

**Public Disclosure**

September 20, 1999

**Community Reinvestment Act  
Performance Evaluation**

**UMB U.S.A., National Association  
Charter Number 22974**

**114 West 15<sup>th</sup> Street  
Falls City, Nebraska 68335**

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

**Limited Purpose**

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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 CRA performance of **UMB U.S.A., National Association, Falls City, Nebraska**, prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **September 20, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** - A geographic area which consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area** - A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

**CEBA** - Competitive Equality Banking Act of 1987 which permitted corporations to form limited purpose credit card banks, whose operations are restricted to credit card activities, without the bank being considered a bank under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100M (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs

(13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Limited Purpose Institution** - An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market. A limited-purpose institution continues to meet the narrow product line requirement if it only infrequently provides other types of loans.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Low-Income Family or Geography** - An income level that is less than 50% of the MFI.

**Moderate-Income Family or Geography** - An income level that is at least 50% and less than 80% of the MFI.

**Middle-Income Family or Geography** - An income level that is at least 80% and less than 120% of the MFI.

**Upper-Income Family or Geography** - An income level that is 120% or more of the MFI.

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

**Net Operating Income** - As defined by the Consolidated Report of Condition and Income, income before adjusting for extraordinary items.

**Pass Through Receivables** - Outstanding receivables tied to all accounts issued or owned by the bank. The bank provides this information.

**Tier 1 Capital** - The total of common shareholders equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Total Assets** - Total bank assets as defined by the Consolidated Report of Condition and Income.

**Total Income** - From the Consolidated Report of Condition and Income -- Interest income plus noninterest income.

## Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from May 1, 1996 through September 20, 1999. We reviewed the level and nature of qualified investments and community development services. The bank's CEBA status prohibits lending, other than credit card lending, so the bank has no community development loans. At the bank's option, we also considered community development services its affiliate, UMB Bank, N.A., Kansas City, Missouri, provided. This was the first CRA evaluation of the bank since its conversion to a national charter May 1, 1996.

### Institution's CRA rating:

**This institution is rated "Satisfactory".**

The major characteristics that support this rating are:

- UMB U.S.A., National Association, (UMBUSA) demonstrates an adequate level of community development services and qualified investment activity.
- The bank demonstrates occasional use of innovative qualified investments and community development services.
- The bank demonstrates adequate responsiveness to community development needs in its assessment area.

### Description of Institution

UMBUSA is a \$157 million CEBA bank headquartered in Falls City, Nebraska. The bank has no other branches. UMBUSA is a subsidiary of UMB Financial Corporation (UMBFC), a \$7 billion multi-bank holding company headquartered in Kansas City, Missouri. UMBFC owns and operates seven affiliate banks with more than 165 locations throughout Missouri, Kansas, Illinois, Oklahoma, Nebraska and Colorado. UMBUSA relocated from New Castle, Delaware, to Falls City, Nebraska, and converted to a National Charter on May 1, 1996. Falls City is located in the southeastern corner of Nebraska and is within 100 miles of the bank's holding company.

UMBUSA received a limited purpose CRA designation from the OCC, effective August 12, 1997. As a CEBA bank, UMBUSA must comply with the restrictions of the Competitive Equality Banking Act of 1987. The bank's lending is restricted to credit card activities. It cannot accept demand deposits, savings or time deposits of less than \$100 thousand. Refer to Definitions and Common Abbreviations for CEBA limitations. The CEBA restrictions do not allow the bank to participate in traditional lending activities to assist in meeting the credit needs of its assessment area (AA).

UMBUSA offers variable rate Visa and MasterCard products, including private-label accounts. The bank retains and services its credit card receivables rather than selling them, which is a more common practice among credit card banks.

UMBUSA performs limited banking functions at the Falls City office. This location has 11 employees, including one manager. Approximately 150 employees of the bank's affiliate, UMB Bank, N.A., Kansas City, Missouri, provide operational support for UMBUSA. The majority of UMBUSA's management team is also located in Kansas City.

**Table 1: Financial Information (000's)**

	<b>Year-end 1997</b>	<b>Year-end 1998</b>	<b>Most Recent Quarter-end June 30, 1999</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	\$21,190	\$18,445	\$20,357	\$19,997
<b>Total Income</b>	\$38,685	\$35,873	\$32,242*	\$35,600
<b>Net Operating Income</b>	\$7,088	\$6,305	\$7,824*	\$7,072
<b>Total Assets</b>	\$187,596	\$165,367	\$157,371	\$170,111
<b>Pass Through Receivables</b>	\$184,321	\$162,463	\$154,098	\$166,961

Source: Consolidated Report of Condition and Income and bank reported data.

