

# **PUBLIC DISCLOSURE**

**July 6, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Piedmont Bank  
Certificate Number: 34594**

**65 East May Street  
Winder, GA 30680**

**Federal Deposit Insurance Corporation  
Ten 10th Street, NE, Suite 800  
Atlanta, GA 30309-3906**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this 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. General Information.....1

II. Institution Rating .....1

III. Description of Institution.....2

IV. Description of Assessment Area .....3

V. Conclusions .....5

## 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 Piedmont Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **July 6, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

- **Loan-to-Deposit Ratio** – The average net loan-to-deposit ratio reflects an adequate responsiveness to assessment area credit needs.
- **Lending in Assessment Area** – A majority of the bank's commercial and 1-4 family residential loans were originated within the assessment area.
- **Lending to Businesses of Different Sizes and Borrowers of Different Income Levels** – The bank has achieved a reasonable penetration of loans to businesses of different sizes and borrowers of different income levels within the assessment area.
- **Geographic Distribution of Loans** – The geographic distribution of commercial and 1-4 family residential loans reflects an excellent dispersion throughout the assessment area.
- **Response to Complaints** – The bank has not received any CRA-related complaints since the last CRA Performance Evaluation, dated July 9, 1999.

## DESCRIPTION OF INSTITUTION

First Piedmont Bank is a locally owned and operated commercial bank, which was chartered on April 15, 1998. The bank's main and only office is located in Winder, Georgia (Barrow County) in a moderate-income census tract. The bank has a drive-thru facility and an automated teller machine (ATM). The bank supports development, economic revitalization, and growth within its assessment area, consistent with its size, financial capacity, and local economic conditions. First Piedmont Bank's assessment area is comprised of Barrow County, which is part of the Atlanta Metropolitan Statistical Area (MSA). Competition within the assessment area includes one other community bank and several branches of large regional financial institutions.

The bank offers a full range of deposit products and broadly provides its lending services to businesses and individuals within its assessment area. A review of the bank's loan portfolio reflects management's efforts to meet the credit needs of the assessment area. As of March 31, 2004, the bank had total assets of \$72,560,000, total loans of \$58,660,000, and total deposits of \$62,074,000. While the bank offers a variety of loan products, the largest product lines are construction and land development loans, commercial loans (combining non-farm, non-residential and commercial and industrial loans), and 1-4 family residential loans. These loans total \$26,331,000, \$17,215,000, and \$10,576,000, representing 45 percent, 29 percent, and 18 percent of the total loan portfolio, respectively. Refer to the table below for a detailed list of the bank's loan portfolio as of March 31, 2004.

<b>Loan Distribution as of March 31, 2004</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	26,331	45
Secured by Farmland	2,331	4
1-4 Family Residential	10,576	18
Multi-Family (5 or more) Residential	1,531	3
Nonfarm, Nonresidential Properties	15,961	27
<b>Total Real Estate Loans</b>	<b>56,730</b>	<b>97</b>
Commercial and Industrial	1,254	2
Agricultural	0	0
Consumer	675	1
Other	1	0
<b>Total Loans</b>	<b>58,660</b>	<b>100</b>

Source: Report of Condition

## DESCRIPTION OF ASSESSMENT AREA

First Piedmont Bank’s assessment area is Barrow County, which is included in the Atlanta MSA. The assessment area is in conformance with the CRA regulation, consists of whole geographies, and does not arbitrarily exclude any low or moderate-income areas that the bank would reasonably be expected to serve. A more detailed description of Barrow County is included below.

The income levels of borrowers in Barrow County are based on the Housing and Urban Development’s (HUD) 2002 and 2003 estimated median family income for the Atlanta MSA of \$71,200 and \$68,800, respectively. Income levels of census tracts in the assessment area are based on the Atlanta MSA 1990 median family income of \$41,047 for loans originated in 2002 and the 2000 median family income of \$59,313 for loans originated in 2003. Refer to the following table for details of how borrower income and census tract income levels are defined.

Definition of Borrower Income and Census Tract Income Levels	
Income Level	Percent of MFI
Low	Less than 50%
Moderate	50% to less than 80%
Middle	80% to less than 120%
Upper	120% and above

### **Barrow County**

Barrow County is located in north central Georgia. According to 2000 U. S. Census data, Barrow County is comprised of three moderate-income and four middle-income census tracts. The county has a total population of 46,144; total households of 16,392; and total families of 12,613. Of the low-income families in Barrow County, 26 percent are below the poverty level. There are 17,304 housing units in the assessment area of which 12,353 (71 percent) are owner-occupied; 4,001 (23 percent) are renter-occupied; and 950 (6 percent) are vacant. The county includes the following: 13,902 (80 percent) one-to-four family units; 542 (3 percent) five or more family units; 2,853 (17 percent) mobile homes; and 7 other type units. The median housing value is \$98,794 and the median gross rent is \$583 as compared to the state averages of \$100,600 and \$613, respectively.

