

PUBLIC DISCLOSURE

April 5, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Bank of Fayette County
RSSD # 466754**

**1265 Highway 57 East
Piperton, Tennessee 38017**

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.

TABLE OF CONTENTS

I.	Institution	
	a.	Institution’s CRA Rating1
	b.	Scope of Examination1
	c.	Description of Institution3
	d.	Conclusions with Respect to Performance Tests5
II.	Memphis, Tennessee-Mississippi-Arkansas Multistate Metropolitan Statistical Area (full-scope review)	
	a.	Description of Institution’s Operations in the Memphis Assessment Area9
	b.	Conclusions with Respect to Performance Tests in the Memphis Assessment Area13
III.	Nonmetropolitan Statewide Area (full-scope review)	
	a.	Description of Institution’s Operations in the Western Tennessee Assessment Area19
	b.	Conclusions with Respect to Performance Tests in the Western Tennessee Assessment Area22
IV.	Appendices	
	a.	Assessment Area Detail29
	b.	Glossary30

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

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

The Bank of Fayette County 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 businesses of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI);
- Geographic distribution of loans reflects poor 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. The bank maintains operations in two delineated assessment areas within the state of Tennessee. The Memphis assessment area is comprised of Fayette, Shelby, and Tipton Counties in the Memphis, Tennessee-Mississippi-Arkansas Metropolitan Statistical Area (Memphis MSA). The Western Tennessee assessment area is located immediately east of the Memphis assessment area and is composed of Hardeman and McNairy Counties, which are in a nonmetropolitan statistical area (nonMSA) portion of Tennessee. Both assessment areas were analyzed using full-scope review procedures.

The following table details the number of branch offices and breakdown of deposits for each. 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	8	72.7%	\$556,762	87.7%
Western Tennessee	3	27.3%	\$77,982	12.3%
OVERALL	11	100%	\$634,744	100%

Considering branch structure, loan and deposit activity, and the bank’s CRA evaluation history, CRA performance in the Memphis assessment area was given primary consideration.

Furthermore, Home Mortgage Disclosure Act (HMDA), small business, and consumer motor vehicle 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. 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 – December 31, 2020
Loan Distribution by Borrower’s Profile	January 1, 2019 – December 31, 2019
Geographic Distribution of Loans	
Assessment Area Concentration	
Response to Written CRA Complaints	March 13, 2017 – April 4, 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 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 describe 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 \$450.8 million to \$999.3 million as of December 31, 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 bank's 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

The Bank of Fayette County is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Moscow Bancshares, Inc., a one-bank holding company. Both entities are headquartered in Piperton, Tennessee. The bank's branch network consists of 11 offices (including the main office), all of which have drive-up accessibility and cash dispensing-only ATMs on site. During the review period, the bank opened one branch in eastern Shelby County in the Memphis MSA assessment area and did not close any branches. While the bank is well positioned to deliver financial services to the majority of its assessment areas based on its branch network and other service delivery systems such as online banking capabilities, the bank may struggle to serve the entirety of Shelby County given the high level of banking competition in the market.

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 December 31, 2020, the bank reported total assets of \$729.6 million. As of the same date, loans and leases outstanding were \$586.8 million (80.4 percent of total assets), and deposits totaled \$643.4 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of December 31, 2020		
Credit Category	Amount (\$000s)	Percentage of Total Loans
Construction and Development	\$79,406	13.5%
Commercial Real Estate	\$88,333	15.1%
Multifamily Residential	\$3,499	0.6%
1–4 Family Residential	\$241,949	41.2%
Farmland	\$62,903	10.7%
Farm Loans	\$11,058	1.9%
Commercial and Industrial	\$47,181	8.0%
Loans to Individuals	\$49,416	8.4%
Total Other Loans	\$3,006	0.5%
TOTAL	\$586,751	100%

As indicated by the table above, a significant portion of the bank’s lending resources is directed to loans secured by 1–4 family residential properties and commercial loans. The bank also originates and subsequently sells a significant volume of loans related to residential real estate. As these loans are sold on the secondary market shortly after origination, this activity would not be captured in the table.

While not reflected in the previous table, it is also worth noting that by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on March 13, 2017.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Bank of Fayette County 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 in comparison to those of regional peers. The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) on 12/31/2020	Average LTD Ratio
The Bank of Fayette County	Piperton, Tennessee	\$729,599	97.6%
Regional Banks	Millington, Tennessee	\$450,766	55.3%
	Memphis, Tennessee	\$876,540	96.8%
	Collierville, Tennessee	\$999,316	98.7%

The bank has a 16-quarter average LTD ratio of 97.6 percent since the last evaluation, which is in line with two of the peer banks and well above the third peer bank. While some volatility is noted in LTD ratios throughout the period for both The Bank of Fayette County and its peer banks, overall levels were generally stable. Therefore, compared to data from regional banks, the 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	
HMDA	166	81.0%	39	19.0%	205	100%
	21,809	76.1%	6,867	23.9%	\$28,676	100%
Small Business	116	84.7%	21	15.3%	137	100%
	7,047	87.3%	1,027	12.7%	\$8,074	100%
Consumer Motor Vehicle	138	80.7%	33	19.3%	171	100%
	1,683	73.3%	614	26.7%	\$2,297	100%
TOTAL LOANS	420	81.9%	93	18.1%	513	100%
	30,539	78.2%	8,508	21.8%	\$39,047	100%

A majority of loans and other lending-related activities were made in the bank’s assessment areas. As shown above, 81.9 percent of the total loans were made inside the assessment areas, accounting for 78.2 percent of the dollar volume of total loans.

