

**PUBLIC DISCLOSURE**

**September 7, 1998**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Fidelity National Bank  
Charter No. 16275  
3500 Holcomb Bridge Road  
Norcross, GA 30092**

**Comptroller of the Currency  
Southeastern District Office  
Marquis One Tower, Suite 600  
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Atlanta , Georgia 30303-1223**

**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.**

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## 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 (LMI) 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 **Fidelity National Bank** (Fidelity) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 7, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

### Scope of the Examination

This evaluation covered the time period from our last examination in August 1996 through the start of this examination on September 7, 1998. While we reviewed lending during 1996, we focused most of our attention on loans granted during 1997 and year-to-date June 30, 1998. The bank has not extended any small farm loans, therefore, our analysis of the lending test focused on small business and Home Mortgage Disclosure Act (HMDA) lending. We included HMDA lending performed by its wholly owned subsidiary, Fidelity National Mortgage Company (FNMC), in our analysis.

## INSTITUTION

**Institutions CRA Rating:** This institution is rated **Needs to Improve**.

Fidelity's community reinvestment act performance is considered weak for the following reasons:

- ◆ The geographic distribution of the bank's HMDA and small business lending to borrowers and companies residing in LMI census tracts is very weak. In contrast, the volume of HMDA lending to LMI borrowers and lending to businesses with less than \$1 million in annual revenues is very good. The bank's level of CD lending is also very good.
- ◆ The bank's level of qualified investments is very low and considered poor.

- ◆ The bank's branch structure is heavily weighted toward middle and upper income census tracts. Alternative delivery systems are generally satisfactory as are retail services offered.

The following table indicates the performance level of Fidelity with respect to the lending, investment, and services tests.

Performance Levels	Fidelity National Bank Performance Tests		
	Lending Test *	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X		X
Needs to Improve		X	
Substantial noncompliance			

\* The Lending Test is weighted heavier than the other tests in determining the overall bank rating.

## Description of the Institution

Fidelity was initially organized in 1974 and is a wholly owned subsidiary of Fidelity National Corporation (FNC) a one bank holding company. As of June 30, 1998, Fidelity had total assets of \$665 million and a loan portfolio of \$478 million. The largest segment of the loan portfolio (\$180 million or 38%) is composed of consumer loans, many of which are generated on a national basis via an indirect automobile lending program. Credit card loans, which are also primarily (approximately 80%) originated throughout the nation, accounted for 22% of loans. Other major segments of the portfolio include real estate loans (22%) and commercial loans or loans secured by nonfarm nonresidential real estate (18%). The bank's loan to deposit ratio is 83%. Fidelity operates nineteen full service branches and twelve freestanding ATMs. Fidelity's performance under the CRA was last evaluated as of August 5, 1996 when it was rated Satisfactory.

Fidelity entered into a Formal Agreement with the Office of the Comptroller of the Currency on November 14, 1996 which required the bank to, among other things, achieve and maintain specified higher capital levels. On April 3, 1997, the bank was notified that it was considered undercapitalized. As a result, Fidelity was subject to restrictions on its ability to pay dividends and management fees and restrictions on asset growth and expansion. While the bank's capital is now considered adequate, management's attention and resources have been focused on returning the bank to health.

## **Description of the Assessment Area**

Fidelity has designated portions of five counties within the twenty county Atlanta Metropolitan Statistical Area (MSA) as its assessment area (AA). The bank's AA, which comprises 181 census tracts, includes all of DeKalb County and portions of Clayton, Cobb, Fulton and Gwinnett counties. However, a review of the bank's lending patterns showed that less than 26% of the bank's HMDA lending and 71% of small business lending occurred in the bank's designated AA. The bank had established its AA based on close proximity to branches and not on actual lending patterns. For purposes of this evaluation, we expanded the bank's AA to include all of the five counties described above. The expanded AA includes 80% of the bank's HMDA lending and 91% of the bank's small business lending (See Lending Volume Table below).

There are three hundred and sixty-seven census tracts within the AA with 17% being low income tracts, 18% moderate, 34% middle, and 31% upper income.<sup>1</sup> The AA has a population of 2,177,495 and total families of 563,522 with 19% being low income and 17% moderate income. Approximately 10% of the households in the AA are below the poverty level with 5% of the households on public assistance. The 1998 HUD median family income for the MSA is \$54,700. The median housing price for the AA is \$104,078 with a median year built of 1972. Fifty-two percent of the housing units in the AA are owner occupied.