\* Annualized data reported.

### Description of Assessment Area

UMBUSA designated all of Richardson County, Nebraska as its AA. The bank is prohibited from soliciting cardholders or deposits within the state of Nebraska. UMBUSA issues credit cards nationwide; however, three-fourths of cardholders are clients of UMBFC bank affiliates in Missouri, Kansas, Illinois and Colorado. The CRA requires the bank to define an AA that includes its branch facility. The AA surrounds the bank's sole banking facility and complies with the regulatory requirements of the CRA. The AA consists of four middle-income Block Numbering Areas (BNAs). However, 44 percent of the families have incomes in low- and moderate-income (LMI) categories.

**Table 2: Assessment Area Description**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>BNAs</b>	4	0%	0%	100%	0%
<b>Families</b>	2,741	22%	22%	26%	30%
<b>Small Businesses*</b>	337	0%	0%	100%	0%

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data

\*Includes businesses with annual revenues of \$1 million or less.

Falls City is the county seat of Richardson County, a primarily rural area with a population of 9,937. There are 2,741 families and 4,073 households in the County. The 1999 updated HUD median family income (MFI) for the statewide non-metropolitan area of Nebraska is \$39,800. Per the 1990 U.S. Census, the MFI income for Richardson County was lower than the statewide non-metropolitan MFI. At that time, the County MFI was \$24,520, approximately 90 percent of the statewide non-metropolitan income. Ten percent of families and 16 percent of households had incomes below poverty. In addition, approximately 25 percent of the residents of this area were over 65. Sixty-three percent of the housing units were owner occupied with an average age of over 50 years. The median housing value was \$22,286.

Agricultural operations and related businesses contribute significantly to the local economy. Retail trade, health services and light manufacturing also contribute to the viability of the AA. The unemployment rate for Richardson County was 4.4 percent in 1997. This was much higher than the statewide unemployment rate of 1.9 percent for Nebraska for the same time period.

The bank competes for community development opportunities with five other financial institutions that have offices in Richardson County. Two of these financial institutions are headquartered in the County. There was no publicly available information on the community development activities of these financial institutions.

We performed two community contacts during this evaluation. The contacts represented Falls City and Richardson County government agencies. Neither of the contacts identified any unmet credit needs or investment opportunities in the area. City, county and state agencies administer programs to attract new business, create jobs and develop affordable housing. The majority of the financial needs for the community development organizations in the bank's AA, as confirmed by the community contacts, are met through city, county, state and federal program sources. These agencies seldom request funding from local enterprise for their projects. In addition, bank representatives contacted local organizations to determine community development needs. They found little opportunity for community development lending, investments or services. Our community contacts and OCC's Community Reinvestment and Development Specialists substantiated that there is very little opportunity for community development activities, either in Richardson County or the general area. Statewide affordable housing bonds are issued periodically; however, the bank has been unsuccessful in participating in these programs due to strong competition from larger metropolitan banks.

A regional housing study indicated there is a need for single-family homes for lower income and first-time homebuyers. However, the City has been unable to attract developers for this type of property. A community development housing organization that represents an eight county area in southeast Nebraska, including Richardson County, offered a downpayment assistance program for up to 15 LMI homebuyers to purchase existing housing stock. Local banks funded this program. There is also a need for affordable rental units. This housing organization is also developing eight affordable housing duplex units to provide low-cost housing for area residents. Rehabilitation of the existing older housing was also an identified need. Falls City's Economic Development Commission is administering a city, state and federally-funded program that addresses this need for low-income individuals.

## Conclusions About Performance

### Summary

- UMBUSA's level of community development activities is adequate. We based our conclusions on the bank's CEBA status, its resource constraints, and limited community development opportunities in the AA. UMBUSA's ability to provide community development services in its AA is impacted by the limited number of employees and the specialized nature of the bank's financial expertise. There are few investment opportunities on a statewide basis and even fewer in the Falls City/Richardson County area as substantiated through community contacts and OCC resources. Despite this, the bank has been successful in providing financial assistance and community development services to organizations that assist LMI individuals in its AA.
- UMBUSA primarily donated or provided services to, established organizations. The bank occasionally makes donations or provides services that are innovative. This includes donations to a local housing authority, in-kind donations of computer equipment to agencies that provide services to LMI individuals and technological assistance to these same agencies.
- All of the bank's community development grants and services were responsive to needs identified.