Borrower and Geographic Distribution

As displayed in the following table, the bank’s overall distribution of lending by borrower’s income/revenue profile is excellent, based on the analyses of lending in the Memphis and Western Tennessee assessment areas.

Assessment Area	Loan Distribution by Borrower’s Profile
Memphis	Excellent
Western Tennessee	Excellent
OVERALL	EXCELLENT

As displayed in the following table, the bank’s overall distribution of lending by income level of census tract reflects poor penetration throughout the bank’s rated areas subject to review, with the greatest emphasis on the Memphis assessment area.

Assessment Area	Geographic Distribution of Loans
Memphis	Poor
Western Tennessee	Reasonable
OVERALL	POOR

Additional details regarding the loan distribution 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 (March 13, 2017 through April 4, 2021).

COMMUNITY DEVELOPMENT TEST

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

Full-Scope Assessment Area	Community Development Test Performance Conclusions
Memphis	Adequate
Western Tennessee	Poor
OVERALL	SATISFACTORY

During the review period, the bank made 39 qualifying loans in its assessment areas totaling approximately \$5.3 million for the following community development purposes:

- Affordable housing (5)
- Community services (3)
- Economic development (1)
- Revitalization and stabilization (30)

By number, the vast majority of these loans were made by participating in the Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. Twenty-nine PPP loans totaling \$2.3 million were made to businesses located in LMI census tracts within the bank’s assessment areas.

The bank also made community development investments and donations in its assessment areas totaling \$3.3 million. This amount included seven new qualified investments totaling \$3.3 million and five donations totaling \$18,750. Of the investments, three were qualifying mortgage-backed securities (MBS) through Fannie Mae, Freddie Mac, and the Government National Mortgage Association for the purpose of affordable housing. Three investments were for municipal bonds to revitalize or stabilize LMI areas. The remaining investment was a certificate of deposit to a minority-owned financial institution for the purpose of revitalizing and stabilizing underserved areas. Furthermore, the donations were made to five separate organizations that provide community services or affordable housing to LMI individuals.

During the review period, bank personnel used financial expertise to log 25 service activities to 14 different community development organizations within the bank's assessment areas. Service activities included delivering financial education in schools that primarily serve LMI families and to adults in LMI areas, as well as providing financial expertise to community service organizations as board members.

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-MISSISSIPPI-ARKANSAS MULTISTATE MSA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MEMPHIS ASSESSMENT AREA

Bank Structure

The bank operates 8 of its 11 offices (72.7 percent) in this assessment area, all within the Tennessee portion of the MSA. The bank operates six branches in Fayette County and one branch each in Shelby and Tipton Counties. The branch location in Shelby County is new since the previous evaluation, at which point the bank did not operate any branches in Shelby County. One of the branches is in a moderate-income census tract, while the remainder are in middle- or upper-income tracts. All eight branch offices are full-service locations and include ATMs. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to Fayette and Tipton Counties in its assessment area. While the bank has opened a branch in Shelby County since the previous evaluation, the branch is located in the far eastern portion of the county and is not accessible to residents in the downtown Memphis area or southern Shelby County, where a high concentration of the assessment area's LMI census tracts are located. Given these constraints and the high level of banking competition in the market, the bank is not well positioned to serve the entirety of Shelby County, particularly the areas mentioned above.

General Demographics

The Memphis assessment area is comprised of Fayette, Shelby, and Tipton Counties in their entirety, which together make up 78 percent of the Memphis MSA. Based on 2015 ACS data, the assessment area population was 1,038,238, with most of the population (90.3 percent) residing in Shelby County. The assessment area also has a highly competitive banking market, with 36 FDIC-insured depository institutions operating 254 offices in the 3 counties. The bank is ranked 12th in deposit market share, encompassing 1.7 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. Other needs in the assessment area, as noted primarily by community contacts, include affordable housing and financial literacy. Due to the availability of various community development projects in the assessment area, there are opportunities for involvement for 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	48	76	6	245
	26.9%	20.0%	19.6%	31.0%	2.5%	100%
Family Population	45,546	47,068	50,150	104,616	404	247,784
	18.4%	19.0%	20.2%	42.2%	0.2%	100%

As shown in the previous table, 46.9 percent of the census tracts in the assessment area are LMI geographies, but only 37.4 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in and around the city of Memphis.

Based on 2015 ACS data, the median family income for the assessment area was \$58,269. 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 state of Tennessee family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	63,393	37,939	41,136	105,316	247,784
	25.6%	15.3%	16.6%	42.5%	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, 40.9 percent of families within the assessment area were considered LMI, which is slightly higher than the LMI family percentage of 39.1 percent in Tennessee. While not shown in the table, the percentage of families living below the poverty level in the assessment area, 16.0 percent, is above the 13.2 percent level in the state of Tennessee. Considering these factors, the assessment area appears slightly less affluent than the state of Tennessee as a whole.

Housing Demographics

Housing demographic information is displayed in the following table for the assessment area (by county and collectively) and the state of Tennessee.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Fayette County	\$181,700	30.2%	\$613
Shelby County	\$130,800	35.3%	\$859
Tipton County	\$139,600	38.4%	\$741
Assessment Area	\$134,012	35.1%	\$852
Tennessee	\$142,100	31.8%	\$764

Overall, homeownership appears to be slightly more affordable in the assessment area than the state of Tennessee as a whole, as seen by a lower median housing value and larger affordability ratio. However, within the assessment area, Fayette County is less affordable than Shelby and Tipton Counties. Conversely, median rent in the assessment area overall is significantly higher than the median rent for the state of Tennessee. All factors considered, homeownership may be out of reach of LMI residents in the assessment area, particularly in Fayette County. In addition, quality rental properties may also be out of reach of LMI residents, particularly in Shelby County. Community contacts confirmed a lack of both affordable rental units and owner-occupied homes.

