

# **PUBLIC DISCLOSURE**

June 27, 1997

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

LNB National Bank  
Charter Number 14518

200 North Main Street  
Leland, Illinois 60531

Office of the Comptroller of the Currency  
744 N. 4th Street, Suite 626  
Milwaukee, Wisconsin 53203

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.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of LNB National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 17, 1997. 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.

The LNB National Bank adequately meets community credit needs. The bank has a good loan-to-deposit ratio with the majority of its loans being originated within its assessment area. The bank's lending to small businesses and small farms is reasonable. The geographic distribution of loans is reasonable throughout the assessment areas. The distribution of borrowers is reasonable among individuals of different income levels (including low- and moderate-income) borrowers.

## DESCRIPTION OF INSTITUTION

The LNB National Bank (LNB), is a \$45.5 million bank headquartered in Leland, Illinois. LNB has branch offices in Leland, Serena, and Dekalb. Automated teller machines are located at the Dekalb and Leland locations.

On March 31, 1997, LNB had \$28.7 million in outstanding loans and a loan-to-deposit ratio of 74%. Loans make up 62% of total assets. The loan portfolio is comprised of : \$15 million (52%) in loans secured by 1-4 family residential properties; \$5 million (17%) in consumer loans; \$3 million (12%) in commercial real estate loans; \$3 million (12%) in agricultural loans; and \$2 million (6%) in commercial and industrial loans. The remainder (1%) of the portfolio consists of other loans. LNB's primary target markets are residential mortgages and consumer lending.

The date of the last CRA examination was June 15, 1994, when the bank was rated "Satisfactory Record of Meeting Community Credit Needs."

## DESCRIPTION OF LNB's ASSESSMENT AREA

LNB has three Assessment Areas (AA). The basis of the AA locations are the towns where the bank's branch offices are located. One AA is the town of Dekalb and includes census tracts (7,8,9,10,11,12,13,14,15) in the Chicago Metropolitan Statistical Area (MSA). Of the eight census tracts included in the Dekalb AA, one is considered low-income, two are considered moderate-income, four are middle-income, two are upper-income geographies and one not applicable. The three low- and moderate-income census tracts are located in central Dekalb and includes Northern Illinois University and surrounding areas. The population of Dekalb is 34,900 of which approximately 45% are students. The economy is considered good. The 1990 Census MSA Median Family Income for Dekalb is \$42,758 and the estimated HUD 1997 Median Family Income is \$55,800. There are 13,076 housing units in the AA. Of this volume, 42% are owner occupied, 56% are rental, and 2% are vacant housing units. The volume of rental-occupied units is high due to the demand for off-campus student housing.

The bank has two Non-MSA AA's. The Leland and Serena AA's are in La Salle county and consist of Block Numbering Areas (BNA) 9617 and 9623. Both the Leland and Serena AA's are in upper-income block numbering area geographies. The population in Leland is 865 and Serena is 250. The economy in the AA's is good. The 1990 Census MSA Median Family Income is \$29,694 for the Serena and Leland AA's. The estimated HUD 1997 Median Family Income is \$37,700 for the Serena and Leland AA's. There are 2,295 and 1,949 housing units in the Leland and Serena AA's. Of this volume, 91% and 90% respectively are owner occupied, 15% and 25% respectively are rental, and 9% and 10% respectively are vacant housing units.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

### Loan-to-Deposit Ratio

LNB's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The average quarterly loan-to-deposit ratio since the last CRA examination is 75%. LNB's loan-to-deposit ratio was compared to other banks with total assets of \$100MM or less within Dekalb and LaSalle counties as of December 31, 1996. The banks meeting this criteria reflected a loan-to-deposit ratio from a low of 50% to a high of 76%. LNB's loan-to-deposit ratio falls into the upper end of this range ranking second among the 13 banks in this category at 74%.

### Lending in the Assessment Areas

LNB does a majority of its lending within the assessment area. An analysis of the bank's 1996 Home Mortgage Disclosure Act (HMDA) Loan Application Register follows:

Mortgage Loans Originated Inside and Outside the AA's January 1, 1996 to December 31, 1996				
	#	%	\$	%
Inside AA	32	65%	\$3,052M	67%
Outside AA	17	35%	\$1,511M	33%
TOTAL	49	100%	\$4,563M	100%

A review of the banks year to date (January 1, to June 3, 1997) HMDA Loan Application Register shows 88% of the loan volume and 88% of the dollar volume was made within the assessment area.

