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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

September 11, 1997

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bowling Green Bank & Trust Company  
Charter Number 21671**

**Post Office Box 1050  
Bowling Green, Kentucky 42102**

**Office of the Comptroller of the Currency  
Central District Office  
One Financial Place, Suite 2700  
440 S. LaSalle Street  
Chicago, Illinois 60605**

**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 Bowling Green Bank & Trust Company (BGB&T) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 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 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 CFR Part 25.

**Institution's CRA Rating:** This institution is rated "Satisfactory Record of Meeting Community Credit Needs."

BGB&T's record of meeting community credit needs is satisfactory. Several factors support this rating and are more fully explained in the body of this evaluation. The bank shows or has:

- A good responsiveness to the credit needs of the assessment area;
- A high percent of loans are made in the assessment area;
- Adequate distribution of mortgage and consumer loans to all geographies;
- Adequate distribution of these loans to borrowers of different income levels;
- An adequate level of qualified investment; and
- Delivery systems are accessible to all geographies and individuals.

The following table indicates the performance level of Bowling Green Bank & Trust Company with respect to the lending, investment, and service tests.

Performance Levels	Bowling Green Bank & Trust Company Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	X	X
Needs to improve			
Substantial noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## Description of Institution

Bowling Green Bank and Trust Company (BGB&T), with total assets of \$193,946,000 as of June 30, 1997, is located in Bowling Green, Kentucky, the county seat of Warren County. The bank is the third largest financial institution in Bowling Green with a focus on real estate lending, small business lending, and consumer lending. Competition for loan customers is very strong in the assessment area. There are ten other banks or credit unions, sixteen loan companies, five mortgage companies, and twelve pawnshops in the city of Bowling Green. These include: National City Bank, Trans Financial Bank N.A., Autotruck Federal Credit Union, American General Finance Company, and Premier Mortgage Company. BGB&T is a subsidiary of Area Bancshares Corporation (ABC), a bank holding company with total assets of \$1,170,838,000. ABC is headquartered in Owensboro, Kentucky and owns several financial institutions in western Kentucky; three national banks, three state banks, and one credit corporation.

BGB&T's main office is in Hartland Financial Center, a growing section of Bowling Green. Hartland Center is in an upper income census tract and is located on the major thoroughfare in town. The bank has six other full service branches.

There are no known impediments which would hinder BGB&T's ability to help meet the credit needs of the community. On June 30, 1997, the bank had total equity capital of \$15,961,000, net income of \$942,000, total loans of \$110,027,000 and a loan-to-deposit ratio of 89%, which is the highest it has ever been. Other banks serving the assessment area currently have a loan-to-deposit ratio of approximately 85%.

Table 1 displays the distribution of the loan portfolio and shows that the bank has had moderate loan growth with no major change in the composition of the portfolio. This table does not include the mortgage loans that the bank originated and sold on the secondary market. During 1996 the bank sold over \$20 million in loans, and through July 1997 had sold over \$11 million in mortgage loans on the secondary market. The consistent pattern of loan distribution shows that the bank is following its business focus.

<b>TABLE 1 LOAN PORTFOLIO DISTRIBUTION DOLLAR VOLUME OF LOANS (000'S)</b>			
<b>Type of Loans</b>	<b>12/31/95</b>	<b>12/31/96</b>	<b>06/30/97</b>
Non Residential R/E	\$33,060	\$37,341	\$38,914
1-4 Family Residential	\$34,598	\$38,048	\$38,763
Commercial/Industrial	\$17,816	\$15,885	\$18,881
Consumer	\$12,640	\$10,907	\$10,444
Average Gross Loans *	\$98,598	\$102,417	\$107,990

Source: Call Report information.  
\* Does not add due to rounding.

**Description of the Assessment Area**

The bank’s assessment area consists of Warren County, Kentucky, with Bowling Green being the largest city within the county. According to 1990 census data, the population of Warren County is 76,673. There are 31,065 housing units, with a median housing value of \$54,000. Of the 31,065 housing units, 60% are owner-occupied, 33% are rental, and 7% are vacant.

