

PUBLIC DISCLOSURE

May 15, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Murfreesboro
2598248

Murfreesboro, Tennessee

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713

NOTE: *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 or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.*

CONTENTS

	Page
GENERAL INFORMATION	1
INSTITUTION'S CRA RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	4
CONCLUSION WITH RESPECT TO PERFORMANCE CRITERIA	8
Loan-to-Deposit Ratio Analysis	8
Lending in the Assessment Area	8
Lending to Borrowers of Different Income Levels	9
Geographic Distribution of Loans	10
Complaints	10
Compliance With Antidiscrimination Laws	11

TABLES

	Page
COMPOSITION OF THE LOAN PORTFOLIO	2
VOLUME OF LENDING BY PRODUCT LOAN TYPE	3
BANK ASSESSMENT AREA DEMOGRAPHICS	5
UNEMPLOYMENT RATES FOR THE MONTH OF MARCH	7
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA	8
DISTRIBUTION OF LOANS BY BORROWER'S INCOME	9
GEOGRAPHIC DISTRIBUTION	10

GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Bank of Murfreesboro prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of May 15, 2000. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

Bank of Murfreesboro's average loan-to-deposit ratio is reasonable and meets standards for satisfactory performance. A substantial majority of the sampled consumer and real estate loans were originated within the bank's assessment area. Lending to borrowers of different income levels is reasonable and the geographic distribution of the sampled loans reflects excellent dispersion throughout the assessment area. The bank has received no CRA-related complaints.

DESCRIPTION OF INSTITUTION

Bank of Murfreesboro operates both its main and branch offices in Murfreesboro, Tennessee. The main office is located in a middle-income census tract and the branch office is located in a moderate-income census tract. The bank's main office was relocated in April 2000 and the former main office was converted to a branch office. Both offices have automated teller machines (ATMs) and the bank operates 12 proprietary ATMs throughout Rutherford County. Bank of Murfreesboro is a wholly owned subsidiary of Murfreesboro Bancorp, Inc. The bank opened for operation in October 1997 under the supervision of the Federal Deposit Insurance Corporation and converted its membership to the Federal Reserve System on November 10, 1999. This is the first CRA evaluation for the bank. According to the March 31, 2000 Consolidated Reports of Condition and Income, the bank had total assets of \$107 million.

Bank of Murfreesboro is a full service community bank that offers a wide variety of credit products to meet community credit needs. These credit products include personal, commercial, and mortgage loans. The bank has placed heavy emphasis on developing long-term relationships and providing strong customer service to its customers. Bank of Murfreesboro generally complies with the CRA. No legal impediments exist that would hinder the bank's ability to meet the credit needs of its assessment area.

The composition of the loan portfolio according to the December 31, 1998; December 31, 1999; and March 31, 2000 Consolidated Reports of Condition and Income is as follows:

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	03/31/2000		12/31/1999		12/31/1998	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	\$3,351	4.8%	\$2,702	4.2%	\$1,286	3.4%
Secured by One- to Four-Family Dwellings	\$19,544	28.0%	\$18,848	29.1%	\$11,135	29.5%
Other Real Estate:						
Farmland	\$0	0.0%	\$0	0.0%	\$0	0.0%
Multifamily	\$3,877	5.6%	\$3,609	5.6%	\$1,172	3.1%
Nonfarm nonresidential	\$20,224	29.0%	\$18,839	29.1%	\$9,663	25.6%
Commercial and Industrial	\$9,729	13.9%	\$9,747	15.1%	\$7,789	20.6%
Loans to Individuals	\$13,043	18.7%	\$10,988	17.0%	\$6,733	17.8%
Agricultural Loans	\$0	0.0%	\$0	0.0%	\$0	0.0%
<i>Total</i>	<i>\$69,768</i>	<i>100%</i>	<i>\$64,733</i>	<i>100%</i>	<i>\$37,778</i>	<i>100%</i>

* 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.

DESCRIPTION OF INSTITUTION (Continued)

As indicated in the chart on the preceding page, the bank's loan portfolio consists primarily of loans secured by one-to-four family dwellings, nonfarm nonresidential loans, and loans to individuals. The bank's business strategy focuses on originating loans in these categories. The following chart illustrates the bank's volume of lending for each of the major loan categories between January 1, 1999 and February 29, 2000. As indicated by the chart, consumer indirect, installment, and home purchase/refinance loans comprised most of the bank's loan originations.

