



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

September 16, 1996

Union Planters Bank of Jackson, N.A.
118 North Liberty Street
Jackson, Tennessee 38301

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.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Union Planters Bank of Jackson, N.A. 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 September 16, 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.

Bank Profile

Union Planters of Jackson, N.A. (UP Jackson) has total assets of approximately \$300 million. The bank currently operates ten branches including the main office and maintains three stand alone ATM's. Residential mortgages, consumer, and small business loans represent a majority of the bank's total loan portfolio (83%). UP Jackson obtained its own separate charter July 1, 1994, as part of the disaggregation of Union Planters National Bank of Memphis, TN.

Community Profile

The population of Madison County is approximately 78,000. Unemployment is relatively low at 3 percent, the median housing value is \$41,500, and the HUD MSA median family income is \$35,400. Approximately 22% of the families are designated as low income, 18% are moderate income, 21% are middle income, and 39% are considered upper income. There are approximately 32,000 total housing units in the bank's MSA, with 60% of the homes being owner occupied and 30% low- or moderate-income. Approximately 30% of the population resides within low- or moderate-income census tracts. The principal industries in the Jackson area are manufacturing and health care. Competition among financial institutions is considered strong. The bank has delineated its community as all of Madison County and three block numbering areas (BNA's) in adjacent Gibson County.

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."**

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.

The bank maintains regular contact with a large range of individuals and groups representing civic, religious, minority, and small business organizations. Examples include the Chamber of Commerce, the Habitat for Humanity, and the Industrial Development Board. Senior management periodically reviews the bank's loan services to ensure products offered are well suited to community needs. The bank

offers a variety of conventional products as well as products reasonably suited for identified community credit needs. The bank has identified affordable mortgage products as the most pressing community credit need.

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.

The bank's Board of Directors maintains a proactive attitude and a high degree of responsiveness in addressing community needs. The Board, as well as senior management, are an integral part of the bank's CRA efforts and are committed to complying with the spirit and intent of the CRA. The Board conducts periodic reviews of CRA activities and performance.

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.

UP Jackson's marketing strategies are designed primarily to promote an image of the institution as a provider of general financial products and services. The types of media used have included: television, radio, newspapers, and billboards. The bank maintains adequate records of its advertising and marketing programs.

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.

UP Jackson has undertaken efforts to address identified community credit needs through the origination of residential mortgages, home improvement, small business, and small farm loans. These type loans represent major product lines for the institution and as of June 30, 1996, amounted to nearly two-thirds (61%) of the loan portfolio.

The bank's loan volume reflects a general responsiveness to these type credit needs. From July 1, 1994 through June 30, 1996, the bank originated and held within its own portfolio 419 residential mortgage loans (home purchase and refinance) as well as 60 home improvement loans. A significant volume of these loans (87%) are within the bank's delineated community.

The bank also assisted in the origination of residential mortgage loans that were purchased by an affiliated bank (Union Planters National Bank of Memphis) or other secondary market investors. During 1995 and through the first six months of 1996, the bank originated and sold 161 residential mortgages totaling approximately \$13.2 million.

A majority of the bank's commercial/business loans have been made to small businesses and small farms. As of June 30, 1996, approximately 79% of the bank's business loans were classified as either small business or small farm loans. It was also apparent that most of these loans are being made within the bank's delineated community. During the first six months of 1996, the bank originated 226 of these type loans (totaling \$11.2 million) and approximately 90% were within the delineated community.

The bank's CRA statement correctly lists a majority of the credit products available throughout its delineated community. However, the 1996 CRA Statement does not indicate that home purchase or refinancing loans are available.

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

UP Jackson regularly participates in governmentally-insured, guaranteed, and subsidized loan programs for housing, small business, and small farms. From July 1, 1994 through June 30, 1996, the bank assisted in the origination of 72 Federal Housing Administration(FHA)/Veterans Administration (VA) loans totaling approximately \$4.2 million. Although the bank's mortgage loan officers do not actually underwrite FHA/VA loans, applications for these type loans are accepted by the institution and forwarded to an affiliate bank for approval.

During this same time period, the bank also originated 24 Small Business Administration (SBA) loans totaling approximately \$4.4 million and 19 Farmers Home Administration (FmHA) loans totaling approximately \$2.1 million.

In addition, the bank originates housing loans guaranteed by the Tennessee Housing Development Agency (THDA). From July 1, 1994 through June 30, 1996, the bank originated 28 of these type loans totaling approximately \$1.3 million.

