



# 2007 ANNUAL REPORT





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Tennessee Department of Financial Institutions  
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February 28, 2008

Dear Governor Phil Bredesen and the People of the State of Tennessee:

I am pleased to present to you and our fellow Tennesseans this 33rd Annual Report of the Department of Financial Institutions for fiscal year 2007.

The Department regulates banks, credit unions, trust companies, business and industrial development corporations, industrial loan and thrift companies, insurance premium finance companies, mortgage lenders, brokers, servicers and originators; title pledge lenders, check cashers, deferred presentment services companies and money transmitters.

We play a vital role in regulating and supporting the financial services industry and ensuring that Tennessee financial institutions remain fiscally strong and comply with governing authority.

The Department's mission is to ensure a safe and sound system of state-chartered institutions for Tennessee citizens. The condition of our depository institutions remains good despite challenging economic times. Depository institutions remain well-capitalized, profitable and innovative in their diverse offerings of products and services. Although we continue to see some consolidation, total net assets continue to increase and the complexity and breadth of operations continue to grow. The formation of de novo state banks has slowed.

The Department recommends legislation to strengthen the mortgage industry and our regulation through education, criminal background checks and the state's participation in a national mortgage licensing system. We would also recommend legislation to allow state chartered credit unions to convert to a state chartered mutual savings bank.

The subprime mortgage situation is a major issue facing the nation. Relatively speaking, Tennessee's share of the nationwide subprime market has been small with most subprime mortgage lending occurring in a few other states. While Tennessee depository institutions have not significantly and directly been affected by subprime lending, all Tennessee institutions are dealing with its impact on the broader economy.

The Department's response to these issues generally began about four years ago with the doubling of non-bank examiners to strengthen mortgage regulation and the creation of a Consumer Resources Division. Through traditional core functions of the Department, we have increased mortgage company examinations, established a monitoring system for dealing with troubled entities, issued guidance to the mortgage and finance company industries and have laid the foundation for greater interstate cooperation with other state and federal regulators. A priority for the Department in 2007 was the enforcement of the first year of the Tennessee Home Loan Protection Act (THLPA). Examinations indicated that the mortgage industry was not making high cost loans as defined by the THLPA. A small number of THLPA loans were identified as being made by Industrial Loan and Thrift companies. Some violations were discovered and prompt correction to the benefit of consumers was required.

All of the above mentioned measures focus on regulating financial institutions for the benefit of Tennessee consumers. However, our experience particularly in 2007 indicates to us that financial literacy is one of the keys to dealing with the economic issues facing us today. The Department initiated a number of outreach activities in 2007. Public service announcements, workshops, consumer alerts, panel discussions and a coordinated effort to reach Tennessee teachers and students was part of this effort. We are partnering with THDA to assist in the provision of counseling and a direct outreach to those borrowers holding adjustable rate mortgages. The Department is also partnering with the SmartTennessee program out of the University of Memphis to reach schools throughout Tennessee.

Throughout this report you will find additional information related to the work of this agency, as well as the condition of the entities the Department regulates. As you peruse this report, you will notice that Tennessee remains a premier state for banking and financial services companies. On behalf of the employees of the Department, this report is respectfully submitted.

Sincerely,

Greg Gonzales

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## DEPARTMENT OVERVIEW

### OUR MISSION

The primary statutory mission of the Department of Financial Institutions is to provide the citizens of Tennessee with a sound system of state-chartered and licensed financial institutions by providing for and encouraging the development of depository financial institutions while restricting their activities to the extent necessary to safeguard the interests of depositors; and seeking to ensure compliance by both depository and non-depository financial institutions with governing law and regulations.

### OUR VISION

Our vision is the establishment of a regulatory program that provides for a sound state financial services system within which well meaning institutions have the opportunity to succeed and serve their communities by encouraging commerce while there is strong enforcement of laws and regulations to protect citizens.

#### WHO ARE WE?

##### A Little About Our History

Created in 1913, the Banking Department was headed by the Superintendent of Banks. Ten years later, supervision of state-chartered credit unions was added to its responsibilities. Over the next 70 years, the Department witnessed more changes, one of which was a final name change to the Tennessee Department of Financial Institutions.

## DEPARTMENT OVERVIEW

## TOTAL NUMBER OF STATE-CHARTERED INSTITUTIONS AND LICENSEES/REGISTRANTS

CHARTERS	June 30, 2007	June 30, 2006
Commercial Banks/Savings Banks	164	161
Trust Companies	8	8
BIDCOs	2	3
Credit Unions	115	119
TOTAL NUMBER OF CHARTERS	289	291
LICENSEES/REGISTRANTS	June 30, 2007	June 30, 2006
Industrial Loan and Thrift Companies	885	733
Insurance Premium Finance Companies	74	67
Mortgage Companies	1,577	1,460
Mortgage Loan Originators	17,268	16,211
Money Transmitters	55	53
Deferred Presentment	1,499	1,371
Check Cashers	568	488
Title Pledge Lenders	758	630
TOTAL NUMBER OF LICENSEES/REGISTRANTS	22,684	21,013

## ADMINISTRATIVE AND LEGAL DIVISION

### HEADQUARTERS PERSONNEL - NASHVILLE

#### COMMISSIONER'S OFFICE

Greg Gonzales, Commissioner  
 Cullen Earnest, Legislative Liaison  
 Nicole Lacey, Communications Director  
 Debbie Curry, Commissioner's Assistant

#### ADMINISTRATIVE AND LEGAL DIVISION

Tina Miller, General Counsel  
 Marsha Anderson, Attorney  
 David Axford, Attorney  
 Joseph Schmidt, Attorney  
 Derek Church, Attorney  
 Paula Cagle, CPS, Legal Assistant  
 Kelley Cole, Secretary  
 Tommie Pendergrass, CPA, Fiscal Director  
 Bill Lutche, Human Resources Director  
 Samantha Hudgens, Human Resources Technician  
 Mary Jane Friedmann, Accountant 2  
 Sharon Barnard, Accountant 1  
 Barbara Jones, Administrative Services Assistant  
 Steve Asper, Information Systems Director  
 Bob Eddy, Information Systems Consultant  
 Paul Maier, Information Systems Analyst  
 Charles Ingram, Information Resource Support Specialist  
 Diana Cavender, CPA, Internal Auditor  
 Laura Huffines, Administrative Secretary



The **Administrative Division** administers the Department's budget and oversees fiscal services, human resources, training and development, and information systems. Over the past year, this division has been training to implement the Edison System. The Edison System is a suite of fully integrated software applications that will replace the State's existing administrative business processes such as financial management, procurement, personnel, and payroll administration. Initial implementation is scheduled to begin in July of 2008.

The Department continues to work with both the Department of Human Resources and the Department of Finance and Administration to develop and improve career path with salary progression for our examiners.

Training is another integral part of developing and maintaining a qualified examiner staff. To ensure value, the Department's training needs are annually assessed and budgeted. The majority of the structured training curriculum is acquired through external training sources such as Federal Deposit Insurance Corporation, the National Credit Union Administration, the Board of Governors of the Federal Reserve System, the Educational Foundation of the Conference of State Bank Supervisors, the National Association of the State Credit Union Supervisors, the Federal Financial Institutions Examination Council, the National Association of Consumer Credit Administrators, and the Money Transmitters Regulators Association as well as other sources.

## ADMINISTRATIVE AND LEGAL DIVISION

The Legal Division provides legal advice and representation for the Department. This Section consists of a General Counsel, five staff attorney positions, a Legal Assistant and an Administrative Assistant.

The Department's lawyers advise the Commissioner and departmental personnel in all legal matters affecting the Department. They work with regulated entities and the general public in addressing legal issues. They also work closely with the Governor's Office and the Tennessee General Assembly on legislative issues affecting financial institutions. The Legal Section assists in the coordination of enforcement initiatives with other federal and state regulators as well as with various law enforcement agencies. Also, they represent the Department in all administrative enforcement actions initiated by the various divisions in the Department.

The Legal Section was heavily involved in the 2007 Legislative session by tracking bills, working closely with the Governor's Office, the General Assembly, and other groups sponsoring legislation which impacted the Department. This Section provided assistance to operating divisions on issues involving title pledge lenders, mortgage loan originator registration, predatory lending, bank and trust company operations including interstate transactions, bank and credit union applications, money transmission, Bank Secrecy Act compliance, check cashing, deferred presentment, mortgage companies, and credit union fields of membership, as well as several other issues.

### 2007 LEGISLATION

#### Public Chapter 5

Amends T.C.A. § 45-2-1402

Effective Date: 5/7/07

Public Chapter 5 amends T.C.A. Title 45, Chapter 2, Part 14 by prohibiting a bank or out of state bank from establishing or maintaining a bank branch in this state on the same premises of an affiliate if the affiliate conducts commercial activities. The term "affiliate" is defined as any company that controls, is controlled by or is under common control with another company. The term "commercial activities" is defined as any activity in which a financial holding company, a national bank, or a national bank subsidiary may not engage in under federal law.

#### Public Chapter 6

Amends T.C.A. §§ 45-2-1901(3), 45-2-1902(a) and 45-2-1902(d)(1)

Effective Date: 3/28/07

Public Chapter 6 amends the Credit Card State Bank Act to permit licensed money transmitters who have been located in Tennessee for a minimum of five years with a net worth of \$25 million as of January 1, 2007 to file an application to form a credit card bank. While Public Chapter 6 gives certain money transmitters the ability to file an application to form a credit card bank, the applicant would still have to meet the rigorous standards required to organize a bank.

#### Public Chapter 29

Amends T.C.A. §§ 45-2-213(b) and 45-2-1603

Effective Date: 4/20/07

Public Chapter 29 amends T.C.A. § 45-2-213(b) to clarify that a bank application for a certificate of authority shall be deemed filed if it is not returned by the commissioner to the incorporators within twenty (20) business days instead of ten (10) business days.

Public Chapter 29 amends T.C.A. § 45-2-1603(a)(5) to clarify that the Department can share examination information with certain identified law enforcement agencies concerning "suspected" criminal violations so a determination can be made if a crime has occurred.

Public Chapter 29 amends T.C.A. § 45-2-1603(c) to remove a bank's bonding company as a party that may receive examination information.

#### Public Chapter 80

Amends T.C.A. §§ 45-18-103 and 45-18-104

Effective Date: 10/1/07

Public Chapter 80 amends the Check Cashing Act of 1997 by removing the licensing exemptions for Money Transmitters and Industrial Loan and Thrift Companies from the Act. Money Transmitters and Industrial Loan and Thrift Companies who are in the business of cashing payment instruments for compensation are now subject to regulation and licensing under the Check Cashing Act of 1997. Any bank, trust company, credit union, building and loan association, savings bank or mutual bank organized under the laws of any state or the United States; persons who offer a check cashing service without receiving, directly or indirectly, any consideration or fee; and persons engaged in the cashing of payment instruments which is incidental to the sale of goods or services whose compensation for cashing payment instruments at each site does



**ADMINISTRATIVE AND LEGAL DIVISION**

not exceed 5 percent of the gross receipts from the retail sale of goods or services by such person during its most recently completed fiscal year remain exempt from licensing requirements under the Check Cashing Act. Public Chapter 80 became effective October 1, 2007. Public Chapter 80 provides a grace period for any money transmitter or industrial loan and thrift company engaging in the business of cashing payment instruments for compensation on October 1, 2007 to continue their check cashing business without a license until the commissioner acts upon their application, as long as their licensure application is filed by December 31, 2007.

**Public Chapter 144**

Amends T.C.A. Title 35

Effective Date: 7/1/07

Public Chapter 144 amends T.C.A. Title 35 to create a new chapter known as the Tennessee Investment Services Act of 2007. It establishes a new trust instrument to be known as an Investment Services Trust (a/k/a Spendthrift Trust). The Investment Services Trust would allow a person to set aside a portion of his or her assets in an irrevocable trust for such person's benefit, but would be protected from future creditors. The Trust would not be protected from creditors who exist at the time of the creation of the Trust or who become creditors and bring suit within four years after creation of the Trust.

Public Chapter 144 also extends the acceptable time of vesting in the Uniform Rule Against Perpetuities from 90 to 360 years.

**Public Chapter 186**

Amends T.C.A. Title 35, Chapter 10

Effective Date: 7/1/07

Public Chapter 186 repeals the Uniform Management of Institutional Funds Act (UMIFA) set forth in T.C.A. Title 35, Chapter 10, Part 1 and adds a new Part 2 to Title 35, Chapter 10, to be known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

In essence, the UPMIFA provides statutory guidelines for the management, investment and expenditures of endowment funds held by charitable institutions. This uniform law was drafted by the National Conference of Commissioners on Uniform State Laws (NCCUSL) and replaces the Uniform Management Of Institutional Funds Act (UMIFA) adopted in 1973. Since certain portions of UMIFA had become out of date, UPMIFA was drafted to bring the law governing charitable institutions in line with modern investment and expenditure practices.

**Rulemaking**

No new rules or amendments were filed in 2007.



**ADMINISTRATIVE AND LEGAL DIVISION**

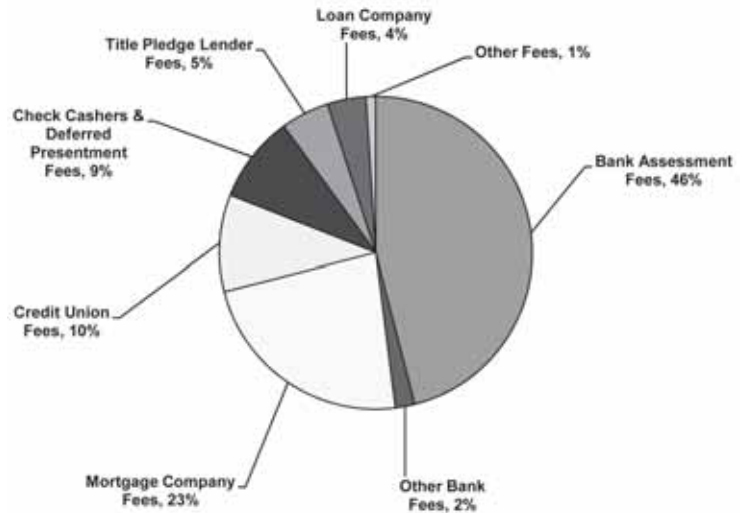
**2007 FISCAL NUMBERS AT A GLANCE**

The Department of Financial Institutions receives no federal or state taxpayer funds and is fully funded by the fees assessed to the financial institutions regulated and supervised by the department.

At the end of Fiscal Year 2007, a rebate of \$2,263,790.52 was distributed to state banks in accordance with Tennessee Code Annotated Section 45-1-118(d)(2) while \$2,724,270.77 was reverted to the State's general fund from surplus funds not associated with the bank assessment fees.

