

## **PUBLIC DISCLOSURE**

April 26, 1999

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

**Investors Federal Bank, National Association  
Charter Number 23232**

**522 Washington  
Chillicothe, Missouri 64601**

**Office of the Comptroller of the Currency  
Kansas City Field Office  
6700 Antioch Road, Suite 450  
Merriam, Kansas 66204-1200**

**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 **Investors Federal Bank, N.A., Chillicothe, Missouri, (IFB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 26, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

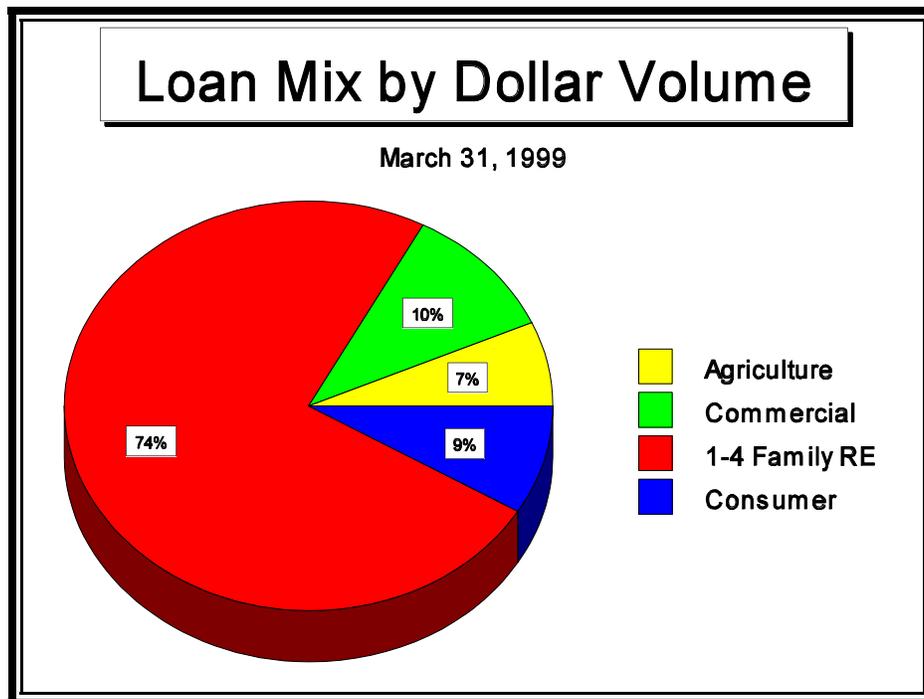
IFB's overall CRA ratings are based on the following factors:

- C IFB has a reasonable record of lending to residential real estate borrowers of different income levels within its assessment area. The bank's record of making consumer loans to low- and moderate-income families and individuals is also reasonable.
- C The geographic distribution of loans originated by the bank reflects reasonable dispersion throughout the assessment area.
- C The bank's quarterly average loan-to-deposit ratio is more than reasonable at 91 percent for the past eleven quarters.
- C A majority of the bank's loan originations are extended to borrowers living within the assessment area.

***DESCRIPTION OF INSTITUTION***

IFB is a \$73 million institution based in Chillicothe, Missouri, the seat of Livingston County. The bank is wholly-owned by IFB Holdings, Inc., a publicly traded, one-bank holding company. The holding company is a Delaware Corporation, which is headquartered in Chillicothe. The bank has two limited service branches which are located in Gallatin and Hamilton. IFB also has a limited service automated teller machine. No legal constraints, financial conditions, or other factors inhibit the bank's ability to help meet the credit needs of its assessment area. The institution received a "Satisfactory" rating at its last CRA examination dated March 4, 1996.

IFB's net loans total \$34 million as of March 31, 1999, and represent 47 percent of its total assets. The bank's primary credit products by dollar volume are one-to-four family residential mortgages. By number, the primary credit products are loans for various consumer purposes. Since the bank's last CRA examination, loan volume has increased approximately \$6 million. The growth has primarily resulted from an increase in commercial and one-to-four family residential real estate loans. The following table shows the bank's loan portfolio composition as a percentage of gross loans:



**Bank***Investors Federal Bank, National Association***DESCRIPTION OF ASSESSMENT AREA**

IFB has designated all of Caldwell, Daviess, and Livingston Counties as its assessment area (AA). This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. IFB has one office in each county of its AA. Competition in Caldwell County includes the head office of three banks. Daviess County competition consists of the head office of three banks and a branch of a fourth bank. The Livingston County competition consists of the head office of two other banks and a branch of a third bank.

Total population of the AA, based on 1990 U.S. Census information, is 30,837. The assessment area is divided into nine block numbering areas (BNAs): 9501 and 9502 are located in Caldwell County; BNAs 9701 and 9702 are located in Daviess County; and BNAs 9801 through 9805 are located in Livingston County. IFB's main office is located in BNA 9804 with one branch each in BNAs 9502 and 9702. Two BNAs in Livingston County are designated as middle-income tracts, based on their respective family income levels. The BNAs in both Caldwell and Daviess Counties are also designated as middle-income. Livingston County encompasses two upper-income BNAs, 9801 and 9803, as well as the assessment area's only moderate-income BNA, 9805. The following table provides additional information on IFB's assessment area.

