

PUBLIC DISCLOSURE

March 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Home Bank
06011095

Guntersville, Alabama

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 The Home Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of March 3, 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 Satisfactory.

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 a reasonable penetration of loans among borrowers of different income levels and businesses of different sizes. The geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area. 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.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of The Home Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | THE HOME BANK | | |
|---|---|---|---|
| | PERFORMANCE LEVELS | | |
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does Not Meet Standards for Satisfactory Performance |
| Loan-to-deposit ratio | | X | |
| Lending in assessment area | X | | |
| Lending to borrowers of different incomes and to businesses of different sizes | | X | |
| Geographic distribution of loans | | X | |
| Response to complaints | No complaints were received since the previous examination. | | |

DESCRIPTION OF INSTITUTION

The Home Bank is a wholly owned subsidiary of HomeBanc Corporation, Guntersville, Alabama. In addition to its banking operations, The Home Bank operates a finance company subsidiary, Valley Finance, Inc., founded in 1991 with offices in Guntersville, Boaz, and Gadsden, Alabama. The Home Bank operates a main office and three branches. The main office is located in Guntersville; two of the branches are located in Albertville, Alabama; and the other branch is in Boaz. According to the December 31, 1996 Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$145.7 million. No legal or financial impediments that would hinder the bank's ability to help meet the credit needs of its assessment area were noted.

The bank offers a variety of credit products. The types of credit offered, as listed in the bank's public file, include single-family dwelling, home improvement, farm, small business, mobile home, community development, and consumer loans. The composition of the loan portfolio according to the December 31, 1996 Call Report is as follows:

| LOAN TYPE | PERCENTAGE |
|--|-------------------|
| Construction and development | 1 |
| Secured by one- to four-family dwellings | 32 |
| Nonfarm nonresidential | 20 |
| Agricultural | 2 |
| Commercial and industrial | 21 |
| Loans to individuals | 24 |
| Total | 100 |

As illustrated by the table above, the largest portion of the bank's loan portfolio is made up of loans secured by one- to four-family dwellings, followed by loans to individuals. According to management, the bank is most active in originating secured and unsecured consumer loans and small business loans.

DESCRIPTION OF ASSESSMENT AREA: MARSHALL COUNTY

The Home Bank's assessment area is Marshall County. Marshall County is located in the northeastern part of Alabama, and Guntersville serves as the county seat. Guntersville is located approximately 70 miles northeast of Birmingham, Alabama, and 40 miles south of Huntsville, Alabama. Marshall County encompasses 13 block numbering area (BNAs). There are no low- or moderate-income BNAs in the assessment area. The 13 BNAs include three middle-income BNAs and ten upper-income BNAs. 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 70,832. The assessment area contained 30,225 housing units; 68.1 percent were owner-occupied, 23.7 percent were rental units, and 8.2 percent were vacant. The median housing age was 18 years, and the median housing value was \$48,198. The median family income for the assessment area was \$26,135, or 106.7 percent of the statewide nonmetropolitan median family income. 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 | 4,281 | 20.4 |
| Moderate-income | 3,250 | 15.5 |
| Middle-income | 4,166 | 19.9 |
| Upper-income | 9,259 | 44.2 |
| Total | 20,956 | 100.0 |
| Below Poverty | 3,048 | 14.5 |

The 1993 U.S. Census employment data for county business patterns showed a total of 1,843 businesses in the bank's assessment area. Of the 1,843 businesses, 1,748 (95 percent) were small businesses with fewer than 50 employees. According to the U.S. Department of Labor, the unemployment rate for Marshall County was 4.2 percent as of December 1996. The state of Alabama unemployment rate was slightly lower at 3.5 percent as of the same date.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

The Home Bank's average loan-to-deposit ratio for the five quarters since the previous examination is 75.3 percent. Of the 10 other financial institutions in the bank's assessment area, five are comparable in size. The range of loan-to-deposit ratios for the comparable banks during the same time period was 50.0 percent to 79.5 percent. The reasonable loan-to-deposit ratio can be attributed to the delivery systems of the bank as The Home Bank has more branch offices than any of the comparable competitors. The bank meets the standards for satisfactory performance in this category as the bank's loan-to-deposit ratio falls within the range of its competitors.

