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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

May 31, 1997

**First Union National Bank of Tennessee
150 4th Avenue
Nashville, Tennessee 37219**

Charter Number 22649

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First Union National Bank of Tennessee**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **May 31, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DESCRIPTION OF CONTENTS

The balance of this document contains information presented in four sections. The sections are: **Performance Context**, **Summary of Institution's Performance**, **Discussion of Institution's Performance** and **Additional Information**.

The **Performance Context** section provides data about the bank, its direct and indirect (affiliate) lending structure, and its delineated communities. The **Summary of Institution's Performance** presents the bank's rating and performance highlights which are further discussed relative to the 12 assessment factors grouped under five performance categories (refer to **General Information**).

Performance Context

- Institution Profile
- Community Profile

Summary of Institution's Performance

- Institution's Rating
- Performance Highlights

Discussion of Institution's Performance

- Ascertainment of Community Credit Needs
- Marketing and Types of Credit Offered and Extended
- Geographic Distribution and Record of Opening and Closing Offices
- Discrimination and Other Illegal Credit Practices
- Community Development

Additional Information - Corporate and Local CRA Programs

PERFORMANCE CONTEXT

Institution Profile

First Union National Bank of Tennessee (FUNB-TN) is a subsidiary of **First Union Corporation (First Union)**, a multi-bank holding company. First Union is the sixth largest banking company in the United States, with assets of **\$140 billion** as of year-end 1996. First Union is headquartered in Charlotte, North Carolina, and owns ten national banks based in the District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia.

FUNB-TN has total assets of **\$3 billion** and ranks as about the sixth largest bank in the state, based upon year-end 1996 total assets. The bank has reasonably delineated nine communities which do not arbitrarily exclude any low- and moderate-income (LMI) areas. FUNB-TN operates 86 branch offices which include services in three of the seven metropolitan statistical areas (MSAs) within the state of Tennessee. MSAs where the bank has operations include Clarksville, Johnson City, and Nashville.

Lending by affiliates helps FUNB-TN identify and address community credit needs. For the First Union subsidiary banks, including this one, residential mortgage lending is largely consolidated at **First Union Mortgage Corporation (FUMC)**. FUMC processes mortgage loan applications and subsequently sells originations to First Union national bank affiliates or the secondary market. Another subsidiary of the holding company, **First Union Home Equity Bank, N.A.**, provides home equity financing in 35 states, including this bank's markets.

Notes:

LMI denotes low-and moderate-income (LMI). This means an individual or borrower income that is less than 80% of the area median income or, in the case of a geography, a median family income that is less than 80% of the respective MSA.

The **population statistics and income information** reflects data obtained from the 1990 Census and the United States Department of Housing and Urban Development (HUD).

Evaluation Period - The bank's previous CRA Performance Evaluation is dated April 11, 1994, when the bank had total assets of \$1.9 billion; now it has grown about 68% to \$3.2 billion. In addition, the prior performance evaluation shows that the bank ranked as the seventh largest bank in the state and operated 63 branches in 16 counties while serving 19 counties in the delineation. This current Performance Evaluation reflects the bank's performance assessed since then through May 31, 1997, based primarily upon data for 1995 and 1996.

Domestic Loans Outstanding 12/31/96		
Loan Type	Amount \$(000's)	Percentage
Real Estate	\$ 685,675	54
Commercial	333,275	26
Instalment/Consumer	194,193	15
Agricultural	8,517	1
Other	52,709	4
TOTAL	\$ 1,274,369	100

Community Profile

The state of Tennessee has a total population of 4.9 million residents which is comprised of 1.4 million families. These families reflect the following income distribution:

<u>Low-income</u>	<u>Moderate-income</u>	<u>Middle-income</u>	<u>Upper-income</u>
21%	17%	22%	40%

There is a total of 1.9 million households in the state, where owner-occupied housing units aggregate 62% of the housing stock. The Tennessee economy is diverse and includes substantial manufacturing, entertainment/tourism, high technology and agricultural/food production segments.

The state is generally divided into three sections: East, Middle and West. A majority of the bank’s delineated communities are located in the state’s central portion, Middle Tennessee, with the remainder in East Tennessee. For these delineated communities, the population totals 1.3 million residents, or 26% of the state population. The nine FUNB-TN communities are:

- Nashville,
- Clarksville,
- Decherd,
- Fayetteville,
- Newport,
- Jefferson City,
- Shelbyville,
- Sparta, and
- Rogersville.

The remainder of this section provides a brief discussion on the larger markets where the bank operates.

Nashville

The Nashville MSA has a population of 985,026 comprised of 266,208 families. The MSA median family income is \$43,200 and reflects the following income distribution:

<u>Low-income</u>	<u>Moderate-income</u>	<u>Middle-income</u>	<u>Upper-income</u>
20%	18%	24%	38%

Median housing value is \$67,600. About 11% of the housing units in the area were classified as substandard in 1990 and almost 60% of these units are suitable for rehabilitation.

The MSA consists of 206 census tracts of which 17 are designated low-income, 47 moderate-income, 103 middle-income, 36 upper-income, and three are unpopulated. The bank’s Nashville community delineation covers seven of the eight counties (excludes Wilson County) in the MSA and represents 93% of the MSA population.