A sample of 42 business loans totaling \$4,035,000 and 125 farm loans totaling \$1,259,000 was taken for 1996. An analysis of this sample shows that 69% of the loan volume and 89% of the dollar volume of business loans was made within the bank's AA's. In addition, 94% of the loan volume and 96% of the dollar volume of farm loans was made within the bank's AA's.

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

LNB has an acceptable level of mortgage loans to borrowers of different income levels when compared to the characteristics of its entire AA. Housing related loans represent 52% of the bank's loan portfolio.

Table 1 Mortgage Loans Originated within the Three AA's to Borrowers of Different Incomes January 1, 1996 to December 31, 1996					
Borrower Income as a % of Median Family Income	1996				Area Characteristics
	#	% Total	\$	% Total	% of Families
Low-Income	1	3%	\$ 128M	4%	18%
Moderate-Income	2	6%	\$ 195M	6%	19%
Middle-Income	13	41%	\$1,122M	37%	24%
Upper-Income	16	50%	\$1,607M	53%	39%
TOTAL	32	100%	\$3,052M	100%	100%

Table 2 Mortgage Loans Originated within the Three AA's to Borrowers of Different Incomes January 1, 1997 to June 3, 1997					
Borrower Income as a % of Median Family Income	1997				Area Characteristics
	#	% Total	\$	% Total	% of Families
Low-Income	1	5 %	\$ 59M	3 %	18%
Moderate-Income	6	32 %	\$ 332M	18 %	19%
Middle-Income	2	10%	\$ 289M	15%	24%
Upper-Income	10	53 %	\$1,203M	64 %	39%
TOTAL	19	100%	\$1,883M	100%	100%

Mortgage loan volume to low- and moderate-income levels is below the characteristics of the AA for 1996. However, 1997 lending to low- to moderate-income borrowers is consistent with the AA characteristics.

LNB's overall lending to small businesses and small farms is strong. Agricultural lending represents 12% of the bank's loan portfolio and commercial lending represents 18%. A sample of 29 business loans totaling \$3,573,000 and 118 farm loans totaling \$1,212,000 were originated within the bank's AA's. The analysis of 1996 information shows that 100% of the loan volume and 100% of the dollar volume was made to small businesses and small farms. A small business loan is defined as a loan in the amount of \$1 million or less and a small farm loan is defined as a loan in the amount of \$500,000 or less. All business and farm loans would be considered small due to the size of the bank and the corresponding legal lending limit.

### **Geographic Distribution of Loans**

LNB's geographic distribution of loans reflects satisfactory dispersion throughout the AA's. Mortgage loan information maintained under HMDA was reviewed to determine the volume and distribution of such lending. 1996 HMDA Disclosure Statement shows that LMI census tracts or block numbering areas represent 30% of the bank's assessment areas. Nine percent of the loan volume and 10% of the dollar volume of housing related loans were made in LMI census tracts or block numbering areas.

Table 3 Mortgage Loans Originated in the Entire Assessment Area January 1, 1996 to December 31, 1996					
Loans Made in Different Census Tracts and Block Numbering Areas	1996				
	# Loans	% Total	\$ Amount of Loans	% Total	% of Assessment Areas
Low-Income	1	3%	\$ 55M	2%	10 %
Moderate-Income	3	9%	\$ 217M	7%	20 %
Middle-Income	10	31%	\$1,122M	37%	40%
Upper-Income	18	56%	\$1,658M	54%	30%
Total	32	100%	\$3,052M	100%	100%

HMDA Loan Application Register information from January 1, 1997 to June 3, 1997 shows that 8% of the loan volume and 4% of the dollar volume of housing related loans were made in LMI census tracts or block numbering areas. However, it is noted the low- and moderate-income census tracts border or include the University and have low levels of owner occupancy. Also, a significant portion of the AA's population are students who typically have lower incomes and rely on rental property for housing. The low-income census tract has only 1% owner occupancy and the two moderate-income census tracts have only 28% owner occupancy.

### **Compliance with Fair Lending Laws and Regulations**

A fair lending examination was conducted in conjunction with this CRA examination. A sample of 20 home purchase loans originated in 1996 and 1997 was reviewed to determine if LNB engaged in illegal lending practices. No illegal discriminatory lending practices were revealed.