



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

October 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Commerce
Charter Number 3656**

**301 E. Main Street
Starkville, MS 39759**

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

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GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **National Bank of Commerce (NBC)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 5, 1998. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated: *Satisfactory*.

The factors supporting the bank's overall rating include:

- C a good responsiveness to assessment area credit needs;
- C a high percentage of home mortgage and small business/small farm loans made within the assessment area;
- C a good penetration of small business/small farm loans throughout the assessment area based on the location of the business;
- C a good penetration of lending to small businesses and small farms based on loan size;
- C an adequate distribution of home mortgage loans within the assessment area among borrowers of different income levels;
- C a very good use of flexible lending practices to serve assessment area credit needs;
- C A low level of investments throughout the assessment area; and
- < a high level of community development services provided.

The following table shows the performance level of **National Bank of Commerce (NBC)** with respect to the lending, investment, and service tests.

Performance Levels	National Bank of Commerce Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory		X	
Needs to improve			
Substantial noncompliance			

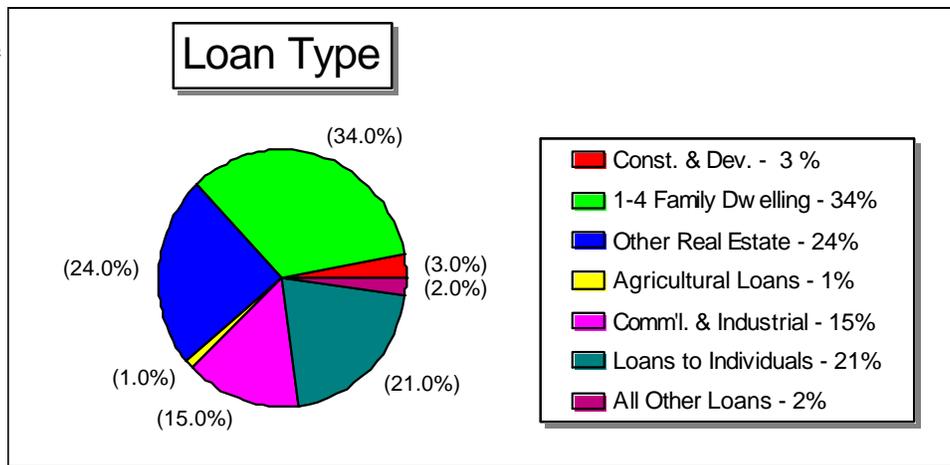
* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

NBC is an affiliate of NBC Capital Corporation, a multi-bank holding company headquartered in Starkville, MS. The holding company owns another bank, NBC in Tuscaloosa, Alabama, and serves the northeast and east central Mississippi and Tuscaloosa/Northport. As of September 30, 1998, NBC reported total assets of \$556.8 million, net income of \$6.7 million and a return on average assets of 1.59%. The holding company had total assets of \$646.8 million as of December 31, 1997. There were no legal, financial, or other reasons that prevented the bank from meeting the credit needs of its assessment areas.

NBC is a strong real estate and commercial lender. It offers a complete line of products and services to approximately 70,000 customers. The credit products include commercial loans, letters of credit and lines of credit; Small Business Administration (SBA) loans; agricultural loans; consumer loans and lines of credit; and mortgage loans. Mortgage loan programs available are conventional, Federal Housing Administration (FHA), Veterans Administration (VA) and can be either fixed or variable. The

chart shows the composition of the bank's loan portfolio as of September 30, 1998:



below shows the composition of the bank's loan portfolio as of September 30,

At December 31, 1997, the bank's loan-to-deposit ratio was 74%. This loan-to-deposit ratio has increased since December 31, 1995, when it was 69%. Comparisons to yearly averages showed an increase to 74% during 1997 over 1996 levels of 72%. From year end 1995 to year end 1997, total loans increased 11%, total deposits increased 5%, and total assets increased 12%.