Nashville is the bank’s most significant Tennessee market and is the state capitol, located in the central portion of Tennessee. Nashville is also the widely known center of the country music business with tourism as a major attraction. The economy is strong and growing rapidly. Dominant credit needs within the community include financing for the purchase of affordable housing and the rehabilitation of existing housing stock.

Clarksville

The Clarksville MSA has a population of 100,498 comprised of 27,211 families. The MSA median family income is \$31,900 with the following income distribution:

<u>Low-income</u>	<u>Moderate-income</u>	<u>Middle-income</u>	<u>Upper-income</u>
17%	18%	23%	42%

The bank’s community delineation equals the entire MSA. This MSA consists of 30 census tracts with one designated low-income, four as moderate-income, 16 middle-income, six upper-income, and three unpopulated. For the Clarksville MSA, the median housing value equals \$56,350.

Clarksville is the fifth largest city in the state, the Montgomery County seat, and the hub of a two county metropolitan area that crosses the northern state line into Kentucky to encompass Christian County. The bank’s community delineation includes only the Tennessee portion of the MSA.

Much of the community’s economy focuses on the 105 thousand acre Fort Campbell military reservation where more than 24,000 military personnel are stationed. The dominant credit needs within Montgomery County are affordable housing and housing rehabilitation, primarily for rental

units. Increased demand and subsequent increases in rents and housing prices have made housing less affordable in Clarksville than in previous years.

Rogersville

The Rogersville community consists of Hawkins County which is part of the five county Johnson City MSA, centrally located in the eastern portion of the state. Hawkins County has a population of 43,550 comprised of 13,396 families. The median family income is \$31,700 and reflects the following income distribution:

<u>Low-income</u>	<u>Moderate-income</u>	<u>Middle-income</u>	<u>Upper-income</u>
22%	19%	20%	39%

The county’s nine census tracts that make up the bank’s community include two designated as moderate-income and seven middle-income. There are no predominantly low- or upper-income tracts within the community based upon the MSA demographics. The median housing value is \$43,200.

Decherd

The Decherd community has a total population of 34,616 comprised of 9,766 families. The median family income is \$30,200 with the following distribution:

<u>Low-income</u>	<u>Moderate-income</u>	<u>Middle-income</u>	<u>Upper-income</u>
17%	17%	20%	46%

This non-metropolitan area in Middle Tennessee, made up of Franklin County, consists of 13 census tracts. While three of the census tracts are unpopulated, seven are designated middle-income and three are upper-income. The median housing value for this area is \$43,500.

Fayetteville

The Fayetteville community population equals 28,157 and is comprised of 8,312 families where the median family income is \$30,200 distributed in four categories.

<u>Low-income</u>	<u>Moderate-income</u>	<u>Middle-income</u>	<u>Upper-income</u>
19%	17%	19%	45%

The bank’s Fayetteville community is a non-metropolitan area made up of a single county, Lincoln. This Middle Tennessee delineated community consists of eight census tracts (six middle-income and two upper-income), with none designated LMI. The median housing value is \$44,750.

Newport

The East Tennessee Newport community has a total population of 28,446 comprised of 8,555 families. The median family income for this area is \$30,200 with the following income distribution:

<u>Low-income</u>	<u>Moderate-income</u>	<u>Middle-income</u>	<u>Upper-income</u>
30%	18%	22%	30%

Cocke County represents this non-metropolitan geographic region. The area consists of seven census tracts, three of which are designated moderate-income and four as middle-income. The median housing value is reported at \$39,500.

SUMMARY OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented, this institution is rated: **“outstanding record of meeting community credit needs.”**

Performance Highlights:

- o FUNB-TN has developed loan programs to meet community credit needs pertaining to affordable housing, affordable credit for life's necessities, and small business lending.
- o Lending levels for mortgage, consumer, and small business loans reflect management's responsiveness to the most pressing credit needs of their delineated communities.
 - In response to mortgage lending credit needs, First Union expanded its affordable mortgage products to include the Community Partnership Mortgage and the Neighborhood Development Mortgage. Since the June 1996 introduction, FUNB-TN originated five loans totaling \$305 thousand.
 - In response to the small business lending needs, First Union established a specialized lending unit designed to provide prompt and efficient service by telephone within a 24-hour response time. During the evaluation period, the volume of FUNB-TN small business volume totals 1,156 loans for \$80 million. In addition, the bank continues to participate in the Small Business Administration (SBA) program.
- o During 1995 and 1996, FUNB-TN originated 3,389 mortgage loans totaling \$96 million.
- o FUNB-TN participates in several government insured, guaranteed or subsidized loan programs for housing, small businesses or small farms. The volume of government guaranteed loans continues to increase. For this period, the volume totals 205 loans for \$17 million.
- o In the bank's largest market, the Nashville MSA, the percentage of residential loans in LMI census tracts is much greater than the aggregate lending percentage by all other lenders in the market. In addition, the smaller MSAs of Clarksville and Rogersville show reasonable penetration in LMI census tracts.