### Consideration of Activities that Benefit Areas Outside of the Bank's Assessment Area

UMBUSA adequately addressed the needs of its AA. Therefore, we considered activities benefiting areas outside the bank's AA. This is permissible when regulators evaluate the CRA performance of limited purpose institutions.

### Qualified Investments

UMBUSA found several opportunities to provide financial support that benefited its AA as well as dollars that benefited areas outside its AA. During the evaluation period, the bank provided qualified community development donations of \$461 thousand. The following tables show the amount of the bank's qualified investment activities and those dollars in relation to its financial capacity.

**Table 3: Qualified Investment Activity (000's)**

	Benefits AA	Outside AA	Totals
<b>Originated Investments</b>	\$0	\$0	\$0
<b>Originated Grants</b>	\$38	\$423	\$461
<b>Prior Period Investments</b>	\$0	\$0	\$0
<b>Totals</b>	\$38	\$423	\$461

**Table 4: Qualified Investment Percentages (000's)**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	0.19%	2.12%	2.30%
<b>Total Investments/Average Total Income</b>	0.11%	1.19%	1.30%
<b>Total Investments/Average Receivables</b>	0.02%	0.25%	0.28%

The following section details UMBUSA's qualified community development donations. The first four items detailed benefited the bank's AA. The last item benefited areas outside the bank's AA. The donations included:

- \$19,500 to a local community development organization to provide financial support for its weatherization and emergency fund programs. The funds are used to weatherize homes for low-income and elderly individuals and provide emergency financial assistance to low-income individuals for items such as medical needs, utilities and rent.
- \$10,000 to a local housing authority to provide funds for renovating the playground area of a public housing complex. The project houses low-income individuals, many of which are single women with small children. Through discussions with the local housing authority, bank personnel identified that funds for this type of repair were not available. This was the first time the housing authority received a donation to fund a project of this magnitude.
- \$5,500 to an agency that provides down payment assistance to LMI homebuyers.
- An in-kind donation of six computers, with a market value totaling \$2,720, to three agencies that provide services for LMI individuals. These agencies provide childhood education and day care services for economically disadvantaged children; job skills training for welfare recipients; emergency food and shelter for the homeless; and weatherization repairs and meals for LMI and elderly individuals. The bank recognized these agencies needed technology that would allow them to be more efficient and provide necessary job skills to program participants.
- \$423 thousand to agencies that provides consumer education and credit counseling services to primarily LMI individuals. Since Nebraska state law prohibits the bank from soliciting cardholders in Nebraska, few cardholders live in UMBUSA's AA. However, cardholders in the bank's primary

trade territory of Missouri, Kansas, Illinois and Colorado benefit from this service. The bank's fee payments provide funding for agencies offering this service to UMBUSA customers.

## **Community Development Services**

Bank and affiliate associates provided the following community development services that benefited the AA.

- Two bank associates, in cooperation with a contractor for a county agency, provided career counseling and job skills training to unemployed welfare recipients. In addition, the bank was one of two firms in the area that extended their participation in the program by hiring program participants. As a result, the bank received recognition from the Small Business Administration for serving as a model in its efforts and support of the welfare-to-work program.
- Bank associates from an affiliate's technology department upgraded computers previously donated to an organization that provides job skills training to welfare recipients. The upgrade increased the capabilities and efficiency of the computers.
- The bank is a member of an area housing council that builds homes for low-income individuals. A bank associate provides ongoing financial expertise to the council to prepare budgets, approve construction draw requests and monitor building progress against funds expended.
- A bank associate served on the board of a charitable organization whose primary goal was offering training and affordable public access to computer technology for LMI individuals, small businesses and local organizations. The associate provided expertise gained through exposure to the bank's computer systems and technology.

## **Compliance with Anti-Discrimination Laws and Regulations**

We identified no violations of the substantive provisions of anti-discrimination laws and regulations. We reviewed the bank's compliance with fair lending laws and regulations during our March 1, 1999 compliance examination. Our fair lending review consisted of a comparative file review of applicants for bankcards, excluding private label accounts. We used the gender of the applicant as the basis on which to determine whether differential treatment occurred. We determined whether underwriting practices were consistent regardless of gender through comparing the treatment given denied female applicants to that given approved male applicants.