The bank's assessment area includes ten other commercial banks and three savings and loan associations. Of the commercial banks, three are generally comparable in size to NBC and the rest are branches of large banks with assets greater than \$3 billion. As of June 30, 1997, NBC had deposit market shares of 24%, 34%, and 20% in Lowndes, Oktibehha and Monroe Counties, respectively. In Neshoba and Noxubee counties, the bank had 28% and 15% deposit market shares, respectively. NBC did not show any deposit market shares in the Clay, Choctaw, and Webster counties. In its assessment area overall, NBC had 15% of the deposits.

Description of Assessment Area (AA)

NBC operates in two assessment areas (AA). The first is Neshoba County embracing 7 geographies. The second AA comprises 33 geographies found in the whole counties of Lowndes, Monroe, Noxubee and Oktibehha, and the partial counties of Choctaw, Clay and Webster. None of these counties are in a Metropolitan Statistical Area (MSA). The bank does not have any branches in Choctaw, Clay, and Webster counties. However, its Oktibehha branches can support the geographies closest to them. The geographies excluded were those the bank cannot reasonably support because of the distance from an NBC branch. None of the geographies excluded are either low- or moderate-income geographies. The excluded areas are adequately served by other financial institutions who hold majority deposit market shares.

Approximately 73% of the population within the bank's assessment area reside in Lowndes, Oktibehha and Monroe counties. Columbus, the major city in Lowndes County, is recognized as the regional medical center for Northeast Mississippi and Northwest Alabama. The Columbus Air Force Base is also found in Lowndes County. Starkville, in Oktibehha County, is the home of Mississippi State University, the state's largest university. The Noxubee National Wildlife Refuge is in this county. This park has two major lakes, nature trails, hunting areas and a 3,225-acre bird sanctuary. Neshoba County also contains several reservations of the Mississippi band of Choctaw Indians.

The combined AA contained 40 geographies and a population of 183,586 as of the 1990 census. Table 1 shows the income level distributions of geographies and the people.

ASSESSMENT AREA DEMOGRAPHICS				
Table 1				
Income Level of Geographies	# of Geographies	% of Total Geographies	Families in Geographies	% of Families in Geographies
Moderate	7	18%	6,952	15%
Middle	23	57%	23,032	48%
Upper	10	25%	17,595	37%
Total	40	100%	47,579	100%

As shown above, there are no low-income geographies in the assessment area. Most of the geographies are middle-income and the largest number of the population reside in such tracts.

The bank's assessment area contained 47,579 families. The Department of Housing and Urban Development's (HUD) 1997 updated median family income for the assessment area was \$29,800 versus the state's \$33,153. Table 2 shows the distribution of families in the assessment area by income level.

DISTRIBUTION OF FAMILIES IN AA BY INCOME LEVEL		
Table 2		
<i>Income Level</i>	<i># of Families</i>	<i>% of Total</i>
Low	10,338	22%
Moderate	6,668	14%
Middle	8,313	17%
Upper	22,263	47%
Total	47,579	100%

While the assessment area has no low-income geographies, low-income families represent the second largest segment in the bank's assessment area.

The combined assessment areas had 70,373 housing units. Of the total housing units, 64% were owner-occupied, 27% were rental units and 7% were vacant. The median housing value for the bank's assessment area was \$43,896 per the 1990 census. This value did not differ greatly from the state's median housing value of \$46,078. Table 3 shows how the owner-occupied units are distributed among Geography income levels.

HOUSING CHARACTERISTICS		
Table 3		
<i>Geography Income Level</i>	<i># of Owner-Occupied Units</i>	<i>% of Total</i>
Moderate	6,197	14%
Middle	22,004	48%
Upper	17,233	38%
Total	45,434	100%

The U. S. Bureau of Census Information shows that manufacturing, services and retail are the primary industries that operate within the bank's assessment area. From the Directory of Major Businesses prepared by the Columbus-Lowndes Economic Development Association dated January 1, 1998,

United Technologies Automotive Systems, Weyerhaeuser and Baptist Memorial Hospital employ more than 900 employees each in Lowndes County.

