



Public Disclosure

December 1, 1997

Community Reinvestment Act Performance Evaluation

**Union Planters Bank of Chattanooga, N.A.
Charter No. 22758**

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Chattanooga, Tennessee 37402**

**Office of the Comptroller of the Currency
Southeastern District
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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 CRA performance of **Union Planters Bank of Chattanooga, N. A.** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 27, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **"Satisfactory."**

Conclusions with Respect to Performance Tests

Lending Test

Conclusions reached under the lending test were based on an analysis of demographic data for the assessment area and various bank prepared reports used to determine the bank's lending patterns and practices. As a result of this review, we concluded that this institution had satisfactorily provided a variety of lending products and services throughout its assessment area.

Performance under the lending test is rated **"High Satisfactory."** The bank has a very good volume of small business loans and a adequate volume of residential lending. A substantial majority of the loans originated were within the bank's assessment area. Loan distribution of small business loans reflects a good penetration throughout the assessments areas. The bank has good penetration of loans to businesses of different sizes and an adequate penetration of real estate loans to borrowers of different income levels.

Community Development lending is very good given the bank's size and capacity. There are significant opportunities for community development lending within the assessment area.

Investment Test

Performance under the investment test is rated “**Need to Improve.**” UPB’s investment levels are considered low based on the opportunities for qualified investments in the assessment area.

Service Test

Performance under the service test is rated “**Low Satisfactory.**” The bank has several offices throughout its assessment area that are reasonably accessible to essentially all assessment area residents. The bank has provided a relatively high level of community development services.

For additional details on the bank’s performance under these three performance tests, see the section entitled “**Discussion of Performance Tests in the Assessment Areas**” that follows.

UPB continues to be in compliance with the anti-discrimination laws, including the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

The following table indicates the performance level of Union Planters Bank of Chattanooga, N.A. with respect to the lending, investment, and service tests.

Performance Levels	Union Planters Bank of Chattanooga, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory			X
Needs to improve		X	
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Union Planters Bank of Chattanooga, Tennessee N.A. (UPB) is a wholly-owned subsidiary of Union Planters Corporation Memphis, Tennessee (UPC). As of September 30, 1997, the bank reported total assets of \$132 million. The main office is located in downtown Chattanooga, Tennessee, in the central business district. The bank operates a total of eight branches located in Hamilton and Bradley Counties in TN. There are no legal, financial, or other reasons that would impede the bank's ability to meet the credit needs of its assessment areas.

UPB operated as a branch location of UPC for over 10 years. On July 1, 1994, the bank commenced operations as a separately chartered institution. During the fourth quarter of 1994 UPB purchased the remaining assets of Cherokee Federal Savings Bank in Cleveland, Tennessee. The bank has not made any additional purchases since that time.

Competition is strong in the Chattanooga, TN Metropolitan Statistical Area (MSA). Financial services are provided by twelve commercial banks, credit unions, mortgage companies, thrifts, and brokerage firms. Primary competitors include offices for SunTrust Bank, NationsBank, First Tennessee, AmSouth, First American Bank, Tennessee Valley Credit Union, and Pioneer Bank. Bradley County is served by branch locations of several institutions listed above and several local community banks.

At the time of our evaluation, UPB had a very small market share of local deposits and loans. As of June 30, 1996 UPB had 2.6% of deposits for Hamilton County, and 4.0% for Bradley County¹. The bank does not have offices in Catoosa or Walker Counties and therefore does not have any reported market share in these counties.

UPB's primary focus is small business lending. From January 1, 1996 through July 1, 1997, UPB originated 268 small business loans totaling \$16.0 million. During the same period, UPB originated 117 residential real estate loans totaling \$5.2 million. The balance sheet shows approximately 45% percent of the real estate loan portfolio consists of 1-4 family residential loans. As discussed above, when UPB acquired the assets of Cherokee Federal Savings bank this included 745 residential mortgage loans totaling \$24.3 million. As of September 30, 1997, the balance sheet showed a residential mortgage loans balance of approximately \$8.9 million (less than 10% of total loans).

During 1996, 15,084 residential real estate loans were originated by all financial institutions within Hamilton, Catoosa, and Walker Counties in the Chattanooga MSA. During this period, UPB originated 39 residential real estate loans, or less than one-third of one percent of the market share. UPB originated 37 residential real estate loans in Bradley County during the same period, versus 2,383 for all lenders or 1.5% of the market share.

¹ Data Source: Federal Deposit Insurance Corporation - Summary of Deposits as of June 30, 1996.

