

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bankers Trust Company, Des Moines, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **December 31, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated **outstanding record of meeting community credit needs** based on the findings presented below.

COMMUNITY PROFILE

Des Moines is the largest city in the state, and is the state's capital. The bank, located in the Des Moines Metropolitan Statistical Area (MSA 2120), includes the City of Des Moines and surrounding communities which have a population of 392,928, according to 1990 census data.

The bank has defined its delineation to be 66 whole and contiguous census tracts, all within Polk County. The following table identifies these census tracts by low-, moderate-, middle-, or upper-income.

| | Bankers Trust Company Delineated Community | |
|-----------------|---|--|
| | Total # of Tracts | Census Tract Numbers |
| Low-income | 4 | 27.00,50.00*,51.00,52.00 |
| Moderate-income | 12 | 3.00,5.00,11.00,12.00*,17.00*,18.00, 21.00,26.00,47.00,48.00,49.00,53.00 |
| Middle-income | 36 | 1.01,1.02,1.03,2.01,2.02,4.00, 6.00,7.01,7.02,7.03,7.04,8.01, 8.02,8.03,9.01,9.02,10.00,15.00, 19.00,28.00,29.00,39.00,40.01,41.00, 42.00,43.00,44.00,45.01,45.02,46.01, 46.02,104.01,108.00,110.01,111.11,113.00 |
| Upper-income | 14 | 30.01,30.02,31.00,32.00,40.02,104.02, 104.03,109.00,110.21,110.22,111.02,111.12, 112.01,112.02 |

* indicates minority census tract

Based upon 1990 census data, the population of the bank's delineated community is 271,021, with the following ethnic/racial mix: 90.3% Caucasian; 5.2% African-American; 2.1% Hispanic; 2.0% Asian; 0.3% American Indian; and 0.1% for all other races. Median family income within the delineated community is \$37,109, which compares to \$37,304 for the Des Moines MSA and \$31,659 for the State of Iowa. Low- or moderate-income families comprise 17.8% and 18.5%, respectively, of families in the delineated community.

Unemployment within the Des Moines MSA remains stable at less than three percent in 1995, and 1996; the November 1996 unemployment rate of 2.7%, is below the Iowa State unemployment rate of 3.2%. The following chart lists large employers in the Des Moines MSA:

| Company/Business | *Number of Employees | Type of Business |
|-----------------------------------|-----------------------------|------------------------------|
| Principal Financial Group | 8,505 | Insurance/Financial Services |
| Iowa Health System | 5,000 | Medical Services |
| Mercy Medical Center | 3,189 | Medical Services |
| HyVee Food Stores | 2,595 | Grocery |
| Blue Cross Blue Shield of Iowa | 1,778 | Insurance |
| Communication Data Services, Inc. | 1,500 | Publishing Services |
| Firestone Agricultural Tire Co. | 1,600 | Tire Production |
| US West Communications | 1,475 | Telephone Utility |
| John Deere Des Moines Works | 1,225 | Farm Equipment Manufacturing |
| Monfort Incorporated | 1,450 | Beef Processing, Packing |

*Based upon Iowa Department of Employment Services and Des Moines Chamber of Commerce information.

The Des Moines economy is supported by a diversified and growing service industry. The service industry employed approximately 75% of the Polk County workforce in 1994 (206,562 individuals of a workforce totaling 275,968); the number of individuals employed by the service industry increased from 1990, when 185,870 individuals were employed in the industry. Government and government enterprise (11%) and manufacturing (9%) comprise the largest portion of the remaining industry employment.

Housing within the delineated community is predominately single-family, and approximately 74% of the housing stock consists of one-to-four family units (84,583 of 115,003 total units) and 60% of those units are owner-occupied. The median housing value for the delineated community is \$57,512 and reflects a wide range of 1990 median housing values from a low of \$49,500 for the City of Des Moines to a high of \$105,000 for Clive.

BANK PROFILE

Bankers Trust Company with \$617,316,000 in assets, as of September 30, 1996, is a subsidiary of Ruan Financial Corporation, based in Des Moines, Iowa. The bank offers a full range of loan and deposit services from its main office and skywalk branch located in downtown Des Moines. The remaining Des Moines area branches are located at 3905 Merle Hay Road, 1113 E. Army Post Road, 150 East Euclid, 7000 University, 11111 University in Clive, and 110 South Main in Grimes.