## **Community Credit Needs and Opportunities**

Community credit needs and opportunities were determined from a number of sources. We reviewed nine prior community contacts performed by the OCC and other regulatory agencies. We also contacted one representative from a local nonprofit organization. From the foregoing information, we identified the primary needs and opportunities within the AA as affordable housing (including multi-family) for low and moderate income individuals, small business loans, and revitalization of various distressed areas. There are ample opportunities within the AA for qualified community development loans, investments and services.

## **Conclusions about Performance Tests**

### ***Lending Test***

#### Lending Volumes

The following table shows an adequate volume of lending. The table displays the HMDA lending of Fidelity and its subsidiary FNMC as well as the bank's small business lending. The bulk of the HMDA lending shown below represents lending activity generated by FNMC. Fidelity itself originated sixty-one HMDA loans during the

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<sup>1</sup> Demographic data presented within this Public Evaluation is from the 1990 U.S. Census unless otherwise noted.

evaluation period.

HMDA AND SMALL BUSINESS LENDING VOLUME - NUMBER AND DOLLAR AMOUNT (\$000s) 1997 & YTD 1998												
	Home Purchase		Refinance		Home Improvement		Multi-family		Total HMDA Lending		Small Business Lending	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Total Lending	862	92,506	344	44,621	9	171	0	0	1,215	137,298	442	73,910
Lending in AA	277	37,388	215	29,142	7	50	0	0	499	66,580	403	65,940

Source: Bank prepared HMDA and Small Business Loan Application Registers.

### Lending Gap Analysis

While we reviewed loan penetration in the bank's entire revised AA, for the purpose of this portion of the analysis, we focused our attention on any potential conspicuous gaps existing in the bank's defined AA. As mentioned previously, the bank's defined AA was considerably smaller than the bank's primary lending territory and included those tracts in close proximity to its branches. There are thirty-six LMI tracts in the bank's defined AA. Thirteen of these tracts had no HMDA or small business loans granted in the last half of 1996, 1997 or year-to-date 1998. This is a relatively large proportion of LMI tracts with no loan penetration and is reflective of the bank's overall weak penetration in LMI tracts. All but three of the tracts had a low ratio of owner-occupied housing which would limit, but not remove, opportunities to grant HMDA lending. There are a significant number of businesses operating in those tracts. While no clearly defined conspicuous gaps were identified, the absence of loans in these tracts negatively reflects on the bank's performance.

### HMDA Lending

The following table compares Fidelity's and FNMC's HMDA lending within the AA to the more significant demographics of the AA. As shown below, the bank's level of lending to borrowers in low and moderate income tracts is weak. This is particularly true in the low income census tracts where the bank's level of lending, on a comparative basis, is only a small fraction of the percentage of owner occupied housing existing in those tracts. While somewhat better, the bank's level of lending in moderate income tracts is also very low. In relative terms, it is less than one-half the proportional level of owner-occupied housing existing in moderate income tracts.

The bank's level of lending to low income borrowers is satisfactory even though it is proportionately less than one-half the level of low-income families residing in the AA. This low level of lending is somewhat mitigated by the fact that 10% of the AA's population is under the poverty level. Given the median housing value of \$104 thousand, a significant portion of the AA's low income borrowers would not be able to qualify for a house loan. On the positive side, the bank's level of lending to moderate income borrowers is very strong and it significantly exceeds the proportional level of moderate income families. When viewed as a whole, the high level of lending to moderate income borrowers results in overall lending to LMI borrowers being good.

<b>Fidelity &amp; FNMC HMDA Lending 1997-YTD 1998</b>							
Demographics				Lending Distribution in AA			
% Owner Occupied Housing by Census Tracts		% Families in Total AA		By CT		By Borrower	
Low	Mod	Low	Mod	Low	Mod	Low	Mod
4.0	11.3	18.8	17.0	0.4	4.4	7.6	18.6

Source: Bank prepared 1996 and 1997 HMDA Loan Application Registers

The following table shows that the bank’s overall market share in its AA dropped significantly in 1997. This was caused by the bank’s need to focus its attention on returning to health. The bank has a disproportionately low level of lending to borrowers residing in LMI geographies. This was particularly true in 1996 when the bank’s level of lending to such borrowers was only slightly more than one-third the level of lending to all borrowers. While there was some proportional improvement in 1997, the bank’s level of lending to such borrowers was very weak. On the positive side, the bank’s level of lending to LMI borrowers was much better, particularly in 1997 when the bank’s proportionate market share of such lending exceeded their overall market share.

