



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

February 26, 2001

# **Community Reinvestment Act Performance Evaluation**

**Franklin National Bank  
Charter Number: 21963**

**230 Public Square  
Franklin, Tennessee 37064**

**Office of the Comptroller of the Currency  
Nashville Field Office  
5200 Maryland Way, Suite 104  
Brentwood, Tennessee 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, and should not 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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## Overall CRA Rating

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

The following table indicates the performance level of **Franklin National Bank, Franklin Tennessee (FNB)** with respect to the Lending, Investment, and Service Tests:

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

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

The major factors that support this rating include:

- FNB's lending activity reflects an adequate responsiveness by FNB to the credit needs in the Assessment Area (AA).
- An adequate percentage of loans were originated or purchased within the AA.
- The overall geographic distribution is excellent. The geographic distribution of HMDA loans is excellent. The geographic distribution of small loans to businesses is excellent.
- The overall distribution of loans by income level in the AA is excellent. The distribution of HMDA loans by borrower income level is excellent. The distribution of small loans to businesses by revenue size is adequate.
- Given the limited community investment opportunities in the AA, community development (CD) investments reflect a good responsiveness to the needs of its AA.
- FNB's delivery systems are readily accessible to geographies and individuals of different income levels throughout the AA. FNB's performance in providing CD services is good and they are responsive to the needs of the AA.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. The U.S. Census Bureau has established BNAs in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the U.S. Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the lending, investment, and service tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope Review** - Performance under the lending, investment, and service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income** - Income levels that are less than 50 percent of the median family income.

**Median Family Income (MFI)** - The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the director of the U.S. Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80 percent and less than 120 percent of the MFI.

**Moderate-Income** - Income levels that are at least 50 percent and less than 80 percent of the MFI.

**Small Loans to Businesses** - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Loans to Farms** - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120 percent or more of the MFI.

## Description of Institution

Franklin National Bank (FNB) is an intrastate bank headquartered in Franklin, Williamson County, TN. This is approximately 20 miles south of Nashville. FNB had nine offices located in three counties of middle Tennessee. The bank's total assets were in excess of \$602 million as of December 31, 2000. FNB is a wholly owned subsidiary of Franklin Financial Corporation (FFC), also headquartered in Franklin TN. FFC is a financial holding company that had total assets of \$604 million as of December 31, 2000. In addition to FNB, FFC owns Franklin Financial Insurance.

FNB has two subsidiaries, Franklin Financial Securities (FFS) and Franklin Financial Mortgage (FFM). FFM's performance made a positive contribution to the bank's CRA performance. FFM originates and purchases residential mortgages. Substantially all of FFM loans are sold. The loan originations and purchases of FFM are included in the data analyzed for this report at the bank's request. FFM's purchases and originations comprise 64% of the total HMDA lending for the two year period and 52% of the HMDA lending in the AA. Services activities of employees of FNB and its two subsidiaries are included in the evaluation of CD services.

FNB offers a full range of banking products and services. The type of loans that are available include agricultural, commercial, consumer, second mortgage real estate, 1-4 family residential real estate, and multi-family loans. The bank's primary business was residential real estate lending and commercial lending. As of December 31, 2000, net loans and leases represent 55% of total assets and 99% of core deposits. The \$335 million loan portfolio was comprised of 38% commercial, 32% residential real estate, 24% construction and development, 2% agriculture, and 4% loans to individuals. Tier 1 capital of \$42 million represents a leverage ratio of 7.15%. There were no financial or legal impediments impairing the bank's ability to perform under the Community Reinvestment Act.

The bank received a rating of "Satisfactory" at the prior evaluation as of November 14, 1998 under performance standards for small banks.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment and Service Tests. In evaluating the bank's lending performance, we reviewed FNB's originations and purchases of home mortgage loans, small loans to businesses and Community Development (CD) loans. With the exception of CD loans, the evaluation period for the Lending Test is January 1, 1999 through December 31, 2000. For CD loans, the Investment Test and the Services Test, the evaluation period is November 14, 1998 through February 26, 2001.