Furthermore, UP Jackson is the only lending institution within their delineated community that has participated in the Rural Development Guarantee Loan Program (formerly the "FmHA No Money Down" loan program) sponsored by the Rural Economic Community Development Agency. During the first six months of 1996, the bank originated ten of these loans totaling \$649,000.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The bank's delineated community meets the purpose and intent of the CRA and does not exclude low- or moderate-income neighborhoods. The delineated community consists of Madison County as well as three block numbering areas (BNA's) located in nearby Gibson County.

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

The geographic distribution of the bank's consumer, small business and small farm loans demonstrates a reasonable penetration in all segments of the delineated community, including low- and moderate-income neighborhoods (i.e. census tracts). However, the geographic distribution of residential mortgages reflected a somewhat disproportionate pattern with respect to the volume of loans *extended to low- or moderate-income borrowers*.

The following table outlines the bank's loan originations by loan type, the income category of the borrower(s), and by census tracts. Consumer, small business, and small farm percentages are based on total originations during the first six months of 1996. Home Mortgage Disclosure Act (HMDA) percentages are based on total originations during 1995.

Loan Type	LTM income borrowers	Middle/Upper income borrowers	LTM income census tracts	Middle/Upper income census tracts or other areas
Consumer	33%	67%	9%	91%
Small Business and Small Farm	NA	NA	19%	81%
HMDA Loans	12%	88%	15%	85%

Loan Type - Peer Comparison	LTM income borrowers	Middle/Upper Income borrowers	LTM income census tracts	Middle/Upper income census tracts or other areas
All HMDA Reporters within MSA	23%	77%	14%	86%
Only Banks and Mortgage Companies (excluding finance companies)	19%	81%	Not Available	Not Available

Small business and small farm loans are being provided throughout the bank's community, including low- and moderate-income census tracts, and as previously mentioned in Assessment Factor-I, the bank has originated a substantial majority of

these type loans within their delineated community. During the first six months of 1996, nearly 90% of these loans were made inside the delineated community.

Consumer loans also are distributed throughout the bank's community and the distribution of residential mortgage loans *within low- or moderate-income census tracts* is reasonable.

However, the distribution of residential mortgages *extended to low- or moderate-income borrowers* compares unfavorably to that of the other financial institutions operating within the bank's community, as well as with the demographics of the bank's community.

As the above table indicates, the bank made 12% of their HMDA loans to low- or moderate-income borrowers. However, in reviewing demographic information (based on the 1990 census) for the bank's MSA, we found that nearly 40% of the families within the MSA were classified as low- or moderate-income. In addition, we found that all the HMDA reporters combined made 23% of their loans to the same type borrowers.

Furthermore, the bank's originations to low- or moderate-income borrowers is also low when compared to only the bank's and mortgage companies operating in the area. In 1995, banks and mortgage companies combined (excluding finance companies) extended 19% of their loans to low- or moderate-income borrowers compared to 12% for UP Jackson.

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

The bank's offices are reasonably accessible to all segments of its local community. The institution's record of opening and closing offices has not adversely affected the level of services available in low- or moderate-income neighborhoods.

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).

The bank solicits credit applications from all segments of the community including low- and moderate-income neighborhoods. The Board of Directors and senior management have developed adequate policies and procedures supporting nondiscrimination in lending and credit activities.

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

The bank is in compliance with the major provisions of antidiscrimination laws and

regulations, including the Equal Credit Opportunity Act, and the Fair Housing Act. Our fair lending examination did not reveal any evidence of prohibited discriminatory or other illegal credit practices. The fair lending examination we conducted was based on the “loan terms” approach. We sampled conventional mortgage loans originated during the first and second quarter of 1996. The gender of the applicant was used as the prohibited basis.

V. COMMUNITY DEVELOPMENT

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

UP Jackson is aware of community development and redevelopment programs within its community and has participated in several of these programs. The bank’s community development activities have included the following:

- **Lending to local real estate developers for the purpose of constructing housing projects in low- and moderate-income areas or for low- and moderate-income individuals.** In January 1995, the bank made a \$176,000 loan to a local developer for the purpose of constructing a 10 unit multi-family rental unit to be occupied by qualified HUD section 8 applicants (i.e. low income families). This project is also located in a low- and moderate-income area. In addition, the bank has two of these same type loans to another developer totaling \$495,000. One of the loans (\$145,000) was made for the purpose of constructing five single family rental houses. These houses are also occupied by qualified HUD section 8 applicants. The other loan (\$350,000) is a revolving construction line of credit to build homes for sale to low- and moderate-income individuals. To date, there have been two homes constructed under this commitment.

