



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

July 31, 1996

National Bank of Commerce
Charter Number 13681
One Commerce Square
Memphis, Tennessee 38150

<p>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.</p>
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of National Bank of Commerce, Memphis, Tennessee prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of July 31, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: "Satisfactory Record of Meeting Community Credit Needs."

Description of Bank and Its Delineated Communities

National Bank of Commerce (NBC), Memphis, Tennessee, had total assets of \$2.8 billion as of June 30, 1996. It is one of the three largest banks in Shelby County. It operates branches in and has identified the following six CRA delineated communities throughout the state of Tennessee:

- (1) Shelby County - All census tracts;
- (2) Johnson City - Census tracts 601 through 614 in Washington County, Tennessee;
- (3) Kingsport - Census tracts 401-404, 406-409, 411, 419 and 421 in Sullivan County;
- (4) Jackson - Census tracts 1-9, 12, 14.01, and 16.01 in Madison County;
- (5) Cleveland - Census tracts 101-108, and 114 in Bradley County; and
- (6) Brownsville - Census tracts 9803 and 9804 in Haywood County.

Our examination focused on the Shelby County community. We centered on Shelby County because it is the bank's original community and the location of its main office. Also, the bank entered the Brownsville community shortly before the examination began, and was in the process of selling the Johnson City and Kingsport branches.

Shelby County is located in Southwest Tennessee in the Memphis Metropolitan Statistical Area (MSA). As of the 1990 census, the Memphis MSA included Shelby and Tipton Counties in Tennessee, Crittendon County in Arkansas, and DeSoto County in Mississippi. The 1990 census is the source of the demographic data that follows and is updated to reflect 1995 levels.

Memphis is the largest city in Shelby County, situated on the Mississippi River, where the states of Tennessee, Arkansas, and Mississippi meet. The population of the MSA was approximately one million, with 84 percent of the population living in Shelby County. The median household income for Shelby County is \$22,420, the median home value is \$53,500, and the median rent is \$373.

Significant industries are transportation (Memphis is promoted as the distribution center of the country) and medical services (hospitals and related businesses).

Information Considered in Assigning the Rating:

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

NBC employs various methods to ascertain the credit needs of its communities and to communicate with members of its communities regarding the products and services it offers.

The bank's primary means of ascertainment is through an ongoing officer call program. NBC's Officer Call program requires loan officers and branch managers to make a minimum of two "CRA calls" each quarter. The bank defines a "CRA call" as a visit to a small business or organization that benefits low- and moderate-income areas of the community. The bank's CRA Compliance Officer also conducts calls in Shelby County and follows up on other officer calls to further explore documented needs and identify opportunities to address those needs.

NBC has a CRA Advisory Committee for Shelby County that consists of individuals representing various local neighborhood, civic, religious, small business, real estate, economic development, and government groups. However, during the last two years, this committee has met three times. Its purpose is to inform bank management of development opportunities within the community and suggest ways the bank may address those needs. Management, in turn, is to use this forum to communicate its products and services to the community. The Committee is chaired by the bank's former CRA Compliance Officer.

NBC also has a Cultural Diversity Committee formed in Shelby County to give the bank an increased understanding of the African American community and to increase the bank's visibility in the African American community. The committee, which has met quarterly since June 1995, is comprised of members of senior management and three highly respected individuals from the African American community. NBC President Mackie Gober chairs the Committee.

Besides the above, NBC's CRA Compliance Officer maintains regular contact with representatives of local government, economic development, small business, religious, civic, and neighborhood groups, real estate agents and minority groups concerned with the needs of the community. In Shelby County, bank officers are involved in the Economic Development Committee of the NAACP, the Black Business Association, the Center for Neighborhoods, and the Chamber of Commerce, among other organizations. A member of senior management also sits on the board of directors for the Shelby County Habitat for Humanity.

Through its ascertainment efforts NBC has identified the following community credit needs: (1) affordable housing; (2) home improvement loans; and (3) credit/banking counseling.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

NBC's Board of Directors is involved in the CRA process. The Board's Audit Committee has been given responsibility for oversight of the bank's CRA efforts. The CRA Compliance Officer reports to the Board of Directors through the Audit Committee quarterly, providing updates on the bank's CRA lending efforts, including updates on the geographic distribution of the number and dollar volume of outstanding loans and new loan originations. Reports are also provided on proposed projects and internal changes which affect low- and moderate-income lending. The CRA Compliance Officer reports to the full Board annually.