The economic base of the community is varied. Employment figures for the major employment sectors show that 29% of the labor force are employed by wholesale and retail trades, 21% are employed by manufacturing firms, 21% are in service industries, with the remaining 29% of the labor force employed in other miscellaneous occupations. The top four employers in the area are: Western Kentucky University with 2,125 employees, Medical Center at BG/CHC with 1,927 employees, Warren County Board of Education with 1,606 employees, and the General Motors Corvette Assembly Plant with 1,035 employees. The median family income of the assessment area is \$28,800. The local economy is strong with unemployment averaging 4.7% since 1994. This unemployment figure is very good, taking into account that there are over 15,000 college students at Western Kentucky University, most of whom are also in the job market.

During this examination we met with the Bowling Green-Warren County Chamber of Commerce, Community Action of Southern Kentucky, Human Rights Commission, Inc. of Bowling Green, and several community religious leaders to discuss community credit and service needs. These groups are all knowledgeable of community credit needs and stated that the types of credit and services provided by the bank are satisfactory for the local community.

Warren County consists of nineteen census tracts and is not in a Metropolitan Statistical Area. There are no low income tracts, three moderate income tracts (16% of the total tracts), five middle income tracts (26% of the total tracts), and eleven upper income tracts (58% of the total tracts).

The three moderate income tracts are all located in the center of Bowling Green. One tract is located in downtown Bowling Green where there are a large number of small commercial buildings and rental properties. Another tract is primarily a rental area and consist of a large part of the Western Kentucky University campus. And, the final tract consists of Section 8 housing, commercial buildings, and rental properties.

Table 2 shows the percent of tracts by each income level, the percent of the assessment area population living within each type of tract, the percent of families living within each type of tract, and the percent of households living within each type of tract. The table clearly shows that the distribution of the population, families, and households, living within each type of tract corresponds to the percent of tracts of that income level.

<b>TABLE 2 TRACT DEMOGRAPHIC DATA</b>				
<b>INCOME LEVEL</b>	<b>% OF TRACTS</b>	<b>% OF POPULATION</b>	<b>% OF FAMILIES</b>	<b>% OF HOUSEHOLDS</b>
Low Income Tracts	0%	0%	0%	0%
Moderate Income Tracts	16%	12%	11%	14%
Middle Income Tracts	26%	28%	28%	29%
Upper Income Tracts	58%	60%	61%	57%
Total	100%	100%	100%	100%

Source: 1990 Census Data.

A majority of the farms and businesses located in the bank’s assessment area are small farms and small businesses. When evaluating the size of a business, two factors are used as fairly accurate indicators of business size. A business with sales of less than \$1 million dollars or a business with less than 50 employees is generally considered to be a small business. In Warren County, 68% of all businesses have sales of less than \$1 million dollars, and 96% of all businesses have less than 50 employees. When evaluating the size of a farm, a farm with sales of less than \$1 million dollars is considered to be a small farm. In Warren County, 90% of all farms have sales of less than \$1 million dollars.

Table 3 shows the possible opportunities available for the bank to make small farm and small business loans. The two columns describing farm activity, show the number and percent of farms with sales of less than \$1 million dollars by census tracts. The two columns describing business activity, show the number and percent of businesses with sales of less than \$1 million dollars by census tracts. If there are numerous farms or businesses in an area, there is probably more opportunity to make loans to those entities. However, there is not a direct correlation between the number of farms or businesses in an area and the number of loans that should be made to those entities. Also, it not possible to specifically know if there is a need for loans in an area. This data only shows the potential or possible opportunities for the bank to make loans.

<b>TABLE 3 SMALL FARM AND SMALL BUSINESS LENDING OPPORTUNITIES</b>				
<b>INCOME LEVEL</b>	<b>FARMS &lt; \$1 MILLION SALES</b>	<b>% OF FARMS &lt; \$1 MILLION SALES</b>	<b>BUSINESSES &lt; \$1 MILLION SALES</b>	<b>% OF BUSINESSES &lt; \$1 MILLION SALES</b>
Low Income Tracts	0	0%	0	0%
Moderate Income Tracts	3	5%	399	21%
Middle Income Tracts	16	29%	388	21%
Upper Income Tracts	37	66%	1,072	58%
Total	56	100%	1,859	100%

Source: 1990 Census Data.

Housing stock in Warren County is stable and adequate to meet community needs. Since 1990 the county population has not changed. However, during the same time period there has been a net increase in housing units of 2,215 units. The majority of these new units have been multi-family (more than four units) with 58% of the total, single family at 36%, and duplexes at 6%.

