



Comptroller of the Currency
Administrator of National Banks

5200 Maryland Way, Suite 104
Brentwood, Tennessee 37027-5018

PUBLIC DISCLOSURE

July 23, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples National Bank of LaFollette
Charter No. 12467
100 West Central Avenue, P.O. Box 1221
LaFollette, TN 37766**

**Comptroller of the Currency
Administrator of National Banks
Nashville Duty Station
5200 Maryland Way
Suite 104
Brentwood, TN 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 the **Peoples National Bank of LaFollette** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of July 23, 1996. 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**.

Peoples National Bank of LaFollette originated loans to individuals of different income levels throughout their assessment areas in Campbell and Anderson Counties. A substantial majority of the bank's lending activity is within the assessment areas and the level of lending is reasonable given the bank's size, financial condition, and the needs of the communities.

The following table indicates the performance level of **Peoples National Bank of LaFollette** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>PEOPLES NATIONAL BANK OF LAFOLLETTE</u> 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		X	

Description of Peoples National Bank of LaFollette

Peoples National Bank of LaFollette (Peoples NB) has served the credit needs of the Campbell County areas south of Cumberland Mountain since 1923. Peoples NB operates offices in LaFollette, Jacksboro, and on Appalachian Highway north of LaFollette. By opening a full-service office in Norris, Peoples NB began serving the

needs of consumers in the Lake City, Norris, and East Clinton areas of Anderson County in 1994. The bank manages \$94 million in assets. The bank is a subsidiary of Peoples National of LaFollette Financial Corp., a one-bank holding company headquartered in LaFollette, Tennessee.

Peoples NB offers a variety of consumer, real estate, and commercial loans. These include: secured and unsecured loans as low as \$1,000, fixed-rate mortgages with 24, 42, and 60 month terms which pay on a 10-20 year amortization, mortgage loans with no minimum loan amount, and residential and commercial construction loans.

Peoples NB's primary lending purpose is to fund residential construction and mortgage loans. As of June 30, 1996, the bank's loan portfolio consisted of residential mortgages (60%), commercial loans (24%), and consumer loans (16%). As of examination date, net loans were 44% of average assets. There are no impediments hindering the institution from meeting credit needs in its assessment areas.

Description of *chosen assessment area within Campbell County*

Campbell County, located south of Cumberland Mountain, comprises the bank's first assessment area (AA). The AA meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. Campbell County is a non-MSA county. Campbell County is in eastern Tennessee, north of Knoxville. This assessment area has five financial institutions to meet local credit needs, all of which are community banks. The population has steadily grown through retirees and Clinton/Knoxville workers establishing their home in this area.

Based on 1990 census data, Campbell County's median family income was \$21,713 and the unemployment rate was 4%. There are nine Block Numbering Areas (BNA's) within the AA, of which two are moderate income and seven are middle income. The income levels of the residents of the AA are as follows: Low income (29.7%), Moderate income (18.46%), Middle income (21.29%), and Upper income (30.55%). The areas main industry is recreation. Local businesses include a medical center, a roofing company, marinas, restaurants, small industrial manufacturers, and residential construction and development. Major employers in the AA are A&S Steel, Lincoln Brass, and Royal Medical Supply. Overall, the economic condition is poor due to the areas heavy reliance on the coal mining industry. The two community members (a local politician and a local Realtor) we contacted during our examination indicated residential construction and small business loans were the community's primary credit needs.

Description of *chosen assessment area within Anderson County*

Three census tracts in Anderson Anderson County comprise the bank's second assessment area. These census tracts are contiguous to Campbell County, just north of Knoxville. This AA meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. Anderson County is included in the Knoxville, Tennessee Metropolitan Statistical Area (MSA). The remaining census tracts of Anderson County, along with the five other counties of the Knoxville MSA have been excluded from the bank's AA. This assessment area has nine financial institutions to meet local credit needs. Six of these are community banks and three are offices of regional banks.

Based on 1990 census data, Anderson County's median family income was \$29,693 and the unemployment rate was 3%. Of the three census tracts in the AA, one is moderate income and two are middle income. The income level distribution among the AA residents are as follows: Low income (23.99%), Moderate income (19.05%), Middle income (24.97%), and Upper income (31.99%). The overall economy in this AA is better than in Campbell County due to this AA's proximity to Knoxville. Major employers for this AA include those located in Knoxville such as University of Tennessee, regional banks, and local hospitals. Due to this AA's proximity to Campbell County the community contacts and major credit needs apply here as well.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

o Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable. Between June 30, 1994 and March 31, 1996, Peoples NB loaned an average of 50% of the funds deposited with the bank, which is reasonable. The average loan to deposit ratio for the similarly situated banks was 55%. The similarly situated banks are the four other community banks located in Campbell County. We also considered the level of local competition, the stable economy, steady loan demand, and demographic information when we reached this conclusion.

o Lending in Assessment Areas

A substantial majority of the bank's lending activity is within its assessment areas. From November 1995 through July 15, 1996, Peoples NB originated 1,147 loans, of which 90% of these were within their Campbell County and Anderson County assessment areas. In the same period, the bank originated 553 housing related loans, of which 538 or 97% were within the AA's. In terms of dollar volume, 94% of the housing loans were originated within the AA's. The average mortgage loan amount

was \$13,717 in 1995. In the first six months of 1996, the average mortgage loan amount was \$20,482.