The county’s unemployment rate was on a downward trend from its decade-high peak of 6.6 percent in 1993 (following a recession) to the most recent recession. At the onset of the 2000-2001 recession, the unemployment rate rose again, but has since abated. The March 2004 non-seasonally adjusted jobless rate was 3.9 percent compared to the state’s 3.7 percent and the Atlanta MSA’s 3.8 percent jobless rate. Surrounding counties ranged from a low of 1.4 percent in Oconee County to a high of 3.4 percent in Walton County.

Public administration and retail trade are the county's largest employers, accounting for 23 percent and 25 percent of total employment, respectively. State and local government along with public education are the largest components of public administration, while restaurants, grocery and department stores are the largest retailers. Manufacturing is another leading industry, accounting for 21 percent of total employment. In 1986, manufacturing accounted for over half of all employment for the county. Barrow County was dominated by textiles and apparel; however, like many other areas of the Southeast that were dependent on this industry, global competition and lower labor costs have taken a toll on the county's employment picture. The closing of Duck Head Apparel Company (106 jobs lost) in 2001 was one factor that drove the county's unemployment rate higher. A rail car manufacturer also eliminated several hundred jobs in the county during 2001.

The population of Barrow County has grown at 10.6 percent between 2000 and 2002, compared to the state's growth rate of 4.6 percent. Total residential permit issuance increased by 11.4 percent for the year ending April 2004.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

A sample of commercial loans originated between January 1 and June 30, 2004 and all 1-4 family residential loans reported on the bank's 2002 and 2003 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) were reviewed to assess the bank's performance in meeting the credit needs of the assessment area. During the first six months of 2004, the bank originated 57 commercial loans totaling \$6,641,000. A sample of 25 commercial loans totaling \$1,050,000 was analyzed for this evaluation. During 2002, the bank originated 64 HMDA-applicable loans totaling \$5,499,000 and 72 HMDA-applicable loans totaling \$7,516,000 during 2003.

HMDA loans originated in 2004 were not analyzed since the first six months of data was not available as of the evaluation date. Residential loans the bank originated as broker for other investors which are not listed on the bank's LARs are also not considered in this evaluation. Additionally, construction and land development loans, the bank's largest loan product, were not analyzed since they are seasonal credits and are not primarily for community development purposes as defined by the CRA regulation.

### **Loan-to-Deposit Ratio**

The bank's average net loan-to-deposit ratio is considered adequate. The bank's average net loan-to-deposit ratio, calculated using the 19 quarter-end ratios since the previous CRA Performance Evaluation, dated July 9, 1999, is 87 percent. While there are several other financial institutions in the assessment area, the most similar competitor in both size and structure is The Peoples Bank, which is also headquartered in Winder. The People Bank's average net loan-to-deposit ratio for the same 19 quarters is 59 percent. The bank's peer group average, utilizing peer data from the Uniform Bank Performance Report (UBPR), was 73 percent for the same time frame.

The bank also originates (but does not fund) a substantial volume of 1-4 family residential mortgages as broker for other investors. These loans are not reflected in the bank's average net loan-to-deposit ratio. The bank originated 137 of these loans totaling \$16,236,000 in 2003.

A recent contact with a local economic development agency noted that local banks are active in the community and that they were not aware of any unmet community development needs in the area.

### **Lending Inside the Assessment Area**

The bank's lending inside its assessment area is considered satisfactory. The bank extended a majority of its commercial loans inside the assessment area based on a sample of 25 commercial loans that originated between January 1 and June 30, 2004, (80 percent by number and 79 percent by dollar volume).

The bank originated a majority of its HMDA loans inside the assessment area for 2002 (84 percent by number and 72 percent by dollar volume) and for 2003 (81 percent by number and 78 percent by dollar volume). The tables on the following page detail the analysis of the bank's level of lending inside its assessment area by product type.

<b>Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (in 000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Commercial	20	80	5	20	<b>25</b>	832	79	218	21	<b>1,050</b>
HMDA 2002	54	84	10	16	<b>64</b>	3,948	72	1,551	28	<b>5,499</b>
HMDA 2003	58	81	14	19	<b>72</b>	5,864	78	1,652	22	<b>7,516</b>
<b>Total</b>	132	82	29	18	<b>161</b>	10,644	76	3,421	24	<b>14,065</b>

Source: Bank Records

### **Lending to Businesses of Different Sizes and Borrowers of Different Income Levels**

Overall the bank's record of lending within the assessment area reflects a reasonable penetration among businesses of different sizes and borrowers of different income levels.

