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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**February 9, 1998**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**National Bank of Commerce Trust and Savings Association  
Charter Number 7239  
1248 O Street  
Lincoln, Nebraska 68508**

**Supervisory Agency: Office of the Comptroller of the Currency  
Omaha South Field Office  
11606 Nicholas Street, Suite 201  
Omaha, Nebraska 68154**

**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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## GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

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

**Assessment Area (AA)** - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA.

**Census Tract (CT)** - Small, locally defined statistical areas within an MSA, determined by the U.S. Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development Loan** - A loan which has as its *primary* purpose community development. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses and farms, except for multi-family rental housing loans which can be reported under both categories.

**Community Development Service** - A service that has community development as its *primary* purpose and is related to the provision of financial services.

**Community Development Purpose** - A community development purpose is defined per 12 C.F.R. § 25.12(h) as affordable housing (including multi-family rental housing) for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size eligibility standards of 13 C.F.R. § 121.802(a)(2) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

**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 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, refinancing 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.)*

**Income Levels** - These relate to individuals, families, or the CTs in a Metropolitan Statistical Area (MSA).

**Low** = An income level that is less than 50% of the median income.

**Moderate** = An income level that is at least 50% and less than 80% of the median income.

**Low- and Moderate-Income (LMI)** = An income level that is less than 80% of the median income.

**Middle** = An income level that is at least 80% and less than 120% of the median income.

**Upper** = An income level that is 120% or more of the median income.

**Median Family Income** - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development (HUD) updates this figure annually using an estimated inflation factor.

**Metropolitan Statistical Area (MSA)** - An area containing a city with a population of at least 50 thousand or an urbanized area with a population of at least 50 thousand and a total metropolitan population of at least 100 thousand. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

**Qualified Investment** - A lawful investment that has as its *primary* purpose community development.

**Small Business** - A business that has \$1 million or less in gross annual revenues.

**Small Loan to a Business** - A loan of \$1 million or less to a business of any size.

## 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 **National Bank of Commerce Trust and Savings Association (NBC), Lincoln, Nebraska** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 9, 1998**. 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 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. § 25.

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

We rate NBC's CRA performance "Satisfactory" because:

- The volume of residential mortgage and small business loans within the bank's assessment area was good.
- The geographic distribution of HMDA loans was very good with 19% of all reported loans in low- and moderate-income census tracts. Only 18% of all owner-occupied housing in the assessment area was located in these tracts.
- The geographic distribution of loans to small businesses was adequate with 21% in low- and moderate-income census tracts. Demographics show 27% of businesses in the assessment area were located in these tracts.
- NBC had a very good distribution of HMDA loans to borrowers of different income levels (33% to low- and moderate-income borrowers versus 35% of total families in the assessment area considered low- or moderate-income).
- The bank showed a reasonable commitment to meeting the identified credit need of small dollar loans to the smallest businesses in the assessment area. Over 62% of NBC's reported small loans to businesses were to businesses with revenues of \$1 million or less.
- The level of qualified investments was adequate at \$936 thousand.
- Retail delivery systems and community development services were reasonably accessible to all portions of the bank's assessment area.

The following table indicates the performance level of **NBC** with respect to the lending, investment and service tests.

Performance Levels	National Bank of Commerce Trust and Savings Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>		
Low Satisfactory		<b>X</b>	<b>X</b>
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**

National Bank of Commerce (NBC) is a full-service financial institution located in Lincoln, Nebraska. It is a wholly owned subsidiary of First Commerce Bancshares, Inc., a \$2.2 billion multi-bank holding company headquartered in Lincoln, Nebraska. Six affiliated national banks are located throughout Nebraska. NBC offers a full range of credit products including real estate, commercial, and consumer loan products. NBC has 10 office locations and 52 automated teller machines, located in one assessment area. NBC has four subsidiaries, including First Commerce Mortgage Company (FCMC), First Commerce Technologies, Inc., and two real estate holding companies (Commerce Court and Peterson Building). All residential mortgage loans originated by NBC that are sold on the secondary market are reported as purchased loans on FCMC's HMDA Loan Application Register.

There are no known legal or financial impediments that would hamper NBC's ability to help meet the credit needs of its assessment area. As of December 31, 1997, NBC had \$1.3 billion in total assets and Tier 1 capital of \$97 million. The bank's loan-to-deposit ratio on that date was 77% and gross loans represented 59% of total assets. By dollar amount, the loan portfolio consisted of the following types of credit: 37% real estate loans (including 13% one- to four-family residential, 13% commercial, 6% multi-family, 4% construction and development, and 1% farmland); 35% consumer loans (including 14% credit card loans); 20% commercial and industrial loans; 5% agricultural production loans; and 3% loans for all other purposes. The loan-to-deposit ratio and loan portfolio mix do not reflect the large volume of home purchase and refinancing mortgage loans originated by NBC and sold on the secondary market. In 1996 and 1997, there were 757 such loans totaling \$72 million. For calendar year 1997, NBC had a net income of \$17.3 million and a return on average assets of 1.5%.

