

# **PUBLIC DISCLOSURE**

**March 17, 2003**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Cavalry Banking  
Murfreesboro, Tennessee  
RSSD ID Number: 461870**

**FEDERAL RESERVE BANK OF ATLANTA  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470**

<p><b>Note:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion of opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>
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## **DEFINITIONS AND ABBREVIATIONS**

### **Income Definitions**

Throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

*Low-Income* - An individual income, or median family income for geographies that is less than 50 percent of the area median income.

*Moderate-Income* - An individual income, or median family income for geographies that is at least 50 percent but less than 80 percent of the area median income.

*Middle-Income* - An individual income, or median family income for geographies that is at least 80 percent but less than 120 percent of the area median income.

*Upper-Income* - An individual income, or median family income for geographies that is 120 percent or more of the area median income.

### **Performance Definitions Regarding Lending**

*Excellent* - This rating is assigned to an institution with lending performance that substantially exceeds the characteristics of demographic data and aggregate performance.

*Good* - This rating is assigned to an institution with lending performance that slightly exceeds the characteristics of demographic data and aggregate performance.

*Adequate* - This rating is assigned to an institution with lending performance that is comparable to the characteristics of demographic data and aggregate performance.

*Poor* - This rating is assigned to an institution with lending performance that is significantly below the characteristics of demographic data and aggregate performance.

## **ABBREVIATIONS**

ATM -	Automated Teller Machine
BNA -	Block Numbering Area
CDFI -	Community Development Financial Institution
FDIC -	Federal Deposit Insurance Corporation
HMDA -	Home Mortgage Disclosure Act
HUD -	Department of Housing and Urban Development
LTD -	Loan-to-Deposit Ratio
MSA -	Metropolitan Statistical Area
NCUA -	National Credit Union Administration
OTS -	Office of Thrift Supervision
REIS -	Regional Economic Information Systems
USDA -	United States Department of Agriculture

## **ROUNDING CONVENTION**

Because percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

<b>GENERAL INFORMATION</b>
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The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Cavalry Banking** prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **March 17, 2003**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

<b>INSTITUTION</b>
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**INSTITUTION'S CRA RATING:** This institution is rated **SATISFACTORY**.

Based on a review of the bank's lending record, qualified investments, and services, Cavalry Banking meets the standards for a satisfactory level of performance in its assessment area. Management is encouraged to continue to seek qualified investment and community development lending opportunities in its assessment area and throughout the state of Tennessee. General conclusions for each performance test area are as follows:

- **Lending Test** – Cavalry Banking's lending levels reflect an **EXCELLENT** record of serving the credit needs of low-income individuals and areas and very small businesses. A **HIGH PERCENTAGE** of loans are made inside the bank's assessment area. The distribution of borrowers reflects **EXCELLENT** penetration among customers of different income levels, and businesses of different sizes. The geographic distribution of loans reflects **GOOD** penetration throughout the assessment area. Since the previous examination, the bank had **MADE FEW, IF ANY** community development loans. The bank makes **EXTENSIVE USE** of innovative and flexible lending practices in serving assessment area credit needs.
- **Investment Test** – The bank's volume of qualified community development investments in the review period is \$327,500. Grants and contributions totaled \$60,000. Considering the level of opportunity and competition in the market, the bank has an **ADEQUATE** level of community development investments and grants and is **RARELY** in a leadership position, particularly those not routinely provided by private investors. Cavalry Banking exhibits **ADEQUATE** responsiveness to credit and community development needs regarding its investment activities. The bank **DOES NOT USE** innovative or complex investments to support community development initiatives.
- **Service Test** – Two of the bank's nine offices and one of the bank's proprietary ATMs are located in moderate-income census tracts and BNAs. Delivery systems are **ACCESSIBLE** to **ESSENTIALLY ALL** portions of the bank's assessment area. Services **DO NOT VARY IN A WAY THAT INCONVENIENCES CERTAIN PORTIONS** of the assessment areas, particularly LMI geographies and/or LMI individuals. The bank has not opened or closed any branches since the previous examination and this has **NOT ADVERSELY AFFECTED** the accessibility of its delivery systems. The bank provides an **ADEQUATE LEVEL** of financial services to organizations that promote community development.

**INSTITUTION (Continued)**

The following table indicates the performance level of Cavalry Banking with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Cavalry Banking</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

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

**INSTITUTION (Continued)**

**DESCRIPTION OF INSTITUTION**

Cavalry Banking is a wholly owned subsidiary of Cavalry Bancorp, Inc., a one-bank holding company. Both companies are headquartered in Murfreesboro, Tennessee. The bank operates nine offices and five proprietary ATMs in Rutherford and Bedford counties in Middle Tennessee. Rutherford County is part of the Nashville, Tennessee MSA. Bedford County is a nonmetropolitan area. In addition, the bank operates a loan production office (LPO) in Nashville, Tennessee.

According to the September 30, 2002 Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$426.6 million. The composition of the loan portfolio according to the September 30, 2002, December 31, 2001, and December 31, 2000 Call Reports is displayed in the following table:

<b>COMPOSITION OF LOAN PORTFOLIO</b>						
<b>Loan Type</b>	<b>9/30/2002</b>		<b>12/31/2001</b>		<b>12/31/2000</b>	
	<b>\$ (000s)</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>
Construction and Development	\$66,399	21.4%	\$48,449	16.4%	\$51,045	17.7%
Secured by One- to Four- Family Dwellings	\$118,027	38.1%	\$71,805	24.3%	\$69,403	24.1%
Other Real Estate: Farmland	\$1,112	0.4%	\$0	0.0%	\$0	0.0%
Multifamily	\$2,689	0.9%	\$3,224	1.1%	\$2,519	0.9%
Nonfarm Nonresidential	\$58,231	18.8%	\$90,206	30.6%	\$80,029	27.8%
Commercial and Industrial	\$44,754	14.4%	\$40,493	13.7%	\$38,154	13.3%
Loans to Individuals	\$18,458	6.0%	\$40,852	13.8%	\$46,724	16.2%
Agricultural Loans	\$123	0.0%	\$0	0.0%	\$0	0.0%
<b>Total</b>	<b>\$309,793</b>	<b>100.0%</b>	<b>\$295,029</b>	<b>100.0%</b>	<b>\$287,874</b>	<b>100.0%</b>

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

As illustrated by the table above, the bank's loan portfolio is primarily composed of loans secured by one- to four-family dwellings, followed by construction and development, and nonfarm nonresidential real estate loans. The bank's total loan portfolio grew by 7.6 percent from December 31, 2000 to September 30, 2002. The most significant changes within the portfolio during that period were a 70.1 percent increase in loans secured by one- to four-family dwellings and a 60.5 percent decrease in loans to individuals. According to bank management, the decrease in consumer loans was caused by a loan category reclassification from loans to individuals to loans secured by one- to four-family dwellings. The reclassification was a result of differences between the Thrift Financial Report of the OTS (the bank's previous regulator) and the Call Report.



<b>INSTITUTION (Continued)</b>
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Cavalry Banking's product offerings include traditional deposit and loan products as well as the sale of insurance through its affiliate, Miller & Loughry Insurance and Services, Inc., and the sale of investment products through Cavalry Investments Services. The bank also offers asset management and trust services.

