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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

**April 17, 1997**

### **Community Reinvestment Act Performance Evaluation**

**Tampico National Bank  
Charter Number 14574**

**112-120 Main Street**

**Tampico, Illinois 61283**

**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 CRA performance of **Tampico National Bank (TNB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 17, 1997. 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 Record of Meeting Community Credit Needs.

TNB's average loan-to-deposit ratio since the prior CRA examination is 28%. This is below average but has improved significantly over the last year. Most loans are made within the bank's assessment area, and TNB originates loans to individuals of various income levels and businesses of different sizes.

The following table indicates the performance level of **Tampico National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Tampico National Bank 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	Analysis Not Performed		
Response to complaints	No complaints were received since the prior examination.		

### Description of Institution

Tampico National Bank (TNB), a \$17 million financial institution, is wholly owned by Union Bancorp, Inc. (UBI). UBI is a nine bank holding company headquartered in Ottawa, Illinois. On December 31, 1996, TNB had approximately \$6 million in loans outstanding and a loan-to-deposit ratio of 38%. The loan portfolio consists of residential real estate loans (30%), agricultural production loans (29%), loans secured by farmland (25%), consumer loans (9%), commercial & commercial real estate loans (5%), and construction loans (2%). There are no legal or financial impediments that affect the bank's ability in helping to meet community credit needs.

The last public evaluation was issued by the Office of the Comptroller of the Currency on May 9, 1994. At that time, the bank's performance under CRA was rated: Satisfactory Record of Meeting Community Credit Needs.

### Description of Assessment Area

The bank's assessment area includes four contiguous Block Numbering Areas (BNA) surrounding the bank and located in the following counties: Whiteside, Lee, Bureau, and Henry. All four BNAs are middle-income areas. The total population of the

assessment area is 11,363 based on 1990 census data. Income levels of these 3,266 families are as follows: 552 (17%) low-income; 766 (23%) moderate-income; 981 (30%) middle-income; and 967 (30%) upper-income. The 1996 median family income is \$37,300.

The local economy is good. Unemployment is approximately 5% and has been less than 6% since 1993. The economy in the assessment area is primarily agricultural, but most residents are employed in Rock Falls and Sterling. Service industries employ the most people, followed by retail trade and manufacturing. Major employers include Northwestern Steel & Wire, Frantz Manufacturing, National Manufacturing, and CGH Medical Center. The vast majority of businesses in the four county area are small businesses. Approximately 96% of businesses have less than 50 employees, 4% have 50 to 499 employees, and less than 1% have 500 or more employees.

Local housing is 62% owner-occupied units, 28% rental occupied units, and 9% vacant housing units. The median home value is \$39,150. One identified credit need is for additional housing. Currently, opportunities are limited because land available for residential construction is limited. The village of Tampico is looking to purchase land to make available for new housing.

## **Conclusions with Respect to Performance Criteria**

### **Loan to Deposit Ratio:**

As of December 31, 1996, the bank's loan-to-deposit (L/D) ratio is 38%, which is below the average of other financial institutions in the area. TNB's average L/D ratio from March 31, 1994 to December 31, 1996 is 28%. Management attributes this to the previous holding company's strategy to purchase more securities while allowing loans to run-off. The bank's relatively low legal lending limit also puts constraints on making farm loans. Management is seeking to increase loan volume, and they now offer 30 year fixed rate mortgages which can be sold into the secondary market. The L/D ratio improved significantly over the last year. As of March 31, 1997, the L/D ratio is 49% compared with 29% one year ago.

### **Lending in Assessment Area:**

Lending in the assessment area is reasonable. Out of 48 loans sampled, 38 (79%) were made within the assessment area. The sample included 20 residential real estate loans, 10 consumer installment loans, and 18 commercial loans.

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

TNB's level of loans made to low- and moderate-income individuals is good. Table 1 illustrates that 53% of the number and 31% of the dollar amount of loans sampled were in the low- and moderate-income categories. Forty percent of the families in TNB's assessment area fall in the low- and moderate-income categories.

**Table 1**

<b>Sample of 30 Mortgage and Installment Loans Originated in 1996-97 Sorted by Borrower Income</b>				
<b>Borrower Characteristics by Income</b>	<b># of Loans</b>	<b>Percent of Total</b>	<b>\$ Amount of Loans</b>	<b>Percent of Total</b>
Low-Income	7	23%	\$22,718	4%
Moderate-Income	9	30%	\$158,691	27%
Middle-Income	10	33%	\$293,654	51%
Upper-Income	4	14%	\$107,000	18%
Total	30	100%	\$582,063	100%

The volume of loans to small businesses is good. Of the 18 commercial loans sampled, 16 (89%) were to small businesses.

### **Geographic Distribution of Loans:**

All four BNAs in the assessment area are middle-income areas. An assessment of geographic distribution would not provide any meaningful analysis.

### **Compliance with Fair Lending Laws and Regulations:**

We conducted a fair lending examination using a sample of home purchase, refinance, and construction loans originated in 1996 and year-to-date 1997. Based on the sample reviewed, no evidence of illegal discrimination was detected.