
Comptroller of the Currency
Administrator of National Banks

Large Bank

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Public Disclosure

September 8, 1997

Community Reinvestment Act Performance Evaluation

**The Exchange National Bank of Jefferson City
Charter Number 13142**

**132 E. High Street
P.O. Box 688
Jefferson City, MO 65102-0688**

Office of the Comptroller of the Currency

**12312 Olive Boulevard, Suite 650
St. Louis, MO 63141**

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

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 **The Exchange National Bank of Jefferson City** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 8, 1997. 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 C.F.R. Part 25.

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

This report evaluates CRA performance for Calendar year 1996, and 1997 to date. We rated The Exchange National Bank of Jefferson City **Satisfactory** because of the following factors:

- ▶ Very good lending performance to small businesses and small farms.
- ▶ Good responsiveness to the credit needs of the community.
- ▶ Good penetration among retail customers of different income levels considering competition and other mitigating factors.
- ▶ Good performance in community development loans.
- ▶ High level of community development services provided by bank employees.
- ▶ Substantial majority of loans originated in the Assessment Area.

The following table indicates the performance level of The Exchange National Bank of Jefferson City with respect to the lending, investment, and service tests.

Performance Levels	Exchange National Bank of Jefferson City Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			XX
High satisfactory	XX		
Low satisfactory		XX	
Needs to improve			
Substantial noncompliance			

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

Description of Institution

The Exchange National Bank of Jefferson City (ENB) is a full-service financial institution with four branches located in Jefferson City, MO. As of June 30, 1997, ENB has \$293 million in total assets. This makes ENB the second largest financial institution serving the greater Jefferson City area which contains 4 other banks, 4 savings and loan associations, and 8 credit unions.

There are no financial or legal impediments which preclude the bank from meeting the credit needs of the community. The average loan to deposit ratio for the last six quarters is 76.4% and is currently 79.7%. This compares favorably to the March 31, 1997, average loan to deposit ratio of 74.9% coming from the 26 national and state banks in Cole County and the surrounding four counties (Boone, Callaway, Osage, and Moniteau). The loan portfolio is made up of the following: 50% commercial and commercial real estate, 30% residential real estate, 18% individual, 1% farmland, and 1% credit card loans.

Description of Assessment Area (AA)

The bank's assessment area includes all of Cole County, the southern portions of Callaway and Boone Counties, the eastern portion of Moniteau County, and the western portion of Osage County. In total, the AA consists of twenty three (23) block numbering areas (BNAs) and one

(1) census tract. Of the geographies in the AA, two are designated low-income, zero moderate-income, four middle-income, and eighteen upper-income. Based on 1990 census information, 9.55% of the families in the AA are considered low-income, 10.45% moderate-income, 18.30% middle-income, and 61.70% upper-income. Of the two low-income areas, # 101 is downtown Jefferson City which includes the main bank office and state capital buildings. The other area (# 102) consists solely of the Missouri State Penitentiary.

The only occupied low-income area in the AA is area # 101. This area has 1,820 total housing units, of which 377 are vacant. Of the occupied units, 276 are owner-occupied and 1,167 are renter-occupied. There are 36,283 total housing units in the remainder of the AA with 24,841 of them owner-occupied, 8,463 rental, and 2,979 vacant.

While the AA does not exclude any low- or moderate-income areas, a small BNA in Osage County (# 9906.98), formed by the confluence of the Missouri and Osage Rivers, is not included. The tract is surrounded by three other BNAs in the AA. This small area has no residents or usable structures. We found the exclusion of this BNA was not arbitrary.

The AA has a total population of 95,933 (1990 census). Of these, 35,418 reside in Jefferson City, the state capital and county seat for Cole County. Another 28,161 live in rural Cole County, and 32,354 reside in other counties within the assessment area. The state government is the primary employer for the assessment area with approximately 15,000 employed. Other major employers in the area include: Capital Region and St. Mary's Health Center, 1,800; Scholastic Inc., 1,350; and Jefferson City Public Schools, 930. According to the Missouri Division of Industrial and Labor Relations, the unemployment rate for Missouri is 4.1%. The unemployment rate for the five counties that comprise the AA are all below the state level ranging from 1.5% to 3.6%.