<b>EXPENDITURE AND FUNDING SOURCES</b>	
FY 2006 - 2007	
REVENUES	
Appropriations-Bank Assessment Fee	\$8,128,700.00
Other Banking Fees	\$349,584.72
BIDCO's & Trust Company Fees	\$82,814.10
Credit Union Fees	\$1,807,251.32
Money Order Fees	\$177,538.00
Loan Company Fees	\$636,575.00
Insurance Premium Finance Company Fees	\$31,000.00
Mortgage Company Fees	\$4,043,425.00
Check Cashers Fees	\$476,100.00
Deferred Presentment Fees	\$1,120,000.00
Title Pledge Lender Fees	\$795,700.00
Miscellaneous	\$1,519.35
<b>TOTAL REVENUES</b>	<b>\$17,650,207.49</b>

**Funding Sources**

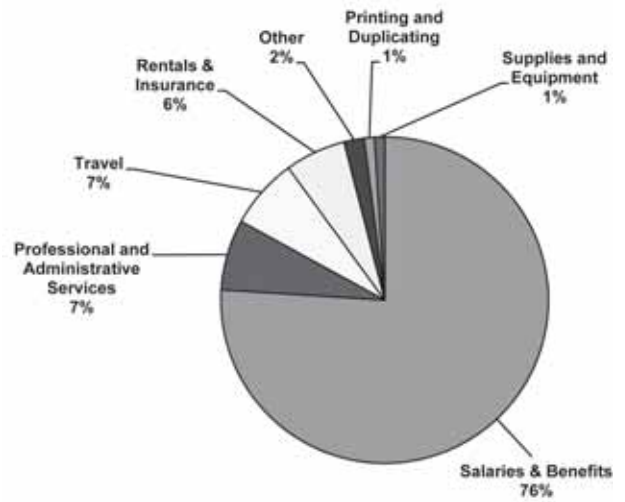


**ADMINISTRATIVE AND LEGAL DIVISION**

EXPENDITURES	
Personal Services	\$7,090,058.98
Employee Benefits	\$2,561,848.28
<b>TOTAL PAYROLL</b>	<b>\$9,651,907.26</b>
Travel	\$858,334.32
Printing Duplicating and Film Processing	\$96,165.37
Communication & Shipping Costs	\$63,654.19
Maintenance, Repair & Services	\$5,130.41
Professional and Administrative Services	\$867,089.59
Supplies	\$155,370.42
Rentals & Insurance	\$819,949.92
Awards & Indemnities	\$2,569.77
Grants & Subsidies	\$127,665.75
Unclassified	\$3,200.00
Equipment	\$11,109.20
<b>TOTAL OPERATIONAL</b>	<b>\$3,010,238.94</b>
<b>TOTAL EXPENDITURES</b>	<b>\$12,662,146.20</b>

EXCESS OF REVENUE OVER EXPENDITURES	
	\$4,988,061.29
Rebated to Banks	\$2,263,790.52
Reverted to the State's General Fund	\$2,724,270.77

**Expenditure Sources**



**2007 TECHNOLOGICAL ADVANCEMENTS**

The Department began the implementation of Entrust full-disk encryption on all Department laptops completing more than 80 percent of the project by the end of December. The remaining laptops and all Department desktop computers are scheduled to have Entrust loaded by the end of April 2008. The initial targets for implementation were the banking and compliance field examiners. The execution of this project has and will build on the progressive information security plan that began implementation in 2005 with a goal of continually minimizing the risk of loss or exposure of sensitive personal and commercial financial data, better ensure data integrity and authenticity, and facilitate compliance with state and federal laws requiring the protection of such data.

**BANK DIVISION**

As a whole, our state chartered banks are capably positioned both strategically and financially to meet new opportunities in the changing economic and regulatory environments and continuing technological and financial innovation.

**The Bank Division** has legal responsibility for ensuring the Tennessee state chartered banking system runs on a safe and sound basis. In its supervisory role, the Bank Division periodically examines the financial soundness of all state chartered banks, savings banks, and independent non-depository trust companies. The Department met the statutory obligation of examining all institutions within 12-month or an 18-month basis. This was accomplished through coordination with federal banking regulators. Bank examiners perform evaluations of each institution's assets, liabilities, income and expenses; monitor compliance with governing laws and regulations; and rate the effectiveness of the institution's management. The adequacy of capital is assessed to ensure the protection of deposits. In addition, examiners review the Information Technology (IT) functions of state chartered institutions for compliance with generally accepted IT practices and for adherence to Departmental regulations. Since 2005, the Bank Division has been incorporating Bank Secrecy Act (BSA) reviews into its independent examination to determine compliance with federal BSA/Anti-Money Laundering regulations. Bank Division staff also examines Business and Industrial Development Companies (BIDCOs) for compliance with governing statutes and evaluates applications for new institutions, branches, expanded financial activities, and corporate reorganizations.

**HEADQUARTERS PERSONNEL – NASHVILLE**

Tod Trulove, CEM, Assistant Commissioner  
Memory Barber, Administrative Assistant

**BANK EXAMINATION AND FINANCIAL ANALYSIS**

Tony Matthews, Chief Administrator  
Justin Cary, Financial Analyst  
Justin McClinton, Financial Analyst  
Philip Ruffin, Financial Analyst

**APPLICATIONS**

Joyce Simmons, CPA, Program Administrator  
Debra Grissom, Applications Specialist

**TRUST**

Vivian Lamb, CEM, Program Administrator

**EXAMINATION PERSONNEL****EAST TENNESSEE DISTRICT**

Kenneth Kelley, CEM, District Manager  
Louella McElroy, CEM, Off-Site Monitoring Supervisor  
Wade McCullough, CEIC, CFE, Supervisor  
Robert Broshears, IT Specialist  
Jonathan Piper, CEIC, IV  
Brooke Roberson, II

**MIDDLE TENNESSEE DISTRICT**

Todd Rice, CEM, District Manager  
Storm Miller, Off-Site Monitoring Supervisor  
John Hudson, CEIC, Supervisor  
Mike Sisk, CEIC, Supervisor  
Sherri Cassetty, CEIC, Trust Examination Specialist  
David Tate, IV

**WEST TENNESSEE DISTRICT**

Shirley Sanderson, CEM, District Manager  
Phil Stafford, CEIC, Off-Site Monitoring Supervisor  
Danny Nolen, CEM, Supervisor  
Terry Warren, CEIC, Supervisor  
Bruce Allen, CEIC, Trust Examination Specialist  
Jerry Davis, CEIC, IT Specialist  
Vicki Ivey, CEIC, IV



C. Bradley Williams, II  
Chad Holbert, I  
Robert Stanton, I  
Matt Curtis, I  
Jessica Huff, I

Alan Kirkwood, I  
JoAnn Schumann, I  
Ekaette Udouman, I  
William Cook, I

Robert Prather, CEIC, IV  
Timothy Runions, CEIC, IV  
Roxanne Taylor, CEIC, IV  
Toniece Johnson, II  
Judy Morgan, II

## BANK DIVISION

### BANK DIVISION INFORMATION AT A GLANCE (AS OF JUNE 30, 2007)

#### BANK DIVISION REGULATED INSTITUTIONS:

- 164 Banks
- 2 BIDCOs (Business and Industrial Development Corporations)
- 8 Independent non-depository trust companies

#### BANK DATA

##### CONSOLIDATED TOTAL ASSETS:

- \$38.3 billion, representing a \$4.95 billion increase since June 30, 2006

##### CONSOLIDATED CAPITAL:

- \$4.12 billion, representing 10.76 percent of Total Assets

##### RETURN ON AVERAGE ASSETS (ROAA):

- Median ROAA of 0.86 percent with a median net interest margin of 4.02 percent (includes all banks)

##### ALLOWANCE FOR LOAN AND LEASE LOSSES (ALL):

- Median ALLL to Total Loans and Lease ratio of 1.23

##### PAST DUE RATIO:

- Median past due ratio of 1.53 percent

#### TRUST COMPANY DATA

##### TOTAL CONSOLIDATED CORPORATE ASSETS:

- \$34 million, representing a 14.70 percent increase over the past year

##### AGGREGATED NET INCOME FOR TRUST COMPANIES:

- \$3.3 million, representing a 91 percent increase compared to the same period in 2006

##### TRUST ASSETS UNDER MANAGEMENT AND/OR CUSTODY:

- Grew 25 percent from \$9.8 billion to \$12.3 billion, inclusive of assets invested in common/collective trust funds.

### STATUS OF SENTINEL TRUST COMPANY, HOHENWALD, TN (IN LIQUIDATION)

As of June 30, 2007, the Department continues to oversee the liquidation of Sentinel Trust Company, Hohenwald, TN subject to a Notice of Liquidation issued on June 18, 2004. During the course of its annual regulatory examination, the Department determined that the Company was engaging in unsafe and unsound fiduciary practices. These practices had caused a shortage in the fiduciary cash position for which Sentinel's capital was insufficient to cover.

As a result, pursuant to Tennessee Code Annotated Section 45-2-1501 et seq., former Commissioner Kevin P. Lavender took possession of Sentinel on May 18, 2004. Immediately thereafter, pursuant to Tennessee Code Annotated Section 45-2-1502(b) (2), the Commissioner issued an Order appointing a Receiver.

The proof of claim process for the cash that was purportedly held in the Fiduciary Cash Account has been completed. On March 7, 2007, the Receiver, pursuant to Court Order, made an initial distribution of \$3,650,493 to claimants. This represents a 37% distribution of the \$9,813,533 in approved Class 5 claims. No decision regarding a second distribution has been made pending further legal actions.

As of June 30, 2007, the Sentinel estate held corporate assets and liabilities totaling \$922,464 and \$14,418, respectively. Negotiations were pending for the sale of the building subsequent to court approval. The Receiver also held fiduciary cash and liabilities totaling \$783,924 and \$365,000, respectively. There were no outstanding bond issues being managed by the Receivership.

### BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS (BIDCOS)

Tennessee Code Annotated, Section 45-8-225, requires a report to be published annually that summarizes the accomplishments of the various BIDCOs operating in Tennessee. Effective March 29, 2007, one BIDCO surrendered its license decreasing the number of BIDCOs currently licensed and regulated by this Department to two. The three BIDCOs licensed during calendar year 2006 provided financing totaling \$2,767,430 to eleven small businesses, preserving and/or creating an estimated 110 jobs. One loan totaling \$400,000 was made to a minority-owned business, and one loan totaling \$148,000 was made to a female-owned business. The summary analysis of the number and dollar amount of loans extended to certain broad categories is detailed as follows:

Category	Number	Amount
Finance, Insurance, Real Estate	3	\$707,430
Manufacturing	1	\$850,000
Retail Trade	1	\$148,000
Service	6	\$1,062,000
Total	11	\$2,767,430

**BANK DIVISION****BANK DIVISION APPLICATION ACTIVITIES FY 2006-2007****NEW BANKS AND TRUST COMPANIES**

- Commerce Union Bank, Springfield, TN (August 2006)
- SmartBank, Pigeon Forge, TN (January 2007)
- TriSummit Bank, Kingsport, TN (February 2007)
- Capital Mark Bank & Trust, Chattanooga, TN (March 2007)
- Foothills Bank & Trust, Maryville, TN (June 2007)

**BANK MERGERS**

- First National Bank of Tullahoma, Tullahoma, TN merged with and into Citizens Tri-County Bank, Dunlap, TN, under the title of Citizens Tri-County Bank (August 2006).
- The Bank/First Citizens Bank, Cleveland, TN merged with and into Branch Banking & Trust Company, Winston-Salem, NC, under the title of Branch Banking & Trust Company (November 2006)
- The Home Bank, Ducktown, TN merged with and into Branch Banking & Trust Company, Winston-Salem, NC, under the title of Branch Banking & Trust Company (November 2006)
- The Home Bank of Tennessee, Maryville, TN merged with and into Branch Banking & Trust Company, Winston-Salem, NC, under the title of Branch Banking & Trust Company (November 2006)
- Cumberland Bank, Franklin, TN merged with and into GreenBank, Greeneville, TN, under the title of GreenBank (May 2007)

**CONVERSIONS**

- Erwin National Bank, Erwin, TN converted to a state chartered commercial bank called Mountain Commerce Bank (September 2006)
- The Peoples National Bank of LaFollette, LaFollette, TN converted to a state-chartered commercial bank called Peoples Bank of the South (February 2007)

**BIDCO TRANSACTIONS**

- The Loan Depot Lending Company, Inc., Chattanooga, TN, voluntary surrender of license to transact business as a business and industrial development corporation (March 2007).

\* There were no new trust companies or trust company voluntary corporate transactions for fiscal year 2006-2007.