UPB has an affiliate mortgage lender in the Chattanooga MSA. During 1996 and through October 1997, this affiliate originated 62 residential real estate loans. This volume is not significant and the originations are not included with UPB's loan aggregations.

ASSESSMENT AREAS

UPB has two assessment areas comprised of four counties. The first assessment area consists of three of the five counties in the Chattanooga, TN MSA, including Hamilton County in Tennessee and Catoosa and Walker Counties in Georgia. The bank elected to exclude Marion and Dade Counties in the MSA. These counties have been excluded because the bank does not have a presence in these counties. In addition, these counties are well served by other financial institutions. UPB maintains branch offices closely located to Catoosa and Walker Counties in Georgia, and they are included in the bank's assessment area.

The second assessment area is Bradley County, Tennessee which is adjacent to the MSA. The bank's assessment areas do not reflect illegal discrimination and do not arbitrarily exclude any low- or moderate-income areas.

Table 1 details the distribution of geographies by income level and number of families within each assessment area.

Table 1													
Distribution of Geographies and Number of Families													
Distribution of Geographies by Income Level													
Assessment Areas	# of Families	Low		Moderate		Middle		Upper		NA		Total	
		#	%	#	%	#	%	#	%	#	%	#	%
Chattanooga, TN MSA (Hamilton, Catoosa, Walker Counties Only)	108,193	8	9%	18	20%	47	52%	14	16%	3	3%	90	100%
Bradley Co.	21,607	0	0%	2	12%	6	35%	8	47%	1	6%	17	100%
Total	129,800	8	7%	20	19%	53	50%	22	21%	4	4%	107	100%

Services (25%), Manufacturing (21%), Retail Trade (19%), and Government (16%) make up 81% of the work force in the Hamilton, Walker, and Catoosa counties assessment area. As of 1990, there were approximately 12,626 non-farm businesses and 163 farm businesses located in this assessment area. The numbers of small businesses and small farms with gross revenues less than \$1 million were 8,713 and 146 respectively.

Bradley County is adjacent to the Chattanooga, TN MSA but is not included in the MSA. Manufacturing (39%), Services (29%), and Retail Trade (17%) make up 85% of the work force. As of 1990, there were approximately 2,246 non-farm businesses and 45 farm businesses in this assessment area. The numbers of small businesses and small farms with gross revenues less than \$1 million were 1,629 and 41 respectively.

Table 2 illustrates the distribution of families by income level and the median family income for each assessment area.

Table 2						
Distribution of Families and Median Family Income						
Assessment Areas	Median ² Family Income	Distribution of Families by Income Level				Total
		Low	Moderate	Middle	Upper	
Chattanooga, TN MSA (Hamilton, Catoosa, Walker Counties Only)	30,637	20%	18%	22%	40%	100%
Bradley Co.	24,936	16%	13%	20%	51%	100%

We interviewed three community representatives during this examination, representing local economic development agencies and a housing development corporation. In addition, we used the reports performed by other regulatory agencies. These contacts were used to identify any community development needs, housing needs or economic revitalization programs in which the bank could participate. The community contacts identified the following primary credit related needs:

- Lending assistance and financial aid to specific areas within Chattanooga to help stabilize and revitalize these areas and combat the social problems;
- Funds for very small start-up businesses and for small businesses wishing to expand but not qualifying for participation in the local incubator program; and
- Start up funds targeted specifically for minority-owned businesses.

² Data Sources: 1990 U.S. Census, Department of Housing and Urban Development (HUD). The 1990 median family income (MFI) for the Chattanooga MSA was \$30,637 and \$24,936 for Bradley County. By 1997, the updated MFI was \$39,500 for the MSA, and \$33,200 for Bradley County.

UPB received a rating of “Satisfactory” at the last CRA examination, dated November 17, 1995. This examination covers the banks performance under the lending, investment and service test from January 1, 1996 to the present.

Discussion of Performance Tests in the Assessment Areas

Lending Test

I. Lending Activities

Table 3 illustrates UPB’s responsiveness in addressing the credit needs within its assessment area. In each of the categories listed, a substantial majority of the loans originated in 1996 and through July 31, 1997, were within the bank’s assessment area. Of the \$19.8 million in business loans made from January 1, 1996 to July 1, 1997, \$16.0 million or 81% of the volume was to small businesses. Of the \$28.3 million in total loans made by the bank (excluding one large participation with an affiliate bank), 56% were to small businesses with revenues less than \$1 million. The small business totals do not include any credits which, although made to support a business purpose, were secured by the residence of the borrower. If these loans were included, total business related credits would represent a larger portion of the total portfolio. The distribution of lending to borrowers of different income levels is adequate.

