



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

April 28, 2015

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of McMinnville  
Charter Number 2221

200 East Main Street, McMinnville, TN 37110

Office of the Comptroller of the Currency

320 Seven Springs Way, Suite 310, Brentwood, TN 37027

**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.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The First National Bank of McMinnville (FNB) has an overall satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit (LTD) ratio is satisfactory and averaged 65.43% during the evaluation period. FNB's LTD ratio ranged from a low of 63.09% at June 30, 2013, to a high of 69.54% at September 30, 2014.
- A majority of FNB's loans are inside the bank's Warren County and Rutherford County Assessment Areas (AAs). Approximately 60% of the number and 59% of the dollar volume of loans were to borrowers within the AAs.
- The distribution of loans to borrowers of different income (including low- and moderate-income) levels and businesses of different sizes is reasonable.
- The geographic distribution of loans reflects satisfactory dispersion within each AA.
- FNB's community development performance demonstrates excellent responsiveness to the community development needs in its AAs.

## **Scope of Examination**

This Performance Evaluation (PE) is based on full-scope examination procedures for the time period of June 12, 2012, through March 31, 2015. For comparative and analytical purposes, we evaluated results using 2010 Census demographic information. We also conducted a data integrity review prior to the evaluation, which determined that the bank's data was reliable. We reviewed the bank's community development loans, investments, and services originated or performed during the review period to ensure they met the definition of community development.

Conclusions regarding the Lending Test are based on residential and business loans. Residential loans include home purchases, home improvements, and home refinances originated between January 1, 2012, and December 31, 2014. As FNB is a Home Mortgage Disclosure Act (HMDA) reporter, the HMDA Loan Application Register (LAR) was used for residential loan information. For business loans, we selected a sample of loans originated between January 1, 2013, and March 31, 2015, based on internal bank reports. This evaluation covers the period from June 12, 2012, through March 31, 2015.

FNB has two AAs. The non-Metropolitan Statistical Area (MSA) AA consists of the entirety of Warren County. The other AA consists of a portion of Rutherford County, which is part of the Nashville-Davidson-Murfreesboro-Franklin MSA. We performed full-

scope reviews for each AA. Each AA was considered in determining the bank’s overall rating; however, Warren County was given more weight in the final rating. Although FNB is gradually expanding their market area, a substantial majority of their branches are in Warren County, and a significant portion of the bank’s lending continues to be in Warren County.

## Description of Institution

FNB is an independent, intrastate bank that opened for business in 1875. The bank is a wholly owned subsidiary of First McMinnville Corporation, a one-bank holding company. Additionally, First Community Title and Escrow Company is a wholly owned subsidiary of FNB. FNB does not have any affiliates. There have not been any merger or acquisition activities since the previous CRA evaluation, dated June 11, 2012, when the bank received a **Satisfactory** rating. There are no legal or financial impediments to FNB’s ability to meet the credit needs of its AA, including retail and community development loans, qualified investments, and community development service needs. The bank offers a full range of loan and deposit services.

The holding company, bank, and subsidiary are located in McMinnville, Tennessee, approximately 75 miles southeast of Nashville, Tennessee. The bank also operates five full-service branch offices within its AA. The bank has one branch each in Morrison, Viola, and Murfreesboro, and two branches in addition to the main office in McMinnville, Tennessee. Full-service drive-through ATMs are located at each of the six bank offices. FNB did not close any branch offices during this evaluation period.

FNB’s primary business focus is commercial and industrial loans, including commercial real estate loans, and first-lien residential mortgage loans. As of March 31, 2015, FNB had total assets and gross loans of \$479 million and \$274 million, respectively. Gross loans comprised 57% of total assets. The holding company had total consolidated assets of \$476 million as of December 31, 2014. The following table reflects the composition of FNB’s loan portfolio based on the March 31, 2015 Report of Condition.

Product Category	Gross Loans as of March 31, 2015	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	115,845	42.24
Residential Mortgage Loans	112,179	40.90
Construction & Land Development	25,014	9.12
All Other	13,212	4.82
Farmland and Agriculture	5,857	2.14
Individuals	2,150	0.78
<b>TOTAL</b>	274,257	100.00

Source: March 31, 2015 Report of Condition.

FNB provides a range of traditional deposit and loan products. Branches are located in areas accessible to bank customers. There are no significant geographical barriers in the AA. Lobby hours and drive-up hours are set to meet customer needs. The main office and all bank branches have ATMs that disburse cash and accept deposits. The bank does not have any freestanding ATMs.

