



## **PUBLIC DISCLOSURE**

October 15, 1998

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

**National Bank of Earlville  
Charter Number 14403**

**137 South Main Street  
Earlville, Illinois 60518**

**Office of the Comptroller of the Currency  
Chicago West Field Office  
Arlington Place II, Suite 340  
85 West Algonquin Road  
Arlington Heights, Illinois 60005-4422**

**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 **National Bank of Earlville** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 15, 1998. 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**.

The rating is supported by the following factors:

- the loan to deposit ratio is reasonable;
- the majority of the bank's loans are within the assessment area;
- the distribution of home loans among borrowers of various income levels is reasonable; and
- the bank originates a significant number of loans to small businesses and small farms.

## **DESCRIPTION OF INSTITUTION**

National Bank of Earlville (NBE) is a wholly owned subsidiary of National Bank Earlville Bancshares, Incorporated, a two bank holding company. The bank is located in Earlville, Illinois, located approximately 70 miles west of Chicago. There are no branches of this bank.

On June 30, 1998, NBE had total assets of \$45 million, net income of \$285 thousand and a loan-to-deposit ratio of 56%. Loans represent 50% of total assets. Real estate loans represent 60%, commercial lending represents 12%, agricultural lending represents 14% and consumer lending represents 13% of gross loans.

The bank offers conventional loan products including commercial, commercial real estate, consumer home improvement, home equity lines of credit, and various home loan products. However, the bank's lending efforts are largely concentrated on commercial, agricultural, and residential lending.

There are no financial or legal impediments which would impact NBE's ability to meet the credit needs of the community. This evaluation considered the bank's performance since the last examination, dated October, 1995, where the bank received a satisfactory rating.

## **DESCRIPTION OF ASSESSMENT AREA**

The assessment area encompasses only three tracts within a non Metropolitan Statistical Area (MSA) in Illinois. Two of the tracts are within LaSalle County and the other is within DeKalb County. The census tracts within the assessment area are all middle-income. This area represents the geographies where the bank has a substantial portion of loans and receives a majority of deposits.

There are 3,237 families within the assessment area. The percentage of the families by income level are: 17% low-income, 18% moderate-income, 28% middle-income, and 37% upper-income. The updated median family income for the assessment area is \$46,166.

The local economy is stable and is predominantly agricultural and light industry. Within LaSalle County there are twelve other financial institutions ranging in size from nineteen million to five hundred million in total assets. Recent contacts, within the last two years, with local community leaders identified residential mortgages and small farm and business loans as the most significant credit needs.

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

## Loan to Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. The average loan-to-deposit ratio since the last CRA examination is 56%. In comparison, the average loan-to-deposit ratio for bank's located in non metropolitan statistical areas in Illinois and have total assets less than fifty million dollars is approximately 67%. This bank's ratio is lower, in comparison, mainly due to management's conservative underwriting guidelines and practices. Although, management has increased the loan to deposit ratio from 48% since the last CRA examination conducted during the fourth quarter of 1995.

## Lending in Assessment Area

The majority of NBE's lending is within the assessment area. For 1996, 1997 and year to date 1998, approximately 82% of the number and 84% of the dollar amount of home mortgage loans were originated within the assessment area. In addition, the number and dollar volume of loan originations for small business and small farms loans within the assessment area is over 80% for 1997 and year to date 1998.

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

### Mortgage Lending

The distribution of home loans among borrowers of various income levels is reasonable when compared to the income distribution of the assessment area's families as outlined in the table below.

The Percent of the Number and Dollar Volume of Home Mortgage Loans by Borrower Income							
Family Income	1996		1997		1998		Assessment Area Demographics
	#	\$	#	\$	#	\$	
Low	14%	8%	26%	8%	9%	3%	17%
Moderate	22%	16%	5%	5%	27%	20%	18%
Middle	32%	35%	37%	39%	35%	37%	28%
Upper	32%	41%	32%	48%	27%	40%	37%

Source: 1996 and Year-to-date 1997 HMDA - LAR . Includes only owner-occupied units.

While lending to low-and moderate-income borrowers is slightly below the population's income distribution characteristics, management is making strong efforts to provide mortgage loans to all people in the assessment area with the ability to borrow. It is also important to note, as an aside fact, that 10% of the households within the assessment area are below the poverty level. As such, the opportunity to extend home mortgage credit may be reduced and may have a limited ability to

assume debt obligations.

### Small Business and Small Farm Lending

The bank originates a significant number of loans to small businesses and small farms in its assessment area. Small business loans, in general, include loans secured by nonfarm nonresidential loans as defined in the Call Report and Thrift Financial Reports (TFR), in amounts less than \$1 million. Small farm loans are loans for farming purposes less than \$500,000. Of the loans originated by the bank during 1997 and 1998, 100% are to small businesses and small farms.

### **Geographic Distribution of Loans**

All census tracts in the assessment area are middle-income. As such, an assessment of the geographic distribution of loans is not meaningful.

### **Compliance with Antidiscrimination Laws and Regulations**

We conducted a fair lending examination to determine if all applicants that applied for refinanced loans were treated similarly. We determined if the rates and terms granted to approved borrowers of the prohibited basis group were similar to other approved loan borrowers. We found no evidence of discrimination.

### **Response to Complaints**

NBE has not received any complaints since the prior examination.