



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**Metropolitan National Bank
Charter Number: 15836**

**111 Center Street
Little Rock, Arkansas 72201**

**Office of the Comptroller of the Currency
Southwestern District Office
1600 Lincoln Plaza, 500 N. Akard
Dallas, Texas 75201-3394**

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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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 **Metropolitan National Bank (MNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **December 18, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500,000 or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

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

The major factors which support this rating include:

- ▶ the good responsiveness to credit needs of MNB's assessment area, as reflected in the volume of small business, home mortgage loan products, and automobile loans originated within the assessment area;
- ▶ MNB demonstrates a good record of serving the credit needs of low-income individuals and small businesses consistent with safe and sound banking practices;
- ▶ MNB has positively responded to community development needs within the assessment area through community development loans;
- ▶ a service delivery system that is accessible to essentially all portions of the assessment area; and,
- ▶ a relatively high level of community development services within the assessment area.

The following table indicates the performance level of **Metropolitan National Bank** with respect to the lending, investment, and service tests:

Performance Levels	Metropolitan National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory			
Needs to improve		X	
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

Metropolitan National Bank (MNB) is the fourth largest bank in the city of Little Rock and the assessment area with total assets of \$366 million at September 30, 1997. MNB is owned by Rogers Bancshares, Inc. a non-regional bank holding company with total assets of \$367 million as of September 30, 1997. The bank's primary competition in the assessment area includes three banks with total assets in excess of \$1 billion and nine banks in asset size ranging from \$46 million to \$223 million. There are no other institutions in the assessment area comparable in size to MNB; the next smallest bank has total assets of \$223 million and the next largest is \$1.3 billion. MNB has a comparable delivery system, products, and services as the three largest institutions in the assessment area. Other competition in the market consists of branches of savings and loans institutions and credit unions. Financial information was not available on these institutions.

MNB's primary business focus is on commercial lending which includes lending to small businesses. MNB's loan portfolio composition as reported in the September 30, 1997 Call Report, includes the following:

Loan Type	\$ Volume (000)	% of Loan Portfolio
Commercial Real Estate	\$115,872	48%
Commercial	60,035	25%
1-4 Family Residential	41,049	17%
Installment Loans	18,890	8%
Credit Card	3,873	2%
Other	314	0%
Total Gross Loans	\$240,033	100%

The financial condition of MNB does not hinder the institution's ability to service their community. The previous CRA examination was concluded on August 21, 1995, and a *Satisfactory* rating was assessed.

Description of the Assessment Area

The bank's assessment area consists of Pulaski and Saline Counties which are two of the four counties that comprise the Little Rock/North Little Rock MSA 4400. The other two counties that are in the MSA include Lonoke and Faulkner. The assessment area consists of 90 CT's of which 77 are in Pulaski County and 13 are in Saline County. Table 1 provides the economic breakdown of the geographies and families located in the bank's assessment area.

Table 1

Metropolitan National Bank - Pulaski and Saline Counties															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
CT's		Families		CT's		Families		CT's		Families		CT's		Families	
3	3%	21,482	19%	26	29%	19,694	17%	44	49%	24,971	22%	17	19%	46,515	41%

Source: CRA Wiz™ Demographic Data - 1990 U.S. Census

The income designations of the census tracts are based on a MFI of \$31,597 per year according to 1990 Census Bureau data. The Department of Housing and Urban Development (HUD) updated MFI for 1997 is \$42,200.

The population of the assessment area is 413,843 based on the 1990 Census. Little Rock is the largest city in Pulaski County and the largest in the state according to the last Census data. The estimated 1997 population for the assessment area is 438,343 based on information provided by Metroplan, a Council of Local Governments. The majority of the growth over the past seven years has been outside of Pulaski County, most notably in Faulkner and Saline Counties.