Year	<b>1996 &amp; 1997 Fidelity HMDA Market Share*</b>						
	Overall	By CT			By Borrower		
		Low	Mod	LMI	Low	Mod	LMI
1996	.67%	.09%	.27%	.23%	.49%	.63%	.60%
1997	.24%	.03%	.16%	.13%	.29%	.29%	.29%

\* HMDA Reporter Market Share

**Small Business Lending**

There are 65,519 businesses operating in the bank’s AA with 44,944 of those being businesses with annual revenues less than \$1 million. The vast majority of these businesses are in the service and retail trade industries.

The following table compares the bank’s level of small business lending in LMI census tracts to the proportion of small businesses existing in those tracts. While the bank has a very good level of lending to small businesses in low income census tracts, the level of lending in moderate income tracts is very weak. The overall level of lending in LMI tracts is weak. The bank granted only 4.7% of its small business loans to companies located in LMI tracts which compares poorly to the 12.7% of small businesses located in such tracts. Also, as shown in the table, 64.8% of the bank’s small business loans are less than \$100,000. This is a low level compared to the overall market which made 88% of small business loans less than \$100,000. Finally, the table shows that the bank granted 77.3% of reported small business loans to companies with annual revenues less than \$1 million. This compares favorably with the overall market which granted 45% of small business loans to such companies.

Fidelity National Bank - 1997 and YTD 1998 Small Business Lending							
% of Small Biz in CT		% of Bank Loans in CT		% Loans < \$100,000 to total		% Loans with revenues < \$1 million to total *	
Low	Mod	Low	Mod	Bank	Market	Bank	Market
1.6	11.2	1.6	3.1	64.8	88.2	77.3	44.7

Source: Bank prepared 1997 and 1998 CRA Data Loan Collection Registers.

\* Percent of loans to businesses with revenues less than \$1 million when revenue was known.

The following table shows the bank’s overall market share and compares that to the bank’s market share in LMI census tracts. As shown in the table, the bank’s market share of small business loans in low income census tracts is very good. However, the bank’s market share in moderate income tracts is very weak and displays a poor level of lending. When viewed as a whole, the bank’s small business lending in total LMI tracts is weak and displays a poor level of lending. This is particularly true when consideration is given to the fact that the bank’s proportional market share in LMI tracts increased less than the bank’s overall market share from 1996 to 1997.

Year	1996 & 1997 Fidelity Small Business Market Share*			
	Overall	By CT		
		Low	Mod	LMI
1996	.26%	.44%	.12%	.17%
1997	.92%	1.34%	.32%	.48%

Source: FFIEC 1996 and 1997 Aggregate CRA Loan Data.

\* CRA Data Reporter Market Share

Community Development Lending

The bank has an excellent level of community development lending. During the evaluation period, the bank granted eighty-eight loans totaling \$10.5 million. The majority of these loans (\$7 million) were construction financing provided to developers/builders of affordable housing. Other of the larger and more significant CD loans:

- ▶ The bank granted a \$1.5 million line of credit to the Business Development Corporation of Georgia (BDCG) the purpose of which was to facilitate small business lending. The BDCG provides approximately 98% of its loans to small businesses which are primarily start-up companies.
- ▶ The bank granted a \$748 thousand loan to the Dekalb County Economic Opportunity Authority (DCEO) which provides a wide range of services to LMI families and individuals. The proceeds of the loan was used to refinance real estate which is occupied by the DCEO.
- ▶ The bank granted a \$150,000 loan to Senior Connections which provides social services to individuals



over the age of 60. More than 75% of the recipients of these services, which include Meals on Wheels, are low income individuals.

- ▶ The bank granted a \$1.1 million loan to the Housing Authority of Dekalb County which promotes affordable housing. The loan was used to refurbish and renovate the main facility which houses the Authority.