Table 3				
Breakdown of the bank’s loan originations by product type for 1996 and through July 31, 1997				
	Small Business Loans		Real Estate Loans	
	Number	%	Number	%
Inside AA	247	92	111	95
Outside AA	21	8	61	5
Total	268	100	117	100

In summary, 93% of all loan originations were made in the assessment area.

II. Geographic Distribution

Small Business Loans

UPB has satisfactory distribution of small business loans within its assessment areas. Seventeen percent of small business loans were made within low-income census tracts, while only seven percent of the geographies within the assessment areas are designated low-income census tracts. Also the bank has made a proportionately larger amount of loans to low income tract small

business. While not a large percentage, it is significant given there are relatively fewer lending opportunities in these tracts. Table 4 shows the distribution of small business loans by census tract characteristics.

Table 4 Geographic Distribution of Small Business Loans by Census Tract Characteristics					
<i>Originated and Purchased Small Business Loans</i>	1996 thru July 31, 1997		Number of Small Businesses by Income Level	Distribution of Geographies by Income Level	Percent of Small Businesses by Income Level
	Number (#)	Percent of #			
Low-Income Tracts	41	17 %	880	7%	8%
Moderate- Income Tracts	16	6 %	1814	19%	18%
Middle-Income Tracts	114	46 %	5297	49%	51%
Upper-Income Tracts	76	31 %	2351	21%	23%
NA	0	0 %	0	4%	0%
TOTAL	247	100 %	10342	100%	100%

HMDA³ Loans

UPB's geographic distribution of HMDA loans is adequate. Table 5 shows a relatively small number of total HMDA loans originated over the assessment period. Less than one percent of HMDA loans were originated within low-income census tracts and only four percent were made in moderate-income census tracts, while three percent and 11% of the total families live in low- and moderate-income census tracts respectively. However, there is limited owner-occupied housing stock available in these tracts. Also, UPB does not have a business focus on residential lending. It does not market or otherwise solicit any HMDA related products anywhere in its assessment area.

³ HMDA: Home Mortgage Disclosure Act. HMDA reportable loans are residential real estate loans (home purchase, home refinance, home improvement, or multifamily).

Table 5				
Geographic Distribution of HMDA Loans by Census Tract Characteristics				
<i>Originated and Purchased HMDA Loans</i>	1996 thru July 31, 1997		Distribution of Owner- Occupied Housing Stock	Distribution of Families by Geography Designation
	Number (#)	Percent of #		
Low-Income Tracts	1	<1 %	2%	3 %
Moderate-Income Tracts	4	4 %	9%	11 %
Middle-Income Tracts	62	56 %	61%	58 %
Upper-Income Tracts	44	40 %	28%	28 %
TOTAL	111	100 %	100%	100 %

III. Borrower Characteristics

The majority of loans the bank makes are to small businesses with revenues less than \$1 million. The distribution of lending to borrowers of different income levels is adequate.

Small Business and Farm Lending

The bank has made very good efforts to meet the borrowing needs of small businesses. There is very little need for small farm loans within the assessment area. The vast majority of these type loans were under \$100 thousand which is indicative of management's willingness to lend to small businesses. Table 6 illustrates the percentage of loans to small businesses.

Table 6			
Small Business Loans Originated throughout 1996 and thru July 31, 1997			
Loan Amount (000's)	Loans Originated		
	Number	%	\$ Amount (000's)
<= \$100	239	88 %	6,303
>\$100 and <=\$250	19	7 %	3,247
>\$250 to \$1,000	14	5 %	6,459
TOTAL	272	100 %	16,009

Lending to small businesses was identified as a need by community contacts. Over 98% of small business loans were to entities with annual revenues less than \$1 million. In addition, very small dollar amount loans were identified as a community need and, of the 272 loans made over the assessment period, 133 or 49% were under \$20,000.

HMDA Loans

The distribution of real estate originations to individuals of different income levels is adequate. The distribution in areas of moderate income is good. However, given the median family incomes of \$30,673 for Hamilton, Catoosa, and Walker Counties, and \$24,936 for Bradley County and median housing values in excess of \$58,594, and \$56,026 respectively, those families in the low income category (less than 50% of the median) would have difficulty in qualifying for mortgage lending. Also the volume of available housing stock is low. The amount of owner-occupied housing in low and moderate income census tracts is 1.71% and 9.10% respectively. This indicates little opportunity for purchase in these tracts. Additionally, 13% of families in Hamilton, Catoosa, and Walker Counties are below the poverty level. Bradley County is similar with 14% of the families below the poverty. Table 7 illustrates the distribution of HMDA loans by borrower income level.