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 448,626 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (16.2 percent), transportation and warehousing (13.2 percent), and administrative and waste services (10.8 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, and the state of Tennessee.

Unemployment Levels for the Assessment Area			
Dataset	Time Period (Annual Average)		
	2017	2018	2019
Fayette County	4.0%	3.8%	3.7%
Shelby County	4.4%	4.2%	4.0%
Tipton County	4.5%	4.2%	3.9%
Assessment Area Average	4.4%	4.2%	4.0%
Tennessee	3.8%	3.5%	3.4%

As shown in the preceding table, unemployment levels varied slightly between individual counties within the assessment area. Nevertheless, unemployment rates were lowest each year in Fayette County. The assessment area as a whole had a higher unemployment rate than the state of Tennessee. For both the assessment area and the state of Tennessee, unemployment rates declined from 2017 to 2019.

Community Contact Information

As part of this evaluation, two community contact interviews were completed for this assessment area. One interview was conducted with a local community development and housing professional, and one interview was conducted with an entrepreneurial assistance professional. The community contact interviewees categorized the local economy as growing in some areas but declining in others. For example, new economic development projects are underway in downtown Memphis, but there is significant disinvestment in LMI areas of the city. While the city is attempting to attract individuals back to the downtown area, many affluent residents have moved out to the suburbs for better housing and schools and less crime. Meanwhile, concentrations of LMI residents in the city face low property values and a lack of quality affordable housing. Additionally, while overall access to banking services is good, many LMI communities are underserved by banks. However, it was noted that some banks have begun to add interactive teller machines to improve access in those areas. Between a lack of access to bank branches and poor credit histories that do not qualify under traditional banking programs, many LMI residents turn to high-cost alternative lenders for their credit needs. Furthermore, the contacts noted a strong need for financial education programs in the assessment area that target the needs of the underbanked population and those looking to start small businesses.

One community contact noted a number of needs in the more impoverished areas of Memphis. These include more neighborhood jobs and investment in LMI areas where property values are low, including mortgages with down payment assistance and small dollar loans for home improvement.

The second community contact noted that small businesses lack access to capital and resources to expand or relocate to the Memphis area. The contact stated that many small business owners lack creditworthiness or knowledge about the detailed requirements. Banking opportunities include providing financial education and collaborating with community development financial institutions and other organizations that assist small business owners.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MEMPHIS ASSESSMENT AREA

LENDING TEST

Loan Distribution by Borrower’s Profile

Overall, the bank’s loan distribution by borrower’s profile is excellent, based on performance from the HMDA, small business, and consumer motor vehicle loan categories.

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 table below 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 HMDA Loans Assessment Area: Memphis								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	9	12.0%	3.0%	1,076	7.2%	1.3%	25.6%
	Moderate	14	18.7%	12.6%	1,356	9.1%	8.2%	15.3%
	Middle	6	8.0%	20.4%	1,022	6.9%	17.6%	16.6%
	Upper	37	49.3%	48.4%	9,824	66.1%	58.8%	42.5%
	Unknown	9	12.0%	15.6%	1,577	10.6%	14.1%	0.0%
	TOTAL	75	100.0%	100.0%	14,855	100.0%	100.0%	100.0%
Refinance	Low	1	4.8%	4.0%	37	1.7%	1.8%	25.6%
	Moderate	3	14.3%	9.1%	229	10.8%	5.3%	15.3%
	Middle	5	23.8%	17.7%	352	16.6%	13.2%	16.6%
	Upper	6	28.6%	47.7%	996	47.0%	56.9%	42.5%
	Unknown	6	28.6%	21.5%	506	23.9%	22.8%	0.0%
	TOTAL	21	100.0%	100.0%	2,120	100.0%	100.0%	100.0%
Home Improvement	Low	2	20.0%	5.8%	101	20.1%	2.7%	25.6%
	Moderate	1	10.0%	11.9%	125	24.9%	6.8%	15.3%
	Middle	1	10.0%	18.3%	32	6.4%	13.2%	16.6%
	Upper	4	40.0%	58.9%	165	32.9%	72.0%	42.5%
	Unknown	2	20.0%	5.1%	79	15.7%	5.3%	0.0%
	TOTAL	10	100.0%	100.0%	502	100.0%	100.0%	100.0%
HMDA TOTALS	Low	12	11.3%	3.4%	1,214	6.9%	1.4%	25.6%
	Moderate	18	17.0%	11.0%	1,710	9.8%	6.4%	15.3%
	Middle	12	11.3%	18.8%	1,406	8.0%	14.2%	16.6%
	Upper	47	44.3%	47.7%	10,985	62.9%	52.0%	42.5%
	Unknown	17	16.0%	19.1%	2,162	12.4%	26.2%	0.0%
	TOTAL	106	100.0%	100.0%	17,477	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (11.3 percent) is substantially below the low-income family population figure (25.6 percent) but exceeds the aggregate lending level to low-income borrowers (3.4 percent), reflecting reasonable performance. Furthermore, the bank’s level of lending to moderate-income borrowers (17.0 percent) is above the moderate-income family population percentage (15.3 percent) and aggregate lending level of 11.0 percent, reflecting excellent performance. Combined, the bank’s total HMDA lending to LMI borrowers (28.3 percent) is well above the combined aggregate percentage (14.4 percent) but below the LMI family population of 40.9 percent. As noted by community contacts, LMI borrowers face a lack of affordable housing in the area, and many experience barriers to homeownership that include poor credit histories and lack of sufficient income. These factors inhibit lenders from reaching a larger percentage of the LMI population. Therefore, given these constraints and compared to the performance of other lenders in the area, the bank’s overall distribution of HMDA loans by borrower’s income profile is excellent.

