



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

May 5, 2008

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Malvern National Bank  
Charter Number: 23202

1 Money Place  
Malvern, Arkansas 72104

Office of the Comptroller of the Currency

LITTLE ROCK (MEMPHIS)  
10201 West Markham, Suite 105  
Ozark National Life Bld.  
Little Rock, Arkansas 72205-2180

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Outstanding**

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Outstanding**

The following performance factors were used in determining the bank's overall CRA rating:

- The average loan-to-deposit ratio at 69% is satisfactory given the bank's size, financial condition, and assessment area's (AA) credit needs.
- The substantial majority of the bank's loans are located within its AA.
- The distribution of loans is excellent among businesses of different sizes and individuals of different income levels.
- The geographic distribution of loans reflects excellent dispersion throughout the bank's AA.
- The level of community development investment activities is excellent and community development lending and services are satisfactory.

## **Scope of Examination**

An onsite examination of the bank was performed to evaluate its performance under the Community Reinvestment Act (CRA). To determine its performance, the bank elected to be evaluated using Intermediate Small Bank CRA criteria. Loan information used for this evaluation included 2005-2007 Home Mortgage Disclosure Act (HMDA) loan data, 2005-2007 CRA loan data for small businesses and small farms, and other internal loan information. A data integrity examination of the bank's HMDA and CRA loan data was performed September 27, 2007 to determine the accuracy of the bank's data. No deficiencies were noted. This performance evaluation starts from the date of the bank's previous CRA examination, and covers the period from June 1, 2005, to May 5, 2008. The bank was rated "**Satisfactory**" at the previous examination. Community contacts were made with three local community agencies with knowledge of the overall needs within the bank's AA and used in the evaluation process. These contacts indicated the bank is meeting the credit needs of the community, particularly in loans for small businesses and affordable housing.

## Description of Institution

Malvern National Bank (MNB), headquartered in Malvern (Hot Spring County), Arkansas, is a wholly owned subsidiary of MNB Bancshares, Inc., Malvern, Arkansas, a \$371 million one-bank holding company.

MNB is an intrastate bank and the largest locally owned commercial bank in Hot Spring County. As of December 31, 2007, total assets were \$371 million and Tier 1 Capital was \$46 million. Net loans were \$214 million (58% to total assets) and deposits totaled \$320 million. The loan portfolio was comprised of the following loan types:

Loan Category	\$(000)	%
Commercial Real Estate Loans	\$121,498	56.55%
Residential Real Estate Loans	\$55,101	25.64%
Commercial Loans	\$22,321	10.39%
Consumer Loans	\$11,302	5.26%
Other Loans	\$3,743	1.74%
Agricultural Loans	\$876	0.41%
<b>Total</b>	<b>\$214,841</b>	<b>100%</b>

Source: 12/31/2007 Call Report

MNB's strategic plan is to provide a wide variety of financial services to meet the needs of consumers, small businesses, and small farms within Hot Spring, Garland, Grant, and Saline Counties. Banking offices are located in the cities of Malvern, Benton, Bryant, East End, Hot Springs, and Sheridan, Arkansas.

Competitors include a number of financial institutions consisting of branches of larger national and state banks and savings and loan institutions operating in MNB's AA. MNB also has the largest deposit market share in Hot Spring County at 43%.

No significant financial or other barriers limit MNB's ability to meet the identified credit needs within its AAs. The prior Large Bank CRA evaluation was performed as of May 31, 2005, with the bank rated "**Satisfactory.**"

## **Description of Assessment Area(S)**

MNB's AA is reasonable and consists of all census tracts (CTs) in Hot Spring, Garland, Grant, and Saline Counties of Arkansas. These counties are located in the south central part of the state. This AA consists of whole geographies and is in compliance with requirements of the CRA regulation. Based on 2000 census data, the population of MNB's AA was 218,414.

There are two metropolitan statistical areas (MSA) in MNB's AA. The CTs in Garland County comprise the Hot Springs MSA and the CTs of Grant and Saline County are part of the Little Rock/North Little Rock MSA.