<b>Distribution of Bank Offices and ATMs by Census Tract</b>						
<b>Census Tract Income Level</b>	<b>Tracts</b>		<b>Full-Service Branches</b>		<b>Automated Teller Machines*</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2	5.00%	0	0%	0	0%
Moderate	5	12.50%	1	16.67%	1	16.67%
Middle	23	57.50%	3	50.00%	3	50.00%
Upper	9	22.50%	2	33.33%	2	33.33%
Unknown	1	2.50%	0	0%	0	0%
<b>Total</b>	<b>40</b>	<b>100%</b>	<b>6</b>	<b>100%</b>	<b>6</b>	<b>100%</b>

*\*All ATMs are contiguous with banking locations and accept deposits.*

Customers have 24-hour access to their accounts through telephone banking, through the internet at [www.fnbmt.com](http://www.fnbmt.com), or through FNB’s mobile banking application on their smartphones. Internet, phone, and mobile banking services include review of account balances and transactions, including loans; transfers between FNB accounts; and loan payments. Internet and mobile banking customers may also use bill-pay and e-statement services. The bank also offers account access through bank-issued debit cards allowing point-of-sale or ATM transactions. Visa or MasterCard credit cards are also available through a third-party provider.

FNB’s business strategy includes continued marketing of commercial credit to small businesses through products, staff, and locations. The bank is actively involved in all types of commercial real estate development and construction lending. Small business loans are available for new business startups and to expand existing businesses. FNB also supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage department, Tennessee Housing Development Association (THDA), and rural housing guaranteed home mortgage programs. The bank also participates in the Rural Development home mortgage program that specifically targets low- and moderate-income individuals.

The recession caused multiple plant closures and layoffs, which significantly reduced overall demand for products, services, and loans. While local industries and loan demand are improving, recovery from the recession has been slow, especially in Warren County.

## Description of Assessment Area(S)

FNB has two AAs, which are reasonable and meet the requirements of the regulation. The AAs do not arbitrarily exclude any low- or moderate-income geographies. The two AAs consist of Warren County, TN, and a portion of Rutherford County, TN, although these AAs are not contiguous to each other. The bank's Rutherford County AA does not include the townships of Smyrna or La Vergne, TN, as they are located in the northern portion of the county, and not in close proximity of the branch located within Murfreesboro city limits. Murfreesboro, Smyrna, and La Vergne are served by multiple financial institutions ranging in size from large national and regional corporations to small community banks.

Cannon County is situated between Warren and Rutherford counties. It is not included in the bank's AA as the bank does not have a branch location within the county, and the bank cannot reasonably serve the area. The division between geographies is reasonable and does not reflect illegal discrimination or an intent to arbitrarily exclude low- or moderate-income geographies.

### Assessment Area 1: Non-MSA - Warren County

As of the 2010 U.S. Census, Warren County contained nine census tracts that are considered rural and non-metropolitan. Five of the bank's six branches are located in Warren County. The nine census tracts consist of one moderate-, seven middle-, and one upper-income census tracts, with no tracts categorized as low-income. All of the middle income tracts are designated as distressed as of 2015, although no tracts are considered underserved. A distressed designation indicates that the tract has: 1) an unemployment rate at least 1.5 times the national average, 2) a poverty rate of 20% or more, or 3) a population loss of 10% or more.

Of the 10,337 families residing in Warren County, 2,369 (22.92%) and 1,923 (18.60%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of March 31, 2015, the unemployment rate for Warren County was 6.2%, just under the State of Tennessee average of 6.3%, but above the national average of 5.5%.

The following table provides demographic information for the Warren County AA based on 2010 U.S. Census data.

<b>Demographic Information for Assessment Area 1: non-MSA Warren County, Tennessee</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0.00	11.11	77.78	11.11	0.00
Population by Geography	39,839	0.00	12.82	71.89	15.29	0.00
Owner-Occupied Housing by Geography	10,949	0.00	10.16	73.59	16.26	0.00
Business by Geography	2,562	0.00	22.40	62.96	14.64	0.00
Farms by Geography	273	0.00	1.83	73.63	24.54	0.00
Family Distribution by Income Level	10,337	22.92	18.60	19.15	39.32	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,220	0.00	15.85	74.88	9.27	0.00
Median Family Income		\$44,005	Median Housing Value		\$92,472	
HUD Adjusted Median Family Income for 2014		\$47,100	Unemployment Rate		6.2%	
Households Below Poverty Level		3,103				

*\*The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2014 HUD updated MFI. The unemployment rate is as of March 2015, from the TN Department of Labor. The seasonally adjusted unemployment rate for the State of Tennessee and the U.S. was 6.3% and 5.5%, respectively, as of March 2015.*

FNB is located in middle Tennessee. McMinnville serves as the county seat of Warren County and is located east of Interstate 24, a major interstate connector between Nashville and Chattanooga, TN. McMinnville is approximately 75 miles southeast of Nashville, TN. Other cities and towns located in Warren County include Morrison, Centertown, and Viola.