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

The bank lends to borrowers of different income levels. The first set of tables reflects median family income levels for each assessment area. (The term “median family income” is the income earned by people sharing a home that are related by birth, marriage, or adoption.) The second set of tables illustrate the bank’s lending patterns within these income levels.

Income Level Definitions - Assessment Area within Campbell County

Low	(<50% BNA* median family income) =	< \$10,857
Moderate	(50-80% BNA* median family income) =	\$10,858 - \$17,370
Middle	(80 - 120% BNA* median family income) =	\$17,371 - \$26,056
Upper	(>120% BNA* median family income) =	\$26,057 >

*A BNA (Block Numbering Area) is an area defined by the Bureau of the Census for information gathering purposes. Campbell County is a non-MSA county.

Income Level Definitions - Assessment Area within Anderson County

Low	(<50% MSA** median family income) =	< \$14,846
Moderate	(50-80% MSA** median family income) =	\$14,847 - \$23,754
Middle	(80 - 120% MSA** median family income) =	\$23,755 - \$35,632
Upper	(>120% MSA** median family income) =	\$35,633 >

**An MSA is an area defined by the Bureau of the Census for information gathering purposes. In this case, it is the Knoxville, Tennessee MSA.

The bank’s 1995 and year-to-date level of housing-related lending to individuals within these income levels is reflected in the table below. Housing-related loans include: conventional mortgages, home improvement, refinanced mortgages, and non-occupant housing-related loans.

Total Housing-Related Loans - Assessment Area within Campbell County

Income Level	Number of Originated Loans	Dollar-amount of Originated Loans	Percentage of Population by Income Level
Low	102 or 20%	\$495,000 or 6%	30%
Moderate	82 or 16%	\$524,000 or 7%	18%
Middle	127 or 25%	\$1,611,000 or 20%	21%
Upper	196 or 39%	\$5,348,000 or 67%	31%
Total	507	\$7,978,000	100.00%

Total Housing-Related Loans - Assessment Area within Anderson County

Income Level	Number of Originated Loans	Dollar-amount of Originated Loans	Percentage of Population by Income Level
Low	4 or 13%	\$12,000 or 2%	24%
Moderate	5 or 16%	\$37,000 or 5%	19%
Middle	16 or 52%	\$389,000 or 52%	25%
Upper	6 or 19%	\$310,000 or 41%	32%
Total	31	\$748,000	100.00%

In addition, we reviewed a sample of twelve unsecured consumer loans which the bank originated in 1995. The results of this sample also support that the bank lends to individuals of all income levels. The dispersion of these loans among the different income levels within both assessment areas was: Low - 2, Moderate - 5, Middle - 4, and Upper - 1. Based on the analysis performed on housing loans and a sample of unsecured loans, the loan distribution approximates the income characteristics of the assessment area.

We also analyzed the bank's level of lending to small businesses. We found that 100% of the commercial loans originated in 1995 were to small businesses. Based on our sample, the loan amount ranged from \$30 thousand to \$1.2 million.

o Geographic Distribution of Loans

A geographic distribution of the bank's lending activity in 1995 and 1996 reflected a reasonable dispersion of loans throughout both assessment areas. Campbell and Anderson Counties do not contain any "low-income" areas as defined by the Bureau of the Census. Two of the nine BNAs within the Campbell County assessment area are "moderate-income" areas. These are BNA numbers 9501 and 9506. These areas include Stinking Creek and LaFollette, respectively. One of the three census tracts within the Anderson County assessment area is a "moderate-income" area. This is census tract 208 which contains Lake City. The following tables illustrate the dispersion of housing-related loans in 1995 and the first six months of 1996. The tables illustrate that the bank has reasonable penetration into all census tracts and BNA's within its AA's.

**Number of Loans Originated in the Assessment Area
within Campbell and Anderson Counties**

Location	BNA	11/95 - 7/96 Originations
Stinking Creek, Duff	9501	105 or 10%
Clinchmore, Caryville, Vasper	9504*	118 or 11%
Jacksboro	9505	150 or 14%
LaFollette	9506	122 or 12%
LaFollette	9507	176 or 17%
Appalachian Hwy., Speedwell	9508	85 or 8%
Fincastle	9509**	90 or 9%
Coolidge	9510	80 or 8%
Jacksboro	9511***	59 or 6%
Lake City	208****	15 or 1%
Norris	209.01*****	28 or 3%
Clinton	209.02	8 or 1%
Total		1,036 or 100%

*9504 contains the Norris Dam State Park and public lands and parks

**9509 contains part of Chuck Swan Wildlife Management Area and public lands

***9511 contains the Cove Creek Peninsula Wildlife Mgmt. Area, public lands and parks

****208 contains River Bluff Small River Wild Area

****208.01 contains Norris Municipal Park

o Response to Complaints

The bank has not received any substantiated complaints about its performance in meeting assessment area credit needs.

o Compliance with Antidiscrimination Laws and Regulations

A fair lending examination was performed in conjunction with our CRA evaluation. No violations of the substantive provisions of antidiscrimination laws and regulations were found.