There are no (0) low-income CTs located in MNB's AA and only Garland County/Hot Springs MSAs have any moderate-income CTs.

The Garland County/Hot Springs MSA has six (6) moderate-income CTs, eleven (11) middle-income CTs, and two (2) upper-income CTs.

Grant and Saline Counties, comprising part of the Little Rock/North Little Rock MSA, have no (0) moderate-income CTs, nineteen (19) middle-income CTs, and six (6) upper-income CTs.

Hot Spring County has no (0) moderate-income CTs, seven (7) middle-income CTs, and no (0) upper-income CTs.

Below is a description for Hot Spring County, Garland County/Hot Springs MSA and Grant and Saline Counties comprising part of the Little Rock/North Little Rock MSA.

<b>Demographic and Economic Characteristics Hot Spring County</b>	
<b>Population 30,353</b>	
Number of Families	8,880
Number of Households	11,992
<b>Geographies</b>	
Number of Census Tracts	7
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	37,138
2007 HUD-Adjusted MFI	40,400
<b>Economic Indicators</b>	
Unemployment Rate – Arkansas	4.9%
Unemployment Rate – AA	2.31%
Unemployment Rate – US	5.0%
2000 Median Housing Value	\$56,811
% of Households Below Poverty Level	15.14%

*Source: 2000 Census Data*

The county's economy is stable. The county's three largest industries are durable goods, manufacturing, state and local government, and services. Major employers include Hot Spring County Medical Center, Anthony Timberlands (timber), and Arkansas Department of Corrections, Reynolds, Inc, and Acme Brick Company. The bank's main office is located in the county's principal city of Malvern, which has a population of 9,021 per the 2000 census.

<b>Demographic and Economic Characteristics Garland County/Hot Springs MSA</b>	
<b>Population 88,068</b>	
Number of Families	25,396
Number of Households	37,796
<b>Geographies</b>	
Number of Census Tracts	19
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	31.58%
% Middle-Income Census Tracts	57.89%
% Upper-Income Census Tracts	10.53%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$38,510
2007 HUD-Adjusted MFI	\$44,700
<b>Economic Indicators</b>	
Unemployment Rate – Arkansas	4.9%
Unemployment Rate – AA	2.22%
Unemployment Rate – US	5.0%
2000 Median Housing Value	\$76,803
% of Households Below Poverty Level	13.98%

*Source: 2000 Census Data*

The county's economy is stable. Primary industries are tourism, health services, and forestry/timber. Tourism accounts for about 30 percent of Garland County's economy. Hot Springs National Park is located in Hot Springs. There are also numerous lakes for boating, camping, and fishing. Live horse racing is held at Oaklawn Park from February through April and simulcast racing year-round. Major employers include Saint Joseph's Regional Health Center of Hot Springs, National Park Medical Center - Lake Catherine, Oaklawn Park (horse racing track), and the City of Hot Springs.

<b>Demographic and Economic Characteristics Grant and Saline Counties / Little Rock - North Little Rock MSA</b>	
<b>Population 99,993</b>	
Number of Families	29,296
Number of Households	38,026
<b>Geographies</b>	
Number of Census Tracts	25
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	76.00%
% Middle-Income Census Tracts	24.00%
% Upper-Income Census Tracts	0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$48,291
2007 HUD-Adjusted MFI	\$56,500
<b>Economic Indicators</b>	
Unemployment Rate – Arkansas	4.9%
Unemployment Rate – AA	1.97%
Unemployment Rate – US	5.0%
2000 Median Housing Value	\$81,404
% of Households Below Poverty Level	7.95%

*Source: 2000 Census Data*

The economy is growing in this geography. The county's three largest industries are services, state and local government, and retail trade. Major employers include Alcoa, Inc. – Industrial Chemicals Division, Walmart Stores, Inc., and several other national retailers.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Loan-to-Deposit Ratio

MNB's average loan-to-deposit ratio (LTD ratio) of 69% is reasonable given its size, financial condition, funding sources, and AA's credit needs. The average loan-to-deposit ratio was calculated since last examination through December 31, 2007. The bank's LTD ratio was then compared to other financial institutions which have branches located within the bank's AA.

