



## **PUBLIC DISCLOSURE**

October 31, 2016

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

Athens Federal Community Bank, National Association  
Charter Number 25116

106 W Washington Ave  
Athens, TN 37303-3545

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**

Athens Federal Community Bank, National Association (Athens Federal or AFCB) has a satisfactory record of meeting community credit needs. This is based on the following factors:

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- The bank's loan-to-deposit (LTD) ratio is more than reasonable and exceeds the standard for satisfactory performance. The LTD ratio averaged 92.7% during the evaluation period.
- Athens Federal's record of lending within its Assessment Areas (AAs) exceeds expectations for satisfactory performance. A substantial majority of the bank's lending by loan number (88.8%) and loan amount (86.9%) were within its AAs.
- Athens Federal's distribution of lending to borrowers of different income levels is reasonable considering the economic conditions of the review period. The distribution of lending to businesses of different sizes is excellent.
- The geographic distribution of residential real estate and business loans reflect reasonable to excellent dispersion throughout the AAs. Athens Federal's geographic distribution of residential real estate loans and loans to businesses in low- and moderate-income census tracts reflects reasonable dispersion for residential loans and excellent dispersion for business loans throughout AA1. Lending throughout AA2 reflects excellent dispersion for residential loans, with reasonable dispersion for business loans.
- Community Development loans, services and investments were excellent in relation to the bank's size, financial condition, and activities.
- Athens Federal did not receive any consumer complaints regarding its CRA performance during the evaluation period.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is based on full-scope examination procedures for the time period of January 1, 2014 through the examination date, with the review of the lending performance covering the period from January 2014 through June 2016. Athens Federal was reviewed utilizing the Small Bank CRA guidelines and evaluated using the existing Small Bank lending test, which is based on the bank not having assets of at least \$304 million as of December 31 of both of the prior two calendar years. As a Small Bank per CRA regulations, Athens Federal is not currently required to provide community development loans, investments, or services. Management has proactively initiated strategies to seek out opportunities to serve their community, particularly low- to moderate-income individuals and families. At management's request, we reviewed these activities to ensure they met the definition of Community Development (CD), and a review of these activities was considered for the bank's overall CRA rating. No affiliate lending activity was reviewed. A data integrity review, conducted prior to this evaluation, determined that the bank's data was reliable.

In evaluating the Bank's lending performance, the Bank's primary loan products include residential mortgages and business loans. Consumer lending and farm lending did not constitute a substantial lending activity during the review period, and therefore were not considered in the lending performance evaluation. Conclusions regarding the Lending Test are based on residential and small business loans originated between January 1, 2014, and June 30, 2016. Residential loans include home purchases, home improvements, and home refinances. As Athens Federal is a Home Mortgage Disclosure Act (HMDA) reporter, the HMDA Loan Application Register was used as a basis for the final analysis of the residential loan category findings. For small business loans, we selected a sample of loans based on internal bank reports, with the applicable loan evaluation spanning the period from January 1, 2014, through June 30, 2016. The review of CD activities covered activity since January 1, 2014 through the examination date.

Athens Federal has three Assessment Areas (AAs). The first AA is a Non-Metropolitan Statistical Area (MSA) AA, which includes the entire Tennessee (TN) counties of McMinn and Monroe. Meigs County, TN, had been included in this non-MSA area, but was eliminated during the review period by management from this AA based on Meigs County not possessing a bank branch and the absence of significant bank lending activity within this county during the review period. The second AA is the Cleveland MSA, which is adjacent to the bank's non-MSA AA and includes the entire TN counties of Bradley and Polk. The third AA is the entire TN county of Loudon, which is a part of the Knoxville, TN MSA. Bank management added this AA in the June 2016 quarter after acquiring a branch in Lenoir City, TN, which is within Loudon County, in April 2016.

