
Comptroller of the Currency
Administrator of National Banks

Large Bank

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

December 4, 1998

**First Charter National Bank
Charter Number - 3903
22 Union Street North
Concord, North Carolina 28026**

by

Office of the Comptroller of the Currency
Southeastern District
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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 the First Charter National Bank (FCNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 4, 1998. The agency evaluates performance in assessment area(s), as they are delineated by the institution. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provision set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: First Charter National Bank is rated as having a "Satisfactory Record of Meeting Community Credit Needs"

The following table indicates the performance level of the FCNB, with respect to the lending, investment, and service tests.

Performance Levels	FCNB Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory			
Needs to improve		X	
Substantial noncompliance			

Description of the Institution

First Charter National Bank (FCNB) is a subsidiary of the First Charter Corporation, Concord, NC. In addition to FCNB, the parent corporation also owns Home Federal Savings Bank of Charlotte. As of 9/30/98, FCNB had total assets of \$795,365 thousand with Tier 1 capital of \$62,509 thousand. The \$580,183 thousand loan portfolio is well diversified between commercial loans, construction loans, 1-4 family residential RE loans, nonresidential RE loans and, to a lesser extent, loans to individuals. There are no legal, financial or other reason that would impede the bank's ability to meet the credit needs of its assessment areas (AA).

The bank operates 22 branch offices and 44 automated teller machines (ATMs) in its assessment area of seven counties. FCNB's assessment area (see Appendix B for details) is centered in Cabarrus County with parts of the other five counties. For performance evaluation purposes, this review looks at those portions of the AA in the Charlotte MSA and those portions outside of any MSA.

Table 1

FIRST CHARTER NATIONAL BANK								
Demographic Data								
Assessment Areas	Census Tracts	% of LMI Tracts	Population (000)	Families (000)	% of LMI Families	Deposits (\$000)	% Deposits	Median Family Income \$
Charlotte MSA	69	11	393	111	31	471,314	80	47,300
Non MSA Counties	21	5	113	33	32	120,648	20	35,000

As noted in the above table, the great majority of FCNB's business is in the Charlotte MSA, especially in Cabarrus County. The non MSA counties are all bordering the Charlotte MSA. The bank's entire AA has a growing, diversified economy with large financial, services, transportation and manufacturing sectors. Unemployment rates in the Charlotte MSA are low at 2.79% compared to 3.49% for North Carolina and 4.49% for the nation. Housing prices are high with the expanding local economy and affordable housing is a concern.

The data used in this evaluation for residential loans is from 1996, 1997 and the first three quarters of 1998. For small business loans, the information covers 1997 and the first three quarters of 1998. The 1996 small business data could not be used. Small farm loans are a small portion of FCNB's business and are not included in this evaluation. FCNB's last CRA Public Evaluation dated 5-31-96 rendered an overall rating of **Satisfactory Record of Meeting Community Credit Needs**.

FCNB merged with the Carolina State Bank in December, 1997 and the Bank of Union in September, 1998. These institutions account for all offices and ATMs in the Non MSA counties and in Union County of the Charlotte MSA. This evaluation recognizes this limitation on performance due to different management and CRA data reporting requirements.

Conclusions about Performance Tests

As detailed in this evaluation, the rating for the bank is **Satisfactory**. The performance test ratings are **High Satisfactory** for the Lending and Service tests and **Needs to Improve** for the Investment test. Key factors supporting these ratings include:

- < FCNB's lending performance in the Charlotte MSA was excellent in residential lending and in

community development lending. Small business distributions are satisfactory.

- < The bank's lending performance in the non-MSA areas is acceptable given the limited timeframe for evaluation.
- < FCNB has a flexible home purchase and home improvement loan program (FirstNeighbors) designed specifically for low and moderate income applicants. These products have done a superior job in meeting a local credit need. These products offer more flexible terms than typical mortgage loans by offering possible lower downpayments, smaller loan amounts, reduced closing costs and flexible qualifying credit histories. In the past 2.5 years, FCNB has made 162 FirstNeighbors loans totaling over \$9.1 million. The bank is presently unable to separate these loans into the appropriate AA, therefore these totals are only listed here and within the overall HMDA residential loan numbers in Tables 2 and 3.
- < FCNB has developed a simplified asset based lending program for small businesses. The bank has lent over \$2 million in account receivable secured credits.
- < FCNB's community development investments are low given the scope of operations and needs to improve. The bank's assessment areas offer several reasonable investment opportunities.
- < The bank's distribution of offices/ATMs in the Charlotte MSA is excellent. Community development services in the MSA are also good and are highlighted by the support given to a local community development corporation.
- < FCNB did not have any qualifying CD services in non-MSA counties. Their branch/ATM sites do not extend into the LMI areas of these counties. Both of these conclusions must be tempered by FCNB's recent expansion into these areas.

