

PUBLIC DISCLOSURE

September 16, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Commercial Bank of Cullman County
06-01-1024

Cullman, 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 First Commercial Bank of Cullman County prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of September 16, 1996. 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 has a satisfactory record of helping to meet the credit needs of its entire assessment area. The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. Management has defined the bank's assessment area as Cullman County and portions of Winston and Morgan counties. The assessment area consists of 20 middle-income census tracts and 1 upper-income census tract. The bank is primarily a consumer lender, and examination results indicate that 94 percent of the bank's consumer loan originations are in its assessment area. Based on available resources, lending activities reflect excellent dispersion throughout the assessment area. In addition, a sample analysis indicated reasonable penetration among borrowers of different incomes.

GENERAL INFORMATION (CONTINUED)

The following table indicates the performance level of First Commercial Bank of Cullman County with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST COMMERCIAL BANK OF CULLMAN COUNTY</u>		
	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 have been received since the previous examination.		

DESCRIPTION OF INSTITUTION

First Commercial Bank operates its main office in Cullman, Alabama, and three branches in surrounding counties. According to the June 30, 1996 Consolidated Reports of Condition and Income, the bank's total assets were \$45.9 million. No legal or financial impediments exist that would hinder the bank from meeting the credit needs of its assessment area.

First Commercial Bank offers a wide variety of credit products to meet community credit needs. Although the bank's lending efforts are concentrated in consumer lending, the bank does not discourage other types of lending. The types of credit products offered by the bank include consumer loans, real estate loans, home improvement loans, farm loans, and loans to businesses of all sizes. Management reviews the bank's credit products annually to determine the bank's effectiveness in addressing the financial needs of the community. A review of the loan portfolio revealed that the bank extends all types of credit offered.

The composition of the loan portfolio according to the June 30, 1996 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	1%
Secured by one- to four-family dwellings	50%
Other real estate:	
Farmland	3%
Nonfarm nonresidential	6%
Commercial and industrial	13%
Loans to individuals	25%
All other	2%
Total	100%

As illustrated by the table above, a large dollar percentage of the bank's loan portfolio consisted of loans secured by one- to four-family dwellings followed by consumer and commercial loans.

DESCRIPTION OF ASSESSMENT AREA: CULLMAN COUNTY AND PORTIONS OF WINSTON AND MORGAN COUNTIES

First Commercial Bank's main office is located in Cullman, Alabama. The city is approximately 38 miles north of Birmingham, Alabama and 45 miles south of Huntsville, Alabama. Management has defined the bank's assessment area as Cullman County and portions of Winston and Morgan counties.

The bank's assessment area contains 21 census tracts. These tracts include 20 middle-income census tracts and 1 upper-income census tract. Middle-income tracts are defined as tracts having a median family income between 80 and 120 percent of the applicable median income.¹ Although the bank's assessment area does not include low- to moderate-income census tracts, low- to moderate-income families can be found scattered throughout the community. According to 1990 Census data, the assessment area's population was 87,795. The racial composition of the residents in the assessment area is 98.6 percent nonminority and 1.4 percent minority.

Characteristics of the families in the bank's assessment area according to the 1990 Census are shown in the table below.

INCOME SUMMARY

Median family income	\$25,388
Total number of families	25,787
% of low-income families	20.1
% of moderate-income families	17.6
% of middle-income families	22.2
% of upper-income families	40.1
% of families below poverty level	12.5

¹For those portions of a bank's assessment area that are in a metropolitan statistical area (MSA), census tract income levels are based on the median family income of the MSA. For those portions of the assessment area that are outside an MSA, census tract income levels are based on the median family income of all nonmetropolitan areas of the state. Morgan County is in an MSA; Cullman and Winston counties are not.