We performed full-scope reviews for the bank's Non-MSA AA and the Cleveland, TN AA since the bank had substantial lending in each of those two AAs. Each of these two AAs were considered in determining the bank's overall rating. A review was not performed of lending activity within the Knoxville MSA / Loudon County AA based on limited bank lending activity existing of one quarter ended June 2016 for that AA.

## **DESCRIPTION OF INSTITUTION**

Athens Federal is an intrastate bank that is a subsidiary of a one-bank holding company, Athens Bancshares Corporation. The bank owns two subsidiaries: Southland Finance, Inc., which is a consumer auto financing corporation, and Tiserv, Inc., which provides title insurance services. These were not considered in the bank's CRA activities for this PE. The bank converted from a mutual organization to a stock ownership structure in 2010. There have been no merger or acquisition activities with other banks since the previous CRA evaluation, dated March 17, 2014, when the bank received a **Satisfactory** rating. There are no legal or financial impediments to Athens Federal's ability to meet the credit needs of its AAs, including retail and community development loans, qualified investments, and community development service needs. The bank offers a full range of loan and deposit services. Athens Federal's primary lending focus is residential mortgage loans and commercial loans, including commercial real estate loans. In 2016, Athens Federal acquired four TN branches of Atlantic Capital Bank, which were located in Athens, Madisonville, Sweetwater and Lenoir City and allowed the bank to increase its existing exposure and expand the bank's footprint to the Loudon County market.

AFCB’s main office is located in Athens, TN. The bank also operates an additional nine full-service branch offices within its TN AAs, as well as one lending center. The bank has two branch offices in Cleveland; one branch each in Etowah, Sweetwater, and Lenoir City; two branches in Madisonville, TN; and two branches in addition to the main office in Athens, TN. Full-service drive-through ATMs are located at each of the bank offices. Six additional non-deposit taking ATMs are also available within the AAs. Athens Federal continues to invest heavily in data processing equipment and technology to support and expand internet and mobile banking. As of June 30, 2016, Athens Federal had total assets of \$412.6 million, with net loans comprised 68.6% of total assets. The following table reflects the composition of Athens Federal’s loan portfolio based on the June 30, 2016, Call Report.

Product Category	Loan Portfolio as of June 30, 2016	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	116,343	41.1
Residential Mortgage Loans	122,761	43.4
Individuals	14,631	5.2
Construction & Land Development	26,116	9.2
Farmland and Agriculture	2,997	1.1
All Other	3	-
<b>Total</b>	<b>282,851</b>	<b>100.00</b>

Source: June 30, 2016 Report of Condition / Call Report

Athens Federal provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different areas of the communities they serve. There are no significant geographical barriers in the AAs. Lobby hours and drive-up hours are set by location to meet customer needs. Athens Federal has ATMs at branches and other locations in their market to make customer accounts accessible.

Distribution of Bank Offices and ATMs by Census Tract (Per 2010 U. S. Census Data)						
Census Tract Income Level	Tracts		Bank Offices (1)		Automated Teller Machines (2)	
	#	%	#	%	#	%
Low	2	3.9	0	0	0	0
Moderate	9	17.6	5	45.4	6	37.5
Middle (3)	31	60.9	4	36.4	8	50.0
Upper	9	17.6	2	18.2	2	12.5
N/A	0	0%	0	0	0	0
<b>Total</b>	<b>51</b>	<b>100%</b>	<b>11</b>	<b>100</b>	<b>16</b>	<b>100</b>

(1) Bank offices consist of 10 full service offices/branches and one lending center, with lending activity only, next to the main office.

(2) Ten full service ATMs are contiguous with full-service banking locations, with six other ATMs that are non-deposit taking.

(3) Six of the 31 middle income CTs are in Monroe County and designated by the FFIEC as Distressed/Poverty CTs. Three of the four branches within middle income CTs are in Distressed/Poverty CTs. Four of the eight ATMs within middle income CTs are in Distressed/Poverty CTs.

