



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**January 23, 2006**

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

**The Bradford National Bank of Greenville  
Charter Number 9734**

**100 East College Avenue  
Greenville, Illinois 62246**

**Comptroller of the Currency  
St Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, Missouri 63103**

**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 Satisfactory.**

All the lending performance criteria we reviewed meet the standards for satisfactory performance. Major factors supporting this rating are:

- The bank's lending performance demonstrates a very good dispersion to borrowers of different income levels and to businesses of different revenue sizes.
- The level of lending activity is reasonable. The bank's average loan-to-deposit ratio is 54%; this falls within the range of loan-to-deposit ratios we see at similarly situated banks in the assessment area (AA).
- A significant majority of the bank's loans extended during this evaluation period were originated within the bank's AA.

## **DESCRIPTION OF INSTITUTION**

The Bradford National Bank of Greenville (BNB) is an intrastate bank wholly owned by Bradford Bancorp, Inc., a one-bank holding company located in the city of Greenville, Illinois. The period covered for this CRA evaluation is from January 1, 2004 through December 31, 2005. As of September 30, 2005, BNB had total assets of \$193 million, net loans of \$93 million, total deposits of \$156 million, and total risk-based capital of \$18 million. The assets of BNB represent substantially all of the holding company's assets. While there have been no changes in the bank's corporate structure since the last CRA evaluation, the bank did open a new branch facility in Highland, Illinois in 2002.

BNB is primarily a residential real estate and commercial lender that operates four offices and six depository automated teller machines (ATMs). The main office is located in Greenville (Bond County). Branches are located in Greenville (Bond County), Highland (Madison County), and Marine (Madison County), Illinois. Management has not closed any branches during this evaluation period.

BNB offers traditional bank services, loan products, and trust services normally associated with a rural community bank. As of September 30, 2005, net loans totaled \$93 million, representing 48% of total assets. The loan portfolio consisted of 34% residential real estate loans, 38% commercial loans, 21% agriculture-related loans, and 7% loans to individuals.

We reviewed BNB's mortgage, business, agriculture, and consumer lending activities, using data for the period beginning January 1, 2004 through December 31, 2005. Residential real estate and commercial-related loans represent the highest percentages of loans originated during this evaluation period by dollar value. Accordingly, we focused our performance evaluation on these loan types. The bank has a moderate number of agriculture-related credits; however, this lending activity represents a small percent of the loan portfolio and had comparatively little loan activity during the evaluation period.

We found no legal or financial barriers to the bank's ability to help meet community credit needs; the bank has adequate resources to provide for the credit needs of its AA. The type and level of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the communities the bank serves.

BNB's last CRA evaluation was July 19, 1999; at that time we rated the bank's CRA performance Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management has designated portions of Bond and Madison Counties as the bank's AA; both counties are within the St. Louis Metropolitan Statistical Area (MSA). This MSA AA is a contiguous area, meets the requirements of the regulation, and contains eight Census Tracts (CTs): 9512, 9513, 9514, 9515, 4036.01, 4036.02, 4037, and 4038.02. Based on the 2004 State of Illinois MSA median family income, one (12.5%) of the CTs is classified as moderate-income, and the other seven (87.5%) are classified as middle-income. BNB's main (Greenville) office is located in CT 9513 in Bond County.

The 2000 census data shows that the total population in the AA was 41,089 and included 10,867 families. Of these families, 1,880 (17.3%) were classified as low-income, 2,288 (21.05%) as moderate-income, 2,731 (25.13%) as middle-income, and 3,968 (36.51%) as upper-income. The MSA statewide median family income as of the 2000 Census was \$53,435. The Department of Housing and Urban Development's 2004-updated figure, adjusted for inflation, is \$63,800. We used the 2004-updated figure in our analysis to determine the borrower income levels.

Based on the 2000 census data for the MSA AA, 14.85% of the population was over age 65, 18% of households were in retirement, and 8% of households lived below the poverty level. In 2000, the median housing value was \$86,709 and the median age of the housing stock was 32 years. Local housing was 85% 1-4 family units, with 76% of housing units owner-occupied and 6% of the housing stock vacant.

The local economy has a strong agricultural base, as well as non-farm businesses operating at one location and employing 1-4 persons. Major employers in the area include the local school districts, Greenville College, a Federal correctional facility, Carlisle Syntec Systems, DeMoulin Brothers & Co., Utlaut Memorial and St. Joseph's hospitals, Cooper B-Line, Basler Electric, and Wal-Mart. Service, manufacturing and retail industries are complements to what remains a generally agrarian community.

Economic conditions in the AA show Bond County to be stable, with considerable growth in Madison County. The November 2005 unemployment rates for Bond and Madison Counties were 5.1% and 5.0%, respectively. These rates are very similar to the seasonally unadjusted average rate. National and Illinois unemployment rates for the same time period were comparable at 4.8% and 4.9%, respectively.

Competitive pressure between financial institutions in the AA is strong. There are 12 offices of

nine banks and thrifts operating in Bond and Madison Counties. In addition, credit unions, mortgage companies, investment services, farm services, and insurance company offices that offer loan products also provide competition.

Management indicated the primary credit needs are residential real estate loans, specifically long-term fixed-rate and affordable housing loans, consumer personal and auto loans, and small business-related loans.

To better understand the credit needs profile of the AA, we contacted two community representatives both familiar with community needs and independent of the financial services sector. Our contacts identified home mortgage, consumer, and small business lending as primary credit needs in the community, with an emphasis on micro-loan small business lending. Our contacts did not identify any unmet credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

BNB does a satisfactory job of meeting the credit needs within its AA, including those of low- and moderate-income people and small farms and businesses, given the demographics, economic factors, and competitive pressures faced by the bank. Please refer to the “Description of Institution” and “Description of Assessment Area” sections of this evaluation for details on these performance context factors.

