



**Comptroller of the Currency
Administrator of National Banks**

Nashville Field Office
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Brentwood, Tennessee 37027

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PUBLIC DISCLOSURE

December 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter # 8673
200 East Broadway
Lenoir City, Tennessee 37771**

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

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

GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank, Lenoir City, Tennessee**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 5, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The bank's loan to deposit ratio is reasonable. They have made a substantial majority of loans within their assessment area. The distribution of credit to individuals of different income levels is good. Geographic distribution of credit within the assessment area shows reasonable penetration in low- and moderate-income tracts. And, we found no evidence of discrimination or other illegal credit practices during our review.

The following table indicates the performance level of **First National Bank, Lenoir City, Tennessee** with respect to each of the five performance criteria.

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

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a \$232 million institution with the main office and four branches. The bank is based in Lenoir City, Tennessee located in Loudon County approximately 20 miles southwest of Knoxville. The bank's primary business is residential real estate and consumer lending. There are no financial or legal impediments that would impair the bank's performance under the Community Reinvestment Act.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes all of Loudon County, nine census tracts in Knox County, one census tract in Blount County, and several block numbering areas (BNAs) in Monroe and Roane Counties. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 1990 census reported the assessment area's population at 133,924. The 1997 median family income for the Knoxville Metropolitan Statistical Area (MSA) is \$40,600 while the statewide non-metropolitan median family income is \$33,200.

At year end 1996 the Loudon County unemployment rate was 3.4%, well below the state and national levels of 4.7% and 5%, respectively. Major employers in the area include: Maremont Corporation (exhaust systems), Monterey Mushrooms, Purdy Brothers (transportation), Yale Norton (security products) and Kimberly-Clark Corporation (cellulose). The bank experiences moderate competition from several local banks and regional branches, a credit union and various finance companies.

We have contacted two local community leaders to identify community credit needs. These contacts stated that community credit needs include affordable housing, low interest loans for first time home buyers, small business loans and Small Business Administration (SBA) loans. According to the contacts, bank involvement in the local community is good. The bank has determined through their community contacts that local needs include: home loans that do not meet the secondary market requirements, small consumer loans and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

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

The average loan-to-deposit ratio since the previous CRA examination (May 25, 1995) is satisfactory at 64.82%. The ratio has ranged between a low of 61.45% and a high of 67.21% during this period. Its ratio is somewhat lower than both similarly situated banks nationally (70.10%) and financial institutions within the bank's assessment area (69.62%). The lower ratio is a function of moderate loan demand and management's desire to concentrate on making loans within their assessment area rather than increase the ratio by purchasing loans.

Comparison of Credit Extended Inside and Outside the Bank's Assessment Area

- **A substantial majority of loans made are in FNB's assessment area.**

The following table indicates the volume of loans by number, made during the first three quarters of 1997 within and outside the bank's assessment area.

	Mortgage	Consumer	Commercial	Total
In Assessment Area	92%	92%	81%	90%
Outside Area	8%	8%	19%	10%

Distribution of Credit Based on Borrower Income and Business Revenue

- **The distribution of credit reflects good penetration among individuals of different income levels and businesses of different sizes.**

The CRA Officer completes a quarterly analysis of the distribution of new mortgage and consumer loans made in the assessment area based on the borrower's income. The analyses of 1996 and 1997 through third quarter indicate that a reasonable amount of

loans, both by number and dollar volume, are made to low- or moderate-income individuals.

Income Category*	1996 % by dollar	1996 % by number	1997 % by dollar	1997 % by number	Families in Area
Low Income	6%	20%	8%	28%	15%
Moderate Income	13%	27%	17%	27%	13%
Middle Income	20%	23%	22%	21%	19%
Upper Income	61%	30%	53%	24%	54%
* calculated using Weighted Average of MSA/Non-MSA's Updated Median Family Income					

As the above table indicates, the percentage of loans made to both low- and moderate-income individuals is higher than the percentage of low- and moderate-income families in the area.

FNB implemented a “*Community Housing Program*” in 1991. They annually promote this program and continue to make these loans available to low- and moderate-income individuals. The loans are made to purchase, remodel or repair the borrower’s residence. The bank has established maximum income guidelines, debt ratios, loan amounts and loan-to-value ratios that are used for loans in the program. These vary from their typical underwriting guidelines. As of November 30, 1997, 162 loans in this program approximated \$2,615,000.

In addition to loans made to individuals, FNB made 499 new commercial loans totaling \$19,140,000 to businesses in the assessment area during the first nine months of 1997. Nearly all of the loans were made to small businesses (annual revenues of less than \$1,000,000) or small farms (annual revenue of less than \$500,000).

Distribution of Credit Within the Assessment Area

- **The geographic distribution of loans reveals satisfactory dispersion throughout the assessment area.**

FNB’s assessment area includes all of Loudon county, nine census tracts in Knox county, one census tract in Blount county, and five BNAs in neighboring Monroe and Roane counties. Only two tracts within this area are moderate-income census tracts.

The remaining tracts are middle- or upper-income census tracts. Other moderate- or low-income census tracts within the Knoxville MSA are not reasonably serviceable by FNB due to distance from their branches or other geographic barriers. These areas are serviced by other financial institutions.

The following chart provides the breakdown of the volume of consumer and mortgage loans by number made in each census tract or BNA within FNB's assessment area. It shows good penetration in the moderate-income tracts relative to the number of those tracts.

Census tract and/or County	Number Volume of Loans	Census tract and/or County	Number Volume of Loans
Loudon County 601*	11.29%	Knox County 46.02	.71%
602*	24.95%	46.03	.25%
603*	13.71%	46.04	.30%
604	1.61%	57.02	.60%
605	8.12%	57.03	.30%
606*	12.95%	58.01*	2.42%
607	4.59%	58.02	2.22%
Roane County	7.26%	59.01	3.48%
Monroe County	3.23%	59.02	1.46%
Blount County 116.01	.55%		
Low or Moderate Income Tracts		38.90%	
Middle or Upper Income Tracts		61.10%	
* Location of Branch or Main Office			

Response to Complaints

No complaints have been received since the previous examination.

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

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

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