Examiners contacted two members of the community representing affordable housing and small business interests. The objectives for the meetings were to understand the needs within the bank's assessment area and to learn public perceptions of area banks. The contacts said the primary needs in the AA are affordable single-family dwellings and rental units.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Scope of Review

This review covered the time period from January 1, 1996 to December 31, 1997. Residential real estate loans, small business and small farm loans, and community development loans originated during this evaluation period were evaluated. Although the bank is not in an MSA and does not report loans under the Home Mortgage Disclosure Act (HMDA), it collects information which we sampled in order to prepare an analysis. Investments purchased and investment services rendered over this time period were also reviewed.

LENDING TEST

Lending Activity

Loans originated during the evaluation period reflected good responsiveness to the credit needs of the bank's assessment areas. As noted in the **Description of the Assessment Area** section of this report, our community contacts identified affordable housing loans as the principal credit need of the AA. The bank's affordable housing mortgage program, NBC 1st Mortgage Purchase Money Program, assists in meeting this identified need. The Program is targeted to low- and moderate-income (LMI) individuals.

NBC offers a good mix of commercial, residential, and consumer installment credit products. Trends are positive, with the rate of combined originations of home mortgage, small business and small farm, and community development (CD) loans during 1997 ahead of 1996 in terms of numbers. The total number of small business, small farm, and community development loan originations increased from 987 during 1996 to 1,053 during 1997. During the evaluation period, the bank originated 400 residential mortgage loans. We sampled 35 of these loans - 18 during 1996 and 17 during 1997. This sample was used to determine inside/outside AA ratio, geographic distribution and distribution by borrower's income of residential mortgage loans. See Table 4.

LOAN ORIGINATIONS DURING EVALUATION PERIOD						
Table 4						
Loan Type and Year	Total # Originated & Bought	Total \$ Originated & Bought (000's)	Number Originated & Bought Inside AA	Percent # Originated & Bought Inside AA	\$ (000's) Originated & Bought Inside AA	Percent # Originated & Bought Inside AA
Home Mortgage	204	9,854	16*	89%	613*	91%
Small Business	896	28,592	808	90%	26,506	93%
Small Farm	221	4,944	178	81%	4,037	82%
Community Dev.	1	1,386	1	100%	1,386	100%
Total 1996	1,322	44,776	987**	88%**	31,929**	91%**
Home Mortgage	196	10,601	16*	94%	546*	91%
Small Business	931	26,933	833	90%	23,576	88%
Small Farm	270	5,418	220	82%	3,727	69%
Total 1997	1,397	42,952	1,053**	88%**	27,303**	84%**
Grand Total	2,719	87,728	2,040**	88%**	59,232**	88%**
* Mortgage loans originated inside AA based on sample of 18 loans in 1996 and 17 in 1997.						
** Home mortgage loan totals inside AA are not included in totals.						

Assessment Area Concentration

A substantial majority of NBC’s loans were made within its designated AA. Columns five and seven of Table 4 show the percent of loans in terms of number and dollars, respectively, originated within the bank’s assessment areas during 1996 and 1997.

Geographic Distribution of Loans

Loans originated during the evaluation period were distributed adequately throughout the assessment areas. Tables 5 and 6 show the distribution of loans by product type and among different geographies. There were no conspicuous geographic gaps in the bank's lending patterns. The distribution of housing-related, small business and small farm loans are discussed separately in subsequent sections of this Public Performance Evaluation.

Residential Mortgage Loans

Based on a statistical sample that represented 9% of residential mortgage loans, their geographic distribution was weak. However, as explained under **Borrowers Profile**, the distribution of loans to low- and moderate-income individuals was adequate. There are no low-income geographies in the bank's AA. None of the 35 sampled loans were in moderate-income tracts. However, the percent of both the number and dollar amount of mortgage loans to middle-income geographies exceeded the percent of owner occupied units in middle-income geographies and the percent of middle-income geographies. See Table 5.

GEOGRAPHIC DISTRIBUTION OF 1996 AND 1997 HOME MORTGAGE LOANS INSIDE AA								
Table 5								
Year & % of Total	Geography Income Level							
	Moderate-Income		Middle-Income		Upper-income		Total	
	\$	#	\$	#	\$	#	\$	#
1996	0	0	387	12	226	4	613	16
% of Total	0	0	63%	75%	37%	25%	100%	100%
1997	0	0	308	11	238	5	546	16
% of Total	0	0	65%	80%	35%	20%	100%	100%
% Owner-Occupied	14%		48%		38%		100%	
% of Geographies	18%		57%		25%		100%	

All dollars are in thousands.

