lending in Dalton, GA MSA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Home Purchase	44	92%	4	8%	48	\$4,034	90%	\$451	10%	\$4,485
Home Refinance	136	88%	18	12%	154	\$12,800	83%	\$2,705	17%	\$15,505
Business	27	90%	3	10%	30	\$2,168	90%	\$239	10%	\$2,407
Totals	207	89%	25	11%	232	\$19,002	85%	\$3,395	15%	\$22,397

Source: Data reported under HMDA; sample of loans.

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

*Lending to borrowers of different incomes and businesses of different sizes meets the standards for satisfactory performance.* The penetration of home purchase loans to low-income borrowers is low relative to the number of low-income families in the AA. However, this is reasonable when considering 12 percent of all households in the AA live below the poverty level according to 2000 Census data. Additionally, the percentage of home purchase loans to moderate-income borrowers is in line with the percentage of moderate-income families residing in the AA.

The penetration of home refinance loans to low- and moderate-income borrowers is very good as the percentage of loans to low-income borrowers exceeds the percentage of low-income families in the AA. Also, refinance loans to moderate-income families equals the percentage of moderate-income families.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in Dalton, GA MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	15%	7%	17%	17%	22%	17%	46%	59%
Home Refinance	15%	18%	17%	17%	22%	18%	46%	47%

*Source: Data reported under HMDA; 2000 United States Census Data. Borrower income information was not available on 6.8% of home purchase loans and on 3.7% of home refinance loans.*

Lending to businesses of different sizes is reasonable. The penetration of loans to small businesses (businesses with annual revenues of \$1 million dollars or less) by number exceeds the percentage of small businesses in the AA. Forty-three percent of the business loan’s dollar volume went to small businesses.

<b>Table 3A - Borrower Distribution of Loans to Businesses/Farms in Dalton, GA MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	57%	6%	37%	100%
% of Bank Loans in AA by #	78%	22%	-	100%
% of Bank Loans in AA by \$	42%	58%	-	100%

*Source: Loan sample; Dunn and Bradstreet data.*

**Geographic Distribution of Loans**

*The geographic distribution of loans meets the standards for satisfactory performance.* The analysis of lending patterns found no conspicuous gaps of lending within the various census tracts making up the AA. There are no low-income census tracts in FNB’s AA. However, the AA does have four moderate-income census tracts.

The distribution of home purchase and home refinance loans in moderate-income census tracts is reasonable. The bank’s four moderate census tracts are located near downtown Dalton, where the banking industry is highly competitive. Thus, the percentage of loans in the moderate-income census tracts is lower than the percentage of AA owner occupied housing in the census tract. Nonetheless, FNB is making a reasonable amount of loans in the moderate-income census tracts. Also, FNB opened a mortgage loan office in April 2007 in Dalton, GA to increase mortgage lending.

<b>Table 4 - Geographic Distribution of Residential Real Estate Loans in Dalton, GA MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	5%	2%	57%	77%	38%	21%
Home Refinance	0%	0%	5%	2%	57%	72%	38%	26%

Source: Data reported under HMDA; 2000 United States Census Data.

The distribution of business loans in moderate-income census tracts is reasonable. The percentage of business loans in moderate-income census tracts is slightly less than the percentage of AA businesses in moderate census tracts.

<b>Table 4A - Geographic Distribution of Loans to Businesses in Dalton, GA MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0%	0%	9%	8%	58%	81%	33%	11%

Source: Loan sample; Dunn and Bradstreet data.

**Responses to Complaints**

No complaints related to CRA performance were received during the evaluation period. This has a neutral impact on the overall CRA rating.

**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.