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Fi Charter's policies, procedures, and training programs are satisfactory.

Community credit and community development needs were determined by contacting community groups and reviewing U. S. Department of Housing and Urban Development (HUD) Consolidated Strategies and Plans for the dominant cities and counties in the bank's AA's. Identified credit and community development relate needs and services within the bank's assessment areas include the following:

- < Affordable housing (i.e., single family rental, multi-family rental, home ownership, and rehabilitation for low and moderate income families).
- < Funding for local community development groups.
- < Home Buyers and Credit Counseling Seminars.
- < Flexible lending programs for small businesses particularly for very small loans.

Metropolitan Areas

Charlotte, NC MSA #1520 Assessment Area

Description of the Bank's Operations

FCNB's AA is located in four counties and 69 census tracts within this MSA. This AA in Cabarrus, Rowan, Mecklenburg and Union counties represents approximately 80% of the bank's operations. FCNB operates 18 branch offices and 38 ATMs in this area. Twenty five of these ATMs are free standing, i.e., not connected to a branch. The Union County branches/ATMs only became part of FCNB in September 1998. For additional details, please review the tables and Appendix at the end of this evaluation.

Lending Test

FCNB offers a wide variety of real estate, small business and flexible terms loans in all of its offices in this assessment area. For the review period, FCNB made 1,002 residential loans totaling over \$50 million. These loans were split between home purchase, refinance and home improvement credits with home improvement generating the greatest number of loans. FCNB also made 442 small business loans totaling over \$40 million in the same time period. There were no conspicuous gaps in the bank's lending patterns within the AA.

In residential loans, FCNB shows excellent results to moderate income tracts and to low and moderate income borrowers. As illustrated in Table 3, FCNB made 18% of these loans to low income borrowers compared the demographic of 15% of families in this MSA. Moderate income distribution of 25% of loans compared to 17% of families within the MSA was equally good. Geographic distribution of 22% of residential loans to moderate income CTs compares very favorably to 9% of owner occupied homes within these CTs. As shown in Table 2, the bank's market share is higher to LMI tracts and borrowers is also higher than its overall residential market share.

In small business lending, FCNB has a below average percentage of loans in LMI CTs (7%) compared to the percentage of businesses in these areas (13%). The bank's percentage of small business loans under \$100,000 and to businesses with total revenues under \$1 million is good, however. As shown in Table 4, these percentages were over 80% in both categories.

For the review period, FCNB made over \$4 million in community development loans in the MSA. This total included loans to local CDCs, a city housing authority, local housing developers and a statewide CDC. All of these credits provided monies for LMI housing throughout the MSA. This level of CD lending is superior in the MSA.

Investment Test

FCNB's level of qualified investments is below average. The bank does not own any qualifying securities, deposits or equities. It did make over \$28,000 in qualifying donations for affordable housing, services for LMI residents and contributions to CDC's.

Services Test

In this MSA, FCNB's offices and ATMs have excellent coverage of the moderate income CT's. More detailed information is given in Table 5 of this evaluation. This table illustrates that 11% of bank's assessme area census tracts are moderate income and that 11% of the bank's branch offices and ATMs are also located in moderate income tracts. The ATMs include 25 free-standing (not attached to a branch office) unit within the MSA.

The bank has also provided a good level of community development services in the Charlotte MSA; particularly in Cabarrus County. FCNB personnel have served as directors/financial advisors to the Cabarrus County CDC, which specializes in developing LMI housing and advising LMI residents on how to qualify fo housing loans. Bank personnel have helped this CDC apply for Federal Home Loan Bank funding and in 1997 FCNB and the CDC won the FHLB Partnership Excellence Award. Bank personnel have conducted affordable mortgage training with the Cabarrus County CDC and they have also trained CDC personnel on how mortgage underwriting works so that CDC personnel can better advise their clients on how to qualify fo these loans.

