

INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

August 07, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Pulaski
Charter Number 14619**

**206 South First Street
Pulaski, TN 38478**

**Comptroller of the Currency
Nashville
5200 Maryland Way Suite 104
Brentwood, TN 37027**

NOTE: This document is an evaluation of this 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. 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.

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

The Lending Test is rated: **Satisfactory**

The Community Development Test is rated: **Outstanding**

First National Bank of Pulaski (FNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is satisfactory and averaged 65% during the evaluation period. FNB's loan-to-deposit ratio ranged from a low of 60% in March 2004 to a high of 69% in September 2005.
- A substantial majority of FNB's loans are within the bank's Assessment Area. Approximately 84% of the number and 85% of the dollar volume of loans were to borrowers within the Assessment Area. These percentages are excellent.
- FNB's distribution of loans to borrowers of different income (including low-and moderate income) levels and businesses of different sizes is satisfactory.
- FNB's community development performance demonstrates outstanding responsiveness to the community development needs of its Assessment Area.
- There have been no complaints with respect to FNB's CRA performance.

SCOPE OF EXAMINATION

This Performance Evaluation is based on two distinct time periods: January 1, 2004 through December 31, 2004 and January 1, 2005 through June 30, 2006. Results were consolidated into one Evaluation Period for comparative and analysis purposes and evaluated using 2000 Census Demographic information. FNB has no bank owned affiliates. There has been no data integrity reviews conducted prior to this evaluation. We also reviewed all of the bank's community development investments and community development loans and services to ensure they met the definition for community development.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Residential loans considered in the Lending Test originated between January 1, 2004 and June 30, 2006. Small business loans originated during the same time period were also considered in the Lending Test. A sample of loans was selected for each loan category based on internal bank reports. FNB is not a Home Mortgage Disclosure Act (HMDA) reporter. The evaluation covers the period February 26, 2003 through August 4, 2006.

DESCRIPTION OF INSTITUTION

First National Bank of Pulaski (FNB) is an intrastate bank owned by a one-bank holding company, First Pulaski National Corporation. There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last Community Reinvestment Act (CRA) examination dated February 25, 2003 when the bank received a **Satisfactory** rating. There are no legal or financial impediments to FNB's ability to meet the credit needs of its Assessment Area including retail and community development loans, qualified investments, and community development services needs. The bank offers a full-range of loan and deposit services. FNB's primary business focus is commercial and industrial loans, including commercial real estate loans, and residential mortgage loans. The bank also has a mortgage loan department which originates long-term mortgage loans for the secondary mortgage market.

FNB's main office is located in Pulaski, TN. The bank also operates nine full-service branch offices and one mortgage loan office within its tri-county Assessment Area (AA). Within Giles County, there are two branch offices in Pulaski and one each in Ardmore and Lynnville. Within Lincoln County, there is one branch office each in Fayetteville and Park City. Within Marshall County, there is one branch office each in Lewisburg and Belfast. Since the previous CRA examination, the bank opened a branch in Lynnville, TN. FNB opened this branch office in October 2005 following the closure of SunTrust's branch. SunTrust is a large regional bank. FNB has not closed any branch offices since the previous CRA examination. A freestanding ATM is located at all offices except Belfast. Also located within the AA are three freestanding, cash disbursing ATMs and one freestanding, disbursing/deposit taking ATM. FNB has also invested heavily in data processing, which supports banking via the Internet.

As of June 30, 2006, FNB had total assets of \$465 million, of which net loans comprised 58.28 percent. The following table reflects the composition of FNB's loan portfolio based on the June 30, 2006 Report of Condition.

	Product Category	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	135,103	49.10
Residential Mortgage Loans	96,409	35.03
Construction & Land Development	9,873	3.69
Individuals	22,103	8.03
All Other	4,369	1.59
Farmland and Agriculture	7,322	2.66
Total	275,179	100.00

Source: June 30, 2006 Report of Condition.

