

# **PUBLIC DISCLOSURE**

**August 11, 1997**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**UMB Bank Northeast  
RSSD# 814757**

**P.O. Box 8  
Monroe City, Missouri 63456-0008**

**Federal Reserve Bank of St. Louis  
P.O. Box 442  
St. Louis, Missouri 63166-0442**

**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 Reserve 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 Community Reinvestment Act (CRA) performance of **UMB Bank Northeast** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of **August 11, 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 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 CFR Part 228.*

## **INSTITUTION'S CRA RATING**

UMB Bank Northeast's overall CRA rating is **Outstanding**. The bank's lending activity, qualified investments, and service delivery systems are outstanding in light of the bank's size and rural environment. The following paragraphs summarize each rating category.

An analysis of the bank's lending performance reflects successful efforts to lend to all income levels and business or farm sizes as follows:

- C The distribution of borrowers reflects excellent penetration among retail customers of different income levels and among businesses and farms of different revenue sizes.
- C The bank is a leader in assessment area community development lending activities.
- C A substantial majority of the bank's loans are located in its assessment area.
- C The bank has satisfactory loan distribution by geography, lending levels, responsiveness to credit needs, and flexible lending practices.

Investments are outstanding considering the bank's size and rural location. The bank has invested in many local community development purpose organizations and projects.

The bank's retail and community development services are also outstanding. A wide variety of services and products are offered to retail customers. In addition, bank staff provided an outstanding number of community development services to its assessment area.

The following table indicates the performance level of UMB Bank Northeast with respect to the lending, investment, and service tests.

<b>PERFORMANCE LEVELS</b>	<b><u>UMB Bank Northeast</u></b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

**DESCRIPTION OF INSTITUTION**

UMB Bank Northeast is located in the northeastern portion of Missouri, and has offices in Monroe City and Paris. The bank has \$61 million in assets, and \$30 million in loans as of March 31, 1997. Primary lending products include agriculture and consumer loans, with a substantial portfolio of indirect vehicle loans. Commercial and real estate loans are also available.

The bank is owned by UMB Financial Corporation, a multi-bank holding company in Kansas City, Missouri. The holding company reported assets of \$6.4 billion in March 1997.

**DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area includes all of Monroe, Ralls, Marion, and Shelby Counties in northeastern Missouri. The following table lists the geographies in the bank's assessment area by income level.

## Assessment Area

County	Block Numbering Area (BNA)	Income Level <sup>1</sup>
<b>Monroe</b>	9601	Upper
	9602, 9603	Middle
<b>Ralls</b>	9701, 9702, 9703	Middle
<b>Marion</b>	9604, 9606	Upper
	9601, 9602, 9603, 9605, 9608, 9609	Middle
	9607	Moderate
<b>Shelby</b>	9501, 9502, 9503	Middle

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<sup>1</sup>Low-income is defined as individual income, or in the case of a geography, a median family income that is less than 50 percent of the statewide nonmetropolitan median family income.

Moderate-income is defined as individual income, or in the case of a geography, a median family income that is at least 50 percent and less than 80 percent of the statewide nonmetropolitan median family income.

Middle-income is defined as individual income, or in the case of a geography, a median family income that is at least 80 percent and less than 120 percent of the statewide nonmetropolitan median family income.

Upper-income is defined as individual income, or in the case of a geography, a median family income that is 120 percent or more of the statewide nonmetropolitan median family income.

As shown in the table, all of the geographies are categorized as middle- or upper-income except 9607, which is located in Hannibal. Hannibal is located at the eastern edge of the bank's assessment area. Many local banks serve the Hannibal area, while UMB Bank's closest office is located in Monroe City, approximately 20 miles from Hannibal.

The following table displays population percentages of assessment area families by income level in comparison to the Missouri nonmetropolitan population.

**Assessment Area Income Stratification<sup>2</sup>**

<b>1990 Census Data</b>	<b>State Nonmetropolitan</b>	<b>Assessment Area</b>
Low-Income Families	20.3%	18.5%
Moderate-Income Families	17.8%	16.7%
Middle-Income Families	22.2%	22.3%
Upper-Income Families	39.7%	42.5%

Assessment area population percentages are similar to the state nonmetropolitan percentages. However, a smaller portion, 35 percent, of the area is considered low- and moderate-income as compared to 38 percent for the nonmetropolitan portion of Missouri.