- o FUNB-TN actively participates in development/ redevelopment programs within its community. Bank management and employees often take a leadership role in community development programs.
 - The bank's community development activity totaled \$125 million for the assessment period. This total includes loans and investments for affordable housing, small businesses, downtown revitalization, education and other community purposes.
 - FUNB-TN has helped to address the credit needs for affordable multi-family housing with loans and investment tax credits that total \$28 million.
 - The bank has also responded to the single-family affordable housing needs through partnerships and loans. The **Community Development** section highlights activities that total \$1.4 million.

DISCUSSION OF INSTITUTION'S PERFORMANCE

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- o FUNB-TN has effectively determined the credit needs in Tennessee and has responded pro-actively to these needs.**
- o Existing lending products have been modified and service oriented programs have been instituted.**

Bank directors, officers, and employees at all levels have had ongoing, meaningful contacts with a large range of groups and individuals in order to ascertain community credit needs. The bank uses several techniques targeted to low- and moderate-income individuals in its ascertainment process including:

- A formal, documented officer call program which generates needs assessment data. Representatives of FUNB-TN targeted individuals representing low- and moderate-income neighborhoods. These bankers also met with civic, religious, small business, minority, commercial and real estate development, and neighborhood and fair housing representatives.
- Periodic and regular seminars covering such areas as basic banking, home buying, and, financial planning.

These ascertainment efforts identified affordable housing loans, small dollar loans to individuals, and small business loans as the primary credit needs within its delineated communities. In addition to lending, the need was identified for consumer credit education (particularly for the home purchase process) and budgeting guidelines.

Community credit needs, which we verified during our examination, were very similar throughout all of the bank's communities. They consisted of affordable housing, community revitalization, small business lending and credit education and counseling. These needs were developed through a combination of prior regulatory activities including community contacts, HUD consolidated plans, community profiles generated by the Federal Reserve, and other economic and demographic data.

FUNB-TN periodically gathers and analyzes the geographic distribution of its loans. This analysis

forms the basis for the establishment of individual CRA plans for each delineated community. These plans include performance goals for major types of ascertainment efforts, i.e., number of community contacts and lending goals.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- o **CRA is an integral part of the Board's planning process and banking philosophy.**
- o **The Board and senior management, at both the bank and holding company level, are actively involved in the bank's CRA program.**

The bank's CRA program establishes goals and objectives and provides a methodology for an annual self assessment. In addition, CRA action plans are developed to ensure corporate goals and directives are met. The Board of Directors receives quarterly progress reports of CRA activities.

The Board and management have established a formal program that includes identifying a strong support group of individuals and committees responsible for monitoring CRA activities. They have been very involved in outside committees and organizations that aid the communities. The directors and management remain well informed through their memberships in various committees. Additionally, reporting mechanisms in the bank provide the Board and senior management with adequate information to evaluate and manage the bank's CRA program.

Local CRA Advisory Boards have played an instrumental part in keeping Board members and senior management aware of the bank's CRA activities. The Board and management have been proactive and responsive in addressing community credit needs with special products and services. Loan products that were developed in response to community credit needs include:

- affordable mortgage products, namely the Neighborhood Development Mortgage and the Community Partnership Mortgage (refer to **Assessment Factor I** for additional information),
- o the small business credit card (Visa Business Card) to provide an option for small business owners to access short term unsecured credit, and
- o the secured credit cards (Secured MasterCard) to provide to provide the communities with another line of credit option.

The bank also escalated its educational outreach and has been involved in the improvement in educational curricula. The Board and senior management actively supports CRA training for all personnel and ensures all CRA regulatory requirements are met.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- o The bank has implemented sound marketing and advertising programs.**
- o These programs inform all segments of the bank's delineated communities of available loan products, including those developed to meet identified credit needs.**

FUNB-TN has developed a state level community reinvestment marketing plan targeted at improving the bank's overall participation and effectiveness in low- and moderate-income communities. The marketing plan was developed in conjunction with the corporate marketing plan and emphasizes the use of minority media. Another key component is the use of market penetration reports and audience profiles when developing marketing strategies.

FUNB-TN advertises specific credit products through local newspapers, direct mail campaigns, magazines, radio, billboards and telemarketing. Products advertised include affordable mortgages, home improvement loans, home equity lines of credit, automobile loans, credit cards and small business loans. Complete marketing and advertising records are maintained and reviewed for compliance with applicable laws and regulations.

During the spring of 1996, the bank produced and distributed a CRA newsletter to non-profit organizations within the state.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- o **Lending levels for housing related loans, consumer loans, and commercial loans indicate management’s responsiveness to the most pressing credit needs of their delineated communities.**
- o **FUNB-TN offers a wide variety of credit products throughout its delineated community. These products are correctly listed in the bank’s CRA Statement.**

The following table indicates an increasing trend in mortgage lending that shows the bank’s responsiveness to identified credit needs. The volume of consumer loans also shows an increasing trend over the same time frame.

Loan Originations		
Loan Type	#	\$ (000's)
Mortgage	3,389	196,211
Consumer	33,013	314,320
Small Business*	1,156	80,763
Total	37,558	591,294

* In 1996, loans to small businesses with gross annual revenues of \$1 million or less totals \$45 million (728 loans).