Next, small business loans were reviewed to determine the bank’s lending levels to businesses of different sizes. 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: Memphis								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	56	84.8%	41.2%	\$3,160	87.8%	31.0%	89.5%
	Over \$1 Million/Unknown	10	15.2%	58.8%	\$441	12.2%	69.0%	10.5%
	TOTAL	66	100.0%	100.0%	\$3,601	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	59	89.4%	91.4%	\$1,802	50.0%	30.6%	
	\$100,001–\$250,000	5	7.6%	4.3%	\$699	19.4%	16.6%	
	\$250,001–\$1 Million	2	3.0%	4.2%	\$1,100	30.5%	52.8%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	66	100.0%	100.0%	\$3,601	100.0%	100.0%	
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	50	89.3%		\$1,474	46.6%	
		\$100,001–\$250,000	4	7.1%		\$586	18.5%	
		\$250,001–\$1 Million	2	3.6%		\$1,100	34.8%	
		Over \$1 Million	0	0.0%		\$0	0.0%	
		TOTAL	56	100.0%		\$3,160	100.0%	

The bank’s level of lending to small businesses is excellent. The bank originated the majority of its small business loans (84.8 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 89.5 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small businesses is 41.2 percent. Additionally, 89.3 percent of the loans to businesses with under \$1 million in revenue were for amounts of \$100,000 or less, which further demonstrates the bank’s willingness to lend smaller dollar loan amounts to smaller businesses.

Lastly, the borrower distribution of consumer motor vehicle loans was analyzed by the borrower’s income level. The following table displays the distribution of 2019 consumer loans by income level compared to household population income characteristics.

Borrower Distribution of Consumer Motor Vehicle Lending						
Assessment Area: Memphis						
Product Type	Borrower Income Levels	2019				
		Count		Dollar		Households
		Bank		Bank		
		#	%	\$ (000s)	\$ %	%
Consumer Motor Vehicle	Low	16	29.1%	\$183	20.3%	26.6%
	Moderate	18	32.7%	\$308	34.2%	15.5%
	Middle	11	20.0%	\$177	19.6%	15.9%
	Upper	10	18.2%	\$233	25.9%	42.0%
	Unknown	0	0.0%	\$0	0.0%	0.0%
	TOTAL	55	100.0%	\$901	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (29.1 percent) is above the low-income household population figure (26.6 percent), reflecting excellent performance. The bank’s percentage of lending to moderate-income borrowers (32.7 percent) is significantly above the moderate-income household population percentage (15.5 percent), reflecting excellent performance. Therefore, the bank’s overall distribution by borrower’s profile is excellent.

Geographic Distribution of Loans

As noted previously, the Memphis assessment area includes 66 low-income and 49 moderate-income census tracts, representing 46.9 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects poor penetration throughout LMI census tracts, based on the HMDA, small business, and consumer motor vehicle loan categories. The table on the next page displays the geographic distribution of 2019 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Geographic Distribution of HMDA 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	1	1.3%	5.2%	81	0.5%	1.9%	12.6%
	Moderate	3	4.0%	11.3%	172	1.2%	5.3%	16.6%
	Middle	30	40.0%	20.6%	3,384	22.8%	16.4%	21.6%
	Upper	41	54.7%	62.9%	11,218	75.5%	76.3%	49.0%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.1%
	TOTAL	75	100.0%	100.0%	14,855	100.0%	100.0%	100.0%
Refinance	Low	0	0.0%	3.0%	0	0.0%	1.1%	12.6%
	Moderate	2	9.5%	7.3%	128	6.0%	3.5%	16.6%
	Middle	13	61.9%	19.7%	1,249	58.9%	14.7%	21.6%
	Upper	6	28.6%	70.0%	743	35.0%	80.6%	49.0%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.1%
	TOTAL	21	100.0%	100.0%	2,120	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	7.1%	0	0.0%	3.6%	12.6%
	Moderate	0	0.0%	9.1%	0	0.0%	5.2%	16.6%
	Middle	8	80.0%	17.4%	404	80.5%	12.5%	21.6%
	Upper	2	20.0%	66.3%	98	19.5%	78.8%	49.0%
	Unknown	0	0.0%	0.1%	0	0.0%	0.0%	0.1%
	TOTAL	10	100.0%	100.0%	502	100.0%	100.0%	100.0%
HMDA TOTALS	Low	1	0.9%	4.9%	81	0.5%	3.2%	12.6%
	Moderate	5	4.7%	10.1%	300	1.7%	6.0%	16.6%
	Middle	51	48.1%	20.1%	5,037	28.8%	14.5%	21.6%
	Upper	49	46.2%	64.9%	12,059	69.0%	76.2%	49.0%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.1%
	TOTAL	106	100.0%	100.0%	17,477	100.0%	100.0%	100.0%

The bank’s level of lending in low-income census tracts (0.9 percent) is well below the percentage of owner-occupied housing units (12.6 percent) and below the aggregate performance (4.9 percent). This performance is considered very poor. The bank’s total penetration of moderate-income census tracts by number of loans (4.7 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (16.6 percent), as well as that of other lenders based on aggregate data (10.1 percent). Therefore, bank performance in moderate-income census tracts is considered poor. Despite the credit barriers for low-income borrowers as noted by community contacts and the bank’s limited market share in the assessment area, the bank’s geographic distribution of HMDA loans to LMI geographies is considered poor.