The bank also has a CRA Oversight Committee that includes senior management from various areas of the bank and the CRA Compliance Officer. This committee is responsible for implementing and monitoring the bank's CRA program. Since the last performance review, the Committee has implemented the following initiatives to help the bank better serve the credit needs of its community, particularly the low- and moderate-income areas:

- For refinance, home improvement, some first mortgage, and other equity products, increased the bank's total debt-to-income ratio to 45%.
- For declined home equity customers, established a credit counseling program.
- For declined first mortgage loans originating in the mortgage division, established a secondary review.
- Expanded Fair Lending Training.

NBC's CRA Compliance Officer monitors the bank's lending performance monthly. The analysis of loan originations, denials, and withdrawals by number and dollar volume is used to assess the bank's performance throughout its delineated community, including low- and moderate-income neighborhoods. During 1994 and 1996, the CRA Compliance Officer prepared an assessment of the bank's performance under the CRA for review by the Board's audit committee.

During the bank's 1995 budgeting process, the CRA Compliance Officer prepared a CRA Action Plan outlining goals for the CRA program. The CRA Oversight Committee is responsible for monitoring the bank's performance against the Action Plan. In 1994, \$30 million was budgeted for loans to low- and moderate-income census tracts. Loans made to these areas totaled \$15 million. In 1995, loans totaling \$25 million were made in these tracts versus a budget of \$30 million.

The Board annually approves the bank's expanded CRA policy statement.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

NBC has implemented marketing programs that reach all segments of Shelby County, including low- and moderate-income areas. The primary vehicle used by NBC to advertise its products and services are the local daily newspaper, The Commercial Appeal. Advertisements have focused on the bank's first mortgage refinance and home equity products. Some ads have promoted car loans and secured credit cards. NBC has done some limited advertising on local radio stations and in several weekly newspapers. With its emphasis on supermarket banking, in store merchandising is a key element of the bank's marketing program.

The bank also uses a direct mail program targeting all areas of its community including low- and moderate-income neighborhoods. A direct mail campaign targeting minority and low- and moderate-income neighborhoods promoted the bank's first mortgage refinance product. In November 1995, postcards were mailed to 200 homes as a test, resulting in 5 loans. An additional 1,800 pieces were mailed in May 1996. Those results were not available at the time of this review.

In 1995, the bank held a Cultural Diversity Reception, inviting 500 African Americans from the local community. Management and loan officers were in attendance to inform the participants of the bank's products and services and to solicit business. The reception resulted in \$640,000 in new loans.

NBC has developed products and services to meet the credit needs of low- and moderate-income individuals. The bank uses two down payment assistance programs to make mortgage loans affordable to this segment of its community. NBC participates in the City of Memphis Down Payment Assistance Program which provides up to \$10,000 in down payment assistance to individuals with 80% or less of the median family income for Shelby County.

NBC has also applied for and been designated as a receiving agent for Federal Home Loan Bank down payment assistance funds in conjunction with its partnership with a local nonprofit organization that provides credit counseling to low- and moderate-income individuals. NBC mortgage loan applicants participating in this credit counseling program may qualify for up to \$1,400 in down payment assistance through this fund.

During 1995, NBC conducted a home improvement expo at a church in one of the low-income census tracts in its Shelby County community. The minimum loan amount and interest rate were lowered for loans originated during the expo. Fifty-nine (59) loans were

made because of the expo. During 1996, a second home improvement expo was conducted in another low-income census tract, resulting in six (6) loans.

NBC addresses the identified need for credit/banking counseling in its community. The bank has provided funding to administratively support two organizations in the community that provide credit and home ownership counseling to low- and moderate-income individuals. In addition, bank employees conduct credit counseling workshops through local churches and Habitat for Humanity.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

NBC is responsive to community credit needs through the origination of residential purchase-money mortgages, refinance, home improvement, housing rehabilitation, small business and small farm loans. The CRA Statement does not correctly identify all of the types of credit the bank is willing to extend throughout the delineated community of Shelby County. Farm loans were omitted from the Statement, and NBC does make small farm loans.

NBC's lending levels demonstrate a reasonable response in meeting community credit needs. As of March 31, 1996, loans to finance one- to four-family residences were 16% of gross loans and loans to individuals were 36% of gross loans. The bank's loan-to-deposit ratio was 83%. The majority of the bank's loans made during 1994 and 1995 were located in its delineated communities.

The following table shows NBC's originations for home purchase, refinance, and home improvement loans as obtained from HMDA reports.

