

PUBLIC DISCLOSURE

August 26, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Newton Bank
06131053

Covington, Georgia

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Newton Bank, Covington, Georgia, prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of August 26, 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's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. In addition, a substantial majority of the bank's loan originations are within the institution's assessment area, which is defined as all of Newton and Rockdale Counties, excluding the northeastern portion of Rockdale County. Examination results indicate that 93 percent of the bank's consumer loan originations and 87 percent of its small business loan originations are in the bank's assessment area. A sample analysis indicated excellent penetration of loans among borrowers of different incomes. First Newton Bank is primarily a commercial and consumer lender and, based on available resources, lending activities seem to reflect a reasonable penetration of all segments of its assessment area.

GENERAL INFORMATION (CONTINUED)

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NEWTON 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

First Newton Bank continues to operate its main office and four branches in Newton County. Recently, the bank opened two additional branches in Rockdale County. According to the June 30, 1996 Consolidated Reports of Condition and Income, the bank's total assets were \$136.8 million. The March 25, 1996 safety and soundness examination conducted by the Federal Reserve Bank of Atlanta identified no legal or financial impediments that would hinder the bank from meeting the credit needs of its assessment area.

First Newton Bank offers a wide variety of credit products to meet community credit needs, focusing primarily on consumer and commercial credit products. However, the bank does not discourage other types of lending, including real estate financing. Management reviews the bank's credit products annually to determine their effectiveness in addressing the financial needs of the community. The types of credit products offered by the bank, as listed in the bank's public file, include all-purpose consumer loans, real estate loans, agricultural loans, and loans to businesses of all sizes. A review of the loan portfolio revealed that the bank generally offers and extends all types of credit listed.

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	28%
Secured by one- to four-family dwellings	16%
Other real estate:	
Farmland	2%
Multifamily	2%
Nonfarm nonresidential	23%
Commercial and industrial	18%
Loans to individuals	9%
All other	2%
Total	100%

The percentages in the table above reflect the dollar amounts of each loan type in the bank's loan portfolio.

DESCRIPTION OF ASSESSMENT AREA: NEWTON AND ROCKDALE COUNTIES, EXCLUDING THE NORTHEAST PORTION OF ROCKDALE COUNTY

First Newton Bank is located in Covington, Georgia. The city is approximately 60 miles southeast on the corridor of I-20 from Atlanta, Georgia. The bank has defined its assessment area as all of Newton and Rockdale counties, excluding the northeastern portion of Rockdale County. The assessment area consists of 15 census tracts. Although no low-income tracts are located within the bank's assessment area, there are eight moderate-income tracts, six middle-income tracts, and one upper-income tract.

Moderate-income tracts have a median family income between 50 and 80 percent of the median and middle-income tracts have a median family income between 80 and 120 percent of the median income of the metropolitan statistical area (MSA). According to the 1990 Census data, the median family income for the assessment area was \$37,159, and the median family income of the Atlanta MSA was \$35,607.

According to the 1990 Census data, the bank's assessment area population was 89,094. The racial composition of the residents in the bank's assessment area is 83.2 percent nonminority and 16.8 percent minority.

TYPE OF INDUSTRY	NUMBER OF EMPLOYEES	NUMBER OF ESTABLISHMENTS
Construction	2,240	351
Manufacturing	9,916	153
Transportation and public utilities	2,104	87
Wholesale trade	1,490	157
Retail trade	7,271	532
Finance, insurance, and real estate	928	174
Services and other	6,315	690
Mining	0	3
Administrative auxiliary	0	8
Total	30,264	2,155

DESCRIPTION OF ASSESSMENT AREA: NEWTON AND ROCKDALE COUNTIES, EXCLUDING THE NORTHEAST PORTION OF ROCKDALE COUNTY (CONTINUED)

The above table summarizes 1992 U.S. Census employment data for county business patterns and shows a total of 2,155 businesses in the bank's assessment area. The retail trade and service industries dominate the number of establishments, representing 25 percent and 32 percent, respectively. Of the 2,155 businesses, 2,055 (95 percent) are small businesses with fewer than 50 employees. According to the U.S. Census Bureau, the unemployment rate as of June 30, 1996, was 5.2 percent for Newton County and 3.6 percent for Rockdale County, compared with the unemployment rate of 5.0 percent for the state of Georgia. As of June 30, 1996, the average unemployment rate for the bank's assessment area was approximately 4.4 percent, which is slightly lower than the 1990 unemployment rate of 5.3 percent.

According to the 1990 Census data, 33,062 housing units are in the bank's assessment area. 66.6 percent are owner-occupied, 25.6 percent are rental units, and 7.8 percent are vacant units.

