

# **PUBLIC DISCLOSURE**

September 2, 1997

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of Adairsville  
#06130030

Adairsville, Georgia

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

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.

## 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 Adairsville prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of September 2, 1997. 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 Outstanding.

The bank's average loan-to-deposit ratio is reasonable given the bank's size, local competitive factors, and assessment area credit needs. A substantial majority of the loans sampled are within the bank's assessment area. In addition, a sample analysis indicated an excellent penetration of loans among borrowers of different income levels. The geographic distribution of loans throughout the assessment area exceeds standards for satisfactory performance levels. No complaints relating to CRA were received since the previous examination. A review of the bank's loan policy and procedures found the bank to be in compliance with the substantive provisions of antidiscrimination laws and regulations.

## DESCRIPTION OF INSTITUTION

Bank of Adairsville is a subsidiary of Summerville/Tri-County Bancshares Incorporated, Summerville, Georgia, and Adairsville Bancshares Incorporated, Adairsville, Georgia. Bank of Adairsville operates a main office and a remote drive-in facility in Adairsville. According to the June 30, 1997 Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$35.4 million.

The bank offers a variety of credit products. The types of credit offered, as listed in the bank's public file, include mortgage loans, consumer loans, construction loans, personal lines of credit, business loans, credit card loans, and educational loans. The specific composition of the loan portfolio according to the June 30, 1997 Call Report is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	4.7
Secured by one- to four-family dwellings	46.0
Other real estate:	
Farmland	.5
Multifamily	1.5
Nonfarm nonresidential	12.7
Commercial and industrial	2.4
Loans to individuals	29.2
All other	3.0
<b>Total</b>	<b>100.0</b>

As illustrated by the table above, the largest portion of the bank's loan portfolio consists of loans secured by one-to four-family dwellings, followed by loans to individuals. Bank management agrees that these are the areas in which the bank is most active; therefore, these loan types were used to select the sample for the CRA analyses.

No legal or financial impediments that would hinder the bank from meeting the credit needs of its assessment area were identified. The bank received a CRA rating of satisfactory at its previous evaluation as of March 4, 1996.

## DESCRIPTION OF BANK OF ADAIRSVILLE'S ASSESSMENT AREA

Adairsville is situated in the northwest portion of the state, approximately 60 miles from Atlanta, Georgia, and 40 miles southeast of Chattanooga, Tennessee. The assessment area consists of portions of three counties and includes four block numbering areas (BNAs) in northwestern Bartow County, four BNAs in southern Gordon County, and four census tracts (CTs) in northeastern Floyd County. Bartow County is part of the Atlanta

## DESCRIPTION OF BANK OF ADAIRSVILLE'S ASSESSMENT AREA (CONTINUED)

Metropolitan Statistical Area (MSA) and is the only county in the bank's assessment area that is in an MSA. Four BNAs in the assessment area are moderate-income, three BNAs or CTs are middle-income, and four BNAs or CTs are upper-income. One CT is designated as low-income, but it has no population. The assessment area does not appear to arbitrarily exclude any low- or moderate-income geographies.

According to the 1990 Census, the assessment area's population was 47,801. The assessment area contained 18,354 housing units; 71.1 percent were owner-occupied, 21.9 percent were rental units, and 7.0 percent were vacant. The median housing value was \$54,158. The median family income for the assessment area was \$31,462, which was similar to the state's median family income of \$33,529. The following table shows family income levels in the bank's assessment area according to the 1990 Census:

FAMILY INCOME	NUMBER OF FAMILIES	PERCENTAGE IN ASSESSMENT AREA
Low-income	3,046	22.0
Moderate-income	2,591	18.7
Middle-income	3,241	23.4
Upper-income	4,978	35.9
<b>Total</b>	<b>13,856</b>	<b>100.0</b>
Below Poverty	1,201	8.7

According to the U.S. Bureau of Labor Statistics, Georgia's unemployment rate for 1996 was 4.6 percent, and for June 1997, it was 4.9 percent. Bartow County's unemployment rate for 1996 was 5.3 percent, which was somewhat higher than the state's annual rate. A substantial majority of the bank's loans are extended in Bartow County. The county's unemployment rate for June 1997 was 5.9 percent, which was also somewhat higher than

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending to Borrowers of Different Incomes

Based on the sample review of consumer motor vehicle loans and real estate loan refinancings, the bank's penetration of borrowers of different income levels exceeds satisfactory performance levels. The bank has done an excellent job of extending loans to low- and moderate-income borrowers. The review analysis is discussed below and further detailed in the charts on the next page.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Lending to Borrowers of Different Incomes (Continued)

40.7 percent of the families in the assessment area are low- and moderate-income. Motor vehicle loans extended to low- and moderate-income borrowers account for 83 percent of the sampled consumer loans that were inside the bank's assessment area; this percentage exceeds the representation of families in these income categories. The bank's loan penetration among middle- and upper-income borrowers is low, but is not unreasonable because these individuals may not need the types of loans offered by the bank, usually have higher levels of discretionary income, and may have alternative sources of funding available. The distribution of consumer motor vehicle loans inside the assessment area by borrower income level is shown in the following table. The distribution of families in the assessment area by income level is shown as a basis for comparison.

