

PUBLIC DISCLOSURE

March 15, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**INSOUTH Bank
RSSD #329550**

**111 South Washington Street
Brownsville, Tennessee 38012**

Federal Reserve Bank of St. Louis

**P.O. Box 442
St. Louis, Missouri 63166-0442**

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 the 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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INSTITUTION’S CRA RATING: This institution is rated SATISFACTORY.

The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

INSOUTH Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank’s lending and community development activities. The factors supporting the institution’s rating include:

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution’s size, financial condition, and credit needs of the assessment areas.
- A majority of loans and other lending-related activities are in the assessment areas.
- Distribution of loans to borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income [LMI]) and businesses of different revenue sizes.
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.
- The bank’s overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank’s CRA performance was reviewed using the Federal Financial Institutions Examination Council’s (FFIEC’s) intermediate small bank procedures. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Bank performance under these tests is rated at the institution level. The bank maintains operations in two delineated assessment areas within Tennessee, the Memphis assessment area and the Haywood County assessment area. The Memphis assessment area encompasses Shelby and Tipton Counties within the Tennessee portion of the Memphis Tennessee-Mississippi-Arkansas Metropolitan Statistical Area (MSA). The second assessment area is comprised of Haywood County, which is in a nonmetropolitan statistical area (nonMSA) portion of southwest Tennessee adjacent to the Memphis assessment area. Both assessment areas were analyzed using full-scope review procedures.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each assessment area completed as part of this evaluation. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2020.

Assessment Area	Offices		Deposits as of June 30, 2020	
	#	%	\$ (000s)	%
Memphis	4	66.7%	\$183,625	54.7%
Haywood County	2	33.3%	\$152,381	45.4%
OVERALL	6	100%	\$336,006	100%

In light of branch structure, loan and deposit activity, and the bank’s CRA evaluation history, CRA performance in the Memphis assessment area was given primary consideration, as it contains the majority of the bank’s loan and deposit activity. Moreover, the Memphis assessment area is more populous and economically diverse, containing a significant volume of LMI census tracts, while Haywood County is comprised solely of middle-income census tracts.

Furthermore, small business and residential real estate loans were used to evaluate the bank’s lending performance, as these loan categories are considered the bank’s core business lines based on lending volume and the bank’s stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank’s overall lending performance. However, as the bank has a particular emphasis on commercial lending, performance based on the small business loan category carried the most significance toward overall performance conclusions.

The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	March 31, 2017 – September 30, 2020
Assessment Area Concentration	January 1, 2019 – December 31, 2019
Loan Distribution by Borrower’s Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	January 17, 2017 – March 14, 2021
Community Development Activities	

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data; certain business demographics are based on 2019 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to reflect many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank’s lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$355.5 million to \$467.6 million as of September 30, 2020.

As part of the Community Development Test, the bank’s performance was evaluated using the following criteria, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment areas.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- The extent to which the bank provides community development services.

The review included community development activities initiated from the date of the bank’s previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation, but still outstanding as of this review date, were also considered.

To augment this evaluation, four community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank’s assessment areas. Information from these interviews also assisted in evaluating the bank’s responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section, applicable to the assessment area in which they were conducted.

DESCRIPTION OF INSTITUTION

INSOUTH Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Independent Southern Bancshares, Inc., a one-bank holding company; the bank and its holding company are both headquartered in Brownsville, Tennessee. The bank’s branch network consists of six offices (including the main office), all of which have full-service automated teller machines on site. In addition, the bank operates one loan production office outside the assessment area in Madison County, Tennessee, which was opened during the review period in 2019. While no branches are located in LMI census tracts, the branch network and other service delivery systems, such as extended full-service online banking capabilities, are positioned to deliver financial services to all of its assessment areas.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting the credit needs of its assessment areas based on its available resources and financial products. As of September 30, 2020, the bank reported total assets of \$369.5 million. As of the same date, loans and leases outstanding were \$305.3 million (82.6 percent of total assets), and deposits totaled \$331.2 million. The bank’s loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2020		
Credit Category	Amount \$ (000s)	Percentage of Total Loans
Construction and Development	\$21,099	6.9%
Commercial Real Estate	\$86,131	28.2%
Multifamily Residential	\$3,735	1.2%
1–4 Family Residential	\$81,357	26.7%
Farmland	\$24,148	7.9%
Farm Loans	\$8,788	2.9%
Commercial and Industrial	\$71,052	23.3%
Loans to Individuals	\$8,865	2.9%
Total Other Loans	\$104	< 0.1%
TOTAL	\$305,279	100%

As indicated by the table above, a significant portion of the bank’s lending resources is directed to commercial real estate, commercial and industrial, and 1–4 family residential loans.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by the FDIC on January 17, 2017.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

INSOUTH Bank meets the standards for a satisfactory Lending Test rating under the intermediate small bank procedures, which evaluate bank performance under the following five criteria as applicable.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio compared to those of regional peers. The average LTD ratio represents a 15-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size \$ (000s) as of September 30, 2020	Average LTD Ratio
INSOUTH Bank	Brownsville, Tennessee	\$369,487	91.0%
Regional Banks	Bartlett, Tennessee	\$427,599	69.1%
	Millington, Tennessee	\$467,583	54.8%
	Collierville, Tennessee	\$355,475	87.6%

Based on data from the previous table, the bank's level of lending is above those of other banks in the region. During the review period, the bank's quarterly LTD ratio ranged from a low of 84.3 percent to a high of 99.6 percent, and the 15-quarter average of 91.0 percent represents a significant increase from the previous review period. INSOUTH Bank's average LTD ratio was higher than all three regional banks, whose average LTD ratios ranged from a low of 54.8 percent to a high of 87.6 percent. Therefore, INSOUTH Bank's average LTD ratio is more than reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank’s assessment areas.