Cavalry Banking's average net LTD ratio for the three quarters ended September 30, 2002 was 78.4 percent. The bank's average net LTD ratio was compared with the LTD ratio of one other financial institution of similar asset size with branch offices in Cavalry Banking's assessment area. The average net LTD ratio for this financial institution was 62.9 percent.

Cavalry Banking generally complies with the CRA. No known legal or other impediments exist that would restrain the bank from meeting the credit needs of its assessment area. The bank received a satisfactory CRA rating at its previous evaluation, which was conducted by the OTS on August 6, 2001, under the large bank CRA examination procedures.

**DESCRIPTION OF ASSESSMENT AREA: Whole Bank**

**Demographic Data by Census Tract**

The bank's assessment area consists of Rutherford and Bedford Counties. As previously mentioned, Rutherford County is part of the Nashville, Tennessee MSA and Bedford County is in a nonmetropolitan area. The whole bank assessment area is composed of 24 census tracts and 8 BNAs for a total of 32 census tracts/BNAs (tracts). 1 of the 32 tracts is low-income, three are moderate-income tracts, 25 are middle-income tracts, and three are upper-income tracts. The assessment area does not arbitrarily exclude any low- or moderate-income tracts and is in compliance with the CRA regulation. The table on page 8 provides demographic data that were used in analyzing the bank's performance under the CRA. Except where noted, the demographic data are from the 1990 Census. Certain components of the data in the table are referenced in various parts of this evaluation.

**Population Characteristics**

At the time of the 1990 Census, the population of the bank's assessment area was 148,981 persons. This figure represented 3.1 percent of the population of the state of Tennessee. According to the U.S. Census Bureau, the assessment area's estimated population for 2001 is 228,470, an increase of 53.4 percent.

**Income Characteristics**

At the time of the 1990 Census, there were 40,146 families in the assessment area. 17.9 percent of the families were considered low-income; 17.3 percent were considered moderate-income; 25.8 percent were considered middle-income; and 39.1 percent were considered upper-income. Of the total families in the assessment area, 3,521 families (8.8 percent) have incomes below the poverty level. The 2002 HUD median family income for the Nashville MSA was \$61,600 and the 2002 HUD median family income (State Nonmetropolitan) was \$42,600.

**Housing Characteristics**

According to the 1990 Census, there are 58,393 housing units in the assessment area, of which 61.9 percent are owner-occupied units. 1990 Census data show that the median housing value for owner-occupied units in the assessment area was \$68,575, which is 18.2 percent higher than the median housing value for the state of Tennessee at \$58,016.

<b>DESCRIPTION OF ASSESSMENT AREA: Whole Bank (Continued)</b>
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**Employment Statistics**

The primary employers in the bank's assessment area are the manufacturing, services, and retail trade industries. According to the Bureau of Labor Statistics, the average annual unemployment rates for Rutherford and Bedford counties in 2001 were 3.6 percent and 5.8 percent, respectively. The unemployment rate (not seasonally adjusted) for December 2002 was 3.2 percent for Rutherford County and 5.3 percent for Bedford County. The average annual unemployment rate for the state of Tennessee was 4.5 percent in 2001, and was 4.1 percent for December 2002 (not seasonally adjusted).

**Business Size Characteristics**

The demographic table on page 8 provides key demographic business data by revenue size and tracts in the assessment area. The table illustrates that, in 2002, according to Dun & Bradstreet, 76.5 percent of the businesses in the assessment area had total annual revenues of less than \$1 million and, therefore, were considered to be small businesses.

**Competition**

The assessment area has a highly competitive banking market due to the significant presence of banks in the market. There are 16 other financial institutions operating 64 offices in the assessment area. According to deposit market share reports from the FDIC as of June 30, 2002, Cavalry Banking ranked second in deposit market share in the assessment area, at 17.6 percent (\$366.8 million). The top financial institution had a deposit market share of 20.9 percent. Local competition does not seem to adversely affect the bank's ability to serve the credit needs of its assessment area.

**Community Contacts**

As a part of the CRA examination, information was obtained from community leaders regarding local economic conditions and community credit needs. One of the contacts had positive remarks about the participation of the community banks in affordable housing lending. The other contact expressed that the participation of financial institutions in small business programs was good.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank**

The following tables show selected demographic information and Cavalry Banking’s lending performance in the assessment area.

WHOLE BANK ASSESSMENT AREA								
DEMOGRAPHICS								
Income Categories	Tract Distribution		Families					
	#	%	Families by Tract		Families<Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	3.1%	837	2.1%	261	31.2%	7,179	17.9%
Moderate	3	9.4%	2,868	7.1%	536	18.7%	6,930	17.3%
Middle	25	78.1%	33,657	83.8%	2,626	7.8%	10,356	25.8%
Upper	3	9.4%	2,784	6.9%	98	3.5%	15,681	39.1%
NA	0	0.0%	0	0.0%	0	0.0%	-	-
<b>Total</b>	<b>32</b>	<b>100.0%</b>	<b>40,146</b>	<b>100.0%</b>	<b>3,521</b>	<b>8.8%</b>	<b>40,146</b>	<b>100.0%</b>
Housing Units by Tract								
	Total Units	Owner Occupied		Rental Occupied		Vacant		
	#	#	%	#	%	#	%	%
Low	1,843	398	1.1%	21.6%	1,186	64.4%	259	14.1%
Moderate	5,527	2,201	6.1%	39.8%	2,747	49.7%	579	10.5%
Middle	47,686	30,649	84.8%	64.3%	13,399	28.1%	3,638	7.6%
Upper	3,337	2,907	8.0%	87.1%	239	7.2%	191	5.7%
NA	0	0	0.0%	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>58,393</b>	<b>36,155</b>	<b>100.0%</b>	<b>61.9%</b>	<b>17,571</b>	<b>30.1%</b>	<b>4,667</b>	<b>8.0%</b>
Total Businesses by Tract			Businesses by Tract and Revenue Size					
	#	%	Under \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	198	2.0%	165	2.2%	10	1.9%	23	1.3%
Moderate	1,792	18.0%	1,330	17.5%	120	23.1%	342	18.8%
Middle	7,216	72.5%	5,547	72.9%	358	68.8%	1,311	71.9%
Upper	744	7.5%	565	7.4%	32	6.2%	147	8.1%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>9,950</b>	<b>100.0%</b>	<b>7,607</b>	<b>100.0%</b>	<b>520</b>	<b>100.0%</b>	<b>1,823</b>	<b>100.0%</b>
<b>Percentage of Total Businesses:</b>			<b>76.5%</b>		<b>5.2%</b>		<b>18.3%</b>	

Sources: 1990 Census Data, 2002 Dun & Bradstreet business demographic data.

