

PUBLIC DISCLOSURE

January 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION LARGE BANK

**Peachtree National Bank
Charter Number: 20668**

**2603 Highway 54 West
Peachtree City, Georgia 30269**

**Comptroller of the Currency
Southeastern District Office
Marquis One Tower, Suite 600
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Atlanta , Georgia 30303-1223**

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.

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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 **Peachtree National Bank** (PNB) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 4, 1999**. The agency evaluates performance in assessment areas(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

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

These factors support the bank's CRA performance for the lending, investment and service tests.

- C The bank's distribution of HMDA loans by borrower income level is very good. However, the distribution of housing loans in low and moderate income (LMI) geographies is poor.
- C The bank's distribution of small business loans by geography and revenue size is adequate.
- C An adequate level of the total number and dollar amount of HMDA and small business loans are made within the bank's assessment area.
- C PNB has made an adequate level of qualified community development investments and grants within its assessment area.
- C Delivery systems are reasonably accessible to all portions of the bank's assessment area and to individuals of different income levels.
- C The bank has provided an adequate level of community development services.

The following table indicates the performance level of Peachtree National Bank with respect to the lending, investment, and service tests.

Performance Levels	Peachtree National Bank		
	Performance Tests		
	Lending Test *	Investment test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	X
Needs to Improve			
Substantial Noncompliance			

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

DESCRIPTION OF INSTITUTION

Peachtree National Bank (PNB) is a \$150 million bank located in Peachtree City, Georgia, approximately 30 miles southwest of Atlanta, Georgia. PNB is a wholly owned subsidiary of Synovus Financial Corporation, a \$9.5 billion multi-bank company headquartered in Columbus, Georgia. Synovus owns 35 banks serving communities throughout Georgia, Alabama, Florida, and South Carolina.

Competition is very strong in the bank's assessment area and is dominated by several branches of large multi-state and regional banks. Also, there are two locally owned community banks and several credit unions within the bank's assessment area (AA). PNB's deposit market share in its AA is 14%. PNB operates six offices, including the main office, within its assessment area. There are four full service offices with automated teller machines (ATMs) and two facilities at local grocery stores that accept deposits and loan applications. Also, there is one stand alone ATM located at a local hospital. The bank's primary business strategy is to meet the needs of small business and retail customers. PNB offers a variety of credit products. The composition of the bank's \$117 million loan portfolio as of 9/30/98 was 52% commercial real estate, 25% commercial and industrial, 13% residential real estate, 9% consumer, and 1% other loans. There are no known financial or legal impediments that would impair the bank's ability to meet the credit needs within its AA.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area includes all of Fayette county, and parts of Clayton, east Cowetta, north Henry, and south Fulton counties within the Atlanta Metropolitan Statistical (MSA). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The assessment area is made up of 36 census tracts. Of those, there is one low-income tract, five moderate-income tracts, twenty one middle-income tracts, and nine upper-income tracts.

Needs Analysis

Community needs were determined by contacting a representative from the local Chamber of Commerce and discussion with bank management. The contacts stated that the primary credit needs in the AA are loans for start up and small businesses.

PNB received a rating of "Satisfactory Record of Meeting Community Credit Needs" at its last CRA examination, dated February 1996.

Total Population Summary

According to the 1990 U. S. Bureau of Census data, the total population of the bank's assessment area was 272,751. There are 75,603 families in the bank's assessment area. Of these families, 16% are low income, 19% are moderate income, 27% are middle income, and 38% are upper income. Seven percent of the families in the AA live below the poverty level. The HUD 1998 updated MSA median family income is \$54,700.

Economic Patterns

Fayette county's local economy is strong. According to the Fayette County Chamber of Commerce, in 1997 over 75% of the Fayette households were two-parent families. The average household income was \$84,319. The Wall Street Journal names Fayette County as "The Second Hottest White Collar Address in the United States" (March 1994). Major employers include Panasonic, Atlanta Photo Circuits, Inc., and AT&T Global Information Solutions. According to the local Chamber of Commerce, unemployment in Fayette county as November 1998, was 1.9%, well below the state average of 4.5%. The county is among the nation's fastest growing economic hotbeds. Its proximity to Hartsfield Atlanta International Airport has been a primary factor in its growing popularity with international firms.

