



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

July 25, 1996

SunTrust Bank, East Tennessee, National Association
Charter Number 18101
700 East Hill Avenue
Knoxville, Tennessee 37997-9300

<p>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.</p>
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of *SunTrust Bank, East Tennessee, National Association, Knoxville, Tennessee* prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of *July 25, 1996*. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and-moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

BANK PROFILE

SunTrust Bank, East Tennessee, National Association (STET) is a subsidiary of SunTrust Banks, Inc. of Atlanta, Georgia. SunTrust Banks, Inc. is a \$46.5 billion multi-state financial services company operating 652 branches through affiliates in Alabama, Florida, Georgia and Tennessee. SunTrust's primary businesses include traditional deposit and credit services as well as trust services, investments, mortgage banking, corporate finance, credit cards, factoring and discount brokerage.

As of March 31, 1996 STET had total assets of \$1.16 billion. As of May 31, 1996, the bank operated 25 offices in five eastern Tennessee counties. The counties of Anderson, Knox, Loudon, Sevier [which are all a part of the Knoxville Metropolitan Statistical Area] and Hamblen constitute the bank's delineated community.

The bank has been consistently profitable during the evaluation period. The bank's loan portfolio is centered in real estate secured credits (63%) with significant amounts of individual (16%) and commercial credits (21%) represented. There are no financial factors or economic conditions that impede the bank's ability to meet the credit needs of its delineated community. The bank's lending focus during the evaluation period has been to increase market share in all loan types.

The local market is becoming increasingly competitive among financial institutions. There are affiliates of regional banks, thrifts and community banks operating within the bank's delineated community.

COMMUNITY PROFILE

The Knoxville, Tennessee area is situated in the valley between the Cumberland and Great Smoky Mountains. It lies at the geographic center of the eastern United States and is a major crossroads for three busy interstate highways. Over one-third of the U.S. population lives within 550 miles of the Knoxville area.

Within the five counties, the delineated community contains 128 census tracts and more than 536,000 residents. 1990 census tract designations by income level include the following: 10 low-income, 28 moderate-income, 59 middle-income, 28 upper-income and 3 tracts with no population. The 1990 Census Metropolitan Statistical Area Median Family Income is \$30,401.

Tennessee's economy and employment continue to grow at a brisk pace and outperforms the U.S. economy. Tennessee's unemployment rate as of December 31, 1995 was 5.0%. This compares favorably to the national unemployment rate of 5.6%. The unemployment rate of 3% for the bank's delineated community is below national average. Government, manufacturing, education, entertainment and tourism are predominant employers in these counties.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: "**Satisfactory Record of Meeting Community Credit Needs**". The evaluation period covers January, 1994 through April, 1996.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

STET has determined the credit and banking needs of its delineated community.

The bank directors, officers and employees have maintained ongoing and meaningful contacts with a broad spectrum of groups and individuals to ascertain community credit needs. The officer call program and employee memberships in community and civic groups are the source of these communications. Bank representatives met with community development corporations, housing advocacy groups, church leaders, representatives from city and county government, small and minority business leaders, realtors, and other community organizations. Examples of these contacts include the City of Clinton, Loudon County Habitat for Humanity, Inner City Community Development Corporation and the AgriBusiness Committee.

Through these efforts STET identified the following as primary credit-related needs: mortgage loans specially designed for low- and moderate-income customers; increased small business lending and investment in inner city community development; and home buyer education and check cashing for low- and moderate-income non-customers. All of these ascertained needs are considered on an annual basis when bank management reviews the bank's product line and formulates its CRA plan.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The Board of Directors and senior bank management are actively involved in the formulation of CRA policy. CRA goals and objectives are selected annually and are integrated into the bank's business plans.

The Board of Directors exercises oversight and sets CRA policies and plans. Daily CRA-related activities are conducted by the bank's CRA officer and the CRA Management Committee. This committee, composed of the CRA Officer and regional presidents, forwards reports and performance

analyses of the bank's CRA activity to the Board. The Board and its committees are also active in formulating CRA initiatives in the annual CRA Plan, reviewing the annual CRA self-assessment and revising the CRA Statement. The Board approves any changes to CRA policies.

STET's annual CRA Plan details CRA objectives and specifies the methodology for CRA management, performance and reporting. The Plan also includes actions needed for plan implementation.