NA Tracts are tracts without household or family income.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank**

WHOLE BANK ASSESSMENT AREA								
LENDING								
Income Categories	HMDA							
	By Tract Income				By Borrower Income			
	#	%	\$	%	#	%	\$	%
	<b>Home Purchase</b>							
Low	4	0.3%	441	0.3%	241	17.5%	20,726	13.9%
Moderate	113	8.2%	11,163	7.5%	422	30.6%	41,651	27.8%
Middle	1,177	85.4%	127,610	85.3%	333	24.2%	37,698	25.2%
Upper	84	6.1%	10,412	7.0%	371	26.9%	48,347	32.3%
NA	0	0.0%	0	0.0%	11	0.8%	1,204	0.8%
<b>Total</b>	<b>1,378</b>	<b>100.0%</b>	<b>149,626</b>	<b>100.0%</b>	<b>1,378</b>	<b>100.0%</b>	<b>149,626</b>	<b>100.0%</b>
	<b>Refinance</b>							
Low	8	0.6%	496	0.3%	147	10.6%	12,138	7.8%
Moderate	90	6.5%	9,983	6.4%	318	22.9%	27,942	18.0%
Middle	1,133	81.5%	124,744	80.3%	344	24.7%	36,929	23.8%
Upper	159	11.4%	20,171	13.0%	507	36.5%	69,660	44.8%
NA	0	0.0%	0	0.0%	74	5.3%	8,725	5.6%
<b>Total</b>	<b>1,390</b>	<b>100.0%</b>	<b>155,394</b>	<b>100.0%</b>	<b>1,390</b>	<b>100.0%</b>	<b>155,394</b>	<b>100.0%</b>
	<b>Home Improvement</b>							
Low	2	3.8%	27	1.5%	12	23.1%	463	26.2%
Moderate	9	17.3%	501	28.4%	14	26.9%	338	19.1%
Middle	39	75.0%	1,212	68.6%	11	21.2%	390	22.1%
Upper	2	3.8%	27	1.5%	11	21.2%	509	28.8%
NA	0	0.0%	0	0.0%	4	7.7%	67	3.8%
<b>Total</b>	<b>52</b>	<b>100.0%</b>	<b>1,767</b>	<b>100.0%</b>	<b>52</b>	<b>100.0%</b>	<b>1,767</b>	<b>100.0%</b>
	<b>Multi-Family</b>							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	8	100.0%	1,397	100.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NA	0	0.0%	0	0.0%	8	100.0%	1,397	100.0%
<b>Total</b>	<b>8</b>	<b>100.0%</b>	<b>1,397</b>	<b>100.0%</b>	<b>8</b>	<b>100.0%</b>	<b>1,397</b>	<b>100.0%</b>
	<b>SMALL BUSINESS</b>							
	<b>By Tract Income</b>							
Low	10	0.8%	552	0.5%				
Moderate	211	16.4%	13,011	12.9%				
Middle	916	71.3%	77,506	76.9%				
Upper	148	11.5%	9,666	9.6%				
NA	0	0.0%	0	0.0%				
<b>Total</b>	<b>1,285</b>	<b>100.0%</b>	<b>100,735</b>	<b>100.0%</b>				
	<b>By Loan Size and Revenue</b>							
<b>Loan Size:</b>	#	%	\$	%				
\$100,000 or less	1,020	79.4%	38,449	38.2%				
\$100,001 - \$250,000	208	16.2%	34,591	34.3%				
\$250,001 - \$1 Million	57	4.4%	27,695	27.5%				
<b>Total</b>	<b>1,285</b>	<b>100.0%</b>	<b>100,735</b>	<b>100.0%</b>				
<b>Revenue:</b>								
\$1 Million or Less	859	66.8%	64,527	64.1%				
Over \$1 Million	247	19.2%	21,936	21.8%				
Not Known	179	13.9%	14,272	14.2%				
<b>Total</b>	<b>1,285</b>	<b>100.0%</b>	<b>100,735</b>	<b>100.0%</b>				

Originations and purchases

Small Business loans are loan sizes that are \$1 million or less.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank**

**LENDING TEST**

**Overview**

The examination review period included HMDA and small business loans originated from September 1, 2001 through December 31, 2002. The bank's assessment area was reviewed using full scope examination procedures. For purposes of CRA, HMDA loans are those loans as defined in the Federal Reserve Board's Regulation C. The loan categories are home purchase, home refinance, multi-family, and home improvement loans. Small business loans are loans with original amounts of \$1 million or less. Small farm loans are loans with original amounts of \$500,000 or less. The bank offers small farm loans; however, the volume of small farm loans originated during the review period was minimal and therefore, was not considered in the lending test evaluation. During the review period, HMDA loans by number and dollar volume significantly exceeded the number and dollar volume of the small business loans. Therefore, HMDA loans were given more weight in determining the lending test rating.

The overall rating of the institution for the lending test is **OUTSTANDING**.

**Lending Activity**

Considering the bank's market share of deposits in its assessment areas, information gathered from community contacts, and demographic information, lending levels reflect **EXCELLENT** responsiveness to assessment area credit needs. During the review period, Cavalry Banking originated 2,828 HMDA loans totaling \$308.2 million, and 1,285 small business loans totaling \$100.7 million in its assessment area. Of the 2,828 HMDA loans, 1,378 (48.7 percent) were home purchase loans; 1,390 (49.1 percent) were home refinance loans; and 52 (1.8 percent) were home improvement loans. In addition, the bank originated eight multi-family housing loans during the review period.

**Assessment Area Concentration**

A **HIGH PERCENTAGE** of the bank's lending occurred inside its assessment area. The following table shows the distribution of small business and residential real estate loans that were originated inside and outside the bank's assessment area, by number of loans and dollar amount, according to loan type.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank**

**LENDING TEST (CONTINUED)**

<b>LENDING INSIDE AND OUTSIDE ASSESSMENT AREA</b>				
<b>Loan Type</b>	<b>IN</b>			
	Number	Percent	\$ (000s)	Percent
HMDA	2,828	80.1%	\$308,184	76.9%
Small Business	1,285	90.2%	\$100,735	87.4%
<i>Total In</i>	<i>4,113</i>	<i>83.0%</i>	<i>\$408,919</i>	<i>79.2%</i>
	<b>OUT</b>			
	Number	Percent	\$ (000s)	Percent
HMDA	702	19.9%	\$92,706	23.1%
Small Business	140	9.8%	\$14,578	12.6%
<i>Total Out</i>	<i>842</i>	<i>17.0%</i>	<i>\$107,284</i>	<i>20.8%</i>

As indicated by the table above, 83.0 percent of the bank’s loans were originated inside the bank’s assessment area. Also, a majority of the loan dollars associated with these loans were inside the bank’s assessment area. This level of lending inside the assessment area indicates the bank’s willingness to serve the credit needs of its community.

**Geographic Distribution of Loans**

For this analysis the geographic distribution of HMDA lending and small business lending, which includes both originations and purchases, was compared with the demographic information available. Performance context issues were also considered, as well as the performance of other banks. The bank’s geographic distribution of loans reflects **GOOD** penetration throughout the assessment area. The bank’s rating was driven primarily by performance in the Rutherford assessment area, which contained 93.0 percent of the HMDA loans and 95.5 percent of the small business loans. For further detail, refer to the lending test analysis for the Rutherford assessment area.

**Distribution by Borrower Profile**

For this analysis, the distribution of HMDA lending by borrower income levels and small business lending by business revenue sizes was compared with available demographic information and applicable aggregate lending data. The banks performance reflects **EXCELLENT** penetration among customers of different income levels and areas and very small business. The bank’s rating was driven primarily by performance in the Rutherford assessment area. For further details, refer to the lending test analysis for the Rutherford assessment area.

