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Comptroller of the Currency  
Administrator of National Banks

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## Public Disclosure

August 23, 1996

### Community Reinvestment Act Performance Evaluation

Franklin National Bank  
Charter # 21963

230 Public Square  
Franklin, Tennessee 37065

Comptroller of the Currency  
5200 Maryland Way, Suite 104  
Brentwood, Tennessee 37027

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 Franklin National Bank prepared by Comptroller of the Currency, the institution's supervisory agency, as of August 23, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

- The average loan-to-deposit ratio at 75% is reasonable.
- The majority of loans made are within the assessment area.
- The distributions of credit among income levels reflect reasonable penetration.
- The geographic distribution of loans is reasonable.
- No evidence of discrimination or other illegal credit practices were noted.

The following table indicates the performance level of Franklin National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Franklin National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

## Description of Institution

Franklin National Bank (FNB) has total assets of \$188 million and its main office is in Franklin, Tennessee. FNB is wholly-owned by Franklin Financial Corporation, a one-bank holding company. As of June 30, 1996, loans comprised \$136 million, or 72%, of the bank's total assets. Of this amount, commercial loans totaled \$76 million (56%), real estate loans totaled \$49 million (36%), and instalment loans totaled \$11 million (8%).

Franklin is an affluent suburb of Nashville located on I-65 South. There are three, full-service branch offices - one each located in Brentwood (serves southern Davidson County), Franklin (serves Williamson County), and Spring Hill, Tennessee (serves Maury County). Additionally, the bank has a free standing Automatic Teller Machine (ATM) located at a large, local employer.

The environment is very competitive as FNB competes with many offices of major bank holding companies, mortgage and savings banks, credit unions, finance and insurance companies. No significant impediments exist that would hinder the bank's ability to meet its community's credit needs. The assessment area does not exclude any low- or moderate-income areas and meets the legal requirements of the regulation.

## Description of Assessment Area

FNB's designated assessment area is Williamson County, the eight southern census tracts in Davidson County (North), and census tract 102 in Maury County (South). Williamson Counties' 12 census tracts and Davidson Counties' eight contiguous census tracts are part of the Nashville MSA (#5360). Maury County census tract 102 is not part of the Nashville MSA. The assessment area is a contiguous geography around FNB's main office and three branches. It meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies.

The demographics of Williamson and Maury Counties include the following:

County	Population	Median Household Income (per 1990 census)	Low-Income Tracts (<49%)**	Moderate-Income Tracts (50-79%)**	Middle/Upper Income Tracts (80%+)**
Williamson	126,668	\$41,814	0	1	18
Maury	3,818	\$30,888	0	0	1

\* Population of Williamson County also includes the 8 contiguous census tracts of Davidson County.  
 \*\* Income percentages are based on Median Household Income in each county.

The median family income per the 1990 U.S. Census is \$43,200.

Characteristics of the demographic data by income level of tracts in the assessment area are:

Families	Census Tract Count	Low Income	Moderate Income	Middle Income	Upper Income	Total Families
Low Income Tracts	0	0	0	0	0	0
Moderate Income Tracts	1	540	337	410	345	1,632
Middle Income Tracts	7	2,085	2,486	3,089	4,840	12,500
Upper Income Tracts	12	1,377	1,775	3,766	16,467	23,385
Total	20	4,002	4,598	7,265	21,652	37,517

The local economy is strong. Commercial and residential expansion and construction are evident throughout the assessment area. Unemployment is at historically low levels. Major employers include: CoolSprings Galleria (a shopping mall), Service Merchandise (department store headquarters), Comdata (a provider of financial services to the trucking industry), Primus (a financial services division of Ford Motor Co.), Nu-kote/Pelikan, Inc. (manufacturer of printing ribbons), CPS Corporation (manufacturer of gift wrap and ribbons), and BellSouth (telephone data center). Saturn Corporation, a division of General Motors Corporation, which manufactures the Saturn automobile is in Spring Hill, Tennessee.

Two local nonprofit organizations were contacted during this evaluation. One was a low- to-moderate housing partnership and the other organization's purpose was to advance the general welfare of citizens and businesses throughout Williamson County. One contact stated there was a need for affordable housing within the county. Otherwise, both contacts expressed the opinion that local credit needs were being met by the financial community.

#### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

##### Loan-To-Deposit Analysis

- ▶ The average loan-to-deposit ratio is reasonable.

The bank's loan-to-deposit ratio averaged 75% for the period since the previous examination dated June 1, 1993. The ratio was 76% on June 30, 1993, declined to 70% as of March 31, 1995, and increased to 78% at June 30, 1996. No similarly comparable institutions exist in the assessment area. Other institutions consist of many offices of major bank holding

companies which have additional resources available.

### Lending in the Assessment Area

- ▶ The bank extends a majority of loans within their assessment area.

The most current Community Reinvestment Geo-Analysis Report prepared by The Attus Group, Inc. (external consultants) shows 76% of the loans made are within the assessment area. Loans outside the assessment area equal 24%. The following chart reflects reasonable dispersion by dollar amount and percentage of loan categories among income census tracts within the assessment area. All census tracts within the assessment area are represented by each loan category except agriculture loans. Typically, agricultural credit needs are small.

Census Tract	Commercial Loans	Real Estate Loans	Consumer Loans	Agriculture Loans	Total Loans
Low/Moderate Income	\$6,139 (19%)	\$8,582 (16%)	\$1,087 (12%)	\$80 (13%)	\$15,888 (17%)
Middle/Upper Income	\$26,708 (81%)	\$44,795 (84%)	\$8,059 (88%)	\$524 (87%)	\$80,086 (83%)
Total	\$32,847	\$53,377	\$9,146	\$604	\$95,974

(Loans are in thousands.)

Only one of twenty census tracts (#508) has been identified as low- to- moderate income tract. It represents 5% of the assessment area by number, but loans within the tract comprise 17% of all loans.

### Lending to Borrowers of Different Income and to Businesses of Different Sizes

- ▶ The distribution of credit reflects reasonable penetration among borrowers of different income levels and business and farms of different sizes.

The Community Reinvestment Geo-Analysis Report reflects reasonable penetration among borrowers of different income levels. The lowest reinvestment ratio (loan volume per census tract divided by total loan volume in the assessment area) in any census tract is 51% while the highest reinvestment ratio is 1,554%. The average reinvestment ratio for all census tracts is 100%. Moderate income census tract #508's reinvestment ratio is 96%. Loan distribution approximates the income characteristics of the assessment area.

1995 - June 1996 Home  
Mortgage Loans (sample)

1995 - June 1996 Consumer  
Loans (sample)

Income Levels	#	% of total #	\$000's	Income Levels	#	% of total #	\$000's
Low Income (< 49%)	6	20%	236	Low Income (< 49%)	14	47%	97
Moderate Income (50%-79%)	1	3%	8	Moderate Income (50%-79%)	9	30%	64
Middle Income (80%-119%)	3	10%	294	Middle Income (80%-119%)	4	13%	87
Upper Income (120%>)	20	67%	2,429	Upper Income (120%>)	3	10%	39
Total	30	100%	2,967	Total	30	100%	287

Our sample of home mortgage loans showed 23% and 8%, respectively, of the number and dollar amount were to low- and moderate- income borrowers. These findings are consistent with the availability of housing within the assessment area and the fact that a community contact stated there was a need for affordable housing. Conversely, a sample of consumer loans show 77% and 56%, respectively, of the number and dollar amount were to low- and moderate- income borrowers.

Original loan amounts to businesses and farms are reasonable based on most recent call report information. The following table reflects loans to businesses and farms of different sizes:

Type	Original Amount < \$100*	Original Amount \$100 - 250*	Original Amount \$250 - 1,000*
Business	\$13,160	\$7,786	\$6,878
Farm	\$358	\$86	\$0

\*(Loans are in thousands.)

Geographic Distribution of Loans

- ▶ Geographic distribution of loans within the assessment area is reasonable. Satisfactory credit penetration exists throughout the assessment area including low- to moderate- income tract.

The Community Reinvestment Geo-Analysis Report reflects reasonable dispersion of all type credits throughout the assessment area. Refer to charts and other information contained under above heading, Lending in the Assessment Area.

### Responses to Complaints

- ▶ No complaints were received since the prior examination.

### Institution's Record of Complying with the Antidiscrimination Laws

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

We found no evidence of discrimination in the bank's lending practices. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations including the Equal Credit Opportunity Act and the Fair Housing Act. We found no violations of antidiscrimination laws.

### Other Considerations

None.