Bank management and the Board of Directors have considered flexible bank products to meet community needs. (see Assessment Factors I, H and L in this document for details.) Annually, Directors and senior management review various information on loan originations. Loan penetration and loan approval rates for residential real estate loans are analyzed. Demographic data is also considered.

The Board supports regular CRA training for appropriate employees and ensures that all CRA regulatory requirements are met.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

STET uses a variety of means to inform the community of its products and services. The bank regularly uses several methods to reach low- and moderate-income residents and to advertise loan products especially designed to meet ascertained needs.

The bank's annual marketing program is approved by the Board of Directors and senior management. During this evaluation period, marketing has promoted name recognition and specific products including those new loan types designed to meet ascertained credit needs. The bank uses a variety of advertising media as well as outreach activities targeted to a specific product or audience.

STET has used three television stations and four radio stations during the evaluation period. These stations [WBIR, WATE, WKXT for television and WIVK, WEZK, WIMZ, WMYU for radio] cover all of the delineated community. Advertisements on these stations are primarily image-oriented, although specific products have also been highlighted. The bank places numerous ads in newspapers in all five counties in the delineated community. These newspapers include the Clinton Courier, Knoxville News-Sentinel, Citizen Tribune in Hamblen County, The News-Herald in Loudon County, The Mountain Press in Sevier County and the Enlightener in Knox County. These print ads consist of image, deposit, mortgage loan, credit card and the special loan products targeted to low- and moderate-income residents (see Assessment Factor I for a listing of these types). STET also uses outdoor billboards, public transit boards and direct mail to place ads similar to those used in newspapers.

In addition to the formal marketing program, bank personnel use various outreach activities to market products. Bank personnel have spoken with numerous groups including East Knox County Business and Professional Association, Personal Economics program, Great Smoky Mountain Realtors Association and The Downtown Organization.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

The volume of originations of these credit types indicates a good level of responsiveness in meeting ascertained needs. STET has shown a willingness to meet the community's credit needs through conventional and innovative loan types.

STET offers full range of consumer, home purchase, home improvement and commercial credits to the public. Their CRA Statement correctly lists the credit products extended. Small business loans have been defined by this institution as a loan of less than \$1 million to a business with less than \$1 million in total revenues.

The volume of residential real estate and small business loan originations during the evaluation period is depicted below. The vast majority of these loans were extended within the bank's delineated community.

Loan Originations									
Year	1994			1995			1996		
Loan Type	#	\$ (000)	%	#	\$ (000)	%	#	\$ (000)	%
Home Mortgage	510	48,437	89	475	49,798	89	197	20,743	86
Home Refinance	742	49,208	86	419	35,475	87	238	20,526	81
Home Improvement	441	4,382	88	287	3,159	86	87	2,548	88
Small Business	1,682	317,693	89	1,778	361,480	76	753	219,688	89

Note: (1) % equals the percentage of the number of loans within the bank's delineated community.

(2) Based on HMDA data and bank supplied information.

(3) 1996 data is for the first 5 months through 5/31/96.

STET also makes loans to small farms. According to bank information, 18 small farm loans totaling \$551 thousand were made during evaluation period. Small farm loans have been defined by this institution as agriculture loans under \$1 million.

STET also offers special home mortgage products designed to assist low- and moderate-income customers in buying a residence. These loans, designed to meet ascertained community needs are detailed below.

- o *Community House Loan Program (CHLP)* - These loans were designed for and are limited to low- and moderate-income borrowers. CHLP first mortgage underwriting allows for 95% financing, higher debt/income qualifying ratios, flexible down payment sources and a possible lower interest rate than conventional purchase money mortgage financing. STET has also used this loan in a program with the Knoxville Community Development Council for residents to purchase rental homes. Maximum first mortgage under this program is \$75,000. A similarly underwritten loan is available for home improvement purposes. During the evaluation period, STET made 21 CHLP loans totaling \$639,000.
- o *FirstHome Program (FHP)* - The FHP program is offered in conjunction with the Knox Housing Partnership and the City of Knoxville to first time low- and moderate-income home buyers. STET offers a CHLP-styled first mortgage with the City offering the borrower a forgivable second mortgage for down payment (if borrower stays in the house a specified time period). To qualify for this program, the buyer must select a home which needs at least \$5,000 in repairs, must complete a home ownership class and must have a 3% down payment. The maximum loan amount under this program is \$56,000. The house must also be located in designated areas of Knoxville. Since initiation of the program in 1994, STET has originated 21 FHP loans totaling more than \$537,000.