Small Business and Small Farm Lending

The distribution of small business and small farm loans showed very good penetration throughout the assessment area, particularly in moderate-income geographies. During the evaluation period, the bank originated 17% and 48% of its small business and small farm loans, respectively, in moderate-income geographies. These percentages exceeded the 14% and 15% of small businesses and small farms, respectively, located in moderate-income geographies. See Table 6 for additional detail regarding geographic distribution of small business and small farm loans.

SMALL BUSINESS AND SMALL FARM GEOGRAPHIC DISTRIBUTION INSIDE AA								
Table 6								
Loan Type and Year	Moderate Income Geographies		Middle Income Geographies		Upper Income Geographies		Totals	
	#	%	#	%	#	%	#	%
Small Business	135	17%	370	46%	303	37%	808	100%
Small Farm	94	53%	58	33%	26	14%	178	100%
Total 1996	229	23%	428	43%	329	34%	986	100%
Small Business	136	16%	441	53%	256	31%	833	100%
Small Farm	96	44%	81	37%	43	19%	220	100%
Total 1997	232	22%	522	50%	299	28%	1,053	100%
% of Small Businesses	14%		53%		33%		100%	
% of Small Farms	15%		56%		29%		100%	

Borrower's Profile

Loans originated during the evaluation period were distributed adequately among retail customers of different income levels. Distribution among business customers of different sizes was very good. Tables 7 and 8 show the distribution of residential mortgage loans and small business/small farm loans.

Residential Mortgage Loans

Based on a statistical sampling of residential mortgage loans, their distribution by borrower income level was adequate. Table 7 shows the distribution of this home mortgage sample. Penetration of home mortgage loans to low-income borrowers was weak compared to the percent of low income families (6% by number during 1997 versus 22% low income families). However, penetration to moderate-income borrowers was good. Thirteen percent of the number of home mortgage loans were made to moderate-income borrowers during 1996. This penetration improved to 31% during 1997, which was more than double the 14% of moderate-income families residing throughout the bank’s assessment area.

BORROWER DISTRIBUTION OF 1996 AND 1997 HOME MORTGAGE LOANS INSIDE AA										
Table 7										
Year & % of Total	Borrower Income Level									
	Low		Moderate		Middle		Upper		Total	
	\$	#	\$	#	\$	#	\$	#	\$	#
1996	0	0	17	2	102	5	494	9	613	16
% of Total	0	0	3%	13%	20%	31%	77%	56%	100%	100%
1997	10	1	173	5	60	2	303	8	546	16
% of Total	2%	6%	32%	31%	11%	13%	56%	50%	100%	100%
% Families	22%		14%		17%		47%		100%	
All dollars are in thousands.										

Small Business and Small Farm Loans

Table 8 shows very good loan penetration among business and farm customers of different sizes. In 1996, 93% of loans to businesses and farms were for amounts of \$100,000 or less. This percent increased to 97% during 1997. Almost all small business and small farm loans originated during the

evaluation period were to businesses with annual revenues less than \$1 million and to farms with annual revenues less than \$500,000. During 1996, 97% of the number of loans in Table 8 were to small businesses and small farms in this annual income category. This percent increased to 98% during 1997.

DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS BY LOAN SIZE INSIDE AA								
Table 8								
Loan Size	1996				1997			
	#	%	\$(000)	%	#	%	\$(000)	%
Less than or equal to \$100,000	920	93%	15,179	50%	1,018	97%	16,921	62%
Between \$100,000 and \$250,000	51	5%	8,625	28%	22	2%	3,560	13%
Greater than \$250,000	15	2%	6,739	22%	13	1%	6,822	25%
Total	986	100%	30,543	100%	1,053	100%	27,303	100%

Community Development Lending Activities

Given limited opportunities, the bank made an adequate level of community development loans. During the evaluation period, the bank made one community development loan in 1996. The loan was for \$1,386,000 to construct a 44 unit apartment complex targeted to low- and moderate- income individuals residing in Starkville, MS.