The 1996 CRA Statement for FUNB-TN correctly lists credit products available throughout its delineated communities. Examples of these products are as follows.

- o Housing Loans, including government insured and/or guaranteed loans (i.e. Federal Housing Authority, Veterans Administration).
- o Commercial or business loans.
- o Revolving unsecured credit, including VISA and MasterCard credit cards.
- o Student Loans.
- o Loans to individuals for consumer purposes (i.e. auto or other property).

- o Loans to local government units and non-profit organizations.

At the corporate level, First Union developed several specialized credit products in response to identified credit needs. These products, which include mortgages, a home improvement loan and a special auto loan, are designed for LMI borrowers. The flexible underwriting criteria for these products enable the bank to affirmatively address a substantial portion of identified credit needs. The specialized credit products listed below are offered by FUNB-TN. Features of these products are summarized in the comments.

Affordable Home Mortgage Loan

This product offers flexible terms to home buyers. The down payment requirement may be as little as 3% with loan amounts up to 97% of the value of the home. The underwriting guidelines allow higher debt ratios and there are no discount points charged for this loan.

Neighborhood Development Mortgage

This product was developed to encourage economic development and stability within LMI census tracts. Loans up to 95% of the home value are available to borrowers who purchase a home in a LMI census tract. The down payment requirement is only 5%, and only 3% of this must be from the borrower's own funds. Flexible underwriting guidelines are used.

Community Partnership Mortgage

This product was developed to enhance the bank's relationships with non-profit community organizations. Up to 100% financing is available to LMI borrowers purchasing a home who receive home buyers' counseling through one of the bank's community partner groups. Total debt guidelines are expanded to 40% of the borrower's gross monthly income.

Special Home Improvement Loan

This loan has flexible underwriting criteria and requires no origination fee. The borrower may choose either fixed or variable rate plans. Secured loans are offered from \$1,500 with a maximum term of 60 months, and unsecured loans are available from \$3,000 with a 180 month maximum term. The repayment terms are flexible which makes it easier for LMI borrowers to qualify. Under this program borrowers may qualify for a rebate of up to 2% of the interest paid each year if payments are made on a timely basis.

Special Auto Loan

The Special Auto Loan provides greater flexibility when purchasing a new or used (up to seven years of age) vehicle. The minimum loan amount is \$2,500 and the maximum term is 60 months. To make the payments more affordable, six months are added to the term of the loan.

To better address the credit needs of small businesses, First Union developed a **Small Business Banking Division (SBBD)** which also serves the Tennessee markets. The SBBD targets businesses with annual revenues of \$5 million or less. This Division addresses loan requests for

\$25,000 to \$350,000 and was established to expedite the loan process for small businesses. The table entitled **Loan Originations** includes the consumer portion of these loans.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- o **The bank participates in several government insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.**
- o **FUNB-TN provides loans to LMI individuals through partnerships with non-profit organizations that offer government subsidized loan programs and down payment assistance for LMI home buyers.**
- o **FUNB-TN also provides loans to assist small business owners through community organizations.**

The table below presents the bank’s originations under various government programs during the assessment period. Increasing trends in FHA and VA loans may be due to the addition of mortgage loan originators in Tennessee. Since May, 1996, the actual number of mortgage loan originators doubled in Tennessee. Management expects this trend in increasing volume to continue.

First Union began offering loans to small businesses on a corporate level through the centralized SBBD during the second quarter of 1995. The division is designed to provide prompt and efficient service by telephone within a 24-hour response time. The program’s success indicates an ability to help meet customer needs and helps to explain the slight decline in SBA guaranteed loans.

Government Loan Originations		
Loan Type	#	\$ (000's)
FHA	84	5,734
VA	96	7,379
Subtotal Mortgage	180	13,113
SBA	25	4,056
Total	205	17,169

Through partnerships with several non-profit organizations, FUNB-TN provided mortgages to a number of LMI individuals. Many of these organizations such as Affordable Housing of Nashville and Community Housing Partnership of Williamson County are assisted by government grants and/or subsidies. Refer to the **Community Development** section of this Public Disclosure for more details on these programs.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

FUNB-TN has identified reasonable community delineations which do not arbitrarily exclude any LMI areas. As discussed in the *Institution and Community Profile* section of this evaluation, FUNB-TN has identified and delineated communities in accordance with the requirements of the Community Reinvestment Act.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

- o The bank's geographic distribution of loans indicates reasonable penetration of all segments of the delineated communities, including LMI areas.**

FUNB-TN performs an annual analysis of its applications and lending patterns in each delineated community throughout the state. These analyses are used to assess performance for mortgage lending, consumer lending, small business, small farm and community development lending. Management considers demographic information and identifies LMI tracts for each community. This analysis also includes a process to identify potentially under served areas which are noted as "priority tracts". The identification of priority tracts focuses their attention on increasing loan volume and improving performance in these areas. CRA Action Plans are developed by bank management for all communities and reviewed on a quarterly basis in Tennessee. Monthly reports indicating the number of applications received from LMI areas relative to the LMI population and approval ratios are reviewed by FUNB-TN management. This additional information provides interim monitoring information for use in evaluating the effectiveness of the CRA Action Plans. These activities help management better understand community needs and provide an effective means of targeting resources.