Table 7 Distribution of HMDA loans within the assessment areas by income levels for 1996 and thru July 31, 1997			
Income Level	# of loans originated	% of loans originated	Distribution of Families by Income Level
Low Income	10	9 %	19 %
Moderate Income	27	24 %	17 %
Middle Income	22	20 %	22 %
Upper Income	50	45 %	42 %
Unknown	2	2 %	0 %
Total	111	100 %	100 %

IV. Community Development Lending

UPB has made a very good level of community development loans. The bank currently has community development loans to a non-profit organizations and a company which meet the regulatory definition. UPB's efforts are very good given the bank's size and capacity.

- Chattanooga Neighborhood Enterprises, Inc (CNE):** In November 1997, the bank and borrower committed to a \$1.5 million loan to revitalize the Robinson Building in order to convert it to an apartment complex. This apartment complex will be located in a low-income census tract and will assist in the continuing revitalization efforts in the downtown Chattanooga area. Due to the complexity of the loan and the number of parties involved in negotiation, including non-profit and government bodies, the bank spent numerous hours over several months to complete this package.

This loan is part of Tennessee Housing Development Agency (THDA), the City of Chattanooga and other local governmental and non-profit agencies comprehensive plan of downtown redevelopment (Plan). The Plan was developed pursuant to the THDA's "Bicentennial Neighborhoods Initiative." The goal of the initiative is to help foster, rehabilitate and preserve existing neighborhoods and the heritage of community spirit and cooperation. The objective of the Plan is to dramatically improve the full range of housing alternatives in an effort to encourage a mix of housing opportunities and diversity of socio-economic and ethnic backgrounds.

In March 1997, the bank renewed an unsecured \$50,000 Line of Credit to CNE for the purpose of making mortgage loans to low- and moderate-income individuals. This bank funds a portion of a \$1,000,000 line of credit that CNE uses to warehouse closed loans for resale in the secondary market. Please refer to **Community Development Services** for additional information on CNE.

- **Eastgate Mall, LLC:** In June 1997, committed a \$3 million line to this limited liability company for the purpose of renovating and repairing the Eastgate Mall. Of the \$3 million, \$349,000 has been funded. This mall had lost the majority of their anchor and other tenants because a more modern complex is located in close proximity to this shopping center. This property is located in a moderate-income census tract and with the revitalization of this property new tenants are expected to provide permanent job creation. An AT&T call center has recently leased a portion of the mall and by year end 1997 expects to employ 1000 individuals. AT&T targeted low and moderate individuals in their hiring process. The commitment process took over two months and the loan agreement covenants are structured to mesh with funding being provided from public entities.
- **Marvin Nicholson, Sr :** In August 1997, the bank made a \$153,000 loan to this individual for the purpose of constructing government subsidized housing. This individual will build two duplexes; each equipped with four 3 bedroom units. The townhouses will be located in low-income census tract.

V. Innovative or Flexible Lending Practices

The bank has made several loans over the assessment period which demonstrated innovative or flexible lending practices. The loans listed below have non-standard terms or other features outside of the bank's traditional underwriting standards.

- **First Baptist Church of Bozontown:** In August 1996, the bank made a \$43,000 loan to this church for the purpose of purchasing and secured by a new church building. The building purchased will house a low-cost day care center for low-income working parents.
- **Wilbur and Mary Tigner:** In August 1997, the bank made a \$32,000 loan to these individuals in conjunction with a project of the Greater Chattanooga Construction Industry Corporation. The purpose of this organization is to provide career opportunities for minorities in the construction industry (Refer to **Community Development Services** for additional information). The funds for this loan were used to purchase a Union Planter's Certificate of Deposit to be used in lieu of a contractor's performance bond for a demolition project. In turn, this improved property will be used by the Westside Community Development Corporation for a revitalization project in the Westside neighborhood, a low-income area.

- **Success by Design:** In July 1997, the bank made a \$5,000 participation loan in conjunction with the Southeast Local Development Corporation. The proceeds were used for working capital purposes for a minority -owned small business currently operating out of the local business incubator center.

Investment Test

UPB has a low level of qualified investments and they are not considered innovative or complex. These investments have been made in the form of grants (donations) to organizations in the assessment area. Through discussions with community leaders and other sources, equity and capital investment opportunities are readily available for financial institutions in the Chattanooga area. There are several established organizations which provide funding for affordable housing, business development, and revitalization efforts. These organizations are funded through investments, grants, donations, state and federal tax money, and community development loans.

