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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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Nashville Field Office  
5200 Maryland Way, Suite 104  
Brentwood, Tennessee 37027

(615) 377-6062

## **PUBLIC DISCLOSURE**

November 16, 1998

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

**Franklin National Bank  
Charter # 21963  
230 Public Square  
Franklin, Tennessee 37064**

**Office of the Comptroller of the Currency  
Nashville Field Office  
5200 Maryland Way, Suite 104  
Brentwood, Tennessee 37027**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Franklin National Bank, Franklin, Tennessee**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 16, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **satisfactory**.

The bank's loan to deposit ratio is reasonable. A majority of residential real estate loans and small business loans were made within the bank's assessment area. The distribution of credit to individuals of different income levels and businesses of different sizes is reasonable. Geographic distribution of residential real estate lending within the assessment area shows reasonable penetration although small business lending in moderate income census tracts is low. Based on a sample of residential real estate loans, we found no evidence of discrimination or other illegal credit practices.

The table below shows the performance level of **Franklin National Bank, Franklin, Tennessee** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Franklin National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

**DESCRIPTION OF INSTITUTION**

Franklin National Bank (FNB) is a \$322 million institution with five full service branches and one free-standing Automated Teller Machine (ATM). The bank is headquartered in Franklin, Tennessee in Williamson County approximately 20 miles south of Nashville. Franklin Financial Mortgage (FFM) is a wholly owned subsidiary of FNB and is also headquartered in Franklin with loan production offices in Memphis and Chattanooga. FFM both originates and purchases residential mortgages. Substantially all of FFM loans are sold. The loan originations and purchases of FFM are included in the data analyzed for this report.

The bank’s primary business is residential real estate lending and commercial lending. The \$218 million loan portfolio is approximately 37% residential real estate, 56% commercial and 7% loans to individuals. FFM’s retail division originated 134 loans for approximately \$19 million in the second and third quarter of 1998 that were sold. FFM’s wholesale division purchased, repackaged and sold 252 loans totaling over \$23 million during 1998. There are no financial or legal impediments impairing the bank’s ability to perform under the Community Reinvestment Act.

For the purpose of this report, the MSA and non-MSA areas were combined for presentation purposes. The lending in the non-MSA census tracts and BNAs of Maury and Hickman Counties represents a minor part of the overall bank results. Thirteen residential real estate loans totaling slightly over \$1 million were originated in these three geographic areas in 1997 and through October 1998. The lending results in the non-MSA area did not differ from the bank as a whole.

In order to evaluate small business lending we selected a sample of 30 new commercial loans from the bank's commercial loan system that were originated in the period July 1997 through October 1998. These items were used to evaluate the small business lending in the assessment area, lending to businesses by loan size, and the demographic distribution of small business loans.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's assessment area includes 24 geographies. The assessment area includes all twelve census tracts in Williamson County, eight census tracts in Davidson County, one census tract in Dickson County, two block numbering areas (BNAs) in Hickman County and one BNA in Maury County. The census tract in Dickson County and the BNAs in Hickman County were added to the bank's assessment area since the last public evaluation. These tracts were added because the bank opened a new branch in Fairview, Tennessee in mid 1997. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income areas.

The 1990 census reported the assessment area's total population at 150,867. The 1998 updated Housing and Urban Development (HUD) median family income for the Nashville MSA was \$50,100 while the 1998 updated HUD statewide non-metropolitan median family income was \$34,500.

At year end 1997 the Williamson and Davidson county's unemployment rates were 2.3% and 3.4%, respectively, well below the state and national levels of 5.4% and 4.9%, respectively. The unemployment rates in Dickson, Hickman and Maury counties at 4.9%, 5.7% and 5.4%, respectively, were comparable to national and state levels. Major employers in the area include: Cool Springs Galleria (shopping mall), Service Merchandise (department store headquarters), Comdata (financial services), PRIMUS (financial services), BellSouth (data center) and CPS Corporation (gift wrap and ribbon manufacturing). The bank experiences moderate competition from local branches of regional companies.

We contacted two local community groups who identified the most pressing community credit need as affordable housing for the average working person. According to the contacts, bank involvement for affordable housing projects is limited.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Analysis

- ' **The loan-to-deposit ratio is reasonable given FNB's size, financial condition, and assessment area credit needs.**

The quarterly average loan-to-deposit ratio since the previous CRA examination (August 23, 1996) is 77.70%. The ratio has ranged between a low of 74.73% and a high of 79.63% during this period. It exceeds their national peer level of 71.64%.

