



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 17, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Security National Bank  
Charter Number 18584

6170 Peachtree Parkway, Peachtree Corners  
Norcross, GA 30091

Office of the Comptroller of the Currency

Georgia Field Office  
3 Ravinia Drive, Suite 550  
Atlanta, GA 30346

**NOTE:** This document is an evaluation of this 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. 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.

## **INSTITUTION'S CRA RATING:**

**This institution is rated “Satisfactory”.**

First Security National Bank’s (FSNB) performance rating is supported by the following:

- a satisfactory loan-to-deposit ratio;
- a majority of loans in the assessment area;
- a satisfactory penetration of loans among businesses of different sizes;
- a satisfactory penetration of loans to businesses in different geographies.

## **SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is an assessment of FSNB’s ability to meet the credit needs of the communities in which it operates. Examiners conducted a full-scope review of the bank’s Assessment Area (AA), which encompasses parts the Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area (MSA). This evaluation covered the period of January 2004 to September 2008. Loan performance was determined by analyzing the bank’s primary product of residential construction loans. We sampled 20 residential construction loans originated from January 2006 to September 2008. The sample was representative of the bank’s business strategy since the last examination.

## **DESCRIPTION OF INSTITUTION**

FSNB is a community banking institution headquartered in Norcross, GA. The bank’s balance sheet as of September 30, 2008 is characterized by total assets of \$136 million, total loans of \$81 million, total deposits of \$119 million, and capital accounts aggregating \$14 million. FSNB operates four full service offices: the main office located in Norcross, Georgia, the Chastain Park branch in Atlanta, Georgia, the Vickery Village branch in Cumming, Georgia, and the Harmony on the Lakes branch located in Canton, Georgia. FSNB is owned by First Security Corporation, a one-bank holding company located in Norcross, GA. First Security Corporation reported total assets of \$136 million as of September 30, 2008.

FSNB offers traditional products and services such as construction, commercial, and consumer loans, along with various deposit products. The bank also has an in-house mortgage loan broker who originates and packages residential mortgage loans.

FSNB’s loan portfolio consists primarily of residential construction lending. The table below is

based on data from the September 30, 2008 Uniform Bank Performance Report.

**Table 1**

<b>Loan Category</b>	<b>%</b>
Residential Construction	55.37%
Other Construction/Land Development	20.02%
Residential Real Estate Loans	3.39%
Commerical Real Estate Loans	11.64%
Commercial and Industrial Loans	8.30%
Consumer Loans	1.28%
Total	100.0%

Source: 9/30/08 Uniform Bank Performance Report

There are no known legal or financial impediments that would restrain FSNB from meeting the credit needs of its assessment area. The bank received a “Satisfactory” CRA rating at its last performance evaluation dated January 5, 2004.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FSNB’s AA is comprised of parts of the Atlanta-Sandy Springs-Marietta, GA MSA. FSNB’s AA includes all of Gwinnett and Forsyth Counties and parts of Cherokee, Cobb, DeKalb, and Fulton Counties. The assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts in the AA.

### *ATLANTA-SANDY SPRINGS-MARIETTA, GA MSA*

The Atlanta-Sandy Springs-Marietta, GA MSA includes a total of 28 counties surrounding the city of Atlanta with a total of 699 geographies. The Atlanta MSA has a diverse industrial base including trade, transportation, and utilities, professional and business services, public administration, educational and health services, leisure and hospitality, manufacturing, financial activities, construction, information, other services, and natural resources and mining.

Employment and population in Metro Atlanta has continued to grow throughout the past decade. Five hundred thousand jobs have been added from 1996 to 2006, and residents have increased by nearly 1.3 million between 1997 and 2007. Atlanta became the ninth largest consumer market with annual retails sales of \$98.5 billion in 2007. Although Metro Atlanta remains among the top metros in new housing permits, the area experienced a decline in residential development in 2007.

