



Public Disclosure

May 12, 1997

Community Reinvestment Act Performance Evaluation

**First National Bank of Crossville
Charter No. 9809**

**392 North Main
Crossville, Tennessee 38555**

**Office of the Comptroller of the Currency
Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue., N.E.
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.

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 **First National Bank of Crossville, TN** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 12, 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.**"

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

Performance Levels	First National Bank of Crossville Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory		X	
Needs to improve			
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

First National Bank of Crossville (FNB) is a \$186 million total asset bank that has served Cumberland County since 1900. The bank was purchased by Union Planters Corporation July 1, 1987. Union Planters Corporation, a \$15 billion bank holding company, is headquartered in Memphis, TN. FNB's main business emphasis is residential real estate lending. As of December 31, 1996, real estate loans totaled \$68 million and represented 64% of total loans. The bulk of real estate loans, or 58% of total loans, were 1-4 family residential loans.

FNB operates five offices including the bank's main office and a grocery store branch. Four branches are located in the city limits of Crossville and one is in nearby Fairfield Glade, TN. Two of the branches are located in moderate income BNAs. There are no legal, financial or other impediments that would affect FNB's ability to provide lending, investments or services to its assessment area.

There are four other financial institutions operating in the assessment area. Two are branches of regional banks, one is a locally owned state bank and one is a local owned savings and loan. FNB estimates they have over 40% of the market share of bank deposits in Cumberland County.

Description of the Assessment Area

FNB has identified their assessment area as the entirety of Cumberland County TN. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income areas. Crossville is the county seat of Cumberland County and is located atop the Cumberland Plateau in Eastern TN. It is directly on Interstate Highway 40, approximately 75 miles west of Knoxville, TN and 120 miles east of Nashville, TN. The population, according to 1990 census data, was 34,736 for Cumberland County and 6,930 for the City of Crossville.

Low taxes, good climate, low cost of living and good health care make Cumberland County a high growth area, the highest in Tennessee outside of a metropolitan area. The Chamber of Commerce estimates the population for 1996 was over 39,000 for the County and over 8,000 for the City. The local county government officials estimate even higher numbers and stated that the population growth of residents over 65 years of age was over 30%. This has meant an influx of money and volunteer time into the community, and an increased need for housing, medical services, and infrastructure (roads, water, sewer).

Business and manufacturing provide a healthy economic base for the County. Over 40 manufacturers in the Crossville area provide more than 2,500 manufacturing jobs and 7,400 non-manufacturing jobs. The labor force is drawn from Cumberland County and the nine contiguous counties for a total labor force of 11,530. Industries are diverse and include: apparel, automotive equipment, bakery goods, canned foods, ceramic tile, stone and wood products, charcoal, rubber products and office supplies. No manufacturing company employs more than 400. In addition to

these manufacturing companies, the county is home to the Cumberland Medical Center which employs over 700 people, has 186 medical/surgical beds and a 16-bed Subacute CARE unit. Unemployment rate in the county in 1996 averaged 6.6% compared to 7.6% for rural areas in the State of Tennessee.

State-wide non-metropolitan median family income for Tennessee according to 1990 census data was \$24,936 while the 1996 Housing and Urban Development data shows the state-wide non-metropolitan median family income to be \$30,200. Cumberland County includes nine block numbering areas (BNAs) -- two are identified as moderate income and seven as middle income. The income levels of families divide as follows: 21.09% low income, 20.27% moderate income, 24.44% middle income and 34.19% high income.

We contacted two community leaders in the area to identify community development needs, housing needs or economic revitalization programs in which area banks could participate. The community leaders identified loans for housing and lending that would assist higher education as community credit needs. Both contacts identified the recent fund raising for facilities for the Crossville branch of Roane State Community College as the most significant recent community development project. They also discussed the active progress being made on housing for low income residents through: the Crossville Housing Authority, Creative Compassion, Inc. and an organizing chapter of Habitat for Humanity.

Conclusions with Respect to Performance Tests

Lending practices, qualified investments and the system for delivering retail banking and community development services meet the credit needs of the entire assessment area, including low- and moderate-income borrowers in a satisfactory manner.