### Lending In the Bank's Assessment Area

- ' **A majority of loans reportable under the Home Mortgage Disclosure Act (HMDA) and the majority of small business loans were made within the bank's assessment area.**

The table below shows the number and dollar volume of HMDA loans originated during 1997 and the first eight months of 1998 inside and outside the bank's assessment area, as reported in the bank's HMDA Loan Application Register (LAR). We also analyzed the bank's lending to small businesses using a sample of loans originated.

	HMDA Loans January 1997-October 1998		Small Business Loans (Note) July 1997 - October 1998	
	Number	Dollar	Number	Dollar
In Assessment Area	50.06%	59.05%	75.00%	89.17%
Outside Area	49.94%	40.95%	25.00%	10.83%

Note: Small businesses are defined by regulation to have gross annual revenues of less than \$1 million.

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

- ' **The distribution of HMDA loans reflects reasonable penetration among individuals of different income levels. The distribution of small business loans reflects an acceptable level of small loans to small businesses in the assessment area.**

The table below compares the percent of HMDA loans made to individuals of different income levels to the percent of families of different income levels residing throughout the bank's assessment area. The 13% of HMDA loans to moderate income individuals equaled the 13% of moderate income families residing throughout the bank's assessment area. The 5% lending

level of HMDA lending to low income borrowers, while below the 11% level of low income borrowers, is reasonable. Our community contacts indicated there is very limited availability of affordable housing for low and moderate income families. There are very few, if any, houses available in the price range of low income borrowers.

<b>HMDA Loans</b> January 1997 through October 1998			
<b>Income Category</b>	<b>% by dollar</b>	<b>% by number</b>	<b>Families in Area</b>
Low Income	2%	5%	11%
Moderate Income	6%	13%	13%
Middle Income	19%	25%	20%
Upper Income	73%	57%	56%

The table below shows the percentage of loans to small businesses by loan size based upon our sample. FNB made a reasonable level of loans to small businesses in an assessment area in which small businesses represent 70% of the number of businesses.

<b>Small Business Lending by Loan Size</b> July 1997 - October 1998		
<b>Loan Size</b>	<b>% of #</b>	<b>% of \$</b>
< \$ 100,000	84%	28 %
\$ 100,000 to \$ 250,000	8%	9 %
\$ 250,000 to \$ 1,000,000	8%	63%
Small Businesses are defined as those with gross annual revenues of less than \$1 million.		

### **Geographic Distribution of Loans Within the Assessment Area**

- ' **The geographic distribution of HMDA loans reflects reasonable penetration. The geographic distribution of small business loans reflects a low penetration.**

There are no low income geographies and only one moderate income geography within the bank's assessment area. The one moderate income census tract represented 4% of all census tracts in FNB's assessment area and 4% of the population. The following table shows reasonable geographic penetration of HMDA loans within the assessment area. The 11% of HMDA loans originated in moderate income geographies exceeded the 4% of moderate income geographies.

<b>HMDA Loans</b>					
<b>January 1997 through October 1998</b>					
<b>Geographies</b>	<b>%</b>	<b>Number of Loans</b>	<b>% of Loans</b>	<b>Dollar (000s)</b>	<b>% of Dollars</b>
Moderate Income (1)	4%	45	11%	4,989	9%
Middle Income (10)	42%	127	32%	11,457	22%
Upper Income (13)	54%	229	57%	36,979	69%
based on HMDA information from 1997 through October 1998					

Conversely, the analysis of small business lending shows low penetration compared to the percentage of businesses in the assessment area that are located in moderate income geographies. Only 6% of the number and 5% of the dollar of small business loans in the assessment are made in moderate income geographies that contain 14% of small businesses.

### **Response to Complaints**

No complaints have been received since the previous examination.

### **Institution's Record of Complying with the Anti-discrimination Laws**

- We found no evidence of discrimination or other illegal credit practices. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.**

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. During our examination, we tested a limited sample of residential real estate loans to determine if similarly situated borrowers received comparable loan terms. This testing disclosed no evidence of disparate treatment on a prohibited basis.