



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Belvidere National Bank and Trust Company
Charter Number 14402**

**600 South State Street
Belvidere, Illinois 61008**

**Office of the Comptroller of the Currency
Rockford Duty Station
5804 Elaine Drive
Rockford, Illinois 61108**

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 **The Belvidere National Bank and Trust Company (BNB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 20, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

This Evaluation covers the period since March 31, 1994, the date of the last CRA examination when the bank was rated “Satisfactory Record of Meeting Community Credit Needs.”

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.

The bank has a reasonable loan-to-deposit ratio and a substantial majority of BNB's loans are made to borrowers within the assessment areas. BNB lends to a variety of borrowers and small business owners.

The following table indicates the performance level of The Belvidere National Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Belvidere National Bank and Trust Company</u>		
	PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans			X
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Belvidere National Bank and Trust Company (BNB), a \$168 million financial institution, is headquartered in Belvidere, Illinois. On June 30, 1996, BNB had approximately \$100 million in outstanding loans and a loan-to-deposit ratio of 71%. The loan portfolio consists of real estate loans (49%), commercial loans (20%), agricultural loans (18%), and consumer loans (13%). BNB has three branch locations with two located in Belvidere and one located in Kirkland. Each branch has an automatic teller machine (ATM). The bank is wholly owned by Landmark Financial Group, headquartered in Belvidere, Illinois. Landmark Financial Group is a two bank holding company with total assets of \$408 million. The other bank in the holding company is Alpine State Bank (\$240 million) located in Rockford.

There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

DESCRIPTION OF THE BOONE-WINNEBAGO COUNTY AND DEKALB COUNTY ASSESSMENT AREAS:

The bank's two assessment areas are comprised of: the **Boone-Winnebago Counties**, a large portion of the Rockford MSA in north-central Illinois; and **DeKalb County**, a small portion of the Chicago MSA. The assessment areas are contiguous in location. The total population of the assessment areas is 361,651 based on 1990 census data. The assessment area contains 18%, 19%, 26% and 37% of low-, moderate- middle- and upper-income families, respectively. The assessment areas consists of 94 census tracts. Of the 94 census tracts, 7 (8%) are low-income, 20 (21%) are moderate-income, 51 (54%) are middle-income, 15 (16%) are upper-income census tracts, and 1 (1%) that has not been categorized into an income level. This unidentified census tract is located in DeKalb County on the Northern Illinois University campus. Approximately 2% of owner-occupied residences are found in low-income census tracts and 15% of owner-occupied residences are found in moderate-income census tracts. The following provides more detail of each assessment area:

Winnebago-Boone Counties:

This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. Winnebago and Boone Counties are two of three counties (Ogle County is not included) in the Rockford MSA. Winnebago and Boone Counties' total population is 283,719. Major cities include Rockford, Roscoe, Rockton and South Beloit in Winnebago County and Belvidere in Boone County. The median family income is \$36,321. The assessment area contains 18%, 18%, 26% and 38% of low-, moderate-, middle- and upper-income families, respectively. Winnebago and Boone Counties consist of 73 census tracts. There are 6 (8%) low-income census tracts, 17 (23%) moderate-income, 36 (49%) middle-income and 14 (19%) upper-income census

tracts. The low-and moderate-income census tracts are located in the central and western areas of Rockford. Local housing is 84% 1 - 4 family units of which 65% is owner-occupied. The median home value is \$57,000. Major employers include Chrysler Corporation, Warner Electric, Rockford Memorial Hospital, Ingersoll Milling Machine, Swedish American Health System, and Clarcor Corporation. As of August 1996, the unemployment rates for Winnebago and Boone Counties are 4.6% and 4.1%, respectively.

DeKalb County:

This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. The total population of DeKalb County is 77,932. DeKalb County comprises a small portion of the Chicago MSA. The major city of the County is DeKalb with a population of 34,925. The median family income of the County is \$38,304. The assessment area contains 19%, 23%, 28% and 30% of low-, moderate-, middle- and upper-income families, respectively. The County consists of 21 census tracts. There is one (5%) low-income census tract, 3 (14%) moderate-income, 15 (71%) middle income, 1 (5%) upper-income census tracts, and 1 (5%) census tract that was not identified as one of this group. The low-income census tract is located in central DeKalb with the moderate income areas being in the southern portion of DeKalb County. Local housing is 87% 1 - 4 family units of which 56% is owner-occupied. The median home value is \$78,700. Major employers of the County include Northern Illinois University and Ideal Industries. Local unemployment is 3.4% as of August 1996.