- **Small Business Development Center (SBDC):** The bank provided \$1,500 to the SBDC in 1996 and \$9,500 in 1997 to this organization. The funds were used for day to day operating cost. In addition, the bank provided \$175 as a partial sponsor of the Women's Small Business conference held at SBDC. The purpose of the SBDC is to assist and guide individuals in starting new businesses. Please refer to **Community Development Services** for additional information on SBDC.
- **The Stadium Campaign:** In 1996, the bank committed to donate \$3,000 over a three year period to The Stadium Campaign. Through 1997, \$2,000 has been donated. The stadium is part of a community redevelopment project sponsored by the City of Chattanooga and is part of the Southside Project, a low-income dilapidated area. The funds are being used to construct a new stadium, the cornerstone of the Southside Project. The stadium will bring permanent job creation and new retail businesses to this area.
- **Construction Industry Corporation (CIC):** The Bank provided a \$650 grant to the CIC for its Construction Corp. The Construction Corp targets low and moderate income high school student in minority neighborhoods who want career opportunities in the construction industry. Please refer to **Community Development Services** for additional information on CIC.

Service Test

The delivery systems offered by UP Chattanooga, NA are reasonably accessible to all portions of their defined assessment area. No branches have been opened or closed since the prior CRA examination. Seven of the eight branches offer full services and generally maintain the same hours of operation. Bank employees provide a relatively high level of community development services.

A. Retail Banking Services:

I. Distribution of Branches Among Geographies

UPB delivery systems are reasonably accessible to all income tracts within their defined assessment area. Seven of the eight branches provide full service banking and the remaining branch is a drive thru location only. The branches are open between 9:00 A.M. - 4:00 P.M. Monday thru Thursday with extended hours on Friday afternoons. Additional morning hours are offered at the seven drive thru locations. 24-hour banking is available via the use of automatic teller machines (ATM's). Table 8 below shows the distribution of all branches as it compares to the characteristics of the assessment areas:

Census Tract Characteristic:	# of Branches	% of Total Branches	% of Geographies
Low Income	1	12%	8 %
Moderate Income	0	0 %	20 %
Middle Income	3	38%	53 %
Upper Income	4	50%	22%
NA	0	0%	4%
Total	8	100.0 %	100.0 %

The bank's distribution of branches is reasonable given that bank's size and percent of market share in their defined assessment area. The majority of the low and moderate-income census tracts in the Chattanooga MSA surround the downtown area. The bank has a full service branch and a limited service branch (drive thru only) located in this area which provides accessibility to residents living in these low and moderate-income tracts in downtown area. In addition, another branch is located near one of the three moderate-income tracts in Catoosa County, Georgia. The bank's branches in the Bradley County assessment area are located within very close proximity to the two moderate-income tracts in that county. All other tracts in that county are middle and upper income. As stated in the description of the assessment area, this bank is a very small player in a market saturated with financial institutions.

Union Planters offers a "Really Free" checking account. This account offers a low balance to open and there are no minimum balance requirements to keep the account open. In addition, this account has no fees and an ATM or debit card is provided at no cost.

II. Record of Opening and Closing Offices

No offices have been opened or closed since the prior CRA examination.

III. Alternate Delivery Systems

All branches, except one in the Bradley County assessment area, are equipped with automatic teller machines (ATM's). In addition, two stand-alone ATMs are located in the assessment area with one located on the campus of Chattanooga State Technical College, within a moderate-income census tract. The bank has an extensive network of proprietary and nonproprietary ATMs. Bank customers have access to its parent company, UPC, and affiliate banks' ATMs without charge.

To improve overall customer access, the bank implemented the UP Direct bank by phone program in early 1996. Through this system, customers can access account information, check payment status of checks and execute stop payment orders, report lost or stolen debit or ATM cards, make account transfers, obtain cut off statements, and make loan payments, 24 hours a day. The bank is in process of adding a loan by phone option.

B. Community Development Services

UPB provides a high level of community development services given its staffing size. The bank's primary services include participation of bank officers and directors with organizations whose purpose is to promote community development or provide a financial service. While the services are not considered innovative, they show a good responsiveness to community needs by providing financial expertise to organizations in the assessment area. The following community development services are provided within the bank's assessment area.

