



## **PUBLIC DISCLOSURE**

June 29, 1998

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Stillman BancCorp, N.A.  
Charter Number 14369**

**101 East Main Street  
Stillman Valley, Illinois 61084**

**Office of the Comptroller of the Currency  
Chicago West Field Office  
Arlington Place II, Suite 340  
85 West Algonquin Road  
Arlington Heights, Illinois 60005-4422**

**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 **Stillman BancCorp, National Association (SBNA)** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of June 29, 1998. 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 **Outstanding**.

- SBNA is a leader in the origination of home mortgage loans within the bank's assessment area.
- SBNA's originates a large majority of their commercial loans to small businesses and small farms.
- SBNA's loan-to-deposit ratio is reasonable.
- A majority of loans are made to borrowers within their assessment area.
- Investments and services enhance credit availability in the assessment area.

## **DESCRIPTION OF INSTITUTION**

Stillman BancCorp, N.A. (SBNA) is a wholly owned subsidiary of Stillman BancCorp, Incorporated, a one bank holding company. The bank is based in Stillman Valley, Illinois, a town approximately 10 miles south of Rockford. The main office is located in downtown Stillman Valley with full service branches in Byron, Oregon, and Rochelle.

On March 31, 1998, SBNA had total assets of \$177 million, net income of \$788 thousand and a loan-to-deposit ratio of 58%. Loans represent 47% of total assets. Commercial and commercial real estate lending represent 33%, residential real estate lending represents 35%, agricultural lending represents 21% and consumer lending represents 11% of gross loans.

The bank offers numerous loan products including commercial, commercial real estate, consumer home improvement, home equity lines of credit, and various home loan products. However, the bank's lending efforts are largely concentrated on commercial, agricultural, and residential lending.

There are no financial or legal impediments which would impact SBNA's ability to meet the credit needs of its community. This evaluation considered the bank's performance since the last examination, dated May 30, 1995, at which the bank received an Outstanding rating.

## **DESCRIPTION OF ASSESSMENT AREA**

The assessment area is comprised of the entire political subdivision of Ogle County, which is a portion of the Rockford Metropolitan Statistical Area (MSA 6880). The assessment area represents 10 geographies. All of the census tracts within the assessment area are middle-income. The assessment area includes geographies where the bank has a branch and where a substantial portion of the bank's loans have been originated and receives a majority of its deposits.

There are 12,866 families within the bank's assessment area. Sixteen percent of the families are low-income, 22% are moderate-income, 29% are middle-income, and 33% are upper-income. The median family income for the assessment area is \$47,100.

The local economy is stable and is predominantly agricultural. Further there is some reliance on the service industry and manufacturing. The largest local employer is Commonwealth Edison. Other major employers include Quebecor Printing, Kable News, Wood Equipment Co., Carbon, Inc., and Rochelle Foods, Inc. In May, the unemployment rate in the assessment area was 3 %, which was lower than the state and national unemployment rates of 3.8% and 4.2%, respectively.

Many financial institutions serve the assessment area. According to 1996 Home Mortgage Disclosure Act (HMDA) information, 98 financial institutions originated real estate mortgages in the bank's assessment area. Many of the banks located in the assessment area are branches of larger regional and money center banks. Four other independent banks are based near the bank's locations. Three additional independent banks are located within the assessment area.

The most significant credit need is affordable housing, including low down payment programs. These needs were identified through several community contacts with housing and government representatives contacted by banking regulatory agencies within the last 24 months.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

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

#### Mortgage Lending

The distribution of home loans among borrowers of various income levels is reasonable when compared to the income distribution of the assessment area's families. This distribution is enhanced by SBNA's leadership and domination of the market share of lending within the assessment area. For an institution of this size, SBNA's market share is strong and typically more than three times higher than other mortgage lenders in the area. Even more impressive is the fact that SBNA's is the leader in mortgage lending over and above large country wide mortgage lenders and large regional and money center banks within the area.