HMDA LENDING IN SHELBY COUNTY

Loan Types	1995	1994	All HMDA Reporters 1994	% of Total Market 1994
Home Purchase/ Govt. Agency	122	211	5,792	4%
Home Purchase/ Conventional	154	165	6,183	3%
Home Refinancing	87	483	6,710	7%
Home Improvements	318	268	2,319	12%
Total	681	1,127	21,004	5%

NBC also makes loans for housing rehabilitation. Since the last performance review, NBC has made 18 loans totaling \$534,400 to private developers.

The bank also made 1,821 small business loans totaling \$319,994,202. Of the total, 1,188 loans totaling \$227,319,852 were made in 1995. These numbers represent loans to small businesses with revenues totaling less than \$1 million, and includes some SBA loans.

NBC makes a limited number of small farm loans. Data was not available on the number of small farm loan originations.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

NBC participates in governmentally-insured, guaranteed and subsidized programs for housing and small business.

NBC demonstrates a general responsiveness to participation in government lending programs. The bank originates loans through the Federal Housing Administration (FHA), Veterans Administration (VA), Tennessee Housing Development Authority (THDA), and the Small Business Administration (SBA). Depicted in the next table is NBC's level of participation in the available governmental programs within Shelby County during 1995.

PARTICIPATION IN GOVERNMENT LOAN PROGRAMS

LOAN TYPE	# OF LOANS	\$ OF LOANS
FHA and VA	359	23,699,000
SBA	35	4,671,749
THDA	38	1,662,317

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The bank's delineated communities are reasonable and do not arbitrarily exclude low- or moderate-income areas.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

The geographic distribution of NBC's credit extensions, applications and denials reflects reasonable penetration throughout the Shelby County delineated community. However, the distribution of outstanding loans across varying income levels is disproportionate to the demographics of the bank's communities.

Although low-and-moderate income people constitute 39% of the delineated community, consumer loan originations during 1994 and 1995 for low- and moderate-income borrowers were 16% of lending.

NBC performs analyses of the geographic distribution of its lending activity for all loan products by census tracts. The geographic analysis results are reported to senior bank management and the Board of Directors through the CRA Oversight Committee and the Audit Committee.

In 1994, NBC's distribution of loans reported under the Home Mortgage Disclosure Act (HMDA) compared reasonably to the aggregate market. The following charts show the percentage of HMDA reportable loans originated by the bank within the income geographies compared to the percentage of the community which is low- and moderate-income. These results are for the delineated community of Shelby County only.

Of the 1,127 loans originated in 1994, the following numbers and percentages were from the different income groups:

1994 HMDA LENDING IN SHELBY COUNTY BY INCOME-LEVELS

Borrower Income	\$ Volume of loans (000's)	# Originated	% of total # Originated	% of pop. in community
Low and Moderate Income	8,645	229	20.3%	38.69%
Middle Income	10,272	207	18.4%	19.39%
Upper Income	52,533	685	60.8%	41.93%

Note: Income data not available on 0.6% of the applications.

For the Shelby County community, of the 681 loans originated in 1995, the following numbers and percentages were from the different income groups:

1995 HMDA LENDING IN SHELBY COUNTY BY INCOME LEVELS

Borrower Income	\$ Volume of loans (000's)	# Originated	% of total # Originated	% of pop. in community
Low and Moderate Income	3,644	143	21.0%	38.69%
Middle Income	4,184	101	14.8%	19.39%
Upper Income	36,451	428	62.8%	41.93%

Note: Income data not available on 1.3% of the applications.

The following chart depicts the volume of consumer lending in terms of number and dollar of originations to low- and moderate-income census tracts in Shelby County only. These numbers also include HMDA loans reported in the previous two charts. The following data provided by management reflects a significant increase in lending to low- and moderate-income tracts.

TOTAL CONSUMER LENDING IN SHELBY COUNTY

Loan Types		Low and Mod Tracts		Shelby County Delineated Community		% Low and Mod To Community	
		1995	1994	1995	1994	1995	1994
Direct/Indirect Auto	#	1,019	399	5,882	2,845	17%	14%
	\$	15,127,187	5,321,784	89,547,980	38,628,574	17%	14%
Home Purchase	#	196	116	907	913	22%	13%
	\$	3,976,296	4,909,524	62,515,500	74,189,046	6%	7%
Home Improvement and Home Equity	#	117	48	1,015	920	13%	5%
	\$	1,559,115	1,077,582	32,523,196	29,142,593	5%	4%
Other Personal	#	498	1,208	3,570	6,611	14%	18%
	\$	4,761,605	3,524,066	3,250,962	52,418,028	15%	7%
TOTALS	#	1,830	1,771	11,374	11,289	16%	16%
	\$	25,424,203	14,832,956	217,095,737	194,378,241	12%	8%

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

NBC has a satisfactory record of opening and closing offices and providing services at its banking offices. Bank offices are reasonably accessible to all segments of the bank’s local community. Business hours and services are tailored to accommodate all segments of the community. Money Market branches in various Kroger food stores have extended evening and Saturday hours.