Other community development services performed by FCNB personnel include:

- Workshops on credit with local consumer credit counseling offices.
- Workshops on obtaining affordable mortgages within Monroe County.
- Serving as a director/financial advisor on the Ada Jenkins and Logan center which provides services to LMI people.
- Serving as a director/financial advisor to the Concord Downtown Development Corporation, which works on redevelopment projects and job creation for nearby LMI residents.
- Serving as a director/financial advisor to the Cabarrus County Community Foundation, which gives monies to other non-profit organizations that serve LMI residents in the county.
- Serving as a financial advisor to an affordable housing group in Davidson.
- Serving as a director/financial advisor to a Cabarrus County cooperative that provides emergency services (shelter, food, utility bill assistance) to LMI residents.

Non-Metropolitan Statistical Areas

Description of the Bank's Operations

FCNB's AA is located in Cleveland, Rutherford and Stanly counties and represents 21 census tracts. This AA embodies approximately 20% of the bank's operations. FCNB operates 4 branch offices and 6 ATMs in this area. Four of these ATMs are free standing, i.e., not connected to a branch. These branches/ATMs only became part of FCNB at the end of 1997. For additional details, please review the tables and Appendix at the end of this evaluation.

Lending Test

FCNB offers a wide variety of real estate, small business and flexible term loans in all of its offices in this assessment area. Since these offices only became part of FCNB in December 1997, loan data was only available for 1998. For details, please see the loan tables in the back of this evaluation. For the first three quarters of 1998, FCNB made 63 residential loans totaling over \$1.7 million. These loans were equally split between home purchase, refinance and home improvement credits. FCNB also made 94 small business loans totaling over \$45.7 million in the same time period. There were no conspicuous gaps in the bank's lending patterns within the AA.

Geographic distribution for residential credits during this limited timeframe was acceptable with 3% of loans going to the moderate income tract compared to demographic of 4% owner occupied dwellings in this area. Distribution to low income borrowers was weak at 8% of total residential loans compared to the percentage of low income families at 16%. The same distribution to moderate income families was superior; however, a 22% of loans compared to percentage of families of 16%. Table 3 has the detailed information.

FCNB did not have any small business loans in the moderate income census tract in these counties. The bank's distribution of small business loans (under \$100,000) and loans to businesses with total revenues of less than \$1 million were good. Please refer to Table 4 for this data.

FCNB did not have any qualifying community development loans in this assessment area.

Investment Test

Community development investments are minimal in this three county area. FCNB has made no qualifying investments in securities, deposits, equities, or contributions. This area's share of eligible donations totals \$250.

Services Test

In these counties, only 5% (or 1) of the AA's census tracts are moderate income. None of FCNB's branches or ATMs are located in this tract although they are nearby. No qualifying community development services were noted in the past months for this assessment area.

Table 2

FIRST CHARTER NATIONAL BANK Residential Lending Market Share 1997			
Assessment Area	Market Share (%)		
	Overall	LMI CTs	LMI Borrowers
Charlotte MSA	1	3	2
Non MSA Counties	NA	NA	NA

Table 3

FIRST CHARTER NATIONAL BANK AGGREGATE RESIDENTIAL LENDING 1996, 1997, 3Q 1998								
Assessmen t Area	#	\$ (000)	Low Income		Moderate Income			
			Demograph ic	Distributio n	Demographic		Distribution	
			% Families	% To Borrowers	% Owner Occupied	% Families	% In CTs	% To Borrowers
Charlotte MSA	1,002	50,417	15	18	9	17	22	25
Non MSA Counties	63	1,748	16	8	4	16	3	22
Total	1,065	52,165						

