



Comptroller of the Currency
Administrator of National Banks

Small Bank

Procedures

Nashville Field Office
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PUBLIC DISCLOSURE

September 28, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of the Cumberland
Charter # 15550
214 East Main Street
Livingston, Tennessee 38570**

**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 the Cumberlandds (FNBOTC), Livingston, Tennessee**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 28, 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 very good.
- < A substantial majority of loans made within the assessment area.
- < The distribution of credit to individuals of different income levels and to small businesses is adequate.
- < There is loan penetration 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 the Cumberlandds, Livingston, Tennessee** with respect to each of the five performance criteria.*

| SMALL INSTITUTION ASSESSMENT CRITERIA | FIRST NATIONAL BANK of the CUMBERLANDS 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 the Cumberland (FNBOC) is a \$205 million institution with a main office and three branches. The bank is headquartered in Livingston, Tennessee, located in Overton County, approximately 90 miles east of Nashville, Tennessee. There is one branch each in the towns of Livingston, Cookeville (opened 1988) and Crossville (opened 1997). The bank's primary business is

residential real estate and small business lending. There are no financial or legal impediments that would impair the bank's performance under the Community Reinvestment Act.

DESCRIPTION OF ASSESSMENT AREA

FNBOTC's assessment area includes all of Overton, Putnam, and Cumberland Counties. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. Four block numbering areas (BNA's) in the assessment area are moderate income, 20 are middle income, and 4 are upper income. There are no low income BNAs. The 1990 census reported the assessment area's population at 103,745. The 1997 statewide non-metropolitan median family income is \$34,500.

As of August 1998, the local unemployment rate for the three counties was 4.2%, in line with the state and national levels of 4.3%. Major employers in the area include Tennessee Technological University, various school districts and hospitals, Gol-Pak, Fleetguard, Russell Stover Candies, and The Berkline Corporation. The bank experiences strong competition from other community banks and local affiliates of large banks.

We contacted local community leaders in each county to identify community credit needs. Contacts included local government, a Chamber of Commerce representative, a director of the Upper Cumberland Development District. Contacts identified community needs as more new jobs, very low income housing, residential real estate lending, and small business loans. According to the contacts, bank involvement in the local community is satisfactory.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

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

The average loan-to-deposit ratio since the previous CRA examination (February 12, 1996) is very good at 83.88%. The ratio has ranged between a low of 80.44% and a high of 87.29% during this period. The average ratio for comparative local banks over the same period is 72.96%.

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

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

The following table indicates the volume of loans by number as of June 15, 1998, within and outside the bank's assessment area. The bank tracks total lending by number and volume based on the categories provided below. The bank does not track small business lending separately. However, a substantial majority of commercial loans are made to small businesses.

| | Commercial | Consumer | Credit Cards | Total |
|--------------------|-------------------|-----------------|---------------------|--------------|
| In Assessment Area | 75% | 89% | 81% | 84% |
| Outside Area | 25% | 11% | 19% | 16% |

Distribution of Credit Based on Borrower Income and Business Revenue

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

The bank tracks all lending to individuals of different incomes. However, the bank does not use the income stratifications defined in the regulation for low, moderate, middle, and upper income groups. Income categories are divided into \$5,000 increments. To verify the accuracy of bank information, we sampled 50 residential loans originated within the last year. Bank income gathering and coding processes were shown to be accurate.

Using the bank's information, with stratifications made to approximate income levels as defined by the regulation, the bank demonstrates adequate distribution of loans to individuals of different incomes. TI

following chart shows all loans, new and renewed, for the time period January 1, 1998 through June 15, 1998.

| Income Category | By Number | By Percentage | Comparative Income Category - Percentage of Families |
|-------------------|-----------|---------------|--|
| \$0-\$14,999 | 186 | 14% | Low - 21% |
| \$15,000-\$24,999 | 228 | 16% | Moderate - 18% |
| \$25,000-\$39,999 | 349 | 26% | Middle - 23% |
| \$40,000+ | 600 | 44% | Upper - 38% |

FNBOC does not specifically track small business lending by revenue levels. However, a substantial majority of the commercial loans made by FNBOC are to small businesses (annual revenues of less than \$1,000,000) or small farms (annual revenue of less than \$1,000,000). As of June 30, 1998, commercial loans totaled \$24,046,000.

Distribution of Credit Within the Assessment Area

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

FNBOC's assessment area includes 4 moderate, 20 middle, and 4 upper income BNAs. The CRA Officer performs a semi-annual analysis of lending penetration by BNAs. The following chart provides the bank's breakdown of the volume of all loans approved from January 1, 1998 through June 15, 1998 by BNA within FNBOC's assessment area. It shows the bank's primary penetration is in its first market, Overton County. Penetration into the Putnam County market has been limited by the location, size, and personnel staffing of the prior branch office. In the past year, staffing levels have been doubled and a large, new office has been built. The bank has only recently branched into Cumberland County and is beginning limited marketing efforts. Competition in all markets is very strong.

Overton

| | | | | | | |
|------------|-----|-----|-----|-----|-----|------|
| BNA | 951 | 952 | 953 | 954 | 955 | 956* |
| Percentage | 8% | 9% | 41% | 5% | 7% | <1% |

Putnam

| | | | | | | | | | | | | | |
|------------|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|
| BNA | 001 | 002 | 003 | 004 | 005 | 006 | 007 | 008* | 009 | 010 | 011 | 012 | 013 |
| Percentage | <1% | 5% | 4% | 2% | <1% | 3% | 1% | 2% | <1% | <1% | 1% | 3% | <1% |

Cumberland

| | | | | | | | | |
|------------|-----|-----|-----|------|-----|-----|-----|------|
| BNA | 971 | 972 | 973 | 974* | 975 | 976 | 977 | 978* |
| Percentage | <1% | 1% | 1% | 2% | 1% | 2% | 1% | <1% |

*denotes Moderate Income BNA

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 refinanced first mortgage residential real estate loans to determine if these loans were being denied to qualified applicants based on marital status. This testing disclosed no evidence of disparate treatment on a prohibited basis.