***GWINNETT COUNTY*** – The FSNB’s AA covers all of the 71 census tracts in Gwinnett County. Gwinnett County’s 2007 estimated population is 776,380 residents. The census median value for owner occupied housing units in Gwinnett County is \$142,100. As of 2004, the estimated median household income was \$56,395 per year, and those below the poverty level

represented 8.9% of Gwinnett County's population. Annual averages for 2007 show Gwinnett County's unemployment rate at 3.8%. The primary industry in Gwinnett County is services. The county's five largest employers are Gwinnett Hospital System Incorporated, Kroger Company, Publix Supermarket Incorporated, Scientific-Atlanta Incorporated, and Wal-Mart Associates Incorporated.

***FORSYTH COUNTY*** - FSNB's AA covers all 8 census tracts in Forsyth County. Forsyth County is located north of Gwinnett and Fulton Counties. Forsyth County's 2007 estimated population is 158,914. The census median value for owner occupied housing units in Forsyth County is \$184,600. As of 2004, the median household income was \$74,379, and those below the poverty level represented 5.5%. Annual averages for 2007 show Forsyth County's unemployment rate at 3.2%. The primary industry in Forsyth County is services. The top five employers are Koch Foods of Cumming LLC, Kroger Company, Northside Hospital Incorporated, Scientific Games International Incorporated, and Tyson Poultry Incorporated.

***CHEROKEE COUNTY*** - FSNB's AA includes 13 of the 23 census tracts in Cherokee County. Cherokee County's 2007 estimated population is 204,363. The census median value for owner occupied housing units in Cherokee County is \$139,900. As of 2004, the median household income was \$64,064, and those below poverty level represented 6.5%. Annual averages for 2007 show Cherokee County's unemployment rate at 3.5%. The primary industry in Cherokee County is services. The five largest employers are Kroger Company, Northside Hospital - Cherokee, Pilgrims Pride Corporation, Publix Super Market Incorporated, and Wal-Mart Associates Incorporated.

***COBB COUNTY*** - FSNB's AA covers 40 of the 87 census tracts in Cobb County. Cobb County's 2007 estimated population is 691,905. The census median value for owner occupied housing units in Cobb County is \$147,600. As of 2004, the median household income was \$52,936, and those below poverty level represented 9.6%. Annual averages for 2007 show Cobb County's unemployment rate at 3.8%. The primary industry in Cobb County is services. The five largest employers are Home Depot USA Incorporated, Lockheed Martin Corporation, Publix Super Market Incorporated, Wal-Mart Associates Incorporated, and Wellstar Health System Incorporated.

***DEKALB COUNTY*** - FSNB's AA encompasses 77 of the 115 census tracts in DeKalb County. DeKalb County's 2007 estimated population is 737,093. The census median value for owner occupied housing units in DeKalb County is \$135,100. As of 2004, the median household income was \$44,965, and those below poverty level represented 14.7%. Annual averages for 2007 show DeKalb County's unemployment rate at 4.6%. The primary industry in DeKalb County is services. The top five employers for DeKalb County are Children's Healthcare of Atlanta, Dekalb Medical Center Incorporated, Emory Healthcare Incorporated, Emory University, and Kroger Company.

***FULTON COUNTY*** - FSNB delineated 62 of the 167 census tracts in Fulton County. Fulton County's 2007 estimated population is 992,137. The census median value for owner occupied housing units in Fulton is \$180,700. As of 2004, the median household income was \$45,819, and those below poverty level represented 15.6%. Annual averages for 2007 show Fulton County's unemployment rate at 4.6%. The primary industry in Fulton County is services. The

five largest employers are Cox Enterprises Incorporated, Delta Air Lines Incorporated, Georgia Institute of Technology, IBM, and Turner Services Incorporated.