### Data Integrity

As part of this CRA evaluation, in January 2000 we tested the accuracy of FNB's small loans to businesses and HMDA loan data. We found errors in both the HMDA and CRA data and required bank management to correct the information. In October 2000, we evaluated the bank's corrected data and found it to be reliable. This evaluation is based on accurate data.

CD loans, investments and services submitted by FNB management were verified to ensure that they met the regulatory definition for CD. Some items submitted by FNB for consideration were excluded from this evaluation because they did not meet the definition or purpose of CD.

### Selection of Areas for Full-Scope Review

FNB has only one assessment area. This AA received a full scope review. The bank's delineation of the AA did not reflect any illegal discrimination and did not arbitrarily exclude any low- or moderate-income geographies. Refer to the table in Appendix A for more information.

### Ratings

The bank's overall rating is based on those areas that received full-scope reviews. In determining the conclusions for the Lending Test, the distribution of loans by borrower income level received more weight than the distribution of loans by geography. Only one census tract (4% of the geographies) is moderate-income and there are no low-income geographies. Therefore, the distribution of loans by geography is not as meaningful.



In terms of loan products, equal weight was given to residential real estate loans and small loans to businesses. FNB's lending strategy focuses on residential real estate, through the bank and through FFM, and commercial loans. Within home mortgage lending, the individual products were weighted based on the loan volume by product type over the evaluation period. Home refinance loans received more weight than home purchase loans and home purchase loans received more weight than home improvement loans. The volume of small loans to farms was not significant enough to perform a meaningful analysis.

### **Other**

We performed contacts with two business related community groups during the examination period. The most often identified need is affordable housing, according to community groups and the mass media. Refer to Appendix B for more information.

The opportunity to make community development loans and investments is limited. We did not identify any specialized Small Business Investment Corporations (SBICs) in the bank's AA or local Community Development Corporations (CDCs). Also, we did not identify any local Community Development Financial Institutions (CDFIs) or nonprofit organizations whose primary mission is to revitalize low- or moderate-income geographies. We were able to identify one local branch of a national housing organization, one local-government sponsored housing agency, and a statewide housing agency. These agencies provide no opportunities for loans and limited opportunity for investments.

## **Fair Lending Review**

An analysis of 1999 and 2000 public comments, consumer complaint information, and HMDA and Small Business lending was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "**Outstanding.**" Based on full-scope review, the bank's performance in the Part of the Nashville MSA is excellent.

#### Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

Approximately 58% of the number of loans originated or purchased in the AA during the evaluation period were small loans to businesses. Home mortgage loans comprised the vast majority (39%) of the remainder. Among home mortgage loans, refinance loans represent 49%, home purchase loans represent 32% and home improvement loans represent only 19%. The volume of small loans to farms was not material, representing less than 3% of FNB's loan originations and purchases. Agricultural lending is not a primary business line of FNB.

FNB's lending activity is adequate in the Nashville MSA AA. This is based in part on a comparison of deposit market share with lending market share. In Williamson County TN, FNB was second in deposit market share as of June 30, 1999 (19%) and first in deposit market share as of June 30, 2000 (23%). In Maury County TN, FNB was sixth in deposit market share (1.33%). There are 19 banking institutions with offices in the two counties in which FNB has offices.

Based on 1999 HMDA aggregate data, FNB is ranked 60th in the overall volume of HMDA lending with a market share of 0.49%. In terms of individual HMDA products, FNB is the 56th largest originator of home purchase loans (1.05%), the 57th largest originator of home refinance loans (1.25%) and the 18th largest originator of home improvement loans (4.45%). There are 521 institutions reporting HMDA data throughout the five counties in the AA in 1999.

Based on 1999 CRA aggregate data, FNB is the fifth largest originator and purchaser of small loans to business reporters with a 5% market share. In 1999, FNB made 525 small loans to businesses versus the number four ranked institution

that made 1,097 loans (10%). There were 109 institutions reporting CRA data in the five counties in 1999.

### **Distribution of Loans by Income Level of the Geography**

The overall geographic distribution of loans in the AA is excellent. The geographic distribution of HMDA loans is excellent and the geographic distribution of small loans to businesses is excellent. There were no conspicuous gaps in the bank's lending patterns throughout its AA.