Loan-to-Deposit Ratio		
Institution	Assets (as of 12/31/07) \$(000)	Average LTD Ratio %
Metropolitan National Bank	1,866,407	89.13
First Security Bank	1,836,140	72.36
Pulaski Bank and Trust Company	1,317,612	91.28
Summit Bank	907,780	96.82
Chambers Bank	468,056	104.48
Diamond Bank	373,287	69.30
<b>The Malvern National Bank</b>	<b>371,443</b>	<b>68.69</b>
One Bank and Trust	366,685	109.91
Union Bank of Benton	227,788	45.82
Elk Horn Bank and Trust Company	196,780	62.15
Simmons First Bank of Hot Springs	152,042	63.15
Peoples Bank	83,112	60.84
Hot Springs Bank and Trust Company	64,190	77.25

Source: Uniform Banking Performance Reports (Call Reports)

## Lending in Assessment Area

The substantial majority of MNB's loans are located within its AA. The chart below reflects total loans made during the assessment period in the following categories. As indicated, 93% of the number of loans made and 88% of the dollar volume were to borrowers located within the bank's AA.

Lending in Assessment Area								
Loan Type	Loans In Assessment Area				Loans Out of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase (2005 - 2007)	202	92	17,882	91	18	8	1,814	9
Home Improvement (2005 - 2007)	177	99	4,020	98	2	1	63	2
Home Refinance (2005 - 2007)	104	96	8,509	87	4	4	1,274	13
Small Business (2005 - 2007)	3,193	92	330,085	88	278	8	45,825	12
Small Farm (2005 - 2007)	449	99	11,225	99	4	1	104	1
Total	4,125	93	371,721	88	306	7	49,080	12

*Source: 2005 - 2007 bank loan data*

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of home purchase, improvement, and re-finance loans to low- and moderate-income borrowers in Hot Spring, Grant, and Saline counties either exceeds or is near to the percentage of low- and moderate-income families in these counties. The bank's distribution of home purchase, improvement, and re-finance loans to moderate-income borrowers in Garland County is near to the percentage of moderate-income families in this county. The opportunity to lend to low-income borrowers is limited in all counties in the AA due to the percentage of low income families whose income is below the poverty level. The following charts reflect the distribution of home improvement, home purchase, and home re-finance loans made by the bank in 2005 through 2007 by borrower income levels.

<b>Borrower Distribution – Home Loans Hot Spring County</b>								
<b>Borrower Income Level</b>	<b>Low Income (less than \$20,199)</b>		<b>Moderate Income (\$20,200 to \$32,319)</b>		<b>Middle Income (\$32,320 to \$48,479)</b>		<b>Upper Income (over \$48,480)</b>	
<b>% of AA Families</b>	15.46%		16.61%		25.09%		42.84%	
<b>MNB Home Improvement Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	8.24	2.75	20.00	21.62	29.41	24.71	42.35	7.30
<b>MNB Home Purchase Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	7.14	4.32	15.71	6.55	24.29	15.65	52.86	59.93
<b>MNB Refinance Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	8.57	3.20	14.25	5.25	20.00	10.73	57.14	36.80

Source: 2005 - 2007 Bank Data and 2000 Census Data

<b>Borrower Distribution – Home Loans Garland County/Hot Springs MSA</b>								
<b>Borrower Income Level</b>	<b>Low Income (less than \$22,349)</b>		<b>Moderate Income (\$22,350 to \$35,759)</b>		<b>Middle Income \$35,759 to \$53,639)</b>		<b>Upper Income (over \$53,640)</b>	
<b>% of AA Families</b>	19.07%		18.11%		23.06%		39.75%	
<b>MNB Home Improvement Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	12.50	1.82	50.00	46.23	37.50	51.95
<b>MNB Home Purchase Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	3.7	0.06	14.81	6.39	18.52	11.22	62.96	58.67
<b>MNB Refinance Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	9.09	1.06	36.36	13.54	54.55	33.23

