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Comptroller of the Currency  
Administrator of National Banks

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Midwestern District Office  
2345 Grand Boulevard, Suite 700  
Kansas City, Missouri 64108

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE  
EVALUATION

June 28, 1996

Boatmen's National Bank of Russellville  
Charter Number: 18780  
209 West Main Street  
Russellville, Arkansas 72801

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 Russellville, Russellville, 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 Russellville, as well as ten other Boatmen's banks in the state of Arkansas.

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. BNMI was acquired in February 1995.

Boatmen's National Bank of Russellville (BNBR)

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 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: "Outstanding Record of Meeting Community Credit Needs". The evaluation period covers August 26, 1993 through June 28, 1996.

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record as Outstanding because:

- BNBR generated a large volume of loans.
- BNBR was the market leader for guaranteed student loans. The bank was heavily involved in small business lending.
- A substantial majority of lending originated within the bank's local community. The geographic distribution of lending demonstrates a strong loan penetration throughout the community, including LMI areas.
- The bank is a leader in community development efforts as evidenced by their ongoing participation in many programs.

## REASONABLENESS OF COMMUNITY DELINEATION

BNBR's delineated community is reasonable and meets the purpose of the CRA. LMI areas are not arbitrarily excluded. The bank designates all of Pope County and the northern one-third of Yell County as its community delineation. Yell County was added to the bank's delineation in October 1994 after management opened a branch office in neighboring Dardanelle.

The delineation consists of 12 BNAs. By income level, three BNAs are moderate-income, eight are middle-income, and one is a high-income area.

## COMMUNITY PROFILE

According to 1990 Census data, the bank's delineated community has a population of 57,130. Russellville is located approximately 75 miles west of Little Rock, Arkansas and 75 miles east of Ft. Smith, Arkansas. The racial composition is 96% white (with 5% of Hispanic decent), 3% black, and 1% Native American. The HUD median family income for the community is \$27,300.

The local economy is good with less than 4% unemployment. The industrial base is diversified and includes ten Fortune 500 companies. Major employers include Tyson Foods Inc., ConAgra, and Entergy (Arkansas Nuclear One).

Significant competition exists among local financial institutions. Seven are located within the bank's delineated community. The strongest competition comes from First National Bank of Russellville and First Bank of Arkansas.

## BANK PROFILE

BNBR is a \$160 million institution with five branches and seven automated teller machines. A 24-hour telephone banking service is also in operation. BNBR is a full service bank, providing both commercial and retail lending. The bank's loan mix is as follows: 50% commercial and commercial real estate, 46% consumer, including residential real estate, and 4% other. Additionally, the bank actively originates residential real estate loans to be sold in the secondary market.

### 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.

BNBR effectively identified community credit needs and maintains ongoing relationships with a variety of community representatives.

Management and the Board of Directors were actively involved in a number of community and civic organizations that enabled them to be aware of community needs. An officer call program was implemented, where businesses and local organizations were contacted on a regular basis to discuss credit needs and opportunities. The bank regularly invited business and community leaders to discuss the community's credit needs as part of the bank's Focus Group meetings.

Some of the groups that the bank maintains ongoing dialogue with include: area Chambers of Commerce, Main Street Russellville, City Corporation, Home Builders Association, Board of Realtors, Pope County Cooperative Extension Service, and Tyson Foods, Inc. BNBR offers a full range of credit products that are well suited for the community's credit needs. The following credit-related needs have been identified within the community:

Home improvement loans - This need was identified during the community survey performed in August 1993. In response, the bank developed an Easy Loan second mortgage product which requires no closing costs or appraisal fees. Further, in 1996, the bank began offering 100% home equity loan products where the private mortgage insurance is paid by the bank. See Assessment Factor I for dollar volume.

Housing for LMI individuals working in lower paying industrial jobs- This need was identified by bank management through their ascertainment efforts and confirmed by examiners during community outreach activities. The bank actively originated home purchase and refinance loans throughout the local community including moderate-income areas. Additionally, the bank has originated loans to local developers and builders for the construction of homes benefitting LMI individuals.

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.

CRA is a demonstrated and important component of the bank's planning and supervision processes.

Board members and senior management are actively involved in the CRA process as evidenced by implementation of the following activities: a formal CRA Committee; annual self-assessments; quarterly CRA reviews; annual approval of the expanded CRA Statement and Notice; and inclusion of CRA activities in the annual strategic plan.

## 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.

BNBR implemented a sound marketing program designed to inform the local community of available credit services.

The bank used a variety of media to stimulate the awareness of credit services throughout the community. Newspaper and television were the dominant forms of advertising. The bank actively marketed credit products in the local newspaper and benefits from regional television advertisements by Boatmen's National Bank of Arkansas in Little Rock.