- **Chattanooga Business Connection (CBC):** The CBC program was created to provide access to capital for the creation or expansion of primarily minority and women owned small businesses. The program was created through a joint effort of the Mayor of Chattanooga, Small Business Administration, and local banks. The CBC provides a forum for the small business borrower to present their loan application on a first hand basis in joint meetings with an SBA loan officer and loan officers from local banks, with hopes of securing financing through the SBA 7(a) program. Senior Loan Officer Don Morrison is a member of the loan committee for the CBC. He assists in making credit decisions for the CBC.
- **Chattanooga Neighborhood Enterprise, Incorporated (CNE):** CNE is a private/public nonprofit partnership that serves to provide opportunities for all persons in the community to live in decent and affordable housing by lending money to home buyers, advocating home ownership, developing and managing affordable housing and assisting the revitalization of old neighborhoods. Since its inception in 1986, CNE has rehabilitated or financed more the 2,500 units of housing in the community while managing more than 300

units of rental housing. Bank President and CEO Tom Flenniken serves on the Board of Directors and Finance and Audit Committees of CNE. Duties of directors include selecting and maintaining competent management, reviewing and approving the annual outside financial audit firm reports, and final approval of company borrowing or financing plans on amounts in excess of management's authority.

- **Affordable Housing Services, Inc. (AHS):** AHS is an affiliate company of CNE and supplies education and training to potential and recent low and moderate income home owners residing in low and moderate neighborhoods. Since its inception, AHS has educated hundreds of aspiring and first time low and moderate-income home buyers. President and CEO Flenniken serves as an outside director for this agency. As a director, duties includes selecting and maintaining competent management, establishing organization business objectives, approving annual budgets and monitoring the ongoing financial condition of the organization.
- **Minority Economic Development (MED):** In the past, MED had been a week long celebration which provides an opportunity for small, minority owned business to showcase their achievements. However, this organization recently achieved non-profit status and MED will change from a week long celebration to an ongoing vehicle for economic development activities for minority-owned small businesses. CRA Officer Glenda Gaubert is a board member of this newly formed non-profit organization. As a Board Member, her duties will include developing business workshops on various subjects including how to develop a business plan and financial planning for your business. Other duties will include establishing fund raising activities and allocating available funds to the various programs sponsored by MED.
- **Small Business Resource Center (SBRC):** The SBRC is a nonprofit organization whose purpose is to assist and guide individuals in starting new businesses. Counseling, technical, and education assistance are available free of charge to the public. Senior Loan Officer Don Morrison serves on the SBRC Advisory Board and has personally met with several potential Small Business Administration loan customers to provide counseling on how to effectively present a loan request to a bank. He also reviews the budget for this organization and assist in analyzing the financial condition of the organization on a quarterly basis. In addition, Commercial Loan Officer Mary Anne McKay taught a class to start up businesses owners on how to develop a business plan.
- **Private Industry Council (PIC):** The PIC targets the unemployed and or underemployed; displaced or dislocated workers; economically disadvantaged; mature workers; and at-risk youth by providing high-performance skills training, professional development; intensive academic intervention, and employability development. Director John F. Germ is a member of the board of directors for this organization. As a board member Mr. Germ works on obtaining funding for the various programs and allocating the funding for the programs.

- **Greater Chattanooga Construction Industry Corporation (CIC):** The focus of the CIC is to build a better Chattanooga by providing successful career opportunities for minority, economically disadvantaged, or female small business contractors in the construction industry. The CIC is committed to help contractors upgrade skills, receive technical advice and gain access to bid requests; help contractors seeking certification as a Minority Business Enterprise(MBE); Disadvantaged Business Enterprise (DBE) or Women Business Enterprise (WBE); and local businesses and industries seeking to increase the participation of diverse contractors in construction projects undertaken by their companies. Director Germ serves as a board member for this organization. As a board member duties include selection of management, approval of the budget, allocation of funding, and monitoring the programs administered by CIC.
- **River Valley Partners (RVP):** This organization is a public/private, non-profit organization with responsibility for economic development in the Chattanooga area. Their focus on assisting small businesses, recruiting new small businesses to the Chattanooga area, and revitalization of the downtown Chattanooga area. RVP manages and provides funding for the SBRC which provides technical assistance for small and start up companies. Director Germ is a board member of this organization. Duties of board members include selection of management, approval of the plan of action, approval of the budget and allocation of funds among the various programs administered by this organization.

Appendix A: Scope of Examination

A Community Reinvestment Act (CRA) examination commenced on October 27, 1997. The objective of the examination was to assess the bank's record of serving the credit needs of the entire assessment area, including low and moderate income areas and to assign an overall rating to the bank. This examination considered the bank's performance during 1996 and 1997 as well as qualifying community development loans as of our examination date. Performance was evaluated under the newly revised CRA regulation, which was modified to reduce regulatory burden on banks and to be more performance oriented.

The examination included a review of all home mortgage loans and small business loans originated during 1996 and 1997.

CHATTANOOGA, TENNESSEE METROPOLITAN STATISTICAL AREA

Description of the Chattanooga, Tennessee MSA

Refer to pages 3, 4, and 5, for a description of the Chattanooga, Tennessee, MSA.

