



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**September 8, 2003**

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

**Security National Bank  
Charter Number 13650**

**1 West Broadway  
Witt, IL 62094**

**Comptroller of the Currency  
St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 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 components meet or exceed the standards for satisfactory performance. The major factors that support this rating are:

- The bank's lending reflects a good dispersion among borrowers of different income levels and farms of different sizes.
- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 64% and is comparable to similarly situated area banks.
- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's AA.

## **DESCRIPTION OF INSTITUTION**

Security National Bank (SNB) is wholly owned by Security Bancshares, Inc., a one-bank holding company located in the city of Witt, Illinois. As of December 31, 2002, SNB had total assets of \$47.6 million, net loans of \$29.5 million, total deposits of \$41.4 million, and total risk based capital of \$6.1 million. SNB assets represent substantially all of the holding company's assets; there are no subsidiaries or affiliates. There have been no changes in the bank's corporate structure since the last CRA evaluation.

SNB is primarily a residential real estate and agricultural lender that operates four offices and four non-depository automated teller machines (ATMs), all located in Montgomery County. The main office is located in Witt, Illinois, and the three branch offices are located in Irving, Fillmore, and Coffeen, Illinois. The non-depository ATMs are located at Casey's convenience stores in Witt, Coffeen, Irving, and Nokomis. Management has neither opened nor closed any branches or ATMs during this evaluation period.

SNB offers traditional bank services and loan products normally associated with a small rural community bank. As of December 31, 2002, net loans totaled \$29.5 million, representing 62% of total assets. The loan portfolio consisted of 38% 1-4 family residential real estate, 35% farm real estate/agriculture production, 14% commercial real estate/business, and 13% consumer loans. By dollar value, 1-4 family residential real estate and farm-related loans account for the majority of the loans originated during the evaluation period. When considering the number of loans originated during the period, consumer and 1-4 family residential real estate loans are the bank's largest product categories.

There are no legal or financial impediments placed on the bank's ability to meet the community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

SNB's last CRA evaluation was February 2, 1998, and we rated the bank Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management has designated Montgomery County, Illinois as its AA. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Montgomery County is a non-Metropolitan Statistical Area (non-MSA) and is comprised of eight census tracts (CTs): 9573.00, 9574.00, 9575.00, 9576.00, 9577.00, 9578.00, 9579.00, and 9580.00. Based on the 1990 non-MSA median family income, eight CTs or 100% are classified as middle-income.

The 1990 census data shows that the total population in Montgomery County was 30,728, which included 8,265 families. Of these families, 1,734 or 21% were classified as low-income, 1,443 or 18% as moderate-income, 2,166 or 26% as middle-income, and 2,922 or 35% as upper-income. The non-MSA median family income as of the 1990 census was \$29,693. The 2002 updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$46,700. We used the 2002 updated figure in our analysis to determine the borrower income levels.

Based on the 1990 census data for Montgomery County, 18% of the population is age 65 or older, 15% of households are in retirement, and 15% of households live below the poverty level.

In 1990, the median housing value for Montgomery County was \$36,786 and the median age of the housing stock was 40 years. Local housing was 86% 1-4 family units, with 70% owner-occupied; only 7% of the housing units were vacant.

The local economy for Montgomery County is static, with continued high rates of joblessness. The December 2003 seasonally unadjusted unemployment rate for Montgomery County was 8.9%. This ratio is considerably higher than the state of Illinois unemployment rate of 6.3% and the national rate of 5.4% for the same period.

The local economy is supported primarily by agriculture, manufacturing, service-related businesses and retail stores. SNB is the only financial institution in the town of Witt, Illinois. Witt is considered a "bedroom" community, as many of the local residents commute to the larger cities for employment. Major employers in Montgomery County are Graham Correctional Center, with 500 employees; Dana Brake Parts, Inc., with 400 employees; and Montgomery County Hospitals, with 600 employees. About 9% of the labor force in Montgomery County is self-employed farmers.

Competitive pressures are strong and come primarily from eleven local banks and one large regional bank, which has branches located in Montgomery County. Together, the competitors have twenty branches located in Montgomery County. This number does not include the array of credit unions, mortgage companies, investment services, farm services and insurance company offices that now offer loan products.