Table 4 shows the possible opportunities available for the bank to make housing type loans. The three columns describe the percentage of housing type units located within the specific income tracts. For example, 14% of the single family units are located in the moderate income census tracts, 27% of the rental units are in the moderate tracts, and 7% of the owner occupied units are located in these tracts. (A single family unit could be a rental property or an owner occupied unit.) This information is relevant because it shows the potential or possible opportunities for the bank to make housing loans. A large percentage of single family housing units in a census tract or a large number of owner occupied units in a census tract is often an indicator of the potential mortgage lending in those tracts. A large percentage of rental units in a tract coupled with a low percentage of owner occupied units in a tract might indicate that there would not be as much demand for purchase money mortgages as opposed to home improvement loans. These facts help to explain the dynamics of the bank's lending patterns.

Table 4 shows the housing type lending opportunities.

<b>TABLE 4 HOUSING TYPE LENDING OPPORTUNITIES</b>				
<b>INCOME LEVEL</b>	<b>NUMBER OF HOUSING UNITS</b>	<b>SINGLE FAMILY UNITS</b>	<b>RENTAL UNITS</b>	<b>OWNER OCCUPIED UNITS</b>
Low Income Tracts	0	0%	0%	0%
Moderate Income Tracts	4,480	14%	27%	7%
Middle Income Tracts	9,133	26%	30%	29%
Upper Income Tracts	17,452	60%	43%	64%
Total of Housing Units	31,065	100%	100%	100%

Source: 1990 Census Data.

Table 5 shows the distribution of households and families in the assessment area by income level. The information in this table will be used later in this evaluation to show the opportunities and distribution of loans to borrowers of different income levels.

<b>TABLE 5 DISTRIBUTION OF HOUSEHOLDS AND FAMILIES BY INCOME</b>		
<b>INCOME LEVEL</b>	<b>% OF HOUSEHOLDS</b>	<b>% OF FAMILIES</b>
Low Income	20%	16%
Moderate Income	13%	12%
Middle Income	14%	16%
Upper Income	53%	56%
Total	100%	100%

Source: 1990 Census Data.



## Conclusions with Respect to Performance Tests

### Lending Test

Bowling Green Bank and Trust Company satisfactorily meets the lending needs of its assessment area. A substantial majority of loans are made within the assessment area, loans are widely dispersed among the different geographies that make up the assessment area, loans are made to the different income levels of applicants and businesses and farms of different sizes, and the bank has an adequate level of community development lending.

### Lending Activity:

BGB&T's lending volume is satisfactory. The bank's loan-to-deposit ratio of 89% as of June 30, 1997, the highest its been during this evaluation period, is slightly higher than the average loan to deposit ratio of other area banks, which was 85%.

A substantial majority of the bank's loans are made within the assessment area. Table 6 shows the distribution of the bank's loans comparing the level of loans originating inside the assessment area to those originating outside of the assessment area. This distribution shows that a majority of the bank's loans are originated within the bank's assessment area. This distribution is satisfactory based on the demographics of the community discussed below in the description of the bank's assessment area.

<b>TABLE 6 DISTRIBUTION OF LOANS WITHIN THE ASSESSMENT AREA</b>				
	<b>YEAR END 1996</b>		<b>THROUGH 7/97</b>	
<b>TYPE OF LOANS</b>	<b>PERCENT OF NUMBER FUNDED</b>	<b>PERCENT OF TOTAL DOLLARS</b>	<b>PERCENT OF NUMBER FUNDED</b>	<b>PERCENT OF TOTAL DOLLARS</b>
COMMERCIAL LOANS	93%	79%	92%	88%
CONSUMER LOANS	93%	94%	85%	82%
MORTGAGE LOANS	92%	94%	91%	94%
TOTAL LOANS	92%	87%	89%	91%

Source: Bank's Internal Records.

The above facts clearly demonstrate that BGB&T is making loans and that the vast majority of those loans were made within its assessment area.

## Geographic Distribution of Loans:

The bank's overall distribution of mortgage loans and consumer loans is reasonable given the areas demographics and reflects an adequate distribution within the assessment area. The following tables show loan distribution by type of loan, location by census tract, and relevant demographic data. An analysis of the demographic data is important to fully understand the characteristics of the area and will help explain the relevance of the data.