Customers may also access their accounts through telephone banking, the internet, or through the bank's mobile banking application on their smart devices. Internet banking services include transfers between Athens Federal accounts and external accounts, financial management and budgeting services, setting text or email alert preferences, loan payments, review of loan and savings account balances and history, and bill payment services. Telephone banking services include transfers between bank accounts, loan payments, and review of account balances and history, including loan accounts. Mobile banking application services include transfers between bank accounts, loan payments, bill pay, alerts, and review of account balances and history, including loan accounts. The bank also offers debit and credit card services through MasterCard.

Athens Federal's business strategy includes continued marketing of consumer and commercial credit through its products, staff, and locations. In addition to the bank's portfolio mortgage products and loans sold to Federal Home Loan Mortgage Corporation (FHLMC), the bank acts as a broker for mortgage loans through the Veterans Affairs (VA), U.S. Department of Agriculture-Rural Development (USDA/RD), Federal Housing Authority (FHA), and Tennessee Housing Development Agency (THDA) programs to qualified borrowers on eligible properties in the bank's service area.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Athens Federal has three AAs. All three AAs are reasonable and meet regulatory requirements based on their composition of whole counties with whole census tracts within those counties. The bank has not arbitrarily excluded any low- or-moderate-income geographies. The first AA is a Non-MSA AA, which includes the entire TN counties of McMinn and Monroe. Meigs County, TN, had been previously included in this non-MSA AA, but was eliminated during the review period by management from this AA based on Meigs County not possessing a bank branch and the absence of significant bank lending activity within this county during the review period. The second AA is the Cleveland MSA, which is adjacent to the bank's non-MSA AA and includes the entire TN counties of Bradley and Polk. The third AA is the entire TN county of Loudon, which is a part of the Knoxville, TN MSA. During the June 2016 quarter bank management added this AA after acquiring another bank's branch in Lenoir City, TN, which is within Loudon County. All areas are contiguous. The bank's main office is located in Athens, TN, in McMinn County, directly to the east of I-75 and approximately equidistant from Chattanooga and Knoxville.

### **Assessment Area 1: Non-MSA – McMinn and Monroe Counties**

This AA has 17 census tracts in McMinn and Monroe Counties, Tennessee, which are considered rural and non-metropolitan. The 17 census tracts consist of three moderate-, 12 middle-, and two upper- income census tracts, with no tracts categorized as low-income. All six middle-income tracts within Monroe County are considered distressed based on poverty. Primary industries within the AA are Services (45.7%) and Retail Trades (17.1%). Primary municipalities in McMinn County are Athens (the county seat), Etowah, Englewood, Niota and Calhoun. Primary municipalities in Monroe County are Madisonville (the county seat), Sweetwater, and Tellico Plains. McMinn County and Monroe Counties are located in Southeast Tennessee along the I-75

and U.S. 411 corridors halfway between the metropolitan areas of Chattanooga and Knoxville. Both counties are considered rural with the Cherokee Forest existing within the AA. Several Fortune 500 companies and subsidiaries are located in the AA, such as Mayfield Dairy Farms, Resolute Forestry Products, Johnson Controls, Denso Manufacturing, J.M. Huber, and Heil Company. One of the largest educational institutions in the AA is Tennessee Wesleyan University, which is located in Athens. The AA's percentage of households with income below the poverty level and on social security are 18.4% and 36.6%, respectively. The unemployment rate in June 2016 for McMinn County was 5.6% and 5.7% for Monroe County.