# BANK DIVISION

## KEY BANK RATIOS (AS OF JUNE 30, 2007)

CITY	INSTITUTION	CERT #	NET INCOME TO AVG TOTAL ASSETS RATIO	NET LOANS TO ASSETS RATIO	ALLOWANCE FOR LOAN LOSSES RATIO	CORE CAPITAL (LEVERAGE) RATIO	NET LOANS TO DEPOSITS RATIO	NET INCOME TO AVG TOTAL EQUITY RATIO
ADAMSVILLE	Farmers & Merchants Bank	9188	0.42	42.08	3.51	11.77	49.79	3.61
ASHLAND CITY	Community Bank & Trust	35258	1.05	68.56	1.27	8.06	78.99	11.99
ATHENS	SouthEast Bank & Trust	57348	0.7	79.48	1.1	8.16	90.15	8.57
ATWOOD	Citizens Bank & Trust Company	6100	0.84	58.76	0.89	8.25	65.05	14.18
BARTLETT	Bank of Bartlett	23123	0.84	66.01	1	7.8	81.54	11.28
BELLS	Bank of Crockett	1468	1.49	43.62	1.79	10.95	49.39	13.96
BENTON	Benton Banking Company	10696	0.93	81.71	1.21	9.79	92.2	9.66
BRADFORD	The Bank of Bradford	2382	1.15	33.53	2.36	17.29	41.1	6.82
BRENTWOOD	Reliant Bank	58209	-0.65	63.2	1.25	13.07	72.59	-4.49
BRIGHTON	Brighton Bank	9189	0.69	52.5	1.41	11.07	59.56	6.37
BROWNSVILLE	INSOUTH Bank	22020	0.52	73.21	0.94	8.65	107.21	5.9
BYRDSTOWN	People's Bank and Trust Company of Pickett County	22756	2.2	76.3	1.93	10.26	87.73	21.89
CAMDEN	Bank of Camden	9176	0.85	36.95	1.61	8.77	45.13	5.72
CARTHAGE	Citizens Bank	893	2.08	52.79	0.76	14.58	62.3	14.31
CHAPEL HILL	First State Bank	2383	0.62	68.94	1.28	11.52	78.57	5.6
CHATTANOOGA	CapitalMark Bank & Trust	58507	-17.32	65.09	1.5	58.44	120.61	-23.16
CHATTANOOGA	Cohutta Banking Company of Tennessee	57913	-0.42	81.45	1	10.71	113.29	-3.55
CHATTANOOGA	Cornerstone Community Bank	26256	1.66	83.61	1.14	8.73	117.45	19.3
CHATTANOOGA	First Volunteer Bank of Tennessee	10307	1.52	72.67	1.19	9.46	81.88	15.91
CLARKSVILLE	Cumberland Bank and Trust	57091	0.8	76.77	1.17	8.53	89.2	9.52
CLARKSVILLE	F&M Bank	9963	0.96	80.6	0.84	8.02	94.37	12.18
CLARKSVILLE	Legends Bank	34936	0.82	67.45	1.02	7.79	75.82	10.71
CLEVELAND	Bank of Cleveland	28955	1.94	90.8	1.07	9.8	104.01	20.24
CLEVELAND	Southern Heritage Bank	35093	-0.49	69.24	2.78	9.57	77.19	-5.08
CLIFTON	Peoples Bank	9489	0.8	70.78	1.58	8.35	82.39	10.05
CLINTON	The Community Bank of East Tennessee	34847	0.64	60.76	1.07	8.66	68.65	7.48
COLLIERVILLE	BankTennessee	29177	0.59	64.83	1.32	9.82	80.27	7.29
COLUMBIA	Community First Bank & Trust	35165	0.76	84.06	1.18	9.23	97.99	8.5
COLUMBIA	First Farmers and Merchants Bank	1487	1.05	62.89	1.47	11.88	74.2	8.15
COLUMBIA	Heritage Bank & Trust	58220	-2.36	76.21	1.29	14.14	89.41	-14.46
COOKEVILLE	Bank of Putnam County	8432	0.78	50.9	0.76	7.1	55.27	16.02
COOKEVILLE	Putnam 1st Mercantile bank	58079	0.06	56.69	1.29	19.21	70.35	0.29
CORDOVA	First Alliance Bank	35245	0.23	78.28	1.25	8.18	88.19	2.84
CROSSVILLE	Cumberland County Bank	18364	1.12	62.86	0.91	7.25	68.34	22.14
DECATURVILLE	Decatur County Bank	6101	0.82	47.14	1.18	13.23	65.29	9.02
DECHERD	Franklin County United Bank	57851	0.72	76.57	1.28	13.62	87.92	5.21
DICKSON	Bank of Dickson	17327	1.08	63.72	0.97	13.62	75.98	8.06
DICKSON	TriStar Bank	35417	0.91	69.9	1.13	8.98	80.37	9.79
DUNLAP	Citizens Tri-County Bank	20818	1.49	65.3	1.16	7.67	73.49	21.88
DUNLAP	Mountain Valley Bank	1705	1.2	80.18	1.08	8.76	88.45	13.96
DYER	The Farmers & Merchants Bank	1480	0.87	45.83	0.9	8.47	54.5	13.37
ELIZABETHTON	Carter County Bank of Elizabethton, Tennessee	15685	1.27	78.98	1.22	8.28	91.47	21.61
ELIZABETHTON	Citizens Bank	14851	1.64	79.9	0.84	10.37	107.29	18.58
ERIN	Traditions First Bank	57092	0.62	64.46	1.15	11.32	77.89	5.56
ERWIN	Mountain Commerce Bank	4931	-1.86	67.56	1	16.2	83.3	-6.97
FAYETTEVILLE	Bank of Lincoln County	57396	0.62	70.6	1.06	8.44	77.4	7.33
FRANKEWING	Bank of Frankewing	1484	0.9	68.86	0.94	8.15	76.04	10.72
FRANKLIN	Tennessee Commerce Bank	35296	1.03	85.75	1.32	8.74	93.64	12.36
GALLATIN	Sumner Bank & Trust	57954	-0.59	57.45	1.27	15.34	67.63	-3.65
GATES	Gates Banking and Trust Company	10306	0.74	43.05	2.09	11.07	49.6	6.92
GERMANTOWN	First Capital Bank	57552	0.43	82.46	1.22	10.27	100.87	4.09
GERMANTOWN	Triumph Bank	58227	-2.22	52.69	1.27	19.02	64.91	-10.2
GLEASON	Bank of Gleason	2379	1.17	50.95	1.24	20.54	64.36	5.88
GREENEVILLE	American Patriot Bank	57169	0.56	79.4	0.73	8.85	89.61	6.24
GREENEVILLE	Andrew Johnson Bank	22015	0.86	87.67	0.95	8.64	96.67	9.92
GREENEVILLE	GreenBank	895	1.16	78.86	1.41	10.47	109.52	7.06
GREENEVILLE	Heritage Community Bank	57656	0.35	83.12	1.06	9.37	100.77	5.36
GREENFIELD	Greenfield Banking Company	15255	0.87	64.76	1.13	12.98	78.97	6.87
HALLS	Bank of Halls	10315	1.17	54.84	1.13	11.66	64.72	10.62
HALLS	The Lauderdale County Bank	22835	0.62	47.75	1.56	9.61	53.49	7.07
HARROGATE	Commercial Bank	22354	1.39	74.23	1.11	11.42	95.85	12.39
HARTSVILLE	Citizens Bank	6103	1.14	70.3	0.95	8.17	80.72	14.64
HENDERSON	Chester County Bank	19813	0.74	41.91	3.34	9.59	47.5	7.92
HENDERSONVILLE	American Security Bank and Trust Company	57636	0.99	78.08	1.27	20.09	98.99	4.97
HUNTINGDON	Carroll Bank and Trust	2380	0.91	65.47	0.75	11.04	76.92	8.34
JACKSON	First South Bank	9170	1.17	73.29	1.09	8.08	87.56	16.73
JACKSON	The Bank of Jackson	34457	1.19	73.8	1.2	11.2	88.07	10.54
JAMESTOWN	Community Bank of the Cumberlands	57111	0.95	83.69	0.95	7.72	91.39	12.64
JAMESTOWN	Union Bank	6088	1.07	51.34	1.25	11.73	58.8	9.29
JASPER	Citizens State Bank	20100	0.54	62.98	0.96	7.62	68.32	10.11
JEFFERSON CITY	First Peoples Bank of Tennessee	21874	1.11	61.85	0.89	8.17	69.86	20.02
JELICO	Union Bank	1693	0.9	57.93	1.18	11.19	65.9	11.55
JOHNSON CITY	State of Franklin Savings Bank	34137	0.84	57.41	0.77	7.85	69.81	10.54
KINGSPORT	Bank of Tennessee	21573	0.84	76.26	1.09	8.08	94.83	14.32
KINGSPORT	TriSummit Bank	58467	-12.58	2.87	1.23	65.18	6.34	-16.82
KNOXVILLE	American Trust Bank of East Tennessee	57689	0.96	78.22	1.25	14.75	97.1	6.73
KNOXVILLE	BankEast	19869	0.1	68.65	1.28	9.62	78.46	0.96
KNOXVILLE	Clayton Bank and Trust	6104	0.54	76.18	1.62	8.8	88.66	8.42
LA FOLLETTE	Peoples Bank of the South	4945	1.08	75.08	0.87	13.35	87.31	10.28
LAFAYETTE	Citizens Bank of Lafayette	1711	0.86	47.45	1.31	10.65	53.48	8.13
LAFAYETTE	Macon Bank and Trust Company	6091	0.92	46.98	1.34	10.7	53.37	8.66
LEBANON	CedarStone Bank	57684	0.12	77.32	1.14	8.51	87.82	1.36
LEBANON	First Freedom Bank	58208	-0.86	54.48	1.48	17.19	64.87	-4.49
LEBANON	Wilson Bank and Trust	26962	0.86	70.86	1.04	8.36	79.55	10.18
LEWISBURG	First Commerce Bank	57465	0.31	66.98	1.14	8.37	75.85	3.81
LEXINGTON	Community Bank	31272	0.53	62.94	1.25	9.65	81.43	5.64
LEXINGTON	First Bank	8663	0.86	72.64	1.17	6.63	87.25	12.47
LIBERTY	Liberty State Bank	11881	0.89	56.62	1.79	10.91	64.23	8.08
LIVINGSTON	American Bank & Trust of the Cumberlands	31980	0.17	79.63	1.05	8.33	90.67	2.39
LIVINGSTON	Union Bank & Trust Company	9179	1.64	49.3	1.38	10.19	55.12	25.96
LOBELVILLE	Bank of Perry County	1713	1.65	72.92	1.11	11.84	89.48	18.8
LYNCHBURG	The Farmers Bank of Lynchburg	1690	0.55	61.7	2.46	12.65	71.45	4.44
MADISONVILLE	Peoples Bank of East Tennessee	34517	0.39	68.2	1.04	7.13	73.83	5.69

## BANK DIVISION

### KEY BANK RATIOS (AS OF JUNE 30, 2007)

CITY	INSTITUTION	CERT #	NET INCOME TO AVG TOTAL ASSETS RATIO	NET LOANS TO ASSETS RATIO	ALLOWANCE FOR LOAN LOSSES RATIO	CORE CAPITAL (LEVERAGE) RATIO	NET LOANS TO DEPOSITS RATIO	NET INCOME TO AVG TOTAL EQUITY RATIO
MANCHESTER	Coffee County Bank	22090	1.61	80.85	1.33	9.35	96.6	25.21
MANCHESTER	Peoples Bank & Trust Company	1475	1.28	59.09	1.19	8.76	68.75	14.42
MARYVILLE	Citizens Bank of Blount County	21227	1.75	77.64	1.37	16.28	99.96	10.95
MARYVILLE	Foothills Bank & Trust	58591	-87.96	10.72	1.31	84.88	32.28	-103.66
MASON	The Bank of Mason	9956	-0.4	36.14	1.52	9.54	47.17	-1.79
MC KENZIE	McKenzie Banking Company	13955	1.74	52.62	2.24	12.09	60.08	14.6
MC MINNVILLE	Homeland Community Bank	57632	1.11	68.64	1.09	14.63	80.29	7.58
MEDINA	Medina Banking Co.	10316	0.81	35.79	1.99	17.43	43.12	5.19
MEMPHIS	Independent Bank	34728	0.44	84.59	1	9.06	95.6	4.89
MEMPHIS	Landmark Community Bank	34982	-2.64	45.43	3.11	23.89	60.36	-10.85
MEMPHIS	Tri-State Bank of Memphis	16511	0.3	55.23	1.99	11.79	62.95	2.51
MEMPHIS	Trust One Bank	34059	0.18	69.28	1.44	8.42	102.31	0.83
MILAN	The Bank of Milan	33861	1.31	48.76	1.52	7.97	60.72	18.83
MILLINGTON	Patriot Bank	57416	1.4	84.19	1.32	8.58	96.27	16.31
MOSCOW	The Bank of Fayette County	10308	0.81	73.95	1.61	9.53	89.57	9.01
MOUNT JULIET	Bank of the South	57152	0.72	72.04	1.06	8.86	84.19	5.63
MOUNTAIN CITY	Farmers State Bank	13775	1.08	56.93	1.1	16.01	71.37	6.89
MOUNTAIN CITY	Johnson County Bank	22070	1.36	82.31	1.37	11.34	112.83	12.26
MURFREESBORO	MidSouth Bank	57859	0.06	73.81	1.09	13.31	84.83	0.49
NASHVILLE	Avenue Bank	6106	-0.86	25.14	2.42	73.91	98.91	-1.27
NASHVILLE	Capital Bank & Trust	33902	0.61	82.72	1.07	8.3	103.81	7.82
NASHVILLE	Citizens Savings Bank and Trust Company	10319	0.58	68.8	1.24	9.48	79.3	6.13
NASHVILLE	Civic Bank & Trust	58040	-1.07	66.08	1.42	16.81	112.56	-6.17
NASHVILLE	InsBank	35521	-0.31	78.03	1.02	15.6	134.81	-2.74
NASHVILLE	Nashville Bank and Trust Company	57825	0.93	64.88	1.26	15.65	76.24	5.99
NASHVILLE	PrimeTrust Bank	57271	0.54	72.49	1.05	8.13	86.57	6.66
NASHVILLE	The Bank of Nashville	32713	0.59	79.29	1.32	8.95	112.54	3.92
NEW TAZEWELL	Citizens Bank	1695	-0.48	70.17	0.84	7.81	76.92	-6.41
NEWBERN	Security Bank	2391	1.26	61.74	1.29	12.16	76.75	10.82
NOLANSVILLE	Peoples State Bank of Commerce	1701	0.42	46.34	0.55	7.47	52.66	4.94
OAK RIDGE	TNBANK	34023	0.52	78.13	1.15	9.67	94.34	5.51
OAKLAND	Oakland Deposit Bank	10320	0.91	74.67	1.36	7.57	83.86	12.29
ONEIDA	First Trust and Savings Bank, Oneida, Tennessee	6109	1.02	67.42	1.53	8.84	78.18	14.75
OOLTEWAH	Community Trust & Banking Company	35138	1.66	82.39	1.15	10.47	96.95	23.12
PARIS	Commercial Bank & Trust Co.	8660	0.96	69	1.82	8.28	77.91	12.32
PARIS	Security Bank and Trust Company	9172	1.53	69.49	0.65	9.89	78.24	15.76
PARSONS	Community South Bank	19849	1.25	77.87	0.91	7.84	100.72	18.89
PARSONS	Farmers Bank	8661	0.72	67.08	1.32	11.28	76.26	6.45
PIGEON FORGE	SmartBank	58463	-5.14	73.8	1.25	23.27	91.08	-18.3
PIGEON FORGE	Tennessee State Bank	20720	1.08	73.21	1.13	9.04	93.09	19.56
PORTLAND	The Farmers Bank	1696	1.49	67.57	1.09	9.02	81.53	16.27
PORTLAND	Volunteer State Bank	22451	1.25	78.9	1.24	7.92	92.68	20.89
RIPLEY	Bank of Ripley	15673	-0.32	49.6	1.46	15.29	58.7	-2.14
ROGERSVILLE	First Community Bank of East Tennessee	33794	0.87	83.22	1.3	9.18	105.27	9.51
ROGERSVILLE	The Citizens Bank of East Tennessee	9499	0.53	73.1	1.17	8.46	85.73	6.37
RUTLEDGE	Citizens Bank and Trust Company of Grainger County	10317	1.15	45.6	1.68	17.31	57.88	6.72
SARDIS	The Peoples Bank	6110	1.53	47.58	1.1	12.88	56.89	12.25
SAVANNAH	Central Bank	31545	0.98	74.6	0.97	10.66	96.81	9.41
SAVANNAH	The Hardin County Bank	20993	1.06	65.94	0.75	8.82	76.78	12.32
SELMER	Home Banking Company	9196	0.98	60.94	1.35	9.4	69.02	10.88
SEVIERVILLE	Sevier County Bank	10318	0.85	59.92	1.16	11.27	68.22	7.66
SHELBYVILLE	First Community Bank of Bedford County	27211	1.29	64.33	1.36	11.67	81.55	11.23
SHELBYVILLE	Peoples Bank of Bedford County	35604	1.21	69.08	1.31	9.1	76.74	13.43
SOMERVILLE	The Somerville Bank & Trust Company	9174	1.68	57.55	1.69	7.15	64.12	17.3
SPENCER	Citizens Bank of Spencer, Tenn.	6092	1.13	61.01	2.33	13.27	71.37	8.25
SPRING CITY	First Bank of Tennessee	10693	1.4	80.24	0.98	8.82	91.56	24.36
SPRINGFIELD	Commerce Union Bank	58366	-3.92	47.63	1.25	24.28	60.9	-13.74
TAZEWELL	First Century Bank	1700	0.75	60.39	0.92	9.84	67.48	7.78
TOONE	Merchants & Planters Bank	8665	0.63	49.97	2.73	9.94	56.59	6.48
TRENTON	Citizens City & County Bank	34399	0.98	66.98	1.47	12.07	80.01	6.85
TREZEVANT	Farmer's and Merchants Bank	8439	0.89	83.12	1.28	7.65	96.78	11.62
TULLAHOMA	American City Bank of Tullahoma	21663	1	66.48	1.21	10.17	79.95	8.51
TULLAHOMA	First Vision Bank of Tennessee	58201	0.25	70.45	1.26	23.12	92.52	1.05
TULLAHOMA	The Bank of Tullahoma	58105	-0.43	62.44	1.26	24.6	82.41	-1.64
UNION CITY	First State Bank	1479	0.64	77.99	0.88	8.11	90.14	7.89
UNION CITY	Reelfoot Bank	9199	1.54	62.99	0.52	9.56	70.88	16.67
WARTBURG	Citizens First Bank	34311	1	72.13	1.05	8.26	84.58	12.06
WAYNESBORO	The Bank of Waynesboro	2375	0.96	69.51	3.29	9.24	81.07	10.53
WAYNESBORO	Wayne County Bank	9168	1.46	78.05	2.79	13.46	98.81	10.93
WINCHESTER	Citizens Community Bank	33739	1.63	73.84	1.27	10.45	87.01	15.94
WOODLAND MILLS	The Farmers Bank, Woodland Mills, Tennessee	15205	0.72	45.13	1.98	18.19	55.18	4.01
	Median Including All Institutions		0.86	68.6	1.23	9.73	79.98	8.30