### **Loan-to-Deposit Ratio**

BNB’s loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2005, the bank’s LTD ratio was 61%. The bank’s quarterly average LTD ratio since the 1999 CRA examination was 54%. This ratio falls within the range of five similarly situated banks in the area whose quarterly average LTD ratios ranged from 52% to 79%, with an average ratio of 66%. These banks are considered similarly situated because of their size, location, and lending opportunities.

### **Lending in Assessment Area**

Lending in the AA is good. We tested bank-generated reports detailing BNB’s mortgage lending activity over the evaluation period and determined that we could rely on the data. Using the bank’s data and our own supplemental sample of commercial loans, we determined that approximately 84% of the number of total loans and 86% of the dollar amounts extended were made within the bank’s AA.

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

The bank’s lending reflects a very good dispersion to borrowers of different income levels as well as a satisfactory dispersion to businesses of different revenue sizes. Lending levels, as shown by the volume of all loans generated, reflect reasonable responsiveness to the credit needs of the AA.

We evaluated BNB’s mortgage and business lending activity for the period beginning January 1, 2004 through December 31, 2005. Residential real estate loans and business-related loans

represent the highest percentages of loans originated during this evaluation period by dollar value. We reviewed all Home Mortgage Disclosure Act (HMDA) reportable loans originated and purchased in 2004 and 2005. We also sampled 24 business loans originated from January 1, 2004 through December 31, 2005.

***Residential Real Estate Loans***

The borrower distribution of home mortgage loans is excellent in the bank's AA. We placed more emphasis on home purchase loans because the volume of these loans exceeds the volume of home improvement loans and home refinancings. Of the total home mortgage loans originated during the review period, home purchase loans accounted for 54%, home improvement loans accounted for 9%, and home refinance loans accounted for 37%.

We also considered the moderate level of families that live below the poverty level (8%) and the barriers this might have on home ownership. Many of the HMDA loans were refinances and it is likely that middle- and upper-income borrowers can more easily afford the costs associated with refinancing. The data used to evaluate BNB's residential lending activity is presented in the following table.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Not Available
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	
Home Purchase	17%	14%	21%	34%	25%	25%	37%	25%	2%
Home Improvement		34%		19%		28%		19%	0%
Home Refinance		13%		30%		27%		30%	0%

*Sources: HMDA data and based on 2000 U.S. Census data. The updated 2004 MSA median family income is \$63,800. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$63,800.*

The borrower distribution for home purchase loans is excellent. The percentage of home purchase loans made to low-income borrowers (14%) is slightly below the percentage of low-income families (17%) in the AA. The frequency of home purchase loans made to moderate-income borrowers (34%) significantly exceeds the prevalence of moderate-income families (21%) in the AA.

The borrower distribution for home improvement loans is excellent. The percentage of home improvement loans made to low-income borrowers (34%) significantly exceeds the percentage of low-income families (17%) in the AA. The percentage of home improvement loans made to moderate-income borrowers (19%) is slightly below the percentage of moderate-income families (21%) in the AA.

The borrower distribution for home refinance loans is also very good. The percentage of refinance loans (13%) made to low-income borrowers is somewhat below the percentage of low-

income families (17%) in the AA. The percentage of refinance loans made to moderate-income borrowers (30%) is well above the percentage (21%) of moderate-income families in the AA.

### **Business Loans**

The bank’s lending distribution to businesses of different revenue sizes in the AA is also good. The data used to evaluate BNB’s business lending activity is presented in the following table.

<b>Borrower Distribution of Loans to Businesses in AA</b>					
Business Revenues (or Sales)	<\$0.5 Mil	≥\$0.5 Mil & <\$1 Mil	>\$1 Mil	Unavailable/Unknown	Total
% of AA Businesses	65%	4%	5%	26%	100%
% of Bank Loans in AA by #	59%	14%	18%	9%	100%
% of Bank Loans in AA by \$	20%	16%	54%	10%	100%

Source: Loan Sample and Business Geodemographic Data.

Based on the sample of loans selected, BNB’s lending to small businesses (73%) with revenues of \$1 million or less compares well to the percentage of small businesses (69%) reporting. Twenty-six percent of businesses in the AA did not report their revenues.

### **Geographic Distribution of Loans**

The geographic distribution of loans made by the bank during the evaluation period is good. The loan originations we reviewed demonstrate that the bank lends to all geographies within the AA. Of eight CTs, seven (87.5%) are middle-income and one (12.5%) is moderate-income. The distribution of loans shows that 14% of the number of extensions of credit went to the moderate-income CT, while 86% of the total number of loans was made in the middle-income CTs.

<b>Geographic Distribution of Residential Real Estate Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%		12%	4%	88%	41%	0%	
Home Improvement				5%		11%		
Home Refinance				5%		33%		
<b>Total</b>		0%		14%		86%		0%

Source: U.S. Census & data reported under HMDA

The geographic distribution of business loans reasonably reflects the economic make-up of the AA, especially in light of the small sample size of twenty loans.

<b>Geographic Distribution of Loans to Businesses in the AA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>
	0%	0%	12.5%	5%	87.5%	95%	0%	0%

*Source: Loan sample & 2005 Business Geodemographic Data*

### **Responses to Complaints**

BNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA evaluation.

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

We found no evidence of illegal discrimination or other illegal credit practices.