Lending Inside and Outside of Assessment Areas January 1, 2019 through December 31, 2019						
Loan Type	Inside Assessment Areas		Outside Assessment Areas		TOTAL	
Small Business	63	47.0%	71	53.0%	134	100%
	\$6,468	52.8%	\$5,792	47.2%	\$12,260	100%
HMDA	81	68.1%	38	31.9%	119	100%
	\$7,256	56.5%	\$5,594	43.5%	\$12,850	100%
TOTAL LOANS	144	56.9%	109	43.1%	253	100%
	\$13,724	54.7%	\$11,386	45.3%	\$25,110	100%

A majority of loans and other lending-related activities were made in the bank’s assessment areas. As shown above, 56.9 percent of the total loans were made inside the assessment areas, accounting for 54.7 percent of the dollar volume of total loans. As further context, 78.9 percent of the small business loans made outside of the assessment area were purchased loans that were made to small businesses throughout the country and supplement the bank’s small business loan portfolio.

Borrower and Geographic Distribution

As displayed in the following table, overall performance by borrower’s income/revenue profile is excellent, based on the analyses of lending in the Memphis and Haywood County assessment areas, with the greatest emphasis on the Memphis assessment area.

Assessment Area	Loan Distribution by Borrower’s Profile
Memphis	Excellent
Haywood County	Reasonable
OVERALL	EXCELLENT

As displayed in the following table, the bank’s overall distribution of lending by income level of census tract reflects reasonable penetration throughout the assessment areas.

Assessment Area	Geographic Distribution of Loans
Memphis	Reasonable
Haywood County	Reasonable
OVERALL	REASONABLE

Additional details regarding the loan distribution of lending by borrower’s distribution of loans and the geographic distribution of loans are included later in this evaluation under the individual assessment area analyses.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (January 17, 2017 through March 14, 2020).

COMMUNITY DEVELOPMENT TEST

INSOUTH Bank’s performance under the Community Development Test is rated satisfactory. The bank demonstrates adequate responsiveness to the community development needs of the Memphis and Haywood County assessment areas, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment areas.

Assessment Area	Community Development Test Performance Conclusions
Memphis	Adequate
Haywood County	Adequate

During the review period, the bank made qualifying loans, investments, donations, and services to individuals and organizations in its assessment areas, broken down as follows:

Total Community Development Activities Inside Assessment Areas January 17, 2017 through March 14, 2021		
Community Development Component	#	\$
Loans	176	\$16.6 million
Investments	1	\$290,000
Donations and Grants	28	\$102,230
Services	8 Organizations	16 employees

The bank’s community development responsiveness is adequate given its level of community development activities. The qualified community development activities include 167 Paycheck Protection Program (PPP) loans that helped businesses keep their workforce employed during the COVID-19 economic crisis. These PPP loans, which totaled \$8.1 million, were made to businesses located in LMI and distressed/underserved middle-income geographies. Other community development activities include affordable housing, economic development for small businesses, revitalization and stabilization of LMI geographies and distressed/underserved geographies, and community services for LMI individuals. Additional details of these activities are described later in this evaluation under the individual assessment area analyses.

In addition to adequately meeting the community development needs of its own assessment areas, the bank made one community development loan outside its assessment areas totaling \$260,000 as well as four community development investments totaling \$1.8 million outside of its assessment areas but in the state of Tennessee.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

MEMPHIS, TENNESSEE-ARKANSAS-MISSISSIPPI METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MEMPHIS ASSESSMENT AREA

Bank Structure

As noted in the *Scope of Examination* section, the bank operates four of its six offices (66.7 percent) in this assessment area. Of the four offices, two are located in Tipton County and two are located in Shelby County. All four branches are in middle- or upper-income census tracts, although one location is across the street from a low-income census tract in Covington, Tennessee (Tipton County). Since the last examination, the bank did not open or close any branches in this assessment area. Based on its limited branch network and other service delivery systems, the bank is not well positioned to deliver financial services to substantially all of the assessment area, which is a highly competitive banking market; this is particularly true in Shelby County and the city of Memphis, where a substantial number of LMI geographies are located.

General Demographics

The assessment area is comprised of Shelby and Tipton Counties in their entirety. However, the majority of the assessment area population resides in Shelby County, which contains the city of Memphis. As of the 2015 ACS data, the population was 937,750 in Shelby County and 61,674 in Tipton County, which is comprised of suburban and rural communities. Of the 36 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked twenty-second in deposit market share, encompassing 0.6 percent of total deposit dollars.

The Memphis assessment area covers a wide metropolitan area with a diverse population. As a result, credit needs in the area vary and include a blend of consumer and business credit products. Specific credit-related needs, as noted by community contacts, include financial literacy initiatives, affordable housing, home purchase-down payment assistance programs, and home improvement loans. Furthermore, due to the various economic and community development groups active in the Memphis area, there are ample opportunities for community development participation from financial institutions.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	66	49	40	73	6	234
	28.2%	20.9%	17.1%	31.2%	2.6%	100%
Family Population	45,546	47,068	41,874	101,923	404	236,815
	19.2%	19.9%	17.7%	43.0%	0.2%	100%

As shown above, 49.1 percent of the census tracts in the assessment area are LMI geographies, but only 39.1 percent of the family population resides in these tracts. While the vast majority of these LMI census tracts are concentrated in and around the city of Memphis, 2 of the 13 census tracts in Tipton County are also designated as LMI.