# BANK DIVISION

## SUMMARY OF INDIVIDUAL BANKS

City	Institution	(A) FDIC Cert #	(B) Cash	(C) Investments	(D) Total Loans	(E) Loan Loss Reserve	(F) Other Assets	(G) Total Assets	(H) Deposits	(I) Other Liabilities	(J) MILU	(K) Capital	(L) Net Income	
ADAMSVILLE	Farmers & Merchants Bank	9188	4384	10991	12853	451	1717	29474	24907	1183	0	3364	62	
ASHLAND CITY	Community Bank & Trust	35256	5627	46921	146144	1883	13933	210442	182663	10141	0	17638	1039	
ATHENS	SouthEast Bank & Trust	57348	5319	24313	168158	1828	12782	206744	182277	7129	0	17338	690	
ATWOOD	Citizens Bank & Trust Company	6100	833	7540	12630	114	753	21642	19647	20	0	1825	126	
BARTLETT	Bank of Bartlett	23123	14307	119742	327100	3256	32678	490571	397138	57173	0	36282	2028	
BELLS	Bank of Crockett	1468	9107	44548	47333	849	6436	106575	94108	793	0	11673	794	
BENTON	Benton Banking Company	10696	6490	8633	88949	1079	4544	107537	95306	1496	0	10735	504	
BRADFORD	The Bank of Bradford	2382	1169	22197	12542	296	907	36519	29799	395	0	8325	218	
BRENTWOOD	Reliant Bank	58209	3219	56009	108988	1362	3430	170284	146268	4871	0	17147	392	
BRIGHTON	Brighton Bank	9189	4284	30583	42997	608	3501	60737	71773	1630	0	7744	247	
BROWNSVILLE	INSOUTH Bank	22020	12553	90883	436698	3850	44703	552947	377221	123388	0	46200	1391	
BYRDSTOWN	Peoples Bank and Trust Company of Pickett County	22756	3928	15428	82821	1592	5812	108195	92382	3104	0	10729	1138	
CAMDEN	Bank of Camden	9178	8858	62403	55808	894	22113	148088	12346	3274	0	23588	897	
CARTHAGE	Citizens Bank	893	14342	200221	255066	1946	11790	479473	406290	3925	0	89258	4943	
CHAPEL HILL	First State Bank	2383	3702	9499	35855	456	2656	51056	44797	332	0	5927	165	
CHATTANOOGA	CapitalMark Bank & Trust	58507	876	19907	48519	700	3993	70395	37988	86	0	32321	-2481	
CHATTANOOGA	Cohutta Banking Company of Tennessee	57913	5845	8003	97928	796	4331	96909	69689	17816	0	9625	-173	
CHATTANOOGA	Cornerstone Community Bank	26256	18838	33247	353905	4040	18497	418347	297804	85829	0	34714	3203	
CHATTANOOGA	First Volunteer Bank of Tennessee	10307	20507	91534	408535	4659	39784	555501	493018	10415	0	52070	4074	
CLARKSVILLE	Cumberland Bank and Trust	57091	3213	17313	84559	986	4755	108852	93686	6199	0	8967	425	
CLARKSVILLE	F&M Bank	9963	12386	55325	462022	3874	42575	568434	485498	38715	133	44090	2832	
CLARKSVILLE	Legends Bank	34538	13247	56189	178001	1797	14845	258285	229770	8851	0	19683	1081	
CLEVELAND	Bank of Cleveland	26955	2919	11656	228324	2428	6110	248581	215273	6368	0	24722	2381	
CLEVELAND	Southern Heritage Bank	35093	5897	51567	155196	4307	9783	217936	195475	2576	0	20086	-539	
CLIFTON	Peoples Bank	9489	2883	22907	89333	1409	10548	124262	106723	7888	0	9851	488	
CLINTON	The Community Bank of East Tennessee	34847	2841	27879	53125	567	3420	86466	76583	2527	0	7408	276	
COLLIERVILLE	Bank Tennessee	29177	5886	48912	143779	1898	22854	219515	176749	17978	0	24790	904	
COLUMBIA	Community First Bank & Trust	35185	8241	39373	398595	4695	39784	555232	399544	24638	88	41562	1883	
COLUMBIA	First Farmers and Merchants Bank	1487	21652	216522	498753	7298	51879	518793	778310	659873	17182	95	101380	4156
COLUMBIA	Heritage Bank & Trust	58220	1312	10611	85325	842	8207	84813	72134	1257	0	11232	847	
COOKEVILLE	Bank of Putnam County	8432	8851	125615	154401	1167	13338	301036	277223	4129	0	19864	1831	
COOKEVILLE	Putnam 1st Mercantile bank	56079	377	19646	30544	394	3007	53180	42857	671	0	9652	14	
CORDOVA	First Alliance Bank	35245	3013	19233	95554	1194	7102	123708	106999	6904	0	9805	139	
CROSSVILLE	Cumberland County Bank	18364	8724	59834	126420	1149	5883	199292	183300	2871	0	13321	1507	
DECATURVILLE	DeCATur County Bank	6101	3288	38609	42121	498	4781	88301	83753	13961	0	10612	489	
DECHERD	Franklin County United Bank	57851	1168	12000	55937	714	3730	72121	62812	200	0	9109	234	
DICKSON	Bank of Dickson	17327	4059	21232	109657	1081	8444	170181	142767	4833	0	22581	914	
DICKSON	TriStar Bank	35417	2262	22190	85441	1243	9675	193249	168524	4285	0	10588	508	
DUNLAP	Citizens Tri County Bank	20818	17711	103789	299737	3471	35368	453712	403134	10283	0	40295	4412	
DUNLAP	Mountain Valley Bank	1705	2199	11081	71380	772	4170	88038	79810	705	0	7523	516	
DYER	The Farmers & Merchants Bank	1480	1345	36117	38883	247	7831	93809	70304	6467	0	6818	468	
ELIZABETHTON	Carter County Bank of Elizabethton, Tennessee	15685	5430	35234	200397	3439	12032	205054	218409	14108	0	20137	2153	
ELIZABETHTON	Citizens Bank	14851	12558	78157	494839	4179	34708	614083	457314	89788	0	86863	8207	
ERIN	Traditions First Bank	57092	2031	16975	42933	493	4392	65836	54490	4325	0	7023	194	
ERWIN	Mountain Commerce Bank	4931	20537	24516	132607	1328	17973	194307	157597	4104	0	32606	-1120	
FAYETTEVILLE	Bank of Lincoln County	57956	5537	32981	113027	1203	8048	158930	144481	1367	0	12542	458	
FRANKFORD	Bank of Frankewing	1484	5410	42891	132262	1249	10935	193269	172289	2303	0	15857	527	
FRANKLIN	Tennessee Commerce Bank	35296	5823	81220	852520	8619	19522	750878	687835	22311	0	61010	3493	
GALLATI	Sunstar Bank & Trust	57954	1737	24674	39157	497	2218	67289	57187	154	0	9968	-184	
GATES	Gates Banking and Trust Company	10306	884	15140	14019	283	2131	31881	27871	701	0	3509	120	
GERMANTOWN	First Capital Bank	57552	2489	20024	145383	1779	8033	174150	142654	14117	0	17379	351	
GERMANTOWN	Triumph Bank	58227	1996	37587	49781	632	4545	93277	75722	1095	0	16480	-878	
GLEASON	Bank of Gleason	2379	2358	39441	47702	592	3559	92468	73202	448	0	18818	554	
GREENEVILLE	American Patriot Bank	57189	3105	9579	83234	605	8751	104064	92208	2796	0	9061	279	
GREENEVILLE	Andrew Johnson Bank	22015	5834	11245	194474	1848	10218	219723	195268	1896	0	18561	909	
GREENEVILLE	GreenBank	895	7808	245247	2337854	52355	301884	2922658	2134488	434011	0	38357	13577	
GREENEVILLE	Heritage Community Bank	57690	489	7008	93938	631	5011	93206	78884	7797	0	8527	225	
GREENFIELD	Greenfield Banking Company	15255	562	14012	30500	344	1835	45855	38189	2319	0	8057	205	
HALLS	Bank of Halls	10315	2143	18046	29181	330	3570	52610	44576	1768	0	6286	326	
HALLS	The Lauderdale County Bank	22835	3693	14982	19684	306	2548	40579	36225	1078	0	3278	118	
HARRROGATE	Commercial Bank	22354	17102	58156	329334	3683	39809	436738	339777	48444	0	50517	3040	
HARTSVILLE	Citizens Bank	6103	3535	28533	84693	802	3378	119335	103934	8374	0	9027	649	
HENDERSON	Chester County Bank	19813	5607	17824	18303	612	1285	42207	37248	1191	0	3788	151	
HENDERSONVILLE	American Security Bank and Trust Company	57636	1807	17377	94288	1200	8940	119192	94019	1321	0	23852	587	
HUNTINGDON	Carroll Bank and Trust	2360	8770	36300	109738	821	12374	166381	141804	7145	0	17612	738	
JACKSON	First South Bank	6170	8176	68832	289817	3134	28512	338812	283678	28844	0	36542	3034	
JACKSON	The Bank of Jackson	34457	3558	20387	87529	1054	7072	117490	98187	8063	0	13240	681	
JAMESTOWN	Community Bank of the Cumberlands	57111	4890	7902	95358	907	5811	112852	103352	818	0	8882	534	
JAMESTOWN	Union Bank	8088	2856	59335	78100	978	10911	150224	131158	1760	0	17308	800	
JASPER	Citizens State Bank	20100	2959	17423	42422	409	4316	86711	61490	328	0	4893	249	
JEFFERSON CITY	First Peoples Bank of Tennessee	21874	8090	31139	71034	633	4191	113821	100778	4411	0	8634	875	
JELICO	Union Bank	1893	2675	17282	33215	392	3680	58680	49810	696	0	6155	353	
JOHNSON CITY	State of Franklin Savings Bank	34137	10882	95802	214477	1658	51214	707899	304851	37055	0	28793	1512	
KINGSFORD	Bank of Tennessee	21573	13499	75455	453457	4947	50693	586157	472971	69384	0	45802	3285	
KINGSFORD	TriSummit Bank	58487	1357	41135	1484	18	8445	52383	22800	51	0	2752	-1601	
KNOXVILLE	American Trust Bank of East Tennessee	57689	5311	13948	80821	1011	2969	102038	82195	5894	0	14149	441	
KNOXVILLE	BankEast	19889	5547	47854	220620	2825	48087	317283	277577	7067	0	32829	152	
KNOXVILLE	Clayton Bank and Trust	6104	3814	60104	306181	4973	30282	395388	339715	24644	0	31009	1313	
LA FOLLETTE	Peoples Bank of the South	4945	3838	24511	102455	893	5358	135289	116327	1188	0	17754	911	
LAFAYETTE	Citizens Bank of Lafayette	1711	10853	135169	147428	1926	15346	308870	272066	24728	0	32385	129	

### BANK DIVISION

### SUMMARY OF INDIVIDUAL BANKS

City	Institution	FDIC Cert #	(A) Cash	(B) Investments	(C) Total Loans	(D) Loan Loss Reserve	(E) Other Assets	(F) Total Assets	(G) Deposits	(G) Other Liabilities	(H) MIUS	(I) Capital	(J) Net income
MOUNTAIN CITY	Farmers State Bank	13775	2576	42758	68369	760	6564	120507	95125	5369	0	19013	654
MOUNTAIN CITY	Johnson County Bank	22070	3219	9949	88187	1212	5528	106671	77086	16865	0	11720	698
MURFREESBORO	MidSouth Bank	57659	6454	41528	176815	1934	14072	236935	206158	869	0	28908	71
NASHVILLE	Avenue Bank	5106	1775	53861	24759	600	5295	95090	24425	290	0	71375	-310
NASHVILLE	Capital Bank & Trust Company	33902	8801	68794	517088	5554	29255	618394	492774	77115	0	48505	1781
NASHVILLE	Citizens Savings Bank and Trust Company	10319	1915	20214	53850	658	1993	77304	67067	3198	0	7039	215
NASHVILLE	Civic Bank & Trust	58040	2121	23902	55411	789	2010	82655	48528	2182	0	12945	-409
NASHVILLE	InsBank	35521	1973	15033	71652	729	2961	90890	24588	0	0	13693	-134
NASHVILLE	Nashville Bank and Trust Company	57825	30369	13678	85316	1072	1547	129838	110499	200	0	19139	559
NASHVILLE	PrimeTrust Bank	57271	10534	128887	429622	4509	21938	586472	491061	50716	0	44695	1474
NASHVILLE	The Bank of Nashville	32713	14393	86453	706489	9300	81285	879320	619828	133387	0	126405	2466
NEW TAZEWELL	Citizens Bank	1695	4095	29469	104514	883	11489	147694	134726	1713	0	11245	-356
NEWBERN	Security Bank	2391	7235	33697	85953	1109	11591	137277	110434	10221	0	16522	862
NOLANSVILLE	Peoples State Bank of Commerce	1701	11700	93420	112425	620	24346	241272	212313	919	0	28040	716
OAK RIDGE	INBANK	34023	3425	28378	149381	1712	9538	189010	156523	14031	0	18456	505
OAKLAND	Oakland Deposit Bank	10320	4982	14250	85817	1170	9481	113360	100837	4073	0	8350	503
ONEIDA	First Trust and Savings Bank, Oneida, Tennessee	6109	6818	27512	81832	1248	4610	119524	103079	5958	0	10487	754
OOLEWAH	Community Trust & Banking Company	35138	2202	12649	98205	1132	5901	117826	100132	5855	0	11840	1329
PARIS	Commercial Bank & Trust Co.	8660	13022	116604	361784	6587	29938	514761	455930	12758	0	46073	2812
PARIS	Security Bank and Trust Company	9172	20534	18892	109106	710	8165	159887	138548	2322	0	15117	1167
PARSONS	Community South Bank	19949	30995	55383	426993	3883	30835	543323	420058	84675	0	38580	3612
PARSONS	Farmers Bank	8951	1829	8370	25058	330	1840	36877	32441	373	0	4063	131
PIGEON FORGE	SmartBank	58463	3129	15741	71272	891	6117	96368	77277	585	0	17506	-1388
PIGEON FORGE	Tennessee State Bank	20720	16501	110522	452440	5103	36676	611036	480951	77757	0	52718	4446
PORTLAND	The Farmers Bank	1695	14555	102142	283210	3096	17767	414578	343585	33455	0	37538	3011
PORTLAND	Volunteer State Bank	22451	7386	28837	210214	2617	19301	263121	224000	18054	0	21067	2171
RIFLEY	Bank of Ripley	15673	4330	68483	82602	1205	9905	164116	138660	1233	0	24223	-270
ROGERSVILLE	First Community Bank of East Tennessee	33794	6691	17287	207195	2693	17271	245751	194271	29439	0	22041	1040
ROGERSVILLE	The Citizens Bank of East Tennessee	9499	2461	23347	94520	1105	8562	127795	108960	8103	0	10722	340
RUTLEDGE	Citizens Bank and Trust Company of Grainger County	10317	4152	72000	73178	1229	9687	157798	124316	7358	0	26124	887
SARDIS	The Peoples Bank	5110	1129	21613	22299	245	1557	46352	38764	1967	0	5521	338
SAVANNAH	Central Bank	31545	3860	19882	90388	878	6841	119993	92459	15356	0	12177	561
SAVANNAH	The Hardin County Bank	20993	6695	55351	168055	1252	24107	252948	217235	14122	0	21591	1317
SELMER	Home Banking Company	9196	4493	14373	36840	498	4430	59638	52553	1720	0	5255	284
SEVIERVILLE	Sevier County Bank	10318	8726	125099	235428	2740	21797	388310	341087	3764	0	43459	1617
SHELBYVILLE	First Community Bank of Bedford County	27211	12748	60536	162937	2223	15821	249819	197066	25089	0	27664	1535
SHELBYVILLE	Peoples Bank of Bedford County	35604	2508	18683	58216	765	4526	83168	74867	1137	0	7164	480
SOMERSVILLE	The Somerville Bank & Trust Company	9174	5953	66255	113984	1927	10454	194719	174763	1729	0	18227	1622
SPENCER	Citizens Bank of Spencer, Tenn.	6092	1852	10109	22317	520	1969	35727	30540	419	0	4769	207
SPRING CITY	First Bank of Tennessee	10693	7257	21009	153151	1501	9238	189754	166285	6817	0	16562	2005
SPRINGFIELD	Commerce Union Bank	58366	1417	27316	28778	361	2514	59564	46565	145	0	12854	-926
TAZEWELL	First Century Bank	1700	11677	78705	171716	1574	21236	281760	252137	1451	0	28172	1095
TOONE	Merchants & Planters Bank	8655	3295	34623	47072	1284	7934	91640	80913	2041	0	8686	286
TRENTON	Citizens City & County Bank	34399	1030	5539	20312	299	3297	29879	25012	569	0	4298	148
TREZEVANT	Farmers and Merchants Bank	8439	4977	5889	116951	1500	12579	138896	119295	9257	0	10344	588
TULLAHOMA	American City Bank of Tullahoma	21663	2869	35789	115634	1402	18948	171838	142871	1741	0	27226	1145
TULLAHOMA	First Vision Bank of Tennessee	58201	1576	12693	46057	579	4804	64551	49158	956	0	14437	76
TULLAHOMA	The Bank of Tullahoma	58105	1428	11890	29992	377	4504	47427	35636	190	0	11301	-93
UNION CITY	First State Bank	1479	22758	133531	810452	7121	70459	1030109	891190	54755	1683	82471	3218
UNION CITY	Reelfoot Bank	9199	9249	25317	87249	457	15436	137794	122455	2448	0	12891	1059
WARTBURG	Citizens First Bank	34311	5848	23943	98961	1035	8007	135624	115655	9139	0	10820	635
WAYNESBORO	The Bank of Waynesboro	2375	8477	24652	99018	3254	8878	137771	118123	7385	0	12263	634
WAYNESBORO	Wayne County Bank	9158	4717	18279	153417	4280	18941	191074	150932	14887	0	25255	1353
WINCHESTER	Citizens Community Bank	33739	4505	22512	105276	1342	9705	140757	119450	6874	0	14433	1142
WOODLAND MILLS	The Farmers Bank, Woodland Mills, Tennessee	15205	689	5599	5467	108	228	11875	9712	47	0	2116	42
<b>TOTALS</b>			<b>1170112</b>	<b>7385103</b>	<b>27510802</b>	<b>332465</b>	<b>2574997</b>	<b>38308549</b>	<b>31626753</b>	<b>2546899</b>	<b>2007</b>	<b>4126892</b>	<b>167832</b>