We considered the following factors in assessing the bank's lending performance in low- and moderate-income geographies. There were no low-income geographies. According to the 1990 census data, in the single moderate-income geography, there were 2,575 housing units (78% 1-4 family); 54 % of the units were owner-occupied. This was a lower percentage than the AA average of 74%. Seventeen percent of the households in this geography were below the poverty level, a significantly higher rate than the AA percentage of 7%. Households below the poverty level would have a harder time qualifying for conventional home loans.

#### ***Home Mortgage Loans***

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of HMDA loans is excellent. The overall geographic distribution of home purchase loans is excellent. The bank's percentage of home purchase loans to moderate-income tracts exceeds the percent of owner-occupied units in moderate-income tracts. The bank's home purchase market share in moderate-income tracts exceeds their overall market share.

The overall geographic distribution of home refinance loans is excellent. The bank's percentage of home refinance loans to moderate-income tracts exceeds the percent of owner-occupied units in moderate-income tracts. The bank's home refinance market share in moderate-income tracts exceeds their overall market share.

The overall geographic distribution of home improvement loans is excellent. The bank's percentage of home improvement loans to moderate-income tracts exceeds the percent of owner-occupied units in moderate-income tracts. The bank's home improvement market share in moderate-income tracts exceeds their overall market share.

***Small Loans to Businesses***

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The overall geographic distribution of small loans to businesses is excellent. The bank's percentage of small loans to businesses in moderate-income tracts exceeds the percent of businesses located in moderate-income tracts. The bank's market share in moderate-income tracts is somewhat lower than their overall market share.

***Small Loans to Farms***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

We did not analyze FNB's small loans to farms lending performance. The volume of loans was not significant enough, representing only 3% of the bank's lending activity. The data is presented in the table for informational purposes only.

***Lending Gap Analysis***

Reports detailing FNB's lending activity over the evaluation period were reviewed to identify gaps in the geographic distribution of those loans. We identified no unexplained conspicuous gaps. All geographies had small loans to businesses and home mortgage loans. This performance had a positive effect on the bank's overall geographic distribution analysis.

***Inside/Outside Ratio***

An adequate percentage of loans were originated or purchased within the AA. A majority of home mortgage loans and small loans to businesses originated and purchased by FNB over the evaluation period were within the AA. This includes bank originations and purchases only and not extensions of credit by affiliates that are being considered under the other performance criteria. Overall 70% of the bank's loans were within their AA. Seventy-four percent (74%) of home mortgage loans and 69% of small loans to businesses were originated and purchased within the AA. This performance had a positive effect on the bank's overall geographic distribution analysis.

## **Distribution of Loans by Income Level of the Borrower**

The overall distribution of loans by income level in the AA is excellent. The distribution of HMDA loans by borrower income level is excellent. The distribution of small loans to businesses by revenue size is adequate.

In evaluating the borrower distribution of home mortgage loans, we considered the barriers to home ownership. Median family housing value increased 25% from 1994 to 1998, according to the Tennessee Department of Economic & Community Development. For 1998, the median family housing value in Williamson County was \$187 thousand. There is a severe shortage of housing built or sold in Williamson County with a price under \$100 thousand. This is the value used by local government and community groups as affordable for a low-income family. A price of under \$150 thousand is the figure used as affordable market price for moderate-income families. See Appendix B for further details.

### ***Home Mortgage Loans***

Refer to Tables 7, 8, and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall distribution of HMDA loans by borrower income level is excellent.

The distribution of home purchase loans by borrower income level is excellent. The bank's percent of home purchase loans to low-income borrowers is near the percent of low-income families residing in the AA. The bank's percent of home purchase loans to moderate-income borrowers exceeds the (portion of moderate-income families residing in the AA. FNB's home purchase loan market share to low-income borrowers is near their overall market share. Their home purchase loan market share to moderate-income borrowers equals their overall market share.

The distribution of home improvement loans by borrower income level is excellent. The bank's percent of home purchase loans to low-income borrowers exceeds the percent of low-income families residing in the AA. The bank's percent of home improvement loans to moderate-income borrowers exceeds the portion of moderate-income families residing in the AA. FNB's home improvement loan market share to low-income borrowers is lower than their overall market share. Their home improvement loan market share to moderate-income borrowers is somewhat lower than their overall market share.