Warren County’s economic base is diverse with manufacturing, health, and retail as the leading industries. There are approximately 12,400 individuals employed in Warren County. Many individuals commute to nearby Murfreesboro (37 miles) for employment. Major employers of Warren County are: Yorozu Automotive Tennessee, Inc. (metal stamping) with 1,400 employees; Bridgestone Americas Tire Operations, LLC (tires), 1,000 employees; Warren County School District, 900 employees; River Park Hospital, Inc., 350 employees; Wal-Mart Stores, Inc., 325 employees; Warren County, 300 employees; Sunbeam Products, Inc. (cooking appliances), 250 employees; Porter Roofing Contractors, Inc., 140 employees; National Healthcare Corporation, 135 employees; and Lowe’s Home Centers, LLC, 125 employees. Natural resources include crushed stone and hardwood timber products. Agricultural products include hay, soybeans, corn, wheat, and nursery stock. McMinnville is known as the nursery capital of the world. Industry and employment information is from the Tennessee Department of Economic and Community Development county profile tool.

**Assessment Area 2: MSA - Rutherford County**

As of the 2010 U.S. Census, the bank’s Rutherford County AA contained 31 census tracts, which are part of the Nashville-Davidson-Murfreesboro-Franklin MSA. Only one of the bank’s six branches is located in Rutherford County. The 31 census tracts consist of two low-, four moderate-, sixteen middle-, and eight upper-income census tracts, with one tract categorized as unknown. None of the middle-income tracts are designated as distressed or underserved.

Of the 42,516 families residing in the Rutherford AA, 7,531 (17.71%) and 7,866 (18.50%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of March 31, 2015, the unemployment rate for Rutherford County was 4.6%, well below the State of Tennessee and national averages of 6.3% and 5.5%, respectively.

The following table provides demographic information for the Rutherford County AA based on 2010 U.S. Census data.

<b>Demographic Information for Assessment Area 2: MSA Rutherford County, Tennessee</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	31	6.45	12.90	51.61	25.81	3.23
Population by Geography	174,489	5.56	13.74	49.88	29.12	1.70
Owner-Occupied Housing by Geography	41,041	2.08	9.04	55.26	33.62	0.00
Business by Geography	11,050	10.03	15.41	47.95	26.22	0.40
Farms by Geography	364	1.65	14.29	59.62	24.45	0.00
Family Distribution by Income Level	42,516	17.71	18.50	21.74	42.05	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	15,180	10.73	20.94	49.62	18.45	0.26
Median Family Income		\$66,703	Median Housing Value		\$160,229	
HUD Adjusted Median Family Income for 2014		\$65,600	Unemployment Rate		4.6%	
Households Below Poverty Level		8,188				

*\*The NA category consists of geographies that have not been assigned an income classification. Source: 2010 US Census and 2014 HUD updated MFI. The unemployment rate is as of March 2015, from the TN Department of Labor. The seasonally adjusted unemployment rate for the State of Tennessee and the U.S. was 6.3% and 5.5%, respectively, as of March 2015.*

FNB’s presence in Rutherford County is limited to one branch located in Murfreesboro, which serves as the county seat of Rutherford County. Murfreesboro is located approximately 30 miles southeast of Nashville, TN, with direct access to Interstate 24. Other cities and towns located within the Rutherford County AA include Eagleville,

Blackman, and Walterhill. The cities of Smyrna and La Vergne are also located in Rutherford County, but currently excluded from the bank's AA.

Rutherford County has a strong, dynamic economic base. Primary industries include manufacturing, retail trade, accommodation and food services, and healthcare. There are approximately 108,600 individuals employed in Rutherford County. Many individuals commute to Nashville/Davidson County (30 miles) for employment. Major employers of Rutherford County are: Nissan North America Inc. (auto manufacturing), 8,000 employees; Rutherford County Government, 5,700 employees; Middle Tennessee State University, 2,195 employees; National HealthCare Corp., 2,080 employees; Department of Veterans Affairs Tennessee Valley Healthcare System, 1,917 employees; State Farm Medical Insurance Co., 1,662 employees; Ingram Content Group Inc. (publishing and digital content), 1,584 employees; Schneider Electric, 1,326 employees; Verizon Wireless, 1,068 employees; and Asurion (technology device protection services), 1,050 employees. Natural resources include crushed stone, cedar, and hardwood timber. Agricultural products include corn, soybeans, cotton, wheat, and barley. Industry and employment information is from the Tennessee Department of Economic and Community Development county profile tool.