(A) Cash - Includes currency/coin, both interest-bearing and non-interest bearing balances due from depository institutions  
 (B) Investments - Investments owned: Includes securities, federal funds sold, and securities purchased under agreements to resell  
 (C) Total Loans - Includes all loans and lease financing receivables, net of unearned income  
 (D) Loan Loss Reserve - Allowance for Loan and Lease Losses  
 (E) Other Assets - Includes premises and fixed assets, trading assets, other real estate owned, investments in unconsolidated subsidiaries and associated companies, customer's liability to bank on acceptances outstanding, intangible assets, and assets not reportable elsewhere  
 (F) Total Deposits - Includes all interest bearing and non-interest bearing customer deposits held.  
 (G) Other Liabilities - Includes federal funds purchased, securities sold under agreements to repurchase, demand notes issued to U.S. Treasury, mortgage indebtedness, obligations under capital leases, bank's liability on acceptances outstanding, and all other liabilities  
 (H) Minority Interest in Unconsolidated Subsidiaries  
 (I) Equity Capital - Includes preferred stock, common stock, surplus, undivided profits, and accumulated other comprehensive income  
 (J) Net Income - Income earned after all expenses, taxes, and extraordinary items

**BANK DIVISION****CONSOLIDATED INCOME SHEET (IN MILLIONS)**

	<u>30-Jun-07</u>	<u>30-Jun-06</u>
Interest Income	1252	1049
Interest Expense	579	408
<b>NET INTEREST INCOME</b>	<b>673</b>	<b>640</b>
Non-Interest Income	169	160
Non-Interest Expense	560	508
Provision for Loan Losses	40	31
Securities Gains/Losses	-1	0
<b>Pre-Tax Net Income</b>	<b>241</b>	<b>261</b>
Applicable Income Taxes	73	77
<b>NET OPERATING INCOME</b>	<b>168</b>	<b>184</b>
Extraordinary Gains/Losses	0	0
<b>NET INCOME</b>	<b>168</b>	<b>184</b>
<b>TOTAL CASH DIVIDENDS</b>	<b>71</b>	<b>94</b>

## BANK DIVISION

## CONSOLIDATED BALANCE SHEET (IN MILLIONS)

	30-Jun-07	30-Jun-06	\$ Change	% Change
<b>ASSETS</b>				
Cash and Due from Banks	1170	1115	55	4.93%
Securities	6461	5953	508	8.53%
Federal Funds Sold and Securities Purchased Under Agreement to Resell	925	771	154	19.97%
Loans and Leases Held for Sale	310	271	39	14.39%
Loans and Leases, Net of Unearned Income	27201	23492	3709	15.79%
Allowance for Loan & Lease Losses	-332	-305	27	8.85%
Assets held in Trading Accounts	36	0	36	
Premises and Fixed Assets	977	820	157	19.15%
Other Real Estate Owned	76	58	18	31.03%
Investments in Unconsolidated Subsidiaries	14	13	1	7.69%
Intangible Assets	500	312	188	60.26%
Other Assets	971	858	113	13.17%
<b>TOTAL ASSETS</b>	<b>38309</b>	<b>33358</b>	<b>4951</b>	<b>14.84%</b>
<b>LIABILITIES</b>				
Non-Interest Bearing Deposits	3727	3524	203	5.76%
Interest Bearing Deposits	27899	24060	3839	15.96%
<b>TOTAL DEPOSITS</b>	<b>31626</b>	<b>27584</b>	<b>4042</b>	<b>14.65%</b>
Federal Funds Purchased and Securities Sold Under Repurchase Agreement	679	709	-30	-4.23%
Trading Liabilities	0	0	0	
Other Borrowed Money	1548	1377	171	12.42%
Other Liabilities	329	236	93	39.41%
<b>TOTAL LIABILITIES</b>	<b>34182</b>	<b>29906</b>	<b>4276</b>	<b>14.30%</b>
Minority Interests in Consolidated Subsidiaries	2	1	1	100.00%
<b>EQUITY CAPITAL</b>				
Preferred Stock	4	1	3	300.00%
Common Stock	265	252	13	5.16%
Surplus	2060	1517	543	35.79%
Undivided Profits	1870	1774	96	5.41%
Accumulated Other Comprehensive Income	-73	-93	20	-21.51%
Other Equity Capital Components	-1	0	-1	
<b>TOTAL EQUITY CAPITAL</b>	<b>4127</b>	<b>3452</b>	<b>675</b>	<b>19.55%</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>38309</b>	<b>33358</b>	<b>4951</b>	<b>14.84%</b>

## TENNESSEE STATE-CHARTERED TRUST COMPANIES

## STATEMENT OF CONDITION

Tennessee Chartered Trust Companies  
Statement of Condition 6-30-2007  
(To nearest thousand)

	A	B	C	D	E	F	G	H	I	J
	Cash	Invest	Other Asset:	Tot Assets	Other Liabili	Equity Ca	Net Incom	TAUM	Com/col fd	# of fds
Meridian Trust and Investment Company	Knoxville	259	462	527	1,248	103	1,146	354	444,629	
The Trust Company of Knoxville	Knoxville	454	1,331	473	2,258	316	1,942	434	1,176,299	29,490
Diversified Trust Company	Memphis	1,415	0	3,630	5,045	3,984	1,061	7	3,842,288	1,298,624
First Mercantile Trust Company	Memphis	10,378	0	10,045	20,423	5,361	15,062	1,103	4,818,009	4,340,543
Investment Counsel and Trust Company	Memphis	411	103	171	685	58	627	50	119,226	
Cumberland Trust and Investment Company	Nashville	215	0	694	909	44	865	154	681,575	
Equitable Trust Company	Nashville	1,017	1,146	614	2,777	320	2,456	1,173	1,238,724	
Guardianship and Trusts Corporation (K, L)	Nashville	68	19	157	244	10	234(M)	9	20,335	
<b>Total</b>		<b>14,217</b>	<b>3,061</b>	<b>16,311</b>	<b>33,589</b>	<b>10,196</b>	<b>23,159</b>	<b>3,284</b>	<b>12,341,085</b>	

## FOOTNOTE:

(A) Cash - Includes currency and coin, and both interest bearing and non-interest bearing balances due from depository institutions;

(B) Investments - Investments Owned;

(C) Other Assets - Includes premises and fixed assets, investments in unconsolidated subsidiaries, intangible assets, and all other assets;

(D) Total Assets - The sum of (A) through (C);

(E) Other Liabilities - Includes all liabilities;

(F) Equity Capital - Includes preferred stock, common stock, treasury stock, debt capital, surplus, undivided profits, and all other capital reserves net of any unrealized holding gains (losses) on available for sale securities;

(G) Net Income - Income earned after all expenses, taxes, and extraordinary items;

(H) Total Assets Under Management - Total Discretionary and Non-Discretionary Assets Under Management inclusive of funds held in Common/Collective Funds;

(I) Common/Collective Funds - Assets held in Common and/or Collective Investment Funds trustee by company at market value;

(J) Number of Funds - Number of Common/Collective Funds;

(K) Not-for-profit trust company;

(L) Operates on a fiscal year ending 6-30;

(M) Net Assets.

**TENNESSEE STATE-CHARTERED TRUST COMPANIES****CONSOLIDATED INCOME SHEET (TO NEAREST THOUSAND)**

	<b>30-Jun-07</b>	<b>30-Jun-06</b>	<b>\$ Change</b>	<b>% Change</b>
Fee Income	46,178	38,953	7,225	18.5%
<b>NET FEE INCOME</b>	<b>46,178</b>	<b>38,953</b>	<b>7,225</b>	<b>18.5%</b>
Other Income	236	263	-27	-10.3%
<b>TOTAL INCOME</b>	<b>46,414</b>	<b>39,216</b>	<b>7,198</b>	<b>18.4%</b>
Operating Expenses	33,766	28,096	5,670	20.2%
Advisor/Consulting Fees	5,019	6,546	-1,527	-23.3%
Inter-Company Expense (Credit)	852	0	852	100.0%
Securities (Gains) and Losses	1	8	-7	-87.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>39,638</b>	<b>34,650</b>	<b>4,988</b>	<b>14.4%</b>
Pre-Tax Net Operating Income	6,776	4,566	2,210	48.4%
Applicable Income Taxes	645	417	228	54.7%
Non-Operating Expenses	2,847	2,734	113	4.1%
<b>NET OPERATING INCOME</b>	<b>3,284</b>	<b>1,415</b>	<b>1,869</b>	<b>132.1%</b>
Extraordinary Gains/Losses	0	0	0	0.0%
<b>NET INCOME</b>	<b>3,284</b>	<b>1,415</b>	<b>1,869</b>	<b>132.1%</b>
<b>TOTAL DIVIDENDS AND/OR DISTRIBUTIONS</b>	<b>235</b>	<b>100</b>	<b>135</b>	<b>135.0%</b>

**TENNESSEE STATE-CHARTERED TRUST COMPANIES****CONSOLIDATED BALANCE SHEET (TO NEAREST THOUSANDS)**

	30-Jun-07	30-Jun-06	\$ Change	% Change
<b>ASSETS</b>				
Cash and Due from Banks	14,217	9,607	4,610	47.99%
Securities and Investments	3,061	2,726	335	12.29%
Premises and Fixed Assets	2,446	1,269	1,177	92.75%
Other Assets	13,865	15,682	-1,817	-11.59%
<b>TOTAL ASSETS</b>	<b>33,589</b>	<b>29,284</b>	<b>4,305</b>	<b>14.70%</b>
<b>LIABILITIES</b>				
Other Liabilities	10,196	9,349	847	9.06%
<b>TOTAL LIABILITIES</b>	<b>10,196</b>	<b>9,349</b>	<b>847</b>	<b>9.06%</b>
Unrestricted Assets	216	251	-35	-13.94%
Temporarily Restricted Assets	10	12	-2	-16.67%
Permanently Restricted Assets	8	8	0	0.00%
<b>EQUITY CAPITAL</b>				
Common Stock	4,739	4,640	99	2.13%
Less: Treasury Stock	756	259	497	191.89%
Surplus	17,085	12,706	4,379	34.46%
Undivided Profits	2,047	2,860	-813	-28.43%
Deferred Compensation	0	0	0	0.00%
Unrealized Gains and (Losses)	44	-13	57	438.46%
<b>TOTAL EQUITY CAPITAL</b>	<b>23,159</b>	<b>19,935</b>	<b>3,224</b>	<b>16.17%</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>33,589</b>	<b>29,284</b>	<b>4,305</b>	<b>14.70%</b>

## COMPLIANCE DIVISION

### HEADQUARTERS PERSONNEL – NASHVILLE

Mike Igney, Assistant Commissioner  
 Chris Adams, Chief Administrator  
 Beau Barker, Project Manager  
 Christy Beadle, Financial Analyst  
 Wes Martin, Financial Analyst

The **Compliance Division** is responsible for the licensing and regulatory supervision of the following types of financial institutions operating in Tennessee:

- Industrial Loan & Thrift Companies
- Insurance Premium Finance Companies
- Residential Mortgage Lenders, Brokers and Servicers
- Check Cashing Companies
- Deferred Presentment Service Companies
- Money Transmitters
- Title Pledge Lenders

Mortgage licensees and registrants are also responsible for the registration with the Department of all Mortgage Loan Originators conducting business in Tennessee. The Department is responsible for the regulatory oversight of the institutions with which the Mortgage Loan Originators affiliate.

### APPLICATIONS

#### Mortgage, Industrial Loan & Thrift and Insurance Premium Finance

Carl Scott, CFSA, Director  
 David Gaines, Financial Analyst  
 Melody Johnson, Financial Analyst

#### Check Cashing, Deferred Presentment, Money Transmitter, and Title Pledge

Stephen Henley, CPA, Director  
 Tat Mysayphonh, Financial Analyst

### EXAMINATION PERSONNEL

Brian Williams, Regional Manager  
 Nicole Chamblee, Supervisor  
 Chad Haney, Supervisor  
 Jack Lay, Supervisor  
 Patrick Somers, Supervisor  
 Cathy Wilkerson, Supervisor  
 Frank Barnes, CFSA  
 Kamela Settles  
 Brian Caroland  
 Michael Cranor  
 Gene Smith, CFSA  
 Stephanie Dunn  
 Joshua Evans  
 Elizabeth Harrell  
 Kevin Hicks  
 Robert Hornbeak  
 Marcia Jacks

Will Justice  
 David Kelly  
 Alisa Logan  
 Rich Regan  
 Kerry Rial  
 Marilyn Schroepfel, CFSA  
 Robert Campbell  
 Keith Sharp  
 James Simmons  
 Robert Doyle  
 Calvin Stout  
 James Waterman  
 Michael Wiggins  
 Dennis Woodmore, CFSA  
 James Worley  
 Robert Walker



## COMPLIANCE DIVISION

### REGULATORY OVERSIGHT

Through a comprehensive examination program, regulated institutions are subject to periodic examination by the Division's compliance examiners. The Compliance Division's examinations are designed to test and enforce compliance with Tennessee laws, as well as certain Federal regulations. These laws were written in order to protect the consumer by limiting the amount of interest, loan charges and insurance charges that can be assessed as well as providing for specific disclosures to the consumer regarding loan provisions. The compliance examiners also investigate consumer complaints and allegations of consumer fraud and usury.

In January 2004, the Compliance Division employed fourteen loan examiners responsible for the on-site examination of all regulated, non-depository financial institutions in Tennessee. Because of the Department's commitment to increase regulatory compliance through the examination of non-depository financial institutions, twenty-one additional loan examiner positions were added to the Division. The result is that exam penetration has been increased across industry types but particularly in the mortgage arena.

As a result of on-site examination, and other regulatory oversight of non-depository financial institutions, the Department returned refunds in excess of \$1.5 million to consumers for the fiscal year ending June 30, 2007. Additionally, the Department was an active participant in a multi-state settlement reached with Ameriquist in 2006. The settlement returned an additional \$2,826,633.59 to 3,649 Tennessee consumers in 2007.

### MILESTONES AND ACCOMPLISHMENTS

- **2005 Amendments to the Tennessee Title Pledge Act ("Act")**

Beginning November 1, 2005, title pledge lenders in Tennessee became subject to regulatory oversight by the Department. At that time, the Department successfully implemented a new program to license and regulate title pledge lenders. As of June 30, 2007, 758 title pledge lender locations were licensed by the Department.

In February of 2006, the Department provided a written report to the General Assembly. The report reviewed practices and certain financial information about the industry as it was prior to the amendments to the Act. In February 2007, the Department provided the General Assembly a supplemental report that updated financial information on the industry and the status of licensing and examination at that time.

- **Tennessee Home Loan Protection Act of 2006 ("Act")**

The Department has implemented the provisions of, and examined for compliance with, the Tennessee Home Loan Protection Act which became effective January 1, 2007. The Act places limitations and restrictions on the making of high-cost home loans including defining high cost home loans; placing a cap on the points and fees that can be financed by the borrower; prohibiting the practice (known as "flipping") of making a high-cost home loan within 30 months of the making of an existing home loan when no reasonable benefit exists for the borrower; barring lending without regard for repayment ability; excluding prepayment penalties in certain instances; requiring disclosures to borrowers on available credit counseling; and granting the Department of Financial Institutions regulatory authority (including rulemaking and examination authority) and the power to issue cease

and desist orders, assess civil money penalties up to \$10,000 per violation and require restitution to borrowers.

- **Guidance on Nontraditional Mortgage Product Risks**

On October 4, 2006, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration published final guidance on nontraditional mortgage product risks ("guidance"). The guidance was applicable to all depository institutions.

