



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 2, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Security National Bank
Charter # 13650
1 West Broadway
Witt, Illinois 62094

Comptroller of the Currency
Fairview Heights Field Office
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 **Security National Bank, Witt, Illinois**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **February 2, 1998**. This evaluation is based on information since the last CRA examination dated **February 5, 1996**. 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**.

- The level of lending to borrowers of different income levels is reasonable based on our review of consumer and residential mortgage lending activities.
- The bank's loan-to-deposit ratio is comparable to similarly situated area banks.
- A substantial majority of residential real estate loans are extended in the bank's assessment area.

DESCRIPTION OF INSTITUTION

Security National Bank, located in Witt, Illinois, is an independent bank with three branch offices located in Irving, Fillmore and Coffeen, Illinois. The bank does not operate any proprietary ATMs. As of December 31, 1997, the bank's assets totaled \$44 million. In November 1995, the bank acquired the Coffeen location which resulted in an increase in assets of \$11 million. The bank's primary business focus is in 1-4 family residential real estate loans, consumer loans, and agricultural lending. As of December 31, 1997, loans secured by 1-4 family residential real estate totaled 39% of the bank's portfolio, consumer loans totaled 26%, and agriculture related loans totaled 24%.

No financial or legal constraints impede the bank's ability to meet 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, financial capacity, and local economic conditions. The bank's prior CRA rating, dated February 5, 1996, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

Security National Bank designated its assessment area as Montgomery County. Montgomery County is located in central Illinois. This assessment area contains eight Block Numbering Areas (BNA). All are middle-income geographies. This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

The population of Montgomery County as of the 1990 census was 30,728. The median family income at that time was \$29,694. The 1998 median family income, based on 1997 data, is \$39,500. Census information on family incomes aggregated for all BNAs in the assessment area shows that 21% of the families were in low-, 17% were in moderate-, 26% were in middle-, and 36% were in upper-income levels.

For the analysis contained in this report, low income is defined as income that is less than 50% of the 1998 non-MSA median family income. Moderate income is defined as income that is at least 50% but less than 80% of the 1998 non-MSA median family income. Middle income is at least 80% but less than 120% of the 1998 non-MSA median family income. Upper income is income that is 120% or more of the 1998 non-MSA median family income.

The median housing value is \$36,786 and the median year built is 1950. Owner-occupied units represent 70% of the housing stock, with 86% of the housing stock being 1-4 family units.

Economic activity in the immediate area is low but stable. However, the western portion of the assessment area is enjoying moderate growth. Major employers in the county are the Graham Correctional Center, Central Illinois Power, Ronk Electrical Industries, county government, and

Echlin Manufacturing. The recent closure of Hillsboro Glass Company impacted many bank customers. Approximately 9% of the households in the assessment area rely on farming. The December 1997 unemployment rate in Montgomery County was 9.6%. This clearly exceeds the state unemployment rate of 4.6% and the national rate of 4.4% for the same period.

Strong competition in the area of residential real estate and consumer loans, the bank's main focus, is provided by financial institutions in nearby Nokomis, Hillsboro, Litchfield and Raymond, Illinois.

To further our understanding of the community's credit needs, we performed a community contact during this examination. We also referred to one performed by the Comptroller of the Currency in Hillsboro, Illinois, that was made since the last examination. Both indicated that credit needs of the assessment area are primarily residential real estate loans, agricultural financing, and consumer loans. Also, both indicated that the local financial institutions are serving the needs of low- and moderate-income families. However, performance by all institutions could be enhanced by (1) additional advertising to heighten community awareness of available credit products, and (2) participation in government-sponsored affordable housing loan programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The bank meets the standards for satisfactory performance. Our sample of residential real estate loans and consumer loans originated in 1997 revealed the distribution of loans to borrowers of different income levels reasonably approximated the income characteristics of the assessment area.

A summary of these findings is presented in the following table.

Income Levels	1-4 Family		Consumer Loans		% of Population
	% By # of Loans	% By \$ of Loans	% By # of Loans	% By \$ of Loans	
Low	2%	2%	35%	30%	21%
Moderate	37%	29%	40%	27%	17%
Middle	43%	38%	25%	43%	26%
Upper	18%	31%	0%	0%	36%

The percentage of 1-4 family real estate loans is not commensurate with the percentage of low-income families in the assessment area. However, the number of home loans to this portion of the population might be increased if the bank participated in government-sponsored affordable housing loan programs. The bank does make many consumer loans to low-income families. Our sample of consumer loans found strong penetration in both the low- and moderate-income family categories.

The bank extends loans to small businesses and small farms. The following table was produced from our sample of eleven commercial loans made in 1997.

**Loans to Small Businesses
Gross Revenue**

	Under \$100M	\$100M-\$250M	\$250M-\$500M	Over \$500M
% of #	64%	18%	9%	9%
% of \$	16%	6%	4%	74%

Because the bank does not routinely obtain revenue data on farm customers, our analysis of small farm loans was based on the original amount of the eleven 1997 farm loans we sampled.

**Loans to Small Farms
Loan Size**

	Under \$100M	\$100M-\$500M	Over \$500M
% of #	100%	0%	0%
% of \$	100%	0%	0%

Based on June 30, 1997, Call Report Data, the average size of a farm loan was \$20,782.

Geographic Distribution of Loans:

Because all the BNAs in the bank's assessment area are middle income, no meaningful analysis could be performed based on loans in geographies of different income levels.

Loan-to-Deposit Ratio:

The bank's loan-to-deposit ratio meets the standards for satisfactory performance. The bank's average loan-to-deposit ratio for the eight quarters beginning March 31, 1996, through December 31, 1997, is 65%. This ratio reached a high of 69% on September 30, 1996, and a low of 61% on December 31, 1997. Five area competitor banks had loan-to-deposit ratios ranging from 64% to 87% on December 31, 1997, and average ratios for the period ranging from 60% to 73%.

Lending in the Assessment Area:

Lending in the assessment area exceeds the standards for satisfactory performance. Our sample of 47 real estate loans and 20 consumer loans found 97% of the number of loans and 96% of the dollar amount of loans were in the bank's assessment area.

Response to Complaints:

No complaints were received since the prior CRA evaluation.

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.