



Comptroller of the Currency
Administrator of National Banks

Midwestern District Office
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Kansas City, Missouri 64108

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION

June 28, 1996

Boatmen's National Bank of North Central Arkansas
Charter Number 15039
Highway 178 Central Blvd
Bull Shoals, Arkansas 72617

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 Boatmen's National Bank of North Central Arkansas, Bull Shoals, Arkansas, 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 June 28, 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.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Block Numbering Area (BNA) - Large, locally defined statistical areas outside a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations.

Boatmen's Bancshares, Inc. (BBI) - BBI is the parent company of Boatmen's Arkansas, Inc. (BAI). BAI is the holding company for Boatmen's National Bank of North Central Arkansas, as well as ten other Boatmen's banks in the state of Arkansas.

Boatmen's National Bank of North Central Arkansas (BNBNCA)

Boatmen's National Mortgage, Inc. (BNMI) - BNMI is a mortgage company that is a wholly-owned subsidiary of The Boatmen's National Bank of St. Louis. Boatmen's acquired BNMI in February 1995.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. [THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U. S. C. 2901, AS AMENDED AND 12 C. F. R. 25, AS AMENDED.]

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancings of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. [THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U. S. C. 2801, AS AMENDED AND 12 C.F.R. 203, AS AMENDED.]

Low- and Moderate-Income (LMI) - Income levels which are less than 80% of the median family income.

Median Family Income - The median income determined by the United States Census Bureau. This figure is based on estimations developed by the Department of Housing and Urban Development (HUD) and is updated annually.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

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 record of 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: "Outstanding record of meeting community credit needs." The period of evaluation is August 26, 1993 through June 28, 1996.

The purpose of the CRA is to encourage financial institutions to meet the credit needs of their community. We rated BNBNCA's CRA record as Outstanding because:

- BNBNCA was the leading Small Business Administration (SBA) lender in the community.
- BNBNCA utilized a variety of home loan products, and was large originator of government-guaranteed home loans.
- BNBNCA was a leader in community development activities.

REASONABLENESS OF COMMUNITY DELINEATION

BNBNCA's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The community is defined as all BNAs within the Arkansas counties of Baxter, Boone, and Marion. Based on 1990 census information, the BNAs are designated as 94% middle income and 6% upper income. None of the BNAs are LMI.

COMMUNITY PROFILE

Based on 1990 census data, BNBNCA's delineated community has a population of 71,484. Persons over the age of 65 represent 23% of the population. Minorities represent 1.35% of the population. Census information reflects a median family income of \$22,828.

The community includes nine financial institutions. Competition among the financial institutions is strong. Principal employers include manufacturing, health care, agriculture, timber, trucking, and tourism. The unemployment rate for the community is low at 3%.

BANK PROFILE

BNBNCA is a \$200 million institution with offices in Bull Shoals, Harrison, Mountain Home, Bellefonte, and Diamond City. BNBNCA is a full service bank providing commercial, mortgage, and retail lending. As of December 31, 1995, BNBNCA's loan to deposit ratio was 80%. This is a higher ratio than competitor banks within the community. The loan mix is as follows: 54% instalment, 31% real estate, 13% commercial, and 2% agricultural loans.

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.

BNBNCA maintained constructive relations with community groups to identify community credit needs.

BNBNCA had ongoing meaningful contacts with a variety of community groups and organizations enabling management to stay abreast of community credit needs. Contacts included public officials and groups involved in affordable housing, small business, and economic and community development.

Through management's ascertainment efforts, several credit needs were identified. We confirmed these needs through our community outreach. They included:

- financing to develop affordable housing, and
- financing to build facilities to attract small manufacturing businesses to the area.

BNBNCA is working with appropriate community officials to meet the identified credit needs. Refer to Assessment Factors I, J, and L for details.

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 purpose of the Community Reinvestment Act.

The Board and senior management are active in developing policies and reviewing CRA performance.