The Conference of State Bank Supervisors and American Association of Residential Mortgage Regulators developed parallel guidance for state regulated non-depository institutions which essentially mirrored the federal guidance.

The Department adopted the guidance and issued a Bulletin to the industry on March 30, 2007. The Department Bulletin and the guidance may be viewed and downloaded for printing from the Department's website at <http://state.tn.us/tdfi/compliance/bulletins/C-07-1.html>.

- **Statement on Sub-prime Mortgage Lending**

On June 29, 2007, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration released the Statement on Sub-prime Mortgage Lending ("Statement"). The Statement was intended to identify and address the risks associated with certain sub-prime mortgage products and lending practices.

On July 17, 2007, the Conference of State Bank Supervisors and American Association of Residential Mortgage Regulators issued a similar statement intended for the non-depository institutions making mortgage loans.

The Department adopted the Statement and issued a Bulletin to the industry on September 6, 2007. The Department Bulletin and the Statement may be viewed and downloaded for printing from the Department's website at <http://state.tn.us/tdfi/compliance/bulletins/C-07-4.html>.

- **Mortgage Exam Guidance ("MEGS")**

The Conference of State Bank Supervisors and American Association of Residential Mortgage Regulators are in the process of developing "Mortgage Exam Guidance" ("MEGS") to serve as a template for use by state regulators in examination of both the Guidance on Nontraditional Mortgage Product Risks and the Statement on Sub-prime Mortgage Lending. In the interim, the Department has developed its own examination guidance and issued it to examination personnel. The Department is conducting fact-finding, through the exam function, to determine the extent to which the industry is applying the "best practices" suggested in both the Guidance on Nontraditional Mortgage Product Risks and the Statement on Sub-prime Mortgage Lending.

- **Exam Sharing Partnership**

The Department has entered into an agreement with the state of North Carolina under

## COMPLIANCE DIVISION

which examination findings on licensed and regulated mortgage institutions may be shared. An exam sharing partnership with other states will broaden the Department's scope of examination and increase exam penetration of the mortgage industry.

**INDUSTRIAL LOAN AND THRIFT COMPANIES**

Consumer loan companies operate under the "Industrial Loan and Thrift Companies Act," codified at T.C.A. Title 45, Chapter 5. The stated purpose of the Act is to allow citizens to have the services of regulated lending institutions at rates and charges reasonably commensurate with economic realities. Since 2001, legislation has been enacted that requires companies registered under this Act to secure a surety bond. The bonding requirements are as follows: If the applicant proposes to make loans secured by a mortgage, the surety bond or letter of credit shall be in the amount of \$200,000. For all other applicants, the bond or letter of credit shall be in the amount of \$50,000. Only one bond or letter of credit is required for any registrant, irrespective of the number of employees or offices of such registrant.

**Registration**

To obtain a certificate of registration, an applicant must maintain a net worth of at least \$25,000 and demonstrate sufficient character to command the confidence of the public and warrant the belief that the applicant will operate its business lawfully and fairly. As of June 30, 2007, there were 885 locations licensed under the Act.

**Examinations**

For fiscal year ending June 30, 2007, the Department conducted 919 examinations that resulted in refunds of \$350,013 to 2,543 consumers of the state. Special examinations are conducted as needed as a result of complaints filed with the Department's Consumer Resources Division.

**INDUSTRIAL LOAN AND THRIFT COMPANIES****Composite Annual Report  
(Year Ending December 31, 2006)**

Number of Offices Included in this Report	779
Number of Employees in State at Year-End	2,939

**REGULATED ENTITIES PROFIT PERCENTAGE****RATE OF RETURN**

Average Net Receivable	\$3,271,086,454
Net Income	\$77,304,812
Rate of Return	2.36%

**ANALYSIS OF CHARGES ON LOANS**

Charges Collected and/or Earned	\$605,290,814
Average Monthly Rate Collected	1.54%

**ANALYSIS OF EXPENSE PER ACCOUNT**

Average Number of Accounts Outstanding	532,974
Total Expenses	\$521,344,223
Average Monthly Expense per Account	\$81.51

**STATEMENT OF INCOME AND EXPENSES**

Total Operating Income	\$639,226,735
Total Expenses before Income Taxes	\$521,344,223
Income before Taxes	\$117,882,512

**OTHER INFORMATION**

Number of Loans Made During the Year	1,027,942
Dollar Volume of Loans Made During the Year	\$2,227,276,496
Bad Debts- Dollar Amount	\$147,906,059
Bad Debts- Number of Accounts	82,820

**COMPLIANCE DIVISION****INDUSTRIAL LOAN AND THRIFT COMPANIES  
(Year Ending December 31, 2006)****SIZE OF DISTRIBUTION**

	Number	Net Amount
\$300 or less	194,073	\$ 49,743,181
\$301 to \$500	189,695	\$ 83,161,681
\$501 to \$1,000	236,604	\$ 178,971,781
\$1,001 to \$1,500	99,350	\$ 114,934,062
\$1,501 to \$2,000	27,956	\$ 43,413,480
\$2,001 to \$2,500	38,815	\$ 62,133,275
\$2,501 to \$3,000	22,712	\$ 47,162,533
\$3,001 to \$5,000	67,001	\$ 168,419,725
\$5,001 to \$10,000	73,405	\$ 504,911,733
In excess of \$10,000	43,691	\$ 944,771,726
<b>TOTAL</b>	<b>993,302</b>	<b>\$2,197,623,177</b>

**DISTRIBUTION MADE BY TYPE OF SECURITY**

	Number	Net Amount
Household Goods	418,579	\$ 440,222,129
Automobiles	95,982	\$ 303,688,570
Household Goods and Automobiles	110,484	\$ 151,925,768
Unsecured	311,041	\$ 658,648,810
Co-maker Endorsed or Guaranteed	14,198	\$ 65,829,266
Real Estate	17,904	\$ 531,545,277
Other	55,050	\$ 69,764,610
<b>TOTAL</b>	<b>1,023,238</b>	<b>\$2,221,624,430</b>

## COMPLIANCE DIVISION

### INSURANCE PREMIUM FINANCE COMPANIES

The activities of Premium Finance Companies are governed by the "Premium Finance Company Act of 1980", codified as T.C.A. Title 56, Chapter 37. "Premium Finance Company" means a person engaged in the business of entering into premium finance agreements or acquiring premium finance agreements from other premium finance companies. "Premium finance agreement" means an agreement by which an insured, or prospective insured, promises to pay to a premium finance company the amount advanced, or to be advanced under the agreement to an insurer or to an insurance agent or producing agent in payment of premiums of an insurance contract, together with interest and a service charge as authorized and limited by this Chapter.

#### Licensing

To obtain a license, an applicant must, pursuant to T.C.A. § 56-37-104(b), be competent and trustworthy, act in good faith, have a good business reputation, experience, training or education in this business. Furthermore, if the applicant is a foreign or domestic corporation, LLC, or limited partnership, it must be authorized to conduct business in this state. As of June 30, 2007, there were 74 companies licensed under the Act.

#### Examinations

The Department conducted 5 examinations for the period ending June 30, 2007.

### RESIDENTIAL MORTGAGE LENDERS, BROKERS AND SERVICERS

The activities of Residential Mortgage Lending, Brokering, and Servicing companies are governed by the "Tennessee Residential Lending, Brokerage and Servicing Act of 1988", codified as T.C.A. Title 45, Chapter 13. T.C.A. § 45-13-103(a) expands this further by stating "no person shall act as a mortgage lender, mortgage loan broker, mortgage loan servicer, or mortgage loan originator in this state without first complying with the applicable licensing or registration requirements under this chapter." Certain companies may be exempt under criteria explained in T.C.A. § 45-13-103. If the applicant proposes to make or service mortgage loans, a surety bond or irrevocable letter of credit shall be in the amount of \$200,000. For all applicants whose activities are limited to the brokering of mortgage loans, the surety bond or irrevocable letter of credit shall be in the amount of \$90,000. Only one bond or letter of credit is required for any licensee, irrespective of the number of employees or offices of such licensee.

#### License/Registration

To obtain a license or certificate of registration, an applicant must maintain a net worth of at least \$25,000 and demonstrate sufficient character to command the confidence of the public and warrant the belief that the applicant will operate its business lawfully and fairly. As of June 30, 2007, there were 1,577 companies licensed or registered under the Act. Additionally, with passage of amendments to the Residential Mortgage Lending, Brokerage and Servicing Act during the 2004 session of the General Assembly, the Department began registering individual mortgage loan originators effective January 1, 2005. As of June 30, 2007, there were approximately 17,000 mortgage loan originators actively registered.

#### Examinations

For fiscal year ending June 30, 2007, the Compliance Division conducted 231 examinations of mortgage licensees/registrants that resulted in refunds of \$979,352 to 2,459 consumers. Special examinations are also conducted as a result of consumer complaints forwarded from the Department's Consumer Resources Division.

### CHECK CASHING COMPANIES

The activities of Check Cashing Companies are governed by the "Check Cashing Act of 1997" codified as Tennessee Code Annotated (T.C.A.) Title 45, Chapter 18. Retailers who cash checks incidental to their retail operations are exempt from the Act if their compensation for cashing checks does not exceed five percent of their gross receipts. See T.C.A. § 45-18-103(5).

#### Licensing

To obtain a check cashing license, an applicant must maintain a minimum net worth of \$25,000 per location and demonstrate sufficient character and experience to command confidence of the public and warrant the belief that the applicant will operate its business lawfully and fairly. As of June 30, 2007, there were 568 licensed check casher locations in Tennessee.

#### Examinations

Examinations of licensed check cashers are conducted pursuant to T.C.A. § 45-18-113. For the fiscal year ending June 30, 2007, the Compliance Division of the Department performed 397 check cashing examinations resulting in refunds of \$1,657 to 290 consumers.

### DEFERRED PRESENTMENT SERVICE COMPANIES

The activities of Deferred Presentment Services Companies are governed by the "Deferred Presentment Services Act" codified as Tennessee Code Annotated (T.C.A.) Title 45, Chapter 17.

#### Licensing

To obtain a deferred presentment services license, an applicant must maintain a minimum net worth of \$25,000 per location and demonstrate sufficient character and experience to command confidence of the public and warrant the belief that the applicant will operate its business lawfully and fairly. As of June 30, 2007, there were 1,499 Deferred Presentment locations licensed in Tennessee.

#### Examinations

For fiscal year ending June 30, 2007, the Department's Compliance Division conducted 1,504 examinations of deferred presentment offices. Typically, the Department's compliance examiners review a random sample of the licensee's transactions by looking at the fees charged and the disclosures given to the consumers. As a result, licensees made

## COMPLIANCE DIVISION

total refunds of \$40,787 to 1,064 consumers for charging excessive or unauthorized fees pursuant to T.C.A. § 45-17-115.

### Annual Report Information

By September 1st of each year, licensees are required by T.C.A. § 45-17-119 to file with the Commissioner of Financial Institutions an Annual Report covering the licensee's business activities as of the close of business on June 30. These reports include a balance sheet, statement of income and expense, as well as other statistical data consistent with generally accepted accounting principles. Below is a recapitulation of the 2007 annual reports for the purpose of reflecting the general results of the operations for the year ending June 30, 2007.

#### Annual Report Information for Fiscal Year Ending June 30, 2007

The following tabulation represents aggregate information from reports filed by 389 licensed companies. The Department did not require an annual report from companies that opened after June, 2007.

Total Assets	\$916,001,089
Total Liabilities	\$585,073,366
Net Worth	\$330,927,723

As of June 30, 2007, the average assets of a Deferred Presentment company operating in Tennessee were \$2,342,713. Seventy-one companies reported assets greater than \$500,000; 178 companies had assets of between \$100,000 and \$500,000; and the remaining 140 showed total assets of less than \$100,000. As with many of the small companies, funding for the business is supplied in part by the owners with the average owner equity being 36 percent.

### Statement of Income and Expenses

The following information was compiled from the statements of income and expenses for the period of July 1, 2006 to June 30, 2007.

Total Operating Income	\$131,985,025
Salary Expense	\$33,865,936
Bad Debt Expense	\$13,655,064
Net Income (After Tax)	\$12,418,538

Of the 389 reporting companies, 99 reported operating losses and 45 reported net income of over \$100,000 for the period ending June 30, 2007. The average company made a profit of \$31,924.

Salaries are a major company expense, amounting to about 26 percent of total operating income. The average salary expense for each company was \$87,059.

Losses on receivables constitute another major industry expense. Bad debt expense represented approximately 10 percent of total operating income.

Effective June 7, 2005, the return check fee authorized under T.C.A. 47-29-102 increased from \$25.00 to \$30.00. The Deferred Presentment Services Act allows licensees to

assess a handling charge, in accordance with that which is authorized under T.C.A. 47-29-102, if a check is returned from a payer financial institution due to insufficient funds, stop payment order or closed account. From the 2007 annual reports, 74 percent or 286 companies collected total handling charges of \$759,338 for fiscal year ending June 30, 2007.

As of June 30, 2007, the industry made a return on assets of 1.4 percent based on total assets and a return on equity of 3.75 percent.

### Transactional Data

The following transactional data was reported for the period ending June 30, 2007:

Number of transactions	5,724,827
Dollar amount of transactions during the year	\$691,499,511.00
Average size of receivable transactions	\$116.38

Number of transactions by size of check:

\$1 - \$150:	552,090
\$151 - \$250:	4,534,855
\$251 - \$500:	637,882

## MONEY TRANSMITTERS

The activities of Money Transmitter companies are governed by the "Tennessee Money Transmitter Act of 1994", codified as T.C.A. Title 45, Chapter 7. There are exemptions that apply to certain government agencies, as well as business organizations. See T.C.A. § 45-7-204.

### Licensing

Each applicant for a license must demonstrate, and each licensee must maintain, a net worth of not less than \$100,000 computed according to generally accepted accounting principles. Persons transmitting, or proposing to transmit, money shall have an additional net worth of \$25,000 per additional location or agent located in Tennessee, as applicable, to a maximum of \$500,000. The applicant must demonstrate such experience, character, and general fitness as to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly. As of June 30, 2007, there were 55 licensed money transmitters.

### Examinations

For fiscal year ending June 30, 2007, the Department's Compliance Division conducted 2 examinations of money transmitter offices. Examinations of money transmitters are conducted pursuant to T.C.A. § 45-7-214. The Commissioner may accept, in lieu of an on-site examination, the examination report of an agency of another state, or a report prepared by an independent accounting firm, and reports so accepted are considered, for all purposes, as an official report of the Commissioner.

**COMPLIANCE DIVISION****TITLE PLEDGE LENDERS**

The activities of Title Pledge Lenders are governed by the "Tennessee Title Pledge Act", codified as T.C.A. Title 45, Chapter 15.

**Licensing**

To obtain a title pledge lender license, an applicant must maintain a minimum net worth of \$75,000 per location and demonstrate sufficient character and experience to command confidence of the public and warrant the belief that the applicant will operate its business lawfully and fairly. As of June 30, 2007, there were 758 licensed title pledge lenders.

**Examinations**

For fiscal year ending June 30, 2007, the Department's Compliance Division conducted 583 examinations of title pledge lender offices resulting in refunds of \$184,167 to 1,664 consumers.



## CONSUMER RESOURCES DIVISION

### HEADQUARTERS PERSONNEL – NASHVILLE

Alan Smith, Assistant Commissioner  
 Bart Daughdrill, Program Administrator-Consumer Complaints  
 Christina Coleman, Program Administrator-Financial Literacy  
 Alicia Gay, Consumer Resources Specialist  
 Diedre Nation, Consumer Resources Specialist  
 Johanna Thompson, Consumer Resources Specialist

### CONSUMER PROTECTION

A key responsibility of the Division is the handling and tracking of consumer complaints. The Department of Financial Institutions is the only state agency that has the statutory jurisdiction to handle consumer concerns and complaints involving financial institutions operating under the various laws the Department administers in the State of Tennessee. The Division processes all complaints related to financial institutions chartered and licensed by the Department. If the Department receives information that does not fall within the Department's jurisdiction, those inquiries or complaints are forwarded to the appropriate agency or entity and the consumer is accordingly advised. The Division follows a practice of submitting the consumer's written complaint to the financial institution for response and communicates this in writing to the complainant or forwards the complaint to the appropriate entity if the Department does not have jurisdiction. If a complaint indicates that further review is necessary, the complaint is referred to the appropriate regulatory Division in the Department for investigation as warranted.