FNB provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different areas of the community they serve. Lobby hours and drive-up hours are set by location to meet customer needs. FNB has ATMs at branches and other locations in their market to make customer accounts accessible.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines*	
	#	%	#	%	#	%
Low	0	0%	0	0%	0	0%
Moderate	3	10.34%	1	11.11%	0	10%
Middle	19	65.52%	7	77.78%	1	25%
Upper	7	24.14%	1	11.11%	3	75%
N/A	0	0%	0	0%	0	0%
Total	29	100%	9	100%	4	100%

- *Eight ATMs contiguous with banking locations are deposit taking. One branch does not have an ATM. Three ATMs are non-deposit taking. One ATM is dispersing and deposit taking.*

Customers may also access their accounts through telephone banking or by the Internet (www.fnbforyou.net). Internet and phone banking services include transfers between FNB accounts, review of account balances or transactions, access loan account information, and bill-paying capability for the Internet banking product. The bank also offers Visa and Master Card Check Cards that provides customers with additional access to their accounts at point of sale or ATM locations.

FNB's business strategy includes continued marketing of commercial credit to small businesses through its products, staff, and locations. The bank offers Small Business Administration (SBA) loans for new business startups and to expand an existing business. FNB supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage, Veterans Administration home mortgage, Tennessee Housing Development Agency (THDA) home mortgage, Farmers Home Administration (FmHA) home mortgage, and rural housing guaranteed home mortgage programs.

DESCRIPTION OF FNB's Assessment Area (AA)

The bank's assessment area (AA) includes all census tracts in Giles, Lincoln, and Marshall Counties, Tennessee (total 22 census tracts). These census tracts are not located in an MSA. The bank has a branch in Ardmore, Tennessee which is near the Alabama State line. Seven census tracts in Madison County, Alabama are also included in the bank's AA. The Alabama census tracts are located in the Huntsville MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. All census tracts including the Alabama census tracts are contiguous.

First National Bank of Pulaski (FNB) is located approximately 80 miles south of Nashville, Tennessee, near the Alabama State line. Interstate 65, a major North/South interstate, is nearby. Major cities within FNB's AA are: Pulaski (Giles County), Fayetteville (Lincoln County), and Lewisburg (Marshall County). Pulaski, Fayetteville, and Lewisburg also serve as the county seat for their respective counties.

Demographic Information for Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	29	0	10.34%	65.52%	24.14%	0
Population by Geography	131,733	0	12.76%	64.87%	22.37%	0
Owner-Occupied Housing by Geography	55,908	0	12.37%	65.25%	22.38%	0
Businesses by Geography	6,896	0	23.87%	54.18%	21.95%	0
Farms by Geography	562	0	25.09%	46.26%	28.65%	0
Family Distribution by Income Level	37,862	18.42%	18.34%	22.21%	41.03%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,975	51.70%	48.30%	0	0	0
Median Family Income	= \$42,509		Median Housing Value	= \$77,119		
HUD Adjusted Median Family Income for 2005	= \$42,750		Unemployment Rate	= 5.6%		
Households Below the Poverty Level	= 13.00%					

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2005 HUD updated MFI. Unemployment rate is as of June 2006.

There are no low income census tracts within FNB's AA. Of the 29 census tracts within the bank's AA, three (10.34%) are moderate, 19 (65.52%) are middle, and seven (24.14%) are upper. Of the 37,862 families residing within the bank's AA, 4,732 families, or 12.5%, reside in the three moderate income census tracts. As of June 30, 2006, unemployment for the State of Tennessee was 5.6% which exceeded the national average of 4.6%. Major industrial employers in Giles County/Pulaski include: Frito-Lay, Incorporated (pretzels, cookies and crackers) employs 500; The Timken Co (ball bearings) employs 411; Johnson Controls, Inc. (auto seat cushions) employs 303; Magotteaux, Inc. (steel grinding balls) employs 200; and ten smaller manufacturers which employ from 70 to 188 employees. Major industrial employers in Lincoln County/Fayetteville include: Goodman Co. LP (air conditioners and furnaces) employs 1,600; Frito-Lay, Incorporated (snack foods) employs 500; Copperweld Corporation (bimetallic wire) employs 150; and nine other manufacturers which employ from 40 to 115 employees. Major industrial employers in Marshall County/Lewisburg include: CKNA of Lewisburg (plastic injection molding) employs 659; Walker Die Casting (aluminum die casting) employs 550; Cosmolab, Inc. (cosmetic pencils) employs 475; Sanford, Inc. (writing instruments) employs 470; International Comfort Products (HVAC distribution) employs 233; and ten other manufacturers which employ from 50 to 233 workers. Agriculture products include beef and dairy cattle, horses, hay, corn, soybeans, cotton, wheat, tobacco, and orchards.