Performance under the lending test is rated “**High Satisfactory.**” Lending levels reflect a reasonable responsiveness to credit needs within Cumberland County. Management has demonstrated a good responsiveness to the identified needs of housing and small business lending. A reasonable number of home mortgage loans were made, with the substantial majority within the assessment area. Agriculture plays a much less significant role in the local economy than does manufacturing or tourism.

Opportunities to lend funds to community or economic development projects have been limited. The bank currently has community development loans to two organizations. Although not considered innovative, management makes use of flexible lending practices by providing low cost mortgage loans primarily for low- and moderate-income persons under a First Time Home Buyer program. These mortgages have lower down payment requirements with no points or origination fees and title insurance and appraisal fees may be reduced.

Performance under the investment test is rated “**Low Satisfactory.**” Investment levels are considered adequate based on the limited opportunities for qualified investments in the assessment area.

Performance under the service test is rated “**High Satisfactory.**” The system for delivering retail banking services is good with two offices located in a moderate income geography and three offices located in middle-income geographies. Banking products and services are readily accessible to the majority of the population. While days and hours of operation vary among offices, they do not vary in such a way that inconveniences any portions of the assessment area. Management also provides an adequate level of community development services. Although not considered innovative, they show a good responsiveness to area banking needs.

Please see the discussion entitled “Discussion of Performance Tests in the Assessment Area” for more details on the bank’s performance under each of the three tests.

FNB continues to be in compliance with the anti-discrimination laws, including the Equal Credit Opportunity Act and the Fair Housing Act. This bank is not currently subject to the reporting requirements of the Home Mortgage Disclosure Act. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

Discussion of Performance Tests in the Assessment Area

Lending Test

I. Lending Activities

Management has shown a strong response to housing needs with the volume of home mortgage loans made during 1996. Three hundred ninety two (392) residential real estate loans totaling \$22 million were made during 1996. Management has also shown a good responsiveness to small businesses in relation to the number and size of the businesses within the community. Given the role of agriculture in the local economy, management exhibited a good responsiveness to the credit needs of farmers in the assessment area.

Following is a breakdown of lending activity pertaining to home mortgage loans, small business loans, and small farm loans during 1996¹

Number, Dollar Volume & Location of Home Mortgages, Small Business and Small Farm Loans Made in 1996²
(Dollar Amounts in Thousands)

	Home Mortgages			Small Business Loans			Small Farm Loans		
	Number	%	\$Amount	Number	%	\$Amount	Number	%	\$Amount
Cumberland County	269	69%	\$13,261	146	80%	\$ 4,291	7	58%	\$113
Outside of Area	123	31%	\$ 8,255	37	20%	\$687	5	42%	\$75
Total	392	100%	\$21,516	183	100%	\$ 4,978	12	100%	\$188

¹ Includes originations and purchases

² Small Business loans based on original amount of loan less than \$1,000,000 and Small Farm loans based on original amount of loan less than \$500,000.

II. Geographic Distribution

FNB originated loans throughout the assessment area. Residential mortgage loans, small business loans, and agricultural loans were made in eight of the nine BNAs within the assessment area. The following chart summarizes the residential real estate loans made in 1996, which comprise the vast majority of all loans made by the bank in 1996.

DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS BY BNA
(Dollar Amounts in Thousands)

BNA	Number	% of Number	Dollar	% of Dollar	Number of Households	% of Total Households
9701	63	23.43	\$4,612	34.79	1,702	12.83
9702	40	14.87	1,459	11.00	1,386	10.34
9703.98	25	9.29	772	5.82	1,805	13.47
9704**	46	17.1	2,224	16.77	1,738	12.97
9705	7	2.6	787	5.93	2,143	15.99
9706	35	13.01	1,530	11.54	1,965	14.66
9707	34	12.64	1,179	8.89	1,468	10.95
9708**	19	7.06	698	5.26	1,158	8.64
9710.98	0	0	0	0	18	.13
TOTAL	269	100	13,261	100	13,401	
**Moderate	62	24.16	2,922	22.03	2,896	21.61%
Middle	201	75.84	10,339	77.97	10,505	78.39%

BNA 9710.98, with no loan penetration, has very few households. BNA 9705 appears to have much lower penetration. Further review of the area indicates that the subdivisions are older and well established with very few sales. Lending levels reflect a good distribution throughout the assessment area.

There is also a good distribution of small business loans throughout the assessment area. Small business loans were made in seven of the BNAs in the assessment area. Several BNAs are rural areas and have very few business lending opportunities.