A review of the 1994 Home Mortgage Disclosure Act (HMDA) data showed STET had the second largest share of all HMDA-related applications in the Knoxville MSA and the largest market share of HMDA-related applications within the delineated community.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

STET has reasonable participation in governmentally-insured programs that help meet its communities' credit needs.

Overall, the bank's participation in government insured loan programs is reasonable. The bank's residential lending department offers both Federal Housing Administration (FHA) and Veterans Administration (VA) government guaranteed loans. Additionally, the bank offers Small Business Administration (SBA) government guaranteed loans. The table below shows STET's originations of these three loan types during the evaluation period. Although new SBA loans have declined in 1996,

STET still offers this product and a full line of other small business loan types (also see Assessment Factor I).

Loan Originations									
Year	1994			1995			1996		
Loan Type	#	\$ (000)	%	#	\$ (000)	%	#	\$ (000)	%
FHA	6	352	100	19	1,416	84	15	1,092	93
VA	7	478	71	8	576	63	8	661	75
SBA	8	1,025	100	8	1,228	100	0	0	-

Note: (1) % equals the percentage of the number of loans within the bank's delineated community.
 (2) Based on bank supplied information.
 (3) 1996 data is for the first five months through 5/31/96.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

STET's delineated community is reasonable.

The bank has determined its delineated community as the counties of Anderson, Knox, Loudon, Sevier [which are all a part of the Knoxville Metropolitan Statistical Area] and Hamblen. Hamblen County is located just north of the Knoxville MSA. All bank branches and a majority of loans and deposits are located within these five counties which further support the delineation.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

STET's distribution of credit extensions and applications throughout its delineated community is reasonable.

As illustrated by the two tables below, the bank's geographic distribution of residential real estate-related loans [commonly referred to as HMDA loans] reaches all segments of its delineated community. These tables show STET's HMDA lending during the evaluation period as provided by bank management.

The first table shows HMDA originations by the *income of the borrower*. The official Census Bureau definitions for low-, moderate-, middle- and upper-income are used. The bank's distribution of loans each year is compared in the table to the number of families in each category living in the delineated community. The table shows a reasonable distribution of HMDA loans to low- and moderate-income families considering the percentage of families in this income category (37%) within the delineated community.

HMDA Originations by Income Level							
Income Level of Approved Applicants	***	1994		1995		1996	
		#	%	#	%	#	%
Low- and Moderate-Income	37%	579	35	341	29	123	22
Middle-Income	22%	192	12	260	23	125	23
Upper-Income	41%	887	53	556	48	299	55
Total	100%	1,658	100	1,157	100	547	100

Note: (1) *** Per the 1990 census, this number represents the percentage of families in each income category within the bank's delineated community.
 (2) % equals the percentage in that category of the total number of loans made.
 (3) 1996 data is the for the first five months through 5/31/96.

The second table uses the same HMDA information in a different way. In this illustration, the distribution is calculated by census tract designation. The loans are placed in the table based whether the census tract is designated as low-, moderate-, middle- or upper-income. Accordingly, the demographic number used for comparison represents the number of families that live in low-, moderate-, middle- and upper-income designated census tracts. This table varies from the first table in that low- and moderate-income families may live in middle- and upper-income tracts.

The second table also shows reasonable penetration of low- and moderate-income census tracts. The percentage of loans in low- and moderate-income census tracts reasonably compares to the percentage of families living in these tracts.

HMDA Originations by Census Tract							
Census Tract Income Level	***	1994		1995		1996	
		#	%	#	%	#	%
Low- and Moderate- Income	19%	320	22	204	22	69	16
Middle- Income	51%	670	45	414	44	193	44
Upper- Income	30%	498	33	319	34	178	40
Total	100%	1,488	100	937	100	440	100

Note: (1) *** Per the 1990 census, this number represents the percentage of people in each income designated tract within the bank's delineated community.
(2) % equals the percentage in that category of the total number of loans made.
(3) 1996 data is for the first five months through 5/31/96.

While penetration is reasonable, both tables show a downward trend in the percentage of HMDA loans made to low- and moderate-income borrowers and within low- and moderate-income census tracts. Bank management has studied this indicator and states this is due to increasing competition from competing banks for this business. Management states the various special programs used by STET have also become available at other institutions. STET has not reduced its special programs for low- and moderate-income applicants nor has it reduced its working relationships with local community groups and governments.