We contacted one community representative and reviewed three contacts made by other regulatory agencies. Our interview was with the Jefferson City Housing Authority (JCHA). The primary function of the JCHA is to assist very low income residents in obtaining affordable housing. Groups previously interviewed included: the NAACP, Habitat for Humanity, and a real estate agent. None of the community contacts identified a specific unfulfilled credit need. Specific community needs addressed were: more available capital for minority small business owners and more available housing in the \$50,000 to \$60,000 price range.

The bank was rated "Outstanding" at the last CRA examination dated June 2, 1995.

Conclusions with Respect to Performance Tests

We reviewed small business, small farm, and mortgage loans the bank originated between January 1, 1996, and June 30, 1997. CRA requires the bank to track lending to small businesses and small farms beginning January 1, 1996. We chose to review mortgage loan originations because they are the bank's primary product line and represent a significant portion of the loan portfolio. During the time period covered by this examination, ENB originated and sold an additional 460 real estate loans on the secondary market totaling \$33,649,882.

LENDING TEST

Lending Activity

The bank lending levels reflect very good responsiveness to the credit needs of the area. The bank offers a wide variety of loan products and programs in efforts to meet the local credit needs. The bank has also originated and sold loans in the secondary market to the Federal Home Loan Mortgage Corporation (FHLMC), Federal Housing Authority (FHA), and Federal National Mortgage Association (FNMA). Since January 1, 1996, the bank has sold 460 of these loans totaling \$33.6 million with 90% going to FHLMC. The bank participates in affordable housing programs targeted to low- and moderate-income borrowers such as the first time home buyer program through the Missouri Housing Development Commission. ENB is one of the very few financial institutions in the area participating in this program.

The bank has originated a large number of small business loans compared to the number of small businesses in the AA and compared to the bank's overall loan portfolio. A small business or small farm is defined as a business or farm that has \$1,000,000 or less in gross annual revenues. A small loan to a business or farm is a loan of \$1,000,000 or less to a business of any size or a loan of \$500,000 or less to a farm of any size. The bank has made 716 small loans to businesses in the last 18 months. This represents 24% of all businesses in the AA. The bank originated a total of \$128.9 million in business, farm, and mortgage loans in the last 18 months. This is equal to over 70% of the bank's loan portfolio as of June 30, 1997. The bank makes loans guaranteed by the Small Business Administration (SBA) and participates in the Missouri- First Linked Deposit program (formerly MOBUCKS) targeted to small business and farm borrowers.

The following chart represents the number and dollar volume of small business, small farm, and mortgage loan originations made between January 1, 1996, and June 30, 1997.

Loan Type	1996 Number	1996 \$ in 000's	YTD 1997 Number	YTD 1997 \$ in 000's
Small Business	480	\$45,682	236	\$23,820
Small Farm	18	\$520	11	\$385
Mortgage	492	\$38,005	253	\$20,507
Totals	990	\$84,207	500	\$44,712

Lending Within the AA

A substantial majority of all loans reviewed were made in the institution's AA. We reviewed all small business and small farm loan originations as well as all mortgage loan originations. We obtained this information on loan originations from bank-generated reports. We determined these reports to be accurate based on random verifications.

The following table depicts the number and dollar ratio of loans made within the bank's AA from January 1, 1996, through June 30, 1997, broken down by loan type.

1996 & YTD 1997 Originations	% within AA	
	Number	Dollar
Small Business	99.4%	99.2%
Small Farm	100.0%	100.0%
Mortgage	97.2%	97.4%
Totals	98.3%	98.4%

Lending Across Geographies

Based on the loan originations reviewed, the bank's lending activities exhibit good geographic distribution throughout the 23 BNAs and 1 census tract. The loan originations are evenly distributed between the tracts except for BNA # 101. This small tract is the downtown portion of Jefferson City. It is made up mostly of commercial property with 76% of total housing stock identified as rental units.

The following table represents the breakdown of loans made between January 1, 1996, and June 30, 1997, by income levels relative to median family income.