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank</b>
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**Responsiveness to the Community Credit Needs**

Cavalry Banking exhibits an **EXCELLENT** record of serving the credit needs of low-income individuals and areas and very small businesses.

**Community Development Lending**

Cavalry Banking makes **FEW, IF ANY**, community development loans in the assessment area. During the review period, the bank did not originate any community development loans. Competition from other lenders in the bank's assessment area contributed to the lack of community development lending by Cavalry Banking.

**Use of Innovative or Flexible Lending Practices**

Cavalry Banking makes **EXTENSIVE USE** of innovative and/or flexible lending practices in serving assessment area credit needs. During the review period, the bank originated the following under its affordable housing programs: 3 loans totaling \$290,095 in Rural Economic Housing Development loans; 150 loans totaling \$14.3 million in Tennessee Housing and Development Agency loans; 407 loans totaling \$47.5 million in FHA loans; and 81 loans totaling \$9.6 million in VA loans. In addition, Cavalry Banking partners with the FHA to participate with non-profit organizations, such as Ameridream, to assist first-time buyers with down payment funds. During the review period, Cavalry Banking originated 57 loans with down payment assistance from Ameridream.



**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank**

**INVESTMENT TEST**

Cavalry Banking's performance in the assessment area is **LOW SATISFACTORY**.

**Investment and Grant Activity**

Considering the limited level of opportunity and significantly competition in the assessment area, the volume of qualified community development investments exhibits an **ADEQUATE** level of qualified community development investments and goals, **RARELY** in a leadership position, particularly those not routinely provided by private investors.

Qualified investments made during the review period totaled \$327,500. These investments consisted of the purchase of a U.S. Treasury investment from which one-half of the effective yield goes to the Senior Housing Crime Prevention Foundation Investment Corporation (SHCPF). The SHCPF benefits the residents of nursing homes, assisted living facilities, and HUD housing venues designated as low- to moderate-income for a total of 350 nursing homes serving 39,484 Tennessee residents. Cavalry Banking's pro-rata share of the project, based on their investment, is 178 residents/beds, of which 89 percent are Medicare recipients. In addition, Cavalry Banking made grants and contributions totaling \$60,000. According to bank management, few opportunities to purchase qualified investments and competition have somewhat hampered the bank's ability to participate in qualified investments in the bank's assessment area.

**Responsiveness to Credit and Community Development Needs**

Based on an evaluation of the performance context, area demographics the bank's investment activity exhibits **ADEQUATE** responsiveness to credit and community development needs.

**Use of Innovative or Complex Investments**

Based on the investment related to the SHCPF, the bank **OCCASIONALLY USES** complex or innovative investments to support community development initiatives.

**SERVICE TEST**

Cavalry Banking's performance in the assessment area is **HIGH SATISFACTORY**.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank**

**SERVICE TEST (CONTINUED)**

**Accessibility of Delivery Systems**

Delivery systems including ATMs are **ACCESSIBLE** to **ESSENTIALLY ALL** portions of the assessment area. The table below summarizes how the bank and ATM locations compare with the distribution of families and businesses in the assessment area.

<b>CAVALRY BANKING DISTRIBUTION OF BRANCHES AND ATMS</b>						
<b>TRACT INCOME LEVEL</b>	<b>NUMBER OF BRANCHES</b>	<b>PERCENTAGE OF BRANCHES</b>	<b>NUMBER OF ATMS</b>	<b>PERCENTAGE OF ATMS</b>	<b>PERCENTAGE OF TOTAL FAMILIES</b>	<b>PERCENTAGE OF BUSINESSES</b>
Low-Income	0	0%	0	0%	2.1%	2.0%
Moderate-Income	2	22.2%	3	21.4%	7.1%	18.0%
Middle-Income	6	66.7%	9	64.3%	83.8%	72.5%
Upper-Income	1	11.1%	2	14.3%	6.9%	7.5%
<b>Total</b>	<b>9</b>	<b>100.0%</b>	<b>14</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

All nine of Cavalry Banking’s offices have ATMs. In addition, the bank operates five proprietary ATMs within its assessment area. While there are no ATMs in the one low-income tract in the assessment area, the branch office in a moderate-income tract borders the low-income tract and can reasonably serve it.

**Changes In Branch Locations**

Cavalry Banking has neither opened nor closed a branch office in its assessment area since the previous examination; therefore, the bank's record of opening and closing branches has **NOT ADVERSELY AFFECTED** the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

**Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Availability of banking services and hours of operations **DO NOT VARY IN A WAY THAT INCONVENIENCES CERTAIN PORTIONS** of the assessment area, particularly LMI geographies and/or LMI individuals.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Whole Bank**

**Community Development Services**

The bank **PROVIDES AN ADEQUATE LEVEL** of community development services throughout its assessment area. Bank personnel have provided financial and managerial expertise to various community development services to benefit the assessment area. The community development services are responsive to the needs of low- and moderate-income families or areas, and small businesses in the assessment areas. The following table shows the community development services provided by representatives of the bank.

<b>COMMUNITY DEVELOPMENT SERVICES FOR CAVALRY BANKING</b>	
<b>ORGANIZATION</b>	<b>POSITION/SERVICE</b>
Main Street/Murfreesboro and Rutherford County	A bank officer serves on the board of directors of this organization, which provide low-interest loans to qualifying small businesses, particularly sole-proprietors, to enhance the downtown Murfreesboro area.
Tennessee Housing Development Agency	A bank officer serves on the board of directors of this organization, which provide housing assistance programs to low- and moderate-income individuals.
Rutherford County Chamber of Commerce	A bank officer serves as a director and treasurer, and two bank directors serve on the board of directors of this organization, which provide ongoing management and technical seminars to small business owners.

**Compliance with Antidiscrimination Laws**

Cavalry Banking solicits applications from all segments of its communities, including low- and moderate-income individuals and areas. The bank's policies and internal control procedures are adequate to ensure that the evaluation of credit applications is based solely on financial and economic considerations. No evidence of prohibited discrimination or the use of other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Rutherford Assessment Area**

**LENDING TEST**

**Lending Activity**

Considering the bank's market share of deposits in its assessment area, information gathered from community contacts, and demographic information, lending levels reflect **EXCELLENT** responsiveness to assessment area credit needs. During the review period, Cavalry Banking originated 2,615 HMDA loans totaling \$293.1 million, and 1,226 small business loans totaling \$96.6 million in the Rutherford assessment area. Of the 2,615 HMDA loans, 1,291 (49.4 percent) were home purchase loans; 1,277 (48.8 percent) were home refinance loans; and 41 (1.5 percent) were home improvement loans. In addition, the bank originated 6 multi-family housing loans during the review period.

**Geographic Distribution of Loans**

For this analysis the geographic distribution of HMDA lending and small business lending, which includes both originations and purchases, was compared with the demographic information available. Performance context issues were also considered, as well as the performance of other banks.