Table 4

FIRST CHARTER NATIONAL BANK SMALL BUSINESS AND COMMUNITY DEVELOPMENT LENDING 1997, 3Q 1998								
	Demographics			Distribution			Bank Totals	
	% of Businesses in LMI CTs	% of Reporters Loans in LMI CTs	% of Small Business **	% of Bank's Loans in LMI CTs	% of Loans less than \$100,000	% of Loans to Small Businesses **	#	\$ (000)
Charlotte MSA	13	22	74	7	81	80	442	40,724
Non MSA Counties	8	4	77	0	86	85	94	5,055
Total							536	45,779

** Small Businesses are businesses with revenues less than \$ 1 million when revenue was known.

Table 5

FIRST CHARTER NATIONAL BANK ATM/Branch Office Locations As of 12/4/98								
Assessment Area	Number of		% of Offices		% of ATMs		% of Census Tracts	
	Branches	ATMs	Moderate Income	Mid/Upper Income	Moderate Income	Mid/Upper Income	Moderate Income	Mid/Upper Income
Charlotte MSA	18	38	11	89	11	89	11	89

FIRST CHARTER NATIONAL BANK

**ATM/Branch Office Locations
As of 12/4/98**

Non MSA Counties	4	6	0	100	0	100	5	95
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APPENDIX A: SCOPE OF EXAMINATION

A Community Reinvestment Act (CRA) examination commenced on December 4, 1998. The objective of the examination, which was performed onsite, was to assess the bank's record of serving the credit needs of the entire assessment area, including low and moderate income areas and to assign an overall rating to the bank. Performance was evaluated under the newly revised CRA regulation.

The data in this evaluation includes: HMDA reportable (residential) loans for the full years 1996, 1997 and the first three quarters of 1998. Small business loans were evaluated for 1997 and three quarters of 1998. The 1997 small business data could not be verified and therefore is not used in this analysis.

Information used in this evaluation came from HMDA and CRA disclosures along with data provided by FCNB.

APPENDIX B: FCNB ASSESSMENT AREAS

The following counties were designated by FCNB management as their CRA assessment areas. These areas were analyzed for this examination.

Assessment Areas:

Charlotte MSA -

Cabarrus County

Mecklenburg County census tracts => 19.03, 19.07, 19.09, 19.11, 19.13, 30.06, 30.07, 30.08, 30.09, 30.10, 44.00, 51.01, 54.01, 54.02, 55.01, 55.02, 56.01, 56.02, 57.01, 57.03, 57.04, 57.05, 58.03, 58.04, 58.05, 58.09, 60.02, 61.00, 62.01, 62.02, 63.00 and 64.00.

Rowan County census tracts => 514.00, 515.00, 516.00, 517.00 and 518.00.

Union County census tracts => 201, 202, 203.01, 203.2, 204, 205, 206, 207, 208, 209 and 210.

Non-MSA North Carolina -

Cleveland County census tracts/BNAs => 9503.98, 9504, 9505, 9506, 9507, 9508, 9509, 9510, 9511, 9512, 9513, 9515 and 9516.

Rutherford County census tracts/BNAs => 9607, 9608, 9610, 9611 and 9612.

Stanly County census tract => 9908.

APPENDIX C - DEFINITION OF TERMS

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a synopsis of their meaning.

Assessment Area (AA) - This area is defined by bank management. It is the geographic boundary where the bank's Community Reinvestment Act (CRA) activities are evaluated.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash, accepting deposits or loan payments and transferring funds between accounts.

Community Development - The primary purpose of the loan, investment or service is for (1) affordable housing for low or moderate income individuals; (2) community services targeted to low or moderate income individuals; (3) activities that promote economic development by financing small businesses and farms; and (4) activities that revitalize or stabilize low or moderate income areas.

Geography - A census tract (CT) or block numbering area.

HMDA loan - A residential real estate loan (home purchase, home improvement, refinance or multi-family).

Low, Moderate, Middle and Upper Income Areas - A low income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area family median income, middle income is 80% to 119% of the area median family income and upper income is 120% or more of the area median income.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties including large population centers and nearby communities that have a high degree of interaction.

Qualified Investment - A lawful investment, deposit, membership share or grant that has community development as its primary purpose.

Small Business Loan - A commercial loan (as defined by Call Report Instructions) with an original loan amount of \$1 million or less.

Small Farm Loan - A farm loan (as defined by Call Report Instructions) with an original loan amount of \$500,000 or less.