<b>1990 Demographic Information on the Assessment Area</b>					
BNA and City	Income Designation	Median Family Income	Income as % of 1990 MSA Median \$24,325	Total Housing Units	% Owner-Occupied Housing
9501 (Braymer, Cowgill)	Middle	\$22,242	91%	1,460	65%
9502 (Hamilton, Polo)	Middle	\$24,118	99%	2,189	69%
9701 (Pattsonburg)	Middle	\$24,545	101%	1,547	62%
9702 (Gallatin, Jamesport)	Middle	\$21,357	88%	2,066	64%
9801 (Wheeling)	Upper	\$29,564	122%	965	74%
9802 (Utica)	Middle	\$27,604	113%	1,332	69%
9803 (Chillicothe)	Upper	\$34,107	140%	1,546	64%
9804 (Chillicothe)	Middle	\$25,409	104%	1,378	65%

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<b>1990 Demographic Information on the Assessment Area</b>					
9805 (Chillicothe)	Moderate	\$18,652	77%	1,073	46%
AA Totals/Averages	—	\$25,299	104%	13,556	65%

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***DESCRIPTION OF ASSESSMENT AREA - CONTINUED***

The U.S. Census reports 8,558 families residing in the assessment area. Fourteen percent of these families have income below the poverty level. Approximately 20 percent of the families are designated as low-income, 17 percent are moderate-income, 22 percent are middle-income, and 41 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1998 non-metropolitan updated median family income figure of \$34,000. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis. The Census data also reports the median housing value for the AA as \$28,965. The median year houses within the AA were built is 1958.

The local economy is dependent on agriculture and a growing manufacturing base. Major agricultural products include corn, soybeans, cattle, and hogs. Commercial lending activity offers some diversification to area banks' loan portfolios. Major employers in the AA include Donaldson Company, Wire Rope Corporation, Midwest Quality Glove, Lambert Manufacturing, and various local governmental entities. Service and retail sectors provide additional opportunities for employment. According to the Missouri Department of Labor and Industrial Relations, the December 1998 unemployment rates are as follows: Caldwell County - 4.5 percent; Daviess County - 3.5 percent; and Livingston County - 2.3 percent.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual works at a local branch of a federal government agency. Through our community contact, we confirmed one of the primary credit needs of the area as housing. Our contact identified credit needs are being satisfied in the assessment area.

**Bank***Investors Federal Bank, National Association***CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA****Lending to Borrowers of Different Income Levels**

Our review determined the bank's primary credit products are loans for one-to-four family residences and loans for various consumer purposes. Our contact identified home loans as a primary credit need within the assessment area. As a result, we focused our analysis on 1- 4 family residential loans and consumer loans to assess the bank's lending performance. The analyses and conclusions drawn during this review are based upon data provided by the bank. Our sample was taken from loans originated between April 1, 1996 and March 31, 1999.

*Residential Real Estate Lending:*

IFB has a reasonable record of lending to residential real estate (RE) borrowers of different income levels within its assessment area. We reviewed the income distribution of 20 residential RE borrowers with loan originations between April 1, 1996 and March 31, 1999. Our residential RE loan sample represented four percent, by both number and total dollar volume, of the bank's residential RE loans originated in the assessment area during this time period. The following table shows a more detailed analysis of the residential RE borrower income distribution.

<b>Residential Real Estate Loan Customer Income Distribution</b>				
<b>Sample of 20 Residential RE Loan Customers with Loan Originations Between 4/1/96 and 3/31/99</b>				
Income Designation	Distribution of IFB Residential RE Loan Customers		Income Distribution of Families in Assessment Area	
	No. of Customers	Percentage	No. of Families	Percentage
Low	0	0%	1,688	20%
Moderate	6	30%	1,421	17%
Middle	5	25%	1,917	22%
Upper	9	45%	3,532	41%
Totals	20	100%	8,558	100%

**Bank***Investors Federal Bank, National Association***Lending to Borrowers of Different Income Levels - Continued**

Based on our limited sample of residential real estate loans, we determined that 30 percent of IFB's residential real estate loan customers have incomes designated as low or moderate. We compared this to area demographic information obtained from 1990 U.S. Census data. This data indicates 37 percent of the families' incomes within the assessment area are designated as low or moderate. IFB's lending to low- and moderate-income individuals is proportional to local demographics.