Flexible and/or Innovative Lending Programs

The bank participates in flexible lending programs within its assessment area which are very responsive to identified credit needs. These loan products are available at all full service banking offices. Special programs in which the bank participates are described below.

- < **NBC 1st Mortgage Purchase Money Program.** Proprietary bank program targeted for low- and moderate-income applicants. Down payment assistance will be available for these loans through the Federal Home Loan Bank (FHLB) Helping Hands Program. Up to \$500 per loan may be given to the home buyer to be used as all or part of their down payment.
- < **Federal Home Loan Bank Grant Program.** NBC has been approved by the FHLB to provide funds for down payment, closing costs, or to reduce the principal amount of the loan so a customer can qualify. Each qualified applicant may have \$500 for each single family purchase

money mortgage for low- and moderate-income families with income at or below 80% of median family income.

- < Community Home Buyers Program - Federal National Mortgage Association (FNMA)
Fixed rate mortgage program for low-income applicants whose income does not exceed 100% of the published HUD updated median family income. The program allows a maximum loan-to-value of 95%. Three percent (3%) of the 5% down payment must be from the borrower's own funds but the remaining 2% can be from gifts, grants, or an unsecured loan. The qualifying ratios are 33% for housing debt and 40% overall. Credit histories can be developed from utility and rent payments. The program requires PMI and an escrow account for taxes and insurance. Also, the borrower must be certified in a home ownership training class.
- < Fannie 97 Program. This is for conventional, fixed rate FNMA program which requires only a 3% Down payment. This program is available to low- and moderate-income families whose income does not exceed 100% of HUD defined median family income.
- < Golden Triangle Planning and Development District, Inc. This program is a consortium of financial institutions whose purpose is to assist small businesses in start-up, expansion, and location within the bank's assessment areas.
- < NBC Home Improvement/Rehabilitation Program. The bank allocates \$2 million per year for the renovation and rehabilitation of deteriorated property within the bank's assessment area.
- < Small Personal Loans. NBC funds personal consumer loans for amounts less than \$2,000. The vast majority of these loans are to low- and moderate-income applicants.

INVESTMENT TEST

During the evaluation period, qualified community development investments, in the form of contributions and grants, totaled \$11,800. The amount of qualified investments is extremely low relative to the bank's size and resources. However, the amount is considered adequate because of limited opportunities for community development investments. Performance context follows for each of the five counties in which the bank has branches. The performance context explains why community investment opportunities are limited.

Noxubee County

Contains the two largest moderate income geographies within the bank's assessment area (primarily the entire county—excluding the city of Macon). Municipal bond opportunities have been very limited. There are no Community Development Corporations (CDC), minority or women owned financial institutions, or low-income or community development credit unions in the county.

Neshoba County

Contains one moderate-income geographies (the main reservation of the Mississippi Band of Choctaw Indians.) The bank has no offices in the city of Philadelphia, which is adjacent to this moderate income geography. The bank has participated in the Neshoba County School District, State Aid Capital Improvement Bonds (\$85,325 book). These funds were used to purchase, erect, repair, equip and remodel school buildings throughout the county. Children from throughout the county attend the county public school. Although these bonds were not targeted to low- and moderate-income individuals or geographies, they have benefited the entire county.

Oktibbeha County

Contains no low- or moderate-income geographies. The city of Starkville has not had any bond issues for low-to moderate-income housing over the past five years. The bank's business development officer works with the Starkville Housing Authority to identify opportunities for community development investments and to offer assistance with home mortgage seminars. The housing authority has worked with over 33 families to relocate and purchase their own home over a three-year period. Financing was obtained either through the Habitat for Humanity program, Farmer's Home Administration or area banks. NBC continually looks for ways to support housing needs for low- and moderate-income individuals. To date, bond issues for this purpose have not been available for the bank to purchase.

Lowndes County

The Rail Road Project, which was a joint project by NBC and the City of Columbus, Office of Federal Programs, provided affordable housing rehabilitation to 10 very low-income residents. This project included a \$50,000 loan from NBC (during 1994), \$50,000 grant awarded to the bank by the Federal Home Loan Bank Affordable Housing Program (not a qualified investment) and a \$50,000 grant obtained by the City of Columbus, Office of Federal Programs.

