



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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**PUBLIC DISCLOSURE**

**May 17, 2005**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**The First National Bank Of McMinnville  
Charter Number 2221**

**200 East Main Street  
McMinnville, TN 37110**

**Comptroller of the Currency  
Nashville Field Office  
5200 Maryland Way Suite 104  
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**

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## Description of Institution

The First National Bank of McMinnville (FNB) is a \$305 million intrastate institution with a main office and four branches. FNB is headquartered in McMinnville, Tennessee, which is the county seat for Warren County. The main office is located approximately 75 miles southeast of Nashville, Tennessee. All offices are located in Warren County. The main office and branches are full-service offices that include drive-up facilities. Automatic Teller Machines (ATMs) are also available at each location. FNB is owned by a one-bank holding company, First McMinnville Corporation, which is also headquartered in McMinnville, Tennessee.

FNB's primary business is residential and commercial real estate and small business lending. FNB is a full service bank, which offers an array of standard lending and deposit financial products. Other services offered include trust services and non-deposit investment products. During 2005, FNB plans to introduce Internet banking.

As of March 31, 2005, FNB reported total assets of \$305 million, Tier 1 Capital of \$51 million, and a loan-to-deposit ratio of 64 percent. Gross loans were reported to be \$147 million or 48 percent of total assets. These loans consisted of \$122 million in real estate (83 percent), \$20 million in commercial loans (14 percent), \$3 million in individual loans (2 percent), and \$2 million in miscellaneous loan types (1 percent).

There are no financial or legal impediments that would impair the bank's ability to meet the credit needs in its AA. Also, there have been no merger or acquisition activities during this evaluation period. The bank received a "Satisfactory" rating at the last CRA examination dated August 10, 1998.

The bank's Assessment Area (AA) includes all nine-census tracts (CTs) in Warren County. There are no low- or moderate-income tracts in FNB's AA. Eight tracts are middle-income and one tract is upper-income. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility.

## **Evaluation Period**

FNB's small business lending was evaluated using data for the period between January 1, 2003 through December 31, 2004. Small farm loans were not evaluated since they are not a major lending product of the bank. Because the bank is not a HMDA reporter, mortgage lending was evaluated by taking a sample of 32 home purchase loans originated in 2004. Home mortgage lending for 2003 is consistent with 2004 performance and therefore was not sampled. For community development loans, investments and services, the evaluation period was August 10, 1998 through May 17, 2005.

## Overall CRA Rating

**INSTITUTION'S CRA RATING:** This institution is rated “Satisfactory”.

The following table indicates the performance level of **The First National Bank of McMinnville** with respect to the Lending, Investment, and Service Tests:

Performance Levels	First National Bank of McMinnville, Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this overall rating include:

- Lending levels reflect a good responsiveness by FNB to the credit needs of the AA. Ninety percent of FNB’s reportable small business loans and 100 percent of the home mortgage loans sampled were originated in FNB’s AA, which represents a high percentage.
- Community development lending had a positive affect on FNB’s lending performance. Community development purpose loans address job creation and affordable housing, which are identified needs in the community.
- A good distribution of loans throughout the AA among borrowers of different income levels.
- Readily accessibility of FNB’s offices to geographies and individuals of different income levels.
- Investments that reflect a good responsiveness by FNB to the needs of its AA in light of the limited investment opportunities.
- Good performance in providing community development services.

## Lending

Please refer to *Tables 1 through 3 in Appendix B* for facts and data used to evaluate the bank's lending.

Performance under the Lending Test is rated “**High Satisfactory**”

FNB's lending performance is good in the Warren County AA. The volume of both small business and home mortgage lending activity is good. Internal reports indicate that during 2003 and 2004, FNB originated approximately 587 home mortgage loans totaling \$36.6 million in their AA. For the same years, FNB originated 600 small business loans totaling \$60 million in their AA. At March 31, 2005, FNB had a loan-to-deposit ratio of 64 percent. This performance is favorable compared to local banks and indicates FNB's willingness to meet the credit needs of its community.

FNB's AA, consisting of nine CTs in Warren County, has no low- and moderate-income CTs, one upper-income CT and eight middle-income CTs. Because FNB's AA has no low- or moderate-income tracts, an analysis of the geographic distribution of loans would be meaningless and therefore was not performed. Internal reports and discussions with management detailing FNB's lending activity for home mortgage and small business lending were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

Ninety percent of FNB's reportable small business loans and 100 percent of the home mortgage loans sampled were made inside FNB's AA, which represents a significant percentage.

FNB's distribution of small loans to businesses is adequate. Loans to businesses with revenues of \$1 million or less represented 36 percent of the bank's reportable loans, which was less than the 69 percent of area businesses that had revenues of less than \$1 million. FNB's distribution of home mortgage loans to low- and moderate-income families is good. Of the 32 home mortgage loans sampled, 9.30 percent were originated to low-income families, which is somewhat lower than the percentage of low-income families in the AA at 21.27 percent. Nineteen percent of the bank's home mortgage loans were originated to moderate-income families, which exceeds the percentage of moderate-income families in the AA at 16.93 percent. This performance corresponds to internal bank reports, which indicate that 36 percent of the home mortgage loans originated in 2003 were to low- and moderate-income borrowers and 35 percent of the home mortgage loans originated in 2004 were to low- and moderate-income borrowers.