Lending in Assessment Area

During the examination, 120 consumer loans and 74 business loans were reviewed to determine the percentage of loans originated in the bank's assessment area. 109 (91 percent) of the consumer loans and 61 (82 percent) of the small business loans were extended in the bank's assessment area. Additionally, \$3,781,969 (79 percent) of the total dollar volume of consumer loans and \$3,665,894 (73 percent) of the total volume of small business loans were extended in the bank's assessment area. The strong volume of loans within the assessment area is partially attributable to The Home Bank's three branch office locations in the communities surrounding Guntersville. The branch network provides most of the residents of Marshall County with a conveniently located banking office. In addition, The Home Bank promotes itself as a locally owned and operated bank serving the needs of the residents of Marshall County. As a result of this advertising and the branch locations, a substantial majority of the consumer and business loans sampled were originated in the bank's assessment area. Therefore, the bank exceeds the standards for satisfactory performance in this category.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The sample analysis indicated reasonable penetration of loans among borrowers of different income levels and businesses of different sizes. Of the 109 consumer loans within the bank's assessment area, 107 included income information. Considering the percentage of families below the poverty level (14.5 percent), income levels were penetrated in a manner consistent with the mix of income levels in the population of the assessment area. For consumer loans, the distribution of borrowers by income level as it compares to population representation is as follows:

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes (Continued)

| INCOME LEVEL | PERCENTAGE OF MEDIAN FAMILY INCOME | PERCENTAGE OF FAMILIES WITHIN INCOME LEVEL | CONSUMER LOANS | |
|--------------|------------------------------------|--|-----------------|---------------------|
| | | | NUMBER OF LOANS | PERCENTAGE OF TOTAL |
| Low | Less than 50 | 20.4 | 9 | 8.4 |
| Moderate | 50-179 | 15.5 | 16 | 15.0 |
| Middle | 80-119 | 19.9 | 18 | 16.8 |
| Upper | 120 and above | 44.2 | 64 | 59.8 |
| Total | | 100.0 | 107 | 100.0 |

The bank provided income information for all 61 small business loans that were within its assessment area. The sampled files were reviewed to analyze the bank's lending to businesses of different sizes. The loan distribution indicated by the sample represents a reasonable penetration of loans among businesses of different sizes. The distribution of loans by business revenue size is as follows:

| BUSINESS REVENUES | NUMBER OF LOANS | PERCENTAGE OF TOTAL |
|--------------------------|-----------------|---------------------|
| \$100,000 or Less | 34 | 55.7 |
| \$100,001 to \$250,000 | 21 | 34.5 |
| \$250,001 to \$1 million | 6 | 9.8 |
| Total | 61 | 100.0 |

Geographic Distribution of Loans

As previously mentioned, the bank's assessment area does not include low- or moderate-income BNAs. However, the geographic distribution of loans reflects reasonable dispersion because the bank extended consumer loans in each of the 13 BNAs that constitute its assessment area. The bank meets the standards for satisfactory performance in this category.

Complaints

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

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.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

.....

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

19

TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS MARCH 3, 1997, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

(Signature of Authorized Officer)

(Title)

THE HOME BANK

(Name of Bank)

GUNTERSVILLE, ALABAMA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
The Home Bank
Post Office Box 580
Guntersville, Alabama 35976

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Todd R. Eaton using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Ms. Patricia Hartje
Regional Compliance Manager
Office of the Comptroller of the Currency
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303

Dear Ms. Hartje:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for The Home Bank, Guntersville, Alabama, as of March 3, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Mr. Joel Palmer
Assistant Director II
Regional Operations - Compliance
Office of Thrift Supervision
1475 Peachtree Street, N.E.
Atlanta, Georgia 30309

Dear Mr. Palmer:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for The Home Bank, Guntersville, Alabama, as of March 3, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Mr. Jimmy Loyless
Regional Director
Federal Deposit Insurance Corporation
One Atlantic Center, Suite 1600
1201 West Peachtree Street, N.E.
Atlanta, Georgia 30309-3449

Dear Mr. Loyless:

Enclosed for your information is a copy of the Community Reinvestment Act Performance Evaluation for The Home Bank, Guntersville, Alabama, as of March 3, 1997.

A copy of our letter of transmittal to the bank's board of directors is also enclosed.

Very truly yours,

Cynthia C. Goodwin

Enclosures

FEDERAL RESERVE BANK OF ATLANTA

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Name of Bank: THE HOME BANK

City and State: GUNTERSVILLE, ALABAMA

Date of Examination: MARCH 3, 1997