The bank's competition in the greater Des Moines area includes: Norwest Bank Iowa NA, Boatman's Bank Iowa NA, Firststar Bank Iowa NA, AmerUs Bank, Brenton Bank NA, Mercantile Bank of Western Iowa, First Bank (West Des Moines) and West Des Moines State Bank. Non-bank lenders such as Principal Mortgage and Norwest Mortgage also play a significant role in meeting local mortgage needs. Additional competition is also provided by Iowa State Bank (Des Moines), Allied Group Inc., Telco Community Credit Union, Tradesman Credit Union, and State Employees Credit Union.

ASSESSMENT OF RECORD

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Regulatory Expectation

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

Scope and Findings

The bank's CRA public and internal files were reviewed along with interviews of bank personnel and community contacts, to assess the effectiveness of the bank's ascertainment efforts. Review of the bank's CRA documentation revealed the bank's reliance upon the personal contact of bank directors, officers and staff with various community organizations, and its officer call program to ascertain community credit needs. Additionally, the bank also used focus groups and community advisory boards in its ascertainment efforts. A representative listing of bank officer, director and staff community involvement is listed below:

Nighborhood Finance Corporation (NFC)
Citizens for Community Improvement (CCI)
Nighborhood Housing Corporation (NHS)
Mid City Business Center
Des Moines Development Corporation
Greater Des Moines Chamber of Commerce
Downtown Partnership, Incorporated
Ankeny Industrial Development Commission
National Association for The Advancement of Colored People (NAACP)
Des Moines Home Builders Association
Iowa Association of Realtors
Des Moines Construction Council

City of Des Moines Public Housing Board
Iowa State College of Business Advisory Council
West Des Moines Chamber of Commerce
South Des Moines Chamber of Commerce
Homes of Oakridge
Asian American Council
Iowa Coalition for the Homeless and Housing

The bank's annual community involvement survey of directors (regular and advisory), officers and employees revealed that approximately 145 individuals are active in various organizations throughout the delineated community. In addition, bank officers, directors and staff are involved with local school districts, churches, and social service agencies in the Des Moines area. Bank personnel are also active with local neighborhood associations in Waveland, Oak Park, Drake and Highland Park. The bank continues to work with CCI as a partner in ascertaining community credit needs in low- or moderate-income neighborhoods in the City of Des Moines; the bank's lending agreement with CCI will be discussed further under Assessment Factor (h).

The bank also relies upon its officer call program to ascertain community credit needs. Review of bank documentation indicated that approximately 7,772 calls were made in 1995; 1,683 calls were identified as needs assessment, 1,949 loan closing calls, 1,122 presentation calls, 1,804 goodwill and 1,214 follow-up calls. During the fourth quarter of 1995, the bank purchased Baker Hill software which is an on-line system that enables all employees to enter daily calls and corresponding information.

The bank established a non-profit/trade association focus group in 1995, consisting of representatives from The Des Moines Area Association of Realtors, Des Moines General Hospital, Convalescent Home for Children, Iowa Automobile Dealers Association, Iowa Society of Association Executives, Variety Club of Iowa, Iowa Motor Truck Association. Individuals from these organizations meet quarterly as a part of the bank's advisory board system which is comprised of individuals from various segments of the public and private community. Review of quarterly minutes reflected advisory director input regarding various service and product issues.

As a result of the bank's ascertainment efforts, the following new products or modification to existing products were noted, since the previous examination:

Flex 97- low down payment mortgage loan program
110% Home Equity loan financing
Billing Service for business customers

The Flex 97 loan program provides borrowers with mortgage financing up to 97% loan-to-value and allows the borrower to use a credit card to cover the down payment. The bank also ran a 1996 home equity promotion which financed up to 110% of a home's assessed value. The bank's Billing Service product was also introduced in 1996 and targeted towards small business customers. The program assists the cash flow needs of small businesses by funding accounts receivable on a discounted basis. The loans extended under these programs will be discussed further under Assessment Factor (i).

Conclusions

Review of the bank's ascertainment efforts indicates that the bank maintains strong working relationships with individuals and organizations throughout the delineated community. The bank's new product offerings and modifications to existing products demonstrate its willingness to develop and revise its programs in response to identified credit needs.

Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Regulatory Expectation

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community needs.

