



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Washington, DC 20219

PUBLIC DISCLOSURE

July 6, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Grundy County National Bank
Charter #531**

**201 Liberty Street
Morris, IL 60450**

**Office of the Comptroller of the Currency
Chicago South Field Office
7600 County Line Road, Suite 3
Burr Ridge, IL 60517**

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 CRA performance of Grundy County National Bank prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 12, 2001. Our assessment of the bank's performance covers the period since November 15, 1996. The rating received at that time was "Satisfactory Record of Meeting Community Credit Needs". The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING

This institution is rated **Satisfactory**.

Major Conclusions:

- The bank's record of extending credit to consumers of different income levels and businesses of different sizes within its assessment area is good.
- The bank's loan-to-deposit ratio is reasonable, given the bank's size and the assessment area's credit needs.
- A substantial majority of the bank's loans are within its assessment area.

DESCRIPTION OF INSTITUTION

Grundy County National Bank (GCNB) is a \$134 million intrastate institution located in Morris, Illinois, approximately 60 miles southwest of Chicago and 20 miles west of Joliet. Based on 1990 demographic data, Grundy County has approximately 48,000 people. Morris, Illinois has approximately twelve thousand people. As of March 31, 2001 the bank's loan portfolio totals approximately \$74 million, or 55 percent of total assets. Tier 1 capital is \$7 million. The loan mix at March 31, 2001 was as follows:

Commercial and Comm. Real Estate	34,413,000	47%
1-4 Family Residential Real Estate	21,035,000	28%
Agriculture	10,791,000	15%
Consumer	6,175,000	8%
Other	1,552,000	2%

The bank is a wholly owned subsidiary of Illinois Valley Bancorp, Inc. The bank makes up the majority of the assets of this holding company.

The bank has three branches in addition to the main facility. The most recent branch addition is located in Will County, in the city of Wilmington, Illinois. In November of 2000, GCNB purchased the deposits, along with the building from another institution in Wilmington, Illinois. This facility is approximately 20 miles southeast of Morris, Illinois. All other facilities are in the Morris area. Additionally, the bank has a total of ten Automated Teller Machines (ATMs). Four of these ATMS are freestanding and nine are full service.

Home mortgage and small business loans are the primary needs in the community. To help meet these needs, the bank offers a variety of lending products including residential mortgage loans, home improvement, home equity, consumer and commercial loans. Loan products that target low- and moderate-income levels and small business borrowers include Illinois Housing Development Authority (IHDA) guaranteed mortgage loans, Small Business Administration (SBA) guaranteed loans and Farmers Home Administration (FmHA) guaranteed loans.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community. The bank's previous CRA rating as of November 15, 1996 was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is comprised of nine census tracts in Grundy County and three tracts in Will County. The city of Morris is the county seat and the major population center. All of the census tracts are designated middle-income. There are no low-, moderate-, or upper-income census tracts in the assessment area. The assessment area meets the requirements of the regulation.

The following demographic information on the bank's assessment area is based on 1990 census data, unless otherwise indicated:

2000 HUD Adjusted

Median Family Income: \$67,900

1990 Median Family Income : \$42,354

Income Levels: 17% of the families are low income; 19% are moderate income; 30% are middle income; and 35% are upper income

Housing Stock: 84% of the housing units are 1-4 family

Occupancy: 68% owner occupied; 27% renter occupied; 6% vacant

Median Home Value: \$75,909

Median Year of Homes Built: 1963

The local economy is stable and growing. The major industries in the assessment area are energy, followed by construction and manufacturing/warehousing. Eighty seven percent of the businesses in the assessment area have gross annual revenues of less than \$1 million. As of June 2001, Grundy County had an unemployment rate of 5.6 percent while the Will County rate was 5.1 percent. The State of Illinois unemployment rate as of June 2001 stood at 5.5 percent.

The bank's major competition in the Grundy County AA consists of First Midwest, Standard Bank, Morris Federal and Morris Credit Union. The bank is facing additional competition in the Will County AA due to its presence in Wilmington.

A discussion with a community development organization confirmed that the primary needs in the Grundy County area are affordable housing and small business funding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending To Borrowers Of Different Incomes and to Businesses of Different Sizes

GCNB's distribution of lending reflects good penetration among individuals of different income levels and businesses of different sizes.

1-4 Family Residential Real Estate Lending

The following table outlines the bank's residential real estate lending record to borrowers of different incomes.

	Home Purchase	Home Improvement	Refinances	
Gross Income Levels	% of Bank Loans	% of Bank Loans	% of Bank Loans	% of Total Families
Low	18%	20%	9%	17%
Moderate	30%	10%	27%	19%
Middle	29%	40%	32%	30%
Upper	23%	30%	32%	34%

Source: HMDA data 1997-2000.

The bank's percentage of home purchase loans to low- and moderate-income borrowers exceeds the percentage of these families in the assessment area. In home improvement lending, the bank's percentage of loans to low-income borrowers exceeds the percentage of low-income families. Additionally, in home refinance loans, the bank's percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the assessment area.

Small Business Lending

Eighty seven percent of the businesses in the assessment area have gross annual revenues of less than \$1 million. Based on a sample of twenty loans made by the bank, it was determined that eighty percent were made to businesses with revenues less than a million dollars.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio is satisfactory. The bank's average quarterly loan-to-deposit ratio covering the period from January 1, 1997 to March 31, 2001 is 63.86 percent. A review of peer information for the same time period reflects an average of 65%; slightly higher than GCNB. However, GCNB purchased a branch in November 2000 which reduced the loan-to-deposit ratio after that date.

The bank has had a long-term participation in the Upper Illinois River Valley Community Development Corporation (CDC). This corporation provides funds to small and medium sized firms. The bank's current investment stands at \$100 thousand.

Lending In The Bank's Assessment Area

A substantial majority of loans originated are within the assessment area. Based on HMDA reportable loans originated between January 1, 1997 and December 31, 2000, seventy four percent of both the dollar and number of loans were made within the bank's assessment area. In order to determine the percentage of business loans within the assessment, a sample of

twenty loans made from January 1, 1997 through December 21, 2000 was taken. Using this sample, we determined that 80 percent of those loans were originated in the bank's assessment area.

Geographic Distribution Of Loans

Because all the census tracts in the bank's assessment area are middle-income tracts, a geographic distribution analysis of the bank's loan originations would not be meaningful, and is not considered in the overall CRA rating.

Compliance With Fair Lending Laws

An analysis of recent HMDA loan information, public comments, and consumer complaint information was performed according to the OCC's risk based analysis approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in November 1996.

Written Complaints

Grundy County National Bank has received no written complaints about its performance in helping to meet the credit needs within its assessment areas during this evaluation period.