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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 Batesville  
Charter Number 14493  
250 South Broad Street  
Batesville, Arkansas 72503

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 Batesville, Batesville, 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 Pine Bluff, 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 Batesville (BNBB)

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. Low-income means an income level which is less than 50% of 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 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 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:

- BNBB has high volumes of local lending. It was the leader in government-guaranteed residential lending in its delineated community in 1995. The bank has a substantial share of total lending activity in the community.
- BNBB has a strong record of lending in low- and moderate-income (LMI) areas and to LMI borrowers.
- BNBB was a leader in making small business loans available in its community.
- BNBB actively supported community development efforts in its community.

## REASONABLENESS OF COMMUNITY DELINEATION

BNBB has two delineated communities. Both delineations are reasonable and do not arbitrarily exclude any LMI areas. The first delineated community is defined as Independence County, excluding a small portion in the northern section of the county near Cave City, and an approximate 7-mile radius around Newport that includes a portion of western Jackson County. The area around Cave City is not included in the delineation because it is some distance from the bank, sparsely populated, and serviced by another financial institution. BNBB's other delineated community is a 10-mile radius around the City of Hardy. This includes the communities of Cherokee Village and Ash Flat, the rural area surrounding them in northern Sharp County, and a small portion of eastern Fulton County.

## COMMUNITY PROFILE

Batesville is located along the White River in north central Arkansas, 90 miles northeast of Little Rock. It is the largest community in Independence County. The county is dependent upon agriculture (livestock and poultry) and manufacturing businesses, many of which are located in Batesville. Major employers include: ConAgra, Inc. (frozen food and poultry), Townsends, Inc. (poultry processing), White Rogers Co. (thermostats and gas burners), GenCorp Automotive Co. (industrial rubber products), and Arkansas Eastman (chemicals). The population is 31,192. The Department of Housing and Urban Development (HUD) median family income for 1996 is \$27,300, and the unemployment rate is 3%. According to the 1990 Census data, this community has one low-income BNA, nine middle-income BNAs, and one high-income BNA.

Hardy is 50 miles north of Batesville in north central Arkansas. The area is primarily dependent on tourism and has a high concentration of retirees. The population is 14,109. The HUD median family income for 1996 is \$27,300 and the unemployment rate is 4%. According to the 1990 Census data, this community has one LMI BNA, three middle-income BNAs, and no high-income BNAs.

## BANK PROFILE

BNBB is a \$163 million institution with seven branches. BNBB has provided banking services to the community since 1910. It is a full service bank, providing both commercial and retail banking. Based on asset size, BNBB is the second largest bank in the Batesville area. There are 11 other financial institutions in the immediate and adjacent areas. Three of the institutions, including BNBB, are located in Batesville.

### 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.

BNBB identified community credit needs through ongoing, meaningful relationships with a variety of community leaders.

The Board of Directors and management pursued meaningful contacts with community representatives and organizations that enabled the bank to assess the community's credit needs on an ongoing basis. Contacts included community leaders from local government, business, civic, religious, and social organizations.

Through their ascertainment efforts, officers identified several credit and service-related needs in its community. Examiners confirmed these needs through community outreach. Identified needs are:

- first time homebuyer loan programs to assist LMI families purchase and finance a home;
- elimination of a minimum loan amount; and,
- credit seminars, counseling, and assistance in applying for credit.

BNBB offers a full range of credit products that are well-suited to the community's credit needs. Refer to Assessment Factors I, J, and H for details on the loan programs that support identified needs.

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.

BNBB's Board of Directors was active in the bank's CRA process.

BNBB's directors were personally involved in activities and groups designed to develop, improve, and enhance the local community. They demonstrated that CRA is an important part of the bank's operation. The Board received a quarterly CRA report detailing the bank's CRA efforts. They supported CRA training and effectively ensured that technical requirements of the regulation are consistently met.

The Board and management demonstrated a willingness to consider innovative programs and underwriting to meet identified community credit needs. Refer to Assessment Factors I, J, and H for details.

## 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.

BNBB's marketing and advertising programs were designed to inform the community about the bank's credit services.

BNBB utilized a variety of marketing tools and special programs to inform the entire community of credit services and products available. Management used a combination of fee and free newspaper ads, radio announcements, TV spots, billboards, brochures, and community bulletins. While some advertisements were image-related, many were designed to

promote credit products, including residential, home equity, and consumer auto loans. The bank, BAI, and BBI developed the advertisements.

In addition, BNBB personnel routinely provided credit-related education programs and seminars. Examples included a credit education program for customers; seminars for small businesses about the Small Business Administration (SBA); and, credit seminars at two major community employers.

Personnel routinely provide assistance to individuals applying for credit. Bank employees speak to local high school students and other groups concerning credit and other bank services.