During the CRA examination, two community contacts were made with citizens in Newton County. Both contacts stated that Newton and Rockdale counties are currently in a growth period. Both contacts feel that the growth of the economy in the area should give local financial institutions the opportunity to offer credit products and services that will meet the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

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 74.3 percent. Of the five other financial institutions in the surrounding areas, one is comparable in size, and its average loan-to-deposit ratio during the same time period is 69.8 percent. Also, based on the Uniform Bank Performance Report, the bank's loan-to-deposit ratio for the past three year-ends has been higher than other peer financial institutions. The bank's peer group consists of all insured commercial banks having assets between \$100 and \$300 million, with 3 or more banking offices, and located in a metropolitan area. First Newton Bank's loan-to-deposit ratio is considered reasonable.

Lending in Assessment Area

During the examination, 107 consumer loans and 90 small business loans originated within the past six months were sampled to determine how many of these loans are in the bank's assessment area. Of the

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending in Assessment Area (Continued)

loans sampled, 99 (93 percent) of the consumer loans and 78 (87 percent) of the business loans were extended in the bank's assessment area. The extent of the bank's lending in its assessment area exceeds the standards for satisfactory performance.

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

The results of the analysis indicate that the bank extends consumer and small business installment loans to individuals of all income levels in the assessment area. The business loans were not included in the analysis because the available data was insufficient to determine whether the bank made loans to businesses of different sizes. Of the 99 consumer loans originated within the bank's assessment area, 98 included income information. The analysis indicated excellent penetration for each income category with the exception of upper-income, which showed a low (4 percent) portion of loans. Although no low-income census tracts are located in the bank's assessment area, 51 percent of the consumer loans were made to low-income borrowers. For consumer loans, the distribution of borrowers by income level as it compares to population representation is as follows:

BORROWER INCOME LEVEL (PERCENTAGE OF MEDIAN FAMILY INCOME)	PERCENTAGE OF FAMILIES IN ASSESSMENT AREA ¹	CONSUMER LOANS	
		# OF LOANS	PERCENTAGE
Low (Less than 50)	20.1%	50	51%
Moderate (50 - 79)	22.4%	26	27%
Middle (80 - 119)	25.6%	18	18%
Upper (120 and above)	31.9%	4	4%
Total	100.0%	98	100%

Geographic Distribution of Loans

The bank's loans seem to penetrate the majority of the area's population based on income characteristics. The geographic distribution of the bank's lending indicates no arbitrary exclusion of any particular geography in its assessment area. The bank's assessment area does not include low-income census tracts.

¹Because of a lack of data on the composition of the assessment area population by an individual's income, family income was used for comparison.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

Approximately 42 and 47 percent of the area's residents reside in moderate- and middle-income census tracts, respectively. The analysis of consumer and business loans indicated that the bank originated the majority of its loans in these two census tract categories. The analysis showed the following geographic distribution:

PERCENTAGE OF POPULATION IN ASSESSMENT AREA BY CENSUS TRACT TYPE	% OF TOTAL INSTALLMENT LOANS IN ASSESSMENT AREA	% OF TOTAL BUSINESS LOANS IN ASSESSMENT AREA
Moderate-income - 41.6%	38%	29%
Middle-income - 46.5%	61%	71%
Upper-income - 11.9%	1%	0

Complaints

No CRA-related complaints have been received since First Newton Bank became a state member bank.

Compliance with Antidiscrimination Laws

Bank management has developed and implemented loan policies and procedures for the types of credit the bank offers. 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 was reviewed to determine the level of compliance with the requirements of the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified; however, limited, nonsubstantive violations of technical aspects of Regulation B were noted.

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 (AND A DESIGNATED OFFICE IN EACH OF YOUR LOCAL COMMUNITIES) 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.
- C ADD THE FOLLOWING LANGUAGE TO YOUR CRA PUBLIC NOTICE THAT IS POSTED IN EACH OF YOUR OFFICES, NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION:

"YOU MAY OBTAIN THE PUBLIC SECTION OF OUR MOST RECENT CRA PERFORMANCE EVALUATION, WHICH WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA, AT (YOUR MAIN OFFICE ADDRESS)."

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS AUGUST 26, 1996, 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)

FIRST NEWTON BANK

(Name of Bank)

COVINGTON, GEORGIA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
First Newton Bank
Post Office Box 1107
Covington, Georgia 30209

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Gayle Askew 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 (and a designated office in each of your local communities) 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.
- C Add the following language to your CRA public notice that is posted in each of your offices, no later than 30 business days after receiving the evaluation:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Reserve Bank of Atlanta, at (your main office address)."

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.

Board of Directors
First Newton Bank
Covington, Georgia

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

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NAME OF BANK: FIRST NEWTON BANK

CITY AND STATE: COVINGTON, GEORGIA

DATE OF EXAMINATION: AUGUST 26, 1996