The next table presents mortgage, consumer, and commercial lending by FUNB-TN and its affiliates. As a percentage of total loans, the bank's lending in the mortgage and consumer categories increased in LMI census tracts during 1996. This indicates the bank's responsiveness to the credit needs of its communities, particularly the LMI census tracts.

**LENDING IN LMI TRACTS IN TENNESSEE
(Bank Data)**

LOAN TYPE	1995 #	% of total # loans	1995 \$	1996 #	%of total # loans	1996 \$
Mortgage	182	13%	6,510	384	19%	17,350
Consumer	2,210	14	17,108	3,320	19	28,960
Small Business	N/A	N/A	N/A	438	23	81,940
Total	2392	14%	23,618	4,142	19%	128,250

Note: 1995 includes only 10 months from 1/1/95-10/31/95. 1996 includes 11/1/95-10/31/96.

HOME MORTGAGE DISCLOSURE ACT TABLES

The 1995 Home Mortgage Disclosure Act (HMDA) data for the bank and its affiliates combined are the sources used in the analyses of consumer real estate lending. This HMDA information uses median “family” income as the designation for LMI census tracts. For analysis purposes, HMDA data only shows activity in MSAs. This information is presented in Table 1 and Table 2 below.

Table 1 presents data on residential loans (i.e. home purchase, refinance, and home improvement) originated in LMI census tracts for each of the MSAs in FUNB-TN’s delineated community. In FUNB-TN’s largest market, the Nashville MSA, the bank’s percentage of residential loans in LMI census tracts is much greater than other lenders in the market. The smaller MSAs of Clarksville and Rogersville show reasonable penetration of LMI census tracts. Rogersville is slightly under the market average due to the mountain range that provides a natural barrier to the nearest branch. According to bank management, this LMI area has only 1,058 households and is located 15 miles from the nearest First Union office.

TABLE 1

AGGREGATE RESIDENTIAL LENDING by Income Level of CT - 1995.					
MSA	% of Owner Occupied in LMI CTs	Bank % of Loans in LMI CTs	Market %Loans in LMI CTs	BANK # of loans in LMI CTs	BANK \$ (000s)
Nashville	42%	20%	14%	137	5,317
Clarksville	20	10	5	10	264
Rogersville	73	6	9	5	157
Total	41%	18%	13%	152	5,738

Table 2 presents data on residential loans (i.e. home purchase, refinance, and home improvement) made to LMI borrowers. In all three MSAs, FUNB-TN makes a much greater percentage of residential loans to LMI individuals than other lenders in these markets.

TABLE 2

AGGREGATE RESIDENTIAL LENDING by Income Level of Borrower - 1995					
MSA	% LMI Families	Bank % of Loans to LMI Borrowers	Market % Loans to LMI	#	\$ (000s)
Nashville	38%	32%	26%	212	\$7,650
Clarksville	38	21	15	21	576
Rogersville	41	36	27	32	465
Total	38%	29%	24%	265	\$8,691

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- o **The bank's record of opening and closing offices has not adversely affected the level of services available in low- and moderate-income areas.**

The bank offers service to its customers through 86 branches. During this evaluation period, FUNB-TN closed 4 branches. One of the branches closed was located in a low- and moderate-income neighborhood. Before branches in low- and moderate-income areas are closed, management normally contacts influential members of the local community to discuss the potential closing and adverse impact on the community.

Also, the "Branch Closings, Consolidations and Reductions in Service" policy requires management to perform a detailed analysis prior to reducing services or closing any branches in any low- to moderate-incomes areas. This analysis includes the potential impact to residents and alternative solutions to a proposed reduction in service.

The bank applied these established procedures to the four branches which were closed. Their actions did not have a significant adverse impact on low- and moderate-income individuals and/or communities. The **Branch Closing, Consolidations and Reductions in Service Policy** provides guidelines for :

- branch closures,
- branch consolidations,
- branch relocations,
- reductions in service, and
- branch/ATM divestitures.

A review of the policy shows that First Union has adopted a strategy to reduce the number of branch facilities while improving the overall level of service to its customers. The corporation has pledged to adopt effective written policies and procedures that minimize any adverse effect such actions may have on the communities served.

First Union policy requires each bank to:

- objectively determine those branches which should be closed, consolidated, or have services reduced;
- consider alternative solutions such as adjusting branch hours and services, including the use of ATMs;
- identify and examine options that minimize potential adverse effects and inconvenience on the communities; and
- communicate anticipated changes to affected customers and communities with sufficient advance notice to minimize adverse effects and inconvenience.

Before taking action, each bank evaluates several factors outlined in the policy. If the bank decides to proceed, management completes the appropriate forms to obtain final approval from the bank President and Board of Directors. The CRA coordinator receives copies of the forms. When an action impacts a low- and moderate-income community, the policy outlines that one or more of the following steps be taken as appropriate:

- complete an analysis,
- make community contacts, and/or
- review the credit need ascertainment calls.