The Division processed a total of 532 formally filed consumer complaints in 2007. These were received from 73 of the state's 95 counties. The Division's assistance on these complaints led to refunds totaling \$66,136.

### CONSUMER EDUCATION

A key strategy in helping protect consumers is to develop and coordinate educational resources that can assist consumers in making informed financial decisions. Education is a powerful tool in financial literacy. Consumers who understand their rights and responsibilities are less likely to become involved in situations that are not in their best interests. Serving as a conduit, the goal of the Division is to ensure that all Tennesseans have access to financial literacy programs that will help them make sound money management decisions. In the 2007 calendar year, the Division partnered with Tennessee Jumpstart, A Coalition for Personal Financial Literacy to provide funding and training in an effort to get financial literacy materials to elementary school teachers throughout Tennessee. This project continues into 2008. The hope is that hundreds of young Tennessee students will benefit over time not only helping those individuals but creating a consumer base that is knowledgeable which strengthens the financial services system in Tennessee and thereby encouraging economic development in the state.

Members of Division staff have been trained in the FDIC Money Smart Adult Education financial literacy program, the Freddie Mac CreditSmart program and the Neighborworks Homebuyers Education program. Additionally, the Division will be listed as a certified homebuyer training agency with the Tennessee Housing Development Agency (THDA) in 2008. In 2007, the Consumer Resources Division participated in the following financial literacy workshops across the state, reaching over 1,000 Tennessee citizens:

#### 2007 Education and Outreach

Anti-Predatory Lending Coalition Presentation	Memphis, TN
Heritage Bank and Trust, Teach Children to Save Day	Columbia, TN
New Level Community Development Corporation, Homebuyers Training	Nashville, TN
Tennessee Housing Development Authority, Housing On Tour	Johnson City, TN
Tennessee Housing Development Authority, Housing On Tour	Clinton, TN
Tennessee Housing Development Authority, Housing On Tour	Murfreesboro, TN
WVOL Radio Station	Nashville, TN
Affordable Housing Alliance Presentation	Nashville, TN
TN Jump\$tart Teacher's Conference	Gatlinburg, TN
Tennessee Housing Development Authority, Housing On Tour	Knoxville, TN
WFSK 88.1, Fisk University	Nashville, TN
Federal Reserve Bank-Atlanta, Teachers Training	Nashville, TN
Federal Reserve Bank-Atlanta, Teachers Training	Nashville, TN
TDFI Public Service Announcement	Memphis, TN
Tennessee Housing Development Authority, Housing Counselors Training	Memphis, TN
NAREB 2007 Home Expo	Memphis, TN
UT Extension Professional Development Conference	Franklin, TN
Department of Commerce and Insurance	Nashville, TN
12th Annual Health Summit of Minority Communities	Nashville, TN
St. Augustine Catholic Church, Predatory Lending Panel	Memphis, TN
New Level Community Development Corporation, Homebuyers Training	Nashville, TN
Legal Aide of East Tennessee, Inc Newsletter	Johnson City, TN
Hendersonville High School, Credit Presentation to Teens	Hendersonville, TN
Pulaski High School, Credit Presentation to Teens	Pulaski, TN
2007 Governors Housing Summit	Nashville, TN
2007 Women's Economic Summit	Nashville, TN
St. Edwards Catholic Church Hispanic Homebuyers Workshop	Nashville, TN
TN Jump\$tart Teacher's Workshop, Financial Readiness for the Early Grades	Chattanooga, TN
TN Jump\$tart Teacher's Workshop, Financial Readiness for the Early Grades	Knoxville, TN
TN Jump\$tart Teacher's Workshop, Financial Readiness for the Early Grades	Franklin, TN

**CONSUMER RESOURCES DIVISION**

2007 TOP TEN CONSUMER COMPLAINTS BY ALLEGATION	
Customer Service Issues 1)	102
Misrepresentation 2)	83
Payment Processing; Payment History Dispute 3)	41
Fraud 4)	20
Excessive Fees 5)	19
Account Balance Discrepancy 6)	16
Financing of Fees-Charges 7)	14
Credit Card Issues 8)	13
Scams 9)	12
Account Fee Issues 10)	12



- 1) Issues included phone calls not returned by staff at financial institutions, incorrect information given, a requested transaction or service was not performed or did not occur in a timely manner.
- 2) Interest rate quotes (loan rate higher than original quote, closing date set and changed or missed, fixed rate ends up as adjustable rate, etc.).
- 3) Payments not made or processed in a timely manner.
- 4) Covers fraudulent activities not under scams, forgeries, insider information, identity theft, etc.
- 5) Covers closing fees, loan processing fees, loan administration costs, late charges, etc.
- 6) Issues include possible improper disposition of records, sharing of information, etc.
- 7) Consumer disputed the amount of fees or charges financed in with their loan account.
- 8) Issues included interest rate charges, late fees assessed, collection activities.
- 9) Covers Internet lending, e-mail schemes, illegal offers.
- 10) Covers fees for service charges, check cashing fees, etc.

**2007 COMPLAINT TOTALS BY INDUSTRY**

	DEFAULT*	TILT**	MTG	MLO	CC	DP	TITLE PLEDGE	CU	BANK	TOTAL
2007 Year to Date	55	20	195	2	1	16	24	17	202	532
Percent of Total Complaints (%)	10%	4%	37%	0%	0%	3%	5%	3%	38%	100%

**Compliance Division Regulated Industries**

**NOTE- Bank and Credit Union data includes federally-chartered, other state-chartered and Tennessee state-chartered institutions**

*\*Default category contains phone calls, e-mail, correspondence received, complaint form mailed but completed form not returned; complaint or financial institution was not under the Department's jurisdiction and the complaint was referred to the correct regulatory authority.*

*\*\*Tennessee Industrial Loan and Thrift Companies*



CONSUMER RESOURCES DIVISION

2007 INDUSTRY COMPLAINTS BY COUNTY

County Names	DEFAULT	TILT	MTG	MLO	DP	CC	TP	MT	CU	BANK	TOTAL	PERCENT
Out of State	8		23				1		2	21	55	10.3%
ANDERSON	1										1	0.2%
BEDFORD			3							1	4	0.8%
BENTON											0	0.0%
BLED SOE			1								1	0.2%
BLOUNT			3							2	5	0.9%
BRADLEY							1				1	0.2%
CAMPBELL			1							2	3	0.6%
CANNON											0	0.0%
CARROLL			4								4	0.8%
CARTER			1								1	0.2%
CHEATHAM	1	1	3							2	7	1.3%
CHESTER											0	0.0%
CLAIBORNE										1	1	0.2%
CLAY											0	0.0%
COCKE			1							1	2	0.4%
COFFEE					1					2	3	0.6%
CROCKETT					1						1	0.2%
CUMBERLAND										2	2	0.4%
DAVIDSON	7	2	26	1	4	1	5			22	68	12.8%
DECATUR											0	0.0%
DEKALB											0	0.0%
DICKSON		2								1	3	0.6%
DYER			1								1	0.2%
FAYETTE			2							1	3	0.6%
FENTRESS			1								1	0.2%
FRANKLIN	2										2	0.4%
GIBSON		1	1				1			1	4	0.8%
GILES		1									1	0.2%
GRAINGER										1	1	0.2%
GREENE			2							2	4	0.8%
GRUNDY											0	0.0%
HAMBLEN	4	1	3							4	12	2.3%
HAMILTON	2		8		1					9	20	3.8%
HANCOCK											0	0.0%
HARDEMAN										1	1	0.2%
HARDIN										1	1	0.2%
HAWKINS			1							1	2	0.4%
HAYWOOD			1								1	0.2%

CONSUMER RESOURCES DIVISION

County Names	DEFAULT	TILT	MTG	MLO	DP	CC	TP	MT	CU	BANK	TOTAL	PERCENT
HENDERSON	1	1								1	2	0.4%
HENRY	1									2	3	0.6%
HICKMAN			1				2			2	5	0.9%
HOUSTON											0	0.0%
HUMPHREYS											0	0.0%
JACKSON											0	0.0%
JEFFERSON			3							1	4	0.8%
JOHNSON										2	2	0.4%
KNOX	6	1	6		1		1		1	9	25	4.7%
LAKE											0	0.0%
LAUDERDALE											0	0.0%
LAWRENCE										1	1	0.2%
LEWIS											0	0.0%
LINCOLN			2							1	3	0.6%
LOUDON			1				1				2	0.4%
MCMINN		1			1				1	1	4	0.8%
MCNAIRY	1									3	4	0.8%
MACON	1										1	0.2%
MADISON			4							4	8	1.5%
MARION	1		2							3	5	0.9%
MARSHALL											0	0.0%
MAURY		1	1				1			2	5	0.9%
MEIGS											0	0.0%
MONROE			1								1	0.2%
MONTGOMERY			4		1					6	11	2.1%
MOORE											0	0.0%
MORGAN							1			4	5	0.9%
OBION			1								1	0.2%
OVERTON											0	0.0%
PERRY	1										1	0.2%
PICKETT											0	0.0%
POLK			1				1				2	0.4%
PUTNAM	2									5	7	1.3%
RHEA			1								1	0.2%
ROANE			1							1	3	0.6%
ROBERTSON			4		1						4	0.8%
RUTHERFORD	1	2	6				2			9	20	3.8%
SCOTT										2	2	0.4%
SEQUATCHIE		1	1						1		4	0.8%
SEVIER	1		4							4	9	1.7%
SHELBY	10	1	45		4		4		7	21	92	17.3%
SMITH											0	0.0%
STEWART										1	1	0.2%

CONSUMER RESOURCES DIVISION

County Names	DEFAULT	TILT	MTG	MLO	DP	CC	TP	MT	CU	BANK	TOTAL	PERCENT
SULLIVAN			2						3	4	9	1.7%
SUMNER	2	2	7		1				1	5	18	3.4%
TIPTON		1	1				2				4	0.8%
TROUSDALE											0	0.0%
UNICOI									1	1	2	0.4%
UNION			1							3	4	0.8%
VAN BUREN	1										1	0.2%
WARREN			1							1	2	0.4%
WASHINGTON	1	1	4		1					5	12	2.3%
WAYNE											0	0.0%
WEAKLEY										1	1	0.2%
WHITE			1							1	2	0.4%
WILLIAMSON			1							15	16	3.0%
WILSON			2				1			2	5	0.9%
UNKNOWN	1										1	0.2%
<b>TOTALS</b>	<b>55</b>	<b>20</b>	<b>195</b>	<b>2</b>	<b>16</b>	<b>1</b>	<b>24</b>	<b>0</b>	<b>17</b>	<b>202</b>	<b>532</b>	<b>100%</b>

\* Out of state: Complaints received from consumers living out of state who are either former residents of Tennessee or have an affiliation with an entity licensed or located in the state of Tennessee.

1 - Default/Unknown category contains: phone calls, e-mails, correspondence received, complaint form mailed but completed form not returned; complainant or financial institution was not under the Department's jurisdiction and the complaint was referred to the correct regulatory authority.

KEY TO ABBREVIATIONS:

- MRT - Mortgage
- TILT - Tennessee Industrial Loan and Thrift
- DP - Deferred Presentment
- CC - Check Casher
- PF - Premium Finance
- MT - Money Transmitter
- DEF - Default
- BK - Bank
- CU - Credit Union
- TP - Title Pledge
- OWN - Owners

## CREDIT UNION DIVISION

### DIVISION PERSONNEL (As of December 31, 2007)

#### HEADQUARTERS-NASHVILLE

Trevor Williams, Assistant Commissioner  
 Vickie Young, Safety and Soundness Manager  
 Alica Owen, Financial Analyst  
 Kayce Cawthon Stoker, Executive Administrative Assistant

#### EXAMINATION PERSONNEL

##### WEST TENNESSEE DISTRICT

Randall Means, CSCUES, V, Supervisor  
 Dana Owen, CFE, CEIC, ACISE, IV  
 Rosalyn Miller, II

##### MIDDLE TENNESSEE DISTRICT

Steve Eddings, CFE, CSCUE, CEIC, V, Supervisor  
 Tom Harper, CSCUE, IV  
 Pat Murphy, CFE, CSCUE, IV

##### EAST TENNESSEE DISTRICT

Ron Shires, CSCUES, V, Supervisor  
 William Cave, CEIC, CSCUE, IV  
 Lance Hogelin, CFE, CSCUE, IV  
 Shane Hardin, CFE, CSCUE, IV  
 Dwight Ward, IV

The Credit Union Division is responsible for the supervision and examination of 115 natural person state-chartered credit unions as well as one corporate credit union – Volunteer Corporate. Examiners perform safety and soundness examinations in each of these credit unions to determine compliance with governing laws and regulations, as well as evaluating assets, liabilities, and income and expenses of a credit union in order to assess its solvency. Examiners also perform investigations into consumer complaints filed with the Department's Consumer Resources Division.

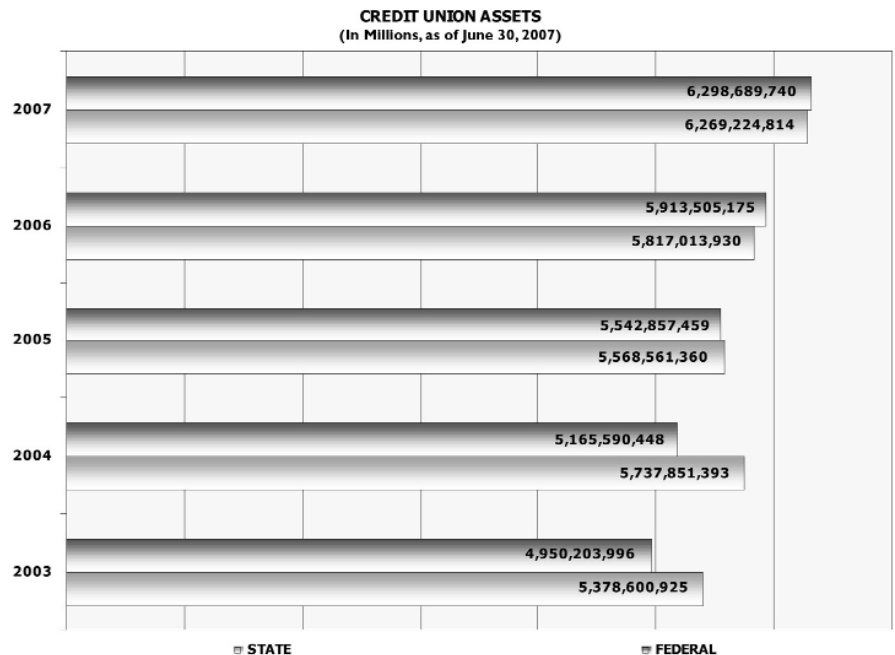
The Tennessee credit union industry remains strong. Natural person credit unions have assets of approximately \$6.2 billion – a growth of 8.5% over the past 12 months. With net worth totaling 13.27% of assets, capitalization remains excellent. Delinquency and charge-offs remain manageable; the return on assets was 1.03%.

Tennessee's state-chartered credit unions vary greatly in size of assets, fields of membership, and services offered to their members. From the smallest credit union, located in Memphis, having assets of \$52,000, to the largest, located in Kingsport, with assets of \$1.8 billion, this cross-section ensures that citizens continue to receive valuable service from member-owned cooperatives.

Volunteer Corporate Credit Union, at \$1.2 billion in assets, continues to meet the financial services needs of Tennessee's natural person credit unions, which carry either a State or Federal charter. Primary offerings include traditional correspondent services such as investments, item processing, security safekeeping, consulting services and web design.

At the conclusion of each examination, a voluntary survey is conducted to measure the overall efficiency and effectiveness of the examination and to determine the adequacy of our communication skills. To ensure the confidentiality and integrity of this process, a third party handles data accumulation and summary reports.