Since the last performance review, NBC closed its Summer Avenue branch, merging it with the Union Avenue branch and the Cleveland Poplar Money Market branch. Both branches are located within a five-mile radius of the closed branch. The branch was closed due to expiration of the lease and a decline in branch activity. NBC has a branch closing policy and followed it in closing this branch.

The bank also opened three new Money Market branches. These branch locations are:

- 1) 2196 Highway 45 Bypass, Jackson, TN 38305
- 2) 4495 Keith Street, NW, Cleveland, TN 37312
- 3) 314 East Main, Brownsville, TN 38012

During this period, NBC also relocated one of its Memphis Money Market's across the street from its existing location due to the relocation of the Kroger store. The new address is 2632 Frayser Boulevard.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Our examination did not reveal any practices intended to discourage applications for the types of credit set forth in NBC's CRA Statements.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Our fair lending examination did not reveal prohibited discriminatory practices. We reviewed 100% of the FHA loan originations, declinations, and withdrawals for 1995. We compared underwriting standards for marginally approved white applicants to those for marginally denied black applicants. We also compared loan terms for approved applicants. No adverse findings were noted.

The bank does not conduct a comparative analysis of its lending performance. However, a second review program has been implemented for all mortgage loans declined in the mortgage department. A second review of declined home equity loans is also performed to ensure that the loans received appropriate consideration.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

NBC is aware of opportunities for development and redevelopment within its community and sometimes participates in them. Some results have been realized from participation in the following programs:

Home Ownership Foundation

NBC began participating in a partnership with this organization in 1995, along with the City of Memphis and United Way. The organization provides home ownership and credit counseling to low- and moderate-income individuals. Efforts resulted in 32 loans totaling \$1.7 million in 1995, and 43 loans totaling \$2.2 million during the first six

months of 1996. Of the total, NBC made 11 loans totaling \$785 million in 1995, and 3 loans totaling \$108,000 during the first six months of 1996. NBC donated \$2,000 in 1995 and \$2,000 in 1996 for administrative support. Additionally, one of the bank's mortgage lenders conducted three (3) of the 1995 counseling sessions for approximately 150 individuals.

The Memphis Multibank Community Development Corporation (MMCDC)

The MMCDC provides funding for renovation and construction of houses for low-income individuals. NBC provided \$100,000 of \$400,000 in startup capital in 1992, with two other local banks providing the remainder. During 1995, the MMCDC extended 24 housing rehabilitation loans totaling \$139,928. Based on its share of the startup funding, six (6) loans, or \$35,000, is attributable to NBC. MMCDC also assists borrowers with down payment assistance and/or low cost financing. Efforts have been focused in the Greenlaw District of Memphis, an impoverished inner city neighborhood in Downtown Memphis. NBC does not provide any of the permanent financing for mortgages originated through the MMCDC.

Shelby County Interfaith (SCI) - Nehemiah Housing Program

SCI is a nonprofit organization whose goal is to construct 2000 affordable homes for low-to-moderate income individuals by the year 2000. NBC director, Jim McGhee, is actively involved in the SCI/Nehemiah project. NBC contributed \$25,000 to help fund the organization. NBC also extended a \$100,000 loan to a local church to fund their contribution to the project's construction loan fund. As of July 31, two homes were completed (with one sold) and four were in progress.

Hope 3

NBC is a partner in a \$750,000 grant with the Shelby County Department of Housing and Economic Development to fund the rehabilitation of affordable housing units for low- and moderate-income individuals. This community development project in South Memphis is expected to generate approximately 25 single-family units of affordable housing and includes home ownership counseling for home buyers.

Besides the aforementioned projects, NBC supports community development by providing a \$200,000 line of credit to a contractor who rehabilitates and constructs housing for low- and moderate-income individuals.

NBC also supports community development through investment in local municipal securities. As of April 1996, NBC held investments in municipal securities supporting its Shelby County community totaling \$3 million, with \$193 thousand purchased since the last performance review.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no impediments to the bank's ability to meet various community credit needs.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Through varying donations, NBC supports the following organizations concerned with promoting economic growth in the Shelby County community:

Black Business Association
Center for Neighborhoods
Habitat for Humanity
Memphis Chamber of Commerce

Memphis Urban League
Mid-South Minority Business Council
National Association of Real Estate Brokers

ADDITIONAL INFORMATION

None.