Based on 2015 ACS data, the median family income for the assessment area was \$57,861, which was slightly less than the same figure for the entire Memphis MSA, \$58,214; at the same time, the median family income for the state of Tennessee was \$56,110. More recently, the FFIEC estimates the 2019 median family income for the Memphis MSA to be \$63,700. The following table displays population percentages of assessment area families by income level compared to the Memphis MSA and statewide Tennessee family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	61,327	36,409	38,939	100,140	236,815
	25.9%	15.4%	16.4%	42.3%	100%
Memphis MSA	79,803	51,120	56,522	136,327	323,772
	24.6%	15.8%	17.5%	42.1%	100%
Tennessee	363,187	288,774	326,437	687,047	1,665,445
	21.8%	17.3%	19.6%	41.3%	100%

As shown in the table above, 41.3 percent of families within the assessment area were considered LMI, which is slightly higher than LMI family percentages of 40.4 percent in the Memphis MSA and 39.1 percent in statewide Tennessee. The percentage of families living below the poverty level in the assessment area, 16.3 percent, is also above both the figure for the Memphis MSA, 14.9 percent and the 13.2 percent level in the state of Tennessee. Considering these factors, the assessment area appears to be less affluent than the entire MSA and the state of Tennessee as a whole.

Housing Demographics

As displayed in the following table, home ownership affordability in the assessment area is substantially similar to that of the overall Memphis MSA. As compared to the entire state of Tennessee, buying a home is more affordable in the assessment area, while rental housing in the assessment area is more expensive compared to the state overall.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Assessment Area	\$131,701	35.4%	\$855
Memphis MSA	\$133,866	35.7%	\$849
Tennessee	\$142,100	31.8%	\$764

Median gross rents varied significantly by county in the assessment area, from \$741 in Tipton County to \$859 in Shelby County. Similarly, affordability ratios in the assessment area also reflected greater affordability in Tipton County, 38.4 percent, compared to Shelby County, 35.3 percent.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector. County business patterns indicate that there are 65,464 government and 442,226 private sector paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (16.3 percent), followed by transportation and warehousing (13.4 percent), and retail trade (11.3 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area, the assessment area as a whole, the Memphis MSA, and the state of Tennessee.

Unemployment Levels			
Dataset	Time Period (Annual Average)		
	2018	2019	2020 (Jan.–Aug.)
Shelby County	4.2%	4.0%	9.8%
Tipton County	4.2%	3.9%	7.1%
Assessment Area Average	4.2%	4.0%	9.6%
Memphis MSA	4.2%	4.2%	9.1%
Tennessee	3.5%	3.4%	8.1%

As shown in the table above, the assessment area has experienced a similar level of unemployment as the Memphis MSA in general, with a slightly declining trend from 2018 to 2019. The assessment area as a whole had a higher unemployment rate than the state of Tennessee, which also experienced a declining trend from 2018 to 2019. In 2020, unemployment levels spiked dramatically as a result of the COVID-19 pandemic. However, as the table indicates, Shelby County experienced a sharper increase in unemployment than Tipton County, which was echoed through community contact interviews.

Community Contact Information

For the Memphis assessment area, two community contact interviews were completed as part of this evaluation. One interview was with a representative of an economic development organization operating in Shelby County, and one interview was with a representative of an economic and community development organization focusing on Tipton County.

The community contact interviewees categorized the local economy as having slow economic growth as a result of population loss and high poverty levels. The contacts noted that different parts of the assessment area are experiencing positive economic growth, such as eastern Shelby County and the southern portion of Tipton County. Comparatively, south Memphis and the northern portion of Tipton County have experienced slower economic growth. The contacts indicated that the economic impact of the COVID-19 pandemic was felt in LMI neighborhoods in particular, with Shelby County experiencing the effects worse than Tipton County.

Furthermore, both contacts noted a lack of banking services and access to credit in LMI neighborhoods, which results in predatory lending in these communities from nontraditional lenders. Resources and funding for small businesses are not equally dispersed in all areas of Memphis, with more investment in east Memphis, while south Memphis has experienced disinvestment. Furthermore, small businesses face a lack of access to capital and lack of credit-worthiness for new businesses without revenue history. The contact specializing in economic development and community development in Tipton County indicated a strong need for financial education outreach in LMI areas to build relationships in the community and knowledge of banking products. The same contact indicated a need for affordable rental and single-family housing stock, while also pointing out that current affordable housing stock is aging and in need of repair. Additionally, one contact identified home improvement loans and home purchase-down payment assistance products as a credit needed for LMI borrowers. Lastly, both contacts identified opportunities for financial institutions to partner with community organizations, nonprofits, community development corporations, and other organizations dedicated to serving LMI communities and families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MEMPHIS ASSESSMENT AREA

LENDING TEST

The bank's overall distribution of loans by borrower's income/revenue profile reflects excellent penetration among borrowers of different income levels and businesses of different revenue sizes. Furthermore, the overall geographic distribution of loans reflects reasonable penetration throughout the Memphis assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from both loan categories reviewed. While the bank's small business loan distribution by borrower's profile is excellent and performance under the HMDA loan category is reasonable, greater emphasis is placed on performance in the small business loan category given the bank's emphasis on commercial lending.

The following table shows the distribution of small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size								
Assessment Area: Memphis								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	%	%	%
Business Revenue	\$1 million or less	34	87.2%	40.9%	\$4,071	84.3%	30.6%	89.4%
	Over \$1 million/ unknown	5	12.8%	59.1%	\$756	15.7%	69.4%	10.6%
	TOTAL	39	100.0%	100.0%	\$4,827	100.0%	100.0%	100.0%
Loan Size	\$100,000 or less	27	69.2%	91.3%	\$1,126	23.3%	30.1%	
	\$100,001–\$250,000	7	17.9%	4.4%	\$1,349	27.9%	16.5%	
	\$250,001–\$1 million	5	12.8%	4.3%	\$2,352	48.7%	53.4%	
	Over \$1 million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	39	100.0%	100.0%	\$4,827	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or less	25	73.5%		\$996	24.5%		
	\$100,001–\$250,000	5	14.7%		\$1,012	24.9%		
	\$250,001–\$1 million	4	11.8%		\$2,063	50.7%		
	Over \$1 million	0	0.0%		\$0	0.0%		
	TOTAL	34	100.0%		\$4,071	100.0%		

The bank’s level of lending to small businesses is excellent. The bank originated the majority of its small business loans (87.2 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 89.4 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the 2019 aggregate lending level to small businesses is 40.9 percent. In addition, 25 of 34 (73.5 percent) of small business loans made to businesses with revenues of \$1 million or less were for amounts less than or equal to \$100,000, indicating the bank’s strong willingness to lend small dollar loans to small businesses.