Tracts	Small Business Loans			Small Farm Loans			Mortgage Loans		
	#	\$ 000's	#/%	#	\$ 000's	#/%	#	\$ 000's	#/%
Low Income Tracts: (101)	51	3,880	7.2	0	0	0.0	2	77	0.3
Moderate Income Tracts: (N/A)	N/A	N/A	0.0	N/A	N/A	0.0	N/A	N/A	0.0
Middle Income Tracts: (17.01, 105, 106, & 9852)	153	15,491	21.5	2	27	6.9	62	4,258	8.6
Upper Income Tracts: (the 18 remaining tracts)	508	49,616	71.3	27	878	93.1	660	52,647	91.1
Totals	712	68,987	100.0	29	905	100.0	724	56,982	100.0

Lending to Borrowers of Different Income Levels

The bank does an excellent job of lending to small businesses and small farms of all sizes. Commercial and commercial real estate loans make up the majority of the bank's loan portfolio. The AA contains 3,158 small businesses and 84 small farms based on 1990 census information. Of the bank's small business and small farm loan originations, 77% of the loans were under \$100,000, and 97% of the borrowers have revenues under \$1 million. This compares favorably to those small businesses and small farms reporting revenue of less than \$1 million in the AA - 86.8%.

Lending to low- and moderate-income borrowers is adequate. An analysis of the mortgage loan originations in the AA between January 1, 1996, and June 30, 1997, shows that 11.4% of the loans made were to low- and moderate-income borrowers. We based this percentage on the 1997 updated Missouri state-wide non-metropolitan statistical area median family income of \$31,900. The 1990 Census indicates that 20.0% of the families in the AA have low and moderate incomes.

The bank’s distribution to borrowers having low and moderate incomes has fallen below the make-up of the community; however, when analyzing this performance, various other factors must be considered such as:

- ▶ Because the bank’s AA is not in a metropolitan statistical area (MSA), the Missouri state-wide non-metropolitan statistical area median family income was used for analysis. When Cole County median family income levels are used in the analysis, the bank’s lending to LMI individuals more closely represents community demographics.
- ▶ 67.8% of low-income households have income below the poverty level. This has hindered the bank’s ability or opportunity to offer credit to these individuals. Data shows that households below the poverty level cannot meet banks’ minimum underwriting guidelines or are focussed on other issues rather than home ownership. The median housing value in the AA is \$53,550.
- ▶ The availability of housing stock in the AA must also be considered. Of the available housing units in the AA, 28.3% are rental units. In the sole low-income tract, 76.2% of the housing units are rental. The bank and community contacts have indicated there is a need for low and moderately priced housing in the area.

The following chart shows mortgage originations from January 1, 1996, through June 30, 1997, to borrowers of each income category. The last column, “% of Families”, denotes the AA make-up of family incomes as a percentage of the Missouri state-wide non-metropolitan area median family income (MFI) based on 1990 census information.

Mortgage Loans Originated During the Last 18 Months in the AA					
	Assessment Area				
Income Level of Borrowers	#	\$ 000's	#/%	%	% of Families
Low - 0-50% of MFI	15	\$533	2.11%	0.95%	9.55%
Moderate - 51-80% of MFI	66	\$3,035	9.30%	5.40%	10.45%
Middle - 81-120% of MFI	154	\$8,818	21.69%	15.68%	18.30%
Upper - > 120% of MFI	475	\$43,863	66.90%	77.97%	61.70%

Community Development Loans

The bank is a leader in making community development loans. The bank has made a number of loans meeting the criteria to be considered community development; however, these loans are counted within the small business loan origination totals. These loans are highlighted here to display the bank's performance in this area.

- ▶ ENB originated three loans instrumental for the erection of a 48-unit low- to moderate-income apartment complex. The bank made a \$250,000 loan to purchase the real estate parcel where the project is being built. Additionally, ENB acted as disbursement agent for construction funds and originated the \$900,000 line of credit used to finalize construction. Once construction is complete, the Missouri Housing Development Commission will provide permanent financing. Additionally, the bank has loaned the operating entity for this complex, \$300,000 for working capital.
- ▶ In July 1996, ENB loaned \$14,167 to a community organization established to promote affordable housing. This loan funded the rehabilitation of a city-run day care center for public housing residents that need affordable day care while working.
- ▶ In 1996, the bank loaned \$150,000 to a non-profit community organization chartered to promote economic development in the Capital region by attracting new businesses/ industries to the area and creating jobs in the low- and moderate-income range.

Innovative or Flexible Lending Practices

The bank has developed a 100% loan-to-value mortgage financing program for low- and moderate-income borrowers. The bank has made ten loans through this program during this evaluation period for \$503,518. The bank has shown its ongoing commitment to this program which originated a few years ago. In all, the bank originated 65 of the 100% loans totaling \$3,088,777.