Conclusions with Respect to Performance Tests in the Chattanooga, Tennessee, MSA

UPB performance in meeting the credit needs of Hamilton, Catoosa, and Walker Counties is consistent with the overall rating assigned to UPB.

Lending Test

UPB's level of lending is considered good and generally responsive to the credit needs within Hamilton, Catoosa, and Walker Counties. Identified credit needs included small business loans. UPB's primary business focus is small business lending. HMDA loans are not actively marketed, but are offered. In 1996, the bank originated only 39 (\$1,774 thousand) out of a total of 15,084 (\$990,000 thousand) HMDA loans made in Hamilton, Catoosa, and Walker Counties.

I. Geographic Distribution

Small Business Loans

UPB's distribution of small business loans within the Chattanooga MSA (Hamilton, Catoosa, and Walker Counties) is satisfactory. Twenty one percent of small business loans were made within low-income census tracts, while only nine percent of the geographies within the assessment areas are designated low-income census tracts. Table 9 shows the geographic distribution of small business loans by census tract characteristics.

Table 9 Geographic Distribution of Small Business Loans by Census Tract Characteristics				
<i>Originated and Purchased Small Business Loans</i>	1996 thru July 31, 1997		Distribution of Geographies by Income Level	% of Small Businesses by Income Level
	Number (#)	Percent of #		
Low-Income Tracts	41	21 %	9 %	8%
Moderate-Income Tracts	14	7 %	20 %	18%
Middle-Income Tracts	103	53 %	52 %	51%
Upper-Income Tracts	38	19 %	16 %	23%
NA	0	0 %	3 %	0%
TOTAL	196	100 %	100 %	100%

HMDA Loans

UPB's geographic distribution of HMDA loans adequately reflects the geographic distribution of families Chattanooga MSA (Hamilton, Catoosa, and Walker Counties). Given the median family incomes of \$30,673 for Hamilton, Catoosa, and Walker Counties and median housing values in excess of \$58,594, those families in the low income category (less than 50% of the median) would have difficulty in qualifying for mortgage lending. Thirteen percent of families in Hamilton, Catoosa, and Walker Counties are below the poverty level. Also the volume of available housing stock is low. The amount of owner-occupied housing in low and moderate income census tracts is 1.71% and 9.10% respectively. This indicates little opportunity for purchase in these tracts. Table 10 illustrates the distribution of HMDA loans by borrower income level. HMDA loans are not generally part of UPB's business focus.

Table 10 Geographic Distribution of HMDA Loans by Census Tract Characteristics			
<i>Originated and Purchased HMDA Loans</i>	1996 thru July 31, 1997		Distribution of Families by Geography Designation
	Number (#)	Percent of #	
Low-Income Tracts	1	2 %	9 %
Moderate-Income Tracts	1	2 %	20 %
Middle-Income Tracts	39	66 %	52 %
Upper-Income Tracts	18	31 %	16 %
NA	0	0 %	3 %
TOTAL	59	100 %	100 %

II. Borrower Characteristics

The majority of loans to businesses are to small businesses with revenues less than \$1 million. The distribution of lending to borrowers of different income levels is adequate.

Small Business and Farm Lending

The bank has made very good efforts to meet the borrowing needs of small businesses. There is very little need for small farm loans within the Chattanooga MSA (Hamilton, Catoosa, and Walker Counties). The vast majority of these loans were under \$100 thousand which is indicative of management's willingness to lend to small businesses. Table 11 illustrates the percentage of loans to small businesses and small farms.

Table 11			
Small Business Loans Originated throughout 1996 and thru July 31, 1997			
Loan Amount (000's)	Loans Originated		
	Number	%	\$ Amount (000's)
<= \$100	175	89 %	4,421
>\$100 and <=\$250	12	6 %	2,182
>\$250 to \$1,000	9	5 %	3,578
TOTAL	196	100 %	10,181

Lending to small businesses was identified as a need by community contacts. Over 97% of small business loans were to entities with annual revenues less than \$1 million.

HMDA Loans

The volume of real estate originations to individuals of different income levels is low when compared to the number of families within the Chattanooga MSA (Hamilton, Catoosa, and Walker Counties). However, given the median family incomes of \$30,673 for Hamilton, Catoosa, and Walker Counties, and a median housing value in excess of \$58,594, those families in the low income category (less than 50% of the median) would have difficulty in qualifying for mortgage lending. Additionally, 13% of families in Hamilton, Catoosa, and Walker Counties are below the poverty level. Table 12 illustrates the distribution of HMDA loans by borrower income level.