No business opportunities were identified by FNB through outreach activities during this evaluation period. FNB has been an active, community development lender within its AA during this evaluation period. These loans have promoted new businesses, provided employment opportunities for residents within the AA, and bolster local economies.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the bank Lending Test is rated **"Satisfactory."** Based on a full-scope review, the bank's performance in the AA is satisfactory.

Conclusions for AA Full-Scope Review

FNB's lending performance is satisfactory in the full-scope review of its AA. The volume of home mortgage and small business lending is also satisfactory. For the years 2004, 2005, and through June 30, 2006, FNB originated approximately 850 residential loans totaling \$30 million. For the same time period, FNB originated approximately 3,000 small business loans totaling \$181 million. Through the secondary market, FNB offered innovative and flexible home loan purchase products targeted to low- and moderate-income individuals in the form of Tennessee Housing Authority (THDA) and Rural Development (RD) guaranteed loans. For the period, FNB generated home loan financing for 85 low- and moderate-income individuals aggregating approximately \$7.1 million. Also through the secondary market, FNB generated 539 home financing loans aggregating approximately \$63.3 million.

Loan-to-Deposit Ratio

FNB's quarterly average loan-to-deposit ratio is satisfactory when compared to similar situated banks. FNB's competition consists of seven community banks. Most of the banks are headquartered elsewhere, but have branches which compete for loans and deposits within FNB's AA. For the fourteen quarters from March 2003 to June 2006, FNB's average loan to deposit ratio was 65.42%. When compared to similar bank's within FNB's AA, FNB's loan-to-deposit ratio ranked 4th among its competitors. This highest average loan-to deposit ratio was Bank of Frankewing with 82.28%, followed by First Commerce Bank 82.06%, Bank of Lincoln County 80.37%, and Peoples State Bank of Commerce 75.54%. Bank of Lincoln County and First Commerce Bank are recent charters.

Loan-To-Deposit Ratios		
Institution	Total Assets in Millions (As of 06/30/2006)	Average Loan – to-Deposit Ratio
<i>Giles County:</i>		
<i>First National Bank of Pulaski, Pulaski, TN</i>	<i>\$465</i>	<i>65.42%</i>
Bank of Frankewing., Frankewing, TN	\$148	82.28%
First Farmers & Merchants Bank, Columbia, TN	\$811	61.70%
Citizens Bank & Savings Co., Russellville, AL	\$841	58.16%
Peoples State Bank of Commerce, Nolensville, TN	\$148	75.54%
<i>Lincoln County:</i>		
Bank of Lincoln County, Fayetteville, TN	\$127	80.37%
<i>Marshall County:</i>		
First Commerce Bank, Lewisburg, TN	\$160	82.06%
First State Bank, Chapel Hill, TN	\$51	64.44%

Source: Institution Reports of Condition from March 2003 to June 2006.

As of June 30, 2005, fourteen financial institutions with 39 offices controlled \$1.365 billion in deposits within the AA. FNB controlled the largest market share within the AA at \$390 million, or 28.54% of total deposits. Other independent banks included: First Farmers & Merchants Bank 8.75%, First Commerce Bank 8.57%, Bank of Frankewing 8.25%, Bank of Lincoln County 6.51%, Citizens Bank & Savings Co. 6.36%, Farmers Bank 4.59% (acquired by Citizens Bank & Savings Co. May 1, 2006), First State Bank 2.39%, and Peoples State Bank of Commerce 0%. Five large regional banks controlled 7.17%, 6.45%, 5.94%, 3.65%, and 2.83%, respectively, of total deposits for the period.

Lending in Assessment Area

Lending in the bank's assessment area is excellent. Based on our residential and business loan samples for the period 2004 through June 2006, 80% and 88.57% of the number were made in the bank's assessment area. Similarly, 83.94% and 85.98% of the dollar amounts were made in the bank's assessment area. This resulted in an average of 84.29% and 85.46%, respectively, for the number and dollar amount of loans sampled. These are strong numbers and reflect positively on the bank's effort to lend within its assessment area.