Second, the bank’s geographic distribution of small business loans was reviewed. 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	3	4.5%	11.3%	\$145	4.0%	12.0%	14.6%
Moderate	0	0.0%	15.0%	\$0	0.0%	17.1%	16.2%
Middle	39	59.1%	18.3%	\$1,335	37.1%	18.2%	19.1%
Upper	24	36.4%	51.9%	\$2,120	58.9%	49.3%	49.2%
Unknown	0	0.0%	3.6%	\$0	0.0%	3.4%	1.0%
TOTAL	66	100.0%	100.0%	\$3,600	100.0%	100.0%	100.0%

The bank’s level of lending in low-income census tracts (4.5 percent) is below both the estimated percentage of businesses operating inside these census tracts (14.6 percent) and aggregate lending levels in low-income census tracts (11.3 percent). Consequently, the bank’s performance in low-income areas is poor. The bank’s percentage of loans in moderate-income census tracts (0.0%) is significantly below both the aggregate lending percentage in moderate-income census tracts (15.0 percent) and the percentage of small businesses in moderate-income census tracts (16.2 percent), representing very poor performance. Given the level of banking competition in the assessment area, the bank’s overall geographic distribution of small business loans is poor.

Additionally, the bank’s geographic distribution of consumer motor vehicle loans was reviewed. The following table displays 2019 consumer motor vehicle loan activity by geography income level compared to the percentage of households in each geography income level.

Geographic Distribution of Consumer Motor Vehicle Lending						
Assessment Area: Memphis						
Product Type	Borrower Income Levels	2019				
		Count		Dollar		Households
		Bank		Bank		
		#	%	\$ (000s)	\$ %	%
Consumer Motor Vehicle	Low	0	0.0%	\$0	0.0%	20.3%
	Moderate	1	1.8%	\$7	0.8%	19.3%
	Middle	32	58.2%	\$521	57.8%	19.9%
	Upper	21	38.2%	\$361	40.0%	40.2%
	Unknown	1	1.8%	\$13	1.4%	0.2%
	TOTAL	55	100.0%	\$902	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending in low-income census tracts (0.0 percent) is well below the percentage of households within the low-income census tracts (20.3

percent), demonstrating very poor performance. The bank's percentage of lending to moderate-income census tracts (1.8 percent) is also considerably below the percentage of households within the moderate-income census tracts (19.3 percent), demonstrating very poor performance. Given the bank's consumer lending performance in LMI census tracts within the assessment area, its overall geographic distribution of consumer motor vehicle loans is very poor.

Lastly, based on reviews from all three loan categories, The Bank of Fayette County had loan activity in just 30.2 percent of all census tracts in the assessment area and just 7.8 percent of LMI census tracts. Of the 254 total bank branches in the assessment area, The Bank of Fayette County only operates eight, or less than 3 percent. Additionally, as previously noted, the bank holds only 1.7 percent of the deposit market share in the assessment area. Nevertheless, an analysis of the loan dispersion throughout the assessment area identified lending gaps in certain areas of Shelby County, including those with concentrations of LMI census tracts.

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/availability of such opportunities for community development in the assessment area. The bank has addressed the community development needs of the assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank extended 11 community development loans totaling \$2.5 million in this assessment area. Most of the loans were originated with the purpose of revitalizing and stabilizing LMI geographies during COVID-19 through the issuance of PPP loans or by providing affordable housing.

At the time of the evaluation, the bank had a total of approximately \$2.4 million in outstanding investments made during the current review period that qualified for community development credit. The investments were primarily in the form of MBS that provide affordable housing and municipal bonds that fund public infrastructure projects in LMI areas. In addition to the investments previously noted, the bank donated a total of \$16,000 to three organizations helping with assessment area needs, such as affordable housing and education.

Several bank officers utilized their financial expertise to assist organizations that are involved in the economic development of the assessment area. Furthermore, a number of staff members provided financial education seminars to local school districts serving LMI students. These services were focused on the needs of the assessment area and were also specifically noted by community contacts. In total, the bank provided 24 services to 13 different community development organizations within the Memphis assessment area.

NONMETROPOLITAN STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WESTERN TENNESSEE ASSESSMENT AREA

Bank Structure

The bank operates 3 of its 11 offices (27.3 percent) in this assessment area. The bank operates two branches in Hardeman County and one branch in McNairy County. Two of the branches are in moderate-income census tracts, while the third branch is in a middle-income tract. All three branch offices are full-service locations and include ATMs. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to its entire assessment area.

General Demographics

The Western Tennessee assessment area is comprised of Hardeman and McNairy Counties in their entireties, which are part of nonMSA Tennessee. Based on 2015 ACS data, the assessment area population was 52,356, with the population evenly divided between the two counties. The assessment area contains nine FDIC-insured depository institutions operating 23 offices in the two counties. The bank is ranked fifth in deposit market share, encompassing 10.1 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Other credit needs in the assessment area, as noted primarily from community contacts, include consumer loans, flexible mortgage loans, and small business micro loans.