Second, the bank’s distribution of HMDA loans by borrower’s profile was reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC (\$63,700 for the Memphis MSA as of 2019). The following table shows the distribution of HMDA reported loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2019 aggregate data for the assessment area is displayed.

Borrower Distribution of Residential Real Estate Loans								
Assessment Area: Memphis								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	%	%	
Home Purchase	Low	0	0.0%	3.1%	0	0.0%	1.4%	25.9%
	Moderate	3	6.8%	12.7%	159	3.8%	8.3%	15.4%
	Middle	1	2.3%	20.3%	176	4.2%	17.5%	16.4%
	Upper	22	50.0%	48.4%	1,452	34.4%	58.8%	42.3%
	Unknown	18	40.9%	15.5%	2,433	57.7%	14.0%	0.0%
	TOTAL	44	100.0%	100.0%	4,220	100.0%	100.0%	100.0%
Refinance	Low	3	25.0%	4.1%	127	17.1%	1.9%	25.9%
	Moderate	1	8.3%	9.1%	38	5.1%	5.3%	15.4%
	Middle	0	0.0%	17.6%	0	0.0%	13.0%	16.4%
	Upper	5	41.7%	47.9%	392	52.9%	57.1%	42.3%
	Unknown	3	25.0%	21.4%	184	24.8%	22.6%	0.0%
	TOTAL	12	100.0%	100.0%	741	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	5.6%	0	0.0%	2.5%	25.9%
	Moderate	0	0.0%	11.9%	0	0.0%	6.9%	15.4%
	Middle	0	0.0%	18.1%	0	0.0%	12.9%	16.4%
	Upper	0	0.0%	59.5%	0	0.0%	72.5%	42.3%
	Unknown	0	0.0%	4.9%	0	0.0%	5.2%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	25.9%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	15.4%
	Middle	0	0.0%	0.8%	0	0.0%	0.0%	16.4%
	Upper	0	0.0%	5.8%	0	0.0%	0.3%	42.3%
	Unknown	0	0.0%	93.3%	0	0.0%	99.6%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Other Purpose LOC	Low	0	0.0%	4.0%	0	0.0%	1.5%	25.9%
	Moderate	0	0.0%	9.6%	0	0.0%	5.0%	15.4%
	Middle	0	0.0%	14.8%	0	0.0%	8.6%	16.4%
	Upper	0	0.0%	68.9%	0	0.0%	82.3%	42.3%
	Unknown	0	0.0%	2.7%	0	0.0%	2.6%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Other Purpose Closed/Exempt	Low	0	0.0%	7.3%	0	0.0%	3.8%	25.9%
	Moderate	0	0.0%	13.0%	0	0.0%	9.1%	15.4%
	Middle	0	0.0%	22.2%	0	0.0%	19.7%	16.4%
	Upper	0	0.0%	48.7%	0	0.0%	60.2%	42.3%
	Unknown	0	0.0%	8.9%	0	0.0%	7.3%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%

Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	%	%	%
Purpose Not Applicable	Low	0	0.0%	1.0%	0	0.0%	0.5%	25.9%
	Moderate	0	0.0%	0.6%	0	0.0%	0.2%	15.4%
	Middle	0	0.0%	0.8%	0	0.0%	0.5%	16.4%
	Upper	0	0.0%	0.6%	0	0.0%	1.5%	42.3%
	Unknown	0	0.0%	96.9%	0	0.0%	97.2%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
HMDA TOTALS	Low	3	5.4%	3.5%	127	2.6%	1.4%	25.9%
	Moderate	4	7.1%	11.1%	197	4.0%	6.4%	15.4%
	Middle	1	1.8%	18.7%	176	3.5%	14.0%	16.4%
	Upper	27	48.2%	47.7%	1,844	37.2%	51.6%	42.3%
	Unknown	21	37.5%	19.1%	2,617	52.8%	26.7%	0.0%
	TOTAL	56	100.0%	100.0%	4,961	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (5.4 percent) is substantially below the low-income family population figure (25.9 percent) but slightly above the 2019 aggregate lending level to low-income borrowers (3.5 percent), reflecting reasonable performance. Similarly, the bank’s level of lending to moderate-income borrowers (7.1 percent) is below the moderate-income family population percentage (15.4 percent) and slightly below aggregate lending levels of 11.1 percent, reflecting reasonable performance. Furthermore, the bank faces competition in this market from larger institutions and mortgage companies that offer more complex lending products suited to LMI borrowers, including products with 100 percent financing or down payment assistance. Therefore, considering performance to both income categories, the bank’s overall distribution of HMDA loans by borrower’s profile is reasonable.

Geographic Distribution of Loans

As noted previously, the Memphis assessment area includes 66 low-income and 49 moderate-income census tracts, representing 49.1 percent of all assessment area census tracts. Considering poor performance in the small business loan category and excellent performance in the HMDA loan category, the bank’s overall geographic distribution of loans in LMI geographies is reasonable. The following table displays 2019 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2019 small business aggregate data.