The local economy is growing, but experienced a slowdown in 1996. A decrease in manufacturing jobs is attributable to the slowdown. Local losses in manufacturing were offset by moderate growth in all other sections. Recent job creation has been in the service industry. The 1996 unemployment rate for Pulaski and Saline Counties was 3.8% and 2.8%, respectively. These rates are substantially below national and state averages at 5.6% and 5.4%, respectively. Slow labor force growth, combined with the relatively low number of young people entering their first jobs, has kept unemployment down despite slow job growth. Major industries/employers in the assessment area include health, education, government, manufacturing, service, and retail. Based on information from the 1990 Business Demographic Data, there are 16,138 businesses and 237 farms in the assessment area. Of those, 11,489 or 71% are businesses with annual gross revenues of less than \$1 million; and 221 or 93% are farms with annual gross revenues of less than \$1 million.

According to the 1990 Census data, there are 176,140 housing units in the assessment area, of which 57% are owner-occupied. The average monthly rent is \$394. The median housing value is \$62,242. Information provided by Realtors in the greater Little Rock metropolitan area revealed that the average price of a three bedroom, two bath home is \$94,000. The number of new residential housing permits for the assessment area in 1996 was 1,243. The majority of new home construction in Pulaski County is priced at \$100,000 and up. New homes priced in the \$80-\$90 thousand range are available in Saline County. High land costs in Little Rock make affordable priced homes cost prohibitive for most builders. Also, a majority of builders in the Little Rock area construct custom homes. There are only a few builders who build “starter” or entry-level homes.

The Department of Housing and Urban Development’s (HUD) Consolidated Plan for major cities in the assessment area reveals that affordable housing for extremely low-income (0-30% of MFI) and very-low income (31-50% of MFI) residents is a critical need. Very low-income elderly owner households represent more than half of all very low-income owner households. Sixty-nine

percent of extremely low-income elderly households pay 30% or more of their income for housing and utility costs, while 39% pay housing costs of 50% or more. Approximately 75% of all other extremely low-income owner households are burdened with a housing cost of 50% or more. Among very low-income owner households, non-elderly households require the most assistance, particularly large African American households. These owner households experience more housing problems and overcrowding than individual or elderly owner households.

Currently, 36% of all renters are classified as very low-income, with 75% of these households experiencing housing problems. Of the very low-income households being cost burdened, small and large renter households show the greatest need. (Small households are defined as households with 2-4 members. Large households are defined as households with 5 or more members.) Sixty-four percent of small extremely low-income households and 65% of very low-income large renter households experience severe cost burden. Fifty-eight percent of very low-income elderly renter households experience housing problems. The households requiring the greatest assistance are the small and large renter households and owner households in the very low-income range.

A total of twenty community contacts were conducted in the assessment area during 1996 and 1997 by four different bank regulatory agencies (OCC, FDIC, OTS, and FRB). Groups and/or individuals contacted included city planners, executive directors of housing authorities, community development corporations (CDCs), community organizations with the primary purpose of creating affordable housing, and organizations that assist small businesses. The predominate needs identified by these contacts included affordable housing and mortgage products, e.g., home purchase and home improvement loans, and loans for small businesses. Due to the number of recent contacts made in the assessment area by the four regulatory agencies, no additional community contacts were made in conjunction with this review.

Conclusions with Respect to Performance Tests

LENDING TEST

In assessing lending performance, we focused on MNB's lending activity for 1996; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and, product flexibility.

Conclusions:

- ▶ MNB's lending level reflects a good responsiveness to assessment area credit needs;
- ▶ a substantial majority of the loans made are within the assessment area;
- ▶ the distribution of loans reflects an adequate penetration throughout the assessment area;
- ▶ this bank's record of serving the credit needs of low-income borrowers and small businesses is good and consistent with safe and sound banking practices; and,
- ▶ the bank's community development lending demonstrates a good responsiveness to community development needs.