ENB is an active participant in an innovative project that combines urban development, vocational training, and low-income housing. The Jefferson City Housing Authority (JCHA) initiated a program in which Jefferson City donates city-owned housing lots. A vocational training program then builds houses on these lots. When complete, JCHA locates qualified low- income borrowers to purchase the houses. The bank provides permanent financing to these qualified low-income borrowers. To date, five houses have been completed and three have been sold. Thus far, the bank has financed one of these homes for \$53,275.

INVESTMENT TEST

The investment activity of The Exchange National Bank of Jefferson City was reviewed to determine the degree of participation in qualified investments for community development purposes. Opportunities for qualified investments in the area are limited.

ENB has donated to a variety of organizations that support the low- and moderate-income residents in the assessment area. These organizations include:

- ▶ The United Way - supports women's crisis centers and workshops for the handicapped, and provides dental and eye benefits to low- and moderate-income individuals in the area.
- ▶ Salvation Army - supports low- and moderate-income individuals in the area through various programs such as ensuring utilities are not shut off and other housing needs.
- ▶ Habitat for Humanity - construction and donation of residential houses to qualified low- and moderate-income individuals.
- ▶ Capital Main Street Inc. - revitalization of downtown area located in a low-income tract.
- ▶ Central Missouri Food Bank - distribution of donated food to low- and moderate-income individuals.

Since January 1, 1996, The Exchange National Bank of Jefferson City donated nearly \$25,000 to these groups.

SERVICE TEST

Retail Banking Services

The bank's delivery systems are readily available to all portions of the bank's AA. The bank's four branches also have ATMs at the branch location which are accessible 24 hours a day. In addition, ENB also has a stand-alone ATM at a local Hy-Vee supermarket. Banking hours are reasonable with drive-up hours extending as late as 7 P.M. at the western facility. ENB has not closed any branches since the last review.

In 1996, ENB began offering "Express Line Phone Banking." This system allows customers to make balance inquiries and loan payments, and to transfer funds between accounts. The bank offers a no frills "free" checking with no minimum balance and only a \$25 initial deposit required. Also, the bank does not charge for cashing government checks.

Community Services

The bank and its employees provide a high level of community development services. The following are examples:

- ▶ ENB, as previously mentioned, was instrumental in bringing together the developers and the Missouri Housing Authority to construct and finance an apartment complex for low- and moderate-income families. A bank officer served as chairman on the Chamber of Commerce Housing Task Force which identified this community need and was proactive in seeking support from the Missouri Housing Development Commission. In an effort to make the project more economically feasible, ENB waived the 1-1½ % fee normally charged as disbursement agent. While not a cash donation, this fee waiver saved the project \$27,000 to \$40,500.
- ▶ The bank is involved in educating youths through various programs at local schools. Bank officers teach financial information classes at both the elementary school and middle school levels. The bank also donated 33 computer user guides to the Jefferson City High School.
- ▶ Bank officers provide financial counseling, as needed, to families receiving help from the Samaritan Center. A bank officer is also on the board of directors of the Samaritan Center. The center provides services for low- and moderate-income individuals. These services include feeding the poor and keeping low- and moderate-income families kept up on rent, utilities, etc.
- ▶ One bank officer serves as treasurer for “Main Street Inc.,” a non-profit organization that is affiliated with the national Main Street Program. The function of this organization is redeveloping and revitalizing downtown Jefferson City. Other bank employees also take part in carrying out the mission of this organization.
- ▶ One bank officer was instrumental in obtaining a grant package from the state Department of Economic Development that will provide grants of up to \$14,000 for the rehabilitation of dilapidated housing units in Jefferson City’s low-income east end. The officer used financial expertise in completing the very involved application process. This process required developing a project proposal, projections, budget, etc. These grants will be augmented, as needed, by a \$750,000 loan program this officer also headed. These funds are available from participating banks in the Jefferson City community. Thus far, one bank customer has obtained a grant, and if the grant funds aren’t sufficient, ENB will loan the amount of the shortage.

- ▶ A bank officer serves as chairman of Partnership 2000, an organization formed within the local Chamber of Commerce, which promotes economic development. The organization acquires and develops land in an effort to bring new business to the area and create new jobs at the low- and moderate-income level.

FAIR LENDING REVIEW

During the May 1997 onsite examination, we found no violations of the substantive provisions of the anti-discrimination laws and regulations. The bank solicits applications from all segments of the community.