The bank supports services for the elderly in Monroe County. In 1990, county census information showed that approximately 74 percent of the population over the age of 55 is categorized as low- and moderate-income. The bank also reported from 1990 census data that 13 percent of the income in the assessment area originates from social security and retirement programs.

Assessment area housing is in great demand and prices are high because of the nearby lake resort area. Many retire or obtain second homes near the lake. Demand and costs are also high for rental housing, making housing less available for low- and moderate-income persons. Four local affordable housing projects have waiting lists for occupancy, indicating a need for low- and moderate-income housing.

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<sup>2</sup>Population income levels were determined using the 1990 census median family income.

The community is primarily rural and dependent upon small farms. In addition to agriculture, a large part of the economy includes tourism and manufacturing plants. Major local employers are Diemakers, Inc., Pace Industries, Accu-Therm, and the local school district.

Overall, the economy is stable, with no significant industries entering or leaving the marketplace. Total employment has improved slightly since the 1990 census. As of February 1997, assessment area county unemployment figures ranged from 4.3 percent to 6.7 percent, as compared with an average of 6.8 percent for the assessment area in 1990.

Competition in the assessment area consists of two local banks. One, with an asset size of \$72 million and four branches, is located in Monroe City. The other is a \$40 million institution with one office located in Paris. The competitor in Monroe City has more opportunity to extend loans because of its slightly larger asset size and extended branch network reaching to Hannibal.

Financial institutions in the assessment area have limited opportunities to participate in complex community development investments due to the rural nature of the community. Opportunities available to these institutions include services and donations to meet the needs of small farms, small businesses, and low- and moderate-income families and elderly persons. Some opportunity is also available in attracting and retaining employment in the assessment area.

The bank's business strategy focuses on agriculture, consumer, and commercial lending. Home mortgage loans make up a small part of the bank's portfolio. Overall, the bank has experienced an increase in its loan volume, partially due to an increase in dealer paper both inside and outside its assessment area. Because of this growth, the bank's resources are fully utilized.



## CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS:

### Lending Test

#### Loan Distribution by Borrower Income/Revenues

The bank's lending distribution to consumers of different income levels<sup>3</sup> and to businesses of different sizes is excellent. A high level of loans was extended to low- and moderate-income borrowers, small farms, and small businesses. In addition, a majority of small farm and small business loans were extended in dollar amounts less than \$100,000.

The following table shows the distribution of consumer loans by income level of the borrower.

#### **Distribution of Loans In Assessment Area by Income Level of Borrower**

<b>Distribution by Borrower Income Level Number of Loans and Dollar Amount \$(000s)</b>					
<b>Loan Type</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Total</b>
Consumer	189 21%	184 20%	229 25%	306 34%	908 100%
	\$1,673 20%	\$1,144 14%	\$2,032 25%	\$3,406 41%	\$8,255 100%
<b>Assessment Area Family Population</b>	<b>19%</b>	<b>17%</b>	<b>22%</b>	<b>42%</b>	<b>100%</b>

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<sup>3</sup>The distribution of loans to individuals by income level is determined using the income definitions in footnote one but is based on the 1996 median family income figures made available by the Department of Housing and Urban Development, rather than of 1990 census data. Comparison population figures are based on 1990 census data.

The bank's lending to consumers exceeds expectations when compared to the assessment area population. For 1996, 41 percent of the number and 34 percent of the dollar volume of consumer loans were extended to low- and moderate-income applicants. This compares favorably to the 36 percent of assessment area families categorized as low- and moderate-income.

The bank's lending to small businesses and farms is also excellent. Of 289 small farm loans reviewed, 97 percent were extended to farms with annual revenues of less than \$500,000. In addition, of 198 small business loans extended in 1996, 37 percent were to businesses with annual revenues of less than one million dollars.

**Distribution by Size of Loan**

Agriculture and commercial loans for 1996 in the bank's assessment area were analyzed by size. For both loan types, a substantial majority were extended in dollar amounts less than \$100,000 to farms and businesses in the assessment area.