Management indicated the primary credit needs of Montgomery County are farm-related loans, residential real estate loans, and consumer loans. To further our understanding of the community's credit needs, we performed a community contact with a community leader knowledgeable about the community. Our contact did not identify any unmet credit needs and indicated that SNB is doing a good job of meeting the credit needs of the community. The contact was unaware of any community development or other credit-related projects available for participation by local financial institutions. He stated that economic conditions in Witt are depressed and that the City of Witt is experiencing financial difficulties. He also remarked that there is virtually no business growth in Witt nor is there a focus on growth. As a result, SNB's lending opportunities are somewhat limited.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

SNB does a good job of meeting the credit needs of its AA, including those of low- and moderate-income people and small farmers. The number of loans granted and the dollars extended for residential real estate and consumer loans to low- and moderate-income borrowers are skewed because the SNB loan application requires net income information for debt to income calculation rather than using gross income information. For our evaluation, gross income is required to determine the income level category of borrowers. This issue was discussed with management during the review.

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

The bank's lending reflects a good dispersion among borrowers of different income levels and farms of different sizes. Lending levels reflect good responsiveness to the credit needs of the AA.

SNB's primary loan products during the evaluation period, when considered in terms of total dollars extended, were residential real estate loans and farm-related loans. When viewed in terms of the total number of loans granted, consumer loans and residential real estate loans were the primary products.

Using only loans made in the AA, we sampled 20 residential real estate loans, 20 consumer auto loans, and 20 farm-related loans originated from January 1, 2000, through December 31, 2002. Residential real estate loans were not differentiated by type, i.e., home purchase, refinancing, and home improvement, because that information was not readily available.

### ***Residential Real Estate Loans***

The borrower distribution of residential real estate loans is good in the bank's AA. In evaluating the borrower distribution of residential real estate loans, we considered the number of households that live below the poverty level (15% of households) and the barriers that this may have on home ownership. The data used to evaluate SNB's residential lending activity is presented in the following table.

<b>Borrower Distribution of Residential Real Estate Loans in Montgomery County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Real Estate	21%	15%	18%	55%	26%	20%	35%	10%

Sources: Loan Sample and 1990 US Census Information. The updated 2002 non-MSA median family income is \$46,700. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$46,700.

Based on the sample of loans selected, the bank’s residential lending to low-income borrowers (15%) is below the percentage of low-income families (21%) in the AA. Opportunities to make loans to low-income borrowers are limited by the moderate percentage of people living below the poverty level. Residential lending to moderate-income borrowers (55%) noticeably exceeds the percentage of moderate-income families (18%).

### ***Consumer Auto Loans***

The borrower distribution of consumer auto loans is excellent in the bank’s AA. Again, opportunities to make loans to low-income borrowers are limited by the moderate percentage of people living below the poverty level (15%). The data used to evaluate SNB’s consumer lending activity is presented in the following table.

<b>Borrower Distribution of Consumer Auto Loans in Montgomery County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Auto Loans	26%	45%	14%	30%	20%	15%	40%	10%

Sources: Loan Sample and 1990 US Census Information.

Based on the sample of loans selected, the bank’s consumer lending to low-income borrowers (45%) noticeably exceeds the percentage of low-income households (26%) in the AA. Consumer lending to moderate-income borrowers (30%) significantly exceeds the percentage of moderate-income households (14%).

### ***Farm Loans***

The bank’s lending distribution to farms of different sizes is good. The data used to evaluate SNB’s agricultural lending activity is presented in the following table.

<b>Borrower Distribution of Loans to Farms in Montgomery County</b>		
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms	99%	1%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

*Source: Loan Sample and Dunn and Bradstreet 2002 data.*

Based on the sample of loans selected, SNB's farm lending to small farms (100%) with revenues of \$1 million or less just exceeds the percentage of small farms (99%) in the AA.

### **Geographic Distribution of Loans**

Because all of the CTs in Montgomery County are middle-income, no meaningful analysis could be performed based on loans in geographies of different income levels.

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

SNB's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the bank's LTD ratio was 71%. SNB's quarterly average LTD ratio since the 1998 CRA examination was 64%. This is comparable to five similarly situated banks in the area whose quarterly average LTD ratios ranged from 61% to 82%, with an average ratio of 73%. These banks are considered similarly situated because of their size, lending opportunities, and location.

### **Lending in Assessment Area**

Lending in the AA exceeds the standards for satisfactory performance. A substantial majority of the bank's residential real estate loans originated since the last CRA evaluation were made in the AA. A sample of 20 residential real estate loans totaling \$803 thousand found that 95% by number and 90% by dollar were made within the bank's AA.

### **Responses to Complaints**

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

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

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