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Comptroller of the Currency  
Administrator of National Banks

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Evansville Duty Station  
101 NW First Street, Suite 207  
P. O. Box 20130  
Evansville, Indiana 47708/0130

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

December 4, 1996

Downstate National Bank  
Charter Number - 6713  
Third & Ohio Streets  
P.O. Box 187  
Brookport, Illinois 62910

<p>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.</p>
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## **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 Downstate National Bank from September 8, 1992 to December 4, 1996. It is prepared by the Comptroller of the Currency (OCC), the institution's supervisory agency. The agency rates CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CRA 25.*

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

Downstate National Bank makes credit opportunities available to all individuals, regardless of income level, consistent with the safe and sound operation of the bank. A majority of the bank's loans are extended to individuals living in Massac County's BNA 9703.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	DOWNSTATE NATIONAL BANK 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		N/A	
Response to Complaints		N/A	

## **DESCRIPTION OF INSTITUTION**

Downstate National Bank (DNB) is a \$23 million institution in Southern Illinois, located in Massac County, directly across the Ohio River from Paducah, Kentucky. The bank is 100% owned by Downstate Banking Company, Incorporated. Competition among local financial institutions is intense. There are three national banks and two credit unions in nearby Metropolis, Illinois. There are also two regional banks in Paducah, Kentucky. DNB has not engaged in any merger or acquisition activities and there are no legal impediments which would hinder the bank's ability to meet community credit needs.

DNB's primary focus is retail lending in the local area. The bank also originates large commercial loans which are generated outside the assessment area due to local limited availability. These loans are then participated to other banks. There are a large number of small consumer and residential loans made in this area. As of September 30, 1996, real estate loans comprised 55% of the loan portfolio. Loans secured by 1-4 family residential mortgages were 27% of the total. Consumer, commercial and agricultural loans were 7%, 31%, and 4%, respectively, of the loan portfolio.

## **DESCRIPTION OF THE ASSESSMENT AREA**

DNB defines its assessment area as Block Numbering Area (BNA) 9703 in Massac County, Illinois. BNA 9703 is in the southeast portion of Massac County along the Ohio River in Southern Illinois, northwest of Paducah, Kentucky. The population of the assessment area is 3,259 with a median family income of \$29,694.

The local economy is supported by light industry and agriculture. The majority of the community is employed in nearby Paducah, Kentucky. The credit needs of the community include affordable housing, small business loans, farm loans, and consumer loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Downstate National Bank's Community Reinvestment Act (CRA) performance is *Satisfactory*.

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

The bank's loan-to-deposit ratio is satisfactory based on the size of the bank and the local competition. The bank's average ratio of net loans and leases to total deposits for the last two years is 66.37%. This performance has remained steady over the past two years.

Please refer to Table 1 for a comparison of DNB's loan-to-deposit ratio to the three other national banks in Massac County, IL. The banks vary in size from \$23MM to \$90MM. DNB is the

smallest bank, but ranks third in the loan-to-deposit ratio comparison of the local commercial banks.

<b>Table 1</b>		
<b>Net Loans to Total Deposits</b>		
<b>Bank</b>	<b>09/30/96</b>	<b>12/31/95</b>
National State Bank, Metropolis, IL	84.23%	66.99%
Community National Bank, Metropolis, IL	70.50%	58.90%
<b>Downstate National Bank, Brookport, IL</b>	<b>66.92%</b>	<b>64.51%</b>
City National Bank, Metropolis, IL	57.97%	55.70%

**Lending in the Assessment Area:**

The extent of lending inside the bank’s assessment area meets the standards for satisfactory performance. Management performs a zip code analysis which reveals that 62.08% of the bank’s 472 loans are in the bank’s assessment area. The Metropolis zip code covers only loans made in rural Metropolis in BNA 9703. The bank doesn’t have any loans in the city of Metropolis. This is reasonable due to the intense level of competition from the three national banks in the Metropolis area.

**Lending to Borrowers of Different Incomes:**

The review of lending patterns to consumers of different income levels concluded that the bank has a satisfactory record of lending to consumers of all income levels. Management prepared a report that reviewed new loans made from June 1996 to October 1996 to determine the number and type of loans made, and the income levels of those borrowers. There were 54 consumer and real estate loans made in the above time frame. Of the loans made, 29 (or 54%) were made within the assessment area. Of those 29 loans made in the assessment area, the bank has extended credit to borrowers of all income levels. Refer to Table 2 for a breakdown of the loans made by consumer income levels.

<b>Income Level of Borrower</b>	<b>Table 2 Number of Loans Made in that Income Level</b>	<b>Percentage of Loans Made In the Assessment Area</b>
<b>Low-Income Borrowers (&lt; 50% of Median Family Income)</b>	10	34%
<b>Moderate-Income Borrowers (50-80% of Median Family Income)</b>	7	24%
<b>Middle-Income Borrowers (80-120% of Median Family Income)</b>	7	24%
<b>Upper-Income Borrowers (120% of Median Family Income)</b>	5	17%

**Geographic Distribution of Loans:**

A geographic analysis of the distribution of loans in the assessment area would not have been meaningful for this bank. The bank’s assessment area consists of only one BNA. The entire area is considered middle income.

**Response to Complaints:**

No complaints related to the CRA performance have been received since the prior examination.

**Other Areas Reviewed:**

We also tested the bank’s compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these anti-discrimination laws and regulations were identified.