VOLUME OF LENDING BY PRODUCT LOAN TYPE	
LOAN TYPE	NUMBER
Small Loans to Businesses	34
Residential Construction	34
Home Purchase/Refinance	117
Home Improvement	2
Indirect Loans	899
Consumer Installment	450
Single Payment Loans	112
Open-End Credit Loans	48
Multi-Family Housing	8
TOTAL	1704

DESCRIPTION OF ASSESSMENT AREA

Overview

Bank of Murfreesboro's assessment area is Rutherford County, Tennessee, which is one of eight counties that comprise the Nashville Metropolitan Statistical Area (MSA). The county seat of Rutherford County is Murfreesboro, Tennessee, which is approximately 30 miles southeast of Nashville. Other incorporated municipalities in Rutherford County include Smyrna, LaVergne, and Eagleville. The bank's assessment area consists of 24 census tracts of which 1 census tract is low-income, 3 are moderate-income, 18 are middle-income, and 2 are upper-income. Three of the four low- and moderate-income census tracts are generally small in size and clustered mainly around the downtown areas of Murfreesboro in which the bank's main and branch office are located. Bank of Murfreesboro has not arbitrarily excluded any low- or moderate-income census tracts from its assessment area.

Demographic Data

The table on the following page provides key demographic information from the 1990 Census that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to particular parts of the analysis.

DESCRIPTION OF ASSESSMENT AREA (Continued)

BANK ASSESSMENT AREA								
DEMOGRAPHICS								
1999 HUD Median Family Income: \$53,700	Tract Distribution		<i>Families by Tract Income</i>		Families			
	#	%	#	%	<i>Families < Poverty Level as a % of Families by Tract</i>		<i>Families by Family Income</i>	
Income Categories					#	%	#	%
Low-Income	1	4.2%	837	2.7%	261	31.2%	5,586	17.9%
Moderate-Income	3	12.5%	2,868	9.2%	536	18.7%	5,617	18.0%
Middle-Income	18	75.0%	25,492	81.5%	1,549	6.1%	8,539	27.3%
Upper-Income	2	8.3%	2,088	6.7%	32	1.5%	11,543	36.9%
<i>Total Assessment Area*</i>	24	100.0%	31,285	100.0%	2,378	7.6%	31,285	100.0%
	Housing Units by Tract		Housing Types as a % of Total Housing Units by Tract					
	#	%	<i>Owner-Occupied</i>		<i>Rental</i>		<i>Vacant</i>	
			#	%	#	%	#	%
Low-Income	1,843		398	21.6%	1,186	64.4%	259	14.1%
Moderate-Income	5,527		2,201	39.8%	2,747	49.7%	579	10.5%
Middle-Income	35,983		23,079	64.1%	10,231	28.4%	2,673	7.4%
Upper-Income	2,402		2,148	89.4%	128	5.3%	126	5.2%
<i>Total Assessment Area*</i>	45,755		27,826	60.8%	14,292	31.2%	3,637	7.9%
	Total Businesses by Tract		Businesses by Tract and Revenue Size:					
	#	%	<i>Under \$1 Million</i>		<i>Over \$1 Million</i>			
			#	%	#	%		
Low-Income	100	2.3%	94	2.4%	6	1.5%		
Moderate-Income	1034	23.6%	909	22.8%	125	31.6%		
Middle-Income	2948	67.2%	2705	67.8%	243	61.4%		
Upper-Income	304	6.9%	282	7.1%	22	5.6%		
Tract Not Reported	0	0.0%	0	0.0%	0	0.0%		
<i>Total Assessment Area**</i>	4386	100.0%	3990	100.0%	396	100.0%		

* Source: 1990 Census Data

DESCRIPTION OF ASSESSMENT AREA (Continued)

Population and Income Characteristics

According to the 1990 U.S. Census, the population of Bank of Murfreesboro's assessment area is 118,570 persons. As of July 1, 1999, the estimated population of Rutherford County is 171,401 persons, which is an increase of 44.6 percent. This growth can be attributed to industries relocating to this area. There are 41,960 households and 31,285 families in the assessment area. Of the total families, 81.5 percent reside in middle-income tracts. Of the total families in the assessment area, 17.9 percent are low-income and 18.0 percent are moderate-income. 7.6 percent of total families have incomes below the poverty level. According to the 1990 Census, the median family income for Rutherford County was \$36,035, which is slightly higher than the Nashville MSA at \$35,797 and significantly higher than the state of Tennessee at \$29,546. According to the Department of Housing and Urban Development, the 1999 median family income for the Nashville MSA was \$53,700.