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	4	9	0	0	13
	0.0%	30.8%	69.2%	0.0%	0.0%	100%
Family Population	0	3,852	8,893	0	0	12,745
	0.0%	30.2%	69.8%	0.0%	0.0%	100%

As shown in the previous table, there are no low-income census tracts in the assessment area; however, 30.8 percent of the census tracts in the assessment area are moderate-income geographies, while a comparable 30.2 percent of the family population resides in these tracts.

Based on 2015 ACS data, the median family income for the assessment area was \$40,947. At the same time, the median family income for the entirety of 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 nonMSA Tennessee family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	3,013	2,759	2,278	4,695	12,745
	23.6%	21.7%	17.9%	36.8%	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, 45.3 percent of families within the assessment area were considered LMI, which is higher than the LMI family percentage of 39.0 percent in nonMSA Tennessee. The percentage of families living below the poverty level in the assessment area, 16.6 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

As displayed in the following table, home ownership in the assessment area is more affordable compared to all of nonMSA Tennessee.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Assessment Area	\$83,954	37.9%	\$592
NonMSA Tennessee	\$106,819	34.0%	\$601

The median housing values and median gross rents are both lower than nonMSA Tennessee, which when combined with income levels in the assessment area translates to more affordability than the nonMSA areas of Tennessee as a whole. However, community contacts stated that affordable housing is a need within the assessment area, as there is a lack of both affordable rental units and single-family homes.

Industry and Employment Demographics

The assessment area is largely rural with limited employment opportunities. County business patterns indicate that there are 9,366 paid employees in the assessment area. By percentage of employees, the two largest job categories in the assessment area are manufacturing (33.0 percent) and retail trade (11.2 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, and nonMSA Tennessee.

Unemployment Levels for the Assessment Area			
Dataset	Time Period (Annual Average)		
	2017	2018	2019
Hardeman County	5.3%	4.9%	5.0%
McNairy County	5.7%	5.5%	5.2%
Assessment Area Average	5.5%	5.2%	5.1%
NonMSA Tennessee	4.5%	4.2%	4.1%

As shown in the table above, unemployment levels varied slightly between individual counties within the assessment area; unemployment rates were lowest each year in Hardeman County. The assessment area as a whole had a higher unemployment rate than all of nonMSA Tennessee, with all areas showing a decline in the unemployed over the three-year period.

Community Contact Information

For the Western Tennessee assessment area, two community contact interviews were completed as part of this evaluation. The interviews were with a local affordable housing professional and a community development professional.

The first contact addressed the primarily low-wage jobs and lack of industry in the area, contributing to the flight of younger generations and an aging population. The contact also noted the lack of banking access for the LMI population, forcing them to alternative lenders such as payday lenders. The area is typically more affordable than Memphis; however, LMI individuals still have difficulty finding quality affordable housing. The barriers LMI residents face when seeking homeownership or improving their existing homes include insufficient income and low property values. The contact noted home improvement and refinance loan products are most needed in the area. In addition, to reach the unbanked population, banks can provide financial education, participate in small dollar loan pools, partner with affordable housing organizations, and adopt flexible loan programs.

The second contact also noted the low-wage jobs and difficulty of attracting industry to an area that was already struggling prior to the pandemic. The assessment area has no major interstate access, and broadband services are unavailable in many areas. The contact also mentioned the aging population as students leave for college and do not return. This contact noted the need for access to small business loans for LMI individuals who may lack collateral and education.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE WESTERN TENNESSEE ASSESSMENT AREA

LENDING TEST

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from all three loan categories reviewed. While the bank's HMDA loan distribution by borrower's profile is reasonable, performance under the small business and consumer motor vehicle loan categories is excellent.

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 table on the following page 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 HMDA Loans								
Assessment Area: Western Tennessee								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Home Purchase	Low	4	19.0%	8.2%	174	13.7%	4.5%	23.6%
	Moderate	3	14.3%	19.5%	69	5.4%	13.7%	21.6%
	Middle	2	9.5%	22.3%	110	8.6%	20.5%	17.9%
	Upper	12	57.1%	30.8%	921	72.3%	41.2%	36.8%
	Unknown	0	0.0%	19.3%	0	0.0%	20.1%	0.0%
	TOTAL	21	100.0%	100.0%	1,274	100.0%	100.0%	100.0%
Refinance	Low	0	0.0%	7.0%	0	0.0%	3.0%	23.6%
	Moderate	2	22.2%	17.2%	192	20.0%	9.9%	21.6%
	Middle	1	11.1%	23.1%	90	9.4%	19.9%	17.9%
	Upper	6	66.7%	35.2%	680	70.7%	32.5%	36.8%
	Unknown	0	0.0%	17.6%	0	0.0%	34.6%	0.0%
	TOTAL	9	100.0%	100.0%	962	100.0%	100.0%	100.0%
Home Improvement	Low	1	12.5%	12.8%	33	7.2%	6.8%	23.6%
	Moderate	1	12.5%	17.9%	34	7.4%	16.4%	21.6%
	Middle	1	12.5%	10.3%	31	6.8%	16.1%	17.9%
	Upper	5	62.5%	51.3%	360	78.6%	56.6%	36.8%
	Unknown	0	0.0%	7.7%	0	0.0%	4.1%	0.0%
	TOTAL	8	100.0%	100.0%	458	100.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	23.6%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	21.6%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	17.9%
	Upper	1	50.0%	50.0%	116	29.8%	29.8%	36.8%
	Unknown	1	50.0%	50.0%	273	70.2%	70.2%	0.0%
	TOTAL	2	100.0%	100.0%	389	100.0%	100.0%	100.0%
HMDA TOTALS	Low	5	12.5%	7.9%	207	6.7%	4.1%	23.6%
	Moderate	6	15.0%	17.8%	295	9.6%	12.1%	21.6%
	Middle	4	10.0%	21.5%	231	7.5%	19.9%	17.9%
	Upper	24	60.0%	33.7%	2,077	67.4%	38.0%	36.8%
	Unknown	1	2.5%	19.1%	273	8.9%	25.9%	0.0%
	TOTAL	40	100.0%	100.0%	3,083	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (12.5 percent) is substantially below the low-income family population figure (23.6 percent) but exceeds the aggregate lending level to low-income borrowers (7.9 percent), reflecting reasonable performance. Furthermore, while the bank’s level of lending to moderate-income borrowers (15.0 percent) is also below the moderate-income family population percentage (21.6 percent), it is in line with the aggregate lending level of 17.8 percent, reflecting reasonable performance. Combined, the bank’s total HMDA lending to LMI borrowers (27.5 percent) is slightly above the combined aggregate percentage (25.7 percent) but below the LMI family population of 45.2 percent. As noted by community contacts, there is a lack of quality affordable housing in the area that inhibits lenders from reaching a larger percentage of the LMI population. Therefore, given these constraints, the bank’s overall distribution of HMDA loans by borrower’s income profile is reasonable.