Scope and Findings

The bank's CRA plan, and policies, board minutes, internal and public CRA files were reviewed to assess the involvement and oversight of the CRA program, provided by the bank's board of directors. The bank's CRA plan was approved by the board of directors May 11, 1995. The plan includes formal ascertainment efforts with a cross-section of local governments, civic, religious, business and community organizations; proactive marketing and product development in response to identified credit needs; credit

counseling and technical assistance; board of directors involvement in the CRA committee; and self-assessment of the program. The plan also outlines the bank's procedures to ensure fair lending through its second review process. Additionally, the bank continues its ongoing CRA and diversity training program, which utilizes a computer-based training program including various video tapes. The bank's efforts to ensure fair lending will be discussed further under Assessment Factor (f).

The bank appointed a Community Affairs Officer (CAO) on March 13, 1996. The CAO has been delegated sufficient authority to implement the bank's CRA program. The CAO chairs the CRA committee, which is comprised of board member and members of senior management from the marketing, compliance, retail and lending areas. The CRA committee meets monthly and reports quarterly to the board of directors. The minutes of the December 11, 1996 board meeting reflect review of the bank's annual self-assessment of its CRA performance and most recent annual approval of the bank's CRA statement.

Conclusions

Review of the bank's internal and public CRA files, board minutes and self-assessment indicate that the bank's board of directors provides active oversight of the CRA program through board meetings and CRA committee involvement. Board members are involved in a number of organizations used by the bank to ascertain community credit needs such as the Greater Des Moines Chamber Federation; Homes of Oakridge Leadership Committee; Downtown Partnership, Incorporated; and Des Moines Development Corporation.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Regulatory Expectation

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

Scope and Findings

The bank's newspaper advertising, direct mail and outreach efforts were reviewed to determine the extent to which the bank markets the availability of its products and services throughout the delineated community. Since the previous examination the bank used the following media to promote its products:

Newspaper/Print:

Des Moines Register is a daily paper with a weekday circulation of 181,000; weekend

editions have a circulation of 309,000. The Register continues to offer daily advertising which can be tailored to run in the **AGolden Circle@**area, defined as the area within a 30-mile radius of Des Moines.

Business Record is a weekly paper with a circulation 7,200 in Polk, Warren and Dallas Counties.

The Shopper is a free weekly paper with a circulation of 150,000 throughout central Iowa.

The Communicator is a minority publication with a readership of approximately 150,000 and is distributed 11 times per month in the Des Moines central and Waterloo areas.

50+ Lifestyles is a free publication that is distributed throughout the Des Moines metropolitan area and throughout the **AGolden Circle.@** Approximately 32,000 copies of the publication are distributed through local newsstands.

The bank also used direct mail to promote various products and services, including low down payment mortgage loans. Although management did not formally track direct mail, review of sample letters revealed additional mailings to 2,500 indirect auto loan customers, 450 new mortgage customers (promoting 110% Home Equity) and deposit services.

In 1996, the bank participated in two Credit and Homebuying Seminars in conjunction with CCI. The seminars provided technical assistance and education regarding the mortgage application process. English, Spanish, Vietnamese and Laotian language flyers promoting the event were distributed throughout the community. Bank records indicate both events were well attended, with over 300 total attendees. Although applications resulting from the events were not formally tracked, two applications currently in process, were generated from attendees at the October seminar.

The bank's officer call program, previously referenced under Assessment Factor (a); revealed that 7,772 calls were documented in 1995, 39% (3,018 calls) of the calls were identified as a marketing presentation or follow-up calls.

Conclusions

The bank's marketing efforts are considered strong, based upon its personal outreach and presentations to promote its products and services throughout its delineated communities. The bank used media targeted toward minority populations, in addition to its working relationship with CCI, to promote its services in low- or moderate-income areas.

Assessment Factor (i) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Scope and Findings

A review of the bank's September 30, 1996 Consolidated Report of Condition revealed

outstanding loans of \$380,245,000 and deposits of \$427,805,000; this resulted in a loan-to-deposit ratio of 88.88%. The distribution by loan type was as follows:

| LOAN TYPE | DOLLAR AMOUNT OUTSTANDING (000's) | PERCENT OF TOTAL LOANS |
|---------------------------------|-----------------------------------|------------------------|
| REAL ESTATE | | |
| Construction | 4,335 | 1.11% |
| Residential (1-4) | 153,598 | 39.23% |
| Commercial | 92,397 | 23.60% |
| Agricultural | 1,166 | 0.30% |
| Multi-family | 19,714 | 5.03% |
| CONSUMER | | |
| Open-end Credit | 3,321 | 0.85% |
| All Other | 19,999 | 5.10% |
| COMMERCIAL AND INDUSTRIAL | 91,058 | 23.26% |
| AGRICULTURAL | 746 | 0.19% |
| STATE AND POLITICAL OBLIGATIONS | 2,530 | 0.65% |
| OTHER | 2,125 | 0.54% |
| LEASE FINANCING RECEIVABLES | 534 | 0.14% |

Call report data revealed that 1-4 family residential real estate loans comprised 39.23% of the loan portfolio followed by commercial real estate and commercial/industrial lending which comprised 23.60% and 23.26% of the portfolio respectively.