The bank's HMDA lending in the low-income tract at 0.5 percent is below the percentage of owner-occupied units in this tract, at 1.4 percent. Of the 837 families in the low-income tract 261, or 31.2 percent, are below poverty level, leaving 576 non-poverty families. These families represent 1.4 percent of total families in this assessment area. The bank's lending in the low-income tract is equal to this percentage. HMDA lending in moderate-income tracts at 8.1 percent is above the percentage of owner-occupied units in these tracts at 7.9 percent. The bank's lending in moderate-income tracts is lower than the percentage of families in moderate-income census tracts at 9.2 percent. The aggregate lending comparison table on page 25 of Appendix B, shows that Cavalry Banking performed the same as the aggregate in HMDA lending in the low-income census tracts, and significantly higher than the aggregate in moderate-income census tracts in 2001. The bank and aggregate lenders made 0.5 percent of HMDA loans in low-income census tracts. 8.0 percent of the bank's HMDA loans were made in moderate-income tracts compared to the aggregate at 3.6 percent. HMDA aggregate data for 2002 were not available.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Rutherford Assessment Area**

**LENDING TEST (CONTINUED)**

Cavalry Banking's small business lending in the low-income tract, at 0.8 percent, is lower than the percentage of small businesses, at 2.4 percent, located in this tract. The bank originated 17.2 percent of its small business loans in moderate-income tracts and these tracts contain 22.1 percent of small businesses in the assessment area. The aggregate lending comparison table on page 25 of Appendix B indicates that the bank performed below the aggregate for small business originations in the low-income tract and below the aggregate in moderate-income tracts in 2001. The bank made 0.6 percent of its small business loans in the low-income tract compared to the aggregate at 1.8 percent. 18.4 percent of the bank's small business loans were made in moderate-income tracts compared to the aggregate at 21.1 percent. CRA aggregate data for 2002 were not available.

Based on these factors, Cavalry Banking's geographic distribution of loans reflects **GOOD** penetration throughout the assessment area.

**Distribution by Borrower Profile**

For this analysis, the distribution of HMDA lending by borrower income levels and small business lending by business revenue sizes was compared with available demographic information and applicable aggregate lending data.

Based on loan data from the review period, low-income families represented 17.9 percent of total families and received only 14.8 percent of the bank's HMDA loans. However, 7.6 percent of families in the assessment area are below the poverty level. Assuming that the 2,378 poverty level families in the assessment area are categorized as low-income, there are 3,208 non-poverty, low-income families in the assessment area, representing 10.25 percent of total families. The bank's lending to low-income borrowers significantly exceeded this percentage. Moderate-income borrowers received 26.7 percent of the HMDA loans and they comprise 18.0 percent of total families in the assessment area. HMDA lending to middle- and upper-income borrowers was similar to their percentages of the population. The aggregate lending comparison table for on page 25 of Appendix B shows that the bank performed well above the aggregate in HMDA lending to low- and moderate-income borrowers in 2001. HMDA aggregate data for 2002 were not available.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Rutherford Assessment Area**

**LENDING TEST (CONTINUED)**

Of the 1,054 loans to businesses that reported gross revenues originated by the bank 816, or 77.4 percent were originated to small businesses. The bank's percentage of lending is above the percentage of businesses with annual gross revenues of \$1 million or less at 75.9 percent. Also, in 2001, Cavalry Banking's percentage of small business lending to businesses with revenues below \$1 million at 77.4 percent is well above the performance of the aggregate market at 47.8 percent.

Based on these factors, Cavalry Banking's performance reflects **EXCELLENT** penetration among customers of different income levels and businesses of different revenue sizes.

**Responsiveness to the Community Credit Needs**

Cavalry Banking exhibits an **EXCELLENT** record of serving the credit needs of low-income individuals and areas and very small businesses.

**Community Development Lending**

Cavalry Banking makes **FEW, IF ANY**, community development loans in the assessment area. During the review period, the bank did not originate any community development loans. Competition from other lenders in the bank's assessment area contributed to the lack of community development lending by Cavalry Banking.

**Use of Innovative or Flexible Lending Practices**

Cavalry Banking makes **EXTENSIVE USE** of innovative and/or flexible lending practices in serving assessment area credit needs. Please refer to the bank's use of innovative or flexible lending practices in the review of the whole bank assessment area.

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS – Rutherford Assessment Area</b>
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**INVESTMENT TEST**

Cavalry Banking's performance in the assessment area is **LOW SATISFACTORY**. Please refer to the bank's investments in the review of the whole bank assessment area.

**SERVICE TEST**

Cavalry Banking's performance in the assessment area is **HIGH SATISFACTORY**. 8 of the bank's 9 branches are located in the Rutherford assessment area. Please refer to the discussion of the bank's services in the analysis of the whole bank assessment area.

**Compliance with Antidiscrimination Laws**

Cavalry Banking solicits applications from all segments of its communities, including low- and moderate-income individuals and areas. The bank's policies and internal control procedures are adequate to ensure that the evaluation of credit applications is based solely on financial and economic considerations. No evidence of prohibited discrimination or the use of other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

**NONMETROPOLITAN AREA (LIMITED REVIEW)**

The following nonmetropolitan area was not reviewed using full-scope examination procedures; however, through the use of available facts and data, including performance and demographic information, conclusions regarding performance, which did not impact the overall rating are provided. Please refer to the tables in Appendix B for information regarding this area.

<b>Assessment Areas</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
<i>Bedford County</i>	Consistent	Consistent	Not Consistent (-)



**APPENDIX A – SCOPE OF EXAMINATION**

<b>TIME PERIOD REVIEWED</b>			
September 1, 2001 through December 31, 2002			
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
Cavalry Banking, Murfreesboro, Tennessee		HMDA and Small Business Loans	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
N/A	N/A	N/A	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Rutherford County Bedford County	Full Scope	Main Office Memorial Boulevard Office	None

**APPENDIX B**

**Aggregate Lending Tables**

WHOLE BANK ASSESSMENT AREA												
2001 AGGREGATE LENDING COMPARISON												
SMALL BUSINESS												
Tract Income Category	Total Loans				Loan Amounts						Gross Revenue	
	Bank		Aggregate		\$100,000 or Less		\$100,001 - \$250,000		\$250,001 - \$1 Million		<=\$1 Million	
	#	%	#	%	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate
Low	4	0.6%	50	1.4%	0.7%	1.5%	0.0%	1.1%	0.0%	1.4%	0.9%	1.6%
Moderate	118	17.4%	593	17.1%	19.3%	17.2%	9.3%	19.1%	6.3%	13.0%	12.9%	15.9%
Middle	465	68.6%	2,561	73.8%	66.6%	74.3%	76.9%	68.6%	81.3%	68.5%	72.4%	73.7%
Upper	91	13.4%	267	7.7%	13.4%	7.0%	13.9%	11.2%	12.5%	17.1%	13.8%	8.8%
NA	0	0.0%	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>678</b>	<b>100.0%</b>	<b>3,471</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Number of Loans</i>					554	3,137	108	188	16	146	450	1,707
<i>% of Total</i>					81.7%	90.4%	15.9%	5.4%	2.4%	4.2%	66.4%	49.2%