The bank also sponsored several outreach activities to market credit programs and assist the community. For example:

- Two home loan seminars were held in 1995, including one in Dardanelle which targeted the growing Hispanic population. These seminars provided information on the process of applying for a home loan, as well as the different types of mortgage products available.
- The bank participated in homebuyer seminars informing individuals on what they should know before buying a home. Also, home ownership and credit counseling was provided in connection with the Universal Housing Development Corporation, a non-profit organization that assists LMI home buyers.



- A small business seminar was held in 1995. Information on types of Small Business Administration (SBA) loans, eligibility requirements, and loan terms was presented.
- The bank participated with the Pope County Extension Office in a financial planning seminar targeting LMI individuals. This seminar covered topics such as budgeting, saving money, and how to obtain credit.

To better serve Hispanic applicants, BNBR provides loan applications and disclosures in Spanish. Additionally, the bank has used an interpreter from the local college to assist in the application process.

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.

BNBR's lending reflects a strong level of responsiveness to the community's credit needs through the origination of home purchase, home improvement, small business, and consumer loans.

BNBR originated a significant volume of residential real estate loans. Through its affiliation with BNMI, the bank offers various residential mortgage loan products. As illustrated on the following table, almost one-fourth of the loan originations in 1995 were related to residential real estate.

LOAN TYPE	Total Loans Originated in 1994		Total Loans Originated in 1995	
	#	\$ (000)	#	\$ (000)
Residential Purchase *	209	13,937	225	15,307
Residential Refinance *	77	5,481	46	3,234
Home Improvement	40	692	5	66
Small Business Loans	348	18,956	302	24,352
Small Farm Loans	16	745	8	206
Other **	2,423	23,049	2,832	35,538
Total	3,113	62,860	3,418	78,703

\* Includes home purchase loans and refinances sold on the secondary market.

\*\* Includes consumer loans with origination amounts less than \$1,000. In 1994, the bank originated 122 of these small loans totaling \$80,642. In 1995, 108 were originated totaling \$70,430.

BNBR actively provided financing to small businesses. In 1995, approximately 31% of loan originations were to companies who borrowed less than \$100M.

The bank also extended a significant number of consumer loans. In 1995, the bank made 2,210 consumer loans totaling more than \$19 million. The bank has no minimum loan amount and regularly extends consumer loans with a balance less than \$1M.

A substantial majority of loans outstanding (81% of the number and 85% of the volume) are located within the bank's delineated community. The bank's loan to deposit ratio is 78%, which is higher than the ratio reported by competing banks.

In addition, new home equity loan products generated an additional 33 loans totaling \$732M and 13 applications are in process totaling \$210M.

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

BNBR actively participated in governmentally-insured, guaranteed, and subsidized loan programs for housing and small business.

The bank participated in several government-enhanced loan programs and is an authorized Veterans Affairs (VA) and Federal Housing Administration (FHA) lender. BNBR offers SBA and guaranteed student loans and participates in Arkansas Development Finance Authority (ADFA) bond issues when available. Approximately one-third of the bank's 1995 loan originations were to small businesses. The bank is the only certified SBA lender in Pope County. Until the program was eliminated recently, the bank offered Farmers Home Administration (FmHA) loans. Eight FmHA guaranteed farm loans totaling \$1,172M were outstanding as of this evaluation.

The following table reflects total government guaranteed originations for home and small business loans for the years ending 1994 and 1995.

LOAN TYPE	Total Loans Originated in 1994		Total Loans Originated in 1995	
	#	\$ (000)	#	\$ (000)
FHA Purchase	46	2,314	94	4,936
FHA Refinance	8	357	4	201
VA Purchase	21	1,495	28	1,903
VA Refinance	5	289	2	131
SBA	3	840	4	544
Guaranteed Student Loans	904	2,188	1,170	1,503
Total *	987	7,483	1,302	9,218

\* These originations are also included in the table under Assessment Factor I.

### 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.

BNBR's lending reflects an excellent distribution of loans throughout its delineated community.

Since the 1993 CRA evaluation, the bank increased the percentage of total originations in moderate-income BNAs. According to internal reports, the bank generated 27% of all loans in moderate-income BNAs. This was an increase from 20% in 1993. We found no unusual gaps or disparities in the distribution of loan approvals or denials.

The bank reports a significant portion of its loans were generated locally. In 1995, 84% of the number and 87% of the dollar volume of loan originations were within the bank's delineated community.

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

BNBR offices are readily accessible to all segments of the community. Branch closing/opening activities have not adversely affected the bank's ability to provide services.

BNBR has six offices, including the main office and drive-in facility in downtown Russellville. Three branch offices are located in Russellville, and one each in Atkins and Dardanelle. The bank operates seven automated teller machines, including cash dispensing machines at Arkansas Technical University (ATU) and Entergy. Additionally, the bank provides a 24-hour telephone banking service. Banking hours are reasonable and includes Saturday hours at certain locations.

