



## **PUBLIC DISCLOSURE**

August 18, 2015

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

Sumner National Bank of Sheldon  
Charter Number 14401

198 South Fourth Street  
Sheldon, IL 60966

Office of the Comptroller of the Currency

Harris Center  
3001 Research Road  
Champaign, IL 61822-1089

**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 Outstanding**

- The bank's distribution of loans represents excellent penetration among borrowers of different incomes and businesses of different sizes.
- The bank originates a substantial majority of its primary loan products (business loans and consumer loans), within the assessment area (AA).
- The distribution of loans reflects a reasonable dispersion throughout the different geographies within the bank's AA.
- The bank's loan to deposit ratio is reasonable.

## **SCOPE OF EXAMINATION**

We evaluated the CRA performance of Sumner National Bank of Sheldon using small bank examination procedures, which reviewed the bank's record of meeting credit needs of its AA through lending activities. The evaluation period is from December 2, 2008 to August 18, 2015. As the bank's lending has not significantly changed during the evaluation period, our loan sample was limited to loans originated in 2013 and 2014.

Based upon both number and dollar volume of loan origination information supplied by the bank, the primary loan products are consumer and business loans. We used a sample of consumer loans and a sample of business loans originated from January 1, 2013, to December 31, 2014, to complete the analysis. We also used 2010 US Census data, 2014 Business Demographic data, and June 30, 2014 Federal Deposit Insurance Corporation (FDIC) deposit market share data in our analysis.

## **DESCRIPTION OF INSTITUTION**

Sumner National Bank is an intrastate bank headquartered in Sheldon, IL. The bank is a stand-alone bank not owned by a holding company. In addition to the main bank, there is one branch located approximately nine miles west of Sheldon in Watseka, IL. Both locations have access to automated teller machines (ATMs). The Watseka branch has an ATM onsite, while the other ATM is located one block north of the Sheldon main bank at the Donohue's Package Store. Neither ATM accepts deposits. The bank offers both online and telephone banking as alternative delivery services.

Sumner National Bank offers a range of deposit and loan products, and services. As of June 30, 2015, the bank had \$23 million in total assets and tier one capital of \$1.7 million. The gross loan portfolio totaled \$10 million and represented 44 percent of total assets. The bank's strategy has been to increase business, consumer, and farm loans both inside and outside of its AA.

The following loan portfolio mix is derived from outstanding loan balances. The loan portfolio mix differs from our analysis of originations since a majority of the business and consumer loans have shorter maturities.

<b>Loan Portfolio Summary by Loan Product</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars*</b>
Home Loans	53%
Business Loans and Commercial RE	19%
Consumer Loans	15%
Farm Loans and Farm Land	11%

\*Municipal loans comprise the remaining 2% of outstanding loans.

Source: June 30, 2015 Call Report Data

There are no known impediments limiting Sumner National Bank's ability to meet the credit needs of its AA. The bank received an "Outstanding" rating at its previous CRA examination dated December 1, 2008.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Sumner National Bank's AA consists of the nine contiguous census tracts that comprise Iroquois County. One census tract is a moderate-income geography; five census tracts are middle-income, and the remaining three tracts are upper income. The AA is legal, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas.

The AA population is 29,718 using 2010 census data. The population has declined five percent from the 31,334 reported at the 2000 census. Low-income households represent 18 percent of total AA households, while moderate-income households represent 16 percent; middle-income households represent 21 percent; and upper income households represent 45 percent of the total.

The AA contains 1,743 businesses, with 69 percent defined as small businesses (annual gross revenues of \$1 million or less). Businesses reporting annual gross revenues over \$1 million represent 6 percent of AA businesses, with the remaining 25 percent not reporting revenue data.

The local economy is stable. Major employers within the AA include the local school districts, Iroquois Memorial Hospital, and Lyon Metal. Farming also provides a major contribution to the local economy. The June 2015 unemployment rate for Iroquois County was 4.7 percent. This is consistent with the national average of 5.5 percent and the state of Illinois average of 5.9 percent, as of the same date.

Sumner National Bank faces strong competition from other local community banks. The bank has a 2.08 percent share of deposits within Iroquois County based upon June 30, 2014 FDIC reported information.

We conducted a community contact with the director of a local economic development organization. Our contact indicated that Iroquois County, and especially the city of Watseka, is still recovering from severe flooding that occurred during the summer. The 2015 flood was the

second “100-year flood” that hit the area within the past seven years. He stated the 2008 flood had resulted in several residents and businesses leaving the area. Our contact also indicated that larger businesses are unwilling to locate to the area due to the lack of amenities such as high-speed internet. However, the low cost of living appeals to smaller businesses that have ongoing credit needs.