Next, small business loans were reviewed to determine the bank’s lending levels to businesses of different sizes. 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: Western Tennessee								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	49	98.0%	41.6%	\$2,546	73.9%	49.3%	90.9%
	Over \$1 Million/Unknown	1	2.0%	58.4%	\$900	26.1%	50.7%	9.1%
	TOTAL	50	100.0%	100.0%	\$3,446	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	43	86.0%	93.0%	\$1,132	32.8%	45.7%	
	\$100,001–\$250,000	5	10.0%	5.7%	\$747	21.7%	34.9%	
	\$250,001–\$1 Million	2	4.0%	1.3%	\$1,567	45.5%	19.4%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	50	100.0%	100.0%	\$3,446	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	43	87.8%		\$1,132	44.5%		
	\$100,001–\$250,000	5	10.2%		\$747	29.3%		
	\$250,001–\$1 Million	1	2.0%		\$667	26.2%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	TOTAL	49	100.0%		\$2,546	100.0%		

The bank’s level of lending to small businesses is excellent. The bank originated most of its small business loans (98.0 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 90.9 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small businesses is 41.6 percent.

Lastly, the borrower distribution of consumer motor vehicle loans was analyzed by the borrower’s income level. The following table displays the distribution of 2019 consumer loans by income level compared to household population income characteristics.

Borrower Distribution of Consumer Motor Vehicle Lending						
Assessment Area: Western Tennessee						
Product Type	Borrower Income Levels	2019				
		Count		Dollar		Households
		Bank		Bank		
		#	%	\$ (000s)	\$ %	%
Consumer Motor Vehicle	Low	23	27.7%	\$193	24.7%	28.0%
	Moderate	30	36.1%	\$231	29.6%	18.3%
	Middle	15	18.1%	\$152	19.5%	17.5%
	Upper	15	18.1%	\$205	26.2%	36.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%
	TOTAL	83	100.0%	\$781	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (27.7 percent) is in line with the low-income household population figure (28.0 percent), reflecting reasonable performance. The bank’s percentage of lending to moderate-income borrowers (36.1 percent) is significantly above the moderate-income household population percentage (18.3 percent), reflecting excellent performance. Combined, the bank’s total consumer motor vehicle lending to LMI borrowers (63.8 percent) well exceeds the combined household population of 46.3 percent. Therefore, considering performance in both income categories, the bank’s overall distribution by borrower’s profile is excellent.

Geographic Distribution of Loans

As noted previously, the Western Tennessee assessment area includes no low-income and only 4 moderate-income census tracts, representing 30.8 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on the HMDA, small business, and consumer motor vehicle loan categories. 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 HMDA Loans								
Assessment Area: Western Tennessee								
Product Type	Tract Income Levels	2019						
		Count			Dollar			Owner-Occupied Units
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Home Purchase	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	4	19.0%	30.0%	376	29.5%	29.3%	28.2%
	Middle	17	81.0%	69.8%	898	70.5%	70.5%	71.8%
	Upper	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Unknown	0	0.0%	0.2%	0	0.0%	0.2%	0.0%
	TOTAL	21	100.0%	100.0%	1,274	100.0%	100.0%	100.0%
Refinance	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	5	55.6%	30.8%	438	45.5%	24.9%	28.2%
	Middle	4	44.4%	69.2%	524	54.5%	75.1%	71.8%
	Upper	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	9	100.0%	100.0%	962	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	1	12.5%	12.8%	33	7.2%	6.4%	28.2%
	Middle	7	87.5%	87.2%	425	92.8%	93.6%	71.8%
	Upper	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	8	100.0%	100.0%	458	100.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	1	50.0%	50.0%	116	29.8%	29.8%	34.7%
	Middle	1	50.0%	50.0%	273	70.2%	70.2%	65.3%
	Upper	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	2	100.0%	100.0%	389	100.0%	100.0%	100.0%
HMDA TOTALS	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	11	27.5%	29.5%	963	31.2%	27.2%	28.2%
	Middle	29	72.5%	70.3%	2,120	68.8%	72.7%	71.8%
	Upper	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Unknown	0	0.0%	0.1%	0	0.0%	0.1%	0.0%
	TOTAL	40	100.0%	100.0%	3,083	100.0%	100.0%	100.0%

The bank made 11 loans (27.5 percent) in the moderate-income census tracts, which is in line with both the percentage of owner-occupied housing units (28.2 percent) and the aggregate performance (29.5 percent). Overall, the bank’s geographic distribution of loans made in this assessment area reflects reasonable penetration throughout the LMI census tracts, based on the HMDA loan category.