Based upon a comparison of the bank's loan distribution with information contained in the previous report of examination, the bank has experienced significant overall loan growth. The bank's loan-to-deposit ratio increased from 67.51% (September 30, 1994 Call Report), to 88.88% (September 30, 1996).

According to the Uniform Bank Performance Report (UBPR), dated September 30, 1996, the bank's performance compared to peer is illustrated in the following chart.

| LOAN TYPE | BANK AVERAGE LOAN MIX (%) | PEER AVERAGE LOAN MIX (%) |
|---|---------------------------|---------------------------|
| REAL ESTATE LOANS Construction/Development | | |

| | | |
|---|-------|-------|
| 1 - 4 Family Residential | 1.11 | 3.43 |
| Home Equity | 38.21 | 28.35 |
| Other Real Estate | 2.47 | 2.85 |
| Farmland | 27.71 | 21.62 |
| Multi-family | 0.34 | 0.42 |
| Commercial | 4.94 | 1.44 |
| TOTAL REAL ESTATE LOANS | 22.43 | 18.13 |
| | 67.02 | 57.32 |
| LOANS TO INDIVIDUALS | 7.82 | 16.98 |
| CREDIT CARD LOANS | 0.87 | 0.97 |
| COMMERCIAL & INDUSTRIAL LOANS | 22.64 | 16.03 |
| AGRICULTURAL LOANS | 0.17 | 0.32 |
| MUNICIPAL LOANS | 0.96 | 0.54 |
| OTHER LOANS* | 1.31 | 0.41 |
| *Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables | | |

| BANK NET LOAN/LEASE TO DEPOSIT RATIO | PEER NET LOAN/LEASE TO DEPOSIT RATIO |
|--------------------------------------|--------------------------------------|
| 88.88% | 75.88% |

A comparison of the bank's loan portfolio with its peer group reflects the bank's strengths relative to real estate and commercial/industrial lending, where the bank is well above its peer group. The bank's consumer lending (loans to individuals) does not compare favorably to its peer group; however, the bank participates in various loan programs that targets loans to individuals.

Previously referenced under Assessment Factor (a) were new products and modifications to existing products in response to identified credit needs. The bank's efforts resulted in the following loans:

| <u>Program</u> | <u>Number of Loans</u> | <u>Total Dollar</u> |
|------------------|------------------------|---------------------|
| 110% Home Equity | 45 | \$ 806,000 |
| Iowa Flex | 1 | \$ 115,000 |
| Billing Service | 17 | \$ 1,700,000 |

Conclusions

The volume and distribution of the bank's loan portfolio demonstrates its responsiveness

and willingness to meet identified credit needs. The bank also continues to develop and modify loan programs to provide better service to all income segments of its delineated community.

Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

Scope and Findings

The bank's participation in various government-insured, or guaranteed loan programs was reviewed in comparison with the types of credit identified by community contacts within the community. Since the previous examination, the bank has participated in the following government sponsored loan programs: Federal Housing Administration (FHA) loan programs; Veterans Administration (VA) loan program; Small Business Administration (SBA) loan programs; and Iowa Guaranteed Student Loans. The following chart summarizes the bank's activity in the above mentioned government sponsored loan programs:

| PROGRAM | *OUTSTANDING | | SINCE PREVIOUS EXAMINATION | |
|---------------------------|--------------|---------------|----------------------------|-----------|
| | NUMBER | DOLLAR AMOUNT | NUMBER | AMOUNT |
| FHA | 0 | 0 | 118 | 8,078,000 |
| VA | 0 | 0 | 19 | 1,910,862 |
| SBA A Low Doc@ | 16 | 1,571,072 | 7 | 1,609,000 |
| Student Loans | 0 | 0 | 320 | 881,000 |

*All FHA &VA and student loans are sold into the secondary market.