### **Assessment Area 2: Cleveland MSA - Bradley and Polk Counties**

This AA has 24 census tracts in Bradley and Polk Counties, Tennessee. The 24 census tracts consist of two low-, four moderate-, 13 middle-, and five upper- income census tracts. Primary industries within the AA are Services (46.8%) and Retail Trades (15.9%). Primary municipalities in Bradley County are Cleveland (the county seat) and Charleston. Primary municipalities in Polk County are Benton (the county seat), Copperhill, and Ducktown. Bradley County and Polk Counties are located in Southeast Tennessee along the I-75 corridor between the metropolitan areas of Chattanooga and Knoxville. Polk County is considered rural with large mountainous areas, including the Cherokee Forest. Major employers included within the AA are hospitals, schools (public and private), Bradley county government, Whirlpool Industries, Amazon, Mars Chocolates, Jackson Furniture, and Walmart. The two largest educational institutions in the AA are Lee University and Cleveland State Community College, which are both located in Cleveland. The AA's percentage of households with income below the poverty level and on social security are 16.7% and 33.8%, respectively. The unemployment rate in June 2016 for this AA was 5.0%.

### **Assessment Area 3: Knoxville MSA - Loudon County**

This AA has 10 census tracts in Loudon County, Tennessee. The 10 census tracts consist of no low-, two moderate-, six middle-, and two upper- income census tracts. Primary industries within the AA are Services (48.9%) and Retail Trades (12.2%). Primary municipalities in Loudon County are Loudon (the county seat) and Lenoir City. Loudon County is located in Southeast Tennessee along the I-75 corridor, just southwest of the metropolitan area of Knoxville. Major employers included within the AA are hospitals, schools (public and private), Loudon county government, several trucking firms, Monterey Mushrooms, and Malibu Boats. The AA's percentage of households with income below the poverty level and on social security are 12.0% and 40.5%, respectively. The unemployment rate in June 2016 for this AA was 4.8%.

### **Community Contacts**

Two community contacts conducted during this examination indicated that financial institutions are doing a satisfactory job of meeting the financial needs of the community, with one community contact specifically citing Athens Federal as an example. Identified credit and non-credit needs of the community included financial counseling for first-time home owners, more support for programs like Habitat for Humanity, and a need for more low income housing.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Lending Test – Satisfactory**

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 Loan-to-Deposit (LTD) Ratio and lending within the AA exceeded the standard for satisfactory performance. Lending to residential and business borrowers of different income levels and lending within different geographies met or exceeded the standard ratio.

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

Athens Federal's quarterly average LTD ratio exceeds the standard for satisfactory performance. The bank's LTD ratio is more than reasonable, at 92.7% for the 10 quarters ending June 30, 2016, given the bank's size, financial condition, and the credit needs of the bank's AAs. The ratio ranged from a high of 99.7% at September 30, 2015, to a low of 78.3% at June 30, 2016. There was a sizeable decrease from March 31, 2016 to June 30, 2016. Athens Federal's LTD ratio decreased from 98.0% to 78.3%. The decrease is primarily due to the bank's purchase of four branches in the second quarter of 2016. This added approximately \$100 million in new deposits with no addition of new loans. We compared the LTD ratio to four similarly situated community banks operating within the bank's AAs. Athens Federal's LTD ratio was slightly higher than the combined quarterly average LTD ratio of 84.3% for the other four banks and ranked third highest of the banks. Athens Federal has significant competition, of at least 19 regional or local financial institutions, for deposits when consideration is given to all three of the bank's AAs.

### **Lending in Assessment Area**

Athens Federal's record of lending in its AAs exceeds expectations for satisfactory performance. A substantial majority of the number and dollar amount of residential and business loans made during the review period were inside the bank's AAs, at 88.8% and 86.9%, respectively. Conclusions are based on the number and dollar amount of residential loans from HMDA reporting and business loans in our loan sample, which originated during the 30-month review period ended June 30, 2016. The following table provides further data on lending inside and outside of the bank's AAs.