Lending Activity

MNB's responsiveness to the credit needs within the identified assessment area is good. A substantial majority of loans were originated within the assessment area. The volume of loans to small businesses is commensurate with the primary business focus of the bank and meets one of the primary credit needs within the community. Consumer lending does not represent a significant segment of the loan portfolio. Management elected to have automobile loans considered in the bank's CRA performance. In 1996, a total of \$811 million residential mortgage products were originated in the assessment area. Of this total, MNB originated approximately 2% of these loans in the market. Non-bank mortgage companies also compete for residential mortgage business in the assessment area. MNB's market share is reasonable given that residential mortgages are not the bank's primary business focus.

The information contained in the following tables depicts lending activity by the number of loans made. Our analysis and conclusions were based on the number of loans made as this is a better indicator of the number of individuals who received credit. Lending activity expressed in dollars is not materially different than the volume represented by the number of loans.

Assessment Area Concentration

MNB's lending reflects a good responsiveness to credit needs within the assessment area. A substantial majority of small business, residential mortgage, and automobile loans originated in 1996 were to borrowers in the bank's assessment area as shown in Table 2.

Table 2

Volume of Loan Originations in 1996 Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	357	\$19,393	332	93%	\$17,544	90%
Home Purchase/Refinance	256	\$22,970	222	87%	\$20,712	90%
Home Improvement	75	\$1,050	69	92%	\$971	92%
Automobile Loans	384	\$4,827	346	90%	\$4,371	91%
Grand Total All Products	1,072	\$48,240	969	90%	\$43,598	90%

Source: Bank prepared Small Business & Consumer Loan Data Collection Register and HMDA Loan Application Registers.

Geographic Distribution of Loans within the Assessment Area

Small Business Loans

The geographic distribution of small business loans in 1996 reflects good penetration throughout the assessment area as demonstrated in Table 3. The distribution of loans by census tract designation is representative of the potential opportunities available based on the distribution of businesses within the designated census tracts.

Table 3

Distribution of Small Business Loan Originations in 1996 Within the Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	3	3%	26	29%	44	49%	17	19%
Census Tracts Penetrated (% of tracts in income group)	2	67%	16	62%	34	77%	16	94%
Number of Businesses	437	3%	3,747	23%	7,042	44%	4,912	30%
Loan Product	#	%	#	%	#	%	#	%
Small Business	6	2%	51	15%	156	47%	119	36%

Source: CRA Wiz™ Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

Home Mortgage Loans

The geographic distribution of home mortgage loans originated by MNB reflects an adequate penetration throughout the bank's assessment area. MNB originates home mortgage loans through its mortgage loan division for sale to the secondary market. Table 4 reveals no lending activity in low-income CT's, due in part to the relatively small number of 1-4 family units located in low-income tracts. CT's 26.00 and 28.00 have several small and light manufacturers, railroad land, and rent subsidized apartment complexes. CT's 26.00 and 28.00 are very low-income at 45% and 27% of the MFI, respectively. These CT's are located in the southern portion of North Little Rock. Families below the poverty level are 35% in CT 26.00 and 52% in CT 28.00. The income of CT 40.01 is 49% of the MFI and 36% of the families are below the poverty level. CT 40.01 is located in the eastern portion of Little Rock which is adjacent to the Little Rock Industrial Park and the Little Rock National Airport.

Table 4 also shows that 54% of moderate-income CT's are penetrated. 1990 demographic data for the moderate-income CT's with no lending activity reveals a high percentage of rental properties in these tracts. Therefore, residential mortgage lending opportunities are not readily available.

Table 4

Distribution of Home Mortgage Loan Originations in 1996 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	3	3%	26	29%	44	49%	17	19%
Census Tracts Penetrated (% of tracts in income group)	0	0%	14	54%	35	80%	15	88%
Number of 1-4 Family Units	3,467	3%	32,518	25%	60,793	46%	34,553	26%
Median Year Built of Housing	1960		1958		1970		1973	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	0	0%	22	9%	111	48%	99	43%
Home Improvement	0	0%	12	17%	29	42%	28	41%
Total	0	0%	34	11%	140	47%	127	42%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

Consumer Loans - Automobile

The geographic distribution of automobile loans by the income level of CT's is satisfactory given the percentage of low- and moderate-income households in the assessment area. All CT income levels are penetrated. Table 5 shows the penetration by income level of the CT.