## **DESCRIPTION OF ASSESSMENT AREA**

NBC's assessment area consists of the 48 census tracts in Lancaster County that comprise the Lincoln metropolitan area. Four large outlying rural census tracts are excluded from the assessment area. All of the excluded tracts are middle-income. NBC does not have banking offices or originate a substantial portion of its loans in the excluded census tracts. The assessment area is located within the Lincoln, NE Metropolitan Statistical Area (MSA). The assessment area has a population of 197,710. The 1990 HUD MSA median family income for the Lincoln, NE MSA was \$36,467. The estimated median family income levels for 1996 and 1997 were \$46,600 and \$49,100, respectively. Table 1 on the following page shows various demographic data for NBC's assessment area, including census tracts and families by income level. It also shows the distribution of businesses by sales volume and by the income level of the census tracts in which they are located.

**Table 1: Demographic Data Within NBC's Assessment Area**

Census Tract Income Level	Census Tracts		Families		Businesses With Revenues:			Total Businesses	
	Number	Percent	Number	Percent	\$1 Million or Less	More Than \$1 Million	Not Reported	Number	Percent
Low-Income	3	6%	1,437	3%	308	37	68	413	6%
Moderate-Income	12	25%	10,356	21%	1,150	165	235	1,550	21%
Middle-Income	20	42%	26,444	54%	2,987	443	732	4,162	56%
Upper-Income	9	19%	10,530	22%	958	98	147	1,203	16%
Income Not Applicable	4	8%	0	0%	29	16	23	68	1%
<b>Total</b>	<b>48</b>	<b>100%</b>	<b>48,767</b>	<b>100%</b>	<b>5,432</b>	<b>759</b>	<b>1,205</b>	<b>7,396</b>	<b>100%</b>

Sources: 1990 Census Data, U.S. Bureau of the Census; 1996 Dun & Bradstreet, Inc.

Lincoln serves as the state capital for Nebraska and the county seat for Lancaster County. It is the second largest city in Nebraska and its population grew by 12% from 1980 to 1990. Local economic conditions are good and the unemployment rate was stable at 2% in 1995, the most recent year for which data was available. Major employers include the State of Nebraska, University of Nebraska, and Lincoln Public Schools. Several insurance companies, three additional colleges, the City of Lincoln, and numerous small businesses and industries provide diversification and stability.

According to the 1992 Census of Agriculture performed by the U.S. Bureau of the Census, there were 1,359 farms in Lancaster County. Data was not available regarding what percentage of these farms were located within NBC's assessment area.

NBC's market environment is very competitive. The bank's assessment area is served by seven locally owned full-service financial institutions, ranging in total assets from \$10 million to \$1.3 billion. Additional competition comes from local branches of banks outside the assessment area as well as several savings banks. NBC is the largest financial institution in the market. For locally owned commercial banks, the next largest has assets of \$724 million. Asset information was not available for nonlocal financial institutions or savings banks. On the deposit side, NBC was the largest institution as of June 30, 1997, with total deposits of \$931 million. The next largest financial institution had local deposits of \$534 million. Six additional financial institutions had deposits ranging from \$129 million to \$296 million. Competition for mortgage loans is especially fierce. In 1996, there were 125 lenders reporting mortgage loan originations within the bank's assessment area.

The most pressing housing credit needs include flexible first-time home buyer loans, down payment assistance financing, and low- and moderate-income multi-family housing loans. The major commercial credit need cited was for small dollar working capital loans for small businesses and start-up businesses. We determined these credit needs from three community contacts made during the examination, as well as four previous community contacts conducted by financial institution regulators. We also reviewed CRA Performance Evaluations generated for Lincoln area banks over the last two years.

## **SCOPE OF EXAMINATION**

We examined NBC using the Lending, Investment, and Service Tests for large banks pursuant to the revised CRA regulation. These tests assess the bank's record of helping to meet community credit needs. We analyzed the bank's mortgage, small business, and community development lending; the number and types of qualified investments; branch distribution and accessibility; and retail and community development services.

NBC's prior Performance Evaluation was dated January 19, 1996 and the rating was "Satisfactory Record of Meeting Community Credit Needs." The current evaluation covers lending, investment, and service activities since January 1996. At the bank's request, our analysis of mortgage loans included loans originated or purchased by First Commerce Mortgage Company (FCMC) within NBC's assessment area. Unless otherwise noted, HMDA loan information presented in this evaluation consisted of bank and FCMC loan data combined.

The revised CRA regulation also gives consideration to a bank's small farm lending. We did not include small farm lending in our analysis as NBC did not originate a significant volume of small farms to loans within the bank's assessment area. (See Table 2 on the following page.) Also, because the assessment area consisted of the Lincoln metropolitan area, the need for small farm loans is minimal. Demographic data showed only 1% of households in the assessment area were self-employed farmers.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

NBC's lending levels reflected good responsiveness to the assessment area's residential mortgage and small business credit needs. The distribution of loans among geographies of different income levels was good, as was the penetration of loans to borrowers of different income levels and businesses of different sizes. NBC also originated a good dollar volume of loans with a community development purpose.