BNBNCA's Board and senior officers were active in organizations and activities which promote community development and growth. The Board approved a strategic plan which promotes and provides oversight of CRA activities. BNBNCA demonstrated willingness to use innovative products and underwriting to meet community credit needs. Refer to Assessment Factors I and L for details regarding innovative underwriting practices. BNBNCA established a Business Development Committee whose purpose is to perform customer calls and identify community credit needs. Board members are active in this committee.

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.

BNBNCA used an effective marketing program which informed all areas of the delineated community of credit services offered.

BNBNCA used a variety of advertising media and marketing practices to inform the delineated community of credit services offered. Media sources included local area newspapers, radio advertisements, billboards, and brochures. Marketing practices included customer calls, neighborhood walks, manufacturing plant visits, fair booth exhibits, and educational seminars.

BNBNCA ensured LMI individuals were informed of credit services by advertising in a free newspaper which is distributed weekly in Baxter and Marion Counties. Educational seminars were also offered to educate consumers on the importance of establishing good credit and how to apply for a home loan. The marketing program included continuous communication with local realtors to reinforce their awareness of BNBNCA's traditional and governmentally guaranteed residential loan programs. Customer calls were made directly to small businesses to inform them of BNBNCA's banking services and to identify specific customer needs.

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.

BNBNCA took significant efforts to meet the community credit needs through the origination of loans for housing, home improvement, and small business.

In 1995, BNBNCA made 195 loans totaling approximately \$15 million for home purchase. BNBNCA was the community's leading government guaranteed housing lender. For information regarding government guaranteed loans see Assessment Factor J.

In 1996, BNBNCA introduced an affordable home loan product with flexible underwriting features. This product has no minimum loan amount, requires no origination fee or PMI, allows financing of closing costs, and requires only a 3% downpayment. The product is specifically designed for LMI families as qualifying income cannot exceed 80% of the county median income.

No loans have been made under this new program but management is increasing marketing efforts.

In 1995, BNBNCA introduced several home equity loan products. Products included a term loan and a line of credit. Funds can be used for any purpose and up to 100% financing is

allowed. 21 loans have been made totaling \$514,946.

BNBNCA actively solicited and granted loans to small businesses. In addition to BNBNCA's significant volume of traditional small business loans, it was the leading SBA lender in the community. For more information regarding SBA lending see Assessment Factor J.

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

BNBNCA was the leader in the community in participating in governmentally-insured and guaranteed loan programs for housing and small business.

BNBNCA responded to the need for mortgage products with lower down payment and higher qualifying ratios than conventional home loans by offering government enhanced loans. The bank actively participated in the Federal Housing Administration (FHA) and Veterans Affairs (VA) loan programs. In 1995, BNBNCA made 44 FHA loans and 22 VA loans totaling \$2.3 million and \$1.5 million, respectively. They also participate in the Arkansas Development Finance Authority Bond program. This program offers financing with flexible underwriting criteria for first time homebuyers. In 1995, six loans totaling \$297,250 were made under this program.

BNBNCA was a leader in granting SBA loans. They were the first area bank to participate in the SBA Low Doc program. This program was designed to speed up the closing process for SBA loans. In 1995, BNBNCA made 19 SBA loans totaling \$1.3 million. In 1994, BNBNCA made 15 loans totaling slightly over \$1 million. In 1995, BNBNCA ranked 11th among all Arkansas banks that generated SBA loans. BNBNCA generated more SBA loans than any other bank in its community.

Senior management worked with HUD when opportunities arose. BNBNCA is currently providing short-term interim financing for a LMI housing project with a permanent take-out commitment from HUD.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES.

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

The geographic distribution of lending activity reflects reasonable penetration of the community.

A substantial majority of BNBNCA's loans were made within the community. The distribution of loans among the delineated BNAs revealed lending in all areas. The distribution of retail, housing, and commercial loans reflected a reasonable penetration of the

community.

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

BNBNCA's offices are accessible to all segments of the community. Banking hours are adjusted for customer convenience.

Senior management was very responsive to customer needs and adjusted banking hours to accommodate customer needs. Specifically, banking offices in Harrison open earlier to help third shift employees gain access to banking services. Management continuously reviews banking hours. Management is also responsive by arranging to provide lending services at locations where a loan officer is not always in attendance. In total, there are seven banking offices. No offices have been opened or closed since the last CRA evaluation.