III. Borrower Characteristics

Lending levels reflect a reasonable distribution among borrowers of various income levels and businesses of different sizes. The distribution of home mortgage loans by the various income levels follows.

Number and Dollar Volume of 1996 Home Mortgage Loans by Borrower Characteristics³
(Dollar Amounts in Thousands)

	Number	%	Dollar Amount	%	% of Families in the Assessment Area by Category
Low	28	10	\$ 909	7	21
Moderate	69	26	2,570	19	20
Middle	109	41	4,730	36	25
Upper	63	23	5,052	38	34
Total	269	100	\$ 13,261	100	100

While there are no low-income geographies and only two moderate-income geographies, low- and moderate-income families account for 41% of all families within the assessment area. The number and dollar volume of home mortgage loans to low-income borrowers can reasonably be expected to be somewhat low because of the number of families with very low income levels. There are 2,972 households or 22%, whose annual incomes are below \$10,000. Of these, 1,167 or 9% have very low incomes, earning less than \$5,000 annually. These income levels make it very difficult to qualify for a home mortgage loan as the median housing cost for Cumberland County is \$41,300. However, in addition to direct mortgage loans, FNB also participates in indirect mortgage lending through their involvement with the Town of Crossville Housing Authority and Creative Compassion, Inc. (see comments under Community Development Lending starting on page 9 for additional details).

³ Categories of borrower income levels based on HUD's 1996 median family income for statewide non-metropolitan areas. HUD's 1996 family median income for Tennessee was \$30,200. The income categories are defined as:

Low-income	less than 50% of the area family median income
Moderate-income	at least 50%, but less than 80% of area family median income
Middle-income	at least 80%, but less than 120% of the area family median income
Upper-income	120% or more of the area median family income

The following table shows Small Business loans by loan value category.

Small Business and Small Farm Loans Originated during 1996
(Dollar Amounts in Thousands)

Loan Value Category	SMALL BUSINESS Originated		SMALL FARM Originated	
	Count	\$ Amount	Count	\$ Amount
<= \$100	172	\$ 2,960	12	\$188
>\$100 and <=\$250	10	1,618	0	0
>\$250	1	400	0	0
TOTAL	183	\$ 4,978	12	\$188

FNB's business lending distribution reflects a willingness to serve small business customers as 100% of the of business loans were to businesses with revenue of less than \$1 million.

IV. Community Development Lending

The bank currently has community development loans to two organizations which meet the regulatory definition. There are limited opportunities for such lending within the bank's assessment area. FNB's efforts are commensurate with the bank's size and capacity.

Town of Crossville Housing Authority (CHA)

CHA is a not-for-profit organization that facilitates housing for low income families. There are six loans currently outstanding for a total of over \$240,000 to CHA. CHA uses these loan proceeds for the purchase and rehabilitation or the construction of Section 8 multi-family and low income single family rental housing units. In addition, FNB committed \$250,000 to the Housing Authority to finance the construction of the Fentress County Housing Development. The proceeds will be used for the construction of 11 houses in conjunction with a \$308,741 Tax Credit Syndication. FNB will fund the permanent financing with a loan from the Federal Home Loan Bank of Cincinnati through their Affordable Housing Program.

Creative Compassion, Inc. (CCI)

CCI's Home Program provides very low income (frequently homeless or at risk) families with quality rental homes which many will have an opportunity to purchase at the end of a specified period of 5 to 10 years. While they are renting, the families have access to financial counseling, home maintenance training, and other supportive services that help them prepare for home ownership.

Since August 1994, FNB has made three loans to CCI totaling \$87,500. These loans enabled CCI to leverage approximately \$85,000 from other sources for a total impact of \$172,500. With the funds, CCI developed three, three-bedroom single family homes for rent to very low income families. Each of the three families currently renting will eventually have an opportunity to purchase the home they are renting.

In addition, FNB has made loan commitments to CCI for \$70,000 and \$300,000 subject to CCI's receipt of a 1997 Home Program Grant from the Tennessee Housing Development Agency (THDA). The grant has been approved but has not yet been received. These loans coupled with the \$650,000 grant and monies from other sources will produce fifteen more rental homes.