### **Community Contact**

A community contact conducted at this examination indicated that financial institutions are doing a good job of meeting the financial needs of the community. The contact noted that Warren County needs more permanent, non-seasonal jobs to help provide food and housing. Local food banks frequently deplete their inventory as they provide food to low-income families and individuals on a regular basis. The community contact spoke highly of FNB specifically.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The bank's performance under the Lending Test is rated "Satisfactory." Based on full-scope reviews, the bank's performance in each AA is satisfactory. The LTD ratio and lending within the AA are analyzed on a bank level, while lending to borrowers of different income levels and lending to different geographies are analyzed at the AA level.

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

FNB's quarterly average LTD ratio is reasonable, at 65.43% for the 11 quarters ending December 31, 2014. The ratio ranged from a low of 63.09% at June 30, 2013, to a high of 69.54% at September 30, 2014. FNB's LTD ratio was consistent during the quarters reviewed. We compared the LTD ratio to nine similarly situated community banks within the AA. FNB's LTD ratio was slightly lower than the combined quarterly average LTD ratio of 70.43% for the other nine banks.



<b>Loan-To-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets (As of 12/31/14*)</b>	<b>Average Loan-to-Deposit Ratio(**)</b>
<b><i>The First National Bank of McMinnville, McMinnville, TN</i></b>	<b>\$476</b>	<b>65.43%</b>
Security Federal Savings Bank of McMinnville, McMinnville, TN	\$175	85.22%
Homeland Community Bank, McMinnville, TN	\$138	68.85%
Citizens Tri-County Bank, Dunlap, TN	\$627	53.13%
Southern Bank of Tennessee, Mt. Juliet, TN	\$192	67.92%
Southern Community Bank, Tullahoma, TN	\$161	81.52%
The First National Bank of Manchester, Manchester, TN	\$232	58.51%
First Vision Bank of Tennessee, Tullahoma, TN	\$162	91.65%
F&M Bank, Clarksville, TN	\$840	99.90%
The Fort Sill National Bank, Fort Sill, OK	\$365	27.17%

\* Asset sizes of institutions are in millions (000,000s)

\*\*Source: Institution Reports of Condition for the 11-quarter period from June 30, 2012 through December 31, 2014.

As of June 30, 2014, 24 financial institutions with 96 offices controlled \$4.070 billion in deposits within Warren and Rutherford counties. FNB ranked fourth highest in deposits with control of \$400.5 million, or 9.84%, of total deposits. Of the total deposits for the period, Pinnacle Bank, Regions Bank, and SunTrust Bank controlled more, with 21.22%, 11.04%, and 9.90%, respectively. The other independent banks are: First Tennessee Bank 8.59%; Bank of America 7.21%; MidSouth Bank 6.00%; Wilson Bank and Trust 5.16%; First Bank 3.65%; Security Federal Savings Bank of McMinnville 3.53%; Homeland Community Bank 3.09%; U.S. Bank 1.92%; Capital Bank 1.87%; Fifth Third Bank 1.45%; Southern Bank of Tennessee 1.19%; F&M Bank 0.91%; Citizens Tri-County Bank 0.86%; Southern Community Bank 0.77%; Berkshire Bank 0.59%; CB&S Bank 0.56%; The First National Bank of Manchester 0.44%; Synovus Bank 0.16%; The Fort Sill National Bank 0.05%; and First Vision Bank of Tennessee 0.03%.

### **Lending in Assessment Area**

FNB's record of lending in its AAs is satisfactory. A majority of the number and dollar amount of residential and business loans were inside the bank's AAs, at 60.32% and 59.25%, respectively. Conclusions are based on the number and dollar amount of residential and business loans in our loan sample. Our sample consisted of all HMDA-reportable residential loans originated in 2012, 2013, and 2014, and 60 business loans originated in 2013, 2014, and through March 31, 2015.

The following table provides further data on lending inside and outside of the bank's AAs.