Table 5

Distribution of Consumer Loan Originations in 1996 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	3	3%	26	29%	44	49%	17	19%
Census Tracts Penetrated (% of tracts in income group)	2	67%	12	46%	32	73%	15	88%
Number of Households	3,537	2%	34,728	22%	76,604	48%	45,131	28%
Loan Product	#	%	#	%	#	%	#	%
Automobile Loans	3	1%	36	10%	172	50%	135	39%

Source: CRA Wiz™ Demographic Data and bank prepared Consumer Loan Data Collection Registers.

Distribution by Borrowers' Income within the Assessment Area

Small Business Loans

The distribution of loans to small businesses is good. The distribution analysis reflects the bank's efforts to make small business loans to businesses that qualify as small businesses based on their annual revenue. The data in Table 6 substantiates the primary business focus of this bank and demonstrates that all of the loans originated in 1996 are to businesses with revenues less than \$1 million which is consistent with the market demographics.

Table 6

Distribution of Small Business Loan Originations in 1996 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	298	90%	\$8,296	47%	298	100%	\$8,296	100%
\$100,000 to \$250,000	20	6%	\$3,374	19%	20	100%	\$3,374	100%
\$250,000 to \$1,000,000	14	4%	\$5,874	33%	14	100%	\$5,874	100%
Totals	332	100%	\$17,544	100%	332	100%	\$17,544	100%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:				< 1 Million	100%	*As a percentage of loans of the size category		
				> 1 Million	0%			
				Unknown	0%			

Source: CRA Wiz™ Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

Home Mortgage Loans

The distribution of HMDA related lending to individuals of different income characteristics, shown in Table 7, indicates that the bank is doing an adequate job of serving the home mortgage needs of all borrowers in relation to the income distribution of families in the assessment area.

Table 7

Distribution of Home Mortgage Loan Originations in 1996 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	21,482	19%	19,694	17%	24,971	22%	46,515	41%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	6	3%	29	13%	44	20%	142	64%
Home Improvement	6	9%	9	13%	17	25%	37	54%
Total	12	4%	38	13%	61	21%	179	62%

Source: CRA Wiz™ Demographic Data and HMDA Loan Application Registers

Consumer Loans - Automobile

MNB's distribution of automobile loans to borrowers of different incomes is good. Table 8 demonstrates loan penetration by income level of the borrower. Based on the demographics of the families and households in the assessment area, MNB has extended credit to borrowers of all incomes.

Table 8

Distribution of Consumer Loan Originations in 1996 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	21,482	19%	19,694	17%	24,971	22%	46,515	41%
Characteristics of Households	36,488	23%	25,248	16%	31,114	19%	67,149	42%
Loan Product	#	%	#	%	#	%	#	%
Automobile Loans	61	18%	84	24%	69	20%	132	38%

Source: CRA Wiz™ Demographic Data and bank prepared Consumer Loan Data Collection Registers

In addition to its mortgage, small business, and automobile loans, MNB offers and extends flexible loan products for individual consumers and businesses.

