



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

February 7, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**North Georgia National Bank
Charter Number 23547
350 West Belmont Drive
Post Office Box 965
Calhoun, Georgia 30703-0965**

Office of the Comptroller of the Currency

**Southeastern District
Georgia Field Office
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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 **North Georgia National Bank (NGNB)**, Calhoun, Georgia prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 7, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas within a **MSA**. These areas are determined by the U. S. Census Bureau in an attempt to group homogeneous populations. A **CT** has defined boundaries per ten-year census and an average population of 4,000.

Median Family Income (MFI) - The median income as determined by the U. S. Census Bureau. This amount is based on estimates developed by the Department of Housing and Urban Development and is updated annually.

Low-Income - Income levels which are less than 50% of the **MFI** of the **MSA**.

Moderate-Income - Income levels which are less than 80% of the **MFI** of the **MSA**.

Middle-Income - Income levels which are less than 120% of the **MFI** of the **MSA**.

Upper-Income - Income levels which are 120% or greater of the **MFI** of the **MSA**.

Community Reinvestment Act (CRA) - This statute requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2901 and 12 CFR 25 as amended, respectively.

Home Mortgage Disclosure Act (HMDA) - This statute requires certain mortgage lenders that do business or have banking offices in a **MSA** to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of applicant(s), the amount of loan requested and its disposition (e.g. made, denied, or withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase and home improvement, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2801 and 12 CFR 203 as amended, respectively.

INSTITUTION'S CRA RATING: This institution is rated **A Satisfactory Record of Meeting Community Credit Needs.**[@]

NGNB's performance rating is supported by the following:

- C a satisfactory loan-to-deposit ratio;
- C a satisfactory record of lending within the assessment area;
- C a satisfactory record of lending to borrowers of different incomes and to businesses of different sizes; and,
- C a reasonable distribution of loans by geography.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	NGNB 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 have been received since the bank opened for business.		

DESCRIPTION OF INSTITUTION

NGNB is a "de novo" and independent community bank located in Calhoun, Georgia. The bank was chartered in February 1999 and is located in the northeastern portion of Georgia in Gordon County. Gordon County is approximately 60 miles north of Atlanta, Georgia. The bank is not a subsidiary of a bank holding company.

NGNB is a \$24 million commercial bank operating from one office located at 350 West Belmont Drive.

The bank has a loan portfolio approximating \$17 million as of December 31, 1999 with net loans to total assets of 68%. Lending activity is centered in consumer loans (24%), residential loans (24%), non-farm and non-residential loans (10%), real estate construction and development loans (2%) and commercial and industrial loans (40%). Total deposits in the bank approximate \$17 million with capital accounts aggregating \$ 7 million.

The bank offers a variety of traditional deposits and loan products with small business and consumer loans being its primary credit products. The bank specifically targets those commercial businesses with sales between \$750 thousand and \$3 million. The bank also has provided an automated teller machine at its main location for customer convenience. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area.

Because the bank was recently chartered in February 1999, a CRA examination has not been performed.

DESCRIPTION OF ASSESSMENT AREA

NGNB's assessment area meets the technical requirements of the Act and does not arbitrarily exclude low and moderate income census areas. In fact, there are no low and moderate income census tracts in Gordon County.

The bank's assessment area is described as all of Gordon County and consists of 10 census tracts in a non-Metropolitan Statistical Area (MSA). According to the 1990 United States Census, the population of this defined area is approximately 35 thousand. The census median family income for the assessment area is \$26,691. The Department of Housing and Urban Development's (HUD) *updated* median family income estimate for Gordon County is \$37,500.

Gordon County - Calhoun, Gordon County, Georgia is located on US Interstate 75, one hour north of Atlanta, Georgia, and forty-five minutes south of Chattanooga, Tennessee. Gordon County remains basically a rural community with 130 manufacturing companies that make a broad range of products for world markets. According to figures prepared by the Georgia Department of Industry, Trade, and Tourism, manufacturing leads in employment with 45% (75,438) of the labor force in the Gordon County trade area (Gordon plus six contiguous counties). The economy is highly dependent upon carpet manufacturers such as Mohawk Industries, Carriage Carpets, American Rug Craftsman, and Mannington Carpets. Unemployment for the county is 5.3%. Within manufacturing, textiles are the leader, followed by outboard motors, and heavy equipment. Industrial support services available in Calhoun include buildings, fabricating and electric motor repair.

Also, agriculture is strong and diverse in Gordon, County, with a total value exceeding \$355 million. Poultry is the leader with an annual value of over \$97 million. Livestock, including beef cattle, swine, and dairy cows, account for another \$5 million.