<b>Table 1 - Lending in Rutherford &amp; Warren AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	780	56.40	603	43.60	1,383	109,440	56.56	84,059	43.44	193,499
Home Improvement	59	81.94	13	18.06	72	4,261	74.74	1,440	25.26	5,701
Refinance	363	66.12	186	33.88	549	50,668	64.54	27,833	35.46	78,501
Sub-Total	1,202	59.98	802	40.02	2,004	164,369	59.19	113,332	40.81	277,701
2013-2015 Business Loans	43	71.67	17	28.33	60	5,446	61.01	3,480	38.99	8,926
Total	1,245	60.32	819	39.68	2,064	169,815	59.25	116,812	40.75	286,627

Source: All HMDA reportable residential loans originated during 2012, 2013, and 2014 are included. Residential loans include home purchase, home improvement, and home refinances loans. Business loans represent a sample of loans that originated during 2013, 2014, and 2015; and 2010 U.S. Census Data.

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

Overall, FNB’s record of lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration. The number of residential and business loans is reasonably consistent with borrower income levels and business revenues within the bank’s AAs.

FNB’s record of lending to borrowers of different incomes in the Warren County AA is reasonable. The proportion of HMDA reportable residential loans to low-income families, ranging from 10.00% to 15.56%, is less than the proportion of low-income families within Warren County of 22.55%. However, the proportion of reportable residential loans to moderate-income families is just below to above the corresponding proportion of moderate-income families within the county, as seen in the following table.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Warren AA</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	22.55	10.67	18.27	25.69	19.24	26.48	39.93	31.62
Home Improvement	22.55	15.56	18.27	17.78	19.24	15.56	39.93	51.11
Refinance	22.55	10.00	18.27	24.67	19.24	22.67	39.93	38.00

Source: Data reported under HMDA; 2010 U.S. Census data. Income NA for 5.53% of home purchases and 4.67% of refinanced loans.

FNB’s record of lending to borrowers of different incomes in the Rutherford County MSA AA is reasonable. Again, while the proportion of lending to low-income borrowers is generally less than the proportion of low-income families, lending to moderate-income

borrowers exceeds the proportion of moderate-income families in the AA, as demonstrated by the following Rutherford AA table.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Rutherford AA</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	17.39	8.58	18.31	28.07	21.61	22.51	42.69	32.71
Home Improvement	17.39	20.00	18.31	20.00	21.61	40.00	42.69	20.00
Refinance	17.39	4.85	18.31	20.00	21.61	17.58	42.69	40.00

Source: data reported under HMDA; 2010 U.S. Census data. Income NA for 8.12% of home purchases and 17.58% of Refinanced loans.

Business revenues within the Warren County AA reflect that 71.58% have annual sales less than \$1 million, 4.68% exceed \$1 million, and 23.73% of business revenues are unavailable. Comparatively, the number and dollar amount of loans to businesses of different sizes is excellent, as 85% and 59% of loans, by number and by dollar amount, respectively, in the sample were to businesses with annual revenues of less than \$1 million.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Warren AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.58	4.68	23.73	100%
% of Bank Loans in AA by #	85.00	0.00	15.00	100%
% of Bank Loans in AA by \$	59.42	0.00	40.58	100%

Source: Loan sample; Dunn and Bradstreet data.

Business revenues within the Rutherford County MSA AA reflect that 70.91% have annual sales less than \$1 million, 3.41% exceed \$1 million, and 25.67% of business revenues are unavailable. Comparatively, the number and dollar amount of loans to businesses of different sizes is poor. Only 55% of loans, by number and by dollar amount, in the sample were to businesses with annual revenues of less than \$1 million, while 40% and 31%, by number and dollar amount, respectively, of loans were to businesses with annual revenues of more than \$1 million.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Rutherford AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.91	3.41	25.67	100%
% of Bank Loans in AA by #	55.00	40.00	5.00	100%
% of Bank Loans in AA by \$	55.12	30.87	14.01	100%

Source: Loan sample; Dunn and Bradstreet data.

**Geographic Distribution of Loans**

FNB’s geographic distribution of loans reflects reasonable dispersion across census tracts and meets the standard for satisfactory performance.

The Warren County AA had no low-income census tracts as of 2010 Census data, and only one moderate-income tract. The seven middle-income tracts were all designated distressed tracts for the review period. Lending within the AA shows reasonable dispersion, as the percentage of loans to moderate-income and middle-income distressed tracts is in line with the ratio of owner-occupied housing units in each tract level. We noted there were no home improvement loans in the moderate-income tract; however, there were a low number of home improvement loans overall. FNB’s lending to businesses Warren County also reflects reasonable dispersion to moderate-income and middle-income distressed tracts, compared to the percent of businesses located in those census tracts.