Lending in Assessment Area

Lending in FNB AA										
Loan Sample	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2004-2006 Residential Loans	28	80.00%	7	20.00%	35	1,657	83.94%	317	16.06%	1,974
2004-2006 Business Loans	31	88.57%	4	11.43%	35	4,865	85.98%	793	14.02%	5,658
Total	59	84.29%	11	15.71%	70	6,522	85.46%	1,110	14.54%	7,632

Source: Loan Sample for 2004, 2005, and 2006.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different income levels and businesses of different sizes is satisfactory. Based on our loan sample, 14.29% of the number and 7.61% of the dollar amount of residential loans were made to low-income families within the AA. This compares less favorably with the percent of low-income families in the AA (18.42%). However, typically lower income families request smaller dollar loans. Lending to moderate-income families within the AA is excellent. This is evidenced by 25.71% of the number and 26.12% of the dollar amount of residential loans made were to moderate-income families compared with 18.34% of moderate-income families within the bank's AA.

The borrower distribution of loans to businesses is excellent. The bank made 82.86% in number and 67.28% in dollar amount of loans to businesses with annual sales of less than \$1 million. This compares very favorably with the 64.26% of small businesses in the AA. At 17.14% and 32.72%, respectively, the number and dollar amount of loans to businesses with annual sales in excess of \$1 million was also good. The bank has done a good job in collecting income information on all the business loans within our loan sample. The results of our business loan sample are somewhat skewed as 32% of the businesses in the demographics data did not provide income information.

2004 – 2006 Borrower Distribution of Residential Real Estate Loans for AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	18.42%		18.34%		22.21%		41.03%	
Loan Type(s)	% of Number	% of Amount						
Residential Loan Sample	14.29%	7.61%	25.71%	26.12%	22.86%	25.32%	37.14%	40.95%

Source: Residential loan sample included residential home purchases, home improvement loans, and home refinance loans. (Data reported under 2004, 2005, and 2006 is 2000 U.S. Census data.)

2004 – 2006 Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.26%	3.74%	32.00%	100%
% of Bank Loans in AA by #	82.86%	17.14%	0%	100%
% of Bank Loans in AA by \$	67.28%	32.72%	0%	100%

Source: 2005 Geodemographic data and loan sample.

Geographic Distribution of Loans

Based on our loan samples, the geographic distribution of residential loans and business loans in moderate-income census tracts is less than satisfactory. However, there are no low-income census tracts located in the bank's AA. Based on our residential loan sample, only 3.57% of the number and 0.79% of the dollar amount of residential loans made were to owner occupied housing in moderate income census tracts. This compares less favorably with the demographics indicating 12.37% of owner occupied housing is in moderate-income census tracts. Of the loans in our business loan sample, there were no loans made to businesses located in a moderate-income census tract. The demographics show 14.29% of AA businesses are located in moderate-income census tracts.

The bulk of owner occupied housing and AA businesses are located in middle-income census tracts hindering the bank's ability to find borrowers in moderate-income census tracts. Our random loan sample did not select significant residential lending and no business loans in the three moderate-income census tracts within the AA. However, based on the banks internal records, 38 residential loans and 62 business loans were generated from 2004 through June 30, 2006 totaling approximately \$1.5 million and \$2 million, respectively, within the three moderate census tracts.

2004 – 2006 Geographic Distribution of Residential Real Estate loans in AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Owner Occupied Housing	0.00%		12.37%		65.25%		22.38%	
LOANS	% of Number	% of Amount						
Residential Loan Sample	0.00%	0.00%	3.57%	0.79%	75.00%	79.11%	21.43%	20.10%

Source: Residential loan sample included residential home purchases, home improvement loans, and home refinance loans. (Data reported under 2004, 2005, and 2006 is 2000 U.S. Census data.)