Throughout this evaluation, residential mortgage loan performance carried more weight in the Lending Test assessment because this was the product with the highest volume of originations during 1996 and 1997 (71% of the number of reported loans - see Table 2 on the next page.) Within the mortgage loan category, geographic and borrower distribution of loans was consistently strongest for home improvement loans; however, these loans represented only 13% of all HMDA loans reported by NBC during the evaluation period. Examiners gave greater consideration to NBC's performance for home purchase loans, as these represented 57% of all the bank's HMDA loans by number and 62% by dollar volume during the past two years.

**Lending Activity:**

NBC showed a good responsiveness to community credit needs, especially residential mortgage credit needs. Table 2 details the number and dollar amount of residential mortgage, small business, small farm, and community development loans reported by NBC during 1996 and 1997.

<b>Table 2: NBC's Lending Activity Within Their Assessment Area</b>				
<b>Loan Type</b>	<b>1996</b>		<b>1997</b>	
	<b>Number</b>	<b>Dollar Amount (\$000)</b>	<b>Number</b>	<b>Dollar Amount (\$000)</b>
<b>Home Purchase</b>	1,069	93,582	1,032	89,932
<b>Home Improvement</b>	259	2,276	210	2,487
<b>Refinance</b>	525	42,333	544	49,583
<b>Multifamily</b>	24	8,524	18	5,608
<b>Total Mortgage Loans</b>	1,877	146,715	1,804	147,610
<b>Small Business</b>	766	66,452	725	69,106
<b>Small Farm</b>	17	723	21	1,243
<b>Community Development</b>	3	3,343	2	4,203

Sources: Federal Financial Institutions Examination Council (FFIEC) HMDA data for 1996 mortgage loans; FFIEC CRA Aggregate and Disclosure Data for 1996 small business and small farm loans; bank records for 1996 community development loans and all 1997 loans.

The number and amount of NBC's HMDA-reportable loans within the bank's assessment area in 1996 and 1997 reflected good responsiveness to the credit needs of home buyers and homeowners. In 1996, NBC and its affiliate, First Commerce Mortgage Company (FCMC), ranked first among all reporting lenders for each HMDA loan type within NBC's assessment area. NBC and FCMC had a combined market share of 20% of all HMDA loans. When comparing NBC to similarly situated financial institutions, NBC's HMDA loan market share was comparable to its deposit market share. Among the seven financial institutions in the assessment area with deposit market shares of 5% or more, NBC had 38% of the total deposits and 36% of the total HMDA loans reported by these institutions. Market share data for 1997 was not available.

NBC also showed a reasonable responsiveness to the credit needs of commercial borrowers. An analysis of 1996 aggregate small business loan data released by the Federal Financial Institutions Examination Council (FFIEC) showed NBC originated 26% of all reported business loans in amounts of \$1 million or less within Lancaster County. (Data was not available for areas smaller than entire counties.) Competition was significant with 42 lenders reporting small business loans. When comparing NBC to the four similarly situated financial institutions who reported small loans to businesses in 1996, NBC's market share for small business loans was somewhat below its deposit market share. NBC had 45% of the total deposits and 33% of total small loans to businesses reported by these five institutions. (The FFIEC data only includes small business loan data for financial institutions with total assets of \$250 million or more or financial institutions of any size that are affiliates of bank holding companies with \$1 billion or more in total assets.)

**Distribution of Loans by Geography**

Overall, NBC’s geographic distribution of mortgage loans and small loans to businesses was good. Performance was especially strong for HMDA loans, where the bank’s percentage of loans in low- and moderate-income geographies generally met or exceeded demographic data and the performance of aggregate lenders in the market. The geographic distribution of loans to small businesses was generally somewhat below demographic data, but still considered acceptable.

NBC had a very good distribution of HMDA-reportable loans in geographies of different income levels. We compared NBC’s percentage of the number of HMDA loans in geographies of different income levels to the percentage of owner-occupied housing in these geographies. We also compared NBC’s geographic distribution to the aggregate of all HMDA reporters in the market area. During the evaluation period, NBC originated one or more HMDA-reportable loans in every census tract within the assessment area.

Table 3 shows the geographic distribution of NBC’s HMDA-reportable loans for 1996 and 1997. For comparison purposes, it also shows the distribution of owner-occupied housing within NBC’s assessment area by census tract income level, as well as the geographic distribution of HMDA-reportable loans by all lenders in 1996. While examiners analyzed the geographic distribution of home purchase, home improvement, refinancing, and multi-family loans separately, they are combined in the table for presentation purposes.

<b>Table 3: HMDA Lending Activity by Census Tract Income Level</b>							
<b>Census Tract Income Level</b>	<b>1996</b>				<b>1997 *</b>		<b>Percent of Owner-Occupied Housing in Census Tract Income Category</b>
	<b>NBC</b>		<b>All Lenders</b>		<b>NBC</b>		
	<b># of Loans</b>	<b>% of Total Loans</b>	<b># of Loans</b>	<b>% of Total Loans</b>	<b># of Loans</b>	<b>% of Total Loans</b>	
<b>Low-Income</b>	35	2%	155	2%	31	2%	1%
<b>Moderate-Income</b>	312	17%	1,701	18%	303	17%	17%
<b>Middle-Income</b>	919	49%	5,035	53%	872	48%	57%
<b>Upper-Income</b>	607	32%	2,539	27%	591	33%	25%
<b>Income Not Applicable</b>	4	0%	12	0%	7	0%	0%
<b>Total HMDA Loans</b>	1,877	100%	9,442	100%	1,804	100%	100%

Sources: FFIEC Aggregate HMDA Data (1996), bank records (1997), and 1990 Census Data, U.S. Bureau of the Census

\* Aggregate data for all lenders for 1997 is not available.