Table 12			
Distribution of HMDA loans within Hamilton, Catoosa, and Walker Counties by income levels for 1996 and thru July 31, 1997			
Income Level	# of loans originated	% of loans originated	Distribution of Families by Income Level
Low Income	3	5 %	20 %
Moderate Income	11	19 %	17 %
Middle Income	9	15 %	22 %
Upper Income	36	61 %	40 %
Total	59	100 %	100 %

III. Community Development Lending

UPB has made a very good level of community development loans. All of the bank's community development loans are located in Hamilton, Catoosa, and Walker Counties within the Chattanooga MSA. UPB's efforts are adequate given the bank's size and capacity. Refer to pages 11-12 for detailed information on these loans.

IV. Innovative or Flexible Lending Practices

UPB has demonstrated some flexible lending practices. It has made loans outside of traditional underwriting criteria, including minimal borrower equity and extended terms. Refer to pages 12-13 for detailed information.

Investment Test

UPB has made a relatively low level of qualified investments in Hamilton, Catoosa, and Walker Counties within the Chattanooga MSA. Refer to pages 12-13 for a description of these investments.

Service Test

The bank's service delivery system is readily accessible by the majority of the population within Hamilton, Catoosa, and Walker Counties.

A. Retail Banking Services

The delivery systems offered by UP Chattanooga, NA are reasonably accessible to all portions of Hamilton, Catoosa and Walker Counties within the Chattanooga MSA. No branches have been opened or closed since the prior CRA examination. Four of the five branches offer full services and generally maintain the same hours of operation. Bank employees provide a high level of community development services.

I. Distribution of Branches Among Geographies

UP Chattanooga, NA delivery systems are reasonably accessible to all income tracts. Four of the five branches provide full service banking and the remaining branch is a drive thru location only. The branches are open between 9:00 A.M. - 4:00 P.M. Monday thru Thursday with extended hours on Friday afternoons. Additional morning hours are offered at the four drive thru locations. 24-hour banking is available via the use of automatic teller machines (ATM's). The table below shows the distribution of all branches as it compares to the characteristics of the assessment area:

Table 13			
Distribution of Delivery Systems			
Census Tract Characteristic:	# of Branches	% of Total Branches	% of Geographies
Low Income	1	20%	9%
Moderate Income	0	0 %	20%
Middle Income	3	60%	52%
Upper Income	1	20%	16%
NA	0	0%	3%
Total	5	100.0 %	100.0 %

The bank’s distribution of branches is reasonable given that bank’s size and their percent of market share in the defined assessment area. The majority of the low and moderate-income census tracts in the Chattanooga MSA surround the downtown area. The bank has a full service branch and a limited service branch (drive thru only) located in this area which provides accessibility to residents living in these low and moderate-income tracts in downtown area. As stated in the description of the financial institution, this bank is a very small player in a market saturated with financial institutions.

Union Planters offers a “Really Free” checking account. This account offers a low balance to open, however there are no minimum balance requirements to keep the account open. In addition, this account has no fees and an ATM or debit card is provided at no cost. These services increase access to financial services for low- and moderate-income individuals.

II. Record of Opening and Closing Offices

No offices have been opened or closed since the prior CRA examination.

III. Alternate Delivery Systems

All branch locations except one are equipped with automatic teller machines (ATM’s). In addition, two stand-alone ATMS are located in the assessment area with one located on the campus of Chattanooga State Technical College, a moderate-income census tract. The bank has an extensive network of proprietary and nonproprietary ATMs. Bank customers have access to its parent company, UPC, and affiliate banks’ ATMs without charge.

To improve overall customer access, the bank implemented the UP Direct bank by phone program in early 1996. Through this system, customers can access account information, check payment status of checks, execute stop payment orders, report lost or stolen debit or ATM cards, make account transfers, obtain cut off statements, and make loan payments 24 hours a day. The bank is in process of adding a loan by phone option.

B. Community Development Services

UPB provides a high level of community development services. The bank's primary services include participation of bank officers and directors with organizations whose purpose is to promote community development or provide a financial service. While the services are not considered innovative, they show a good responsiveness to community needs by providing financial expertise to organizations in the assessment area. The following community development services are provided in Hamilton, Catoosa, and Walker Counties within the Chattanooga MSA. Refer to pages 15-17 for a description of the following services:

Chattanooga Business Connection (CBC)

Chattanooga Neighborhood Enterprise, Incorporated (CNE)

Affordable Housing Services, Inc. (AHS)

Minority Economic Development (MED)

Small Business Resource Center (SBRC)

Private Industry Council (PIC)

Greater Chattanooga Construction Industry Corporation (CIC)

River Valley Partners (RVP)