<b>DISTRIBUTION BY LOAN AMOUNT OF ORIGINATED SMALL BUSINESS AND SMALL FARMS LOANS</b>				
	Small Business		Small Farm	
Loan Value Category	Count	Amount (\$000)	Count	Amount (\$000)
<= \$100,000	197	3,376,020	272	4,628,362
> \$100,000 and <=\$250,000	1	130,000	15	1,850,000
> \$250,000	0	0	2	500,000
<b>Total</b>	<b>198</b>	<b>3,506,020</b>	<b>289</b>	<b>6,978,362</b>

The table reflects excellent distribution by loan size and shows that the bank is willing to lend in small dollar amounts to farms and businesses in the assessment area.

## **Community Development Lending**

The bank has demonstrated leadership in community development lending by serving as the lead bank for two local projects. One project involved providing construction funds of \$335,000 and purchasing an Industrial Revenue Bond in the amount of \$315,000. The funds were used to construct a commercial building to house a new business, Brasch, Inc. The new business provided 43 jobs benefiting low- and moderate-income individuals in the Paris area.

For the second project, the bank purchased a \$300,000 Industrial Revenue Bond which financed the expansion of Accu-Therm, a manufacturer in Monroe City. The expansion created 16 new jobs, the majority of which benefit low- and moderate-income individuals. The bank also extended the initial construction financing of \$370,000 directly to Accu-Therm, which is considered in the small-business lending totals.

In addition, the bank extended \$7,000 to the Monroe County Industrial Development Authority. The organization supports the creation and retention of jobs in the assessment area.

## Lending in the Assessment Area

Consumer, agriculture, and commercial loan originations for 1996 were chosen for review based on loan volume and the bank's business strategy. The following chart shows that a substantial majority of these loans were extended to borrowers inside the assessment area. Of the loans sampled, 1,395, or 79 percent, are located within the assessment area.

### **Distribution of Loans In/Out of the Assessment Area**

<b>Lending Inside Assessment Area</b>					
<b>Loan Type</b>	<b>Total Number/Dollars \$(000)</b>	<b>Number in Assessment Area</b>		<b>Dollar Amount in Assessment Area \$(000s)</b>	
Consumer <sup>4</sup>	1256 \$12,552	908	72%	\$8,255	66%
Agriculture	305 \$7,180	289	95%	\$6,978	97%
Commercial	214 \$5,021	198	93%	\$3,506	70%
<b>Total</b>	<b>1775</b> <b>\$24,753</b>	<b>1,395</b>	<b>79%</b>	<b>\$18,739</b>	<b>76%</b>

Overall, a substantial majority of loans are located in the assessment area. The bank's level of consumer loans inside the area, 72 percent, is lower than agriculture and commercial loans because of the high volume of dealer paper. The bank is active in indirect paper with dealers inside and outside of the assessment area.

## Loan Distribution by Geography

The bank's originations reflect good penetration throughout its assessment area considering the bank's size and office locations. The following table demonstrates the number and dollar amount of loans by the income level of the census tract.

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<sup>4</sup>Includes secured and unsecured consumer loans and indirect paper.

**Geographic Distribution of Loans Across Assessment Area by Income Level of BNA**

<b>Distribution of Loans Inside the Assessment Area</b>				
<b>Loan Type</b>	<b>Census Tract Income Level Number of Loans and Dollar Amount \$(000s)</b>			
	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Total</b>
Consumer	2 <sup>5</sup> 0%	592 65%	314 35%	908 100%
	\$37 1%	\$4,896 59%	\$3,322 40%	\$8,255 100%
Agriculture	0 0%	246 85%	43 15%	289 100%
	\$0 0%	\$5,773 83%	\$1,205 17%	\$6,978 100%
Commercial	0 0%	184 93%	14 7%	198 100%
	\$0 0%	\$3,253 93%	\$253 7%	\$3,506 100%
<b>Total</b>	<b>2</b> <b>0%</b>	<b>1,022</b> <b>73%</b>	<b>371</b> <b>27%</b>	<b>1,395</b> <b>100%</b>
	<b>\$37</b> <b>0%</b>	<b>\$13,922</b> <b>74%</b>	<b>\$4,780</b> <b>26%</b>	<b>\$18,739</b> <b>100%</b>
<b>Population Distribution</b>	<b>3%</b>	<b>76%</b>	<b>21%</b>	<b>100%</b>