Of the commercial loans sampled that were originated inside the assessment area, 17 loans totaling \$737,714 were to businesses with less than \$1 million in gross annual revenues (85 percent by number and 89 percent by dollar volume). Furthermore, 14 loans totaling \$709,214 (70 percent by number and 85 percent by dollar volume) were to businesses with less than \$500,000 in gross annual revenues. This level of lending to small businesses exceeds the percentage of small businesses located in the assessment area (61 percent) as reflected in the 2003 Dun & Bradstreet data.

It is noted, however, that revenues are unknown in 35 percent of the businesses listed by Dun & Bradstreet (and in 15 percent of the loans sampled for this evaluation). If these loans are excluded from the Dun & Bradstreet data, the percentage of loans originated to small businesses with less than \$1 million in gross annual revenues changes significantly to 94 percent, which is more in line with the bank's performance, which is 100 percent when loans without reported income are excluded. The table below depicts the bank's level of lending to businesses of different sizes.

<b>Lending to Businesses of Different Sizes</b>						
<b>Gross Annual Revenues of Businesses</b>	<b>Number of Businesses by Dun &amp; Bradstreet</b>	<b>% of Number of Businesses by Dun &amp; Bradstreet</b>	<b>Number of Commercial Loans</b>	<b>Percentage of Number of Commercial Loans</b>	<b>Dollar Volume of Commercial Loans (in 000s)</b>	<b>Percentage of Dollar Volume (in 000s)</b>
\$0-\$499,999	1,578	60	14	70	709,214	85
\$499,999-\$999,999	19	1	3	15	28,500	4
\$1,000,000 & up	96	4	0	0	0	0
Unknown	923	35	3	15	94,735	11
<b>Total</b>	<b>2,616</b>	<b>100</b>	<b>20</b>	<b>100</b>	<b>832,449</b>	<b>100</b>

Source: 2003 Dun & Bradstreet (2003 data used since 2004 data was not available), Bank Records

Of the 54 residential loans originated in 2002 within the assessment area, 6 loans totaling \$318,000 (11 percent by number and 8 percent by dollar volume) were to low-income borrowers, which is significantly below the 31 percent (based on 1990 census data) of low-income families in the assessment area. The numbers are lower, in part, due to the significant number of low-income families with incomes below the poverty level (51 percent in 1990). Additionally, the majority of residential loans the bank originates are to investors whose incomes are generally higher than purchasers of owner-occupied homes in the same price range. The same data revealed 17 residential loans totaling \$1,077,000 (32 percent by number and 27 percent by dollar volume) were to moderate-income borrowers, exceeding the 20 percent of moderate-income families in the assessment area.

Of the 58 residential loans originated in 2003 within the assessment area, 8 loans totaling \$739,000 (14 percent by number and 13 percent by dollar volume) were to low-income borrowers, which is below the 25 percent (based on 2000 census data) of low-income families in the assessment area. Again, the numbers are lower due to the significant number of low-income families with incomes below the poverty level (36 percent in 2000) and the higher number of investor properties. The same data revealed 10 residential loans totaling \$898,000 (18 percent by number and 15 percent by dollar volume) were to moderate-income borrowers, which is more in line with the percentage of moderate-income families within the assessment area. The tables below depict the bank's level of lending to borrowers of different incomes in 2002 and 2003 for residential loans.

<b>Distribution of 2002 HMDA Loans by Borrower Income</b>					
<b>Income Level</b>	<b>% of Families</b>	<b>Number of Loans</b>	<b>Percentage of Number</b>	<b>Dollar Volume (in 000s)</b>	<b>Percentage of Dollar Volume</b>
Low	31	6	11	318	8
Moderate	20	17	32	1,077	27
Middle	25	12	22	1,207	31
Upper	24	19	35	1,346	34
<b>Total</b>	<b>100</b>	<b>54</b>	<b>100</b>	<b>3,948</b>	<b>100</b>