- *Reduced Rate Housing Loans.* In November 1997, MNB developed a mortgage loan product for low- and moderate-income individuals in its assessment area. The *Reduced Rate Housing Loans* are a fixed-rate, 30-year loan. Family income can not exceed 80 percent of the MFI. Interest rates are priced at the Federal Housing Administration (FHA) Par Rate less ½ percent. Mortgage insurance is not required. The bank will loan up to 97% of the cost of the home or appraised value. The maximum loan amount is \$50,000. No loans have been funded to date.
- *Owner Occupied Leveraged Loan Program.* MNB has been working with the City of Little Rock's Department of Neighborhoods and Planning to refurbish older homes to meet city code standards since 1994. This program is part of Little Rock's Community Development Block Grant. At least \$3,000 worth of repairs must be needed for homes to qualify. The program is designed to help low- and moderate income households make needed repairs at a payment they can easily afford. The adjusted gross annual income can not exceed \$20,900 for one person and up to \$39,400 for a household size of eight. The city of Little Rock makes a loan subsidy of 55%. The participating lender funds the additional 45%. If the qualified home owner lives in the refurbished house for at least five years, the city's 55% subsidy will be forgiven. Since the last CRA evaluation, MNB has originated ten loans under this program totaling \$182,238. These loans are reported on the bank's HMDA Loan Application Register.
- *Arkansas Capital Corporation (ACC).* The ACC is a privately owned, non-profit business development corporation. It offers an alternative source of funding for small businesses located within the State of Arkansas. ACC bridges the gap between the level of funding for business needs and traditional banking sources. To qualify, the business has to have a tangible net worth less than \$6 million, a net profit less than \$2 million, create jobs depending on project size and type, and the owner has to occupy 51% of existing or 67% of new buildings. ACC has been awarded Preferred Lender status by the U.S. Small Business Administration (SBA). The ACC participates in the SBA's 504 Loan Program. Under this program, 50% of the loan is funded by the bank; 40% is funded through the SBA 504 program, and the remaining 10% is the borrower's down payment. The loans are typically fixed below market interest rates and are fully amortized with no call features. The main purpose for this program is to increase the cash flow of the business through extended repayment terms. Since the August 21, 1995 evaluation, MNB has funded four loans totaling \$2,771,436 through the ACC. These loans were reported on MNB's 1996 Small Business CRA Data Listing Report.
- *Government Loan Programs.* MNB actively participates in government-sponsored and government-guaranteed loan programs for housing and small businesses. The underwriting standards for these programs are typically more flexible than the bank's criteria. MNB offers and extends FHA and Veterans Administration (VA) loans as an alternative home mortgage product. SBA loans are offered and extended to applicants who would not qualify under the bank's underwriting criteria. MNB is a Certified SBA Lender. Government home loan programs are reported on the bank's HMDA loan activity report. In 1996, MNB originated 37 FHA loans totaling \$4,116,000 and 7 VA loans totaling \$698,000. SBA loans were

reported on the 1996 Small Business CRA Data Listing Report. MNB originated three SBA loans totaling \$645,700 in 1996, and nine loans totaling \$1,145,200 in 1997.

Community Development Lending

MNB has been very responsive to community development needs by lending to entities that create employment opportunities for low- and moderate-income individuals and develop or revitalize the community. Some of the businesses and/or organizations that received loans provide community services to low- and moderate-income individuals and families in the assessment area.

Additionally, loans were made to organizations whose primary purpose is to rehabilitate housing that will be leased or purchased by low- and moderate-income individuals or families and to revitalize deteriorating neighborhoods. These community development loans total \$3,067,337.

- *\$2,560,000 loan to a new downtown health clinic.* A group of physicians in partnership with a local hospital were instrumental in building a medical clinic located in downtown Little Rock. This facility is the only one in the downtown area. According to 1990 Census data, 68% of the families in the census tract where the clinic is located (CT 01.00) are low-income and 10% are moderate-income.
- *\$150,000 loan to an organization that provides affordable apartments to the elderly.* The community is designated as a non-profit organization and consists of four apartment buildings. There are approximately 400 elderly residents that live in these apartments. There are a total of 395 units, of which 227 or 57% are reserved for low- and moderate-income residents. The facility has a staff of 60 employees, and approximately 75% of employees would be considered low- and moderate-income based on their salaries.
- *\$110,637 consisting of three loans to an organization that assists mentally retarded adults.* The purpose of these loans was to construct an office building. This is a nonprofit organization whose primary purpose is to train and provide job skills for mentally handicapped individuals. This organization also teaches its clients how to live independently. The clients who work with this organization are low- and moderate-income. Most receive public assistance for housing and medical needs.
- *\$25,000 loan to a downtown Little Rock Community Development Corporation (CDC).* The proceeds of this loan were used to help renovate apartment buildings. Additional funding was provided by other area banks, private and government funds. This is a CDC that has rehabilitated vacant apartment buildings on south Main Street. A total of 45 units will be available for lease to low- and moderate-income residents whose income is at 60% of the median family income. The complex will have three handicapped accessible units and a community room.
- *\$115,200 consisting of three loans to a company that recycles used clothing articles and accessories for low- and moderate-income people both in the United States and abroad.* The proceeds of this loan were used to purchase inventory and equipment. The company employs low- and moderate-income people.