WHOLE BANK ASSESSMENT AREA								
2001 AGGREGATE LENDING COMPARISON								
HMDA ORIGINATIONS & PURCHASES								
Income Category	By Tract Income				By Borrower Income			
	Bank		Aggregate		Bank		Aggregate	
	#	%	#	%	#	%	#	%
Low	7	0.5%	44	0.5%	228	15.4%	686	7.0%
Moderate	110	7.4%	318	3.3%	383	25.9%	1,831	18.8%
Middle	1,221	82.7%	8,781	89.9%	402	27.2%	2,060	21.1%
Upper	139	9.4%	622	6.4%	420	28.4%	1,938	19.8%
NA	0	0.0%	0	0.0%	44	3.0%	3,250	33.3%
<b>Total</b>	<b>1,477</b>	<b>100.0%</b>	<b>9,765</b>	<b>100.0%</b>	<b>1,477</b>	<b>100.0%</b>	<b>9,765</b>	<b>100.0%</b>

WHOLE BANK ASSESSMENT AREA								
2001 AGGREGATE LENDING COMPARISON								
INCLUDING HUD REPORTERS								
HMDA ORIGINATIONS & PURCHASES								
Income Category	By Tract Income				By Borrower Income			
	Bank		Aggregate		Bank		Aggregate	
	#	%	#	%	#	%	#	%
Low	7	0.5%	71	0.5%	228	15.4%	1,373	9.0%
Moderate	110	7.4%	477	3.1%	383	25.9%	3,254	21.3%
Middle	1,221	82.7%	13,798	90.4%	402	27.2%	3,500	22.9%
Upper	139	9.4%	925	6.1%	420	28.4%	2,882	18.9%
NA	0	0.0%	0	0.0%	44	3.0%	4,262	27.9%
<b>Total</b>	<b>1,477</b>	<b>100.0%</b>	<b>15,271</b>	<b>100.0%</b>	<b>1,477</b>	<b>100.0%</b>	<b>15,271</b>	<b>100.0%</b>

**APPENDIX B**

**Aggregate Lending Tables**

RUTHERFORD ASSESSMENT AREA								
DEMOGRAPHICS								
2002 HUD Median Family Income (MSA): <b>\$61,600</b>	Tract Distribution		Families by Tract		Families <Poverty as a % of Families by Tract		Families by Family Income	
<b>Income Categories</b>	#	%	#	%	#	%	#	%
Low	1	4.2%	837	2.7%	261	31.2%	5,586	17.9%
Moderate	3	12.5%	2,868	9.2%	536	18.7%	5,616	18.0%
Middle	18	75.0%	25,492	81.5%	1,549	6.1%	8,540	27.3%
Upper	2	8.3%	2,088	6.7%	32	1.5%	11,543	36.9%
NA	0	0.0%	0	0.0%	0	0.0%	-	-
<b>Total</b>	<b>24</b>	<b>100.0%</b>	<b>31,285</b>	<b>100.0%</b>	<b>2,378</b>	<b>7.6%</b>	<b>31,285</b>	<b>100.0%</b>
<b>Housing Units by Tract</b>								
	Total Units	Owner Occupied		Rental Occupied		Vacant		
	#	#	%	%	#	%	#	%
Low	1,843	398	1.4%	21.6%	1,186	64.4%	259	14.1%
Moderate	5,527	2,201	7.9%	39.8%	2,747	49.7%	579	10.5%
Middle	35,983	23,079	82.9%	64.1%	10,231	28.4%	2,673	7.4%
Upper	2,402	2,148	7.7%	89.4%	128	5.3%	126	5.2%
NA	0	0	0.0%	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>45,755</b>	<b>27,826</b>	<b>100.0%</b>	<b>60.8%</b>	<b>14,292</b>	<b>31.2%</b>	<b>3,637</b>	<b>7.9%</b>
<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>						
	#	%	Under \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	198	2.4%	165	2.7%	10	2.3%	23	1.5%
Moderate	1,792	22.1%	1,330	21.6%	120	27.8%	342	22.5%
Middle	5,509	68.0%	4,206	68.4%	274	63.4%	1,029	67.8%
Upper	600	7.4%	449	7.3%	28	6.5%	123	8.1%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>8,099</b>	<b>100.0%</b>	<b>6,150</b>	<b>100.0%</b>	<b>432</b>	<b>100.0%</b>	<b>1,517</b>	<b>100.0%</b>
		<b>Percentage of Total Businesses:</b>		<b>75.9%</b>			<b>5.3%</b>	<b>18.7%</b>

Sources: 1990 Census Data, 2002 Dun & Bradstreet business demographic data.  
NA Tracts are tracts without household or family income.

**APPENDIX B**

**Aggregate Lending Tables**

RUTHERFORD ASSESSMENT AREA								
L E N D I N G								
Income Categories	HMDA				By Borrower Income			
	By Tract Income				Home Purchase			
	#	%	\$	%	#	%	\$	%
Low	4	0.3%	441	0.3%	234	18.1%	20,330	14.2%
Moderate	113	8.8%	11,163	7.8%	394	30.5%	39,867	27.8%
Middle	1,094	84.7%	121,384	84.8%	314	24.3%	36,412	25.4%
Upper	80	6.2%	10,216	7.1%	338	26.2%	45,391	31.7%
NA	0	0.0%	0	0.0%	11	0.9%	1,204	0.8%
<b>Total</b>	<b>1,291</b>	<b>100.0%</b>	<b>143,204</b>	<b>100.0%</b>	<b>1,291</b>	<b>100.0%</b>	<b>143,204</b>	<b>100.0%</b>
Income Categories	Refinance							
	#	%	\$	%	#	%	\$	%
	Low	8	0.6%	496	0.3%	142	11.1%	11,885
Moderate	90	7.0%	9,983	6.8%	294	23.0%	26,708	18.2%
Middle	1,024	80.2%	116,763	79.4%	311	24.4%	34,325	23.3%
Upper	155	12.1%	19,859	13.5%	458	35.9%	65,601	44.6%
NA	0	0.0%	0	0.0%	72	5.6%	8,582	5.8%
<b>Total</b>	<b>1,277</b>	<b>100.0%</b>	<b>147,101</b>	<b>100.0%</b>	<b>1,277</b>	<b>100.0%</b>	<b>147,101</b>	<b>100.0%</b>
Income Categories	Home Improvement							
	#	%	\$	%	#	%	\$	%
	Low	2	4.9%	27	1.6%	10	24.4%	452
Moderate	9	22.0%	501	29.7%	10	24.4%	316	18.8%
Middle	28	68.3%	1,130	67.1%	8	19.5%	349	20.7%
Upper	2	4.9%	27	1.6%	9	22.0%	501	29.7%
NA	0	0.0%	0	0.0%	4	9.8%	67	4.0%
<b>Total</b>	<b>41</b>	<b>100.0%</b>	<b>1,685</b>	<b>100.0%</b>	<b>41</b>	<b>100.0%</b>	<b>1,685</b>	<b>100.0%</b>
Income Categories	Multi-Family							
	#	%	\$	%	#	%	\$	%
	Low	0	0.0%	0	0.0%	0	0.0%	0
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	6	100.0%	1,122	100.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NA	0	0.0%	0	0.0%	6	100.0%	1,122	100.0%
<b>Total</b>	<b>6</b>	<b>100.0%</b>	<b>1,122</b>	<b>100.0%</b>	<b>6</b>	<b>100.0%</b>	<b>1,122</b>	<b>100.0%</b>
Income Categories	SMALL BUSINESS				By Tract Income			
	#	%	\$	%	#	%	\$	%
	Low	10	0.8%	552	0.6%			
Moderate	211	17.2%	13,011	13.5%				
Middle	861	70.2%	73,901	76.5%				
Upper	144	11.7%	9,153	9.5%				
NA	0	0.0%	0	0.0%				
<b>Total</b>	<b>1,226</b>	<b>100.0%</b>	<b>96,617</b>	<b>100.0%</b>				
Loan Size:	By Loan Size and Revenue				By Loan Size and Revenue			
	#	%	\$	%	#	%	\$	%
	\$100,000 or less	970	79.1%	36,475	37.8%			
\$100,001 - \$250,000	200	16.3%	33,174	34.3%				
\$250,001 - \$1 Million	56	4.6%	26,968	27.9%				
<b>Total</b>	<b>1,226</b>	<b>100.0%</b>	<b>96,617</b>	<b>100.0%</b>				
Revenue:	By Loan Size and Revenue				By Loan Size and Revenue			
	#	%	\$	%	#	%	\$	%
	\$1 Million or Less	816	66.6%	61,722	63.9%			
Over \$1 Million	238	19.4%	21,101	21.8%				
Not Known	172	14.0%	13,794	14.3%				
<b>Total</b>	<b>1,226</b>	<b>100.0%</b>	<b>96,617</b>	<b>100.0%</b>				