Clayton county's local economy is also strong. The county ranks as one of the smallest Georgia counties in land size while ranking as one of Georgia's most populated counties with 207,000 residents in 1997, according to the Clayton County Chamber of Commerce. Major employers include Delta Airlines, Clayton County Schools, and the United States Army at Fort Gillem. The county is in close proximity to the Atlanta airport. Clayton County's unemployment, as of November 1998, was 3.2% and below the state average of 4.5%. The other counties in the bank's AA also are prosperous and growing.

Housing Characteristics

According to the 1990 U. S. Bureau of Census, the number of housing units in the bank's assessment area totaled 102,149. The majority of the units consisted of 1-4 family units (79%), followed by multifamily units (15%) and mobile homes (6%).

Of the 102,149 housing units in the assessment area, 67% are owner-occupied units, 26% are rental units, and 7% are vacant units. Approximately 64% of the owner-occupied housing units are in the middle income tracts, and 27% are in upper income tracts. The median housing value is \$81,652 with

the median age of housing stock of 22 years.

FAIR LENDING REVIEW

We performed a comparative file review of home improvement loans approved for the twelve months period ending 9/30/98. Our review focused on rates, terms, and conditions based on gender. We reviewed all approved home improvement female applicants to all approved home improvement male applicants. PNB's fair lending policies, procedures, training programs and internal assessment efforts have been effective in assisting lending officers in adhering to fair lending laws. No patterns, practices, or evidence of discrimination were found.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Scope of Review

In assessing PNB's lending performance, the primary focus of our review was small loans to businesses and Home Mortgage Disclosure Act (HMDA) reportable residential real estate loans. Loans to small businesses were weighted more in coming to an overall lending conclusion because these loans were identified as a primary credit need during this review and represent a significant portion of the bank's lending activities. This review covered the time period from January 1, 1996 to September 30, 1998 for all HMDA reported loans and small business loans. Small farm and consumer loans were not included in the bank's CRA performance analysis. The bank did not report any small farm loans during this evaluation period and consumer loans did not represent a significant portion of the bank's total loan portfolio.

Lending Activity

PNB provides an adequate level of small business and real estate loans which are distributed throughout its AA. During this evaluation period, the bank generated 134 HMDA reportable (residential loans) totaling \$5.9 million. The bank also extended 953 small business loans totaling \$101 million. An adequate level of PNB's loans was made within its designated AA. Table 1 shows that the percent of loans in terms of number and dollars, respectively originated within the bank's AA during this evaluation period. Bank management stated that loans made outside the bank's assessment area are primarily to borrowers who work in the bank's AA and live in adjoining counties.

Table 1						
Numbers and Ratios of Loans Inside the Bank's Assessment Area						
	Mortgage Related Loans			Small Business Loans		
	1996	1997	9/30/98	1996	1997	9/30/98
Number						
# of Loans Inside AA	38	39	25	154	225	206
% of Loans Inside AA	79%	70%	71%	61%	60%	64%
Dollars (000's)						
\$ of Loans Inside AA	1,589	1,641	987	10,986	27,487	23,452
% of Loans Inside AA	88%	71%	70%	61%	60%	62%

Source: Internal Bank Reports

LENDING TEST

Geographic Distribution

The distribution of housing related loans originated in low and moderate income geographies was poor in comparison to demographic data. Table 2 shows that there were no HMDA loan originations in low income geographies during the period reviewed. Only 2% of HMDA loans originated in moderate income geographies in 1996. There were no HMDA loan originations in moderate income census tracts for the year 1997 and the period ending 9/30/98.

Table 2									
Total Bank									
Geographic Distribution of Housing Related Loans									
Based on Number of Loans Originated									
Tract Designation	% of Tracts	% of Families by tract	1996		1997		9/30/98		% Owner Occupied Units
			#	%	#	%	#	%	
Low-income	3%	0.13%	0	0	0	0	0	0	nil

Table 2 Total Bank Geographic Distribution of Housing Related Loans Based on Number of Loans Originated									
Moderate-income	14%	12%	1	2	0	0	0	0	9
Middle-income	58%	64%	15	40	14	36	14	56	64
Upper-income	25%	24%	22	58	25	64	11	44	27
Total	100%	100%	38	100	39	100	25	100	100%

Source: 1996 ,1997, and 9/30/98 CRA data ; 1990 U. S. Bureau of the Census

The bank's geographic distribution of small business loans in low income geographies in 1996 was good and approximated the percentage of small businesses located in low income geographies as shown in Table 3. The bank did not report any small farm loans during this evaluation period. However, in 1997 and as of 9/30/98 the loan penetration declined and was below the percentage of businesses located in low income geographies. The bank penetration of small business loans in moderate income geographies decreased from 8% in 1996 to 7% in 1997. As of 9/30/98, the percentage increased to 9%. These penetration ranges are below the 14% of businesses located in moderate income geographies. Overall, loan penetration to small business in low and moderate geographies is adequate. There were no conspicuous geographic gaps in the bank's lending patterns.