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

**Table 2**

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	465,872
Number of Households	708,108
Geographies	
Number of Census Tracts/BNA	268
% Low-Income Census Tracts/BNA	2.61 %
% Moderate-Income Census Tracts/BNA	16.42 %
% Middle-Income Census Tracts/BNA	30.60 %
% Upper-Income Census Tracts/BNA	50.37 %
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$ 58,537
2007 HUD-Adjusted MFI	\$67,100
Economic Indicators	
Unemployment Rate	2.48 %
2007 Median Housing Value	\$ 190,575
% of Households Below Poverty Level	6.28 %

Source: CRA Wiz Report based on 2000 United States Census

Competition in the AA is strong. Nearly one thousand banking offices are located throughout Gwinnett, Forsyth, Cherokee, Cobb, DeKalb and Gwinnett Counties. Hundreds of these offices are of large national banks and well-known state banks. These national and state banks represent the majority of the deposit market share in the AA counties, whereas FSNB represents only .13% of the total deposit market share in the AA counties.

### **Community Contact**

As part of the examination, information from community leaders was obtained regarding local economic conditions and community credit needs. Based on the information provided, the primary credit need in the community is financing for affordable housing. The contact also provided that the Atlanta market experienced a flooding of foreclosures beginning in early 2007. The contact said these foreclosures are wiping out decades of revitalization in many neighborhoods.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The lending test is satisfactory. Because the loan-to-deposit ratio is reasonable and a majority of the bank’s loans were made in the AA, more weight was placed on lending to businesses of different sizes and the geographic distribution of loans tests. Both the lending to business of different sizes and the geographical distribution of loans tests were reasonable; thus, FSNB’s lending is satisfactory.

### Loan-to-Deposit Ratio

The bank’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, assessment area credit needs, and competition from other lending sources. Since the preceding CRA examination in January 2004, FSNB’s quarterly average LTD ratio was 84% compared to an average LTD ratio of 91% for a group of 13 similarly situated community banks in Gwinnett, Forsyth, Cherokee, Cobb, DeKalb, and Fulton Counties.

The bank’s quarterly LTD ratio ranged from 69% in March 2004 to 96% in September 2007. Although the bank’s average LTD ratio is lower than that of the peer group, FSNB originates additional mortgage loans through its in-house brokerage service. This indicates additional effort on the bank’s part to meet credit needs of its assessment area.

### Lending in Assessment Area

Lending levels reflect a satisfactory responsiveness to community credit needs. A sample of 20 residential construction loans made during the period from January 2006 through September 2008 disclosed that a majority of the loans were made in the assessment area.

The results of this analysis are highlighted below:

<b>Table 3 - Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Construction Loans	13	65%	7	35%	20	11,041	69.67%	4,806	30.33%	15,847

Source: Bank Data

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

Lending to businesses of different sizes is reasonable. For CRA purposes, small businesses are defined as those with gross annual revenues less than \$1 million. The review of 20 residential construction loans made inside the assessment area indicated that 60% by number and 51.6% by dollar were made to small businesses.

<b>Table 4 - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.49%	4.83%	30.67%	100%
% of Bank Loans in AA by #	60%	15%	25%	100%
% of Bank Loans in AA by \$	51.61%	18.02%	30.37%	100%

Source: CRA Wiz Report based on 2000 United States Census and Bank Data

### Geographic Distribution of Loans

The distribution of business loans to borrowers in different geographies is reasonable. Although the percentage of business loans in low- and moderate-income census tracts is lower than the percentage of assessment area businesses in the low- and moderate-income census tracts, the majority of the bank’s census tracts are in middle- and upper-income geographies. Also, competition in the assessment area is strong with many large national banks and well-known state banks having hundreds of offices located inside the AA.

<b>Table 5 - Geographic Distribution of Loans to Businesses in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Residential Construction Loans	1.23%	0%	10.67%	5%	31.22%	15%	56.87%	80%

Source: CRA Wiz Report based on 2000 United States Census and Bank Data

### Responses to Complaints

No complaints related to CRA performance were received during the evaluation period. This has a neutral impact on the overall CRA rating.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.