- *\$56,500 consisting of two loans to a CDC in North Little Rock.* The proceeds of these funds were used to rehabilitate house for low- and moderate-income people and to revitalize a deteriorating, historic section of North Little Rock. This area was plagued with deteriorating housing and crime. The renovation of these homes has dramatically improved the area.
- *\$50,000 loan to a Southwest Little Rock CDC.* These funds were used to rehabilitate a 52-unit apartment complex in southwest Little Rock for occupancy by low- and moderate-income individuals. The CDC was organized to address the crime ridden Valley Drive area around McClellan High School. The redevelopment was financed by a consortium of eight local financial institutions, community development block grant funds, Section 108 loan money, low-income housing tax credits and grants. The units will be subsidized by the Department of Housing and Urban Development.

INVESTMENT TEST

To assess MNB's performance under the Investment Test, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and, its initiatives with community development.

Conclusions:

- ▶ MNB's responsiveness to community development investments and grants is poor.

Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation.

Investments with the primary purpose as community development:

Since the last evaluation, MNB has not made any investments in bonds or similar instruments that have as their primary purpose community development. Investments in such instruments have been available in the bank's assessment area and elsewhere in the state through the Arkansas Development Finance Authority (ADFA). ADFA is a state agency that issues tax-exempt bonds and other debt instruments for housing developments, industrial manufacturing facilities, agricultural business enterprises, educational facilities, health care facilities, municipalities, and infrastructure projects. During the evaluation period, ADFA issued 12 bonds totaling \$265 million under its Single Family Housing Program. The Single Family Housing Program benefits first-time, low- and moderate-income homebuyers.

MNB has made several donations or grants to organizations in its assessment area whose primary purpose is community development. Based on information obtained from bank management for 1996 and year-to-date 1997, MNB has twenty-one qualified grants totaling \$17,860. The following information details the nature and specific dollar volume of grants reviewed during this examination.

Grants to organizations that provide community service to low- and moderate-income persons total \$3,700:

- a health clinic that serves low- and moderate-income persons;
- several nonprofit organizations that specifically target low- and moderate-income families;
- a life-skills and job training facility for handicapped adults;
- an organization that aids the homeless; and
- an organization that works to eliminate poverty.

Grants to organizations that help revitalize and stabilize low- and moderate-income geographies total \$14,160:

- an organization that provides volunteers to paint homes for the elderly and/or disabled homeowners to improve the neighborhood;
- a nonprofit community organization that promotes home ownership and access to bank services for low- and moderate-income residents in the inner-city;
- an organization that supports the revitalization of neighborhoods;
- a nonprofit corporation that promotes home ownership in low- and moderate-income areas;
- a CDC that revitalizes abandoned and vacant houses for resale to low- and moderate-income buyers; and
- organizations that assist small, minority, and women business owners.

SERVICE TEST

In assessing MNB's performance under the Service Test, we focused on the accessibility of its delivery systems; changes in branch locations; reasonableness of its business hours and services in meeting the needs of its assessment areas; and, level of community development services.