The distribution of home refinance loans by borrower income level is excellent. The bank's percent of home refinance loans to low-income borrowers is near the percent of low-income families residing in the AA. The bank's percent of home refinance loans to moderate-income borrowers exceeds the portion of moderate-income families residing in the AA. FNB's home refinance loan market share to low-income borrowers is lower than their overall market share. Their home refinance loan market share to moderate-income borrowers is near their overall market share.

### ***Small Loans to Businesses***

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses is adequate. FNB's percentage of small loans to small businesses (businesses with annual revenues \$1 million or less) is somewhat lower than the percentage of small businesses in the AA. Their market share of small loans to small businesses is near their overall market share of small loans to all businesses. A substantial majority of the bank's small loans to businesses are for amounts \$100 thousand or less.

### ***Small Loans to Farms***

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

We did not analyze FNB's small loans to farms lending performance. The volume of loans was not significant enough, representing only 3% of the bank's lending activity. The data is presented in the table for informational purposes only.

### **Community Development Lending**

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

The bank did not fund any CD loans during the evaluation period. FNB has binding commitments for two CD qualified loans that have not been funded. The first is a \$200 thousand Line of Credit for the Williamson County Habitat for Humanity. The second is a \$300 thousand binding commitment to Affordable Housing Resources of Davidson County to participate in a loan pool. Both organizations meet the CD

definition by providing affordable housing to low- and moderate-income individuals. This had a positive impact on the Lending Test rating.

### **Product Innovation and Flexibility**

The bank has not used innovative and flexible loan products during the evaluation period. This had a neutral impact on the Lending Test rating.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test is rated "**High Satisfactory.**" Based on full-scope reviews, the bank's performance in the Part of Nashville MSA is good.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Given the limited community development investment opportunities in the AA, FNB's level of community development investments is good. Refer to the *Scope of the Evaluation* section for additional information on the available CD opportunities in the AA. During this evaluation period, FNB purchased \$2 million in bonds that qualify as CD investments. This represents approximately 5% of Tier 1 Capital. The investments are not considered innovative or complex, however they are responsive to the identified credit need in the AA (affordable housing). The investments were purchased late in the evaluation period and, therefore, had limited impact on the community.

- Freddie Mac Mortgage Backed Securities (MBS) - In November 2000, FNB made an initial investment of \$1 million in Freddie Mac MBS backed by housing loans in low-and-moderate income geographies located within the Nashville MSA. In December 2000, the bank made an investment of a second \$1 million in Freddie Mac MBS backed bonds. Between the two issues, at least 90% of the borrowers are low- or moderate-income. The average loan amount between the two issues is \$78 thousand. These bonds addressed the identified need for affordable housing. The bonds benefit the Nashville MSA, a broader regional area that includes the bank's AA.

Grants/Donations - FNB provided \$1 thousand to a local CD organization. This investment was not considered innovative or complex in nature. The organization

benefiting from these donations is involved in providing affordable housing for low- and moderate-income individuals.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "**High Satisfactory.**" Based on full-scope reviews, the bank's performance in the AA is good.

### **Retail Banking Services**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

FNB's retail delivery systems are readily accessible to geographies and individuals of different income levels throughout the AA. FNB operates eight branches and eighteen ATMs throughout the AA. The bank has a branch in the AA's one moderate-income geography (CT 508). This geography is located near downtown Franklin. In addition, on February 12, 2001, FNB opened a branch in Davidson County in a moderate-income CT. This branch was not part of the bank's AA used in this evaluation. The Board of Directors adopted a new AA that includes the new branch in their March 2001 meeting.

FNB did not close any branches during this evaluation period. The bank opened three branches in upper-income geographies. The increase in number of branches makes the services more available to customers including low- and moderate-income geographies and individuals. In addition to the branch openings, in February 2000, the existing Brentwood Branch was relocated approximately two blocks into larger quarters. This relocation did not adversely impact delivery of services to low- and moderate-income individuals.