The bank is closing the South Arkansas branch location June 30, 1996. Changing traffic patterns and declining customer usage at this location are cited as reasons for the closure. Due to the close proximity of this branch to the main office (one mile south), services are not expected to be adversely affected.

#### 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).

BNBR does not engage in any practices to discourage applications for the types of credit offered. BNBR solicits applications from all segments of the delineated community, including LMI individuals.

The bank developed appropriate policies and training programs to ensure equal treatment of all applicants. In addition, BBI performs an annual comparative analysis of denials and approvals to test for discrimination.

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

No evidence of discrimination or other illegal credit practices was found. BNBR is in substantial compliance with antidiscrimination laws and regulations.

We relied on the bank's internal compliance review for fair lending to identify indications of illegal discriminatory practices. The compliance review included a comparative analysis of denials and approvals. The review was based on gender and found no evidence of discrimination.

The bank has a secondary review process of potential denials for residential loans. This process was established to ensure credit criteria are consistently applied.

## V. COMMUNITY DEVELOPMENT

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

BNBR took a leadership role in promoting community development and redevelopment.

Through regular contact with a number of community organizations, management effectively identified community development needs. The bank fostered development, redevelopment, and revitalization activities benefitting LMI individuals and the community. These activities included direct loans at below-market rates and technical assistance. Additionally, bank employees and officers had a high level of participation in nonprofit organizations supporting the needs of LMI individuals and organizations promoting economic growth and development. Examples of community development activities include the following.

Shadow Lakes - The bank played a leadership role in the development of this government-subsidized apartment complex for LMI individuals. It provided substantial financing to build this 144-unit apartment complex.

Salvation Army - The Salvation Army received a below-market interest rate to refinance their building. This organization performs a number of services for the LMI individuals located in the bank's delineated community including paying utility bills and providing food and clothing.

Russellville Industrial Development Corporation (RIDC) - RIDC is a nonprofit organization designed to develop industrial parks and recruit companies. Bank President Robert Taylor is on the Board of RIDC. Through the efforts of RIDC, four new companies relocated to Russellville in the last fourteen months creating approximately 1,300 jobs.

In addition, the bank offers special loan and deposit packages to the employees of relocating companies. One of the relocating companies was FASCO, a manufacturing plant. The bank offered FASCO employees special discounts on deposit accounts and a .25% discount on consumer loans.

Main Street Russellville - The bank has been instrumental in the development and continued growth of Main Street Russellville. During the first two years, BNBR donated facilities and supplies for the Main Street office and CRA Officer Toni Laws served as its President. The bank continued to support Main Street Russellville through an annual financial contribution of \$2,500 and a low interest rate loan pool for Main Street merchants. One loan has been made to a merchant in the Main Street District.

Relocation of Chamber of Commerce BNBR sold and subsequently financed, at a below market interest rate, the former Union National Bank Building to the Chamber of Commerce in early 1994. The purchase price was discounted to enable the Chamber to afford the building.

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.

BNBR's efforts to meet credit needs were consistent with its size and financial resources.

BNBR has the financial capacity and willingness to meet the credit needs of the local community.

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.

BNBR has demonstrated a willingness to explore other activities which contribute to its success in meeting the community's needs.

By visiting with the President of ATU in Russellville, management became aware of the increased need for student loans. Currently, the bank is the market leader in guaranteed student loans. In 1994, the bank made 904 guaranteed student loans with outstanding balances of \$2,188M. In 1995, the bank made 1,170 guaranteed student loans, with outstandings of \$1,503M. In 1994 and 1995, nearly 44% of all guaranteed student loans made at ATU were originated by BNBR.

BNBR explores a number of other activities to meet the community's needs. The Board, management, and bank employees are very active in local organizations. The bank contributes to local organizations financially and through volunteer hours.

Community activities are detailed below:

Chamber of Commerce Educators in Industry Program- Through this "adoption" program, BNBR provides assistance to Crawford Elementary School, which is located in a moderate-income area, by donating time and materials, including two computers donated in 1994.

"How To Do Your Banking" - BNBR co-sponsors "How To Do Your Banking", an educational program for high school students. The program is a short course in banking skills taught by high school faculty as a supplement to their regular curriculum. Teachers request the materials and the bank provides them free-of-charge to the school.

Free Checking - BNBR offers a free checking product to the local community. The account has no minimum balance requirement and unlimited check writing privileges. The opening deposit requirement is \$100. Currently, the bank has 2,145 accounts with a total balance of \$1.4 million.

#### ADDITIONAL INFORMATION

BNBR 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 BNBR. Members of the public can contact this regulatory agency with questions, concerns, or issues. The address is:

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