The bank’s penetration of HMDA loans in low-income census tracts was excellent. The bank’s percentage of total HMDA loans in low-income tracts in 1996 and 1997 (1.8%) exceeded the percentage of owner-occupied housing located in these tracts (1.3%). It also exceeded the aggregate performance of all lenders in the market in 1996 (1.6%). By loan product, NBC’s penetration in low-income census tracts was consistently strong, ranging from 1.4% for home purchase loans to 1.7% for refinancings.

The bank also showed a good penetration of HMDA-reportable loans in moderate-income census tracts. For the evaluation period, NBC originated 17% of all HMDA loans in moderate-income tracts. This was consistent with the percentage of owner-occupied housing located in these tracts; however, it was slightly below the percentage for aggregate lenders (18%). By loan product, NBC's penetration of home purchase loans in moderate-income tracts was good at 15%. The bank was especially strong for home improvement loans, with 33% in moderate-income tracts, while 12% of refinancings were within these tracts.

NBC's geographic distribution of HMDA loans remained good when analyzing market share data for 1996. The bank achieved strong market share percentages among census tracts of different income levels. We compared the bank's market share in low- and moderate-income census tracts to its overall market share by HMDA loan product.

The bank's market share in low-income tracts was good. For all HMDA loan products combined, NBC's market share in low-income tracts (22.6%) was 114% of its overall market share (19.9%). By loan product, the bank's lowest market share in low-income tracts was for home purchase loans, at 17.6%. This represented 83% of the bank's overall market share for home purchase loans (21.2%) and was adequate. For the other three HMDA loan categories, NBC's market share in low-income tracts exceeded its overall market share for these products.

While not as strong as its market share in low-income tracts, NBC's market share in moderate-income census tracts remained good at 18.3% and represented 92% of its overall market share. By loan product, the bank's lowest market share in moderate-income tracts was again for home purchase loans at 15.2%. This represented 72% of the bank's overall market share for home purchase loans. For home improvement, multi-family, and refinancing loans, respectively, NBC's market share in moderate-income tracts was 158%, 92%, and 92% of its overall market share for these loan products.

NBC consistently ranked first or second in the market for all HMDA loan products and all census tract income categories. The only exception was home purchase loans in low-income tracts, where NBC ranked third.

NBC's geographic distribution of small loans to businesses was acceptable. We compared NBC's percentage of the number of loans in geographies of different income levels to the percentage of total businesses in the assessment area located in these geographies. We also compared NBC's lending geographic distribution to the aggregate of all small business loan reporters. Aggregate data was available for all of Lancaster County, including four census tracts excluded from NBC's assessment area. The bank's performance in Lancaster County was consistent with its performance inside its assessment area.

In general, NBC's penetration in low-income tracts was significantly lower than demographic data percentages, while its penetration in moderate-income areas was only somewhat below demographics. When combining low- and moderate-income tract lending together, the bank's performance in relation to demographic data was generally acceptable. During 1996 and 1997, NBC reported one or more small business loans in every census tract except tract 35.00. This tract contains a large regional medical center and does not have a reported income category. Demographic data shows there are no businesses located in this census tract.

In 1996 and 1997, NBC originated 3.0% of its small loans to businesses in low-income census tracts. In comparison, 5.6% of all businesses in the assessment area are located in these tracts. Also, aggregate lenders reported 4.4% of all small loans to businesses in low-income tracts in 1996.

During the evaluation period, NBC reported 17.6% of its small loans to businesses in moderate-income tracts. In comparison, 21.0% of all businesses are located in these tracts. NBC's penetration of moderate-income tracts slightly exceeded aggregate lenders at 17.3%.

Table 4 shows the geographic distribution of NBC's small loans to businesses for 1996 and 1997. For comparison purposes, it also shows the geographic distribution of all businesses in the assessment area, as well as aggregated market data for all lenders reporting small loans to businesses in 1996.

Census Tract Income Level	1996				1997 #		Percent of Businesses in Census Tract Income Category
	NBC		All Lenders *		NBC		
	# of Loans	% of Total Loans	# of Loans	% of Total Loans	# of Loans	% of Total Loans	
Low-Income	24	3%	134	4%	21	3%	6%
Moderate-Income	118	15%	532	17%	145	20%	21%
Middle-Income	404	53%	1,701	56%	356	49%	56%
Upper-Income	211	28%	675	22%	196	27%	16%
Income Not Applicable	9	1%	34	1%	7	1%	1%
<b>Total HMDA Loans</b>	<b>766</b>	<b>100%</b>	<b>3,076</b>	<b>100%</b>	<b>725</b>	<b>100%</b>	<b>100%</b>

Sources: FFIEC CRA Aggregate and Disclosure Data (1996), bank records (1997), and 1990 Census Data, U.S. Bureau of the Census

# Aggregate data for all lenders for 1997 is not available.

\* Aggregate data for all of Lancaster County, including four census tracts excluded from NBC's assessment area.