INCOME LEVEL	PERCENTAGE OF MEDIAN FAMILY INCOME	PERCENTAGE OF FAMILIES WITHIN INCOME LEVEL	MOTOR VEHICLE LOANS	
			NUMBER OF LOANS	PERCENTAGE OF TOTAL
Low	Less than 50	22.0	57	63
Moderate	50 - 79	18.7	18	20
Middle	80 - 119	23.4	10	11
Upper	120 and above	35.9	6	6
<b>Total</b>		<b>100.0</b>	<b>91</b>	<b>100</b>

The sampled real estate loans that were inside the assessment area are more evenly distributed among borrowers of different income levels than the motor vehicle loans; still, 55 percent of the loans were made to low- and moderate-income borrowers. The distribution of real estate loans to borrowers of different income levels is as follows:

INCOME LEVEL	PERCENTAGE OF MEDIAN FAMILY INCOME	PERCENTAGE OF FAMILIES WITHIN INCOME LEVEL	REAL ESTATE LOANS	
			NUMBER OF LOANS	PERCENTAGE OF TOTAL
Low	Less than 50	22.0	7	18
Moderate	50 - 79	18.7	14	37
Middle	80 - 119	23.4	9	24
Upper	120 and above	35.9	8	21
<b>Total</b>		<b>100.0</b>	<b>38</b>	<b>100</b>

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Geographic Distribution of Loans

As previously mentioned, the bank’s assessment area includes 11 populated CTs and BNAs. All four moderate-income BNAs in the assessment area are in Bartow County, which is where the bank is located. Of the 129 loans inside the assessment area, 82.9 percent were extended in these moderate-income BNAs. This compares favorably to the 46.6 percent of the assessment area’s families that live in moderate-income geographies. The geographic distribution of the sampled loans is shown below.

BNA/CT INCOME LEVEL	PERCENTAGE OF FAMILIES BY BNA/CT INCOME LEVEL	MOTOR VEHICLE LOANS		REAL ESTATE LOANS	
		#	%	#	%
Moderate	46.6	76	84	31	81
Middle	22.4	11	12	6	16
Upper	31.0	4	4	1	3
<b>Total</b>	<b>100.0</b>	<b>91</b>	<b>100</b>	<b>38</b>	<b>100</b>

A large majority (71 percent) of the sampled loans made inside the assessment area were made in the moderate-income BNA where the bank is located, which is not surprising considering that the bank has only one full-service office. Additionally, this lending level exceeds the 63 percent representation of low- and moderate-income families in the BNA. Fewer loans were made in outlying portions of the assessment area, but residents of those areas may find banks in neighboring cities to be more convenient. Therefore, the bank’s low loan penetration in middle- and upper-income geographies, all of which are in Floyd and Gordon counties, is not unreasonable. 70 percent of the families living in middle- and upper-income geographies are either middle-income or upper-income, and as previously discussed, these families may have alternative sources of funding and higher levels of discretionary income. Based on the bank’s overall loan activity in moderate-income geographies, the geographic distribution of loans exceeds standards for satisfactory performance.

Lending in Assessment Area

The bank exceeds the standards for satisfactory performance in this category. 91 (92 percent) of 99 consumer motor vehicle loans and 38 (75 percent) of 51 real estate loans were extended in the bank’s assessment area. Overall, 86 percent of the 150 loans sampled were extended inside the assessment area. Additionally, \$675,439 (93 percent) of the total dollar volume of motor vehicle loans and \$1,799,169 (71 percent) of the total dollar volume of real estate loans were extended in the bank’s assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

### Lending in Assessment Area (Continued)

The large percentage of loans within the assessment area is attributable to the concentration of loans in the BNA that surrounds the bank's only full-service office. In addition, the bank is a part of the community's history and promotes itself as a locally owned and operated bank, serving the needs of the residents of Adairsville and contiguous areas.

### Loan-to-Deposit Ratio Analysis

The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance. The average loan-to-deposit ratio for the six-quarter period ended June 30, 1997, was 76.1 percent. There are nine other financial institutions in the bank's assessment area. Two of these are comparable in asset size and had average loan-to-deposit ratios of 70.6 percent and 81.1 percent for the same six-quarter period. Bank of Adairsville's loan-to-deposit ratio has shown an increasing trend over the past six quarters, from 66.7 percent on March 31, 1996, to 83.9 percent on June 30, 1997. The increase in the loan-to-deposit ratio can be attributed to increased efforts by bank management to allocate the resources necessary to increase loan volume. During the six-quarter period, the bank's loan portfolio increased 43 percent as compared to an increase in total deposits of 13 percent.

Strategically, the bank has positioned itself as the only community bank (with a strong loan portfolio growth potential) along the I-75 corridor in which a lot of new construction activity is occurring. The bank has hired two additional loan officers to assist with local loan demand. Current plans are to continue growing the bank consistent with safety and soundness regulations.

### Complaints

No complaints relating to CRA have been filed since the previous examination.

### Compliance with Antidiscrimination Laws

During the examination, the bank's compliance with fair lending laws and regulations was reviewed. The bank's loan policy, samples of approved and denied consumer loans, and a sample of commercial loans were reviewed. The analysis revealed no evidence of disparate treatment, discrimination, or other illegal credit practices. No violations of the substantive provisions of the antidiscrimination laws and regulations were noted.