FNB offers a wide range of services that do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. The products, services and business hours are reasonable and do not vary from one location to another.

The bank's ATMs are located throughout the AA. Eight ATMs are located in the eight branches, eight ATMs are located in grocery stores and two ATMs are located in large employers (Williamson Medical Center and CPS Corporation). In addition to ATMs, the bank uses three alternative delivery systems,



*FranklinNetBranch.com*, the Call Center, and Bank by Phone. The bank did not have any information on

how low- and moderate-income individuals and geographies are affected by their alternative delivery systems. Therefore, we did not place significant weight on their alternative delivery systems.

### **Community Development Services**

FNB's performance in providing community development services in the AA is good based on the limited availability of opportunities. This had a positive impact on the services test rating. Refer to Appendix B and the Scope of the Evaluation section for additional information on the available CD opportunities in the AA. The services are directly related to identified community credit needs, affordable housing. The types of services provided are not innovative in nature. Two officers provided financial services to three CD organizations during the evaluation period. One officer provides financial expertise by serving on the board of the Community Housing Partnership (CHP) and as the chairperson of the Williamson County Chamber of Commerce-Housing Committee. The CHP provides homebuyer training and other assistance for low- and moderate- income individuals. The Chamber Housing Committee was formed in an effort to find solutions to the affordable housing issues. Another loan officer serves on the board for Habitat for Humanity providing financial guidance. Habitat for Humanity builds houses for low- and moderate-income individuals.

The bank has also been active with the Habitat for Humanity of Williamson County in the following ways.

- Since 1999 FFM has provided mortgage servicing at no cost for Habitat's portfolio of 23 loans.
- In 2000, FNB assisted the group in gaining a \$37,500 grant. They assisted through sponsorship (using FNB's membership in the Federal Home Loan Bank of Cincinnati) and by assisting in the grant application preparation.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term "full-scope") and those that received a less comprehensive review (designated by the term "limited-scope").

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/99 to 12/31/00) Investment and Service Tests and CD Loans: (11/14/98 to 2/26/01)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Franklin National Bank (FNB) Franklin, Tennessee	Home Mortgage Loans Small Loans to Businesses Small Loans to Farms	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Franklin Financial Mortgage (FFM)	Wholly owned subsidiary	Home Mortgage Loans
Franklin Financial Securities (FFS)	Wholly owned subsidiary	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Part of Nashville MSA # 5360	Full Scope	

## **Appendix B: Market Profiles for Full-Scope Areas**

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#### **Market Profiles for Areas Receiving Full-Scope Reviews**

Part of Nashville MSA # 5360 .....	B-1
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**Part of Nashville MSA # 5360**

Demographic Information for Full-Scope Area: Part of Nashville MSA # 5360						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	0	4.2	41.7	54.1	0
Population by Geography	150,867	0	4.1	38.1	57.8	0
Owner-Occupied Housing by Geography	60,909	0	3.4	33.6	63.0	0
Businesses by Geography	8,596	0	7.6	24.6	67.8	0
Farms by Geography	350	0	3.1	43.4	53.5	0
Family Distribution by Income Level	43,592	11.4	12.6	20.2	55.8	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	10,432	0	8.4	57.8	33.8	0
Median Family Income	\$35,797	Median Housing Value 1998				\$ 187,000
HUD Adjusted Median Family Income for 2000	\$58,800	Unemployment Rate 1999				2%
Households Below the Poverty Level	7%					

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 2000 HUD updated MFI.

The AA centers in Franklin, Williamson County, Tennessee, the southern portion of the Nashville MSA. The AA includes all twelve CTs in Williamson County, eight CTs in Davidson County, one CT in Dickson County, two BNAs in Hickman County and one BNA in Maury County. These geographies contain the bank's branches or are immediately adjacent to branches. There have been no major changes to the AA since the last public evaluation, two adjacent BNAs in Hickman County were added in early 1999. The assessment area meets the requirement of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

There are approximately 400 branches of over 40 financial institutions throughout the Nashville MSA. The bank experiences moderate competition from local

branches of regional companies. According to FDIC statistics for June 1999, FNB's

had a 19.16% market share of bank deposits in Williamson County and ranks second in total deposits and a 1.33% market share of bank deposits in Maury County and ranks 6th. According to June 2000 data, FNB had a 22.62% market share and ranks first in total deposits in Williamson County and the ranking in Maury county did not change. There is no deposit market share data available in the other counties because there are no physical branches in those counties.