NBC achieved acceptable market share percentages in census tracts of different income levels. We compared the bank's market share of small loans to businesses in low- and moderate-income census tracts to its overall market share of these loans. Market share data was only available for the entire Lancaster County.

In 1996, NBC originated 26% of all reported small loans to businesses within the county. In comparison, the bank's market share in low- and moderate-income census tracts was 18% and 22%, respectively. Combined, NBC's market share in low- and moderate-income tracts was 21%. This represented 81% of its overall market share and was acceptable. Among all lenders reporting small loans to businesses in 1996, NBC ranked first in total loans and in each census tract income category except low-income, where the bank ranked second.

***Distribution of Loans by Borrower Profile***

NBC’s distribution of loans by borrower profile was good. Performance was especially strong for HMDA loans, where the bank’s percentage of loans to low- and moderate-income borrowers generally met or exceeded demographic data and the performance of aggregate lenders in the market. NBC’s distribution of loans to businesses of different sizes was also good, although slightly below demographic data.

NBC had a very good distribution of HMDA-reportable loans to borrowers of different income levels. We compared NBC’s percentage of the number of HMDA loans among borrowers of different income levels to population demographics for the assessment area. We also compared NBC’s lending to the aggregate of all HMDA reporters in the market area.

Table 5 shows the distribution of NBC’s HMDA-reportable loans to borrowers of different income levels for 1996 and 1997. For comparison purposes, it also shows the distribution of families within NBC’s assessment area by income level, as well as the distribution of HMDA-reportable loans to borrowers of different income levels by all lenders who reported HMDA loans in 1996. While examiners analyzed the borrower distribution of home purchase, home improvement, and refinancing loans separately, they are combined in the table for presentation purposes.

<b>Table 5: HMDA Lending Activity by Borrower Income Level</b>							
<b>Borrower Income Level</b>	<b>1996</b>				<b>1997 #</b>		<b>Percent of Families in Income Category</b>
	<b>NBC</b>		<b>All Lenders</b>		<b>NBC</b>		
	<b># of Loans</b>	<b>% of Total Loans</b>	<b># of Loans</b>	<b>% of Total Loans</b>	<b># of Loans</b>	<b>% of Total Loans</b>	
<b>Low-Income</b>	229	12%	771	8%	211	12%	* 11%
<b>Moderate-Income</b>	377	20%	1,865	20%	386	21%	18%
<b>Middle-Income</b>	514	28%	2,580	27%	478	26%	28%
<b>Upper-Income</b>	719	38%	3,066	33%	699	39%	37%
<b>Income Not Available</b>	38	2%	1,160	12%	30	2%	0%
<b>Total HMDA Loans</b>	1,877	100%	9,442	100%	1,804	100%	* 94%

Sources: FFIEC Aggregate HMDA Data (1996), bank records (1997), and 1990 Census Data, U.S. Bureau of the Census

# Aggregate data for all lenders for 1997 is not available.

\* Adjusted to exclude families below the poverty level.

As evident in Table 5, NBC had very good penetration among low-income borrowers in the assessment area. The bank's percentage of loans to low-income borrowers in 1996 and 1997 (12%) exceeded the percentage of low-income families in the assessment area who could potentially become borrowers (11%). Demographics show 17% of all families in the assessment area were low-income, or 8,410 families. Of these families, 3,094 were below the poverty level and it is highly unlikely they would be able to afford a mortgage loan. Adjusting the percentage of families who were low-income to exclude families below the poverty level leaves approximately 11% of the population who were low-income (with incomes between 30% and 50% of the median) who could potentially become borrowers.

NBC's performance among low-income borrowers was also significantly stronger than the aggregate performance of all lenders in the market in 1996. Aggregate lenders originated 8% of HMDA loans to low-income borrowers.

By loan product, NBC's penetration to low-income borrowers was consistently strong. It ranged from a high of 21% for home improvement loans to 12% for refinancings and 10% for home purchase loans.

It should be noted that a significant portion of NBC's loans to low-income borrowers (45%) were for non-owner occupied properties. In accordance with HMDA reporting requirements, the income reported in connection with these loans is often very low, as it reflects only the income generated from the property and not the borrower's total income. As a result, lenders with a significant number of loans for non-owner occupied properties report somewhat higher percentages of loans to low-income borrowers. For NBC, eliminating all loans secured by non-owner occupied properties resulted in approximately 7% of total HMDA loans and 6% of home purchase loans to low-income borrowers. While these percentages were below demographics, they were consistent with aggregate lenders in the market.

The bank showed excellent penetration among moderate-income borrowers in the assessment area. For the evaluation period, NBC originated 21% of all HMDA loans to moderate-income borrowers. This exceeded family income demographics for the assessment area, where 18% of families were moderate-income. NBC's performance also exceeded the aggregate performance of all lenders in the market for 1996. Aggregate lenders made 20% of all HMDA loans to moderate-income borrowers.