<b>Table 1 - Lending in AA (HMDA and Business Loans) (1)</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	415	88.87	52	11.13	467	54,565	86.32	8,644	13.68	63,209
Improvement	51	80.95	12	19.05	63	3,309	74.06	1,159	25.94	4,468
Refinance	221	89.47	26	10.53	247	31,806	88.66	4,067	11.34	35,873
Residential Loan Sub Totals	687	88.42	90	11.58	777	89,680	86.61	13,870	13.39	103,550
Business Loans Total	60	93.8	4	6.2	64	\$6,170	91.5	575	8.5	6,745
Overall Loan Total	747	88.8	94	11.2	841	95,850	86.9	14,445	13.1	110,295

(1) \*Source: All HMDA reportable residential loans originated during the 30-month period ended June 30, 2016, are included. Residential loans include home purchase, home improvement, and home refinances loans. Business loans represent a sample of loans originated during that same time period.

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

Overall, the distribution of loans to borrowers of different incomes and businesses of different sizes reflects a reasonable penetration. While AFCB demonstrated lower levels of penetration among low- to moderate-income borrowers than the aggregate, it had excellent penetration of loans to small businesses within the AAs.

**AA1: Non-MSA – McMinn and Monroe Counties**

The distribution of loans reflects a reasonable penetration among individuals of different income levels and an excellent penetration to businesses of different sizes.

Home Loans

The distribution of home loans to borrowers reflects a reasonable penetration among borrowers of different income levels. Table 2 below reflects that Athens Federal’s lending to low-income borrowers within AA1 is slightly lower than the aggregate for all three types of residential loans, but reasonable given the high household poverty rate in this AA and the affordability rate of housing. Lending to moderate-income borrowers is significantly lower than the aggregate for home purchases, but is higher than the aggregate for home improvement and slightly lower for refinance loans. Athens Federal’s lending to low- and moderate-income borrowers is impacted by a number of factors, including the poverty level and the affordability of housing within this AA. Approximately 18.4% of households within this AA have incomes below the poverty level, 36.6% are on social security, and the average median housing value is \$107,508. Residential lending activity is also negatively impacted by the limited owner-occupied housing available in A1 within low-and moderate-income census tracts. Owner-occupied housing in the low to moderate income (LMI) tracts compared to total owner occupied units in McMinn County and Monroe County was 12.9% and 6.1%, respectively.



<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in AA1</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	6.20	4.14	24.67	21.03	28.92	21.38	40.22	53.45
Home Improvement	12.73	5.00	25.45	27.50	25.45	25.00	36.36	42.50
Home Refinance	6.69	4.43	18.52	12.03	26.07	25.32	48.71	58.23

Source: Data reported under HMDA

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes, and exceeds the standard ratio. Athens Federal’s loans to small businesses with revenues below \$1.0 million exceeded the percentage of small businesses with business revenues of less than \$1.0 million within AA1 by both the loan number percentage (80.0%) and the loan amount percentage (84.3%). The following table provide the specific data on lending to businesses within AA1 based on 2010 U.S. Census data.

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA1</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.74	4.06	19.19	100%
% of Bank Loans in AA by #	80.0	20.0	0.0	100%
% of Bank Loans in AA by \$	84.3	15.7	0.0	100%

Source: Loan sample; Dunn and Bradstreet data.

Table 2C with bank-only information reflects Athens Federal’s lending of different loan sizes of business loan originations within AA1 and shows that the bank originated a high level (96.7%) of small business loans in amounts of \$250,000 or less within its assessment area to support small businesses.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in AA1</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	24	80.0	1,000,607	44.2
\$100,001 - \$250,000	5	16.7	819,419	36.2
\$250,001 - \$500,000	1	3.3	445,490	19.6
\$500,001 - \$1,000,000	0	0.0	0	0.0
Over \$1,000,000	0	0.0	0	0.0

Source: Loan sample.

**AA2: Cleveland MSA - Bradley and Polk Counties**

The distribution of loans reflects a reasonable penetration among individuals of different income levels and excellent penetration among businesses of different sizes.

