



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

February 5, 1997

Community Reinvestment Act Performance Evaluation

**The National Bank & Trust Company of Sycamore
Charter No. 13872**

**230 West State Street
Sycamore, IL 60178**

**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 CRA performance of **The National Bank & Trust Company of Sycamore** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 5, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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.**" This evaluation covers the period since January 20, 1994, the date of the last CRA examination when the bank was rated "Satisfactory Record of Meeting Community Credit Needs."

The following table indicates the performance level of **The National Bank & Trust Company of Sycamore** with respect to the lending, investment, and service tests.

Performance Levels	The National Bank & Trust Company of Sycamore Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

The National Bank and Trust Company of Sycamore (NBT), a \$308 million financial institution, is a wholly-owned subsidiary of NI Bancshares, a one bank-holding company headquartered in Sycamore, Illinois. The main office is located in downtown Sycamore with a full-service branch also located in Sycamore. Each facility has an automated teller machine (ATM) and the bank has four other ATMs including one located on the campus of Northern Illinois University.

There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs. On September 30, 1996, NBT had approximately \$172 million in outstanding loans and a loan-to-deposit ratio of 61%. This ratio has remained relatively stable over the last three years and is a little below the average of other banks in the assessment area (68%). The loan portfolio consists of commercial and commercial real estate loans (41%), consumer loans (29%), residential mortgage loans (25%), and agricultural loans (5%). The bank focuses its efforts on its small business loans as well as residential mortgage loans. In April 1996, NBT opened a mortgage department in its branch office which offers long term mortgage loans.

Description of Assessment Area

The assessment area includes the northern and central portions of DeKalb County. This County represents a small portion of the Chicago Metropolitan Statistical Area (MSA) in north-eastern Illinois. The total population of the assessment area is 63,423 based on 1990 census data. Of the 16 census tracts which comprise the assessment area, 1 (6%) is low-income, 2 (13%) are moderate-income, 11 (69%) are middle-income, and 1 (6%) is upper-income. One (6%) census tract has not been categorized by the U.S. Census Bureau and consists of a small portion of Northern Illinois University. The low-income census tract is located in central DeKalb and consists of Northern Illinois University. The MSA median family income is \$54,100. The assessment area contains 2,510 (19%), 2,998 (22%), 3,756 (28%), and 4,194 (31%) of low-, moderate-, middle- and upper-income families, respectively.

The largest city in DeKalb County is the city of DeKalb with a population of 36,000. Sycamore is just north of DeKalb and has a population of 11,000. Approximately 45% of the population consists of students, most of which are low-income individuals attending Northern Illinois University. The local economy is good and housing demand is strong. Local housing is 56% owner-occupied units, 41% rental -occupied units and 3% vacant housing units. The median home value is \$78,700. The volume of rental-occupied units is high due to the demand for off-campus student housing.

State government is the largest employer in DeKalb County, followed by the service, retail trade and manufacturing industries. Major area employers are Northern Illinois University, DeKalb Genetics Corporation, and Ideal Industries. The area's unemployment rate is 3.1% as of November 1996. The vast majority of businesses in DeKalb County are small businesses.

Approximately 94% of businesses have less than 50 employees, 6% have 50 to 499 employees, and less than 1% have 500 or more employees. Recent contacts with local community leaders in economic development organizations identified residential mortgage, small business and agriculture loans as the community's most pressing credit needs.

Conclusions with Respect to Performance Tests

Lending Test

NBT's lending reflects good responsiveness to its community credit needs. A majority of loans are made in the assessment area. Loans are adequately distributed to all areas of the assessment area and to borrowers of different income levels. The bank makes loans to businesses and farms of different sizes. NBT offers some flexible lending practices and has a satisfactory level of community development loans.

NBT's lending within the assessment area is reasonable. Table 1 reflects the number and amount of residential mortgage loans originated in 1994, 1995, and 1996 and small business and small farm loans originated in 1996. (This was the first year collection of this data became mandatory.) The following table demonstrates that a high percentage of loans are made within the assessment area. Approximately 91% of the mortgage loans originated from 1994 through 1996 are in the assessment area. Approximately 73% of the small business and small farm loans originated in 1996 are within the assessment area. Many of the small business and small farm loans originated just outside the assessment area are in Kane County which is 4 miles to the east of the bank's main office.

Table 1 Ratio of Loans Inside the Assessment Area		
	Home Mortgage HMDA Loans	Small Business and Small Farm
# of Loans Inside Assessment Area	255	353
Total # of Loans	281	482
% of Loans Inside/ Total #	91%	73%
\$ of Loans Inside the Assessment Area	\$21,373	\$19,060
Total \$ of Loans	\$23,815	\$25,971
% of Loans Inside/ Total \$	90%	73%

Geographic Distribution - The geographic distribution of loans reflects an adequate penetration in all areas of the assessment area including low- and moderate-income areas.

Residential Mortgage Loans:

The bank has a reasonable distribution of loans in the assessment area. Using the Home Mortgage Disclosure Act (HMDA) information from 1994 through 1996, the bank's loan distribution by census tract characteristics is as follows:

Table 2 All HMDA Loans Originated by Census Tract Characteristics						
Census Tract Income Level	Count and Amount		Percentages		Distribution of Owner-Occupied Units	Distribution of Census Tracts
	#	\$ (000)	#	\$		
Low-Income	2	\$196	1%	1%	1%	6%
Moderate-Inc.	16	\$984	6%	5%	7%	13%
Middle-Income	229	\$19,440	90%	91%	82%	69%
Upper-Income	8	\$753	3%	3%	10%	6%
NA*	0	0	0%	0%	0%	6%
Total	255	\$21,373	100%	100%	100%	100%

* census tract not categorized by U.S. Census Bureau.