Table 7 shows the distribution of the bank's mortgage loans throughout the assessment area. This includes all types of mortgage loans; purchase money, refinance, home improvement, and multifamily units. The data shows the percent of the number of loans originated in each type of income tract, the percent of the dollar amount of loans originated in each tract, and the percent of owner occupied units in each type of income tract. This type of comparison is useful because most mortgage loans are originated involving owner occupied units as opposed to rental units. The relationship between the number of loans originated or the dollar volume of loans originated to the percent of owner occupied units is a good measure of the bank's commitment to meeting the housing credit needs of the community. For example, in the moderate income tracts, the percent of loans originated has been approximately 8%, since the beginning of 1996. This level of lending is understandable when the percent of owner occupied units in the same tracts is only 7%. The anomaly in the moderate income tracts during 1996 of 32% of dollar volume is the result of a large apartment complex being built close to Western Kentucky University in early 1996.

The information shown in table 7, when analyzed with the data in tables 4 and 5 shows that the distribution of mortgage loans within the assessment area is reasonable. The distribution of census tracts, population, families, households, and housing stock in the different income tracts all correlate to the bank's level of mortgage lending in those same tracts. The bank is doing an adequate job of serving the credit needs for mortgage lending.

<b>TABLE 7 GEOGRAPHIC DISTRIBUTION OF MORTGAGE LOANS</b>					
<b>INCOME LEVEL</b>	<b>1996</b>		<b>THROUGH JULY 1997</b>		<b>% OF OWNER OCCUPIED UNITS IN TRACTS</b>
	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	
Low Income Tracts	0%	0%	0%	0%	0%
Moderate Income Tracts	8%	32%	7%	5%	7%
Middle Income Tracts	18%	13%	17%	13%	29%
Upper Income Tracts	74%	55%	76%	82%	64%
Total	100%	100%	100%	100%	100%

Source: Bank supplied data.

Table 8 displays a distribution of commercial loans made throughout the assessment area for all of

1996 and through July 1997. It shows the percent of the number of loans made in each type of tract, the percent of the dollar amount of loans made in each tract, and the percent of businesses with sales of less than \$1 million in sales in each tract.

The information in table 8, coupled with the demographic data in table 3 shows that the distribution of small business loans within the assessment area could be improved. The fact that 21% of the small businesses are located in the moderate income tracts while only 6% of the commercial loans are made within these tracts, indicates that there could be more lending opportunities in these tracts to small businesses. Discussions with community groups and with bank employees disclosed that there is not an unmet need for small business loans. However, the low level of loans compared to the possible opportunities show that the bank's level of lending in moderate income tracts could be improved.

<b>TABLE 8 GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS</b>					
	<b>1996</b>		<b>THROUGH JULY 1997</b>		<b>% OF BUSINESS &lt; \$1 MILLION SALES</b>
<b>INCOME LEVEL</b>	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	
Low Income Tracts	0%	0%	0%	0%	0%
Moderate Income Tracts	7%	4%	5%	1%	21%
Middle Income Tracts	27%	24%	17%	9%	21%
Upper Income Tracts	66%	72%	78%	90%	58%
Total	100%	100%	100%	100%	100%

Source: Bank supplied data.

From January 1996 through July 1997, the bank made 16 loans to small farms; one in the moderate income tracts, two in the middle income tracts, and 13 in the upper income tracts. Given the demographic information contained in Table 3 showing the small number of farms within the assessment area, this level of performance is reasonable.

Table 9 shows the distribution of the bank's consumer loans. It shows the percent of the number

of loans made in each income tract, the percent of the dollar amount of loans made in each tract, and the percent of the population living in each tract. This type of comparison is useful because the level of population in an area has a fairly close relationship to the level of consumer lending in an area. The bank has made approximately 7% of its consumer loans in the moderate income tracts although 12% of the population lives in these tracts. This is reasonable however, when you take into account that 25% of the households in Warren County receive Social Security, 7% receive Public Assistance, 13% are retired, and 17% live below the poverty level. Two other factors that affect the level of consumer lending in the assessment area are the aggressive posture taken by area car dealers to offer low interest rates or other incentives for on-the-lot financing and the competition from other lenders in the area. After considering all of these factors, the bank's performance in the area of consumer lending is adequate.

<b>TABLE 9 GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS</b>					
<b>INCOME LEVEL</b>	<b>1996</b>		<b>THROUGH JULY 1997</b>		<b>% OF POPULATION IN TRACTS</b>
	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	
Low Income Tracts	0%	0%	0%	0%	0%
Moderate Income Tracts	5%	7%	5%	12%	12%
Middle Income Tracts	26%	22%	28%	20%	28%
Upper Income Tracts	69%	71%	67%	68%	60%
Total	100%	100%	100%	100%	100%

Source: Bank supplied data.