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).

BNBNCA did not engage in any practices intended to discourage individuals from applying for credit.

Credit applications were solicited from all segments of the community, including LMI areas. No evidence of discrimination was detected. BBI developed adequate policies and training programs supporting nondiscrimination. In addition, BBI performs an annual fair lending review to test for discrimination.

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

Examiners did not detect any evidence of discrimination or other illegal credit practices.

A review of BNBNCA's internal fair lending review was conducted concurrently with this CRA examination. The internal fair lending review included a comparative analysis of female denials and male approvals of home purchase applications. The review included 14 denied applications and 28 approved loans. Based on the review, we did not find any evidence of illegal discriminatory treatment of loan applicants based on gender. The bank is in substantial compliance with the provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

V. COMMUNITY DEVELOPMENT

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

BNBNCA was a leader in promoting community development and redevelopment.

BNBNCA established good working relationships with government and private sector representatives to identify community development opportunities. To address the need for affordable housing, BNBNCA extended numerous loans to non-profit organizations and for-profit developers of affordable housing for LMI or elderly individuals. These loans were made at below-market fixed rates or with other favorable terms. Management is working with investors to develop small manufacturing facilities.

Executive officers were directly involved in economic growth and revitalization organizations within the community. Examples of organizations executive officers were active in include: Baxter County Industrial Park Board, Baxter County 21st Century Committee, Boone County Industrial Development Corporation, Northwest Arkansas Development Corporation, and Northwest Arkansas Certified Development Corporation.

Executive officers were directly involved in organizations which benefitted LMI individuals. Chairman of the Board Barney Larry served as Chairman of a fundraising Committee for the Twin Lakes Salvation Army which raised \$350M for a new building and a thrift store. BNBNCA pledged a financial contribution for the next five years. An executive officer is also active in working with the Sparks Women's Shelter in Mountain Home.

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.

BNBNCA's efforts to meet credit needs are consistent with its size and financial resources.

BNBNCA is financially capable of meeting the credit needs of the local community, and is willing to explore new and innovative means to meet credit needs. BNBNCA demonstrated a strong commitment to participating in community development and redevelopment projects, as well as residential, consumer, and small business lending.

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.

BNBNCA demonstrated a willingness to explore other activities which contribute to success in meeting community needs.

BNBNCA was an active supporter of the Chamber of Commerce Leadership Institute. The Institute's purpose is to stimulate community awareness. Several bank employees are currently, or previously been, participants in classes sponsored by the Institute. Each class performs a community development project.

BNBNCA participated in two credit counseling programs which assisted individuals who have credit problems or no credit history. The programs helped them establish a credit history or improve their credit record, allowing them to obtain financing. These programs are in conjunction with Baxter County Regional Hospital and Shays Appliance.

Baxter County Regional Hospital: BNBNA established a guidance line of credit to the hospital to provide financing for uninsured individuals with medical bills. As of April 8, 1996, there were 132 loans with an outstanding balance of \$149,552.

Shay's Appliance: BNBNA provides a guidance line through Shay's Appliance. According to management, many of the customers are unable to qualify for typical bank financing due to low dollar loan amounts or unacceptable credit histories. As of April 8, 1996, there were 132 loans with an outstanding balance of \$42,489.

BNBNCA offers a direct deposit payroll plan for local manufacturing companies. The purpose of the plan is to develop a banking relationship with individuals who currently have no bank account. Currently 15 companies are participating in the program. BNBNA visits manufacturing plants to open direct deposit accounts and educate workers about other deposit and loan products.

In May 1995, BNBNA began offering a free checking account. This lifeline account is designed to benefit LMI individuals. An account can be opened for as low as \$100, has unlimited check writing privileges, and no fees. As of March 1996, there were 1,856 accounts with a balance of \$1,287,256.

ADDITIONAL INFORMATION

BNBNCA is not in a MSA or subject to the reporting requirements of the HMDA.

The Office of the Comptroller of the Currency is responsible for supervising BNBNCA. Members of the public can contact this regulatory agency with questions, concerns, or issues. The address is:

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