Table 3 Total Bank Geographic Distribution of Small Business Lending Based on Number of Loans Originated							
Tract Designation							% of Businesses
	1996		1997		9/30/98		
	#	%	#	%	#	%	
Low-income	3	2	1	nil	0	0%	2%
Moderate-income	13	8	16	7	18	9%	14%
Middle-income	49	32	104	46	114	55%	56%
Upper-income	89	58	104	46	74	36%	28%
Total	154	100	225	100	206	100%	100%

Source: 1996 ,1997, and 9/30/98 CRA data ; 1990 U. S. Bureau of the Census

Borrower Characteristics

Table 4 shows the bank's level of housing related loans to borrowers of different income levels compared to the percentage of families in that income level. The bank's distribution of HMDA loans by borrower income level was very good in comparison to demographic data. In 1997, PNB's market share of .75% for residential loans in low and moderate income census tracts exceed its overall market share for residential loans of .21%. As shown in Table 4, in 1996, PNB made 18% of its housing related loans to low income borrowers. This percentage exceeds the 16% of low income borrowers residing in the bank's AA. The bank's distribution of housing related loans in 1997 mirrored the percentage in 1996. However, there was a decline in 1998 to only 8%. Bank management states that this is primarily due to the strong competition in the bank's AA and is not a reflection of change in the bank's lending patterns. Although the bank's percentage of mortgage loans to low income borrowers lags behind the proportionate number of low income families in 1998, the bank's performance is very good when averaged for the entire evaluation period and almost mirrors the percentage of low income families.

The bank's level of lending to moderate income borrowers is also very good. During this evaluation period the bank made 11%, 23% and 20% respectively of its mortgage related loans to moderate income borrowers. These percentages in 1997 and 1998 exceed the 19% of moderate income families in the bank's AA.

Table 4 Distribution of Mortgage Related Loans by Borrower Income Level				
Income Level	Distribution of Families by Income Level	Distribution of Borrower Income Level Mortgage Related Loans		
		1996	1997	9/30/98
Low Income	16%	18%	18%	8%
Moderate Income	19%	11%	23%	20%
Middle Income	27%	40%	18%	28%
Upper Income	38%	31%	36%	40%
Income Not Available	0%	0%	5%	4%
Total	100%	100%	100%	100%

Source: 1996, 1997, and 9/30/98 HMDA Loan Registrar and 1990 U. S. Bureau of the Census

The bank's lending to small businesses is adequate. Table 5 shows the total number and type of businesses within the bank's assessment area by revenue size. Seventy five percent of the businesses in the bank's AA had annual revenues less than \$1 million. Tables 6 and 7 show loans made to small

businesses in 1996, 1997, and as of 9/30/98 by loan size and revenue size.

Table 5			
Peachtree National Bank Assessment Area			
Total Business	Total	Sales <\$1 million	Sales >\$1 million
Farm	165	155	2
Nonfarm	9,438	7,066	621
Total	9,603	7,221	623

Source: 1990 U.S. Bureau of the Census

Of the loans made to small businesses in 1996, 76% of the total number were originated for amounts of \$100 thousand or less. The percentage for 1997 and as of 9/30/98 were 67% and 70% respectively showing a decrease from the 1996 percentage. Table 7 shows reasonable loan penetration among business customers of different sizes. During 1996, 67% of small business loans were to businesses with annual revenues less than \$1 million. This performance is reflective of the market in which 75% of the businesses in the bank's AA have annual revenues less than \$1 million. These totals were down to 57% and 56% in 1998. Overall, the bank's lending to small business is adequate given its overall 1997 aggregate market share of 1.13%.