Geographic Distribution of Small Business Loans							
Assessment Area: Memphis							
Tract Income Levels	2019						
	Count			Dollar			Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	\$ (000s)	%	%	%
Low	2	5.1%	11.8%	\$199	4.1%	12.3%	15.1%
Moderate	3	7.7%	15.6%	\$365	7.6%	17.5%	16.8%
Middle	11	28.2%	16.2%	\$856	17.7%	17.0%	17.2%
Upper	23	59.0%	52.8%	\$3,407	70.6%	49.7%	49.9%
Unknown	0	0.0%	3.6%	\$0	0.0%	3.4%	1.0%
TOTAL	39	100.0%	100.0%	\$4,827	100.0%	100.0%	100.0%

The bank’s level of lending in low-income census tracts (5.1 percent) is below the estimated percentage of businesses operating inside these census tracts (15.1 percent) and 2019 aggregate lending levels in low-income census tracts (11.8 percent). Consequently, the bank’s performance in low-income areas is poor. The bank’s percentage of loans in moderate-income census tracts (7.7 percent) is below the 2019 aggregate lending percentage in moderate-income census tracts (15.6 percent) and below the percentage of small businesses in moderate-income census tracts (16.8 percent), also representing poor performance. As previously noted, the assessment area is a highly competitive banking market. The bank only operates one branch in Shelby County, which contains nearly all the assessment area’s LMI census tracts. With only 0.6 percent of total assessment area deposit dollars, the bank is not well positioned to deliver services to the entire assessment area. Nevertheless, the bank’s overall geographic distribution of small business loans is poor.

The following table displays the geographic distribution of 2019 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Geographic Distribution of Residential Real Estate Loans								
Assessment Area: Memphis								
Product Type	Tract Income Levels	2019						
		Count			Dollar			Owner-Occupied Units
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	%	%	
Home Purchase	Low	14	31.8%	5.6%	456	10.8%	2.1%	13.3%
	Moderate	9	20.5%	12.1%	574	13.6%	5.8%	17.6%
	Middle	12	27.3%	17.2%	1,011	24.0%	12.5%	18.7%
	Upper	9	20.5%	65.1%	2,179	51.6%	79.6%	50.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.2%
	TOTAL	44	100.0%	100.0%	4,220	100.0%	100.0%	100.0%
Refinance	Low	1	8.3%	3.2%	25	3.4%	1.2%	13.3%
	Moderate	0	0.0%	7.9%	0	0.0%	3.8%	17.6%
	Middle	6	50.0%	16.2%	268	36.2%	10.7%	18.7%
	Upper	5	41.7%	72.7%	448	60.5%	84.3%	50.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.2%
	TOTAL	12	100.0%	100.0%	741	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	7.5%	0	0.0%	3.8%	13.3%
	Moderate	0	0.0%	9.7%	0	0.0%	5.5%	17.6%
	Middle	0	0.0%	14.1%	0	0.0%	8.8%	18.7%
	Upper	0	0.0%	68.7%	0	0.0%	81.9%	50.3%
	Unknown	0	0.0%	0.1%	0	0.0%	0.0%	0.2%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	35.0%	0	0.0%	16.0%	13.3%
	Moderate	0	0.0%	20.0%	0	0.0%	16.9%	17.6%
	Middle	0	0.0%	10.8%	0	0.0%	3.3%	18.7%
	Upper	0	0.0%	34.2%	0	0.0%	63.8%	50.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.2%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Other Purpose LOC	Low	0	0.0%	4.1%	0	0.0%	1.8%	13.3%
	Moderate	0	0.0%	6.6%	0	0.0%	3.1%	17.6%
	Middle	0	0.0%	11.1%	0	0.0%	7.0%	18.7%
	Upper	0	0.0%	78.2%	0	0.0%	88.1%	50.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.2%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Other Purpose Closed/Exempt	Low	0	0.0%	7.6%	0	0.0%	3.3%	13.3%
	Moderate	0	0.0%	12.7%	0	0.0%	6.7%	17.6%
	Middle	0	0.0%	15.2%	0	0.0%	9.7%	18.7%
	Upper	0	0.0%	64.6%	0	0.0%	80.4%	50.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.2%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%

Product Type	Tract Income Levels	2019						
		Count			Dollar			Owner-Occupied Units
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	%	%	
Purpose Not Applicable	Low	0	0.0%	12.5%	0	0.0%	5.6%	13.3%
	Moderate	0	0.0%	20.7%	0	0.0%	12.3%	17.6%
	Middle	0	0.0%	21.6%	0	0.0%	19.0%	18.7%
	Upper	0	0.0%	45.1%	0	0.0%	63.1%	50.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.2%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
HMDA TOTALS	Low	15	26.8%	5.3%	481	9.7%	3.5%	13.3%
	Moderate	9	16.1%	10.8%	574	11.6%	6.5%	17.6%
	Middle	18	32.1%	16.7%	1,279	25.8%	10.9%	18.7%
	Upper	14	25.0%	67.2%	2,627	53.0%	79.1%	50.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.2%
	TOTAL	56	100.0%	100.0%	4,961	100.0%	100.0%	100.0%

The bank’s level of lending in low-income census tracts (26.8 percent) is substantially above the percentage of owner-occupied housing units inside these census tracts (13.3 percent) and 2019 aggregate lending levels in low-income census tracts (5.3 percent). Consequently, the bank’s performance in low-income areas is excellent. The bank’s percentage of loans in moderate-income census tracts (16.1 percent) is higher than the 2019 aggregate lending percentage in moderate-income census tracts (10.8 percent) and in line with the percentage of owner-occupied housing units in moderate-income census tracts (17.6 percent), representing excellent performance. Therefore, the bank’s overall geographic distribution of HMDA loans is excellent.

Lastly, based on reviews from both loan categories, INSOUTH Bank had loan activity in 51 of the 234 assessment area census tracts (21.8 percent). Given the bank’s limited lending volume overall and the lending activity present in the downtown and urban core of Memphis, the bank’s distribution of loans does not indicate any conspicuous lending gaps in LMI areas.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs within the Memphis assessment area, considering the bank’s capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services.