V. Innovative or Flexible Lending Practices

Although there are no innovative lending practices, management makes use of flexible lending practices. There is a First-Time Home Buyer mortgage product that includes provisions for low and moderate income borrowers. This product has lower down-payment requirements, no points or origination fees and closing costs are also flexible.

First Time Home Buyer Loans

Origination	#	Current Balance
1997	2	\$ 95,278
1996	11	\$ 369,986
1995	10	\$ 375,134
	23	\$ 840,398

Investment Test

FNB has an adequate level of qualified investments considering the limited availability for such investments in the assessment area.

Dollar Amount of Qualified Investments

FNB contributed forty-five thousand dollars (\$45,000) to the building fund for the new Crossville campus of Roane State Community College. Community leaders noted that this project was vital to sustaining Cumberland County economic development by improving the education level of the employee base, particularly low and moderate-income workers. Roane State Community College is based in Harriman, Tennessee., approximately 30 miles from Crossville. It currently operates a limited night program in a rented strip shopping center in Crossville. They had found that they had significantly more demand for classes than they could provide from this location. The

expansion will enable them to expand the student population and class choices. This should improve the employability of low and moderate income workers, as well as, overall economic development.

Service Test

The systems for delivering retail banking services are good and the level of community development services is satisfactory. Current delivery systems serve the majority of the population within the assessment area.

A. Retail Banking Services

I. Distribution of Branches Among Geographies

FNB operates five offices including the bank's main office and a grocery store branch. Banking products and services are readily accessible to the majority of the population with four offices located within the heaviest populated area of Cumberland County and the fifth office located in the major growth area of the county. Four branches are open normal business hours Monday through Friday and the main office has Saturday morning drive-in services. The grocery store branch is open extended hours-- until 7:00 PM Monday through Friday and 9-4 on Saturday. Two of the branches, including the grocery store branch, are located in moderate income BNAs. There are ATMs in three of the offices. The main office and Fairfield Glade office offer full range of services. The other three offices take loan applications but can only make a consumer loan if it is CD or savings secured. This does not change or delay the approval process for customers of those branches. Applications are faxed to main office from these three branches for lending decisions.

II. Record of Opening and Closing Offices

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

B. Community Development Services

I. Extent of Community Development Services

Bank management has been active in community development services.

Board Member J. Robert Mitchell serves as Chairman of the Board for the Crossville Housing Authority(CHA). The CHA was discussed in Community Development Lending section above. Mr. Mitchell was instrumental in obtaining New Development and Modernization Grants for the Housing Authority. In addition, he reviews and approves all expenditures for all programs.

Senior officials of FNB spearheaded a campaign to raise money for the construction of a local college campus. Senior Vice President and Director Diane Brown was the chairman and bank board member Cosby Stone was the co-chairman of the committee that led the effort generating \$3.1 million to build a permanent satellite campus of Roane State Community College, which is based in Harriman. FNB was used as depository for these funds. In addition to the leadership, FNB also contributed \$45,000 to this project. The project, which started in March of 1996, will provide a permanent location for classrooms and a broader curriculum, particularly in the area of health sciences. Tennessee Technological University will also use the center for both undergraduate and graduate classes. The center's impact on the community is immeasurable but reasonably will improve the students employability, draw new industries and supply existing industries with improved caliber of employees.

Senior Vice President and Director Diane Brown is serving on the steering committee that is organizing the Cumberland County chapter of Habitat for Humanity. This project started in March 1997. The Habitat for Humanity is a not-for-profit organization whose sole purpose is to provide affordable housing for low- and moderate-income individuals. Ms. Brown has been named to the fund raising and public relations committees and will use her banking experience in these efforts. The first house building is scheduled to begin in September 1997.

II. Innovativeness and Responsiveness of Community Development Services

While the above services are not considered innovative, they show a good responsiveness to helping provide banking services to all persons within the assessment area.

Appendix A: Scope of Examination

A Community Reinvestment Act (CRA) examination commenced on May 12, 1997. The objective of the examination, which was performed onsite, 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 any qualifying community development loans and loan commitments 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, small business loans, and small farm loans originated during 1996. Loans originated during 1995 are not included in this report because data was not accumulated in a comparable manner. Management did not elect to provide information for consumer loans during this examination. Qualified investments and services were evaluated since the prior CRA examination. The previous examination was conducted as of August 12, 1994.