Investment opportunities to aid with affordable housing are limited in Lowndes County. During 1995, the bank provided a \$25,000 grant to start a CDC. This CDC has evolved into the Lowndes County Investment Corporation (LCIC). The LCIC is administered by the Columbus-Lowndes Chamber of Commerce. The Columbus Lowndes Economic Development Association (CLEDA) has been the most successful organization in providing community development. This bank actively works with CLEDA to attract, secure and provide startup capital for small businesses wanting to grow in the Lowndes county area. .

Monroe County

Contains one moderate-income geography in the downtown area. The bank participates in several school district bonds (Amory, Aberdeen and Monroe County) but these bonds benefited the entire county by providing improvement.

SERVICE TEST

The bank's delivery systems are reasonably accessible to different geographies and persons of different income levels. The bank has provided a high level of community development services.

Branch Distribution

The bank's offices are located in areas of high population density and business activity. The 23 branches are dispersed throughout the five full counties in NBC's assessment area: Lowndes, Monroe, Oktibehha, Noxubee and Neshoba. The Maben Center branch provides banking services to the partial counties of Clay, Choctaw and Webster. The Maben branch is in close proximity to these three counties.

Business hours adequately accommodate the average working population. Branches open 8:00 a.m.. Monday thru Friday except in Lowndes County, where branches open at 9:00 a.m.. Lowndes County contains the most industrial workers in the bank's assessment area. All branches close at 5:30 p.m. Monday thru Friday. Nine branches conduct business half a day on Saturdays. One of these branches is in a moderate-income geography. The bank has not received any requests from its customers for earlier opening or closing hours. As shown in Table 9, the majority of the bank's offices are in middle-income geographies where the majority of the population resides.

DISTRIBUTION OF OFFICES BY GEOGRAPHY INCOME LEVEL					
Table 9					
Income Level of Geographies	Office Distribution		Geography		% of Population
	#	%	#	%	
Moderate-income	2	9%	7	18%	16%
Middle-income	15	65%	23	57%	50%
Upper-income	6	26%	10	25%	34%
Total	23	100%	40	100%	100%

Range of Services Provided

The bank generally offers the same products and services at each location, although lenders are only available at 10 of the branches. Mortgage loan originators are located at the Starkville, Columbus, and Philadelphia main offices. Representatives from the mortgage, trust and student loan departments are available to schedule customer appointments at any location as needed.

Record of Opening and Closing Branches

The bank opened the Philadelphia West Side Branch in February 1996. This branch abuts the only moderate-income tract in Neshoba County where the Choctaw Indian Casino is located. This casino also includes a 500+ room hotel. The bank opened this branch in response to the increase business and population growth west of the county spurred by the presence of the casino. There were no branches opened or closed in 1997. The bank has a branch closing policy that requires impact reviews of surrounding communities.

Availability and Effectiveness of Alternative Delivery Systems

NBC provides alternative banking services in the form of automated teller machines (ATMs), automated telephone service, and bank by mail. However, the effectiveness of these alternative delivery systems in improving access among low- and moderate-income individuals cannot be substantiated. Special services, which include PC online statement and balance reporting, are available to businesses and more affluent trust customers.

NBC operates ten in-branch ATMs. There are no ATMs located in any of the two bank branches located in moderate-income tracts. Seven (or 70%) are in middle income tracts where 50% of the population in the bank's assessment area resides. Three (or 30%) are in upper-income geographies. The bank also operates two standalone, cash only ATMs located in Lowndes County. These ATMs, while not in a moderate-income geography, directly abut two moderate- income tracts. Bank customers can also access their accounts at ATMs linked to the PULSE and Plus System©.

The bank offers its customers a free 24-hour automated access through its NBC Bankline service. Customers can get current account and loan balance information, make account transfers, order checks and get interest rate information. NBC also offers two "no minimum balance" checking accounts with moderate monthly service charges.

Community Development Services

The bank has provided a high level of community development services, and has assumed a leadership role in some instances. Primary services include providing financial expertise to a variety of community service and development organizations through board membership, credit counseling, and providing technical financial assistance for consumers and small businesses.