Originations and purchases  
 Small Business loans are loan sizes that are \$1 million or less.

**APPENDIX B**

**Aggregate Lending Tables**

RUTHERFORD ASSESSMENT AREA													
2001 AGGREGATE LENDING COMPARISON													
SMALL BUSINESS													
Tract Income Category	Total Loans				Loan Amounts						Gross Revenue		
	Bank		Aggregate		\$100,000 or Less		\$100,001 - \$250,000		\$250,001 - \$1 Million		<=\$1 Million		
	#	%	#	%	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate	
Low	4	0.6%	50	1.8%	0.8%	1.8%	0.0%	1.3%	0.0%	1.8%	0.9%	2.0%	
Moderate	118	18.4%	593	21.1%	20.5%	21.1%	9.6%	24.0%	6.7%	16.8%	13.7%	20.2%	
Middle	431	67.3%	1,947	69.2%	64.9%	70.1%	77.9%	60.7%	80.0%	60.2%	70.6%	68.2%	
Upper	87	13.6%	223	7.9%	13.8%	7.0%	12.5%	14.0%	13.3%	21.2%	14.7%	9.6%	
NA	0	0.0%	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>Total</b>	<b>640</b>	<b>100.0%</b>	<b>2,813</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>Number of Loans</b>					<b>521</b>	<b>2,550</b>	<b>104</b>	<b>150</b>	<b>15</b>	<b>113</b>	<b>422</b>	<b>1,344</b>	
<b>% of Total</b>					<b>81.4%</b>	<b>90.7%</b>	<b>16.3%</b>	<b>5.3%</b>	<b>2.3%</b>	<b>4.0%</b>	<b>65.9%</b>	<b>47.8%</b>	

RUTHERFORD ASSESSMENT AREA									
2001 AGGREGATE LENDING COMPARISON									
HMDA ORIGINATIONS & PURCHASES									
Income Category	By Tract Income				By Borrower Income				
	Bank		Aggregate		Bank		Aggregate		
	#	%	#	%	#	%	#	%	
Low	7	0.5%	44	0.5%	223	16.2%	652	7.3%	
Moderate	110	8.0%	318	3.6%	363	26.3%	1,681	18.8%	
Middle	1,129	81.8%	8,007	89.8%	374	27.1%	1,845	20.7%	
Upper	134	9.7%	549	6.2%	379	27.5%	1,656	18.6%	
NA	0	0.0%	0	0.0%	41	3.0%	3,084	34.6%	
<b>Total</b>	<b>1,380</b>	<b>100.0%</b>	<b>8,918</b>	<b>100.0%</b>	<b>1,380</b>	<b>100.0%</b>	<b>8,918</b>	<b>100.0%</b>	

RUTHERFORD ASSESSMENT AREA									
2001 AGGREGATE LENDING COMPARISON									
INCLUDING HUD REPORTERS									
HMDA ORIGINATIONS & PURCHASES									
Income Category	By Tract Income				By Borrower Income				
	Bank		Aggregate		Bank		Aggregate		
	#	%	#	%	#	%	#	%	
Low	7	0.5%	71	0.5%	223	16.2%	1,321	9.5%	
Moderate	110	8.0%	477	3.4%	363	26.3%	2,971	21.3%	
Middle	1,129	81.8%	12,585	90.2%	374	27.1%	3,158	22.6%	
Upper	134	9.7%	814	5.8%	379	27.5%	2,472	17.7%	
NA	0	0.0%	0	0.0%	41	3.0%	4,025	28.9%	
<b>Total</b>	<b>1,380</b>	<b>100.0%</b>	<b>13,947</b>	<b>100.0%</b>	<b>1,380</b>	<b>100.0%</b>	<b>13,947</b>	<b>100.0%</b>	

**APPENDIX B**

**Aggregate Lending Tables**

<b>B E D F O R D   A S S E S S M E N T   A R E A</b>								
<b>D E M O G R A P H I C S</b>								
2002 HUD Median Family Income (State Nonmetro): <b>\$42,600</b> <b>Income Categories</b>	Tract Distribution		Families					
	#	%	Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
Low	0	0.0%	0	0.0%	0	0.0%	1,593	18.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	1,314	14.8%
Middle	7	87.5%	8,165	92.1%	1,077	13.2%	1,816	20.5%
Upper	1	12.5%	696	7.9%	66	9.5%	4,138	46.7%
NA	0	0.0%	0	0.0%	0	0.0%	-	-
<b>Total</b>	<b>8</b>	<b>100.0%</b>	<b>8,861</b>	<b>100.0%</b>	<b>1,143</b>	<b>12.9%</b>	<b>8,861</b>	<b>100.0%</b>
<b>Housing Units by Tract</b>								
	Total Units	Owner Occupied		Rental Occupied		Vacant		
		#	%	#	%	#	%	
Low	0	0	0.0%	0	0.0%	0	0.0%	
Moderate	0	0	0.0%	0	0.0%	0	0.0%	
Middle	11,703	7,570	90.9%	3,168	27.1%	965	8.2%	
Upper	935	759	9.1%	111	11.9%	65	7.0%	
NA	0	0	0.0%	0	0.0%	0	0.0%	
<b>Total</b>	<b>12,638</b>	<b>8,329</b>	<b>100.0%</b>	<b>3,279</b>	<b>25.9%</b>	<b>1,030</b>	<b>8.2%</b>	
<b>Total Businesses by Tract and Revenue Size</b>								
	Total Businesses by Tract		Under \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	1,707	92.2%	1,341	92.0%	84	95.5%	282	92.2%
Upper	144	7.8%	116	8.0%	4	4.5%	24	7.8%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>1,851</b>	<b>100.0%</b>	<b>1,457</b>	<b>100.0%</b>	<b>88</b>	<b>100.0%</b>	<b>306</b>	<b>100.0%</b>
<b>Percentage of Total Businesses:</b>				<b>78.7%</b>	<b>4.8%</b>		<b>16.5%</b>	

Sources: 1990 Census Data, 2002 Dun & Bradstreet business demographic data.  
NA Tracts are tracts without household or family income.