As listed in the preceding chart, the bank continues its extensive use of government-insured loan programs. The bank has been particularly active with respect to FHA lending, originating 118 loans since the previous examination. The bank also continues to participate with Iowa Finance Authority (IFA) programs and Iowa Homeowners Assistance (IHAP) programs, which provide certificate/grant funds or federal tax credits to assist low- or moderate-income first-time homebuyers. Since the previous examination, the bank originated 59 IFA mortgage credit certificates for a total of \$3,800,000 and helped 42 borrowers secure downpayment assistance for a

total of \$66,000 through the IHAP program. The bank also continues its participation in the GE Community Homebuyers program, originating 11 loans totaling \$435,000, since the previous examination.

The bank also participates in a loan pool originated by Neighborhood Finance Corporation (NFC). Loans in the pools are partially guaranteed by the City of Des Moines and Polk

County. The bank's involvement in this loan pool will be discussed further under Assessment Factor (h).

Conclusions

The bank's participation with various governmentally insured, guaranteed loan programs demonstrates its willingness to use loan programs that are consistent with the community credit needs identified during the examination.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Regulatory Expectation

Reasonableness of Community Delineation

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

Scope and Findings

The bank has defined its community as the City of Des Moines, Windsor Heights, West Des Moines, Urbandale, Clive and Grimes in Polk County. This rectangularly-shaped area consists of 66 contiguous census tracts, of which 16 are low- or moderate-income and 3 minority census tracts. The bank defined its delineated community based upon review of its 1995 geographic loan/application distribution. This method of delineation is consistent with method number three described above.

The revised delineated community excludes census tract 114, which corresponds to the City of Johnston, and rural non-MSA areas in Polk and Dallas Counties. Based upon first quarter 1996 analysis of 1995 application activity, management concluded that a limited number of applications were generated from these areas; additionally, these areas are not defined as low- or moderate-income or minority census tracts.

The bank's loan application analysis revealed that approximately 83% of the bank's 1995 mortgage loan applications were generated within the current delineated community.

Conclusions

Reviews of the examination loan sample and any review of the bank's 1994 and 1995

HMDA information support the reasonableness of the delineation. The bank's geographic distribution analysis of its mortgage applications also support the reasonableness of the delineated community.

Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

Regulatory Expectation

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

Scope and Findings

The geographic distribution of the examination loan sample and the bank's 1994 and 1995 HMDA data were reviewed to assess the bank's effectiveness in generating applications from all sections of its delineated community. Review of the examination loan sample revealed the following geographic distribution:

| LOAN TYPE | TOTAL SAMPLED | WITHIN THE LOCAL DELINEATED COMMUNITY | PERCENT OF TOTAL |
|------------------|---------------|---------------------------------------|------------------|
| Single-Payment | 7 | 7 | 100 |
| Installment | 21 | 18 | 86 |
| Credit Card | 20 | 14 | 70 |
| Checking Reserve | 21 | 17 | 81 |
| Home Equity | 21 | 13 | 62 |
| Mortgage | 21 | 20 | 95 |
| Commercial | 20 | 16 | 80 |
| Totals | 131 | 105 | 80 |

Approximately 80% of the examination loan sample was within the delineated community; seven percent of the loan sample was extended within low- or moderate-income census tracts.

Review of the bank's 1994 and 1995 HMDA data revealed that the bank originated 73% (545 of 748) applications in 1995 and 80% (747 of 933) applications in 1994. Approximately 76.70% of 1995 and 80.46% of 1994 originations were generated within the delineation. The bank approved 61 of 80 applications received in 1995 and 73 of 102 applications in 1994, relative to low- or moderate-income census tracts. This resulted in 76.25% and 71.57% origination rates from low or moderate-income census tracts in 1995 and 1994, respectively. Originations from low- or moderate-income census tracts comprised 14.59% of total originations in 1995 and 12.15% in 1994. By comparison, low- or moderate-income census tracts comprise 24.24% of total census tracts within the delineation. The bank's percentage of lending in low- or moderate-income geographies compares favorably with the 1995 aggregate, which generated 11.77% of total lending in low- or moderate-income census tracts. Although the bank's total originations from low-

to moderate-income census tracts decreased from 73 in 1994, to 61 in 1995; this was consistent with industry trends, as the aggregate also generated 1,733 fewer originations from low- or moderate-income census tracts in 1995.