Following is a list and description of some of the community development services provided in the assessment area:

pGolden County Investment Corporation - This organization provided funding to renovate 10 low-income houses in the railroad district of Columbus. This bank provided a leadership role by initiating

contact with the City of Columbus, Office of Federal Programs, to establish a grant program with the Federal Home Loan Bank.

p*Regional Housing Authority Money Management Seminars* - An NBC officer presented a program discussing money management and checking account opening requirements to individuals who received housing assistance from the Regional Housing Authority. The Housing Authority serves the very low- and low-income sectors of the community.

p*Golden Triangle Planning and Development District* - This organization administers funding from four revolving loan programs: Minority Business Enterprise, MS Small Business Assistance, Economic Development Administration and the Appalachian Regional Commission. These programs assist expansion of small startup businesses. An NBC officer served as a member of the organization's loan committee.

p*Small Business Tax Seminar* - The bank was one of the sponsors of a free seminar to small business owners. The seminar covered topics on tax responsibilities, sales, employment and income taxes and electronic tax filings.

p*Main Street Columbus* - This organization's objective is to revitalize and improve the downtown Columbus area, a portion of which is in a moderate-income tract. An officer of the bank serves as a member.

p*Salvation Army* - This nonprofit organization provides aid, special assistance, and rehabilitation services to low income individuals and families. A bank officer serves on the Advisory Board of the local organization. As such, he provides technical assistance in budgeting and fundraising activities.

p*The Savings Series* - In cooperation with the MS State County Extension Service, the bank compliance officer and another bank employee trained representatives from various nonprofit organizations on budgeting, maintaining checking accounts and developing good saving habits, etc. These trainees, in turn, work through their own organization to train low- and moderate-income families on the financial/savings education.

p*Boys and Girls Club of Columbus, Lowndes County* - This organization is an affiliate, but an autonomous organization, of the nationwide movement that helps youths of all backgrounds, with special concern for those from low-income families. A bank officer serves on the Board of Directors and assists in financial decisions.

FAIR LENDING

A sample of NBC's home purchase loans was tested to determine compliance with various fair lending laws. The test for illegal discrimination was based on the race of the applicant. To test for consistency in the banks credit underwriting practices, a sample of denied black applications was compared to a

sample of approved white applications. NBC conducts fair lending training for its employees and it has adopted and implemented sufficient policies and procedures to guide its employees in adhering to the fair lending laws. The bank's compliance with fair lending laws and regulations was satisfactory. No patterns, practices, or evidence of discrimination were found.

APPENDIX A

GLOSSARY OF TERMS

GEOGRAPHY TERMS

Block numbering areas (Geographies): Statistical subdivisions of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established Geographies.

Geographies: Small subdivisions of metropolitan and other relatively densely populated counties. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Geographies are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons. (Counties outside of a metropolitan statistical area (MSA) can choose Geographies or Geographies at their option. Typically, counties will choose Geographies as their populations approach the MSA designation limit of 50,000.)

Metropolitan area: One or more large population centers and adjacent communities that have a high degree of economic and social integration.

Metropolitan statistical area (MSA): One or more metropolitan areas that have economic and social ties.

Nonmetropolitan areas: All areas outside of metropolitan areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who is related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters.

Householder: Includes, in most cases, the person or one of the persons in whose name the home is owned, being bought or rented.

Housing unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or, if vacant, is intended for occupancy) as separate living quarters.

Occupied units: Represents the sum of all owner-occupied and renter-occupied housing units.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Family income: Includes the income of all members of a family that are age 15 and older.

Median income: The median divides the income distribution into two equal parts, one having incomes above the median and the other having incomes below the median.

Area median income: The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Low-income: Individuals and geographies having a median family income less than 50 percent of the area median income.

Moderate-income: Individuals and geographies having a median family income of at least 50 percent but less than 80 percent of the area median income.

Middle-income: Individuals and geographies having a median family income of at least 80 percent but less than 120 percent of the area median income.

Upper-income: Individuals and geographies having a median family income of 120 percent or more of the area median income.