2004 – 2006 Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0.00%		14.29%		80.00%		5.71%	
LOANS	% of Number	% of Amount						
Small Business Loans	0.00%	0.00%	0.00%	0.00%	83.87%	92.53%	16.13%	7.47%

Source: Loan sample (Data reported under 2004, 2005, and 2006 is 2000 U.S. Census data)

Responses to Complaints

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during the evaluation period.

Community Development Test

The bank’s performance under the Community Development Test is rated “Outstanding.” Based on a full-scope review, the bank’s performance in the AA is outstanding.

Number and amount of community development loans

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, FNB originated 9 community development loans approximating \$15.3 million. Although no loans were specifically generated to benefit low- and moderate-income geographies or low- and moderate-income individuals, 37% of the families in the bank’s AA are in the low- and moderate-income level. Low- and moderate-income individuals have benefited from the bank’s lending philosophy as it relates to industry retention and industry development. Specific examples of loans for qualifying community development organizations are described below.

Industrial Development Board of Giles County, TN

In 2003, a \$1.4 million consolidation loan of debts held by individual sellers of the real estate provided the proper loan structure and terms allowing for flexibility in the development of the Industrial Park. The Industrial Park South project was crucial to the continued recruitment of industry to the County.

In 2006, FNB approved a \$3.5 million loan (funded \$2.5 million) to Lomar Development Co. LLP to purchase a spec building and complete build out in the Industrial Park. Construction should be completed by mid-2007. The building will then be occupied by Twin City Fan Companies, LTD, a commercial fan manufacturing company. The company should eventually employ 100 workers.

Industrial Development Board of the City and County, Fayetteville, TN

In 2003, FNB worked in cooperation with the Economic Development Board to recruit industry to fill the vacant building located in the Industrial Park. As a result of these efforts, a \$1.3 million loan was made to construct a building to secure 50+ jobs. The building is now occupied by C&S Plastics, a molding subsidiary for the auto industry, which initially employed 30-33 workers. The building capacity has since been doubled providing additional jobs.

Garden Park 2001 LP, Pulaski, TN

In 2004, FNB approved a permanent \$1.3 million loan to Garden Park 2001 LP, a low-income housing development. With a tax credit arrangement through a non profit, low-income housing company, the apartment complex was renovated. Garden Park provides affordable housing for citizens of the community who otherwise would be housed in substandard conditions. Handicap accessible housing units are also provided to residents with physical disabilities.

My Key Properties, LLC, Pulaski, TN

In 2004, FNB approved a \$1 million loan to My Key Properties, LLC to purchase a manufacturing facility, which had been vacant for three years. In cooperation with the Industrial Development Board, Tennessee Valley Authority, City of Pulaski, Giles County, and the State of Tennessee, the bank was able to provide necessary funding to successfully recruit BertCo Industries, a high-tech multicolor printing operation headquartered in Los Angeles, CA, to Pulaski. BertCo employs approximately 120 workers. The company pays higher than average wages. Giles County has experienced a significant decline in manufacturing jobs, which has significantly impacted the economic stability of the community. BertCO is expanding and it is projected that employment will reach 230 employees.

Economic Development Commission, Pulaski, TN

In 2004, FNB approved a \$1.1 million loan to Economic Development Commission to construct a spec building in Industrial Park South. The purpose of the building was to attract new industry. There is a Letter of Intent from a commercial exhaust fan company to relocate to Giles County. The potential for 100 new jobs exists if the company relocates to Pulaski.

Michael Chad Ingram Properties, Inc., Pulaski, TN

In 2004, FNB approved a \$2 million loan to Michael Chad Ingram Properties, Inc. The loan financed an eighty unit apartment complex. Fifteen of the units were subsidized by HUD and eight units were subsidized under Section 8 public housing. Twenty-three of the eighty units, or 29%, of the apartment complex provides housing for low- and-moderate income families.

Lincoln Farmers Co-op, Fayetteville, TN

In 2004, FNB approved loans totaling \$2.7 million to Lincoln Farmers Co-Op. In 2005, FNB approved a \$1.5 million loan. FNB facilitated a relationship with Tennessee Farmers Co-Op to expand the local facility by providing additional working capital. These funds were used to fund purchases of inventory, equipment, and other needs for small family owned rural farm customers within the bank's AA. These farms typically meet the definition of a small farm. Area farmers frequently obtain credit from the co-op for the purchase of equipment, seed, feed, and fertilizer related to crop and cattle production.