Community development lending had a positive affect on the bank's rating. FNB, along with the Industrial Development Board of Warren County, originated a \$1.7 million loan to a small business that will provide economic development through the creation of up to 200 jobs over the next three years at or below the median income. FNB retained 59 percent of the loan, or \$1 million, with the Industrial Development Board participating in the remaining portion of the debt. Although not meeting the size test of \$1 million, FNB has made other community development purpose loans.

FNB originated an \$800 thousand loan to a low-income (Section 8) multi-family housing project for capital improvements. FNB has also made several large loans to local developers and builders for the development and construction of starter homes (\$50 to 75 thousand). FNB also provided permanent financing on these homes. During the evaluation period, FNB originated 883 home mortgage loans totaling \$36.7 million to borrowers with less than the median income of \$42 thousand. These community development activities are favorable because they address job creation and affordable housing, which are identified needs in the community.

## Investments

Please refer to *Table 4 in Appendix B* for facts and data used to evaluate the bank's level of qualified investments.

Performance under the Investment Test is rated “**High Satisfactory**”

In evaluating the bank's qualified investments, community development investment opportunities in the AA were considered. Opportunities for qualified investments are very limited in the Warren County AA due to local economic conditions and limited local infrastructure to create qualified investments. Community contacts were conducted, which confirmed the lack of investment opportunities. In addition, FNB lacks the expertise to create these opportunities.

In the Warren County AA, performance is good. In December 2001, FNB made an equity investment by purchasing \$1 million of an \$11.3 million issuance of the Tennessee State School Bond Authority - Qualified Zone Academy Bonds. The purpose of these bonds is to improve financial education, increase graduation and employment rates, and provide job training, which will revitalize communities and areas designated for redevelopment. In February 2000, FNB donated a downtown building to the Heritage Alliance, a non-profit historical association that is spearheading a downtown revitalization program known as Main Street. Heritage Alliance plans to sell the building to a qualified restorationist. Proceeds from the sale will go to projects that will further the concept of downtown revitalization. The building had an appraised value of \$30 thousand. FNB also sponsored the Warren County Habitat for Humanity by jointly applying to the FHLB for funds under the Affordable Housing Program. The Warren County Habitat for Humanity was awarded \$27.4 thousand dollars to help provide affordable housing for low- and moderate-income individuals in the community. FNB also participated in the Interest on Lawyers' Trust Accounts Program (IOLTA), which is administered by the Tennessee Bar Foundation. This program allows participating attorneys and law firms to deposit client's funds, which would not otherwise earn interest, into special interest bearing accounts. Any interest earned is then automatically paid to the Tennessee Bar Foundation to support law-related charitable projects. The majority of grants from the IOLTA fund are awarded to organizations within Tennessee, which provide free legal services to low-income individuals. FNB maintained seven IOLTA accounts during the evaluation period and contributed \$5.9 thousand to this effort. During the evaluation period FNB made over 75 donations totaling \$13 thousand. Donations targeted local nonprofit organizations that provide services to low- and moderate-income individuals or provide affordable housing.

## Services

Please refer to *Table 5* in *Appendix B* for facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Performance under Service Test is rated “**High Satisfactory**”

FNB's offices and retail services are readily accessible to geographies and individuals of different income levels throughout the AA. FNB's AA does not include any low- or moderate-income CTs.

FNB is a full service commercial bank offering a wide variety of loan and deposit products. The same products are offered at all branch locations. Alternative delivery systems include ATMs, banking by mail and 24-hour telephone banking. Internet banking will be available in the next 30 days. Extended banking hours are offered at all drive-up locations. FNB had no branch openings or closings during the evaluation period.

In an effort to reach out to the growing Hispanic community and to establish banking relationships, FNB has hired three Spanish speaking employees that help provide translation services. To increase awareness, FNB also advertises their financial products and services in a local Hispanic newspaper.

FNB's community development services are considered good. These services include two bank officer's and a bank board member's involvement on the Warren County Industrial Development Board, an organization that promotes job creation by attracting new businesses to the area. A bank officer also serves on the local Habitat for Humanity board, an organization that promotes affordable housing for low-income families. Bank officers have also served on the Chamber of Commerce during the evaluation period. Bank employees have donated significant time presenting financial awareness programs to local civic groups and school children, such as, Money Smart, Career Awareness, and Money and Banking. Bank employees are involved with other church and civic organizations that provide services to under privileged people.