Source: 1990 U.S. Census, Bank Records

<b>Distribution of 2003 HMDA Loans by Borrower Income</b>					
<b>Income Level</b>	<b>% of Families</b>	<b>Number of Loans</b>	<b>Percentage of Number</b>	<b>Dollar Volume (in 000s)</b>	<b>Percentage of Dollar Volume</b>
Low	25	8	14	739	13
Moderate	20	10	18	898	15
Middle	27	9	16	693	12
Upper	28	30	52	3,508	60
<b>Total</b>	<b>100</b>	<b>57</b>	<b>100</b>	<b>5,838</b>	<b>100</b>
*N/A	--	1	--	26	--
<b>Total</b>	<b>--</b>	<b>58</b>	<b>--</b>	<b>5,864</b>	<b>--</b>

Source: 2000 U.S. Census, Bank Records

\*N/A = Income not available – Percentages do not reflect this loan which is an investment property

## Geographic Distribution of Loans

The geographic distribution of loans reflects an excellent dispersion throughout the assessment area. As previously mentioned, the assessment area consists of three moderate and four middle-income census tracts based on 2000 U.S. Census data (used to evaluate 2004 commercial loans and 2003 HMDA loans), and two moderate- and three middle-income census tracts based on 1990 U.S. Census data (used to evaluate 2002 HMDA loans).

An analysis of the bank's commercial loans revealed that the level of lending in moderate-income census tracts (60 percent by number and 71 percent by dollar volume) exceeds the level of lending in moderate-income census tracts (49 percent). This is reflective of the bank's location in a moderate-income census tract and its close proximity to the other two moderate-income census tracts in the assessment area. The table below illustrates the distribution of the bank's commercial loans throughout the assessment area.

<b>Geographic Distribution of Commercial Loans Inside the Assessment Area</b>					
<b>Income Level of Census Tracts</b>	<b>% of Loans in Census Tracts per Dun &amp; Bradstreet Data</b>	<b>Number of Commercial Loans</b>	<b>Percentage of Number of Commercial Loans</b>	<b>Dollar Volume of Commercial Loans in 000s</b>	<b>Percentage of \$ Volume of Commercial Loans</b>
Moderate	49	12	60	593,612	71
Middle	51	8	40	238,837	29
<b>Total</b>	<b>100</b>	<b>20</b>	<b>100</b>	<b>832,449</b>	<b>100</b>

Source: 2003 Dun & Bradstreet (2003 data used since 2004 data was not available), Bank Records

The bank's level of residential lending in moderate-income census tracts exceeds the percentage of moderate-income geographies within the assessment area, as noted in the tables for both 2002 and 2003. Of the 54 residential loans reviewed for 2002, 76 percent of the number and 82 percent of the dollar volume were originated in moderate-income census tracts as compared to 51 percent of owner-occupied units in these census tracts. Of the 58 residential loans reviewed for 2003, 53 percent of the number and 60 percent of the dollar volume were originated in moderate-income census tracts as compared to 31 percent of the owner-occupied units in these census tracts.

This higher than average level of lending in moderate-income census tracts is due in part to the bank's location within a moderate-income census tract and its close proximity to the other two moderate-income census tracts within the assessment area. Additionally, a significant majority of the residential loans the bank originates are for investment properties, which are more likely to be in moderate-income census tracts where the percentage of rental units is higher than in middle-income tracts. Refer to the following tables for details of the bank's geographic distribution of 2002 and 2003 residential loans.

<b>Geographic Distribution of 2002 HMDA Loans by Income Level of Census Tract</b>					
<b>Income Level of Census Tract</b>	<b>% of Owner-Occupied Units</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>	<b>Dollar Volume of Loans</b>	<b>% of \$ Volume of Loans</b>
Moderate	51	41	76	3,233	82
Middle	49	13	24	715	18
<b>Total</b>	<b>100</b>	<b>54</b>	<b>100</b>	<b>3,948</b>	<b>100</b>

Source: 1990 U. S. Census, 2002 HMDA LAR

<b>Geographic Distribution of 2003 HMDA Loans by Income Level of Census Tract</b>					
<b>Income Level of Census Tract</b>	<b>% of Owner-Occupied Units</b>	<b>Number of Loans</b>	<b>% of Number of Loans</b>	<b>Dollar Volume of Loans</b>	<b>% of \$ Volume of Loans</b>
Moderate	31	31	53	3,492	59
Middle	69	27	47	2,372	41
Total	<b>100</b>	<b>58</b>	<b>100</b>	<b>5,864</b>	<b>100</b>

Source: 2000 U. S. Census, 2003 HMDA LAR

### **Response to Complaints**

The bank has not received any CRA-related complaints since the previous CRA Performance Evaluation dated July 9, 1999.

### **Compliance with Anti-discrimination Laws and Regulations**

The evaluation did not reveal any violations of the substantive provisions of the anti-discriminatory laws and regulations.