Source: 2005 - 2007 Bank Data and 2000 Census Data

<b>Borrower Distribution – Home Loans Grant and Saline Counties/Little Rock - North Little Rock MSA</b>								
<b>Borrower Income Level</b>	<b>Low Income (less than \$28,250)</b>		<b>Moderate Income (\$28,250 to \$45,199)</b>		<b>Middle Income (\$45,199 to \$67,799)</b>		<b>Upper Income (over \$67,799)</b>	
<b>% of AA Families</b>	16%		19%		26%		39%	
<b>MNB Home Improvement Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	20	3	15	12	35	32	30	52
<b>MNB Home Purchase Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	11	4	21	11	13	8	55	77
<b>MNB Home Refinance Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	9	5	23	18	21	20	47	57

*Source: 2005 - 2007 Bank Data and 2000 Census Data*

Data for loans to businesses originated during the assessment period was reviewed to determine the level of loans made to businesses of different revenues as compared to business revenue data from the 2000 census. MNB's lending to small businesses with revenues less than \$1 million exceeds the AA's distribution of small businesses with revenues less than \$1 million.

<b>Borrower Distribution of Small Loans to Businesses Hot Spring County</b>		
<b>Business Revenues</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
<b>% of AA Businesses</b>	46%	54%
<b>% of Bank Loans in AA # (2005 &amp; 2007)</b>	74%	26%

*Source: 2005 - 2007 Bank Data and 2000 Census Data*

<b>Borrower Distribution of Small Loans to Businesses Garland County/Hot Springs MSA</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	71%	29%
% of Bank Loans in AA # (2005 & 2007)	81%	19%

*Source: 2005 – 2007 Bank Data and 2000 Census Data*

<b>Borrower Distribution of Small Loans to Businesses Grant and Saline Counties/Little Rock - North Little Rock MSA</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	54%	46%
% of Bank Loans in AA # (2005 & 2007)	86%	14%

*Source: 2005 – 2007 Bank Data and 2000 Census Data*

Data for loans to small farms originated during the assessment period was reviewed to determine the level of loans made to farms of different revenues as compared to business revenue data from the 2000 census. MNB’s lending to small farms with revenues less than \$1 million exceeds the AA’s distribution of small businesses with revenues less than \$1 million.

<b>Borrower Distribution of Small Loans to Farms Hot Spring County</b>		
Farms Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	97%	3%
% of Bank Loans in AA # (2005 & 2007)	100%	0%

*Source: 2005 – 2007 Bank Data and 2000 Census Data*

<b>Borrower Distribution of Small Loans to Farms Garland County/Hot Springs MSA</b>		
Farms Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	98%	2%
% of Bank Loans in AA # (2005 & 2007)	100%	0%

*Source: 2005 – 2007 Bank Data and 2000 Census Data*

<b>Borrower Distribution of Small Loans to Farms Grant and Saline Counties/Little Rock - North Little Rock MSA</b>		
Farms Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	96%	4%
% of Bank Loans in AA # (2005 & 2007)	100%	0%

*Source: 2005 – 2007 Bank Data and 2000 Census Data*

### Geographic Distribution of Loans

The following charts compare the geographic distribution of home loans and loans to small businesses and farms made by the bank in 2005 - 2007.

MNB's distribution of home purchase and improvement loans in moderate-income CTs exceeds the percentage of moderate-income CTs in the AA.

Geographic Distribution – Home Loans Garland County/Hot Springs MSA								
Census Tracts Income Level	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts	
% of AA Owner Occupied	None		15%		72%		13%	
<b>MNB Home Improvement Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	25	40.26	62.50	46.75	12.50	12.99
<b>MNB Home Purchase Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	29.73	17.77	56.76	73.78	13.51	8.45
<b>MNB Refinance Loans 2005 - 2007</b>	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	8.33	1.06	75.00	88.32	16.67	10.62

Source: 2005 - 2007 Bank Data and 2000 Census Data

The distribution of loans to businesses in moderate-income CTs exceeds the percentage of moderate-income CTs in the AA.