During the review period, the bank extended 29 community development loans totaling \$8.2 million in this assessment area. Two of these loans were for the purchase of multifamily affordable housing, and three loans were qualified as economic development as well as revitalizing/stabilizing LMI geographies. Of these 29 community development loans, 24 loans totaling \$1.4 million were PPP loans, stabilizing employment in LMI geographies during the COVID-19 pandemic.

The bank made 18 donations totaling \$99,710 in this assessment area, with no additional qualified investments; these donations primarily benefitted a medical institution serving a majority of children from LMI families. Finally, four bank employees provided services to three different

community development organizations in this assessment area, most notably an agency providing services to LMI children.

NONMETROPOLITAN TENNESSEE STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HAYWOOD COUNTY ASSESSMENT AREA

Bank Structure

The bank operates two of its six offices (33.3 percent) in this assessment area. Both offices are located in the same middle-income census tract, which is categorized as distressed due to poverty. Since the last examination, the bank did not open or close any branches in this assessment area. Based on its branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of Haywood County in its entirety. This county is located in southwest Tennessee and is contiguous with Tipton County in the bank's Memphis assessment area. Based on 2015 ACS data, the assessment area population was 18,248. Of the three FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked first in deposit market share, encompassing 54.8 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include smaller-sized home improvement loans and financing to encourage projects to develop single-family affordable housing stock. Additionally, contacts noted a need for startup business loans with flexible and/or alternative underwriting criteria and small business financial education. Contacts also indicated that the area provides a steady level of community development opportunities, considering community needs, as well as local entities and projects desiring assistance to meet those needs.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0	0	6	0	0	6
	0.0%	0.0%	100.0%	0.0%	0.0%	100%
Family Population	0	0	4,357	0	0	4,357
	0.0%	0.0%	100.0%	0.0%	0.0%	100%

As shown above, the bank’s assessment area is comprised entirely of middle-income census tracts. Furthermore, all six middle-income census tracts are designated as distressed due to poverty as of 2019.

Based on 2015 ACS data, the median family income for the assessment area was \$44,507. At the same time, the median family income for nonMSA Tennessee was \$46,066. More recently, the FFIEC estimates the 2019 median family income for nonMSA Tennessee to be \$50,100. The following table displays population percentages of assessment area families by income level compared to the nonMSA family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	923	837	894	1,703	4,357
	21.2%	19.2%	20.5%	39.1%	100%
NonMSA Tennessee	81,163	70,532	77,971	159,460	389,126
	20.9%	18.1%	20.0%	41.0%	100%

As shown in the table above, 40.4 percent of families within the assessment area were considered LMI, which is slightly higher than LMI family percentages of 39.0 percent in nonMSA Tennessee. Furthermore, the percentage of families living below the poverty level in the assessment area, 17.7 percent, is above the 15.4 percent level in nonMSA Tennessee. Considering these factors, the assessment area appears less affluent than nonMSA Tennessee as a whole.

Housing Demographics

Considering the housing costs in light of relative assessment area income levels, housing affordability is substantially similar to affordability levels in nonMSA Tennessee.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Assessment Area	\$99,099	34.4%	\$597
NonMSA Tennessee	\$106,819	34.0%	\$601

However, despite data in the previous table indicating similar affordability levels, the 2011–2015 Housing and Urban Development (HUD) housing cost burden data suggests that LMI households within the assessment area face increased affordability challenges.

Housing Cost Burden				
Dataset	Cost Burden – Renters		Cost Burden – Owners	
	Low-Income	Moderate-Income	Low-Income	Moderate-Income
Assessment Area	70.6%	42.2%	76.1%	40.8%
NonMSA Tennessee	63.8%	36.0%	56.3%	31.1%

As displayed in the table above, the assessment area has a higher percentages of LMI renters and homeowners that are housing cost-burdened, or spending more than 30 percent of their income on rent/housing costs, which may be attributable to the higher percentage of the population in the assessment area living below the poverty level. Furthermore, community contacts noted that affordable housing stock for LMI families is older and in need of repairs, and as a result, home improvement loans are a credit need in the assessment area.

Industry and Employment Demographics

County business patterns indicate that there are 1,092 government and 3,744 private sector paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (40.4 percent), retail trade (13.9 percent), and healthcare and social assistance (10.2 percent). The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and the state of Tennessee.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	Assessment Area	Tennessee
2018	5.4%	3.5%
2019	4.9%	3.4%
2020 (January–August)	9.2%	8.1%

As shown in the table above, unemployment rates in the assessment area were higher than in statewide Tennessee. The assessment area experienced a decline in unemployment from 2018 to 2019 but a large increase in 2020 as a result of the COVID-19 pandemic, which has adversely

affected employment in the community. This is corroborated by community contacts, who noted that the pandemic has resulted in permanent business closures in Haywood County.

Community Contact Information

For the Haywood County assessment area, two community contact interviews were completed as part of this evaluation. One interview was with a small business development center representative in southwest Tennessee, and one was with a rural development organization representative serving western Tennessee. The contacts described the economy in Haywood County as lagging behind similar surrounding counties due to several factors: the closing of the local hospital in 2014 resulting in job loss; population loss to surrounding rural counties and Memphis due to lack of employment opportunities; a lack of access to high-speed broadband Internet; the lack of a skilled workforce beyond manufacturing skills; and job loss/business closures resulting from the COVID-19 pandemic in 2020.