### **Loan Distribution by Borrower Income:**

The bank's lending to borrowers of different income levels and to farms of different sizes is satisfactory.

Table 10 shows the distribution of mortgage loans to different income groups. It compares the level of lending by the number of loans made and the dollar amount of loans made to the percent of families in each income group. For example, in 1996, of all of the mortgage loans the bank originated, 4% were to low income borrowers, while 16% of the families in the assessment area were low income. The distribution of mortgage loans as indicated in this table is satisfactory taking into account the demographics and economics of the assessment area. The information accompanying Table 9 helps to explain relevant demographic data. Also see Tables 2 and 4.

Table 10 shows mortgage loan distribution by borrow income.

<b>TABLE 10 DISTRIBUTION OF MORTGAGE LOANS BY BORROW INCOME</b>					
<b>BORROWER INCOME LEVEL</b>	<b>THROUGH YEAR- END 1996</b>		<b>THROUGH JULY 1997</b>		<b>% OF FAMILIES BY INCOME LEVELS</b>
	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	
Low Income	4%	1%	3%	1%	16%
Moderate Income	6%	2%	5%	1%	12%
Middle Income	10%	7%	14%	7%	16%
Upper Income	80%	90%	78%	91%	56%
Total	100%	100%	100%	100%	100%

Source: Bank supplied data.

The bank's record of lending to small businesses could improve. From January 1996 through July 1997, only 45% of the number of commercial loans and only 49% of the dollar amount of commercial loans originated by the bank have been to business with less than \$1 million in sales even though 68% of the businesses are of this size.

The bank's record of making small business loans to small businesses is adequate. Table 11 shows the number of loans made to small businesses by different loan amounts. It shows the number and dollar amount of loans made, and the percent of these loans compared to all of the small business loans made. Thus, the bank made 136 loans for less than \$100,000 which totaled \$4,499,000 during this time period. This was 70% of the number of loans made to small businesses, or 29% of the dollar amount of loans made to small businesses. This data indicates that of all of the small business loans originated by the bank a large percentage of these are small loans.

Table 11 shows the distribution of small business loans to small businesses.

<b>TABLE 11</b> <b>SMALL BUSINESS LOANS FUNDED TO SMALL BUSINESSES</b> <b>JANUARY 1996 THROUGH JULY 1997</b>				
LOAN SIZE	SMALL BUSINESS LOANS		% OF ALL SMALL BUSINESS LOANS	
	#	\$ (000'S)	#	\$ (000'S)
Less than \$100,000	136	\$4,499	70%	29%
\$100,000 - \$249,999	49	\$7,561	25%	49%
\$250,000 - \$1,000,000	9	\$3,463	5%	22%
Totals	194	\$15,523	100%	100%

Source: Bank supplied data.

Of the sixteen agricultural loans the bank has made since January 1996, all of them were to farms with less than \$1 million in revenues, with fourteen originating for less than \$100,000 and the other two originating for less than \$250,000.

Table 12 shows the distribution of consumer loans by the income of the borrower. The table compares the percent of the number of loans originated and the percent of the dollar amount of loans originated, by the income level of the borrower, to the percent of families by income level. Thus, through July 1997 low income borrowers had 8% of the number of loans made while 16% of families in the assessment area are low income. The overall distribution of consumer loans to borrowers of different income levels is satisfactory taking into account the economics and demographics of the assessment area. The information in Table 2 and the facts explained previously, all help to explain why the lending levels are adequate. For example, it is a valid assumption that most of the community members who receive Social Security, Public Assistance, or who are retired or live below the poverty level are either low or moderate income. Thus, it would be reasonable for these members of the community to not have as many loans as middle or upper income level individuals.

Table 12 shows the distribution of consumer loans.

<b>TABLE 12 DISTRIBUTION OF CONSUMER LOANS BY BORROW INCOME</b>					
<b>BORROWER INCOME LEVEL</b>	<b>THROUGH YEAR- END 1996</b>		<b>THROUGH JULY 1997</b>		<b>% OF FAMILIES BY INCOME LEVELS</b>
	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	<b>% OF LOANS</b>	<b>% OF DOLLAR</b>	
Low Income	6%	3%	8%	3%	16%
Moderate Income	15%	8%	12%	6%	12%
Middle Income	17%	9%	20%	14%	16%
Upper Income	62%	80%	60%	77%	56%
Total	100%	100%	100%	100%	100%

Source: Bank supplied data.