### Innovative and Flexible Lending Programs

The bank does not have any proprietary lending programs which would be considered innovative or flexible. The bank participates in the Georgia Housing Finance Authority program which provides lower interest rates and down-payment assistance. During the evaluation period, the bank granted eight loans under the program totaling \$578 thousand.

### *Investment Test*

The bank has made a very low level of qualified investments in relation to its size and scope of operations. During the evaluation period, the banks' qualified investments were limited to six contributions totaling \$5,990. Given the significant needs and opportunities existing within the bank's AA, a higher level of performance is warranted.

### *Service Test*

The bank's branch and ATM network is reasonably accessible to residents of its AA. The bank has a total of nineteen branches with none located in low income tracts and one located in a moderate income tract. The number of branches physically located in LMI tracts is low at 5% and compares unfavorably to the volume of LMI census tracts at 35% and the proportion of families residing in LMI tracts at 22%. Additionally, only a few of the branches are in tracts which border on, or are in close proximity to, LMI tracts. The bank has not closed any branches since the last examination and has opened three, all of which are located in middle or upper income census tracts.

The bank has a total of twelve freestanding ATMs, all of which only provide cash-dispensing services. The ATMs do not provide deposit taking services. None of the ATMs are located in low income tracts, three are in moderate income, six in middle income, and three in upper income. The bank's level of ATMs (25%) in LMI tracts is adequate when compared to the overall volume of LMI census tracts and families living in LMI tracts.

The bank generally provides similar services and hours of operation at all branches. Almost all of the bank's branches are full service offering both Saturday banking and drive-in facilities. The only branch which does not offer either service is the Peachtree Center branch which is located in a moderate income census tract in the heart of downtown Atlanta's sparsely populated business district.

The bank provides several alternative delivery systems including a Voice Response Unit which operates 24 hours a day, seven days a week and a parallel Telephone Banking Department which operates five days a week from 8AM to 6PM. Since its inception in August of 1996, the telephone Banking Department has been responsible for opening 188 deposit accounts and 63 loans. The bank does not track the income level or geographic location of the deposit or loan customers of this department.

The bank provides an adequate level of community development services. Examples include:

- ▶ The bank participates in the Partners in Education Program in Dekalb County. Under this program the bank has adopted two schools. One of these schools is located in a moderate income census tract and draws students entirely from that tract. The other school serves students from three tracts, one of which is a moderate income tract and the other two are middle income tracts. The bank sponsors several activities at the schools including presentations on basic lending information and how to obtain credit.
- ▶ Bank officers participated in the Greater Atlanta Small Business Exposition where the bank's services (marketing, credit cards, cash management, etc.) were presented to attendees. Bank officers also discussed banking services and credit opportunities available to existing and prospective small business owners.
- ▶ The bank sponsored a First Time Home buyer's seminar at one of its branches. The seminar was targeted at potential LMI home purchasers.
- ▶ Bank representatives participate in the Meals on Wheels program several times each month. The primary purpose of the program is to provide meals to LMI persons. Bank representatives also use these opportunities to discuss credit programs and other services with these individuals.

## **Compliance with Antidiscrimination Laws**

We conducted a concurrent fair lending examination and found no violations of the substantive provisions of antidiscrimination laws and regulations.

## APPENDIX - DEFINITION OF TERMS

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a synopsis of their meaning.

Assessment Area (AA) - This area is defined by bank management. It is the geographic boundary where the bank's Community Reinvestment Act (CRA) activities are evaluated.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash, accepting deposits or loan payments and transferring funds between accounts.

Community Development - The primary purpose of the loan, investment or service is for (1) affordable 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 small businesses and farms; and (4) activities that revitalize or stabilize low or moderate income areas.

Geography - A census tract (CT) or block numbering area.

HMDA loan - A residential real estate loan (home purchase, home improvement, refinance or multi-family).

Low, Moderate, Middle and Upper Income Areas - A low income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area family median income, middle income is 80% to 119% of the area median family income and upper income is 120% or more of the area median income.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties including large population centers and nearby communities that have a high degree of interaction.

Qualified Investment - A lawful investment, deposit, membership share or grant that has community development as its primary purpose.

Small Business Loan - A commercial loan (as defined by Call Report Instructions) with an original loan amount of \$1 million or less.

Small Farm Loan - A farm loan (as defined by Call Report Instructions) with an original loan amount of \$500,000 or less.