Both contacts noted that there is generally good access to banking products in the assessment area. However, many LMI people rely on nontraditional sources of credit such as cash advance establishments. Therefore, the contacts feel that there is a need for outreach in the community to inform residents of banking resources and programs available for LMI people. The contact specializing in small business development indicated that there is a need for lending to startup businesses, particularly for first-time entrepreneurs. Additionally, the contact focusing on rural development described a need for affordable single-family housing, noting that the existing affordable housing stock is aging and in need of repairs. Accordingly, home improvement loans are a major credit need. Finally, the contact indicated a need for LMI homebuyer education covering the details of buying, financing, and owning/maintaining a home. In summary, both contacts identified opportunities for financial institutions to collaborate with community groups and organizations providing services to LMI families in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE HAYWOOD COUNTY ASSESSMENT AREA

LENDING TEST

The overall distribution of loans by borrower's income/revenue profile reflects reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Furthermore, the geographic distribution of loans reflects reasonable penetration throughout the assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from both loan categories reviewed. While the bank's small business loan distribution by borrower's profile is reasonable, and performance under the HMDA loan category is poor, greater emphasis is placed on performance in the small business loan category given the bank's emphasis on commercial lending.

The following table shows the distribution of 2019 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size								
Assessment Area: Haywood County								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
#	%	%	\$ (000s)	%	%	%		
Business Revenue	\$1 million or less	18	75.0%	52.2%	\$1,055	64.3%	57.8%	90.7%
	Over \$1 million/ unknown	6	25.0%	47.8%	\$585	35.7%	42.2%	9.3%
	TOTAL	24	100.0%	100.0%	\$1,640	100.0%	100.0%	100.0%
Loan Size	\$100,000 or less	19	79.2%	91.2%	\$814	49.6%	35.1%	
	\$100,001– \$250,000	5	20.8%	6.1%	\$826	50.4%	30.3%	
	\$250,001– \$1 million	0	0.0%	2.6%	\$0	0.0%	34.6%	
	Over \$1 million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	24	100.0%	100.0%	\$1,640	100.0%	100.0%	
Loan Size	Revenue \$1 Million or Less	\$100,000 or less	15	83.3%		\$570	54.0%	
		\$100,001– \$250,000	3	16.7%		\$485	46.0%	
		\$250,001– \$1 million	0	0.0%		\$0	0.0%	
		Over \$1 million	0	0.0%		\$0	0.0%	
		TOTAL	18	100.0%		\$1,055	100.0%	

The bank’s level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (75.0 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 90.7 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the 2019 aggregate lending level to small businesses is 52.2 percent.

Second, the bank’s loan distribution of HMDA loans by borrower’s profile was reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC (\$50,100 for nonMSA Tennessee as of 2019). The following table shows the distribution of HMDA reported loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2019 aggregate data for the assessment area is displayed.

Borrower Distribution of Residential Real Estate Loans								
Assessment Area: Haywood County								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	%	%	%
Home Purchase	Low	0	0.0%	2.2%	0	0.0%	1.3%	21.2%
	Moderate	0	0.0%	22.5%	0	0.0%	16.7%	19.2%
	Middle	1	25.0%	25.8%	59	25.1%	24.0%	20.5%
	Upper	3	75.0%	35.4%	176	74.9%	42.7%	39.1%
	Unknown	0	0.0%	14.0%	0	0.0%	15.3%	0.0%
	TOTAL	4	100.0%	100.0%	235	100.0%	100.0%	100.0%
Refinance	Low	2	14.3%	9.8%	135	12.2%	5.5%	21.2%
	Moderate	1	7.1%	10.8%	33	3.0%	7.2%	19.2%
	Middle	4	28.6%	19.6%	156	14.1%	15.2%	20.5%
	Upper	7	50.0%	43.1%	781	70.7%	48.8%	39.1%
	Unknown	0	0.0%	16.7%	0	0.0%	23.3%	0.0%
	TOTAL	14	100.0%	100.0%	1,105	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	0.0%	0	0.0%	0.0%	21.2%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	19.2%
	Middle	0	0.0%	11.1%	0	0.0%	2.9%	20.5%
	Upper	6	100.0%	88.9%	315	100.0%	97.1%	39.1%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	6	100.0%	100.0%	315	100.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	21.2%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	19.2%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	20.5%
	Upper	1	100.0%	50.0%	640	100.0%	68.6%	39.1%
	Unknown	0	0.0%	50.0%	0	0.0%	31.4%	0.0%
	TOTAL	1	100.0%	100.0%	640	100.0%	100.0%	100.0%

Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$%	\$%	%
Other Purpose LOC	Low	0	0.0%	0.0%	0	0.0%	0.0%	21.2%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	19.2%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	20.5%
	Upper	0	0.0%	100.0%	0	0.0%	100.0%	39.1%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Other Purpose Closed/Exempt	Low	0	0.0%	0.0%	0	0.0%	0.0%	21.2%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	19.2%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	20.5%
	Upper	0	0.0%	100.0%	0	0.0%	100.0%	39.1%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
Purpose Not Applicable	Low	0	0.0%	0.0%	0	0.0%	0.0%	21.2%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	19.2%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	20.5%
	Upper	0	0.0%	0.0%	0	0.0%	0.0%	39.1%
	Unknown	0	0.0%	100.0%	0	0.0%	100.0%	0.0%
	TOTAL	0	0.0%	100.0%	0	0.0%	100.0%	100.0%
HMDA TOTALS	Low	2	8.0%	4.6%	135	5.9%	2.6%	21.2%
	Moderate	1	4.0%	16.6%	33	1.4%	12.2%	19.2%
	Middle	5	20.0%	22.1%	215	9.4%	19.2%	20.5%
	Upper	17	68.0%	41.0%	1,912	83.3%	47.0%	39.1%
	Unknown	0	0.0%	15.6%	0	0.0%	19.1%	0.0%
	TOTAL	25	100.0%	100.0%	2,295	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank only made three HMDA loans to LMI borrowers in this assessment area, despite the fact that 40.4 percent of the family population is LMI. The bank's percentage of lending to low-income borrowers (8.0 percent) is well below the low-income family population figure (21.2 percent) but above the 2019 aggregate lending level to low-income borrowers (4.6 percent), reflecting reasonable performance. Conversely, lending performance in the moderate-income category is poor, because the bank's level of lending to moderate-income borrowers (4.0 percent) is well below both the moderate-income family population percentage (19.2 percent) and the aggregate lending level (16.6 percent). In addition, the bank's level of lending in this assessment area is heavily weighted to upper-income borrowers (68.0 percent), as it is significantly higher than both the upper-income family population percentage (39.1 percent) and the aggregate lending level to upper-income borrowers (41.0 percent). Therefore, the bank's overall distribution of HMDA loans by borrower's profile is poor.