The bank's competition in the assessment areas primarily includes community banks with a few branches of regional and multinational banks headquartered elsewhere in Illinois or outside of Illinois. The vast majority of businesses in Boone-Winnebago and DeKalb Counties are small businesses. Approximately 93% of businesses have less than 50 employees, 6% of businesses have 50 to 499 employees, and 1% of businesses have 500 or more employees.

Two contacts were made with community representatives within the assessment areas. Based on these contacts as well as other contacts made by regulatory agencies in the last two years, the community's credit needs are identified as residential real estate, home improvement, small business and consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

On June 30, 1996, the loan-to-deposit (L/D) ratio is reasonable at 71% and is comparable to the average of other financial institutions, primarily community banks, located in the bank's

assessment areas. The other 19 financial institutions' loan-to-deposit ratios range from 42% to 82% with an average of 68%. BNB's average quarterly L/D ratio from March 31, 1994 to June 30, 1996 is 65%.

Lending In Assessment Areas:

BNB's lending within the assessment areas is high. In 1994, 98% of residential mortgage loans subject to the Home Mortgage Disclosure Act (HMDA) were within the bank's assessment areas. In 1995, 95% of mortgage loans originated were in the bank's assessment areas. In a sample of 31 commercial and agricultural loans originated between May 1, 1996 and August 31, 1996, 90% were within the assessment areas.

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

BNB's overall lending to borrowers of different incomes and businesses of different sizes is comparable to the characteristics of its assessment areas. Mortgage loan information required under the Home Mortgage Disclosure Act (HMDA) and a sample of small business loans were reviewed to determine the extent of the bank's lending volume.

The following table reflects the number and dollar of mortgage loans by borrower income within the two assessment areas:

Table 1 Mortgage Loans Originated by Borrower Income				
Applicant Income as a % of the Assessment Area Family Income: (Characteristics of the Assessment Areas)	1994 #	1994 \$	1995 #	1995 \$
Low Income (18% of families in assessment area)	6%	3%	4%	2%
Moderate Income (19% of families in assessment area)	22%	16%	18%	14%
Middle Income (26% of families in assessment area)	37%	35%	37%	31%
Upper Income (37% of families in assessment area)	34%	46%	42%	52%

- represents the number of loans by percentage.
\$ - represents the dollar of loans by percentage.

Table 1 reveals a distribution of mortgage loans to borrowers of different income levels that is generally consistent with the characteristics of the assessment areas. Loans to low-income borrowers are low because the bank's primary trade area is Boone County. There are no branches in Winnebago County which has the bulk of the low-income borrowers. Also, low-income borrowers represent only 2% of owner-occupied residences. The bank adequately serves moderate-, middle- and upper-income borrowers when compared to the characteristics

of the assessment areas. The following tables further detail the above information by each assessment area:

Boone-Winnebago Counties:

The following table reflects the percentage of mortgage loans made to borrowers of different income levels in this assessment area:

Table 2 Mortgage Loans Originated in the Boone-Winnebago Counties by Borrower Income				
Applicant Income as % of the Assessment Area Family Income: (Characteristics of the Assessment Area)	1994 #	1994 \$	1995 #	1995 \$
Low Income (18% of families in assessment area)	6%	2%	3%	1%
Moderate Income (18% of families in assessment area)	20%	15%	16%	14%
Middle Income (26% of families in assessment area)	37%	33%	36%	30%
Upper Income (38% of families in assessment area)	37%	49%	45%	55%

- represents the number of loans by percentage.
\$ - represents the dollar of loans by percentage.

Table 2 reveals that the bank makes mortgage loans to borrowers of all income levels in Boone and Winnebago Counties. The results are similar to the bank's overall percentages in Table 1.

DeKalb County:

The following table reflects the percentage of loans made to borrowers of different income levels in this assessment area:

Table 3 Mortgage Loans Originated in DeKalb County By Borrower Income				
Applicant Income as % of the Assessment Area Family Income: (Characteristics of the Assessment Area)	1994 #	1994 \$	1995 #	1995 \$
Low Income (19% of families in assessment area)	12%	7%	13%	9%
Moderate Income (23% of families in assessment area)	35%	26%	35%	20%
Middle Income (28% of families in assessment area)	42%	55%	35%	46%
Upper Income (30% of families in assessment area)	12%	12%	13%	19%

- represents the number of loans by percentage.
\$ - represents the dollar of loans by percentage.