The table below provides additional demographic information for the AA:

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Census Tracts	9	0%	11%	56%	33%
Population by Geography	29,718	0%	13%	54%	33%
Business by Geography	1,743	0%	21%	49%	30%
Household Distribution by Income Level	11,835	18%	16%	21%	45%
Median Household Income	48,562				
Median Housing Value	103,687				
Households Below Poverty Level	10%				

Source: 2010 US Census

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

Sumner National Bank’s performance of meeting the community credit needs is outstanding. The bank has a reasonable loan-to-deposit ratio, originates a substantial majority of loans within the AA, and has more than reasonable penetration to borrowers of different incomes and businesses of different sizes. The bank also has a reasonable dispersion of loans throughout the different geographies within the AA. The borrower distribution portion of this review received the most weight when arriving at the overall rating.

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

Sumner National Bank’s net loan-to-deposit ratio is reasonable given the bank’s size, financial condition, AA’s credit needs, and local competition.

The bank’s net loan-to-deposit ratio averaged 64 percent over the 27 quarters since the last CRA assessment. The ratio ranged from a low of 47 percent to a high of 75 percent during the period, with the most recent ratio at June 30, 2015, being the low point.

Sumner National Bank’s average net loan-to-deposit ratio is higher than all of the six other banks within Iroquois County with assets less than \$100 million. The average of the quarterly net loan-to-deposit ratio for these similarly situated banks was 53 percent over the same period.

**Lending in Assessment Area**

Sumner National Bank originates a substantial majority of its loans inside the AA. Our sample showed 85 percent of the total number of loans and 87 percent of the total dollar volume of loans were located within the AA.

<b>Lending within the AA</b>										
	Number of Loans					Dollar of Loans (000's)				
Type of Loans	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	18	90%	2	10%	20	\$ 210	89%	\$ 26	11%	\$ 236
Business	16	80%	4	20%	20	\$ 598	86%	\$ 95	14%	\$ 693
Totals	34	85%	6	15%	40	\$ 808	87%	\$ 121	13%	\$ 929

Source: Sample of 20 business loans and 20 consumer loans originated between 1/1/2013 and 12/31/2014.

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

Sumner National Bank’s distribution of loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes, given the demographics of the AA.

Consumer Loans

The distribution of consumer loans reflects excellent penetration to borrowers of different income levels. Performance of providing consumer loans to low-income borrowers is excellent. Our sample of 20 consumer loans originated within the AA indicated the level of loans to low-income households was significantly higher than the percentage of households within the AA. Performance with moderate-income borrowers is reasonable. The bank’s percentage of consumer loans provided to moderate-income households is near demographic comparators.

<b>Borrower Distribution of Consumer Loans in the AA</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
% of Total	18%	40%	16%	15%	21%	25%	45%	20%

Source: 2010 U.S. Census data and sample of 20 consumer loans originated within the AA between 1/1/2013 and 12/31/2014.

Business Loans

The distribution of loans reflects excellent penetration among businesses of different sizes. Small business loans (businesses with gross annual revenues of \$1 million or less) in our sample comprised 95 percent of the total business loans originated during the review period. This ratio is higher than the demographic data that shows 69 percent of the businesses located within the AA are small businesses. It is important to recognize that some of the businesses that did not report revenues in the demographic data are likely also small businesses.

<b>Borrower Distribution for Business Loans within AA</b>				
Business Revenues (or Sales)	< = \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA businesses	69%	6%	25%	100%
% of bank loans in AA by #	95%	5%	0%	100%
% of bank loans in AA by \$	83%	17%	0%	100%

Source: Sample of 20 business loans originated within the AA between 1/1/2013 and 12/31/2014 and 2014 Business Geodemographic Data.

**Geographic Distribution of Loans**

Sumner National Bank’s lending in low-and moderate-income geographies is reasonable. There were no conspicuous gaps in lending within the AA.

Consumer Loans

Geographic distribution of consumer loans originated within low- and moderate-income geographies is reasonable. The AA does not contain any low-income geographies, and contains only one moderate-income geography. The bank’s lending in the moderate-income geography exceeds the community demographics for consumer loans.

<b>Geographic Distribution for Consumer Loans within AA</b>								
Census Tract 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
% of Total	0%	0%	15%	15%	53%	80%	32%	5%

Source: 2010 U.S. Census data and sample of 20 consumer loans originated within the AA between 1/1/2013 and 12/31/2014.

Business Loans

Geographic distribution of business loans originated within low-and moderate-income geographies is reasonable. The bank’s percentage of business loans is near demographic comparators.

<b>Geographic Distribution for Business Loans within AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0%	0%	22%	20%	48%	75%	30%	5%

Source: Sample of 20 business loans originated within the AA between 1/1/2013 and 12/31/2014 and 2014 Business Geodemographic Data.

### **Responses to Complaints**

Sumner National Bank did not receive any complaints regarding its CRA performance during the assessment period.

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

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.