These steps help to identify other alternatives and to more fully evaluate the issues. Bank management uses input from the Marketing Division, Real Estate Division, and State CRA Coordinator to explore potential remedial actions to improve any identified recommendations.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- o **The bank solicits credit applications from all segments of the community, including low and moderate income areas.**
- o **We did not find any practices intended to discourage credit applications on a prohibited basis.**

FUNB-TN actively solicits applications from all segments of its delineated communities including low- and moderate-income areas. The Board and management have developed a number of programs to ensure compliance with fair lending laws and provide equal access to credit.

Management committees have been formed to oversee the bank's fair lending initiatives. Major departments of the bank are represented on these committees, including a corporate department which was created to manage the overall fair lending activities of the company.

Detailed, formal policies, procedures and training programs have been developed to help ensure the institution does not illegally discourage or pre-screen applicants. First Union has developed and provided a fair lending training program for its employees to ensure they understand the legal requirements as well as bank policies and procedures. The company uses videos, formal training sessions, and on-the-job training to ensure employees become familiar with the fair lending laws and regulations. In addition, the bank conducts diversity training sessions for its employees.

FUNB-TN has established several processes to ensure applicants are treated fairly. These processes include, but are not limited to, a "second review" program and a comparative analysis

of loan files. The bank conducts a second review on proposed denials of loans subject to HMDA. This review occurs prior to the issuance of a denial or adverse action notice to the applicant(s). The comparative loan review process, applied on a regular basis, enables the bank to monitor compliance with fair lending laws and to assess the effectiveness of its fair lending programs. The process includes activities to evaluate actions for fair treatment of all applicants.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

o We noted no evidence of discrimination or other illegal credit practices.

We performed an examination for compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA) in conjunction with this CRA examination. We reviewed the bank's policies and procedures for conformance with these laws and regulations, and conducted tests to check for any areas of noncompliance. Our comparative file analyses for racial and gender discrimination did not detect any instances of illegal disparate treatment or discrimination.

The comparative file review of HMDA applications received during 1995 tested First Union actions to determine if any instances of racial discrimination occurred. We reviewed and compared 368 denied minority transactions to 645 approvals for white applicants sampled from all national banks within First Union plus its mortgage company. The above total includes 315 minority denials and 502 white approvals originated by all of the individual banks. The remaining applications represented 53 minority denials and 143 white approvals received by First Union Mortgage Corporation. In accordance with OCC procedures, minorities selected for comparison purposes represented American Indian, African American, and Hispanic applicants.

The other aspect of our testing included a comparative file review for gender discrimination. For automobile loans through one of the corporation's significant lending units, we reviewed and compared 124 denied female applicants to 226 approved male applicants.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- o **FUNB-TN actively participates in development/ redevelopment programs within its community.**
- o **Bank management and employees often take a leadership role in community development programs.**

The FUNB-TN community development activity totaled \$125 million for the assessment period. This includes loans and investments for affordable housing, small businesses, downtown revitalization, education and other community purposes such as a loan to the county hospital in Rogersville, sewage systems and school buses in Ashland City. This amount also includes the bank's \$150 thousand investment in Citizens Bank, a minority-owned financial institution and their donations to organizations that assist LMI individuals or LMI areas. Examples of the bank's community development activity follows in the remaining comments.

AFFORDABLE HOUSING

Multifamily Housing

The bank's investment tax credits (ITCs) and loans extended for the purchase, construction, and/or renovation multifamily housing properties for LMI individuals are presented below. This level of involvement indicates the bank's responsiveness to the identified need for affordable housing.

DATE	LOCATION	NAME OF PROPERTY	LOANS \$(000's)	ITCs \$(000's)	TOTAL \$(000's)
1995	Memphis	The Exchange	\$6,429	\$7,155	\$13,584
1995	Greenbrier	Greenridge Apartments	5,503	382	5,885
1996	Memphis	Pendleton Pines	4,538	506	5,044
1996	Knoxville	Flenniken Square Apartments	3,036	236	3,272
TOTALS			\$19,506	\$8,279	\$27,785

Single Family Housing

Affordable Housing of Nashville (AHN)

AHN is a non-profit agency that helps LMI families find a home. Through the Waller Fund, AHN provides down payment and closing assistance to first time home buyers. This agency receives funding from HOME grants and various other donations. During the assessment period FUNB-TN closed 11 mortgages totaling **\$605 thousand**. The Waller Fund Assistance totaled \$34 thousand for these 11 loans. Members of management from FUNB-TN assumed a leadership role in assisting this agency in structuring programs for LMI individuals and families.

Community Housing Partnership of Williamson County (CHPWC)

Williamson County is Tennessee's highest median income county, and this agency was formed in 1994 to meet the housing needs of that county. In 1995 FUNB-TN made a **\$73 thousand** loan to CHPWC to purchase a triplex for housing for 3 low income families. In 1996, the bank issued a **\$50 thousand** line of credit for use in older home rehabilitation. CHPWC was awarded a \$58 thousand HOUSE grant from HUD and the line of credit has enabled them to rehab homes before reimbursement from HUD. As a result of the grant and the FUNB-TN's line of credit, \$51 thousand has been used to rehab 3 homes in 1996.