Furthermore, we noted three other smaller loans made to individuals for the purpose of purchasing HUD section 8 rental property. These loans totaled \$41,000 and each of the rental units were located in a low- or moderate-income area.

- **Lending to small businesses in downtown Jackson (a low- and moderate-income area) for the purpose of purchasing and/or rehabilitating properties in this area.** Since July 1, 1994, there have been 13 of these type loans originated totaling approximately \$2.4 million.
- **Investing in and providing ongoing support to the Jackson Affordable Housing Community Development Corporation (CDC).** UP Jackson, along with three other banks, United Way, and the City of Jackson, provided the initial funds for the start-up of this organization. The bank’s commitment to

the CDC was \$25,000. The primary goal of the CDC is to provide funds to low- and moderate-income home buyers to pay down payment and/or closing costs associated with obtaining a real estate mortgage. However, within the previous year the CDC also purchased and rehabilitated a single family residence in a low- and moderate-income area (the home was subsequently sold to a low- and moderate-income family).

The funds provided by the CDC for down payment/closing costs are in the form of either grants or subordinated loans that are forgiven over a ten year period. Since July 1, 1994, the CDC has provided funds to three low- or moderate-income applicants. The total amount of these grants/loans was \$4,391.

In addition to providing financial assistance to the CDC, Union Planters also provides other types of support to this organization. Currently, one of the bank's loan officers is the Chairman of the Board for the CDC and the Board of Directors holds their meetings on bank premises. Furthermore, Union Planters has provided free office space to the one employee of the CDC.

- **Participating in the Minority Loan Program sponsored by the Jackson Area Chamber of Commerce.** This program is designed to assist minority small business owners in obtaining loans in cases where the borrowers do not have sufficient collateral to meet the bank's Loan-to-Value (LTV) guidelines. The applicant's credit rating, as well as their repayment capacity, must still meet the bank's underwriting guidelines. Applicants for this program must be minority (for-profit) small business owners and the use of the loan proceeds can only be for the acquisition of land and/or a building; the construction, expansion, or renovation of facilities; the purchase of machinery or equipment; or for working capital. Qualified applicants for this program are eligible to receive as collateral a pledge of up to \$5,000 from the Chamber. In each of these cases, a portion of the Chamber's deposits are held against the individual loans, thereby bringing the LTV within the bank's guidelines.

Since July 1, 1994, the bank has made eight loans under this program utilizing the Chamber's pledge of funds as collateral. These loans totaled \$137,000. At present, Union Planters is the only bank participating in this loan program.

- **Lending to the Industrial Development Boards (IDB) of the City of Milan and the City of Jackson for the purpose of economic development within these areas.** In November of 1994, the bank participated with other financial institutions in loans to the IDB's in each of these cities. Each IDB borrowed \$5 million for the purpose of constructing commercial buildings to be occupied/leased by a new manufacturing company moving into the bank's delineated community. The bank committed \$1 million to each of these projects and there were approximately 500 jobs created as a result of this company moving into the area. Furthermore, the commercial building

constructed by the Jackson IDB was located in a low - and moderate-income area.

- **Providing ongoing support to the City of Jackson Habitat for Humanity (Habitat)** - The bank assists this community development organization through financial contributions and by providing technical advice/assistance. The Habitat for Humanity's primary goal is to provide affordable housing to low- and moderate-income individuals/families. The Habitat obtains funding for their housing projects from government agencies as well as local businesses. Since 1995, Union Planters has been the only bank to contribute funds to this organization for the purpose of constructing low income housing. The bank currently has an agreement to provide contributions to the Habitat every other year for the purpose of constructing a Habitat home. In May 1996, the bank donated \$4,250 towards the construction of a Habitat home. The organization is currently building six homes per year. All the real estate (lots) are donated to the organization and construction costs average \$30,000 per home.

The Milan, Tennessee branch has also provided support to their local Habitat organization (**The Gibson County Habitat for Humanity**). During the first quarter of 1996, this branch donated \$3,500 for the construction of a Habitat home in Gibson County. The bank's contribution to this home was the largest contribution received towards this project.

- **Extending other miscellaneous community development type loans within their delineated community.** Since July 1, 1994, there have been 15 of these loans totaling \$1.3 million.

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 significant adverse factors which would impact the bank's ability to meet the credit needs of its communities.

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.

None.