



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 22, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Litchfield National Bank
Charter Number 10079

316 North State Street
Litchfield, Illinois 62056

Comptroller of the Currency

Fairview Heights Duty Station
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208

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 **Litchfield National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 22, 1997**. This evaluation is based on information since the last CRA examination dated December 19, 1994. 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.

Litchfield National Bank's CRA performance demonstrates:

- o The loan-to-deposit ratio is reasonable.
- o A majority of the loans are made in the bank's assessment area.
- o The level of lending to borrowers of different income levels and to businesses and farms of different sizes is satisfactory.

DESCRIPTION OF INSTITUTION

The Litchfield National Bank (LNB) is wholly owned by Litchfield Bancshares Company, a one-bank holding company. The bank operates from a main office in Litchfield, Illinois. The bank has one drive-up facility also located in Litchfield. Automated Teller Machines are located at the Litchfield Huck's and McDonald's.

The bank's primary loan products are residential mortgages, agricultural loans, and consumer installment loans. The loan portfolio mix as of March 31, 1997, was: 1-4 family residential real estate 38%, consumer installment 20%, nonresidential (commercial and agricultural) real estate 19%, agricultural 14%, commercial loans 4%, and various other loans 5%. As of March 31, 1997, the bank's assets totaled \$71 million.

There are no financial or legal impediments which would hamper LNB's ability to help meet the credit needs of its community. 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, financial capacity, and local economic conditions. LNB's prior CRA rating was a "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

LNB designates its assessment area as Block Numbering Areas (BNAs) 9576, 9577, and 9578 in Montgomery County, Illinois. Montgomery County is a non-Metropolitan Statistical Area (MSA). LNB's main office and drive-up facility are located in BNA 9577. The three BNAs are middle-income geographies.

As of 1990, the population of the bank's assessment area was 10,268. Of that population, approximately 7,000 live in the city of Litchfield. In 1990, the median family income for the assessment area was \$31,589. The 1997 non-MSA median family income for Illinois is \$37,600. Family incomes aggregated for the three BNAs indicated that 573 families or 21% were in low-, 450 or 16% were in moderate-, 729 or 26% were in middle-, and 1,041 or 37% were in upper-income categories. Local housing is 83% single family units of which 71% is owner occupied. The median housing value is \$42,000 with a median year built of 1955.

Economic conditions in Montgomery County are stable. The May 1997 seasonally unadjusted unemployment rate for Montgomery County was 6.1%. The May 1997 state and national seasonally unadjusted unemployment rates were 4.3% and 4.7%, respectively. The major type of industry in the assessment area is services, with retail trade, government, and manufacturing the next largest industries. Approximately 6% of the households are farmers. Major employers in the assessment area include Echlin Manufacturing, a brake parts manufacturer with 700 employees; St. Francis Hospital, with 400 employees; and Sierra, Inc., a marine engine parts manufacturer with 100 employees. Bank management stated the primary credit needs of the assessment area are agricultural, residential, and consumer lending.

For the analysis contained in this report, low income is defined as income that is less than 50% of the 1997 state non-MSA median family income. Moderate income is defined as income that is at least 50%, but less than 80%, of the 1997 state non-MSA median family income. Middle income is at least 80%, but less than 120%, of the 1997 state non-MSA median family income. Upper income is income that is 120% or more of the 1997 state non-MSA median income. In 1997, the state non-MSA median family income for Illinois is \$37,600.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio:

LNB’s loan-to-deposit ratio is reasonable. The bank’s average loan-to-deposit ratio from December 31, 1994, to March 31, 1997, was 65%. The March 31, 1997 average loan-to-deposit ratio for the other financial institutions in LNB’s assessment area was 66%.

Lending in the Assessment Area:

A majority of LNB’s loans are within its assessment area. The bank provided data on the number and dollar amount of outstanding loan balances as of July 7, 1997, by zip code. This analysis shows that approximately 67% of the number of loans and 66% of the dollar volume of loans are to borrowers within the bank’s assessment area.

An analysis of 38 home mortgage loans originated between August 1996 and July 1997 indicated that 79% of the number and 75% of the dollar volume of these loans were made in LNB’s assessment area. (Table A)

Table A - Sample Home Mortgage Loan Distribution Inside/Outside the Assessment Area (AA)

	# of Loans	% of Loans	Loan \$	% of Loans \$
<i>Loans inside the AA</i>	30	79%	\$1,378	75%
<i>Loans outside the AA</i>	8	21%	\$447	25%
<i>Total</i>	38	100 %	\$1,825	100%

Dollar amounts are in 000's

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

LNB has a reasonable distribution of loans to borrowers of different income levels and to businesses and farms of different sizes. The level of home mortgage loans in LNB’s assessment area to persons with low- or moderate income is satisfactory in relation to the percentage of low-

or moderate-income families living in the assessment area (37%). A sample of 30 home mortgage loans originated between August 1996 and July 1997 were analyzed to determine the number and dollar volume of loans made to the four income levels. The following table shows that 40% of the number of home mortgage loans and 25% of the dollar volume of mortgage loans were made to low- and moderate-income individuals in LNB's assessment area.

Table B - Sample Home Mortgage Loan Distribution by Borrower Income

	# of Loans	% of Loans	Loan \$	% of Loan \$
<i>Low income</i>	5	17%	\$133	10%
<i>Moderate income</i>	7	23%	\$201	15%
<i>Middle income</i>	9	30%	\$361	26%
<i>Upper income</i>	9	30%	\$682	49%
<i>Total</i>	30	100%	\$1,378	100%

Dollar amounts are in 000's.

The distribution of LNB's small business and small farm loans based on borrower characteristics is good. We sampled 15 business and farm loans originated in 1997 which were made in the bank's assessment area. All 15 were small business loans (original amount less than \$1 million) and small farm loans (original amounts less than \$500,000). The 15 loans were extended to businesses and farms with gross annual revenues of less than \$1 million.

The bank extends residential mortgage loans through the Rural Economic and Community Development Guaranteed Rural Housing Program, which is administered by the U.S. Department of Agriculture. LNB also makes loans under special programs designed to meet the needs of small farms. These programs are the Illinois Farm Development Authority and the Farmers Home Administration.

Geographic Distribution of Loans:

All BNAs comprising the assessment area are middle income. An analysis of the geographic distribution of loans within the assessment area does not provide meaningful information.

Response to Complaints:

No complaints were received by the bank since the prior CRA examination.

Compliance with Antidiscrimination Laws:

In conjunction with the CRA evaluation, we performed a Fair Lending examination which included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No substantive violations of these antidiscrimination laws and regulations were identified.