Geographic Distribution – Business Loans Garland County/Hot Springs MSA				
Census Tracts Income Level	Low Income Tracts	Moderate Income Tracts	Middle Income Tracts	Upper Income Tracts
% of Businesses located in AA	None	30%	59%	11%
% of Bank Loans in AA	None	42%	43%	15%

Source: 2005 - 2007 Bank Data and 2000 Census Data

Farm loans were given very little weight since less than 10% of farms were located in moderate-income CTs.

<b>Geographic Distribution – Farm Loans Garland County/Hot Springs MSA</b>				
<b>Census Tracts Income Level</b>	<b>Low Income Tracts</b>	<b>Moderate Income Tracts</b>	<b>Middle Income Tracts</b>	<b>Upper Income Tracts</b>
<b>% of Farms located in AA</b>	None	9%	77%	14%
<b>% of Bank Loans in AA</b>	None	None	100%	None

*Source: 2005 - 2007 Bank Data and 2000 Census Data*

### **Responses to Complaints**

No formal CRA complaints have been received since the prior examination. The bank has a formal process of receiving and responding to customer complaints.

### **COMMUNITY DEVELOPMENT TEST**

Performance under the community development test is excellent. MNB has taken a leadership role in community development loans, investments, and services that include affordable housing for low- and moderate-income families, investments in Arkansas school districts serving primarily low- and moderate-income families, economic development and revitalization, and local non-profit agencies that provide education and other social services primarily to low- and moderate-income families.

### **Number and Amount of Community Development Loans**

The definition of community development includes the following: affordable housing for low- and moderate-income individuals, community services targeted toward low- and moderate-income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low- and moderate-income geographies. As of September 1, 2005, the following activities were added to the definition: activities that revitalize or stabilize low- or moderate-income areas, designated disaster areas, and distressed or underserved non-metropolitan middle-income geographies that have been designated by the Federal Reserve, the OTS, the FDIC, and the OCC.

Malvern NB is meeting the Community Development (CD) lending needs of its assessment area. The bank has not funded any loans that meet the technical definition for qualifying under CD loan criteria within its AA. However, the bank has funded many housing and small business loans included in the lending test that meet the underlying principle behind Community Development.

Malvern NB has funded two CD loans outside its AA, benefiting the greater regional area. The bank funded a \$947 thousand loan and a \$22 thousand loan to construct the Turell Meadows Apartments, a 25 unit, low- to moderate-income apartment complex. The complex is located in Turell, Arkansas, a distressed area.

### **Number and Amount of Qualified Investments**

Qualified investments are investments, deposits, grants, donations, or in-kind contributions of property that have as their primary purpose "Community Development" as defined in the CRA regulation.

The number and amount of MNB's qualified investments is excellent. During the evaluation period the MNB purchased investments totaling \$10.6 million. The bank's investments are primarily comprised of Arkansas school district bonds serving primarily students from low- and moderate-income families. School bonds have also been purchased in Arkansas counties designated as distressed or underserved. Additionally, MNB's grants during the assessment period totaled over \$7 thousand.

## **Extent to Which the Bank Provides Community Development Services**

The bank's level of participation in community development services is satisfactory, based on its capacity, distribution of retail branches, needs of the AA, and number of community development opportunities available for MNB to participate in.

## **Responsiveness to Community Development Needs**

The primary delivery system is the bank's branch network. In total, MNB has 11 branches, of which nine are full service branches, one is a deposit-only branch, and one is a non-deposit branch (administration). The bank closed one of its deposit-only branches in the Hot Spring County AA. A new branch was also opened in the Hot Springs MSA. The bank offers a wide variety of loan and deposit products. Products and services include low cost checking, competitive rate school district incentive accounts (Academic Prime), USDA Rural Housing, ADFA Home-to-Own program, and an in-house low- to moderate-income financing program. All programs are available at all full-service branches while paying and receiving services are available at all the deposit-only branches. Bookkeeping and data processing services are housed at the non-deposit branch. The bank changed its hours of operation for the deposit-only branch during the assessment period. The hours of operation on Monday through Thursday were reduced by three and a half hours and on Friday by two hours. These hours coincide with the operating hours of the other branches. Banking hours are reasonable throughout the bank's AA, including moderate-income census tracts. All full service branches, except the main office, are open on Saturdays.