By loan product, NBC's penetration to moderate-income borrowers was especially strong for home improvement loans (31% to moderate-income borrowers) and home purchase loans (23% to moderate-income borrowers). For refinancing loans, NBC's performance was considerably weaker with only 12% of total refinancings to moderate-income borrowers.

NBC's performance among moderate-income borrowers was even stronger when looking at just owner-occupied properties. For these loans, NBC originated 22% of total HMDA loans and 24% of owner-occupied home purchase loans to moderate-income borrowers. For aggregate lenders, the percentages were 21% and 19%, respectively.

The distribution of NBC's HMDA loans to borrowers of different income levels remained strong when analyzing market share percentages. We compared the bank's market share among low- and moderate-income borrowers to its overall market share by HMDA loan product.

The bank's market share among low-income borrowers was very strong. For all HMDA loan products combined, NBC's market share among low-income borrowers (29.8%) was 150% of its overall market share (19.9%). NBC's market share to low-income borrowers by each loan product was also consistently strong, ranging from 129% of its overall market share for home purchase loans to 179% for refinancings.

When analyzing only HMDA loans secured by owner-occupied real estate, NBC's market share among low-income borrowers declined significantly but remains good. For these loans, NBC's overall market share was 19.6%, while its market share to low-income borrowers was 19.2%. To achieve parity where NBC's market share to low-income borrowers would equal its overall market share, NBC would have had to make only three additional loans to low-income borrowers.

NBC's market share among moderate-income borrowers (20.2%) was also good and represented 102% of its overall market share. By loan product, the bank's market share among moderate-income borrowers ranged from 30.5% for home improvement loans to 20.3% for home purchase and 14.1% for refinancing loans. This represented 139%, 96%, and 84% of NBC's overall market share for the three loan products, respectively. For owner-occupied properties, NBC's market share to moderate-income borrowers remained good at 20.8%.

NBC consistently ranked first in the market for all HMDA loan products and all borrower income categories. The only exceptions were home improvement loans to middle-income applicants, where NBC ranked second, and to upper-income applicants, where NBC ranked third.

NBC showed good penetration among business customers of different revenue sizes. In 1996, 68% of the number of NBC's small loans to businesses within the assessment area were to businesses with gross annual revenues of \$1 million or less. In comparison, FFIEC 1996 aggregate small business loan data showed 54% of the number of all reported small loans to businesses were to businesses with revenues of \$1 million or less. Aggregate data is for all of Lancaster County, including four census tracts excluded from NBC's assessment area. NBC's lending distribution in Lancaster County was consistent with its lending distribution inside its assessment area. In 1997, NBC's percentage of loans to businesses with gross annual revenues of \$1 million or less decreased to 56% and was consistent with 1996 aggregate data. For the two years combined, NBC's percentage was 62%.

While strong in comparison to aggregate lenders, NBC's performance was slightly below demographic data. As outlined in Table 1, over 73% of businesses in the assessment area had revenues of \$1 million or less (5,432 of 7,396 businesses).

NBC's market share among businesses with revenues of \$1 million or less was very good in comparison to its overall market share in Lancaster County. Overall, NBC originated 26% of the total reported small loans to businesses. The bank originated 33% of reported loans to businesses with revenues of \$1 million or less, or 128% of its overall market share.

The FFIEC 1996 aggregate small business loan data showed NBC was consistent with aggregate lenders in making small loans to businesses of any size. In 1996, both NBC and aggregate lenders made or purchased 81% of the number of small loans to businesses in amounts of \$100 thousand or less. Again, the aggregate data is for all of Lancaster County and NBC's lending distribution in the county was the same as its lending pattern inside the assessment area.

Table 6 shows the distribution of NBC's small loans to businesses by size of the loan for 1996 and 1997. For comparison purposes, it also shows a similar loan distribution for aggregate lenders. Finally, it shows the percentage of reported loans that were to businesses with gross annual revenues of \$1 million or less.

<b>Table 6: Distribution of Small Loans to Businesses by Loan Size</b>									
Loan Size	1996						1997 #		
	NBC			All Lenders *			NBC		
	# of Loans	% of Total Loans	Dollar Amount (\$000)	# of Loans	% of Total Loans	Dollar Amount (\$000)	# of Loans	% of Total Loans	Dollar Amount (\$000)
0 to \$100,000	620	81%	18,240	2,488	81%	58,865	570	79%	16,315
\$100,001 to \$250,000	82	11%	14,093	333	11%	57,362	81	11%	13,872
\$250,001 to \$1,000,000	64	8%	34,119	255	8%	127,691	74	10%	38,919
<b>Total</b>	766	100%	66,452	3,076	100%	243,918	725	100%	69,106
<i>Loans to Businesses with Annual Revenues of \$1 Million or Less (Included in Above Total)</i>	524	68%	24,976	1,652	54%	94,364	406	56%	25,646

Sources: FFIEC CRA Aggregate and Disclosure Data (1996) and bank records (1997)

# Aggregate data for all lenders in 1997 is not available.

\* Aggregate data for all of Lancaster County, including four census tracts excluded from NBC's assessment area.