Woodbine Community Organization (WCO)

This community organization located in south Nashville primarily focuses on affordable housing. They are a non-profit housing developer. Typically they receive free lots from the city and use CDBG or HOME grants to build new houses. In 1995, FUNB-TN provided 2 mortgages to low-income families totaling **\$76 thousand**. In partnership with WCO, FUNB-TN provided leadership and technical assistance through the development of the first Home Buyers Club in February, 1996. Participants meet once a month for a year to receive technical assistance including education on credit, budgeting, savings and the home buying process. A bank representative and a WCO official counsel each individual and assist them in developing a plan for the next year. FUNB-TN agrees to make a mortgage as long as there is no adverse change in the financial condition once the program is completed. Three loans have closed totaling **\$200 thousand**. There are 3 additional participants who have been qualified for mortgages.

This organization is currently constructing a second senior citizens center to house 5 LMI senior citizens or handicapped persons. This center is located in the Nashville Enterprise Zone. The majority of the funding came from a 1996 HOME grant, however, FUNB-TN committed to finance the balance of **\$50 thousand** on 4/1/96. The center is currently under construction and the loan will be funded upon completion. FUNB-TN financed the first center, Woodbine Senior Center, in 1994. This center was selected as a national finalist for HUD's Best Project Award for the best uses of HUD funds.

Fayetteville Housing Development Corporation

In 11/94 FUNB-TN committed land acquisition and construction funds totaling **\$41 thousand** for up to 12 homes to be constructed for LMI income families. Two of the twelve have been completed. FUNB-TN will assist the buyers in qualifying for an Affordable Mortgage Loan. In 2/95 these lines were fully drawn and the bank made a term loan for the balance in 12/95. This area has experienced numerous layoffs and business closings recently which impacted many LMI individuals and their ability to qualify for a mortgage. The builder is currently renting the properties and working with the families to arrange permanent financing.

Montgomery County Regional Planning Commission (MCRPC)

In Clarksville, the MCRPC had grant money available to rehabilitate homes, however, people were having difficulty finding loans to purchase homes that needed so much work. FUNB-TN partnered with this organization by making the first mortgage to applicants who qualify for the housing rehabilitation program. FUNB-TN closed 5 loans in 1995 totaling **\$110 thousand**, and 4 loans totaling **\$145 thousand**, in 1996.

SMALL BUSINESS

Minority Business Development Center (MBDC)

This Nashville based organization provides consulting services to small minority businesses throughout the state. FUNB-TN committed \$1 million for loans to minority businesses. To date 7 loans totaling **\$380 thousand** have been made. These businesses are located Nashville, Lewisburg, Hendersonville, Gallatin, and Springfield.

Sirrom Capital Corporation (SCC)

This is a small business investment company that makes loans to small, privately owned companies. First Union Capital Markets syndicated a \$50 million revolving line of credit on behalf of SCC. FUNB-TN funded \$25 million of this.

Tennessee Network for Community Economic Development (TNCED)

This is a statewide association of community organizations who advocate for the creation and expansion of community economic development. FUNB-TN assisted in creating a peer lending group for small businesses at Woodbine Community Organization. TNCED provides small business education and technical assistance to this group. In 3/96 FUNB-TN provided a \$30 thousand line of credit to fund micro loans to the group. The micro loans may be as little as \$250 up to \$5 thousand. From 3/96 through 12/96 five micro loans totaling **\$2 thousand** were made under this line of credit.

Donations

FUNB-TN contributed approximately \$220 thousand to various community, educational and non-profit organizations. These organizations help to meet housing, education, and child care needs for LMI individual as well as provide assistance to small businesses. These donations include monetary contributions as well as the donation of a former branch office site.

FUNB-TN donated numerous computers, printers, monitors, office equipment, and office furniture to several non-profit organizations and schools throughout the state. The bank also donated sporting goods to a number of community and non-profit organizations for use in their youth programs that serve LMI individuals.

Assessment Factor K - The institution's ability to meet various community needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- o **The bank's performance in helping to meet community credit needs is consistent with its size, financial capacity, location and economic conditions.**

There are no limitations that may prevent FUNB-TN from fulfilling its obligations under the Act based on its financial condition and resources. The Institution and Community Profile Section of this Evaluation provides additional information.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- o **FUNB-TN management and employees participates in a number of meaningful activities that contribute to its efforts in meeting the credit needs of its entire community.**

Educational Programs

Choices & Decisions: Taking Charge of Your Life is an educational program designed for high school students which is developed by Visa U. S. A., in cooperation with the United States Office of Consumer Affairs and the National Consumers League. The program teaches personal financial management skills to students throughout the state. FUNB-TN administered this program at eight schools in Tennessee.