Table 3 reveals that the bank originates a reasonable volume of mortgage loans to borrowers of all income levels in DeKalb County when compared to the characteristics of this assessment area.

The bank originates a high percentage of loans to small businesses and small farms in its assessment areas. A sample of commercial and agricultural loans originated May 1996 through August 1996 totaling \$2.3 million was reviewed to determine the extent of the bank's origination of small business and small farm loans. Of the sample reviewed, 90% of the number of loans were to small businesses and farms.

Geographic Distribution of Loans:

The bank has a low distribution of loans in low- and moderate-income census tracts. Using mortgage loan information required under the HMDA, the bank's loan distribution by census tract characteristic is as follows:

Table 4 All Mortgage Loans Originated By Census Tract Characteristic			
Census Tract Characteristics:	1994 # 1995 #	1994 \$ 1995 \$	% of Census Tracts within the Assessment Area with Similar Characteristics
Low Income Includes 2% of owner-occupied units	0% 1%	0% 0%	8%
Moderate Income Includes 15% of owner-occupied units	2% 1%	2% 0%	22%
Middle Income Includes 60% of owner-occupied units	70% 75%	62% 69%	54%
Upper Income Includes 23% of owner-occupied units	28% 23%	36% 31%	16%

- represents the number of loans by percentage.
\$ - represents the dollar of loans by percentage.

Table 4 reveals that loans in low- and moderate-income census tracts are low when compared to the characteristics of the assessment areas. This is because the bank's primary trade area is Boone County. The majority of the low- and moderate-income census tracts are located in the central and western sections of Rockford, in Winnebago County. The remaining low- and moderate-income census tracts are located in the central and southern sections of DeKalb County. The bank's Boone County branches are located approximately 15 miles from the low- and moderate-income census tracts in Winnebago County. The bank's Kirkland branch, located in the northern section of DeKalb County, is at least 10 miles from the low- and moderate-income census tracts of DeKalb County. BNB adequately serves borrowers in middle- and upper-income census tracts when compared to the characteristics of the

assessment areas. The following tables further detail the geographic distribution of mortgage loans by assessment area:

Boone-Winnebago Counties:

The bank's mortgage loan distribution by census tract characteristic is as follows:

Table 5 All Mortgage Loans Originated in the Boone-Winnebago Counties By Census Tract Characteristic			
Census Tract Characteristics:	1994 # 1995 #	1994\$ 1995\$	% of Census Tracts within the Assessment Area with Similar Characteristics
Low Income Includes 2% of owner-occupied units	0% 1%	0% 0%	8%
Moderate Income Includes 17% of owner-occupied units	2% 1%	2% 0%	23%
Middle Income Includes 55% of owner-occupied units	66% 73%	58% 66%	50%
Upper Income Includes 26% of owner-occupied units	32% 25%	40% 34%	19%

- represents the number of loans by percentage.
\$ - represents the dollar of loans by percentage.

The percentages in Table 5 reflect a low distribution of loans in low- and moderate-income census tracts and are explained under Table 4.

DeKalb County:

The bank's mortgage loan distribution by census tract characteristic is as follows:

Table 6 All Mortgage Loans Originated in DeKalb County By Census Tract Characteristic			
Census Tract Characteristics:	1994 # 1995 #	1994 \$ 1995 \$	% of Census Tracts within the Assessment Area with Similar Characteristics
Low Income Includes 1% of owner-occupied units	0% 0%	0% 0%	5%
Moderate Income Includes 9% of owner-occupied units	2% 0%	3% 0%	14%
Middle Income Includes 83% of owner-occupied units	98% 96%	97% 93%	71%
Upper Income Includes 8% of owner-occupied units	0% 4%	0% 7%	5%

- represents the number of loans by percentage.
\$ - represents the dollar of loans by percentage.

The percentages in Table 6 also reflect a low distribution of loans in low- and moderate-income census tracts and are explained under Table 4.

Compliance with Fair Lending Laws and Regulations:

We conducted a fair lending examination using a sample of purchase money, residential mortgage loans originated between January 1, 1996 and August 15, 1996. Based on the sample reviewed, no evidence of illegal discrimination was detected.