NBC exhibited a strong commitment to meeting the identified credit need of small dollar loans to the smallest businesses in the assessment area. In 1996, 90% of NBC's loans to businesses with gross annual revenues of \$1 million or less were in amounts of \$100 thousand or less. This percentage declined slightly in 1997 to 85%. Table 7 on the following page shows the distribution of these loans.

**Table 7: Distribution of NBC's Small Loans to Businesses  
 With Gross Annual Revenues of \$1 Million or Less**

Loan Size	1996			1997		
	Number	Percent	Dollar Amount (\$000)	Number	Percent	Dollar Amount (\$000)
0 to \$10,000	150	29%	943	101	25%	695
\$10,001 to \$25,000	148	28%	2,755	109	27%	1,992
\$25,001 to \$50,000	102	19%	3,954	90	22%	3,443
\$50,001 to \$100,000	75	14%	5,417	46	11%	3,368
\$100,001 to \$250,000	36	7%	5,966	42	11%	7,159
\$250,001 to \$500,000	9	2%	3,276	9	2%	3,421
\$500,001 to \$1,000,000	4	1%	2,665	9	2%	5,568
<b>Total</b>	<b>524</b>	<b>100%</b>	<b>24,976</b>	<b>406</b>	<b>100%</b>	<b>25,646</b>

Source: Bank records

**Assessment Area Concentration:**

NBC made or purchased a high percentage (86%) of its reportable mortgage and small business loans within its assessment area. By loan product, 89% of NBC's mortgage loans and 84% of its small loans to businesses were within the assessment area. The percentage of HMDA loans in the assessment area does not include home mortgage loans attributed to NBC by its mortgage lending affiliate, FCMC.

**Community Development Lending:**

NBC originated or purchased a relatively high dollar volume of community development loans. During the evaluation period, NBC reported 5 qualified community development loans in its assessment area totaling \$7.5 million. This represented 7.7% of Tier 1 capital as of December 31, 1997. Some of the loans included:

- \$3.0 million construction and term financing to expand a medical clinic and health education center whose services are targeted to low- and moderate-income individuals and families.
- \$4.1 million loan to finance construction of a 96-unit apartment and townhome complex. Fifty percent of the rental units will be reserved for low- and moderate-income families at reduced rental rates, while the remaining units will be rented at market rental rates. The project qualified for low-income housing tax credits. Several area financial institutions participated in providing financing for the project, with NBC serving as the lead bank and retaining 25% of the outstanding loan balance.

- \$300 thousand loan to finance construction of a 28-unit apartment complex for low- and moderate-income families. The total loan was for \$600 thousand and NBC purchased 50% of this loan. Upon conclusion of the construction phase, NBC participated in the \$600 thousand term loan for this project. NBC purchased \$127,500 or 21.25% of the term loan. This project qualified for low-income housing tax credits.

NBC also participated in the Lincoln Community Development Partnership, a multi-bank lending consortium whose purpose meets the definition of community development. Together with the City of Lincoln and Community Development Block Grant funds, the lending consortium has underwritten a \$100 thousand line of credit to the Self Employment Loan Fund (SELF). SELF is a microenterprise development program created by the City of Lincoln's Economic Development Department. SELF describes microenterprise as businesses with fewer than four employees and which require small amounts of capital. SELF uses the line of credit to provide small dollar loans to low- and moderate-income residents to finance start-up or existing small or home-based businesses. SELF also provides numerous technical services, including business planning, financial management, and marketing. During the program's first year, SELF had over 60 participants and made 14 loans totaling \$14,500. NBC issued a \$16,500 letter of credit for the loan pool. This innovative project has received national recognition as a role model for public and private partnerships promoting small businesses.

#### ***Flexible Loan Programs:***

NBC offered several flexible lending programs to help meet credit needs of borrowers in its assessment area. During the evaluation period, NBC participated in various affordable housing or housing rehabilitation programs, including:

- Nebraska Investment Finance Authority (NIFA) loans for first-time home buyers. NIFA loans are offered at below-market, fixed rates of interest for up to 30 years. Limits on borrower income are generally somewhat below the median family income, although not necessarily limited to low- and moderate-income. During the evaluation period, NBC originated 107 NIFA loans totaling \$7.5 million. Information for all lenders in 1996 and 1997 showed 1,590 NIFA loans originated in Lancaster County totaling \$108 million.
- City of Lincoln Urban Development Department's Home Improvement Loan Program (HILP). HILP loans are offered only to low- and moderate-income applicants and generally have a maximum amount of \$10 thousand. NBC was the only HILP lender during 1996 with 64 loans originated under the program totaling \$450 thousand. NBC was one of only two HILP lenders during 1997, with 42 of 58 loans originated at NBC, totaling \$332 thousand of \$481 thousand in total HILP loans.
- Nebraska Energy Loans for rehabilitation of older residential properties and energy efficient construction of new homes. The loans are at a reduced rate of interest and are offered through the Nebraska Energy Office. During the evaluation period, the bank made 34 energy loans in its assessment area totaling \$171 thousand. Aggregate information for Lancaster County during 1996 and 1997 showed 154 originations for \$4.1 million.

All of the above mortgage loans were included in the analyses of HMDA-reportable and small business loans discussed earlier in this evaluation.