Housing Statistics

According to the 1990 Census, there are 45,755 housing units in Rutherford County. Of these units, 60.8 percent are owner-occupied units; 31.2 percent are rental units; and 7.9 percent are vacant units. The median housing value of owner-occupied units in Rutherford County as of the 1990 Census was \$71,770 indicating that 50 percent of the units have values less than \$71,770. According to the Middle Tennessee Region Multiple Listing Service, the average sales price of a home in Rutherford County for 1999 was \$124,772. The average sale price of a home year-to-date 2000 as of April 30, 2000 was \$123,055. As stated in the demographic table on page 5, less than 2.0 percent of the owner-occupied units are located in the low-income census tract in the bank's assessment area. Also, community contacts stated that an insignificant level of construction of single family dwellings is occurring in this census tract. As a result, significant consumer mortgage lending is not expected in this tract. Moderate-income census tracts contain 7.9 percent of the owner-occupied units. As a result, opportunities for consumer mortgage lending exist in these tracts. However, the majority of the consumer mortgage lending is expected in middle-income census tracts, which contain 82.9 percent of the owner-occupied units.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Employment Statistics

A review of population and economic data revealed that Rutherford County has been experiencing an increase in population and a decrease in unemployment. According to the Bureau of Labor Statistics, the table on the following page shows the unemployment rates for Rutherford County, the Nashville MSA, and the state of Tennessee from 1997 to 2000. The unemployment rates for Rutherford County and the Nashville MSA are significantly below the unemployment rates for the state of Tennessee.

UNEMPLOYMENT RATES FOR THE MONTH OF MARCH				
Area	1997	1998	1999	2000
Rutherford County	3.0	3.0	2.3	2.2
Nashville MSA	3.5	2.8	2.7	2.4
State of Tennessee	5.6	4.5	4.3	3.6

Employment and unemployment information from the U.S. Bureau of Labor Statistics for the entire MSA indicated a 12.1 percent increase in total establishment employment between 1993 and 1996, with the largest employment increase of 18.1 percent occurring in the service industry. Employment, income, and population information from the Regional Economic Information System (REIS) for Rutherford County noted a 33.4 percent increase in total full- and part-time employment from 1990 through 1995. The largest increase occurred in the service and retail/wholesale trade industries. Major employers in Rutherford County include: Nissan Motor Manufacturing Corporation, USA; Rutherford County Government; Ingram Book Company; Bridgestone/Firestone Inc.; Middle Tennessee State University; Alvin C. York Veterans Administration Medical Center; Perrigo of Tennessee; Caradon Better-Bilt; State Farm Insurance Companies; National Healthcare; Waldenbooks; and Square D Company.

Competition

Bank of Murfreesboro operates within a highly competitive market in Rutherford County. As of June 30, 1999, there were 12 financial institutions operating 48 banking offices in Rutherford County. Two of the twelve financial institutions operate their main office in Rutherford County. As of June 30, 1999, deposits in these 48 banking offices totaled \$1.5 billion. Bank of Murfreesboro had only 4.7 percent of the county's deposits which ranked 6th among its competitors. Of the eleven remaining competitors, there were five institutions that controlled 80 percent of the deposits. Currently, there are 11 financial institutions operating in Rutherford County. In addition to the 11 financial institutions, there are two credit unions, and 35 mortgage and finance companies operating in Rutherford County.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Community Contacts

As a part of the CRA examination, information was obtained from two community leaders regarding the local economic conditions, community credit needs, and the performance of local financial institutions in meeting the credit needs of the community. According to one community contact that represented a major realty company in Rutherford County, the banks are doing a good job in providing access to credit, particularly for builders of single family dwellings. He stated that more downpayment assistance programs for low- and moderate-income borrowers are needed. Many of these borrowers have incomes to qualify for residential loans, but have not accumulated monies for the downpayment and closing costs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

Bank of Murfreesboro's average loan-to-deposit ratio for the five-quarter period ending March 31, 2000 was 73.8 percent and meets the standards for satisfactory performance. During this time period, the ratio ranged from 68.4 percent to 76.3 percent. Between March 31, 1999 and March 31, 2000, total net loans of the bank increased \$25 million. Total deposits also increased \$25 million during the same time period. The bank's ratio was compared with the average loan-to-deposit ratio of one other similarly situated financial institution for the same five-quarter period operating in Rutherford County. Bank of Murfreesboro's average-loan-to-deposit ratio was below the similarly situated bank, which was 81.9 percent. However, this institution has been in operations three years longer than Bank of Murfreesboro, which opened for operations in 1997. Also, Bank of Murfreesboro's asset size and loans outstanding are double that of the similarly situated bank even though the similarly situated bank operates three offices compared to the two offices of Bank of Murfreesboro.

