



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**December 3, 2003**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Anna National Bank  
Charter Number 5525**

**201 South Main Street, Box 220  
Anna, IL 62906**

**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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- Loans are reasonably distributed by geography classification.
- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 67%.
- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's assessment area (AA).
- The bank's lending distribution to borrowers of different income levels is reasonable based on the demographics of the community and credit needs of the AA.

## **DESCRIPTION OF INSTITUTION**

Anna National Bank (ANB) is wholly owned by Union County Bancshares, a one-bank holding company located in the city of Anna, Illinois. As of December 31, 2002, ANB had total assets of \$113 million, net loans of \$66 million, total deposits of \$98 million, and total risk based capital of \$15 million. ANB 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.

ANB's main office and drive-up facility are both located in Union County. Both offices have a depository ATM. ANB offers traditional banking services and loan products typically associated with a community bank. As of December 31, 2002, net loans totaled \$66 million, representing 58% of total assets. The loan portfolio consisted of 38% residential real estate, 28% commercial real estate/business, 18% farm real estate/agriculture production, and 16% consumer and other loans. Residential real estate loans represented the bank's primary loan product during this evaluation period.

There are no legal or financial constraints 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 AA. 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.

ANB's last CRA evaluation was May 27, 1998, and we rated the bank Satisfactory.

## DESCRIPTION OF ASSESSMENT AREA

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

Union County is a non-Metropolitan Statistical Area (non-MSA) and is comprised of five Block Numbering Areas (BNA): 9501, 9502, 9503, 9504, and 9505. Based on the 1990 non-MSA median family income, four BNAs or 80% are classified as middle-income and one BNA or 20% is classified as moderate-income.

The 1990 census data shows that the total population in Union County was 17,619, which included 4,984 families. Of these families, 1,262 or 25% were classified as low-income, 1,123 or 22% as moderate-income, 1,176 or 24% as middle-income, and 1,423 or 29% as upper-income. ANB's main office is located in downtown Anna in BNA 9503, which is the moderate income BNA. Based on the 1990 census data, total population in BNA 9503 was 3,885, which included 1,095 families. Of these families, 263 or 24% were classified as low-income, 306 or 28% as moderate-income, 267 or 24% as middle-income, and 259 or 24% as upper-income. The drive-in facility is located on the east side of Anna and is in BNA 9504, a middle-income BNA.

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, was \$46,700. We used the 2002 updated figure in our analysis to determine the borrower income levels.

Based on the 1990 census data for the AA, 19% of the population is age 65 and over, 20% of households are in retirement, and 19% of households live below the poverty level. In 1990, the median housing value for the AA was \$37,194 and the median age of the housing stock was 39 years. Local housing for the AA was 79% 1-4 family units, with 66% being owner-occupied. The median housing value for BNA 9503 was \$39,100 and the median age of the housing stock was 42 years. Local housing for BNA 9503 was 80% 1-4 family units, with only 59% being owner-occupied and 5% vacant.

Relatively weak economic conditions in Union County are reflected in unemployment rates higher than the state and nation. The December 2002 unemployment rates for Union County and Illinois were 7.3% and 6.3%, respectively. These ratios are slightly above the 2002 national unemployment rate of 5.7%. Major employers in the area include Choate Mental Health Facility, Union County Hospital, Transcraft Corporation, Southern Illinois University, and Federal and State of Illinois correctional facilities.

Competitive pressures are strong and primarily come from seventeen banks in Union and surrounding counties. This number does not include the array of credit unions, mortgage companies, farm services, and insurance company offices that offer loan products.

Management indicated the primary credit need of Union County is residential real estate loans.

To further our understanding of the community’s credit needs, we performed a community contact with a businessperson knowledgeable about the community who confirmed the bank’s assessment of community credit needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

ANB does a satisfactory job of meeting the credit needs of its AA, including those of low- and moderate-income people, given the performance context, demographics, economic factors, and competitive pressures faced by the bank. Please refer to the “Description of Institution” and “Description of Assessment Area” sections of this evaluation for details on these performance context factors.

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

The bank’s lending distribution to borrowers of different income levels is low; however, it is considered reasonable given the demographics of the AA. Based on 1990 Census Data, 19% of households are below the poverty level, 20% of households are retired, and only 66% of housing units are owner occupied while 25% of the housing in the AA are rental units.

During this evaluation period, ANB’s primary loan product was residential real estate loans. Using only loans made in the AA, we relied on bank-generated reports of residential real estate loans made during 2000, 2001 and 2002. We verified the accuracy of these reports by sampling 15 loans and found the data to be reliable.

During 2000, 2001 and 2002, the bank originated 339 residential real estate loans in the AA totaling \$22.1 million. We did not segregate home mortgage loans by purpose (purchase, refinance, home improvement), as the data was not readily available from bank reports. Based on the loans made within the AA, the bank’s residential lending reflected reasonable penetration to borrowers of different income levels given demographic data noted above.

The facts and data used to evaluate ANB’s lending activity are presented in the following tables.

Borrower Distribution of Residential Real Estate Loans in Union County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	25%	6%	22%	18%	24%	32%	29%	44%

*Sources: Bank records 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.*

During the evaluation period, the bank also made five multi-family purpose loans totaling \$1,293,000. Two of these units are assisted living facilities.

## Geographic Distribution of Loans

The bank's lending distribution to geographies of different income levels is reasonable, given the contextual factors. No unexplained conspicuous gaps were identified. Our conclusion was based on all residential real estate loans made during 2000, 2001 and 2002, as discussed above.

The findings of this analysis are presented in the following table.

Geographic Distribution of Residential Real Estate Loans in Union County								
Block Numbering Area Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate	N/A	N/A	22%	26%	78%	74%	N/A	N/A

*Source: Bank Reports and 1990 US Census Information.*

## Loan-to-Deposit Ratio

ANB's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the bank's LTD ratio was 68%. ANB's quarterly average LTD ratio since the 1998 CRA examination was 67%. This is comparable to seventeen similarly situated banks in the area whose quarterly average LTD ratios ranged from 33% to 80%, with an average ratio of 57%. These banks are considered similarly situated because of their location, size, and lending opportunities.

## Lending in Assessment Area

Lending in the AA is satisfactory. A substantial majority of the bank's residential real estate loans originated since the last CRA evaluation were made in the AA. We analyzed bank-generated reports to review residential real estate loans originated from 2000 through 2002. The data shows that 87% of the 389 loans originated were made within the bank's AA.

## Responses to Complaints

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

## Fair Lending Review

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