Geographic Distribution of Loans

Under the geographic distribution of loans analysis, emphasis is normally placed on the bank's performance in LMI geographies. However, the bank's assessment area does not contain any LMI census tracts. As previously described, the bank's assessment area is comprised of six middle-income census tracts. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the assessment area census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the assessment area, consistent with demographics and bank structure. The bank originated loans in each of the assessment area census tracts. Therefore, the bank's geographic distribution of loans is reasonable.

COMMUNITY DEVELOPMENT TEST

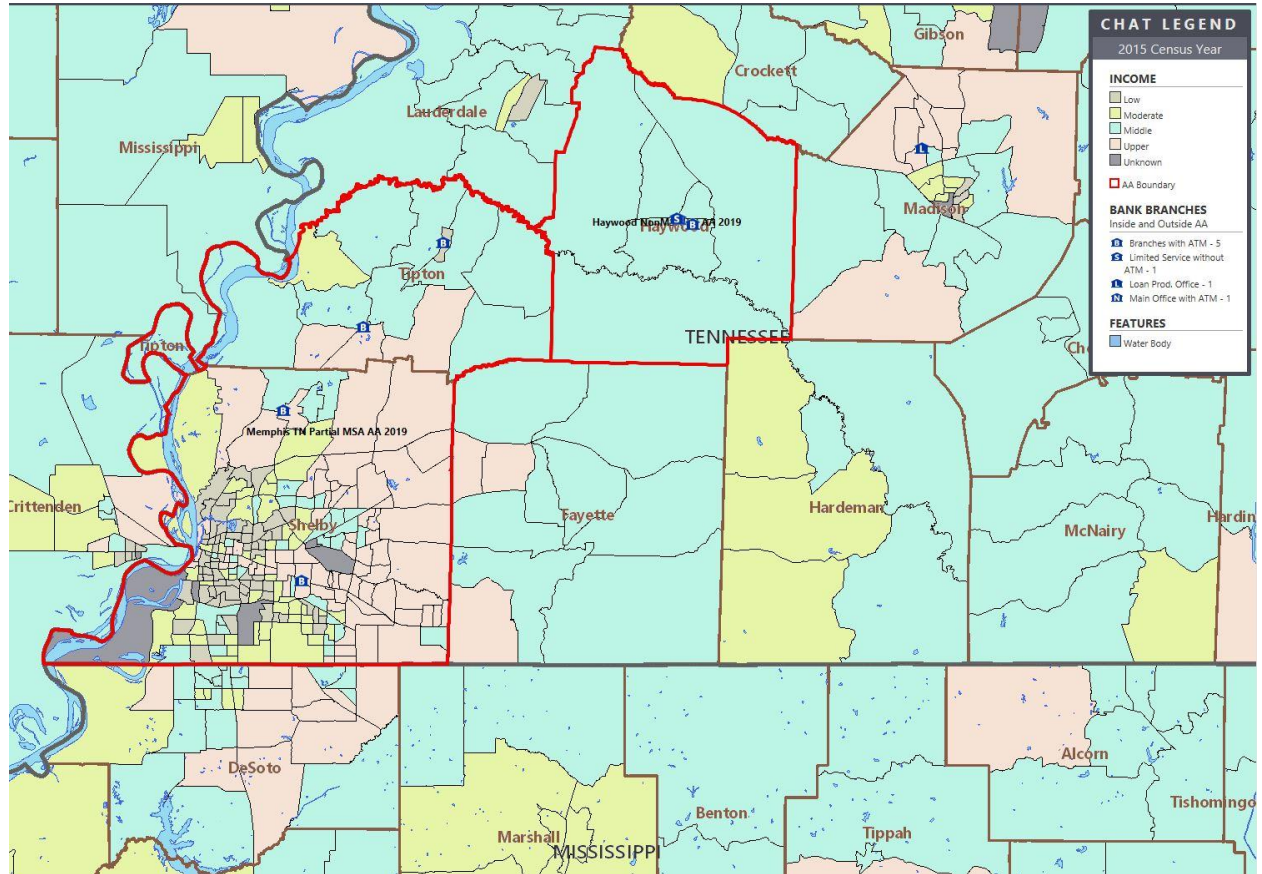
The bank demonstrates adequate responsiveness to community development needs within the Haywood County assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments and grants, and community development services.

During the review period, the bank extended 147 community development loans totaling \$8.5 million in this assessment area. The vast majority of these were PPP loans; the bank originated 143 PPP loans totaling \$6.8 million that qualify as stabilizing employment in distressed middle-income census tracts. In addition to these, one loan had a community development purpose of economic development, and three were for the purchase of affordable multifamily housing, a credit need identified by community contacts in the assessment area.

The bank also made a \$290,000 investment in a bond to improve city infrastructure, revitalizing/stabilizing distressed middle-income geographies in this assessment area. Additionally, the bank made 10 donations totaling \$2,520, that primarily went to community service entities benefiting the LMI population in this assessment area. Finally, 12 bank employees provided financial expertise and technical assistance to five different community development organizations serving the LMI population.

ASSESSMENT AREAS DETAIL

Memphis Assessment Area and
Haywood County Assessment Area



GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and non-metropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing 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; (4) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed non-metropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States 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, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

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, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.