



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

Small Bank Procedures

Nashville Field Office
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PUBLIC DISCLOSURE

August 10, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of McMinnville
Charter # 2221
200 East Main Street
McMinnville, Tennessee 37110**

**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 of McMinnville (FNB), McMinnville, Tennessee**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 10, 1998. 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.
- A majority of loans made are in FNB's assessment area.
- The distribution of credit reflects satisfactory penetration among individuals of different income levels and businesses of different sizes.
- Loans are made throughout the assessment area.
- 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 of McMinnville, McMinnville, Tennessee** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of McMinnville 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 of McMinnville (FNB) is a \$248 million institution with a main office and four branches. The bank is based in McMinnville, Tennessee, which is the county seat for Warren County. Located approximately 75 miles southeast of Nashville, Tennessee, the bank's primary business is residential real estate and small business loans. As of June 30, 1998, FNB's loan portfolio consisted of residential real estate loans (\$60 million), commercial real estate (\$24 million), commercial (\$23 million), consumer (\$3 million), and agriculture (\$2 million). 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 the nine block numbering areas (BNAs) in Warren County. The bank also considers a portion of adjoining Grundy County to be part of its assessment area. The Viola Branch serves southern Warren County and northern Grundy County. Grundy County has not been assigned BNA numbers. The assessment area meets the requirements of the regulation. There are no low- or moderate-income areas located within the assessment area.

The 1990 census reported Warren County's population at 32,992. The 1998 statewide non-metropolitan median family income is \$34,500. At year end 1997, Warren County's unemployment rate was 6.5%, which exceeded the state and national levels of 5.4% and 4.9%, respectively. Major employers in the area include: Carrier Corporation (commercial air conditioners), Magnetek/Century Electric (electric motors), Bridgestone/Firestone (radial truck and bus tires), Calsonic Yorozu Corporation (metal stamping), and Oster Speciality Products (shearers and clippers). Agriculturally, Warren County has a thriving nursery business with more than 400 nurserymen in the area. Products are shipped to all 50 states, as well as several foreign countries.

The bank experiences intense competition from three regional bank branches, an independent federal savings bank, a branch of a nearby independent bank, a local credit union, a nearby branch of a large, federal credit union, and various finance companies.

We contacted two local community leaders to identify community credit needs. These contacts stated that community credit needs include loan programs which assist first time home buyers. One contact also indicated a need for government guaranteed loans

for farms and small businesses. According to the contacts, bank involvement in the local community is good.

The bank originated a “First-Time Home Buyers” product designed specifically to help qualify potential borrowers. This program has been successful. For the five month period ending May 1998, the bank had extended 124 first time home buyer loans aggregating \$6.7 million. FNB has also revised its first mortgage real estate loan product so that first time home buyers can usually qualify under its existing loan program. While the First-Time Home Buyers loan volume has declined, FNB continues to be active in financing residential home 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 (March 8, 1996) is satisfactory at 63.42%. The ratio has ranged between a low of 55.77% and a high of 67.08% during this period. This bank’s loan-to-deposit ratio compares favorably to one similarly situated financial institution which recently became part of a large regional bank holding company. There are no other similarly situated financial institutions in the bank’s assessment area to conduct a meaningful loan-to-deposit analysis.

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 made between January 1, and June 30, 1998 within and outside the bank’s assessment area. A sample of all new loans made during the month of April 1998 showed 92% of the number and 91% of the dollars made were in the bank’s assessment area.

	Number	Dollar
In Assessment Area	93%	79%
Outside Area	7%	21%

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 bank's analysis for the six months ending July 31, 1998, indicate that a reasonable amount of loans, both by number and dollar volume, are made to low income individuals. The bank's tracking system includes moderate income individuals in the low income category.

Income Category*	February 1998 thru July 1998 % by dollar	February 1998 thru July 1998 % by number	Families in Area
Low Income	30%	51%	25%
Moderate Income	#	#	15%
Middle Income	27%	24%	17%
Upper Income	43%	25%	43%
* calculated using Weighted Average of MSA/Non-MSA's Updated Median Family Income			

Bank's internal tracking system does not identify and accumulate this data.

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

A sample of new loans made during April 1998 shows the following:

Income Category*	April 1998 % by dollar	April 1998 % by number	Families in Area
Low Income	11%	40%	25%
Moderate Income	13%	24%	15%
Middle Income	29%	17%	17%
Upper Income	47%	19%	43%
* calculated using Weighted Average of MSA/Non-MSA's Updated Median Family Income			

In addition to loans made to individuals, FNB made 124 new commercial and agricultural loans aggregating \$8.3 million to businesses in the assessment area during the six month period ending July 1998. 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 \$1,000,000).

Distribution of Credit Within the Assessment Area

There are no low- or moderate-income geographies in the bank's assessment area. The bank performs a geographic analysis which, at June 1998, showed lending in all assessment area BNAs.

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 residential real estate loans to determine if similarly situated borrowers received comparable terms. This testing disclosed no evidence of disparate treatment on a prohibited basis.

ADDITIONAL INFORMATION: Investments and Other Services

Qualified Investments

There are no qualified investments which serve the housing needs of low- and moderate-income individuals within the bank's assessment area.

Services and Delivery Systems

FNB's delivery systems are readily accessible to all income tracts within its defined assessment area. Full service banking and 24-hour ATM services are available at the main office and three of the four branches. An additional free standing ATM is available at the local hospital. Extended office hours are available until 5:30 pm on Fridays. Drive-in window banking is available until 12:00 pm on Saturdays. An automated, 24-hour telephone hotline is accessible for customer inquiries.