Conclusions:

- ▶ MNB uses delivery systems that are accessible to essentially all portions of the institution's assessment area;
- ▶ business hours and services offered at MNB locations are convenient and reasonably accessible to all segments of the assessment area; and
- ▶ the institution provides a relatively high level of community development services.

RETAIL BANKING SERVICES

Accessibility of delivery systems

Given the demographics of the households in the assessment area, delivery systems are reasonably accessible to the entire community. Table 9 depicts the geographic distribution of branch and automated teller machines (ATM) locations.

Table 9

Distribution of Delivery System By Income Level of the Census Tracts								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	3	3%	26	29%	44	49%	17	19%
Households	3,537	2%	34,728	22%	76,604	48%	45,131	28%
Type of Service	#	%	#	%	#	%	#	%
Branches	0	0%	2	12%	6	35%	9	53%
ATM's	0	0%	2	10%	8	38%	11	52%
Totals	0	0%	4	11%	14	37%	20	53%

Source: Bank Internal Records

The bank's ATM's are reasonably located throughout the entire assessment area. MNB has twenty-one proprietary ATM's which are available 24-hours a day, 7 days a week. Seventeen of the ATM's are paired with branches. In addition to the seventeen ATM's located at banking offices, MNB has four stand-alone ATM's.

Changes in branch locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the August 1995 evaluation, MNB has opened four branches and relocated a branch. The Benton branch opened May 1996 in a moderate-income CT. The Landmark (October 1995) and Levy (November 1996) branches opened in middle-income CT's. The Otter Creek Money Market branch opened May 1997 in an upper-income CT. The Geyer Springs Money Market branch was relocated from 8900 Geyer Springs Road to 8824 Geyer Springs Road in July 1997. The branch was moved next door to the Kroger grocery store due to the closing of the Harvest Foods grocery store.

Reasonableness of business hours and services in meeting assessment area needs

Banking hours are convenient and accessible to the entire assessment area. Fifteen branches are opened for extended hours (opened past 4:00 p.m.) Monday through Friday and fourteen branches have lobby hours on Saturday. The Money Market branches are opened until 7:00 p.m. week nights. Eleven branches have drive-in facilities which are opened until 6:00 p.m.

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area. MNB has a variety of loan, deposit, and other traditional banking products to meet the assessment area banking needs. Loan officers are located at all branches, except the Downtown Motor Bank. Thirty-year, fixed rate mortgages can be obtained through MNB's mortgage division. Low-interest (5 points over the Federal Discount Rate) Visa[®] and MasterCard[®] credit cards are available. The 24-hour ATM system (*DASH*) allows customers easy and convenient access to their funds during and outside of banking hours. MNB offers the *Metro Check Card* (debit card) which can be used at any location which accepts the Visa[®] card. The *Metro Check Card* can also be used at any *DASH* ATM and most other ATM's to withdraw cash, transfer funds between accounts, and request balance information. *MetroLine* is a 24-hour bank-by-phone service whereby customers can check their balance, confirm transactions, see if checks have cleared, balance their checkbook, and transfer funds between accounts.

MNB offers the following flexible checking accounts for individuals:

- *Totally Free Checking* requires a minimum deposit of \$50 to open the account. There is unlimited check writing, no minimum balance requirement, and no monthly service charge.
- *Choice Banking 55* is for seniors age 55 and over. This account also requires a minimum \$50 to open the account. There is no monthly service charge or minimum balance requirement.