Table 6						
Distribution of Small Business and Small Loans by Loan Size						
	Small Business					
	1996		1997		9/30/98	
Loan Size	#	%	#	%	#	%
Less than \$100,000	117	76%	150	67%	144	70%
Between \$100,000 and \$250,000	31	20%	52	23%	44	21%
Greater than \$250,000	6	4%	23	10%	18	9%

Source: Internal Bank Reports

**Table 7
Distribution of Small Business Loans by Revenue Size**

Revenue Size	1996		1997		9/30/98	
	#	%	#	%	#	%
Less than \$1,000,000	104	67%	128	57%	115	56%
Greater than \$1,000,000	47	31%	97	43%	91	44%
Unknown Revenue	3	2%	0	0%	0	0%
Total	154	100%	225	100%	206	100%

Source: Internal Bank Reports

Community Development Lending

PNB did not make any community development loans during this evaluation period.

Flexible Lending Programs

PNB uses one flexible lending program to service its AA credit needs. During this evaluation period, the bank was a certified Small Business Administration (SBA) lender and made ten SBA guaranteed loans. These loans were made under the SBA LowDoc Loan Program tailored primarily to small start up businesses. In addition, this program requires less paperwork than the bank's traditional underwriting. As of 9/30/98, the outstanding balance of these loans totaled \$174,334. There were no flexible housing related products that originated during this evaluation period.

INVESTMENT TEST

During the evaluation period, qualified community development investments, in the form of contributions and grants totaled \$600,668. This amount is considered adequate given the size of this bank and the limited opportunities for community development investments in the bank's AA. The primary investment during this evaluation period included:

- C Fannie Mae Mortgage Backed Security (MBS). This is a pool of 10 loans to low- and moderate- income individuals for purchase of homes in low- and moderate- income geographies in the bank's AA. PNB purchased 5 bonds totaling \$595,000 in 1998.

PNB also made several small grants and donations totaling \$5,668 during this evaluation period to organizations that support community activities targeted to low- or moderate income persons.

SERVICE TEST

PNB's delivery systems are reasonably accessible to different geographies and persons of different income levels. As shown in Table 8, the bank has no branches in the bank's only low income census tract. However, management stated that there is a branch located in a moderate income census tract which is within a five miles radius of the low income census tract. Branches in moderate income census tracts exceed the percentage of moderate income families in the bank's AA. Branch hours are reasonable and include extended hours as well as Saturday banking. In addition, there are two branches located at local 24 hours grocery stores. The majority of the bank's branches are in middle and upper income census tracts.

Table 8
Distribution of Branch Offices and ATM's

Tract Income Designation	Census Tracts		Families		Branches		Off-Site ATM's	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low Income	1	3%	102	0.13%	0	0%	0	0%
Moderate Income	5	14%	8,839	12%	1	17%	0	0%
Middle Income	21	58%	48,092	64%	2	33%	0	0%
Upper Income	9	25%	18,570	24%	3	50%	1	100%
Total	36	100%	75,603	100%	6	100%	1	0%

Source: Internal Bank Reports: 1990 U.S. Bureau of the Census

Community Development Services

PNB has provided an adequate level of community development services within its AA. Fifteen officers and employees of the bank have provided services to over twelve different community development organizations during this evaluation period. These community development services primarily relate to providing technical assistance, training, and fund raising activities. Examples of some of the community development services provided include:

- C Fayette County Development Authority.** This organization is responsible for promoting affordable housing in Fayette county. During this evaluation period, an executive officer of the bank provided technical financial assistance regarding secondary markets and loan programs
- C Christian City.** A bank officer provides technical financial expertise to this not-for-profit community development organization that provides housing for elderly low income persons and at risk children.

APPENDIX

Definition of Terms

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a more concise synopsis of their meaning.

Community Development - The primary purpose of the loan, investment, or service is for (1) affordable housing for low or moderate income individuals; (2) community services targeted to low or moderate income individuals; (3) activities that promote economic development by financing small businesses and farms; and (4) activities that revitalize or stabilize low or moderate income areas.

Consumer Loan - A loan to one or more individuals for household, family, or other personal expenditures.

Geography - A census tract or block numbering area.

Low, Moderate, Middle, and Upper Income Area - A low income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area median family income, middle income is 80% to 119% of the area median family income, and upper income is 120% or more of the area median family income.

MDA Loan - A residential real estate loan (home purchase, home refinance, home improvement, or multifamily).

Qualified Investment - A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Business Loan - A commercial loan with an original loan amount of \$1 million or less.