The Credit Union Division remains accredited by the National Association of State Credit Union Supervisors (NASCUS) and was re-certified during 2005. The next reaccreditation is in 2010. Additionally, eligible credit union examiners and supervisors have met the comprehensive criteria for NASCUS examination certifications. The Certification Program provides recognition to superior state credit union examiners and encourages continued professional development through the certification's required continuing education hours.



## CREDIT UNION DIVISION

### CORPORATE REORGANIZATIONS

July 01, 2006 - June 30, 2007

#### MERGERS

- 12/21/2006 Brock Employees Credit Union, Chattanooga, Tennessee, merged into Tennessee Valley Federal Credit Union, Chattanooga, Tennessee
- 01/12/2007 Bethlehem Community Development Credit Union, Chattanooga, Tennessee, merged into Church Koinonia Federal Credit Union, Chattanooga, Tennessee
- 04/20/2007 Top-O-Ring Employees Credit Union, Lebanon, Tennessee, merged into Old Hickory Credit Union, Old Hickory, Tennessee
- 06/22/2007 Ferry-Morse-Fulton Credit Union, Fulton, Kentucky, merged into Peoples Choice Credit Union, Union City, Tennessee

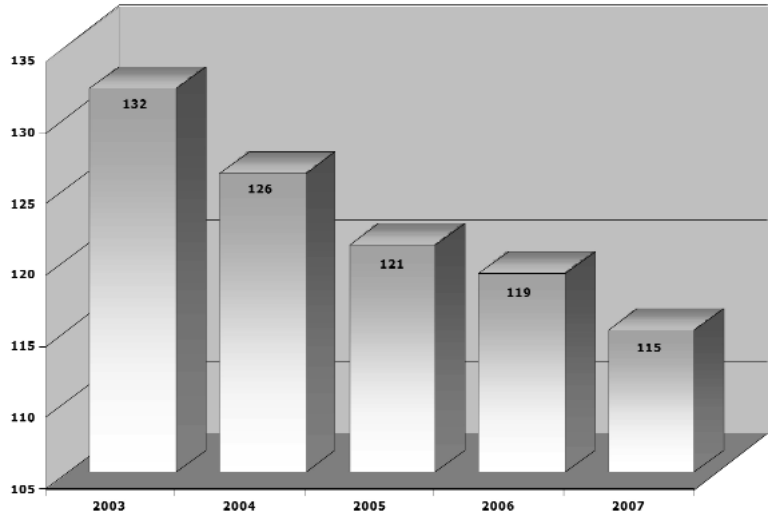
#### NAME CHANGES

- 02/02/2007 Memphis Publishing Company Employees' Credit Union's name was changed to Agility Financial Credit Union.

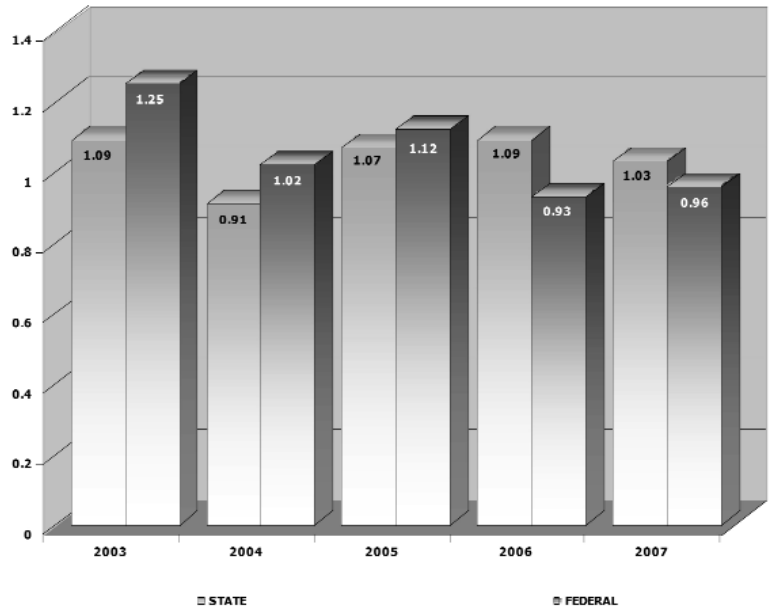
#### FIELD OF MEMBERSHIP EXPANSIONS

- 1/4/07 Department of Human Services, Nashville, Tennessee, added Tennessee State Employees' Association, Nashville, Tennessee
- 6/26/07 Peoples Choice, Union City, Tennessee, added employees of Union City, Tennessee

NUMBER OF STATE-CHARTERED CREDIT UNIONS IN TENNESSEE  
(As of June 30, 2007)



RETURN ON ASSETS



## TENNESSEE STATE-CHARTERED CREDIT UNIONS

## CONSOLIDATED INCOME SHEET

	June 2007	June 2006	%Change
<b>INCOME AND EXPENSE</b>			
<b>Interest Income</b>			
Interest on Loans	141,343,037	123,842,604	-12.38%
Less Interest Ref	(14,183)	(4,318)	-69.56%
Income from Investments	42,015,572	33,139,083	-21.13%
Income from Trading	809,607	0	N/A
<b>Total Interest Income</b>	<b>\$184,154,033</b>	<b>\$156,977,369</b>	<b>-14.76%</b>
<b>Interest Expense</b>			
Dividends	33,966,074	23,624,749	-30.45%
Interest on Deposits	41,775,186	30,461,537	-27.08%
Interest on Borrowed Money	3,412,788	4,187,273	22.69%
<b>Total Interest Expense</b>	<b>\$79,154,048</b>	<b>\$58,273,559</b>	<b>-26.38%</b>
<b>Provision for Loan and Lease Losses (PLLL)</b>	<b>9,647,902</b>	<b>7,977,277</b>	<b>-17.32%</b>
<b>Net Interest Income after PLLL</b>	<b>\$95,352,083</b>	<b>\$90,726,533</b>	<b>-4.85%</b>
<b>Non-Interest Income</b>			
Fee Income	32,262,964	29,125,668	-9.72%
Other Operating Income	9,930,867	8,395,367	-15.46%
Gain(Loss) on Investments	142,748	-10,358	-107.26%
Gain(Loss) on Disposition of Assets	-119,023	7,172	-106.03%
Other Non-Operating Income/Expense	256,893	125,199	-51.26%
<b>Total Non-Interest Income</b>	<b>\$42,474,449</b>	<b>\$37,643,048</b>	<b>-11.37%</b>
<b>Non-Interest Expense</b>			
Employee Compensation and Benefits	55,973,929	50,822,263	-9.20%
Travel/Conference Expense	1,558,553	1,330,877	-14.61%
Office Occupancy	7,917,854	7,509,086	-5.16%
Office Operation Expense	19,539,544	19,114,535	-2.18%
Education and Promotion	3,996,794	3,632,085	-9.13%
Loan Servicing Expense	3,956,459	3,592,876	-9.19%
Professional/Outside Service	8,897,114	7,296,207	-17.99%
Member Insurance	776,566	830,854	6.99%
Operating Fees	967,717	938,273	-3.04%
Miscellaneous Operating Expense	2,468,812	2,002,253	-18.90%
<b>Total Non-Interest Expense</b>	<b>\$106,053,342</b>	<b>\$97,069,309</b>	<b>-8.47%</b>
<b>Net Income</b>	<b>\$31,773,190</b>	<b>\$31,300,272</b>	<b>-1.49%</b>
<b>Reserve Transfers</b>			
Transfer to Regular Reserve	\$5,898,397	\$5,587,024	-5.28%

## TENNESSEE STATE-CHARTERED CREDIT UNIONS

## CONSOLIDATED BALANCE SHEET

	June 2007	June 2006	% Change
<b>ASSETS</b>			
<b>CASH:</b>			
Cash on Hand	65,644,175	61,694,930	6.02%
Cash on Deposit	448,985,665	350,331,526	28.16%
Cash Equivalents	66,669,497	85,204,703	-27.80%
<b>Total Cash</b>	<b>\$581,299,337</b>	<b>\$497,231,159</b>	<b>14.46%</b>
<b>INVESTMENTS:</b>			
Trading Securities	0	0	0
Available for Sale Securities	493,935,356	496,517,369	-0.52%
Held-to-Maturity Securities	298,125,877	346,092,368	-16.09%
Deposits in Commercial Banks, S & Ls, Savings Banks	202,596,236	260,281,781	-28.47%
Loans to, Deposits in, & Investments in Natural Person CUs	13,094,804	11,783,974	10.01%
Total MCSD and PIC in Corporate	28,285,075	25,277,108	10.63%
All Other Investments in Corporate Credit Unions	333,933,131	148,777,995	55.45%
All Other Investments	20,945,190	24,829,502	-18.55%
<b>Total Investments</b>	<b>\$1,390,915,669</b>	<b>\$1,313,560,097</b>	<b>5.56%</b>
<b>LOANS HELD FOR SALE</b>	<b>\$93,575</b>	<b>\$0</b>	<b>100.00%</b>
<b>Loans and Leases:</b>			
Unsecured Credit Card Loans	117,685,945	128,109,061	-8.86%
All Other Unsecured loans	274,774,103	251,769,955	8.37%
New Auto Loans	664,435,986	647,373,684	2.57%
Used Auto Loans	951,347,347	884,565,943	7.02%
First Mortgage Real Estate Loans	1,469,788,797	1,350,402,166	8.12%
Other Real Estate Loans	376,754,217	352,119,480	6.54%
Leases Receivable	2,127,104	2,810,732	-32.14%
Other Member Loans	203,491,294	178,673,598	12.20%
<b>Total Loans</b>	<b>\$4,060,404,793</b>	<b>\$3,795,824,619</b>	<b>6.52%</b>
<b>ALLOWANCE FOR LOAN &amp; LEASE LOSSES</b>	<b>(31,693,593)</b>	<b>(28,300,991)</b>	<b>10.70%</b>

## TENNESSEE STATE-CHARTERED CREDIT UNIONS

## CONSOLIDATED BALANCE SHEET

	June 2007	June 2006	% Change
Foreclosed and Repossessed Assets	3,368,948	2,054,465	39.02%
Land and Building (Net of Depreciation)	120,340,968	110,657,993	8.05%
Other Fixed Assets	29,786,296	27,615,616	7.29%
Share Insurance Capitalization Deposit	44,143,153	41,469,349	6.06%
Other Assets	44,099,449	36,689,369	16.80%
<b>Total Assets</b>	<b>\$6,269,224,814</b>	<b>\$5,817,103,930</b>	<b>7.21%</b>
<b>TOTAL CREDIT UNIONS</b>	<b>115</b>	<b>119</b>	<b>-3.48%</b>
<b>LIABILITIES, SHARES AND EQUITY</b>			
<b>Liabilities:</b>			
Promissory and Other Notes Payable	158,996,303	165,013,823	-3.78%
Borrowing Repurchase Transactions	0	4,768,750	100.00%
Uninsured Second Capital	0	95,683	100.00%
Dividend and Interest Payable	7,202,609	5,290,553	26.55%
Accounts Payable and Liabilities	46,153,165	42,817,291	7.23%
<b>Total Liabilities</b>	<b>\$212,352,077</b>	<b>\$217,986,100</b>	<b>-2.65%</b>
<b>SAVINGS/DEPOSITS:</b>			
Share Drafts	614,116,206	583,364,821	5.01%
Regular Shares	1,394,695,024	1,426,069,040	-2.25%
All Other Shares and Deposits	3,223,216,587	2,821,020,365	12.48%
<b>Total Savings/Deposits</b>	<b>\$5,232,027,817</b>	<b>\$4,830,454,226</b>	<b>7.68%</b>
<b>EQUITY:</b>			
Undivided Earnings	564,668,254	533,079,283	5.59%
Regular Reserves	228,467,795	215,063,081	5.87%
Appropriations for Non-Conforming Investments	0	0	
Other Reserves	26,962,913	25,827,630	4.21%
Miscellaneous Equity	2,800	2,800	0.00%
Unrealized Gains/Losses Average For Sale Securities	-7,207,892	-16,852,727	-133.81%
Other Comprehensive Income	16,559	25,669	-55.02%
Net Income	11,934,491	11,517,868	3.49%
<b>Equity Total</b>	<b>\$824,844,920</b>	<b>\$768,663,604</b>	<b>6.81%</b>
<b>TOTAL SAVINGS/EQUITY</b>	<b>\$6,056,872,737</b>	<b>\$5,599,117,830</b>	<b>7.56%</b>
<b>TOTAL LIABILITIES/SAVINGS/EQUITY</b>	<b>\$6,269,224,814</b>	<b>\$5,817,103,930</b>	<b>7.21%</b>
<b>NATIONAL CREDIT UNION ADMINISTRATION INSURED SAVINGS:</b>			
Uninsured Shares	631,284,344	518,480,411	17.87%
Uninsured Non-Member Deposits	549,239	426,663	22.32%
Total Uninsured Shares and Deposits	631,833,583	518,907,074	17.87%
Insured Shares and Deposits	4,600,194,234	4,311,547,152	6.27%



**TENNESSEE STATE-CHARTERED CREDIT UNIONS****KEY RATIOS (AS OF JUNE 30, 2007)**

<b>Ratio Description</b>	<b>June 2007</b>	<b>June 2006</b>
<b><u>CAPITAL ADEQUACY</u></b>		
Net Worth/Total Assets	13.27	13.50
Net Worth/Total Assets--Including Optional Total Assets Election (if used)	13.28	13.51
GAAP Equity/Total Assets	13.16	13.21
Total Delinquent Loans / Net Worth	3.11	2.67
Solvency Evaluation (Estimated)	115.77	115.91
Classified Assets (Estimated) / Net Worth	3.81	3.60
<b><u>ASSET QUALITY</u></b>		
Delinquent Loans / Total Loans	0.64	0.55
Net Charge-Offs / Average Loans	0.44	0.36
Fair (Market) HTM Invest Value/Book Value HTM Invest.	98.95	97.88
Accum Unreal G/L On AFS/Cost Of AFS	-1.44	-3.28
Delinquent Loans / Assets	0.41	0.36
<b><u>EARNINGS</u></b>		
Return On Average Assets	1.03	1.09
Gross Income/Average Assets	7.37	6.79
Yield on Average Loans	7.07	6.67
Yield on Average Investments	4.65	3.80
Fee & Other Op.Income / Avg. Assets	1.37	1.31
Cost of Funds / Avg. Assets	2.58	2.03
Net Margin / Avg. Assets	4.79	4.76
Operating Exp./ Avg. Assets	3.45	3.39
Provision For Loan & Lease Losses / Average Assets	0.31	0.28
Net Interest Margin/Avg. Assets	3.42	3.45
Operating Exp./Gross Income	46.85	49.91
Fixed Assets & Foreclosed & Repossessed Assets / Total Assets	2.45	2.41
Net Operating Exp. /Avg. Assets	2.40	2.37
<b><u>ASSET / LIABILITY MANAGEMENT</u></b>		
Net Long-Term Assets / Total Assets	29.57	26.53
Reg. Shares / Total Shares. & Borrowings	25.87	28.52
Total Loans / Total Shares	77.61	78.58
Total Loans / Total Assets	64.77	65.25
Cash + Short-Term Investments / Assets	19.73	19.59
Total Shares, Dep. & Borrs / Earning Assets	90.35	90.18
Reg Shares + Share Drafts / Total Shares & Borrs	37.26	40.19
Borrowings / Total Shares & Net Worth	2.62	3.02
<b><u>PRODUCTIVITY</u></b>		
Members / Potential Members	8.60	9.66
Borrowers / Members	46.78	47.78
Members / Full-Time Employees	345.96	353.11
Avg. Shares Per Member	\$6,598.00	\$6,239.00
Avg. Loan Balance	\$10,947.00	\$10,261.00
Salary And Benefits / Full-Time Empl.	\$48,843.00	\$46,360.00

**TENNESSEE STATE-CHARTERED CREDIT UNIONS****KEY RATIOS (AS OF JUNE 30, 2007)****OTHER RATIOS**

Net Worth Growth	7.28	7.97
Market (Share) Growth	9.32	7.06
Loan Growth	6.06	8.85
Asset Growth	8.49	6.30
Investment Growth	14.09	1.40
Membership Growth	3.33	2.99
Asset Growth	8.49	6.30
Investment Growth	0.00	-200.00
Membership Growth	3.33	2.99