The following tables provide further data on residential and business lending by tract level.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Warren AA</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	0.00	0.00	10.16	13.83	73.59	69.57	16.26	16.60
Home Improvement	0.00	0.00	10.16	0.00	73.59	80.00	16.26	20.00
Refinance	0.00	0.00	10.16	10.00	73.59	73.33	16.26	16.67

Source: Data reported under HMDA; 2010 U.S. Census data.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Warren AA</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
Businesses	0.00	0.00	22.40	20.00	62.96	65.00	14.64	15.00

Source: Loan sample; D & B data.

The Rutherford MSA AA had two low-income census tracts as of 2010 Census data and four moderate-income tracts. Lending within the AA shows reasonable dispersion, as the percentage of loans to low-income tracts generally exceeds the ratio of owner-occupied housing units, and the percentage of loans to moderate-income tracts is slightly below the ratio of owner-occupied housing units in the tract level. We noted there were no home improvement loans in the low- or moderate-income tracts;

however, there were a low number of home improvement loans overall. FNB’s lending to businesses within the AA also reflects reasonable dispersion to low-income tracts, compared to the percent of businesses located in those tracts. Lending to moderate-income tracts reflects poor dispersion compared to the percent of businesses located in those census tracts; however, we noted only one of the four moderate-income tracts in the AA is in close proximity to the bank's branch.

The following tables provide further data on residential and business lending by tract level.

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	2.08	3.02	9.04	6.03	55.26	55.68	33.62	35.27
Home Improvement	2.08	0.00	9.04	0.00	55.26	20.00	33.62	80.00
Refinance	2.08	5.45	9.04	7.88	55.26	49.09	33.62	37.58

Source: Data reported under HMDA; 2010 U.S. Census data.

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
Businesses	10.03	10.00	15.41	5.00	47.95	25.00	26.22	60.00

Source: Loan sample; D & B data.

### Responses to Complaints

There were no consumer complaints regarding the bank’s Community Reinvestment Act performance during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated “Outstanding.” Based on a full-scope review, the bank’s responsiveness to the community development needs of the AA is excellent.

### Number and Amount of Community Development Loans

FNB originated/refinanced 33 community development loans totaling \$10.1 million during this evaluation period. Seventeen of the loans totaling \$6.2 million originated in

the Warren County AA. Sixteen of the loans totaling \$3.9 million originated in the Rutherford County AA. The bank did not purchase any community development investments during this evaluation period. However, the current book value of investments purchased during the prior evaluation period are included in this evaluation period. There are five prior period community development investments totaling \$1.6 million. Additionally, the bank made nine donations totaling \$90 thousand during the review period.

Community Development Lending and Investments in AAs			
<i>Community Development Lending</i>			
		#	\$ Amount (000's)
Originated/Refinanced CD Loans	AA	33	\$10,083
Unfunded Commitments*	AA	0	\$0
Total CD Loans		33	\$10,083
Qualified Investments	AA	5	\$1,615
Originated Grants/Donations	AA	9	\$90
Unfunded Commitments*	AA	0	\$0
Total Qualified Investments		14	\$1,705
Total Community Development Lending and Investments		47	\$11,788

*\*"Unfunded Commitments" means legally binding loan and investment commitments that are tracked and recorded by the bank's financial reporting system. Unfunded commitment number included in originated CD loans.*

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. Community development responsiveness in both the Warren County AA and the Rutherford MSA AA is excellent. Specific examples of loans qualifying as community development loans are described below.

Warren County Non-MSA AA Community Development Loans

- *Loan to a metal fabrication manufacturing company located in moderate-income and distressed middle-income census tracts and that provides jobs to low- and moderate-income individuals.* During this evaluation period, FNB originated three loans totaling \$2,512,557 to a metal fabrication manufacturing company that is located in three census tracts in Warren County. The census tracts are moderate-income or distressed middle-income. The employment force is primarily low- and moderate-income individuals, and the loan has helped the company create new permanent jobs and retain existing jobs.
- *Loan to provide housing for the elderly.* During this evaluation period, FNB originated a loan totaling \$1,124,940 to purchase housing for the elderly in a

distressed census tract in the bank's AA. The facility houses 32 beds. Two of the beds are for private pay clients and the remaining 30 beds are for TennCare, Medicare, and Medicaid enrollees and automatically qualify as low-income individuals. The loan serves the community development needs of a distressed geographical area and low- and moderate-income individuals.