Lending in the Assessment Area

Lending in the assessment area by Bank of Murfreesboro exceeds the standards for satisfactory performance. A sample of 74 consumer real estate loans (conventional home purchase and refinance) and 133 consumer loans secured by motor vehicles was reviewed to analyze the extent of the bank's lending inside the assessment area. The following table shows the percentage of the loans by number originated inside and outside the bank's assessment area.

Loan Type	Inside Assessment Area		Outside Assessment Area	
	Number of Loans	Percent of Loans	Number of Loans	Percent of Loans
Motor Vehicle	110	83	23	17
Consumer Real Estate	70	95	4	5
Total	180	87	27	13

The preceding table shows that a substantial majority of the loans are inside the assessment area. Of the 74 consumer real estate loans sampled, 70 (95 percent) are in the assessment area. Of the 133 consumer loans secured by motor vehicles sampled, 110 (83 percent) are in the assessment area. The 74 consumer real estate loans totaled \$6.6 million, of which \$6.4 million (97 percent) were originated inside the assessment area. The 133 consumer loans secured by motor vehicles totaled \$1.4 million, of which \$1.2 million (86 percent) were originated inside the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Lending to Borrowers of Different Income Levels

To assess Bank of Murfreesboro's performance relative to this criterion, the 70 consumer real estate loans and 110 consumer loans secured by motor vehicles originated within the bank's assessment area were analyzed.

Bank of Murfreesboro's record of lending to borrowers of different income levels meets the standards for satisfactory performance. The following table shows the distribution of the sampled loans.

MOTOR VEHICLE LOANS

BORROWER'S INCOME LEVEL	NUMBER OF LOANS	PERCENT OF LOANS	PERCENT OF FAMILIES
LOW	15	14	18
MODERATE	35	32	18
MIDDLE	26	23	27
UPPER	34	31	37
TOTAL	110	100	100

REAL ESTATE LOANS

BORROWER'S INCOME LEVEL	NUMBER OF LOANS	PERCENT OF LOANS	PERCENT OF FAMILIES
LOW	5	7	18
MODERATE	6	9	18
MIDDLE	12	17	27
UPPER	47	67	37
TOTAL	70	100	100

As indicated by the charts above, the bank performed well in its origination of motor vehicle loans to moderate-income borrowers. Also, the bank's motor vehicle lending to low-income borrowers is considered reasonable. For real estate loans, the bank's lending percentage to low- and moderate-income borrowers is below the percentage of these families located in the assessment area. The low lending level to low-income borrowers and some moderate-income borrowers can be attributed to these applicants not meeting the credit standards of the bank and the unaffordability of housing in Rutherford County. The bank received credit applications from low- and moderate-income borrowers but many were denied because of credit history and lack of sufficient income or high debt-to-income ratios. In addition, as stated earlier, the average sales price of a one-to-four family dwelling in 1999 was \$124,772. The average sales price of a one-to-four family dwelling for January 1, through April 30, 2000 was \$123,055.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Geographic Distribution of Loans

The geographic distribution of the sampled loans exceeds the standards for satisfactory performance in this category. The following table displays the geographic distribution of the 110 consumer loans secured by motor vehicles and the 70 consumer real estate loans originated inside the bank's assessment area.

MOTOR VEHICLE LOANS

CENSUS TRACT TYPE	NUMBER OF LOANS	PERCENT OF LOANS	PERCENT OF FAMILIES
LOW	1	1	3
MODERATE	11	10	9
MIDDLE	83	75	81
UPPER	15	14	7
TOTAL	110	100	100

REAL ESTATE LOANS

CENSUS TRACT TYPE	NUMBER OF LOANS	PERCENT OF LOANS	PERCENT OF OWNER OCCUPIED UNITS
LOW	5	7	1
MODERATE	8	11	8
MIDDLE	53	76	83
UPPER	4	6	8
TOTAL	70	100	100

The percentage of consumer loans secured by motor vehicles in the low-income census tract is less than the percentage of families residing in these tracts. The percentage of these loans in moderate-income census tracts exceeds the percentage of families in these tracts. Overall, the percentage of consumer loans secured by motor vehicles originated in low- and moderate-income census tracts is reflective of the percentage of families residing in these tracts. A review of consumer real estate loans shows that the percentage of these loans originated in low- and moderate-income census tracts significantly exceeds the percentage of owner-occupied units in these tracts.

Complaints

The bank has received no CRA-related complaints.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Compliance with Antidiscrimination Laws

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures. No practices have the intent or the effect of discouraging applicants.