COMMUNITY CONTACTS - As part of our examination, we met with a representative from the community regarding local economic conditions and community credit needs. Based on information

provided by the representative from the Gordon County Chamber of Commerce, the primary needs in the area are small business loans and city and county infrastructure funding.

The following table highlights the demographic composition of the bank's assessment area.

Type of Census Tract	Number of Census Tracts	Percentage of Total Number of Census Tracts	Number of Households in Census Tracts	Percentage of Households in Census Tracts
Low	0	0%	0	0%
Moderate	0	0%	0	0%
Middle	7	70%	10,368	82%
Upper	3	30%	2,349	18%

In addition to NGNB, area competition for financial services is keen and includes branches of multi-national and regional banks such as AmSouth Bank, Wachovia, and RegionsBank. Also, local community banks such as Georgia Bank & Trust and Calhoun First National Bank, along with other local saving banks, and credit unions in the area, afford community residents alternatives for meeting their particular banking needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

NGNB's loan-to-deposit ratio is satisfactory in view of the community's credit needs, demand for credit, and keen competition among area financial institutions. The bank's average loan-to-deposit ratio over the last four quarters is 86% as compared to peer averages for the same period of 77%. The bank's current loan-to-deposit ratio as of January 31, 2000 is 98%.

Lending in the Assessment Area

A majority of the bank's loans is within its defined assessment area. An analysis of a sample of 437 new loans originating between February 10, 1999 through January 31, 2000 reveals that a majority of loans is granted within the assessment area (AA) and is detailed as follows:

Lending In the Assessment Area					

Lending In the Assessment Area					
	# of Loans	%	\$ of Loans (>000)	%	
Inside AA	283	65	8,994	65	
Outside AA	*152	35	*4,836	35	
Totals	437	100	13,875	100	

* Loans numbering 150 (\$4,794) could not be geocoded.

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

Lending to borrowers of different incomes is satisfactory. We sampled a total of 347 consumer purpose loans to determine the income levels of borrowers. As the following table indicates, NGNB's lending to borrowers of low and moderate income levels is satisfactory in view of the demographics of the assessment area and newness of the bank. Approximately 10% of the number of loans and 3% of the volume of loans were granted to LMI borrowers. Distribution at other income levels is considered reasonable.

Distribution of Loans by Borrower Income Level in Assessment Area				
Income Level	% Families in Assessment Area	% of Loans by Number	% of Loans by Dollar	Average Loan (\$'000)
Low	15%	2%	Nil %	6,049
Moderate	14%	8%	3%	9,245
Middle	23%	21%	12%	15,916
Upper	48%	69%	85%	34,699
Total	100%	100%	100%	

Overall, the bank's lending volume regarding loans to small businesses is good. Based on our review, most business loans are to local businesses having annual revenues less than \$1 million. An analysis of our sample of small business loans also originating since February 10, 1999 revealed that 27 loans or 48% of the dollar volume of loans were extensions to businesses having annual revenues of less than \$1 million. In addition, eleven loans totaling \$2 million were granted to businesses having revenues greater than \$1 million.

Geographic Distribution of Loans

There is a reasonable distribution of loans extended within the assessment area. The following table reflects the distribution of all types of loans within the bank's assessment area by income designation of census tract.

Geographic Analysis of Loans by Percentage Originating Between February 10, 1999 and January 31, 2000			
Type Of Census Tract	Number of Loans Within the Type of Census Tract	Dollar Amount of Loans Within the Type of Census Tract	Families Within the Type of Census Tract
Middle Income	47%	54%	81%
Upper Income	17%	14%	19%
NA*	36%	32%	0%

*Loans not geocoded due to P.O. Box addresses.

This distribution is reasonable given the geographic size of the bank's assessment area, which comprises 10 census tracts. The sample analysis disclosed that NGNB has originated 47% in dollar volume of loans in middle income census tracts and 17% in upper income census tracts of the assessment area. This distribution is considered reasonable and consistent with the location of the bank's office, financial and human resources, and families within the respective census tracts.

Response to Consumer Complaints

NGNB has not received any consumer complaints since opening for business.

Fair Lending

A fair lending was not performed at this examination. However, loan applications are solicited from all segments of the community and income levels. The dispersion of loans throughout the assessment area is reasonable. Satisfactory policies and procedures have been adopted and are in place.

Summary

The loan to deposit ratio, lending in the assessment area, lending to borrower's of different incomes and businesses of different sizes, and the geographic distribution of loans are satisfactory in view of the bank's human and financial resources.