Second, the bank’s geographic distribution of small business loans was reviewed. 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: Western Tennessee							
Tract Income Levels	2019						
	Count			Dollar			Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	\$ 000s	\$ %	\$ %	%
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	24	48.0%	26.7%	\$926	26.9%	21.7%	24.8%
Middle	26	52.0%	70.7%	\$2,520	73.1%	77.6%	75.2%
Upper	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	2.6%	\$0	0.0%	0.7%	0.0%
TOTAL	50	100.0%	100.0%	\$3,446	100.0%	100.0%	100.0%

The bank’s level of lending in moderate-income census tracts (48.0 percent) is significantly above both the aggregate lending percentage in moderate-income census tracts (26.7 percent) and the percentage of small businesses in moderate-income census tracts (24.8 percent), representing excellent performance.

Additionally, the bank’s geographic distribution of consumer motor vehicle loans was reviewed. The following table displays 2019 consumer motor vehicle loan activity by geography income level compared to the percentage of households in each geography income level.

Geographic Distribution of Consumer Motor Vehicle Lending						
Assessment Area: Western Tennessee						
Product Type	Borrower Income Levels	2019				
		Count		Dollar		Households
		Bank		Bank		
		#	%	\$ (000s)	\$ %	%
Consumer Motor Vehicle	Low	0	0.0%	\$0	0.0%	0.0%
	Moderate	22	26.5%	\$215	27.5%	29.9%
	Middle	61	73.5%	\$566	72.5%	70.1%
	Upper	0	0.0%	\$0	0.0%	0.0%
	Unknown	0	0.0%	\$0	0.0%	0.0%
	TOTAL	83	100.0%	\$781	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending in moderate-income census tracts (26.5 percent) is in line with the percentage of households within the moderate-income census tracts (29.9 percent), demonstrating reasonable performance.

Lastly, based on reviews from all three loan categories, The Bank of Fayette County had loan activity in all assessment area census tracts. Therefore, no conspicuous lending gaps were noted.

COMMUNITY DEVELOPMENT TEST

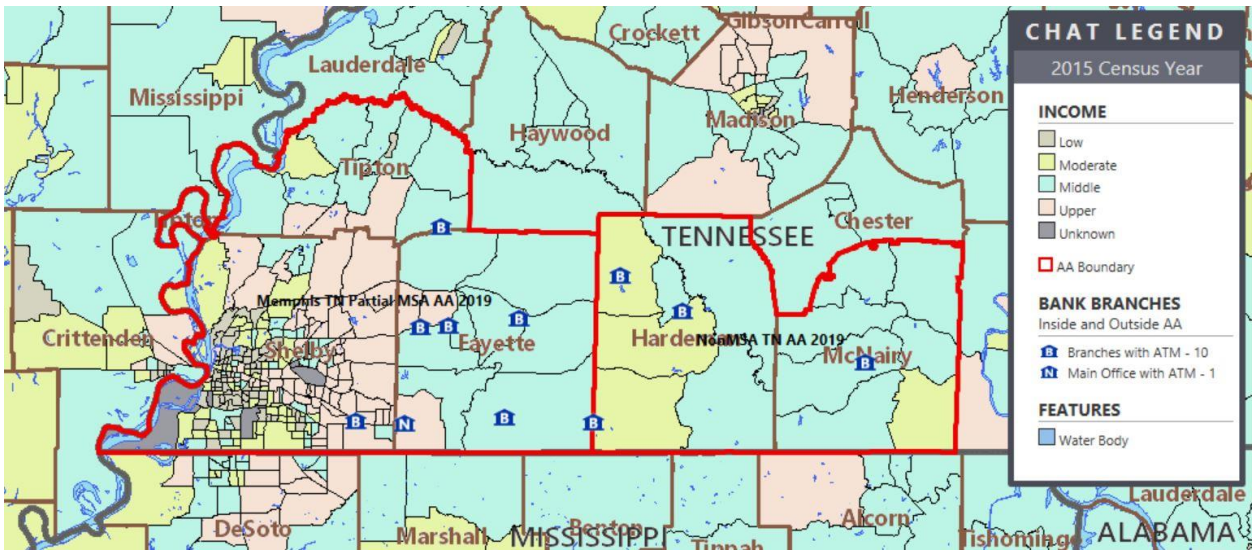
The bank demonstrates poor responsiveness to community development needs within the Western Tennessee assessment area, considering the bank’s capacity and the need/availability of such opportunities for community development in the assessment area.

During the review period, the bank extended 28 community development loans totaling \$2.7 million in this assessment area, all of which were new originations. Most of the loans were originated with the purpose of revitalizing and stabilizing LMI geographies by financing small businesses during the COVID-19 pandemic.

At the time of the evaluation, the bank had only one investment totaling \$865,000 made during the current review period that qualified for community development credit. This investment was in a municipal bond that funded a project to revitalize or stabilize moderate and middle-distressed census tracts within the bank’s assessment area. In addition, the bank donated a total of \$2,750 to two organizations having a community development purpose.

Finally, one bank officer utilized his financial expertise as a board member for an affordable housing business.

ASSESSMENT AREA DETAIL



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 nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan 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 nonrelatives 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 who 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 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).

Appendix B (continued)

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate 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 nonmortgage, 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.