### **Community Development Lending:**

Bowling Green Bank and Trust Company originates a limited number of community development loans. These types of loans specifically address community needs and are defined as loans for: affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low- or moderate-income geographies. As explained in the “Description of the Assessment Area” section of this evaluation, there are no low income tracts, few moderate income tracts, and a small overall percent (28%) of low- and moderate-income families. Thus, even though the opportunities for community development lending are very limited, since January 1996 the bank has made two loans for \$375,000 to build forty-two housing units targeted to low- or moderate-income individuals. One loan is for \$200,000 to build four 8-plex housing units specifically targeted for low- or moderate-income renters, and the other is for \$175,000 to build a small apartment building with ten units also targeted for low- or moderate-income tenants. This level of community development lending is satisfactory based on the demographics and economics of the assessment area.

## **Innovative and Flexible Lending Practices:**

BGB&T makes limited use of innovative and flexible lending practices. The two innovative lending programs available are the “100% Mortgage Loan Financing Program” and the “First Step Mortgage Program.” The “100% Mortgage Loan Financing Program” is for people who want to buy a home but have no down payment. The program consists of two loans. The first loan is an 80% first mortgage with the annual interest rate adjustments based on current Fannie Mae rates. This loan has a 30 year amortization schedule. The second loan is for the remaining 20% of the total loan, and has a 15 year amortization with a fixed rate for 5, 10, or 15 years. To date, the bank has four of these types of loans outstanding for \$596,900.

The flexible mortgage programs available from the bank target low- and moderate-income borrowers and offer such flexible features as; small down payments, higher debt ratios, and variable rates and repayment schedules. These programs include mortgage products developed by the Kentucky Housing Corporation, the Federal Housing Administration, the Veteran’s Administration, and BGB&T’s own Biweekly Mortgage (Smart Mortgage) program. Flexible business programs are targeted to assist the smaller businesses in a community. Special features of these programs include long term maturities and loan guarantees. These programs include the Small Business Administration and the Rural Development Services. Loans under all of these flexible programs are included in the mortgage, small business, and small farm loans discussed above.

## **Investment Test**

Opportunities for BGB&T to invest in community development projects are very limited due to the demographics and economics of the community. Warren County is a growing, thriving community with a strong economic base, low unemployment, and fairly high standard of living. The level of business activity in downtown Bowling Green is strong, there are not many closed buildings or stores in the area, and the overall infrastructure is relatively new. Thus, there is very little need in the community for community develop projects. Discussions with community groups and local government officials disclosed that there is adequate affordable housing in the area, there is a sufficient level of community services available, there is a strong base for economic development, and the low- or moderate-income geographies are stable and in little need of revitalization. The bank does, however have one qualified investment, a \$200,000 security from Western Kentucky University. The proceeds from the security are being used to build housing targeted for low- and moderate-income students and will be located in a moderate-income census tract. This level of investment activity is satisfactory.

The amount of grants that BGB&T has provided to Warren County for community development efforts is satisfactory considering the bank’s size, the needs of the community, and the economics of the area. The \$3,000 the bank has given to community groups has sponsored scholarships for low- or moderate-income individuals, provided funds for housing assistance and development services for low- or moderate income families, and helped repair a school in a moderate-income census tract.



## Service Test

BGB&T's retail banking services are accessible to all geographies of the assessments area and to individuals of different income levels throughout the assessment area. Of the bank's six full service branches; two are located in moderate income census tracts, two are located in middle income census tracts, and two are located in upper income census tracts. All branch locations, ATM locations, and business hours are structured to ensure that they are accessible to the entire community.

As explained in the "Description of Institution" portion of this evaluation, the majority of the bank's products and services are available at all of the bank's branches, and the bank offers alternative delivery systems for bank services and products. The main office offers all of the bank's credit products and deposit services. The other six branches offer most of the bank's products and services. The branches offer consumer, automobile, personal and mobile home loans, while the main office offers business, mortgage, and agricultural loans. It is important to note that all of the branches offer identical credit and deposit products and services.

### Retail Banking Services

Table 13 shows that bank offices and ATM machines are accessible to all geographies and to all individuals of the assessment area.