DESCRIPTION OF ASSESSMENT AREA: CULLMAN COUNTY AND PORTIONS OF WINSTON AND MORGAN COUNTIES (CONTINUED)

According to the Bureau of Labor Statistics, the unemployment rates as of July 31, 1996, for the counties represented in the bank's assessment area were as follows: 4.3 percent for Cullman County, 4.9 percent for Morgan County, and 6.2 percent for Winston County. As of July 31, 1996, the average unemployment rate of 5.1 percent for these three counties was slightly lower than the July 1996 unemployment rate of 5.3 percent for the state of Alabama.

According to 1990 Census data, 70 percent of the 37,305 housing units in the bank's assessment area were owner-occupied, 18 percent were renter-occupied, and 12 percent were vacant units. 74 percent of the housing units were one- to four-family dwellings, and 23 percent were mobile homes. The median housing age was 18 years, and the median housing value was \$45,322.

During the CRA examination, two contacts were made with citizens of Cullman County. Both contacts stated that the growth in Cullman County's economy presents a larger market for the products and services offered by local financial institutions. In the past ten years, the area has been a leader in Alabama for new and expanding industries, as over 360 expansions have occurred in Cullman County. The total capital investment has exceeded \$300 million, and 50 companies have invested more than \$85 million in new facilities. The manufacturing and poultry industries employ a majority of the workers in the county. Currently, the bank operates its main office and a branch in Cullman County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the information from the bank's Consolidated Reports of Condition and Income, the bank's average loan-to-deposit ratio for the seven quarters ended June 30, 1996, is 74.4 percent. Fifteen other financial institutions are located in the bank's assessment area; however, two are most comparable in size. The average loan-to-deposit ratios for the two comparable banks for the same time period were 60.8 percent and 69.8 percent. Given the bank's size, resources, and current office facilities, the loan-to-deposit ratio meets the standards for satisfactory performance.

First Commercial Bank has identified consumer lending as its major product line, followed by residential loans. During the examination, 143 consumer loans originated within the past six months were analyzed to determine the percentage of loans in the bank's assessment area. Based on the sample, 94 percent of the loans are in the bank's assessment area. This percentage exceeds the standards for a satisfactory rating in this category.

Although the bank's assessment area does not include low-income or moderate-income tracts, results of the analysis indicate that the bank extends consumer loans to individuals of all income levels in the assessment area. For consumer loans, the distribution of borrowers by income level as compared to assessment area demographics is as follows:

BORROWER INCOME LEVEL (PERCENTAGE OF MEDIAN FAMILY INCOME)	PERCENTAGE OF FAMILIES IN ASSESSMENT AREA	CONSUMER LOANS	
		# OF LOANS	% OF TOTAL
Low (less than 50)	20.1	29	22.0
Moderate (50-79)	17.6	38	28.0
Middle (80-119)	22.2	30	22.0
Upper (120 and above)	40.1	37	28.0
Total	100.0	134	100.0

The results of the analysis of the loan distribution by borrower income indicate that the bank has reasonably addressed the credit needs of individuals of all income levels.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA
(CONTINUED)

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. 93.2 percent of the area residents reside in the middle-income tracts, and 6.8 percent of the residents reside in the upper-income tract. There are no low-income or moderate-income tracts in the bank's assessment area. Because a large percentage of the bank's assessment area consists of middle-income census tracts, a majority of the bank's lending would be expected to be in these tracts. Results from the sample showed that 87 percent of the consumer loans were made in the middle-income tracts, and 13 percent were made in the upper-income tract.

No CRA-related complaints have been received since First Commercial Bank of Cullman County became a state member bank.

The examination revealed no evidence of any practices intended to discourage individuals from applying for the types of credit the bank offers. A judgmentally selected sample of loan application files and loan policies and procedures for the types of credit the bank offers were reviewed to determine the level of compliance with the requirements of the antidiscrimination laws and regulations. Although no credit practices inconsistent with the substantive provisions of the regulations were identified, limited violations of technical aspects of Regulation B - Equal Credit Opportunity Act were noted.