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.

BNBB was a leader in the origination of home purchase, home improvement, and small business loans.

BNBB originated a significant portion of the area's residential mortgages. Based on the bank's research of county records for conventional mortgage loans closed, BNBB made 38% of all conventional mortgage loans in its market in 1995.

The following chart reflects BNBB's significant efforts in meeting identified credit needs for residential home purchase and first time homebuyer loans. The numbers of loans for these products, 178 and 24, respectively, are good for a market this size.

Loans Originated in 1995				
Loan Type	Number	%	\$(000's)	%
Residential Home Purchase	178	49%	9,394	63%
First Time Homebuyers Program	24	7%	763	5%
Residential Refinance	128	35%	4,284	29%
Home Improvement	31	9%	563	3%
<b>TOTAL RESIDENTIAL</b>	<b>361</b>	<b>9%</b>	<b>15,004</b>	<b>24%</b>
<b>COMMERCIAL LOANS REAL ESTATE</b>	<b>1,058</b>	<b>28%</b>	<b>37,366</b>	<b>58%</b>
<b>CONSUMER LOANS</b>	<b>2,405</b>	<b>63%</b>	<b>11,549</b>	<b>18%</b>
<b>TOTAL LOANS</b>	<b>3,824</b>	<b>100%</b>	<b>\$63,919</b>	<b>100%</b>

Significant efforts to increase lending performance in the past few years, increased the loan-to-deposit (L/D) ratio from 52% in 1992 to 67% at December 31, 1995. This ratio is higher than other local institutions. The average L/D ratios for other financial institutions in Independence and the seven adjacent counties is 60%.

The number and dollar amount of small farm loans was not available during this evaluation. These loans were included in commercial loan totals. According to management, all of BNBB's agricultural-related loans were to farms with annual revenues under \$1 million. Approximately 80% of these loans were to farms with annual revenues under \$250 thousand.

Bank documented analysis, tested by examiners, as of December 31, 1995, demonstrates that 75% of the total outstanding loans are in the delineated community. However, further analysis indicates that approximately 95% of the residential mortgage loans and 98% of the small business loans outstanding are in the delineated community. Virtually all home improvement loans and small farm loans are in the community.

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

The bank actively participated in government-insured, guaranteed, and subsidized loan programs for community housing needs.

BNBB is a leader in making Federal Housing Administration (FHA), Veterans Affairs (VA), Farmers Home Administration (FmHA), and SBA loans. County records reflect that BNBB funds the most FHA and VA insured residential loans. The bank made 56% of all FHA loans and 79% of all VA loans originated in the county. The bank is the only certified SBA lender in the area and has been recognized as one of the state's top small business lenders. According to ranking criteria used by the SBA, in 1994, BNBB ranked sixth among Arkansas banks in the category of "Loans Less than \$250 Thousand to Small Businesses". In January 1995, the bank received a letter from U.S. Senator Dale Bumpers congratulating it on being one of nine Arkansas Banks recognized as one of the most small business-friendly banking institutions.

The following chart details BNBB government-related loans closed during 1995 and outstanding as of December 31, 1995.

Government Guaranteed Loans				
Loan Type	Funded in 1995		Outstanding 12/31/95	
	#	\$(000's)	#	\$(000's)
FHA	77	3,690	N/A	N/A
VA	25	1,589	N/A	N/A
SBA	7	309	16	2,950
FmHA	2	530	4	1,282
Student	82	202	N/A	N/A
<b>TOTAL</b>	<b>193</b>	<b>\$6,320</b>	<b>20</b>	<b>\$4,232</b>

Data obtained from bank records.

### 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.

BNBB has a strong record of lending in LMI areas and to LMI borrowers.

Management performs an extensive analysis of the number and dollar amount of loans generated in the community. They track loans for each BNA in the delineated community, as well as loans made outside the community. This analysis is performed annually and reviewed by the Board. The analysis indicated the bank has a strong lending presence in Batesville and Hardy. Two of the 15 BNAs in the delineated community are identified as LMI, one in each city. The internal analysis shows that the bank makes more loans per LMI area than per non-LMI area. In the Batesville area, 221 LMI loans were made compared to an average of 174 loans in non-LMI areas, and in the Hardy community, LMI loans totaled 100 versus an average of 42 loans per non-LMI area. When loans funded in both communities in 1995 are combined and analyzed, BNBB funded an average of 160 loans in each LMI area and an average of 136 loans in each non-LMI area. Additional documented analysis reflects the penetration of loans within each BNA segment is reasonable.

Assessment Factor G - The institution's record of opening and closing offices and

providing services at offices.

BNBB offices are readily accessible to all areas of its community. Branch closing/opening activities have not adversely affected the level of services available to any segment of the community, including LMI areas.