A review of 1994 HMDA data indicates STET had the largest market share of originations in low- and moderate-income areas amongst all mortgage lenders in its delineated community. Whether measured by borrower income level (11%) or census tract residency (14%), STET was the market leader in lending to low- and moderate-income borrowers. Reliable market share data for 1995 and 1996 was not available.

In 1994, STET received 33% of its HMDA applications from low- and moderate-income borrowers. This distribution is reasonable and similar to delineated community demographics. The application denial rate for low and moderate income customers was 11.4% compared to the total bank HMDA denial rate of 7.6%.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

STET's record of opening and closing offices and providing services is reasonable.

The bank presently operates 25 offices within its delineated community. The offices are distributed as follows by income area/census tract: two in low-income, five in moderate-income, ten in middle-income and eight in upper-income. Since the previous Public Disclosure, the bank has relocated one office and opened one additional branch. An ongoing review of branch services and hours is also performed on a periodic basis to determine the accessibility to all segments of the community. These reviews were performed prior to the branch relocation and revealed no concerns.

Banking hours and services are consistent throughout the delineated community with Loudon County offices offering Saturday banking hours. STET's hours are comparable to or longer than other institution's and are considered reasonable.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

The bank solicits credit applications from all segments of its local community. No practices intended to discourage applications were noted.

Written policies and procedures have been approved by the Board of Directors to support non-discrimination in lending activities. Management annually reviews the adequacy of these policies and procedures to ensure compliance with these laws and regulations.

Annual fair lending comparative file reviews are conducted by management on residential real estate and consumer loans to ensure all applicants receive fair and equal treatment. In the past year, this process compared two prohibited bases, race and gender. The objective of this process is to ensure credit decisions are the same for similarly qualified applicants regardless of race or gender. Further, bank management reviews a sample of prohibited basis group approved loans to verify that loan rates and terms are comparable to or not less favorable than those granted to comparable control group applicants.

Bank management also conducts second reviews of denied applications. The objective of this process is to ensure loan policies and underwriting standards are consistently applied and to determine whether all relevant factors or credit alternatives are considered before denial.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

The bank is in substantial compliance with the provisions of antidiscrimination laws and regulations including the Equal Credit Opportunity Act and regulations pertaining to nondiscriminatory treatment of all applicants.

Our Agency performed a centralized review for discrimination in January, 1996 which included

STET. As part of our fair lending examination, comparative file testing was conducted on two loan types in the residential real estate loan portfolio. We tested home purchase mortgages and home improvement loan applications made between April 1, 1994 and August 31, 1995. The primary objective of this review was to determine if the two loan processes resulted in similar results for similar applicants in both the prohibited basis and control groups.

In forty-two residential real estate mortgage applications, we compared female denials to approved male applicants. In ten home improvement loans, we compared one black denial to nine white approved applications. Based on this analysis, we did not detect any instances of disparate treatment or other illegal discrimination by the bank.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

STET is regularly involved in community development and redevelopment programs. Bank officials have established relationships with government and private sector development groups and have shown a willingness to participate in these projects.

During the evaluation period, the bank participated in thirteen development and/or redevelopment projects. These loans totaled more than \$2.957 million and are spread throughout the bank's delineated community. Examples of these activities include:

- o Lent \$142,000 to a nonprofit organization in Oak Ridge to redevelop and rent low- and moderate-income rental homes.
- o Lent \$1.2 million in real estate rehabilitation loans for older buildings in Knoxville's Old City section, a low- and moderate-income area.
- o Provided a \$30,000 line of credit to a Knoxville nonprofit organization's microloan program for new businesses in low- and moderate-income and/or underdeveloped areas.
- o Provided a \$30,000 loan in conjunction with another governmental agency to convert a former library branch located in low-income area to office space.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no financial factors or economic conditions that impede the bank's ability to meet the credit needs of its delineated community.

Refer to the Introduction section of this Public Disclosure for information on the profiles on the bank and its community.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

The institution engages in other activities which help meet the communities' credit and banking needs.

- o The bank made \$32,500 contribution for community development and housing organizations. Examples of these organizations include the Inner City Community Development Corporation, Center for Community Development and Lakeway Housing Development.
- o The bank purchased \$8,788,000 in local area government general obligation and revenue bonds.
- o The bank originated \$2,182,000 in loans to the nearby cities, counties and their related agencies.
- o The bank has established a community check cashing procedure for non-customers in response to an ascertained banking need.

ADDITIONAL INFORMATION

None.