- *Loans to a fabrication manufacturing company that provides jobs to low- and moderate-income individuals.* During this evaluation period, FNB originated four loans totaling \$831,639 to a plastic injection molding company that is located in a distressed middle-income census tract in the bank's AA. The company employs low- and moderate-income workers from the area. The average hourly wage is \$12 per hour and the company presently has 17 employees.
- *Loan to purchase a commercial building for lease to an urgent care medical clinic.* During this evaluation period, FNB originated a loan totaling \$504,331 to a company to purchase and renovate an office building to be used as an urgent care clinic in a distressed middle-income census tract in the bank's AA. Community development includes activities that revitalize or stabilize distressed geographies.
- *Loan to purchase rental housing for low- and moderate-income individuals.* During this evaluation period, FNB originated a loan totaling \$446,250 to a limited liability company to purchase a multi-family rental property consisting of five buildings with a total of 29 rental units. The property is located in a distressed middle-income census tract in the bank's AA. The units rent at an average price of \$447 per month. The company's aim is to provide affordable housing to low- and moderate-income individuals.
- *Loan to a limited liability company to purchase rental property located in a distressed census tract.* During this evaluation period, FNB originated two loans totaling \$373,517 loan to a limited liability company to purchase a twelve unit apartment complex and an eight unit apartment complex in a distressed middle income census tract. The units rent for an average of \$500 per month. The apartments provide affordable rental housing to low- and moderate-income families.
- *Loan to purchase single-family homes to rent to low- and moderate-income families.* During this evaluation period, FNB originated multiple loans totaling \$311,025 to a home development company that rents single-family homes to low- and moderate-income families. The homes purchased with the proceeds are all located in moderate-income or distressed middle-income census tracts.
- *Loan to purchase a fire truck by a volunteer fire department.* During this evaluation period, FNB originated a loan totaling \$50,000 to purchase a used fire truck by a volunteer fire department in a distressed middle-income census tract in

the bank's AA. The loan provides community development by providing a service that stabilizes a distressed geographical area.

Rutherford County MSA AA Community Development Loans

- *Loans to construct new housing and rehabilitate existing rental homes in low-income census tracts.* During the evaluation period, FNB originated three loans totaling \$1,392,675 to a real estate rental company. One of the loans totals \$1,206,000 to construct 15 new townhomes located in a low-income census tract in the bank's AA. Community development includes activities that revitalize or stabilize low-income geographies. Such activities include construction to develop new housing to attract new residents. The other two loans combined for \$186,675 to rehab and renovate existing rental properties located in low-income census tracts in the bank's AA.
- *Loans to a limited liability company that transports low- and moderate-income individuals between nursing and rehab facilities and doctor's offices.* During this evaluation period, FNB originated five loans totaling \$788,331 to an ambulatory services company that provides transportation primarily to Medicare and Medicaid patients. The company provides services to low-income census tracts in the bank's AA and provides services to low- and moderate-income individuals.
- *Loan to purchase land and construct housing in a low-income census tract.* During this evaluation period, FNB originated two loans totaling \$668,000 to a borrower to construct 21 townhome pads in a low-income census tract in the bank's AA. Community development includes activities that revitalize or stabilize low-income geographies. Such activities include construction to develop new housing to attract new residents to a low-income area.
- *Loan to refinance loan used to construct housing in a low-income census tract.* During this evaluation period, FNB refinanced a loan totaling \$656,163 whose original proceeds were used to construct 15 condo units located in a low-income census tract in the bank's AA. The average monthly rent is \$600. Community development includes activities that revitalize or stabilize low-income geographies. Condominiums provide housing for low- and moderate-income individuals.
- *Other loans serving low- and moderate-income individuals and geographical areas.* Additionally, FNB originated another five smaller loans totaling \$426,600. All the loans were used to purchase, rehab, or renovate rental properties located in low-income geographical areas.

**Number and Amount of Qualified Investments**

Qualifying community development investments are investments that meet the definition of community development, as defined in the CRA regulation. FNB is an active



supporter of Warren County and the City of McMinnville and Rutherford County and the City of Murfreesboro through the purchase of various investments.