<b>TABLE 13 ACCESSIBILITY OF SERVICES</b>				
<b>INCOME LEVEL</b>	<b>% OF TRACTS</b>	<b>% OF POPULATION</b>	<b>% OF OFFICES</b>	<b>% OF ATM'S</b>
Low Income Tracts	0%	0%	0%	0%
Moderate Income Tracts	16%	12%	29%	0%
Middle Income Tracts	26%	28%	29%	20%
Upper Income Tracts	58%	60%	42%	80%
Total	100%	100%	100%	100%

Source: Bank supplied data.

The bank has five stand-alone ATM machines. One of the ATM's is located in a middle income census tract and the other four are in upper income census tracts. Although there are no ATM's located in moderate income census tracts, the entire community has access to the machines with one in the local hospital, one in Greenwood Mall, one at Western Kentucky University, and one located at the General Motors Corvette Assembly Plant. (One of the two offices located in the moderate income tracts has an ATM.) Bowling Green is so compact and well designed that no office or ATM is more than one quarter of a mile from any section of town. The bank has not closed any offices since the last examination, April 1995. In 1996, BGB&T opened two new branches, one in a moderate income tract and one in an upper income tract.

## **Alternative Delivery Systems**

The bank's alternative delivery systems are satisfactory considering the demographics of the assessment area. The availability of products and services from traditional offices and ATMs meets the majority of the needs of the low- and moderate-income community members. The bank does however, offer two services for customers who prefer an alternative to these traditional ways of banking. These are **Touch-Tone Bill Pay** (Quick Line) and **Online Banking**. The Quick Line service allows customers to pay bills by using the telephone, while **Online Banking** allows customers to conduct their banking by using their personal computer. The Quick Line service has been averaging 12,800 calls per month. Although use of the **Online Banking** service has been limited and was not specifically targeted to low- and moderate- income individuals, both of these services are available to all customers and to all locations of the community.

## **Community Development Services**

BGB&T provides a satisfactory number of community development services throughout its assessment area. The bank focuses on providing technical assistance to low- and moderate-income housing groups, and provides speakers to address affordable housing and small business development.

Through the Interbank Community Development Council, an organization formed to address low- and moderate-income credit needs, the bank has helped provide housing counseling and seminars that tutor potential home owners on ways to prepare for future home purchases. The bank has also assisted a subsidiary of the Council, Housing Assistance and Development Services, in obtaining grants for low- and moderate-income housing, and in building a small police substation in an increasing crime area of Bowling Green.

BGB&T is a member of the Mayor's Affordable Housing Task Force, a group organized to identify and address housing needs in Bowling Green. At the Task Force's recent "Affordable Housing Fair", speakers from the bank discussed several of its mortgage programs targeting low- and moderate-income borrowers.

## **Fair Lending Review**

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified during this examination of Bowling Green Bank & Trust Company. The bank has adequate fair lending policies, procedures, and training programs in place to assist bank employees in complying with all aspects of fair lending. Management has instituted a second review program which helps to ensure that loans initially recommended for denial are fairly and accurately evaluated.

## **APPENDIX**

## Scope of Examination

This examination of Bowling Green Bank & Trust Company's compliance with the Community Reinvestment Act (CRA) covered the bank's performance since the last examination, April 25, 1995, through September 11, 1997. The bank has not had any activity with its affiliates that would affect CRA. There is only one assessment area, Warren County, Kentucky a non-Metropolitan Statistical Area. The Comptroller of the Currency's CRA examination procedures were used to conduct the examination. In addition to reviewing mortgage loans and small business loans, we also reviewed consumer loans at the request of the bank. Because of recent changes to the Community Reinvestment Act Regulation, and certain requirements it imposes on banks, our review focuses only on lending data for 1996 and 1997 (through July 31, 1997).

<b>Time Period Reviewed:</b> April 25, 1995 through September 11, 1997			
<b>Financial Institution</b> Bowling Green Bank & Trust Bowling Green, Kentucky			<b>Products Reviewed</b> Mortgage Loans Small Business Loans Consumer Loans
<b>Affiliates</b> No activity affecting CRA	<b>Affiliate Relationship</b> Not Applicable		<b>Products Reviewed</b> None
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b> Warren County	<b>Type of Exam</b> On-site	<b>Branches Visited</b> 3	<b>Other Information</b> None