COMMUNITY DEVELOPMENT SERVICES

MNB provides other services within the assessment area that are primarily for economic and community development and are related to the provision of financial services. These services

include providing technical assistance on financial matters to potential home buyers, small business owners, and nonprofit organizations. The following services benefit the assessment area:

- *Central Arkansas Entrepreneurship Training Program (CAETP)*. The CAETP program is specifically designed to create a stronger economy by developing business ownership and management skills of low-income persons, particularly population segments such as recipients of social services, public housing residents, at-risk teens, displaced workers and others that are under represented in the job market. MNB has three officers who provide training to the participants in this program on financial statements and how to apply for credit. A MNB bank officer also serves on this organization's steering committee which meets monthly.
- *Local Initiatives Support Corporation (LISC)*. LISC is a national nonprofit organization which provides financial and technical assistance to local CDC's working to improve the housing and economic conditions in distressed neighborhoods. The LISC program promotes CDC's as an effective vehicle to achieve positive and lasting community change for the benefit of low- and moderate-income people. An executive officer serves as a board member to this organization. A bank officer also serves on the project review committee. Through LISC, the bank is involved with several CDC's to improve and revitalize the communities. MNB's involvement ranges from technical assistance and extending loans to CDC's, and arranging financing for potential home owners.
- *Argenta Community Development Corporation (CDC)*. The Argenta CDC is a nonprofit, neighborhood-based support organization formed in 1992 by Argenta residents and property owners motivated by neglected properties, gang-related crime, and overall neighborhood decay. The CDC is a Community Housing Development Organization (CHDO) with a goal to rehabilitate abandoned and vacant houses for resale to low- and moderate-income individuals and/or families. Most CDC home buyers are low- and moderate-income and receive a HOME Funds subsidy provided by HUD. Through November 1997, the CDC had purchased thirty homes. Twenty-four homes have been rehabilitated and twenty-one have been sold or sales are pending. A bank officer serves as a board member on the CDC and is actively involved in the purchase, rehabilitation, and ultimate sale of these homes. MNB's bank officer also participates in the CDC's Home Ownership Workshop. Technical advice on qualifying and applying for home loans is provided to attendees.
- *Main Street ARGENTA*. The purpose of Main Street ARGENTA is to revitalize, develop and preserve downtown North Little Rock, utilizing historic preservation, good design, image promotion, a strengthened economic and cultural climate, and partnerships formed between residents, businesses, financial institutions, and government. A bank officer serves as the chairman of this organization and is a member of the promotions committee.
- *Land Bank Authority Housing Partnership Task Force*. The purpose of this organization is to increase the availability of affordable priced housing. A partnership is formed with private and government entities to facilitate the development of affordable housing. A bank officer serves as a board member on this organization. The Land Bank Authority is currently working with the Central Little Rock CDC to create affordable housing in the historic Central High School zone.

- *Junior Achievement of Arkansas, Inc.* This is a nonprofit organization that mentors school children between kindergarten and high school. Business executives serve as mentors and teach school children about economics, finance, and marketing. A bank officer is a mentor with this program.
- *National Association of Women Business Owners.* This organization was formed to allow female business owners around the country to exchange ideas and to assist them in opening and managing their own businesses. A MNB bank officer is an associate member of this organization. Her involvement consists of providing information to other members on banking services and qualifying and applying for bank loans.

Fair Lending Review

The scope of the fair lending portion of the examination included a comparative file review of unsecured, consumer loan applicants. Our comparative analysis focused on gender. Denied female applicants were chosen as the prohibited basis group and approved male applicants were chosen as the control group. We reviewed 45 denials and 50 approvals for 1997 to draw our conclusions. We did not identify instances of discrimination.

Appendix A: Scope of Examination

The scope of our evaluation focused on MNB's activities in its assessment area as defined in the Performance Context section of this document. We utilized the CRA Examination Procedures section of the *Comptroller's Handbook* to conduct the evaluation. We evaluated activities since the prior evaluation of CRA performance August 21, 1995 through December 18, 1997.

We included lending activity for the following products in our analysis: small business loans, automobile loans, and mortgage related products (including home purchase/refinance and home improvement loans). Data on the small business lending, home mortgages, and automobile lending was analyzed for 1996. The data evaluated is based on originations that occurred during the noted time frames. HMDA data through September 30, 1997 was available for our analysis but was not considered as 1997 data was not available for small business loans and automobile loans.