Minority census tracts comprise 4.55% (3/66) of the bank's delineation. For 1995, the bank originated 8 of 10 applications received from applicants in minority census tracts. By comparison, the bank originated 16 of 26 applications from minority census tracts in 1994. Originations from minority census tracts comprised 1.91% of originations from the bank's delineation for 1995 and 2.62% of originations for 1994. Although the percentage of originations from minority census tracts has declined, this bank trend is similar to the delineation aggregate trend. The percentage of aggregate originations from minority census tracts declined slightly from 2.36% in 1994 to 2.23% in 1995.

It should be noted, that the bank's HMDA data does not reflect loans extended in low- or moderate-income census tracts through its lending agreement with CCI and participation in the NFC loan pool; the bank's involvement with these organizations are discussed under Assessment Factor (h).

Conclusions

The geographic distribution of the bank's credit applications and originations indicates that the bank extends credit throughout its delineated community. The bank's level of lending in low- or moderate-income census tracts reflects reasonable performance and active efforts to meet the credit needs of all geographies within the delineation.

Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.

Scope and Findings

The bank's office locations, hours of service, and the availability of lending services were reviewed along with its branch opening and closing policy. In addition, bank management and community contacts were interviewed to determine the accessibility of branch locations.

The bank currently operates nine branches, the maximum number of branches allowed by Iowa State Banking Code. All locations, with the exception of the downtown motor bank, take applications for various types of credit. The Clive Office serves as

the headquarters for the bank's mortgage lending department; however, mortgage originators are available at other locations. The bank's facilities are located at:

Bankers Trust Company at 665 Locust Street;
Bankers Trust Skywalk at 7th & Grand;
Bankers Trust Motorbank at 6th & Grand;
Bankers Trust North at 3905 Merle Hay Road;

Bankers Trust South at 1113 East Army Post Road;
Bankers Trust East at 150 East Euclid;
Bankers Trust West Windsor Heights at 7000 University
Bankers Trust West - Clive at 11111 University; and
Bankers Trust Grimes at 110 South Main.

The bank has selected office hours to meet the convenience and needs of individuals within the delineated community. Lobby hours range from 9:00 a.m. to 5:00 p.m. and drive-up hours of 7:30 a.m. to 6:00 p.m. on weekdays. Saturday hours are 8:00 a.m. to 12:00 p.m. except for the Skywalk and motorbank which are closed on Saturdays. Additional banking is available through a number of proprietary and non-proprietary ATM's, on the SHAZAM network, located throughout the delineated community. Twenty-four hour service is also available through the Bank's Easy Access System.

In addition the bank has installed telecommunication devices for the for hearing impaired customers. In 1997, the bank plans to upgrade ATM machines to allow for multi-lingual transactions.

The bank's Branch Closing, Relocation or Reductions in Service Policy was reviewed and approved by the Board of Directors in December of 1996. The policy includes an internal and external evaluation of the change of services offered by the bank. No branches have been closed since the previous examination.

Conclusions

The bank's facilities and office hours provide an adequate level of service to the bank's entire delineated community.

IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Scope and Findings

The types of credit listed on the bank's CRA Statement were compared to the types of credit offered by the bank and compared to the examination loan sample. Comparisons were made to determine the bank's effectiveness in soliciting applications for the types of credit offered. Additionally, the bank's loan officers and community members were interviewed to determine if there was any procedures or practices that may discourage applications for credit on a prohibited basis.

The bank's CRA Statement indicates that the following types of credit are available:

Commercial Loans: Secured and unsecured loans for commercial purposes are available to individuals, corporations, and partnerships, engaged in manufacturing, agriculture, wholesaling, retailing, and property and financial investments, including:

- Short-term and long-term working capital loans and lines of credit.
- Long-term loans for equipment purchases or business expansion.
- Leveraged Employee Stock Ownership Plans.
- Commercial real estate loans including construction loans and loans for purchase or refinance.
- Small business loans guaranteed by the United States Small Business Administration (SBA)
- Merchant credit cards.
- Letters of credit and other Import/Export services.
- Billing Service line to fund accounts receivable.
- Business Leases.

Consumer Loans: A variety of residential real estate loans are available including loans for home purchase, refinance, and construction in the form of:

- Fixed rate and adjustable rate conventional mortgages for various terms.
- FHA and VA government guaranteed mortgages.
- Short-term construction loans and construction permanent loans.
- Balloon Notes

In addition, the following consumer loans are offered:

- Mobile home loans.
- Home improvement and home equity loans secured by second mortgages.
- Auto loans for new and used vehicles.
- State guaranteed student loans.
- MasterCard/Visa credit cards.
- Checking reserve lines and home equity lines.
- Other secured and unsecured personal loans.