Lending in the moderate-income geography is sparse, but this is reasonable given the BNA's location relative to the bank's offices and the overall level of lending to nearby BNAs. As discussed earlier, bank offices are not located near the tract in Hannibal and numerous lenders serve the Hannibal area. In addition, while 35 percent of the assessment area population is located in Hannibal, only five percent of the bank's loans reviewed were extended in the Hannibal area. The moderate-income BNA contains only three percent of the total assessment area population.

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<sup>5</sup>The percentage is rounded to zero because it was less than one percent.

### **Lending Activity**

The bank's loan-to-deposit ratio has increased steadily since the previous examination, from 47 percent in September 1995, to 60 percent as of March 1997. While the bank's average ratio is lower than its competition, this is reasonable in light of the bank's size and branch network.

The bank's average ratio for the previous seven quarters was 52 percent, as compared to local competitors' ratios of 64 percent and 77 percent. The highest ratio, 77 percent, is attributed to the competitor with a larger branch network and larger asset size. One of its branches is located in Hannibal, which has a high population concentration. UMB Bank Northeast does not have a branch near Hannibal. In addition, the competitor with a 64 percent average ratio has experienced a downward trend in its ratio over time.

### **Responsiveness to Credit Needs**

The bank has responded to local credit needs of low- and moderate-income individuals, small farms, and small businesses, as discussed in previous sections. Several loans to very small or start-up businesses were included in the preceding small business loan analysis. In the reporting period, the bank extended 12 of these loans totaling \$674,000.

### **Innovative or Flexible Lending Practices**

Low interest rate and low down payment options through government programs are available for agriculture and real estate loans. Several of these types of loans have been originated since the previous examination. Flexible home mortgage lending products are also available through the bank's holding company, but none were originated during the evaluation period.

## Investment Test

### Qualified Investments

The bank has contributed to a significant variety organizations and projects. The following chart demonstrates the bank's excellent responsiveness to credit and community economic development needs.

<b>Investments</b>	
<b>Name of Organization</b>	<b>Purpose</b>
Monroe County Industrial Development Authority	Support local job creation and financing of small businesses.
Paris Senior Citizens Community Center	Meals and services for senior adults.
Mark Twain Area Habitat for Humanity	Construct affordable housing.
Monroe City Senior Nutrition Center	Meals and services for senior adults.
Monroe City Ministerial Alliance	Donation for cost of fundraiser to provide food, health, and social services for low-income persons.
Christmas is Caring	Monroe County Social Services program for low- and moderate-income families.
Northeast Community Action Corp.	Social service programs for low- and moderate-income families.
Monroe County Health Department	Provide low- or no-cost health care for low- and moderate-income persons.
Monroe County University of Missouri Extension	Provide equipment for program which provides adult agricultural education for small farmers.
Monroe City Agri-Leaders	Fund technical support, financial and agricultural training for new farmers.
Monroe City Agri-Leaders	Fund financial analysis training seminar for small farmers.
Monroe County Sheltered Workshop	Provide job training for disabled persons to allow them to earn an income.
<b>Total</b>	<b>\$8,293</b>

As shown in the chart, the bank contributed \$8,293 to various community organizations and projects in response to community development needs. This represents a significant contribution in light of the rural nature and limited opportunities in the bank's assessment area.

## **Service Test**

### **Retail Services**

The bank's two branches are located in Monroe County, which is comprised of middle- and upper-income geographies. Banking hours are 8:30 a.m. to 4:00 p.m. throughout the week, and 8:00 a.m. to 12:00 p.m. on Saturday. In addition, the drive-up is open until 6:00 p.m. on Friday. Appointments are available after banking hours. The bank operates two ATMs, one at the Paris branch, and the other at a gas station in Monroe City.

The bank offers a variety of loan products, including agriculture, consumer, commercial, construction, home mortgage, and home improvement loans. Government loan programs for agriculture, small business, and home mortgage loans are also offered, along with various deposit products.