Home Loans

The distribution of home loans to borrowers of different income levels reflects reasonable penetration. Table 2 below reflects that Athens Federal’s lending to low-income borrowers within AA2 is slightly lower than the aggregate for purchase and refinance types of residential loans, but reasonable given the high household poverty rate in this AA and the affordability rate of housing. Home improvement loan activity cannot be reasonably assessed based on the bank’s limited lending activity of only 11 total home improvement loans granted during the review period. Lending to moderate-income borrowers is significantly higher than the aggregate for home purchases, but is lower than the aggregate for home improvement and refinance loans. Athens Federal’s lending to low- and moderate-income borrowers is impacted by a number of factors, including the poverty level and the affordability of housing within this AA. Approximately 16.7% of households within this AA have incomes below the poverty level, 33.8% are on social security, and the average median housing value is \$129,963. The bank’s lower level of loan penetration among low- to moderate-income borrowers in AA2 is also influenced by the fact that the bank has only two branches within AA2, and both branches are located in upper-income census tracts as of the 2010 Census. Residential lending activity is also negatively impacted by the limited owner-occupied housing available in AA2 within low-and moderate-income census tracts. Owner-occupied housing in the LMI tracts compared to total owner occupied units in Bradley County and Polk County was 7.6% and 16.2%, respectively.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in AA2</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	7.54	6.03	24.60	22.41	27.54	19.83	40.32	51.72
Home Improvement	10.42	0.00	24.31	9.09	27.78	36.36	37.50	54.55
Home Refinance	10.41	4.84	17.19	9.68	23.51	20.97	48.89	64.52

Source: Data reported under HMDA.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes, and exceeds the standard ratio. Business revenues within AA2 reflect that approximately 77.9% have annual business revenue of less than \$1.0 million, 4.5% has revenue exceeding \$1.0 million, and 17.62% of business had unavailable revenue figures. Athens Federal’s loans to small businesses with revenues below \$1.0 million exceeded the percentage of small businesses with business revenues of less than \$1.0 million within AA2 by both the loan

number percentage (86.7%) and the loan amount percentage (88.8%). The following table provide the specific data on lending to businesses within AA2 based on 2010 U.S. Census data.

<b>Table 2A - Borrower Distribution of Loans to Businesses in AA2</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.90	4.48	17.62	100%
% of Bank Loans in AA by #	86.7	13.3	0.0	100%
% of Bank Loans in AA by \$	88.8	11.2	0.0	100%

Source: Loan sample; Dunn and Bradstreet data.

Table 2C with bank-only information reflects Athens Federal’s lending of different loan sizes of business loan originations within AA2 and shows that the bank originated a high level (83.4%) of small business loans in amounts of \$250,000 or less within its assessment area to support small businesses.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in AA2</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	16	53.3	537,072	13.8
\$100,001 - \$250,000	9	30.1	1,477,640	37.8
\$250,001 - \$500,000	4	13.3	1,245,000	31.9
\$500,001 - \$1,000,000	1	3.3	645,000	16.5
Over \$1,000,000	0	0.0	0	0.0

Source: Loan sample.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the banks AA’s.

Athens Federal’s geographic distribution of residential real estate loans and loans to businesses in low- and moderate-income census tracts reflects reasonable dispersion for residential loans and excellent dispersion for business loans throughout AA1. Lending throughout AA2 reflects excellent dispersion for residential loans, with reasonable dispersion for business loans.

#### **AA1: Non-MSA – McMinn and Monroe Counties**

The geographic distribution of loans reflects reasonable dispersion for residential loans and excellent dispersion for business loans throughout AA1. AA1 does not have any low-income census tracts. Athens Federal’s residential real estate lending reflects reasonable dispersion throughout moderate-income census tracts, as the percentage of loans is close to aggregate data. Athens Federal’s lending to businesses in AA1 reflects excellent dispersion, with 43.4% of loans in the sample made to businesses in moderate-income tracts. The following tables provide further data on residential and business lending by tract level within AA1.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in AA1</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.00	0.00	9.23	8.28	76.55	67.93	14.22	23.79
Home Improvement	0.00	0.00	8.18	7.50	85.45	65.00	6.36	27.50
Home Refinance	0.00	0.00	10.12	7.59	76.16	72.15	13.37	20.25

Source: data reported under HMDA

<b>Table 3A - Geographic Distribution of Loans to Businesses in AA1</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
	0.00	0.00	21.22	43.4	68.51	33.3	10.27	23.3

Source: loan sample; Dun & Bradstreet data.