Review of the loan portfolio in comparison with the bank's CRA statement of available credit indicated that the bank extends credit consistent with its CRA statement. In addition, community contacts conducted during the examination demonstrated general awareness of the types of credit offered by the bank.

Conclusions

The bank extends credit in a manner consistent with its CRA statement of available credit. There was no evidence of any bank practices or procedures that would discourage applicants, on a prohibited basis, from applying for any of the credit products offered by the bank.

Assessment Factor (f) - Evidence of Prohibited discriminatory or other illegal credit practices.

Scope and Findings

The bank's training program, procedures as well as a sample of recently approved consumer open and closed-end and commercial loans, as well as denied credit application were reviewed for compliance with applicable fair housing and fair lending laws and regulations. The bank's Home Mortgage Disclosure Act (HMDA) data for 1994 and 1995 were reviewed. The bank's loan forms, and policies were reviewed, and loan officers were interviewed. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws, including the Fair Housing Act and the Equal Credit Opportunity Act.

The bank's employee training program includes a Regulation B Seminar conducted by the bank's legal council. This seminar is conducted every two years for all employees in lending related areas. During the seminar, a video of *The Color of Money* is shown, along with discussions on fair lending issues accompanied by handouts. The most recent Regulation B seminar was held on June 18, 1996. Currently all officers are required to attend a two day diversity training class through the YWCA. This class is a confrontational class regarding personal awareness of diversity. Additionally, in the 4th quarter of 1996, the bank introduced a computer-based compliance training program. The training program addresses, Fair Lending, RESPA/HMDA and Regulation Z.

Since the previous examination, management also conducted a review of 25 mortgage files to detect any prohibited practices under the fair lending laws. The review included borrower criteria of race, sex, age, and property location. No indications of discriminatory credit practices were detected during the bank's review. Additionally, the bank has implemented formal second review procedures for all real estate, commercial and consumer denials which are conducted prior to sending the adverse

action notices to applicants. The bank developed a **Second Review Prior to Denial** worksheet to ensure that all possible steps are taken to make a sound lending decision. To date, no credit decisions were reversed as a result of the second review process.

Review of applicant information from the bank's 1994 and 1995 HMDA data revealed the bank originated 418 of 510 applications in 1995 and 601 of 720 applications in 1994. This resulted in overall origination rates of 81.96% and 83.47% in both years respectively. The origination rate for White applicants was 83.71% (375 of 448) in 1995 and 85.14% (528 of 613) in 1994. The origination rate for Black applicants was 73.33% (11 of 15 applications) in 1995 which was slightly below the 1994 origination rate of 76.67% (23 of 30 applications); by comparison, the Des Moines aggregate origination rate for Black applicants was 61.60% in 1995 and 69.00% in 1994. The origination rate for Hispanic applicants was 100% (6 of 6 applications) in 1995 and 87.50% (7 of 8 applicants) in 1994; the aggregate origination rate for Hispanic applicants was 66.92% 1995 and a 66.36%. The origination rate for Asian applicants was 66.67% (12 of 18 applications) in 1995 and a 70.37% rate in 1994. By comparison, Blacks comprised approximately 5% of the bank's market population, followed by Asians and Hispanics, which each comprised approximately 2% of the population.

Review of applicant income information revealed that the bank originated 122 of 171 applications received from low- or moderate-income applicants in 1995 and 187 of 250 applicants in 1994. This resulted in origination rates of 71.35% in 1995 and 74.80% in 1994. Low- or moderate-income originations comprised 29.54% of total 1995 originations, and 31.24% of 1994 originations. Census and market demographic information indicate that low- or moderate-income applicants comprise approximately 21% of the market. The income distribution of the examination loan sample also reflect reasonable distribution, as approximately 24% of the approved applicants earned income of less than \$29,844 (80% of the MSA median family income of \$37,304).

Conclusions

The examination review of the bank's training efforts, second review process, and HMDA data revealed that the bank has taken proactive measures to ensure fair lending and to train the lending staff regarding fair lending laws and regulations. The HMDA analysis also indicates solid lending performance with respect to race/ethnicity, and income, as the bank's origination rates for Black, Hispanic and Asian applicants were generally above peer levels in 1994 and 1995. The bank's origination rate and percentage of originations to low- or moderate-income applicants also is consistent with market demographics.