## **INVESTMENT TEST**

NBC made an adequate dollar volume of qualified community development investments and grants that benefit the bank's assessment area. During the evaluation period, NBC made \$936 thousand in qualified investments and donations. This represented 1.0% of Tier 1 capital as of December 31, 1997. Comparable information was available for only one of NBC's competing peer financial institutions. Given the difference in the size of the banks, both had comparable levels of qualified investments. NBC's qualified investments included:

- \$700 thousand investment in the Progress for People, L.L.C. The project's purpose is the construction of 28 three-bedroom housing units for low- and moderate-income families in Lincoln, Nebraska. A market study commissioned by the Lincoln Housing Authority in 1996 estimated a need for 194 three-bedroom housing units for low- and moderate-income families within the next five years. This project will meet almost 14% of that projected need. The project qualifies for low-income housing tax credits. The investment is considered complex due to the number of entities involved in the project, including two developers, a third organization to provide support services for tenants in the development, the Lincoln Catholic Diocese, and Equity Fund of Nebraska, Inc.
- \$236 thousand in grants and donations to organizations whose primary purpose meet the definition of community development, including groups dedicated to providing community services or affordable housing targeted to low- and moderate-income individuals.

## **SERVICE TEST**

NBC's retail banking services were reasonably accessible to essentially all portions of the bank's assessment area. Alternative delivery systems were available to essentially all of the bank's customers. NBC provided an adequate level of community development services.

### **Retail Banking Services:**

NBC's retail delivery systems were reasonably accessible to essentially all portions of its assessment area. The bank has 10 offices and 52 automated teller machines (ATMs). The table on the following page shows the geographic distribution of the bank's delivery systems along with demographic data on the percentage of census tracts in each income category and the distribution of population by census tract income category.

**Table 8: Distribution of NBC’s Delivery Systems**

Census Tract Income Level	Branches		ATMs		Percent of Population in Census Tract Income Level	Percent of Census Tracts in Assessment Area
	Number	Percent	Number	Percent		
Low-Income	0	0%	1	2%	5%	6%
Moderate-Income	0	0%	9	17%	23%	25%
Middle-Income	7	70%	31	60%	50%	42%
Upper-Income	2	20%	6	11%	19%	19%
Income Not Applicable	1	10%	5	10%	3%	8%
<b>Total</b>	10	100%	52	100%	100%	100%

Sources: Bank records, 1990 Census Data, U.S. Bureau of the Census

NBC’s lack of branches in low- and moderate-income census tracts did not present a significant concern due to the following mitigating factors:

- Four branches (40% of all branches) were located within five blocks of all three low-income census tracts and four moderate-income tracts. Twelve ATMs (23% of all ATMs) were also within five blocks of all three low-income census tracts and seven moderate-income tracts.
- NBC has been effective in reaching low- and moderate-income geographies as evidenced by its strong penetration of mortgage loans and adequate penetration of business loans in these tracts. These factors were discussed in detail under the “Lending Test” portion of this evaluation.
- Low- and moderate-income families were concentrated in middle-income census tracts. Combined, only 7% of low- and moderate-income families were located in low-income tracts, 35% in moderate-income tracts, 51% in middle-income tracts, and 7% in upper-income tracts.
- Community contacts made during the examination indicated no concern with the accessibility of the bank’s delivery systems or the availability of its services.

Hours of operation at all branches were reasonable with all except two open on Saturday mornings. Branches open on Saturdays were located within a few blocks of the two offices that did not offer these extended hours. There were no material differences in the availability or cost of services at any locations. NBC has not closed any branches and has opened one branch in an upper-income census tract since the last CRA examination.

NBC relied on several alternative banking delivery systems to reach essentially all portions of the assessment area. In addition to the ATMs shown in Table 8, NBC offered 24-hour telephone banking and computer bank services, as well as banking by mail, where the bank provided postage-paid envelopes free of charge.

***Community Development Services:***

NBC provided an adequate level of community development services. Bank staff provided financial expertise to organizations serving the needs of small businesses and low- or moderate-income individuals. Examples of the community development services NBC and its employees provided in the assessment area include:

- On an ongoing basis, bank officers and employees served on Boards of Directors or committees for several affordable housing organizations that serve low- to moderate-income individuals. Examples include Capital City Housing Corporation, Habitat for Humanity, and Neighborhoods, Inc.
- Bank officers also served on Boards of Directors for small business development organizations, including the Chamber of Commerce Small Business Network, the Lincoln Independent Business Association, and the Lincoln Partnership for Economic Development.
- Bank representatives served on the Boards of Directors and in other capacities using their financial expertise for several other organizations involved in community services targeted to low- or moderate-income individuals and geographies. Examples include Day Watch Homeless Shelter, Food Bank of Lincoln, and Habitat for Humanity.

**FAIR LENDING REVIEW**

We did not identify any substantive violations of anti-discrimination laws (Equal Credit Opportunity Act and Fair Housing Act). The bank had appropriate policies, training, and internal reviews to ensure employees did not illegally discourage or prescreen credit applications.

**ADDITIONAL INFORMATION**

NBC is located in the Lincoln, NE MSA #4360. HMDA data is available to the public by contacting:

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