A large variety of services are offered to consumers. UMB Direct Banking provides 24-hour telephone access to customer account balances, check clearings, deposit activity, credit card and interest information, and allows electronic withdrawals and fund transfers. Another service is Direct Bill Pay, which allows consumers to make recurring, fixed, or variable amount payments over the telephone 24 hours a day. PC Direct Banking allows access to customer accounts from a personal computer. This service is a direct link to the bank, without the use of the Internet or an on-line server.

In addition, the bank has a web page on the Internet with information about its products and a Loan Calculator to show different auto loan payments based on changes in loan terms. Direct deposit, ATM cards, and check/point of sale cards are also offered. A web site to assist in marketing efforts is offered to the bank's retail and commercial customers through the holding company. The bank also offers sign-language services for bank customers.



## Community Development Services

The bank provides an excellent level of community development services to its assessment area. Bank personnel volunteer in most area organizations which serve the community's needs. The following chart details the bank's high level of involvement in community development services.

Community Development Services	
Paris Chamber of Commerce Revitalization Steering Committee	Provided financial expertise for the Spec Building subcommittee.
Monroe County Industrial Development Authority	Technical assistance given to obtain \$35,000 in home-improvement grants for low- and moderate-income individuals in Paris.
Monroe City Industrial Development Authority; Monroe City	Provided technical assistance for an IRB to finance the expansion of a manufacturer in the industrial park.
City of Paris; Monroe County Industrial Authority	Technical assistance in developing an IRB to finance a Spec Building to attract new industry in Paris.
Paris Allied Churches Foundation Board	As treasurer, provided technical assistance to board; the organization serves low- and moderate-income persons.
Paris Senior Housing	Technical assistance provided for ADA and FHA guidelines compliance, and in qualifying low- and moderate-income persons for housing.
Monroe City Senior Nutrition Center	Provided financial advice while serving as the Vice President of the board.
School Education Programs	Several presentations on banking topics such as checking and savings programs at local schools.
Monroe City R-1 High School	School-to-Work program; students work in the bank to learn about financial matters.
Monroe City Board for the Handicapped	Provided technical expertise on financial matters to the board.

Community Development Services	
Learning Opportunities	Provided financial expertise to support developmentally disabled job training.
Paris Senior Citizen Community Center	Financial expertise given to the board of a center which serves meals and provides services for elderly residents.
Purina Mills, Inc.	Provided financial expertise for Paris Area Swine Strategy presentation to area small farmers.
NECAC	Assisted with financial expertise in preventing the loss of federal funding for food, clothing and job services for low- and moderate-income families.
Monroe City Agri-Leaders	Assistance in planning <del>A</del> Farm Financial Standards@class.
Financial Seminars	One-on-one sessions and seminars about bank accounts; targeted to the elderly.
Senior Checking Accounts	Special lower-rate accounts for the elderly.
Government Check Cashing	Social Security, Disability and Public Assistance checks cashed free up to \$1,000.

The many community development services detailed above clearly reflect the bank's willingness and ability to provide services on behalf of small farms, low- and moderate-income individuals, and the elderly population.

**Additional Information**

A fair lending analysis focusing on Regulation B (Equal Credit Opportunity) and the Fair Housing Act was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

<b>SCOPE OF EXAMINATION</b>			
<p>The bank's reported small business and small farm loans for 1996 were reviewed during the examination. In addition, the bank provided information for other loan types. Of these, consumer loans originated in 1996 were chosen for review because of the bank's business and strategy and the high loan volume. The bank has one assessment area, and bank activities in the area were reviewed using the large bank examination procedures.</p>			
<b>TIME PERIOD REVIEWED</b>		January 1, 1996 to August 11, 1997	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
UMB Bank Northeast Monroe City, Missouri		Small Farm Small Business Consumer (all)	
<b>AFFILIATE(S) REVIEWED</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None			
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
<u>Northeastern Missouri</u>  Monroe County 9601, 9602, 9603 Ralls County 9701, 9702, 9703 Marion County 9604, 9606, 9601, 9602, 9603, 9605, 9608, 9609, 9607 Shelby County 9501, 9502, 9503	On - site	None	