**APPENDIX B**

**Aggregate Lending Tables**

BEDFORD ASSESSMENT AREA								
LENDING								
Income Categories	HMDA				HMDA			
	By Tract Income				By Borrower Income			
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	7	8.0%	396	6.2%
Moderate	0	0.0%	0	0.0%	28	32.2%	1,784	27.8%
Middle	83	95.4%	6,226	96.9%	19	21.8%	1,286	20.0%
Upper	4	4.6%	196	3.1%	33	37.9%	2,956	46.0%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>87</b>	<b>100.0%</b>	<b>6,422</b>	<b>100.0%</b>	<b>87</b>	<b>100.0%</b>	<b>6,422</b>	<b>100.0%</b>
	Refinance							
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	5	4.4%	253	3.1%
Moderate	0	0.0%	0	0.0%	24	21.2%	1,234	14.9%
Middle	109	96.5%	7,981	96.2%	33	29.2%	2,604	31.4%
Upper	4	3.5%	312	3.8%	49	43.4%	4,059	48.9%
NA	0	0.0%	0	0.0%	2	1.8%	143	1.7%
<b>Total</b>	<b>113</b>	<b>100.0%</b>	<b>8,293</b>	<b>100.0%</b>	<b>113</b>	<b>100.0%</b>	<b>8,293</b>	<b>100.0%</b>
	Home Improvement							
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	2	18.2%	11	13.4%
Moderate	0	0.0%	0	0.0%	4	36.4%	22	26.8%
Middle	11	100.0%	82	100.0%	3	27.3%	41	50.0%
Upper	0	0.0%	0	0.0%	2	18.2%	8	9.8%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>11</b>	<b>100.0%</b>	<b>82</b>	<b>100.0%</b>	<b>11</b>	<b>100.0%</b>	<b>82</b>	<b>100.0%</b>
	Multi-Family							
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	2	100.0%	275	100.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NA	0	0.0%	0	0.0%	2	100.0%	275	100.0%
<b>Total</b>	<b>2</b>	<b>100.0%</b>	<b>275</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>	<b>275</b>	<b>100.0%</b>
	SMALL BUSINESS							
	By Tract Income				By Tract Income			
	#	%	\$	%	#	%	\$	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	55	93.2%	3,605	87.5%	55	93.2%	3,605	87.5%
Upper	4	6.8%	513	12.5%	4	6.8%	513	12.5%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>59</b>	<b>100.0%</b>	<b>4,118</b>	<b>100.0%</b>	<b>59</b>	<b>100.0%</b>	<b>4,118</b>	<b>100.0%</b>
	By Loan Size and Revenue				By Loan Size and Revenue			
	#	%	\$	%	#	%	\$	%
<b>Loan Size:</b>								
\$100,000 or less	50	84.7%	1,974	47.9%	50	84.7%	1,974	47.9%
\$100,001 - \$250,000	8	13.6%	1,417	34.4%	8	13.6%	1,417	34.4%
\$250,001 - \$1 Million	1	1.7%	727	17.7%	1	1.7%	727	17.7%
<b>Total</b>	<b>59</b>	<b>100.0%</b>	<b>4,118</b>	<b>100.0%</b>	<b>59</b>	<b>100.0%</b>	<b>4,118</b>	<b>100.0%</b>
<b>Revenue:</b>								
\$1 Million or Less	43	72.9%	2,805	68.1%	43	72.9%	2,805	68.1%
Over \$1 Million	9	15.3%	835	20.3%	9	15.3%	835	20.3%
Not Known	7	11.9%	478	11.6%	7	11.9%	478	11.6%
<b>Total</b>	<b>59</b>	<b>100.0%</b>	<b>4,118</b>	<b>100.0%</b>	<b>59</b>	<b>100.0%</b>	<b>4,118</b>	<b>100.0%</b>

Originations and purchases

Small Business loans are loan sizes that are \$1 million or less.

**APPENDIX B**

**Aggregate Lending Tables**

BEDFORD ASSESSMENT AREA												
2001 AGGREGATE LENDING COMPARISON												
SMALL BUSINESS												
Tract Income Category	Total Loans				Loan Amounts						Gross Revenue ≤\$1 Million	
	Bank		Aggregate		\$100,000 or Less		\$100,001 - \$250,000		\$250,001 - \$1 Million		Bank	Aggregate
	#	%	#	%	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate	Bank	Aggregate
Low	0	0.0%	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Moderate	0	0.0%	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Middle	34	89.5%	614	93.3%	93.9%	92.7%	50.0%	100.0%	100.0%	97.0%	100.0%	93.9%
Upper	4	10.5%	44	6.7%	6.1%	7.3%	50.0%	0.0%	0.0%	3.0%	0.0%	6.1%
NA	0	0.0%	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>38</b>	<b>100.0%</b>	<b>658</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Number of Loans</b>					<b>33</b>	<b>587</b>	<b>4</b>	<b>38</b>	<b>1</b>	<b>33</b>	<b>28</b>	<b>363</b>
<b>% of Total</b>					<b>86.8%</b>	<b>89.2%</b>	<b>10.5%</b>	<b>5.8%</b>	<b>2.6%</b>	<b>5.0%</b>	<b>73.7%</b>	<b>55.2%</b>

BEDFORD ASSESSMENT AREA									
2001 AGGREGATE LENDING COMPARISON									
HMDA ORIGINATIONS & PURCHASES									
Income Category	By Tract Income				By Borrower Income				
	Bank		Aggregate		Bank		Aggregate		
	#	%	#	%	#	%	#	%	
Low	0	0.0%	0	0.0%	5	5.2%	34	4.0%	
Moderate	0	0.0%	0	0.0%	20	20.6%	150	17.7%	
Middle	92	94.8%	774	91.4%	28	28.9%	215	25.4%	
Upper	5	5.2%	73	8.6%	41	42.3%	282	33.3%	
NA	0	0.0%	0	0.0%	3	3.1%	166	19.6%	
<b>Total</b>	<b>97</b>	<b>100.0%</b>	<b>847</b>	<b>100.0%</b>	<b>97</b>	<b>100.0%</b>	<b>847</b>	<b>100.0%</b>	

BEDFORD ASSESSMENT AREA									
2001 AGGREGATE LENDING COMPARISON									
INCLUDING HUD REPORTERS									
HMDA ORIGINATIONS & PURCHASES									
Income Category	By Tract Income				By Borrower Income				
	Bank		Aggregate		Bank		Aggregate		
	#	%	#	%	#	%	#	%	
Low	0	0.0%	0	0.0%	5	5.2%	52	3.9%	
Moderate	0	0.0%	0	0.0%	20	20.6%	283	21.4%	
Middle	92	94.8%	1,213	91.6%	28	28.9%	342	25.8%	
Upper	5	5.2%	111	8.4%	41	42.3%	410	31.0%	
NA	0	0.0%	0	0.0%	3	3.1%	237	17.9%	
<b>Total</b>	<b>97</b>	<b>100.0%</b>	<b>1,324</b>	<b>100.0%</b>	<b>97</b>	<b>100.0%</b>	<b>1,324</b>	<b>100.0%</b>	