**AA2: Cleveland MSA - Bradley and Polk Counties**

The geographic distribution of loans reflects excellent dispersion for residential loans and reasonable dispersion for business loans within AA2. Athens Federal’s overall residential real estate lending reflects excellent dispersion for the low- and moderate-income census tracts. The percentage of loans to low-income tracts within AA2 was better than the aggregate for home purchase and slightly below for home refinance loans. The analysis for home improvement lending is not meaningful based on the limited lending of 11 home improvement loans granted during the review period. Athens Federal’s lending to businesses in AA2 also reflects no penetration to low-income tracts, but a reasonable penetration to moderate-income 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 within AA2.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in AA2</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	1.75	3.45	5.40	7.76	57.86	55.17	35.00	33.62
Home Improvement	0.69	0.00	10.42	9.09	61.11	54.55	27.78	36.36
Home Refinance	2.46	1.61	5.96	8.06	57.08	51.61	34.50	38.71

Source: data reported under HMDA

<b>Table 3A - Geographic Distribution of Loans to Businesses in AA2</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
	3.24	0.0	10.68	6.7	50.90	53.3	35.19	40.0

Source: loan sample; Dun & Bradstreet data.

**Qualified Investments and CD Services**

Athens Federal’s CD performance demonstrates an excellent responsiveness to community development needs in its overall AAs through a combination of community development loans, investments, and services during the evaluation period. The bank has an awareness and acted on that awareness of affordable housing needs, small business needs, and needs for services to LMI individuals in the AA. Many of the bank’s locations are in moderate-income or distressed/underserved middle-income census tracts that are reasonably accessible to LMI individuals.

Athens Federal has originated or renewed six community development loans totaling approximately \$1.328 million during the evaluation period. Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. A \$50,000 loan was granted to Habitat for Humanity (McMinn County), four loans totaling \$277,892 were granted to the Tri-County Center which serves McMinn, Monroe, and Meigs County, and a \$1.0 million loan was granted to the Senior Housing Crime Prevention Foundation and its mission within senior housing/nursing home facilities. Habitat for Humanity's purpose is to build and repair houses using volunteer labor and donations so that partner families can purchase affordable housing through no-profit, no-interest mortgage loans or innovative loan financing methods. The Tri-County Center located in Athens, TN is a non-profit agency providing a variety of services and potential employment to individuals with developmental disabilities that are predominantly LMI due to their disabilities, which often prevent them from achieving normal employment. One of the counties served by the Center, Monroe, is comprised of seven census tracts, six of which are distressed/underserved. The bank has also established a Home Sweet Home loan program that has granted 25 loans totaling \$2.7 million since 2014. This loan program is available to LMI loan applicants in Bradley County that can not qualify for the USDA Rural Development loan program. The bank’s program includes limited or no down payment requirements, no private mortgage insurance requirement, and maximum loan to value of 100% of the sales price.

The bank made numerous grants/donations from January 2014 to September 2016 that we reviewed and determined to be qualified investments. Qualifying investments are investments, deposits, membership shares, or grants that have as their purpose community development, as defined in the CRA regulation. The bank made 27 grants/donations totaling approximately \$158 thousand over the reviewed period. Each organization which received a grant was required to complete the bank's application process and receive approval from the Board. The grants were made to organizations that serve low to moderate income individuals/families in the bank's non-

MSA and MSA AAs. The largest individual grants were given to the United Way which serves McMinn, Meigs, Monroe, and Bradley counties and the EverFi SMART Start Financial Literacy Program which served middle school and high school students in McMinn, Monroe, Bradley, and Meigs counties. Grants/donations to these entities totaled \$44,500 and \$33,500 respectively. The bank has also invested in mortgage backed securities totaling \$582,100 and secured by mortgage loans to LMI individuals in the bank's AAs.