As illustrated in Table 2, the bank is well-represented in low- and moderate-income census tracts. In both the low- and moderate-income census tracts, the bank has originated approximately the same percentage of mortgage loans as the percentage of owner-occupied units.

Small Business and Small Farm Loans:

NBT originated a reasonable number of these types of loans in low- and moderate-income areas. The distribution of small business and small farm loans in 1996 denotes that 5% by number (19 of 353) and 7% by dollar amount (\$1,376,000 of \$19,060,000) are in low- and moderate-income areas. The low- and moderate-income census tracts comprise very few farms as these tracts are close to Northern Illinois University and downtown DeKalb. There are also very few new businesses in these census tracts.

Distribution by Borrower Income- Loans are adequately distributed to borrowers of different income levels and businesses and farms of different sizes.

Residential Mortgage Loans

The level of HMDA reportable loans in NBT’s assessment area to low- and moderate-income individuals is good. Table 3 illustrates that 26% of the number of HMDA loans and 17% of the dollar amount of HMDA loans were made to low- and moderate-income individuals in NBT’s assessment area. Low- and moderate-income families comprise approximately 8% of assessment area homeowners although 41% of the families in the assessment area are low-and moderate-income.

Table 3 Mortgage Loans Originated in Assessment Area by Borrower Income 1994-96				
Borrower Characteristics by Income	# of Loans in Assessment Area	Percent of Total	\$ (000) of Loans in AA	Percent of Total
Low-Income Borrower	23	9%	\$1,132	5%
Moderate-Income	42	17%	\$2,624	12%
Middle-Income	87	34%	\$7,007	33%
Upper-Income	103	40%	\$10,610	50%
Total	255	100%	\$21,373	100%

Small Business and Small Farm Loans:

Loans to businesses and farms with annual revenues less than \$1 million is reasonable. Approximately 83% (401 of 482) of business and farm loans originated in 1996 are to businesses and farms with annual revenues less than \$1 million.

Community Development Lending - NBT originates an adequate level of community development loans. NBT originated \$8.8 million in community development loans (12) in 1994, 1995, and 1996. A majority of these loans were for the purchase or construction of apartment units that served low- and moderate-income individuals or areas. Other community development loans included loans that promoted economic development, revitalization, or stabilization of a low- or moderate-income area or served low- and moderate-income individuals. One example included a \$750 thousand loan to an economic development group which promotes start-up businesses in Sycamore. Another example is a \$110 thousand loan to a local organization that houses low- and moderate-income women, along with a \$200 thousand grant from the state of Illinois and a \$50 thousand grant from the Community

Development Block Grant that enabled the organization to expand their presence in the local market. The bank also extended a \$99 thousand loan to a local organization which enabled them to purchase another residence for the mentally disabled. This program assists the mentally disabled to again become contributing members of the community.

NBT has been active in origination of loans to low-income housing developers. NBT issued a \$2.7 million standby letter of credit to a developer who constructed subsidized housing for low- and moderate-income individuals. Also, NBT originated a \$1 million loan for the construction of a low-income subdivision in the assessment area.

NBT offers flexible loan products including: low down-payment mortgage loans, 30 year fixed rate mortgage loans, low-interest operating loans to farmers through the Illinois Farm Development Authority (IFDA) Loan Program, Small Business Administration (SBA) Loans, and Illinois Guaranteed Student Loans. NBT originated two SBA loans in the amount of \$1,258,000, six IFDA loans for \$269,000, and 458 Guaranteed Student Loans for \$1,425,000.

Investment Test

NBT invests in the assessment area in a satisfactory manner. The bank's total qualified investments are in the form of grants (94) in the amount of \$268 thousand to community organizations that provide community services to low- and moderate- income individuals and promotes economic development. One example is a grant to Family Service Agency which provides financial assistance and counseling to low- and moderate-income families. Other examples of qualified investments include grants to United Way, DeKalb County Economic Development Corporation, and Safe Passage. Community contacts reached during the examination indicated there was not a pressing need for other types of investments. Contacts indicated needs were met with various loans made by area banks.

Service Test

The bank's products and services are reasonably accessible to all portions of the assessment area. The main office, branch office and six automated teller machines (ATMs) are centrally located to the most populous areas of the assessment area. Approximately 83% of the assessment area population is within a five minute drive from one of the offices or an ATM. The remaining population is within a 10 minute drive of a bank facility. The bank has not closed any facilities. One ATM is located in low-income census tract, and one ATM is located in a moderate-income census tract. The main office, branch, and other 4 ATMs are located in middle-income census tracts. Branch hours are reasonable and are convenient to customers. NBT offers services in the evening and on Saturdays. The bank offers bank-by-phone services. The service is offered to customers free of charge and is available at any time. Using this service, a customer can obtain information on a checking account, savings account, and loan account. A depositor may also transfer funds among accounts. NBT also offers low cost checking for consumers and businesses.

The bank provides a range of community development services. Management provides technical assistance as Board members, Officers, and Consultants to many organizations which

promote economic development in the assessment area. Management provides technical assistance to the DeKalb County Economic Development Corporation which attracts new business to the area and promotes start-up businesses. Community contacts indicated that the bank is very active in providing community development services to area organizations. Bank management provides technical assistance to many other organizations including local Chambers of Commerce, Sycamore Child Care, Safe Passage, and the DeKalb County Community Foundation.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. NBT's fair lending policies, procedures, training programs and internal assessment efforts have been effective.