*Consumer Lending:*

The bank's record of lending to low- and moderate-income families and individuals is reasonable. We reviewed the income distribution of 30 consumer loan customers in the assessment area with loan originations between April 1, 1996 and March 31, 1999. This sample represented two percent, by both number and total dollar volume, of consumer loan originations in the assessment area during this time period. We determined the bank's record of lending to low- and moderate-income borrowers is reasonable when compared to the percentage of low- and moderate-income families in the assessment area. The following table shows the breakdown of borrower income levels for the 30 consumer loan customers in our sample.

<b>Consumer Loan Customer Income Distribution</b>				
<b>Sample of 30 Consumer Loan Customers with Loan Originations Between 4/1/96 and 3/31/99</b>				
Income Designation	Distribution of IFB's Consumer Loan Customers		Income Distribution of Families in Assessment Area	
	No. of Customers	Percentage	No. of Families	Percentage
Low	3	10%	1,688	20%
Moderate	6	20%	1,421	17%
Middle	10	33%	1,917	22%
Upper	11	37%	3,532	41%
Total	30	100%	8,558	100%

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*Community Reinvestment Act Performance Evaluation*

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**Bank***Investors Federal Bank, National Association***Geographic Distribution of Loans**

The geographic distribution of loans originated by the bank reflects reasonable dispersion throughout the assessment area. We reviewed the geographic distribution of 50 residential RE and consumer loan customers in the assessment area with loan originations between April 1, 1996 and March 31, 1999. This sample represents three percent, by both number and total dollar volume, of these type of loan originations in the assessment area during this time period.

IFB's lending performance in the moderate-income BNAs exceeds the percentage of population living in those BNAs, based on the addresses of the customers in our loan sample. The bank's lending performance, based on dollar volume, also exceeds area demographics in the moderate-income areas. The following table summarizes assessment area penetration.

<b>Geographic Distribution of Population and Dollar Amount of Loans</b>				
Sample of 50 Residential Real Estate and Consumer Loan Customers with Loan Originations Between 4/1/96 and 3/31/99				
BNA Income Designation	Residential RE & Consumer Loan Customers by Number of Loans		Distribution of Population Within Each Income Designation	
	No. of Loans	Percentage	Number	Percentage
Low	0	0%	0	0%
Moderate	13	26%	2,089	7%
Middle	19	38%	22,621	73%
Upper	18	36%	6,127	20%
Total	50	100%	30,837	100%

Our loan sample revealed 17 percent of the total dollar volume of residential real estate loan originations and 32 percent of consumer loan originations were provided to borrowers in the moderate-income geographies of the assessment area.

**Bank***Investors Federal Bank, National Association***Loan-to-Deposit Ratio**

The bank's loan-to-deposit (LTD) ratio is more than reasonable. We compared IFB's quarterly average LTD ratio to five other financial institutions with offices in Caldwell, Daviess, and/or Livingston Counties. Each of the banks in our comparison had total assets of less than \$82 million and no branches in metropolitan areas. IFB's quarterly average LTD ratio for the past eleven quarters was 91 percent. The overall quarterly average LTD ratio for the six banks in our comparison was 65 percent. Quarterly average LTD ratios ranged from 43 percent to 91 percent. IFB's quarterly average LTD ratio ranked first among the six banks we reviewed. Over the past eleven quarters, IFB's net loans have increased 13 percent. This increase ranked fifth among the institutions we reviewed.

**Lending in the Assessment Area**

A majority of the bank's loan originations are extended to borrowers living within the assessment area. Bank personnel generated reports during the examination which showed agricultural, commercial, residential real estate, and consumer loans originated between April 1, 1996 and March 31, 1999. Based on the borrower's address, we determined the volume and number of loans originated within the bank's assessment area. IFB originated 68 agricultural loans totaling \$2 million, 26 commercial loans totaling \$4 million, 545 residential real estate loans totaling \$23 million, and 1,537 consumer loans totaling \$9 million during this period. We determined approximately 87 percent of these loan originations, by number, and 73 percent, by dollar volume, were to borrowers using loan proceeds within the assessment area. The table below details our analysis of the bank's record of lending in the assessment area.

<b>Assessment Area Analysis</b>				
<b>Based on 2,176 Loan Originations Between 4/1/96 and 3/31/99</b>				
Type of Loan	No. of Loans in AA	Percentage of Loans in AA	\$ Volume of Loans in AA	Percentage of Loans in AA
Agricultural	54	79%	\$1,659,087	81%
Commercial	12	46%	\$1,039,810	25%
1-4 Residential RE	463	85%	\$17,619,343	78%
Consumer	1,354	88%	\$7,610,538	82%
Total	1,883	87%	\$27,928,778	73%

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*Community Reinvestment Act Performance Evaluation*  
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**Compliance with Antidiscrimination Laws and Regulations**

IFB has a satisfactory record of compliance with antidiscrimination laws and regulations. Concurrent with this CRA evaluation, we conducted a limited consumer compliance examination. This examination included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. Our review did not disclose substantive violations of fair lending laws or evidence of discriminatory practices.

**Response to Complaints**

IFB has not received any written complaints regarding its CRA performance since the previous examination dated March 4, 1996.