Bank personnel have provided 568 hours of CD services through its branches, products, services, and activities with local organizations that support community development and services to LMI individuals. Bank officers and employees provided their technical expertise to organizations which contribute community services for low-and moderate-income individuals, or serve the financial needs of small businesses in the bank's AA. Bank employees have provided homeownership counseling, led seminars, chaired boards, etc. The following are some examples of qualified community development services provided by the bank.

Bradley County Housing Coalition - A collaboration of nonprofit organizations, local government, and business leaders working to ensure that every family has a quality, efficient, affordable, and sustainable home. An experienced bank mortgage lender, serves as a member of the coalition and uses her expertise to assist the goals of the coalition. The employee is a key resource in mentorship programs/homeownership counseling that is often provided by the coalition.

Athens City School Kids Connection - The program strives to provide safe, educationally enriching, fun and rewarding experience for all students of Athens City Schools during the hours where there may be no adult supervision at home. Many kids attend the program for free or a discounted rate. The free or reduced rate is based on free and reduced lunch status. The bank's Compliance Officer serves as a Board member and is responsible for the continuous evaluation of the program to ensure the needs of the children are being met.

Education Foundation - Partnering schools and the community through lifelong learning for the development of quality citizens. Promotes literacy through the Imagination Library. The foundation serves McMinn County students which includes Central High School (47% economically disadvantaged students) and McMinn High School (56% economically disadvantaged students). A bank Loan Officer is the Treasurer and handles the accounting of donations and deposits made to the foundation.

United Way of McMinn & Monroe Counties - United Way and their local community partners engage in activities and initiatives to help build the financial stability of families in their communities. A bank Loan Officer is campaign co-chair. The employee used their financial expertise to help raise money to assist LMI families in the McMinn & Monroe County communities.

Grace House Homeless Shelter - The Grace House is a transitional shelter that ministers to the homeless. The program provides food and shelter and challenges its residents to become self-supporting which includes finding work and permanent housing. The Grace House serves

residents of McMinn County. A bank Loan Office is a Board member and is responsible for the continuous evaluation of the program to ensure it is running smoothly and meeting the needs of its residents.

Athens Federal Foundation - The Foundation's mission is to support and fund community development via affordable housing, job training and programs that assist the economically disadvantaged. The Foundation will also consider requests for educational initiatives, health care programs, and supportive human service programs as well as local cultural institutions for the purpose of broadening access to cultural and arts activities. The Foundation serves McMinn, Bradley, Monroe, and Polk counties. Multiple members of the bank, including the President/Chief Executive Officer and Vice President/Chief Operations Officer comprise the Board for the Foundation. The Board receives applications from various qualifying non-profits and organizations and chooses which organizations receive requested grants.

Habitat for Humanity of McMinn County - Habitat for Humanity (HH) believes that everyone should have a decent, safe and affordable place to live. Their primary purpose of HH is to build and repair houses using volunteer labor and donations so that partner families can purchase affordable housing through no-profit, no-interest mortgage loans or innovative loan financing methods. The bank's CRA Officer serves as a Board member and assisted Habitat in the application of the Affordable Housing Program grant through the FHLB of Cincinnati.

### **Responses to Complaints**

There were no consumer complaints relating to the bank's Community Reinvestment Act performance during this evaluation period.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. The previous full scope OCC examination performed in March 2016 did not identify any cases of disparate treatment or evidence of discriminatory acts or practices. The review of the findings from the bank's external compliance audits since the previous March 2016 examination did not note any findings of discriminatory practices.