Affordable Housing Resources, Inc., Nashville, TN

In June 2006, the bank committed \$1 million to this housing organization. Through August 7, 2006, \$188M of that commitment had been funded. As a housing organization,

this entity will provide housing to low-and moderate-income households in Giles County. This project calls for developing a 17+ acre subdivision in Pulaski, which will provide housing to twenty households. Manufactured/modular housing units will be attached to a permanent foundation. A local, modular housing manufacturer will design and manufacturer the units.

Other community development loans less than \$1 million were also originated by the bank during the period. These have not been specifically identified and included in the written analysis since these loans would only help to further support the bank’s “outstanding” community development loan rating.

Number and amount of qualified investments

The number and amount of qualified investments is “satisfactory.” During the evaluation period, FNB followed through on its earlier commitment to fund \$500 thousand to a Small Business Investment Corporation through Morgan Keegan Mezzanine Fund. The investment is described below.

Morgan Keegan Mezzanine Fund

In 2002, FNB committed \$500 thousand to this Small Business Investment Corporation (SBIC). Through June 30, 2006, \$303 thousand of that commitment has been funded. As a SBIC, the fund provides financing to small businesses. The fund serves a wider area that includes the bank’s AA and has total resources of approximately \$100 million. The fund has made investments in businesses in middle Tennessee operating statewide.

Community Development Lending and Investments in AA			
Community Development Lending		#	\$ Amount (000's)
Originated CD Loans	AA	9	14,488
Unfunded Commitments*	AA	1	812
Total CD Loans		10	15,300
Community Development Investments			
Qualified Investments	AA	1	303
Originated Grants/Donations	AA	0	0
Unfunded Commitments*	AA	1	197
Total Qualified Investments		2	500
Total Community Development Lending and Investments	AA	12	15,800

*"Unfunded Commitments" means legally binding loan and investment commitments that are tracked and recorded by the bank's financial reporting system.

Extent to which the bank provides community development services

FNB’s record of providing community development services is very good. A number of the bank’s officers are members of civic clubs and community boards. The bank has taken an active roll in the education of potential first-time home buyers, who would not otherwise qualify under

traditional mortgage loan underwriting. This education process includes offering two homebuyers counseling classes in early 2006 for potential first time home buyers. These classes were held at the bank's main office and conducted by FNB personnel and a representative from the local Affordable Housing Association. The target audience was low- and moderate-income individuals who were unfamiliar with the home buying process, had no down payment or funds for closing costs, and had credit problems. Those who attended were provided credit counseling and an individualized action plan specifically designed for them to follow as they prepare to buy their first home. The availability of low interest loans and grants were also discussed during the classes. There were six participants in the classes. Attendance qualified them to receive a grant for down payment and closing cost assistance. No loans have been originated at this time, but several of the participants are in the process of rebuilding their credit rating. For these participants, the prospect of obtaining residential financing is good. Additional classes will be held in the future at different locations. The classes were approved through HUD, United States Department of Agriculture (USDA) Rural Development, Tennessee Housing Development Agency (THDA), and The Federal Home Loan Bank (FHLB).

Homebuyer seminars were also held at other locations in Giles, Lincoln, and Marshall Counties in 2005 and early 2006. The seminars were conducted by the bank's mortgage loan department personnel. The seminars dealt with different types of programs FNB offers for potential home buyers.

Bank's responsiveness, through community development activities, to community development lending, investment, and services needs

The bank's overall responsiveness through community development activities, to community development lending, investment, and services needs is outstanding. This is best supported by the number and volume of community development loans originated during the period. These loans help promote employment; stabilize, promote and support local economies; and, help provide affordable housing to low and-moderate income families within FNB's AA. FNB has taken a lead role and been a strong supporter of community development loans. Service needs are being met through outreach meetings targeted to first time home buyers unfamiliar with the home buying process. Counseling, low interest mortgages and grants are being provided to participants who attend these seminars. Additionally, bank officers serve and often take a lead role on various community boards. Bank officers are also active in local civic clubs, which in many instances, assist and promote under privilege individuals within the community.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.