



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 10, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southeast National Bank of Moline
Charter Number 14945**

**3535 Twenty-Third Avenue
Moline, Illinois 61265**

**Office of the Comptroller of the Currency
Rockford Duty Station
5804 Elaine Drive
Rockford, Illinois 61108**

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 **Southeast National Bank of Moline (SNB)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 10, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

This Evaluation covers the period since December 16, 1994, the date of the last CRA examination when the bank was rated "Satisfactory Record of Meeting Community Credit Needs."

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.

The bank has a reasonable loan-to-deposit ratio and a majority of loans are made to borrowers within the assessment area. SNB originates loans to individuals of various income levels and businesses of different sizes.

The following table indicates the performance level of Southeast National Bank of Moline with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Southeast National Bank of Moline</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Southeast National Bank of Moline (SNB), a \$116 million financial institution, is 98.18% owned by the McLaughlin Holding Company (MHC). MHC is a one bank-holding company headquartered in Moline, Illinois. The main office is located in Moline with a branch in both Moline and East Moline. Each facility has an automated teller machine (ATM). On September 30, 1996, SNB had approximately \$51 million in outstanding loans and a loan-to-deposit ratio of 54%. The loan portfolio consists of residential real estate loans (38%), commercial and commercial real estate loans (31%), and consumer loans (31%).

There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA:

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. The assessment area is comprised of all census tracts in Moline and East Moline in Rock Island County. This County represents a substantial portion of the Davenport-Moline-Rock Island Metropolitan Statistical Area (MSA) in northwestern Illinois and northeastern Iowa. The total population of the assessment area is 73,277 based on 1990 census data. The MSA median family income is \$41,200. The assessment area contains 20%, 19%, 22% and 39% of low-, moderate-, middle-, and upper-income families, respectively. Of the 21 census tracts which comprise the assessment area, 1 (5%) is low-income, 5 (24%) are moderate-income, 14 (66%) are middle-income, and 1 (5%) is upper-income.

The major cities in the assessment area include Moline (population of 43,202) and East Moline (20,147). The local economy is good with an unemployment rate of 4% as of September 1996. Local housing is 63% owner-occupied, 32% rental-occupied, and 5% vacant housing units. The median home value is \$46,800. Major employers in the area include Deere & Company, Rock Island Arsenal, Case IH, Trinity Medical Center, and ALCOA. The majority of the businesses in the assessment area are small businesses. Approximately 94% of businesses have less than 50 employees, 5% of businesses have 50 to 499 employees, and 1% of businesses have 500 or more employees.

SNB's primary competitors consist of national and state-chartered financial institutions, and credit unions. Recent contacts with area leaders identified residential mortgage, business and consumer loans as the community's most pressing credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

On September 30, 1996, the loan to deposit (L/D) ratio was 54% and is slightly below the average of other financial institutions located in the assessment area. SNB's average quarterly L/D ratio from December 14, 1994 to September 30, 1996 was 48%. The other financial institutions' (11) loan-to-deposit ratios range from 18% to 86%, with an average of 59%.

Lending In Assessment Area:

SNB's lending within the assessment area is reasonable. For 1995, 74% of the number and 77% of the dollar of originated residential mortgage loans subject to the Home Mortgage Disclosure Act (HMDA) are within the bank's assessment area. For 1996, 72% of the number and 72% of the dollar of HMDA loans originated were in the bank's assessment area. In a sample of 26 commercial loans originated in 1996, 81% of the number of loans are within the bank's assessment area.

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

Mortgage loan information maintained under HMDA was reviewed to determine the extent of the bank's loans to borrowers of different income levels. The following table reflects the number and dollar of mortgage loans by borrower income within the entire assessment area:

Borrower Income as % of MSA Median Family Income	1995		1996		Assessment Area
	#	\$	#	\$	% of Families by Income Level
Low Income	18%	14%	17%	8%	20%
Moderate Income	17%	8%	15%	12%	19%
Middle Income	15%	15%	20%	22%	22%
Upper Income	50%	63%	48%	58%	39%

- represents the number of loans by percentage.

\$ - represents the dollar of loans by percentage.

Table 1 reveals a distribution of mortgage loans to borrowers of different income levels that is consistent with demographic information.

The bank originates many loans to small businesses in its assessment area. A sample of 26 commercial loans originated in 1996 totaling approximately \$6 million were reviewed to determine the extent of the bank's origination of small business loans. Of the sample reviewed, 77% of the number of loans reviewed were to small businesses.

Geographic Distribution of Loans:

The bank has a reasonable distribution of loans in the assessment area. The low-income census tract consists of downtown Moline which has very few residents. SNB has limited mortgage activity in moderate-income census tracts because these tracts are primarily business districts or census tracts that are not close to the branches. Using the HMDA information, the bank's loan distribution by census tract characteristic is as follows:

Table 2 All HMDA Loans Originated By Census Tract Characteristic						
Census Tract Income Level	1995		1996		Distribution of Owner-Occupied Units	Distribution of Census Tracts
	#	\$	#	\$		
Low Income	0%	0%	0%	0%	0%	5%
Moderate	8%	3%	3%	1%	12%	24%
Middle	80%	85%	85%	83%	80%	66%
Upper Income	12%	12%	12%	16%	8%	5%

- represents the number of loans by percentage.
 \$ - represents the dollar of loans by percentage.

SNB also originates many consumer loans. A sample of 30 consumer loans originated in 1996 were reviewed to determine the bank's presence in low- and moderate-income census tracts. Of the sample reviewed, 20% of the loans reviewed were to individuals in low- and moderate-income census tracts.

Compliance with Fair Lending Laws and Regulations:

We conducted a fair lending examination using a sample of residential real estate refinance loans originated in 1996. Based on the sample reviewed, no evidence of illegal discrimination was detected.