Alternative delivery systems include ATMs, telephone, and Internet banking services. There is no way to determine the effectiveness or accessibility of the telephone and Internet banking services to low- and moderate-income individuals. The bank has nine onsite ATMs and three offsite ATMs. Of the 12 ATM locations, two are found in moderate-income census tracts.

## **Retail Banking Services**

### Hot Springs MSA – Garland County

The bank's service delivery systems are excellent and very accessible to geographies and individuals of different income levels in the AA. The Hot Springs MSA has three full service branches with onsite ATMs. Two of the branches are located in moderate-income census tracts. Based on the 2000 census, there are six moderate-income census tracts in the Hot Springs MSA.

### Grant-Saline County AA

The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AA. The Grant-Saline County AA has four full service branches with onsite ATMs. All locations are found in middle- or upper-income census tracts. Based on the 2000 census, all census tracts are middle- or upper-income tracts.

Hot Spring County AA

The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AA. The Hot Spring County AA has two full service branches, one deposit-only branch, and one non-deposit branch. Both full service branches have onsite ATMs. There are three other ATMs located in the Hot Spring County AA. All locations are found in middle-income census tracts. Based on the 2000 census, all census tracts are middle-income tracts.

**Qualified Community Development Services**

MNB's level of qualified community development services is adequate. Several of the bank's employees make time to be involved in the community through various service related organizations. However, for the purposes of CRA, only the provision of financial or technical expertise to the benefit of individuals of low- to moderate-income or to small businesses may be designated as qualified services. Bank employees participated in the following qualified community development services from 2005 - 2007:

City of Malvern Revolving Loan Fund

This fund is used to make loans to small businesses that do not qualify for conventional lending. A condition for approval is that the borrower will create new jobs or protect existing jobs. Two bank employees serve on the Board of Directors for this fund which provides financial counseling to borrowers and potential borrowers. The bank's loan department also prepares the loan documents for the fund.

Financial Literacy Program at the Beta School of Malvern Special School District

A bank employee teaches students how to maintain a checking account, use internet banking, and the general workings of a bank. The Malvern Special School District is a Title 1 School. The Beta School is made up of students who are not capable of learning in a standard learning environment.

Habitat for Humanity

Habitat for Humanity is an organization that provides affordable, quality housing for individuals in need. A bank employee participates in this organization by being a mentor to a family building a home. During the year, the mentor is responsible for advising the family on various aspects of home ownership and finances.

Hot Springs Economic Development Corporation (EDC)

The EDC's objectives are to recruit new industry and act to retain existing industry. It is also involved in a long-term project to provide affordable housing for the Malvern and Hot Spring County area to low- and moderate-income individuals. Two bank employees serve on the Board of the EDC. One employee recently completed one term as Chairman.

*New Arkansan Resource Network (NARN)*

This program serves as bridge for greater opportunities to anyone new to the state. It serves as a resource for employment assistance, educational training, and community integration assistance. The program targets low- to moderate- income individuals. The majority of individuals served by the program are of Hispanic. The program provides services such as resume assistance, unemployment assistance, English as a Second Language class, General Education Degree classes, banking assistance, and other services. A bank employee serves on the Board of Directors and assists in creating a budget and the hiring process for a program administrator.

*Single Parent Scholarship Program*

The Single Parent Scholarship Program is administered through the local division of the Central Arkansas Development Council. It emphasizes education and skill development of self sufficiency. The program works to help remove barriers between single parents and education by providing such things as transportation, child care, books, and tuition expenses. The scholarships are based on financial needs of the individuals. An employee of the bank serves on the Board of Directors to administer the scholarships and advise the recipients.

*Workforce Alliance for Growth in the Economy (WAGE) Board*

This is a group of representatives from government and industry that promotes the cooperation to help workers gain education and job skills. This is a free service provided through the Department of Work Force Education, Adult Education Section. It serves low-to moderate-income individuals. There are several programs to help individuals obtain a General Education Degree, job training, technical training, and English as a Second Language courses. A bank employee serves on the Board of the Directors to plan these programs and also served on a task force to create an employability certificate program in banking.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.