The local economy is strong with a low unemployment rate and strong growth in population and jobs. According to the Tennessee Department of Economic & Community Development, the unemployment rate (available by county only) for 1999 (the most recent available annual period), was 2.7% in the Nashville MSA. Within the Nashville MSA, Williamson County had less than 2.0% unemployment, Davidson County 2.8% and Dickson County 3.2%. These rates are well below the US rate of 4.2% and the Tennessee rate of 4%. The population statistics (available by county only) show Williamson County population grew 53% from 1990 to 1999. It is one of the 50 fastest-growing counties in the nation according to the Williamson County Chamber of Commerce.

The number one employer for the region, with its location in Spring Hill, is Saturn Corporation with 8,400 employees. Other employers in the area, with more than 500 employees were PRIMUS (financial services), ComData (financial services), and CPS Corporation (manufacturing) in Franklin (Williamson County), and Columbia Specialties, Inc. (manufacturing) in Columbia (Maury County). Nashville's largest and newest mall, Cool Springs Galleria, is located between Brentwood and Franklin providing employment opportunities for an estimated 3,500 people in the service sector. Job market analyses indicate a significant shift from manufacturing related employment to service sector employment in the last ten years. In addition, 2000 statistics show an overall decline in manufacturing.

There is a need for affordable housing and our research indicates it is not being built. Median family housing value increased 25% from 1994 to 1998, according to the Tennessee Department of Economic & Community Development. For 1998 (the most recent available annual period), the median family housing value in Williamson County was \$187 thousand. Under \$100 thousand is the price used by local government and community groups as affordable for a low-income family while under \$150 thousand is the figure used as affordable market price for moderate-income families. There is a lack of houses in this price range. A November 1999 newspaper article quoting a local realtor reported that, for the period January 1, 1999 through November 1999, only 22 homes under \$100,000 were sold in Franklin and 12 homes in the affordable range were in the development stage.

According to our review of internet and local library information, and the bank's search through bond brokers, there is limited availability of community development securities. There are ample community service organizations receptive to grants and donations. The availability of opportunities specifically in the affordable housing arena has been increasing as the need for affordable housing is more widely recognized. We identified two non-governmental organizations that are actively working on affordable housing in Williamson County in addition to the county and state housing agencies.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the



population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000						
MSA/Assessment Area:	% of Rated Area Loans (#) in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MSA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Review:												
Part of Nashville MSA # 5360	100%	539	61,822	785	51,180	40	1,663	0	0	1,364	114,665	100%
Limited-Review:												

(\*) Rated area refers to either the state or multistate MSA rating area.

(\*\*) The evaluation period for Community Development Loans is November 14, 1998 to February 26, 2001.

(\*\*\*) Deposit data as of June 30, 2000. Rated area refers to either the state or multistate MSA rating area.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000									
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full-Review:															
Part of Nashville MSA # 5360	172	100	NA	NA	3.4	8.1	33.6	34.3	63.0	57.6	1.05	NA	3.18	1.09	.90
Limited-Review:															

(\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

(\*\*) Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT			State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full-Review:															
Part of Nashville MSA # 5360	103	100	NA	NA	3.4	11.7	33.6	42.7	63.0	45.6	4.45	NA	12.82	6.15	2.44
Limited-Review:															

(\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

(\*\*) Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE			State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	% Owner Occ Units**	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full-Review:															
Part of Nashville MSA # 5360	264	100	NA	NA	3.4	9.8	33.6	36.0	63.0	54.2	1.25	NA	2.71	1.55	.99
Limited-Review:															

(\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

(\*\*) Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES			State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000									
MSA/Assessment Area:	Total Small Loans To Businesses		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***					
	#	% of Total*	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full-Review:																
Part of Nashville MSA # 5360	785	100	NA	NA	7.6	8.4	24.6	35.2	67.8	56.4	4.71	NA	3.05	4.12	6.89	
Limited-Review:																

(\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

(\*\*) Source of Data-Dunn and Bradstreet.