V. COMMUNITY DEVELOPMENT

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

Scope and Findings

The bank's loan and investment portfolios, community lending agreements, charitable contributions and management's participation in local community development activities were reviewed to determine the effectiveness of the bank's efforts to meet the community development needs of its delineated community. Interviews were also conducted with community representatives and bank management to assess the bank's level of involvement in community initiatives.

As of December 31, 1996, the bank's municipal bond portfolio totaled \$20,955,000; approximately \$10,270,000 (49%) of the portfolio was invested in the State of Iowa with \$2,055,000 in municipal investments in its delineated community:

Since the previous examination, the bank has also originated a \$55,178 loan and two loans totaling \$2,530,000 to local municipalities.

The bank continues its relationships with Citizens for Community Improvement of Des Moines, Inc. (CCI) and Neighborhood Finance Corporation (NFC). Since the previous examination, the bank and CCI renewed their community lending agreement. Under the agreement, the bank is committed to lend up to \$2 million annually for two years toward the purchase, refinancing and rehabilitation of 1-4 family residential properties in both low- or moderate-income areas and to low- or moderate-income individuals in the Des Moines MSA. According to the agreement, should annual demand exceed \$2 million, the bank will give consideration to increasing the commitment to this program. The program also provides flexible underwriting criteria and credit/homeowner education. In 1995 the bank extended 20 loans for a total of \$844,000 through the program; in 1996, 24 loans for \$1,000,000 were extended through the program.

As of November 1, 1996, the bank had a commitment of \$2.5 million in a loan pool administered by NFC for home purchase and rehabilitation needs of low- or moderate-income and minority borrowers. The NFC loan pool consist of 14 area savings and loans, insurance companies and banks. Bankers Trust is the fourth largest investor. The bank committed an additional \$200,000 to fund three home construction projects administered by NFC, and \$245,000 to finance the relocation of NFC's headquarters. Review of NFC year-end loan reports indicated that 434 loans were closed in 1995 and 1996. Approximately 60% of 1995 and 72% of 1996 NFC loan pool originations were to low- or moderate-income applicants and approximately 28% of 1995 and 22% of 1996 originations were to minority applicants.

Management identified the following loans and credit lines which were extended since the

previous examination as a result of the community involvement of officers, directors and staff:

Community Organization - the bank provided a \$1.2 million unsecured letter of credit toward renovation efforts.

Local Church - a \$1.2 million loan to finance a new family life center.

Local Hospital- \$800,000 financing of patient receivables.

Among the bank's other investments are: a \$7.9 million investment in a secondary market provider underwriting loans throughout the State of Iowa; a \$7,500 investment in a closed-end investment company designed to supply capital to minority-owned banks throughout the nation; and a \$2,000 investment in an organization that makes loans to small businesses in the State of Iowa.

The bank also supports community development through donations to various civic, social and economic development organizations; the bank's self-assessment indicated that approximately \$145,000 was contributed to various organizations throughout the Des Moines area in 1995. Notable donations were made to community development organizations such as Anawim, CCI, Community Housing Development Corporation, Mid City Business Center and NFC. The bank also donated nine computers to Mid-City in support of starting a computer training center.

Conclusions

The bank's community development activities through direct lending efforts, investments and working relationships with intermediaries such as CCI and NFC are considered strong. Community contacts conducted during the examination also indicate the bank has undertaken significant outreach in its efforts to support community development.

Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no apparent factors relating to the bank's financial condition and size, or local economic conditions that would prevent the bank from meeting community credit needs.

Assessment Factor (l) - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.

Bank directors, officers and staff continue to donate hours to various groups and organizations. Among these efforts, bank officers have participated in a AKids Bank@ at Clive Elementary School, which provides education regarding basic banking skills. Additionally, the bank has received awards from the Iowa Bankers Association for its ASummer Beat@ jobs program for disadvantaged youth. Eight youths were paid an hourly wage and trained in basic computer, interpersonal and job readiness skills through the

program. The program was operated in partnership with the Oakridge Neighborhood Association. The bank was nominated by the Des Moines Branch of the NAACP for the 1996 Merit Employer Award based upon its promotion and hiring practices promoting diversity in the workplace.

Conclusions

The bank's community development activities reflect not only a high degree of corporate citizenship, but also an active leadership role in providing opportunities for, and investing in the area's youth.