BNBB has seven locations - three in Batesville and one each in Southside, Hardy, Newport, and Pleasant Plains. All locations are full-service, except for the Southside and Pleasant Plains offices which offer drive-through service only. Four offices offer 24-hour access to an automated teller machine.

Management periodically reviews services and hours and have made adjustments when necessary to meet customer needs. This includes extending weekday hours and adding Saturday banking at specific locations. When the bank considered branch closures, officers adequately assessed the impact on the surrounding communities. Management made appropriate and timely notifications to members of the community when branch closures were imminent. During our review period, the bank closed three branches: Westside (Batesville), Cherokee Village, and Ash Flat. The Westside branch was in a moderate-income area and none were in a low-income area.

These closings had little, if any, adverse impact on the communities they served. The Westside office was located within a mile of the Main Office. The other two facilities were located near the Hardy Branch. Proper steps were taken to assure staffing was appropriate at remaining locations. A branch in Newport was opened in 1994.

#### 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).

We did not identify any practices intended to discourage individuals from applying for credit.

BNBB actively solicited applications from all segments of the community, including LMI areas. The Board and management developed policies and procedures to ensure equal treatment of all applicants.

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

We did not detect any evidence of disparate treatment on a prohibited basis.

We found no evidence of discriminatory policies, procedures, underwriting guidelines, or practices. BNBB is in substantial compliance with antidiscrimination laws and regulations. The bank's loan policy provides adequate guidance to the lending staff.

## V. COMMUNITY DEVELOPMENT

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

BNBB was a leader in the two major community development programs.

Through continuous contact with a broad range of organizations, BNBB effectively identified community development needs. Members of the Board and management served in various capacities in community groups that contribute to community development and redevelopment. For example, BNBB President Dale Cole serves as chairman for the City of Batesville Affordable Housing Committee.

The CRA committee, comprised of bank employees and directors, was instrumental in creating innovative projects that augment community development. Notable examples include:

Community School, Inc. BNBB management identified a community development need for a school to house underprivileged and disabled children for working parents. The bank created an innovative way to meet this need. BNBB owned a parcel of real estate they sold to the school for 50% of its value. The bank financed the property with a 0% loan and provided construction financing at a below market rate with no loan fees. The bank was also instrumental in starting a fund raising drive to cover initial operating cost.

Affordable Housing Project. Under this program, the bank created a partnership with a local builder to construct homes for LMI persons. The homes will be located in a redevelopment area. The property must be purchased by an owner occupant who qualifies under the First Time Homebuyers Program. The bank is offering a \$1 thousand grant to be used for the down payment or closing costs. Construction of the first home began April 26, 1996 in Newark. The next homesite is being sought in Batesville.

In addition to the specific examples listed above, BNBB participated in community development and redevelopment projects by purchasing local municipal securities. According to bank records, BNBB bought bonds totaling \$480,000 from the Batesville School District, \$530,000 from the Batesville Water & Sewer System, and \$600,000 from the Newark School District.

BNBB also contributed to community development through loans to businesses, governments, churches, and educational entities in the community. Examples of such loans made include five loans for multifamily housing - two loans totaling \$2,950,000 for nursing homes and three loans totaling \$1,254,265 for rural centers, eight loans to churches totaling \$232,555, five loans to school districts and the local university totaling \$4,712,013, six loans to civic/social groups totaling \$581,512, and three loans to local governments totaling \$142,238.

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.

We did not identify any constraints on the bank's ability to assist in meeting community credit needs.

BNBB supported development and redevelopment projects within the community by providing loans to both individuals and small businesses which aid the local economy. The bank also provided financial expertise to community members through a variety of activities. Management enjoys a good working relationship with government sector representatives. This allows management to identify opportunities for addressing community development needs. Examples of these activities are detailed throughout this Performance Evaluation.

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.

BNBB engaged in several other meaningful activities which supplement efforts to meet the credit needs of the community.

According to bank records, BNBB, in 1995, contributed over \$28 thousand to organizations whose operations benefit the entire community. Bank staff also volunteer time to community organizations and events. The bank sponsored several key community events, including the 4th of July fireworks show, the Ozark Agricultural Dinner, and the baseball tournament. Although not all these activities are directly related to serving the credit needs of the community, they do provide for a better quality of life. Participation enabled management to further recognize community needs and opportunities to promote bank products and services.

In addition, BNBB offers free checking accounts, telephone banking, and MasterCard/Visa

Credit Cards.

ADDITIONAL INFORMATION

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

The OCC is responsible for supervising BNBB. Members of the public can contact this agency with questions, concerns, or issues. The address is:

Office of the Comptroller of the Currency  
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