These Qualifying Community Development Investments were purchased during the previous evaluation period:

- During the prior evaluation period, FNB purchased two Warren County General Obligation Bonds totaling \$200,459.24. Funds were used to construct an elementary school in one of the “distressed” census tracts in Warren County. Fifty-five percent of enrolled students at the elementary school are from low-and-moderate income families.
- During the prior evaluation period, FNB purchased three Tennessee Housing Development (THDA) Bonds totaling \$1,415,000. Funds were used to sponsor various THDA home ownership programs including Homeownership Choices and New Start Programs. These proceeds provide down payment and closing cost assistance to very low-income individuals. Additionally, THDA mortgages are typically guaranteed by Federal Housing Administration (FHA), U.S. Department of Housing and Urban Development (HUD), Veterans Administration (VA), or United State Department of Agriculture and Rural Development (U.S.D.A/R.D.)

FNB did make several donations that benefited low-and-moderate income individuals during this evaluation period:

- *Kids of the Community*: FNB provided donations to Kids of the Community, which is a non-profit organization that helps children from low- and moderate-income families with food and school supplies. Between 2012 and 2014, FNB provided financial support totaling \$50,760 to the organization.
- *Warren County Schools*: Between 2012 and 2014, FNB provided financial support totaling \$17,000 to all the schools in Warren County. These funds support all the fundraising efforts for different clubs as well as sport’s needs. The majority of the students in the Warren County school system are from low- and moderate-income families.
- *Habitat for Humanity*: FNB provided donations to the Warren County Habitat for Humanity, which promotes affordable housing for low- and moderate-income individuals and other non-profit organizations. Between 2012 and 2014, FNB provided financial support totaling \$8,500. As well, FNB provided lunch each year during the construction of the homes.
- *Boys and Girls Club of Rutherford County*: Between 2012 and 2014, FNB donated \$3,850 to the Boys and Girls Club of Rutherford County. This organization is dedicated to providing a positive impact on the life of a child. The club reaches out to kids who cannot afford, or may lack access to, other

community programs. No child is turned away based on the inability to pay. This includes children from low- and moderate-income families.

- *McMinnville Housing Authority:* FNB provided donations totaling \$2,700 (\$75 per month) to the McMinnville Housing Authority to benefit government-subsidized housing, including low- and moderate-income individuals.
- *Willow Brook Pro-Am Gold Classics:* FNB provided donations of \$2,500 to the event, which benefits young people through supplemental grants to education programs of Warren County.
- *Fisher House:* Between 2012 and 2014, FNB donated \$2,000 to support this organization. The Fisher House is a non-profit organization that supports members of the Armed Forces, retirees, veterans and their families by offering shelter and support during a medical crisis.
- *Meals on Wheels:* Between 2012 and 2014, FNB donated \$1,700 and canned foods to the organization. Meals on Wheels is a non-profit organization that delivers hot meals to 185 seniors around Warren County.
- *Children's Advocacy Center:* FNB provided donations of \$1,000 to the Children's Advocacy Center for the 31<sup>st</sup> Judicial District, which includes Warren County. The organization delivers services to victims of severe child abuse in distressed census tracts.

### **Extent to Which the Bank Provides Community Development Services**

The level of community development services is satisfactory. Among other activities, community development services are targeted to low- and moderate-income individuals.

FNB has participated in and sponsored several programs that provide community services for low- and moderate-income individuals. The following are examples of qualifying community development services.

- *Money Island*  
In 2013, FNB introduced the availability of Money Island, an educational online platform for children between the ages of 8 and 14 in three key financial areas: Saving and Spending, Earning and Investing, and Using Credit Wisely. Money Island is a virtual world for children that makes learning fun and teaches financial literacy. For encouragement, the game has built-in rewards that include t-shirts and certificates. The program is targeted to schools within the bank's AA, which serve predominantly children from low- and moderate-income families.
- *Reality Check*  
A number of FNB employees participate in local high school programs by providing support for Personal Finance education to emphasize the importance

of following a budget. The majority of the students qualify for the free/reduced lunch program. The majority of these students are economically disadvantaged, come from low- and moderate-income families, or are located in distressed census tracts.

- *Lunch and Learn Speakers*  
During business luncheons in Warren County and Rutherford County, FNB employees informed local realtors about mortgage products, including affordable housing products for low- and moderate-income families.
- *Families in Crisis, Inc.*  
A FNB employee served on the Board of the Family in Crisis organization between 2012 and 2014. The organization is a domestic violence shelter designed for victims of domestic violence that serves Warren County. The majority of the county's census tracts are either moderate-income or distressed middle-income, and a significant portion of the population is low- or moderate-income. The organization also serves Grundy and Sequatchie counties. The FNB employee used her technical bank experience by serving as Secretary of the Board. Her responsibilities included collecting grants and donations and distributing the funds to appropriate areas.

## **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.