# **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.

## Appendix A: Market Profiles for Full-Scope Areas

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Demographic Information for Full Scope Area: Warren County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0.00	0.00	88.89	11.11	0.00
Population by Geography	38,276	0.00	0.00	85.68	14.32	0.00
Owner-Occupied Housing by Geography	11,061	0.00	0.00	84.83	15.17	0.00
Business by Geography	2,127	0.00	0.00	87.02	12.98	0.00
Farms by Geography	151	0.00	0.00	74.17	25.83	0.00
Family Distribution by Income Level	10,890	21.27	16.93	21.46	40.34	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,160	0.00	0.00	89.69	10.31	0.00
Median Family Income		38,585				
HUD Adjusted Median Family Income for 2004		41,900				74,322
Households Below Poverty Level		17.00%		Median Housing Value Unemployment Rate (2000 US Census)		2.30%

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2004 HUD updated MFI

## Appendix B: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration. For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the Metropolitan Statistical Area/Assessment Area (MSA/AA). Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/AA. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MSA/AA column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.

**Table 4. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MSA/AA. The table also presents market share information based on the most recent aggregate market data available.

**Table 5. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (equal to \$1 million or less) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 6. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MSA/AA column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 7. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

# Institution ID: First National Bank, McMinnville

## Table 1. Lending Volume

LENDING VOLUME												STATE: TENNESSEE		Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2004	
MSA/Assessment Area :	% of Rated Area Loans (#) in MSA/AA <sup>*</sup>	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans <sup>**</sup>		Total Reported Loans		% of Rated Area Deposits in MSA/AA <sup>***</sup>			
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)				
<b>Full Review:</b>															
Warren County AA	100.00	32	3,291	600	59,899	295	9,678	1	1,000	928	73,868	100.00			

<sup>\*</sup> Loan Data as of December 31, 2003. Rated area refers to either state or multi-state MSA rating area.

<sup>\*\*</sup> The evaluation period for Community Development Loans is from January 10, 2004 to May 17, 2005.

<sup>\*\*\*</sup> Deposit Data as of May 17, 2005. Rated Area refers to either the state, multi-state MSA, or institution, as appropriate.

## Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE												STATE: TENNESSEE		Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004		
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>*</sup>					
	#	% of Total <sup>**</sup>	% Owner Occupied Units <sup>***</sup>	% BANK Loans	% Owner Occupied Units <sup>***</sup>	% BANK Loans	% Owner Occupied Units <sup>***</sup>	% BANK Loans	% Owner Occupied Units <sup>***</sup>	% BANK Loans	Overall	Low	Mod	Mid	Upper	
<b>Full Review:</b>																
Warren County AA	32	100.00	0.00	0.00	0.00	0.00	84.83	81.25	15.17	18.75	0.00	0.00	0.00	0.00	0.00	

<sup>\*</sup> Based on 2003 Peer Mortgage Data (Eastern)

\*\* Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

### Table 3. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES				STATE: TENNESSEE				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2004							
MSA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>*</sup>				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upper
<b>Full Review:</b>															
Warren County AA	600	100.00	0.00	0.00	0.00	0.00	87.02	83.83	12.98	16.17	23.46	0.00	0.00	23.84	26.43

<sup>\*</sup> Based on 2003 Peer Small Business Data - US and PR

\*\* Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2003).

### Table 4. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE				STATE: TENNESSEE				Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2004							
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upper
<b>Full Review:</b>															
Warren County AA	2132	100.00	21.27	9.30	16.93	18.60	21.46	25.58	40.34	46.52	0.00	0.00	0.00	0.00	0.00

<sup>\*</sup> Based on 2003 Peer Mortgage Data (Eastern)

\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

### Table 5. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					STATE: TENNESSEE			Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2004	
MSA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share <sup>†</sup>	
	#	% of Total <sup>**</sup>	% of Businesses <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Warren County AA	600	100.00	68.92	36.33	78.67	12.00	9.33	23.44	22.54

<sup>†</sup> Based on 2003 Peer Small Business Data -- US and PR

<sup>\*\*</sup> Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

<sup>\*\*\*</sup> Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B 2003).

<sup>\*\*\*\*</sup> Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

### Table 6. Qualified Investments

QUALIFIED INVESTMENTS					STATE: TENNESSEE			Evaluation Period: AUGUST 10, 1998 TO May 17, 2005	
MSA/Assessment Area:	Prior Period Investments <sup>†</sup>		Current Period Investments		Total Investments			Unfunded Commitments <sup>**</sup>	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Warren County AA	0	0	79	1,076	79	1,076	100.00	0	0

<sup>†</sup> 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

<sup>\*\*</sup> 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

## Table 7. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS								Geography: TENNESSEE				Evaluation Period: AUGUST 10, 1998 TO DECEMBER 31, 2004					
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upper			Low	Mod	Mid	Upper	Low	Mod	Mid	Upper
<b>Full Review:</b>																	
Warren County AA	100.00		100.00	0.00	0.00	80.00	20.00	00	0	0	0	00	0	0.00	0.00	85.68	14.32