School Savings Banks are offered by FUNB-TN in partnership with elementary and middle schools throughout the state. The School Savings Banks are designed to assist students in

learning the importance of saving money. The students operate the bank with the assistance of a bank employee and they learn to handle money carefully and responsibly. They also learn customer service skills as they operate the banks. FUNB-TN pays the regular savings interest rate for these deposits and sends each customer a quarterly statement. FUNB-TN currently has established eight School Savings Banks. The schools are located throughout the state.

In addition to educational programs for school children, FUNB-TN frequently conducts seminars on various topics throughout the state. In 1995 and 1996 the bank held 92 seminars on topics of particular interest to LMI individuals. These programs include information on the bank's affordable mortgages, budget and credit, economics and banking, small business and home buying.

ADDITIONAL INFORMATION

Corporate and Local CRA Programs

FUNB-TN has access to the Corporate CRA staff based in Charlotte, North Carolina, which coordinates CRA activities throughout First Union. The Corporate CRA staff provides various types of support which include analytical tools and communications, such as publication of a CRA newsletter. Several aspects of the bank's CRA activities have been influenced by the parent company, First Union Corporation. The remainder of this section summarizes basic components of the corporate program.

CRA Policy

The First Union Community Reinvestment Policy has been updated to reflect the recent changes in CRA and has been distributed to all of the individual banks. The policy was designed to provide overall guidance to the Corporation, its Directors, management and all employees to continually renew the First Union dedication and commitment to serve credit needs of all its communities. Administration of the policy remains a corporate-wide responsibility under the overall direction of the Boards of Directors for First Union and each state.

CRA Organization Structure

The Boards of Directors have identified committees and individuals to focus on CRA activities and to receive periodic reports to help keep the Directors informed. The Boards receive administrative support for CRA through committees, local advisory boards, officer positions and teams that work closely with CRA related activities.

The corporate and bank Audit Committees monitor compliance for their respective Boards and report to the Directors at least quarterly. The Audit Committees receive quarterly reports from the Director of Community Reinvestment at the corporate level or from the appropriate Regional CRA Coordinator at the bank level.

The Corporate CRA Steering Committee has overall responsibility to implement the policy throughout First Union. This committee monitors and supervises compliance with the policy on behalf of the Boards of Directors. The Vice Chairman of the corporation chairs the committee which includes executive officers from major department areas and bank presidents for each state.

Regional CRA Self-Assessment Committees have the overall responsibility to implement the policy in the states and to assess compliance with policy relative to performance. For each region, this committee reviews and analyzes the ascertainment efforts as well as the results to address community credit needs. The state President chairs this committee.

The Corporate CRA Staff has the responsibility to interface with the CRA committees to implement the policy throughout the corporation. Included as part of this staff, a senior level officer serves as the Corporate Director of Community Reinvestment. The ongoing activities

relative to CRA are undertaken by other officers who serve as Assistant Director of Community Reinvestment, CRA Lending Manager, Fair Lending/Home Mortgage Disclosure Act Manager, Communications Manager, Regional CRA Coordinators and Community CRA Coordinators.

Regional CRA Coordinators have the responsibility to interface with the Corporate CRA Staff and the appropriate state CRA committee to implement the policy in each state. The state coordinators receive support from the various local area coordinators.

Reporting

The policy requires no less than quarterly reports to the Board of Directors, or committees thereof. First Union also uses quarterly data for most reports as it implements the policy and monitors community reinvestment performance focusing on results.

CRA Plans

A formal CRA Plan to direct the CRA activities is in process of being updated to reflect the changes in the regulation. The plan will serve to affirm the company's commitment to help meet the needs of low- and moderate-income individuals in community serviced by the First Union banking operations. The plan will highlight the overall process to implement the Community Reinvestment Policy.

Board Reviews

In addition to periodic reports, the Board reviews other CRA related material. Annually, the Board reviews and adopts the bank's CRA statement and the local community delineations. The Board also approves the CRA plan which contains policies and procedures for implementing CRA.

Self-Supervision

First Union and its subsidiary banks have established a system to ensure compliance with the basic technical requirements of the Act. The corporation relies upon the Internal Audit Division and the Regulatory Compliance Division to monitor performance and test compliance under the Act. In addition, the Branch Operations area has the responsibility to monitor compliance with the technical requirements of the Act.

Regional Self-Assessments

First Union has implemented a process to evaluate its own performance under the Act. Regional self-assessments of performance have been made on an annual basis. The Regional CRA Self-Assessment Committee receives reports on the evaluation results. Each bank uses other, more frequent, reviews in the interim to monitor the progress of each community.

CRA Training

Board of Directors and senior management have supported CRA training for bank and corporate personnel. The CRA related training conducted in 1996 adequately covered the technical and regulatory requirements of the Act, CRA reform and a reemphasis on roles and responsibilities. Throughout First Union, training was provided to the Board of Directors, senior management, area presidents, CRA coordinators, Self-Assessment Committee members, branch managers, lending officers, tellers and customer service representatives. Computer based training was also provided to new and existing employees. The CRA Manual used in the training sessions, which is in process of being updated to reflect the regulations revisions, serves as a reference tool at the branch levels. First Union also included training sessions directed to promote fair lending throughout the corporation.

CRA Public File

We encourage the readers of this Performance Evaluation to contact the bank to review information contained in the public file.