(\*\*\*) Based on 1999 Aggregate Small Business Data only.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS			State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000									
MSA/Assessment Area:	Total Small Loans To Farms		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***					
	#	% of Total*	% of Farms **	% BANK Loans	% of Farms **	% BANK Loans	% of Farms **	% BANK Loans	% of Farms **	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full-Review:																
Part of Nashville MSA # 5360	40	100	NA	NA	3.1	2.5	43.4	55.0	53.4	42.5	7.07	NA	.78	8.64	14.67	
Limited-Review:																

(\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

(\*\*) Source of Data-Dunn and Bradstreet.

(\*\*\*) Based on 1999 Aggregate Small Farm Data only.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE			State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Overall	Low	Mod	Mid	Upp
Full-Review:															
Part of Nashville MSA # 5360	172	100	11.4	9.3	12.6	18.6	20.2	20.9	55.8	48.3	.48	.47	.48	.52	.71
Limited-Review:															

(\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

(\*\*) Percentage of Families is based on 1990 Census information.

(\*\*\*) As a percentage of loans with borrower income information available. No information was available for 2.9% of loans originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT			State: TENNESSEE				Evaluation Period: JANUARY 31, 1999 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Overall	Low	Mod	Mid	Upp
Full-Review:															
Part of Nashville MSA # 5360	103	100	11.4	14.6	12.6	27.2	20.2	21.4	55.8	35.9	1.02	.86	.70	1.14	1.30
Limited-Review:															

(\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

(\*\*) Percentage of Families is based on 1990 Census information.

(\*\*\*) As a percentage of loans with borrower income information available. No information was available for 1% of loans originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE			State: TENNESSEE				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Overall	Low	Mod	Mid	Upp
Full-Review:															
Part of Nashville MSA # 5360	264	100	11.4	9.1	12.6	22.0	20.2	27.7	55.8	40.6	.41	.34	.33	.50	.61
Limited-Review:															

(\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

(\*\*) Percentage of Families is based on 1990 Census information.

(\*\*\*) As a percentage of loans with borrower income information available. No information was available for 0.8% of loans originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		State: TENNESSEE		Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000					
	Total Small Loans to Businesses		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share****	
	#	% of Total*	% of Businesses**	% BANK Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less
Full-Review:									
Part of Nashville MSA # 5360	785	100	87.0	61.5	84.0	10.8	5.2	4.71	4.49
Limited-Review:									

(\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.  
 (\*\*) Businesses with revenues of \$1 million or less as a percentage of all businesses.  
 (\*\*\*) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 15.8% of small loans to businesses originated and purchased by the bank.  
 (\*\*\*\*) Based on 1999 Aggregate Small Business Data only.



**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		State: TENNESSEE		Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000					
Total Small Loans to Farms		Farms with Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share****		
#	% of Total*	% of Businesses**	% BANK Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	
Full-Review:									
Part of Nashville MSA # 5360	40	100	94.9	90.0	7.5	2.5	7.07	7.42	
Limited-Review:									

(\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

(\*\*) Farms with revenues of \$1 million or less as a percentage of all businesses.

(\*\*\*) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 10% of small loans to businesses originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate Small Farm Data only.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS									
		State: TENNESSEE		Evaluation Period: NOVEMBER 14, 1998 TO FEBRUARY 26, 2001					
MA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
Full-Review:									
Part of Nashville MSA # 5360	0	0	3	2,001	3	2,001	100%	0	0
Limited-Review:									

(\*) "Prior Period Investments" means investments made in a previous evaluation period that are outstanding as of the examination date.

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

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
		State: TENNESSEE						Evaluation Period: NOVEMBER 14, 1998 TO FEBRUARY 26, 2001									
MSA/Assessment Area:	Deposits	Branches				Branch Openings/Closings				Population							
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Review:																	
Part of Nashville MSA # 5360	100	8	100	NA	13%	13%	74%	0	4	0	0	0	+3	NA	4%	38%	58%
Limited-Review:																	