The bank's market share remains strong in reviewing their responsiveness to low-to moderate-income borrowers. Market share data for 1996 HMDA activity reveals that the bank leads in lending to low- and moderate-income borrowers within its assessment area. For low-income borrowers, SBNA ranked first out of twenty-three lenders, with a 46% market share. For moderate-income borrowers, the bank also ranked first out of forty-eight lenders, with a 30% market share.

While lending to low-and moderate-income borrowers is slightly below the population's income distribution characteristics, the bank's strong market share indicate that SBNA is making strong efforts to provide mortgage loans to all people in the assessment area with the ability to borrow. The table below reflects that within the assessment area, the bank originated 29% to low- and moderate-income borrowers, in 1996. The percentage of originations to low- and moderate-income borrowers improved to 31% in 1997. Thirty-eight percent of the area's families are low-and moderate-income. It is also important to note, as an aside fact, that 7% of the households within the assessment area are below the poverty level. As such, the opportunity to extend home mortgage credit may be reduced and may have a limited ability to assume debt obligations.

In response to identified community credit needs, the bank recently developed an affordable mortgage program. The "No Cost Mortgage Program" was initiated in December 1997 and does not require any closing cost. There is no minimum loan amount and the bank allows up to a 95% loan to value ratio with private mortgage insurance. Response has been good with 96 loans originated, to date.

| Home Mortgage Loans By Borrower Income |      |      |           |      |      |      |           |      |                                 |
|--|------|------|-----------|------|------|------|-----------|------|---------------------------------|
| Borrower Income Distribution           | 1996 |      |           |      | 1997 |      |           |      | Assessment Area Characteristics |
|  | #    | %    | \$(000's) | %    | #    | %    | \$(000's) | %    | % of Families                   |
| Low                                    | 41   | 9%   | 771       | 4%   | 47   | 12%  | 1,152     | 6%   | 16%                             |
| Moderate                               | 88   | 20%  | 2,684     | 13%  | 74   | 19%  | 2,448     | 14%  | 22%                             |
| Middle                                 | 141  | 32%  | 6,152     | 31%  | 124  | 32%  | 4,957     | 28%  | 29%                             |
| Upper                                  | 164  | 37%  | 9,576     | 48%  | 137  | 35%  | 8,695     | 49%  | 33%                             |
| Income Not Available                   | 11   | 2%   | 709       | 4%   | 10   | 2%   | 642       | 3%   | N/A                             |
| Total                                  | 445  | 100% | 19,892    | 100% | 392  | 100% | 17,894    | 100% | 100%                            |

Source: 1996 and Year-to-date 1997 HMDA - LAR . Includes only owner-occupied units.

### Small Business and Small Farm Lending

The bank originates a significant number of loans to small businesses and small farms in its assessment area. Small business loans, in general, include loans secured by nonfarm nonresidential loans as defined in the Call Report and Thrift Financial Reports (TFR), in amounts less than \$1 million. Small farm loans are loans for farming purposes less than \$500,000. We sampled 25 commercial and farm loans originated in 1997 to determine the extent of the bank's originations. Of the sample reviewed, 100% of the number of loans were to small businesses or small farms. Of those small business and small farm loans, 80% had revenues less than one million. Sixty-four percent of the loans were for amounts less than \$100,000.

### **Loan to Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable when compared to the three competitor banks in Ogle County. The loan-to-deposit ratio averaged 58.16% since the last CRA examination. The average loan-to-deposit ratio for the three competitor banks, for the same period, is 55%. However, the bank's loan-to-deposit ratio does not reflect the significant volume of mortgage loans that are originated and subsequently sold on the secondary market.

The magnitude of secondary market activity consists of fixed rate loans sold to Freddie Mac. Approximately \$100 million of the Freddie Mac loans are serviced by the bank. Adjusting for loans sold to Freddie Mac, the average loan-to-deposit ratio, for five quarters, increases significantly to 132%.

### **Geographic Distribution of Loans**

All 10 census tracts in the assessment area are middle-income. As such, an assessment of the geographic distribution of loans is not meaningful.

### **Lending in Assessment Area**

The majority of SBNA's lending is within their assessment area. For 1996 and 1997, 77% of the number and 72% of the dollar amount of home mortgage loans were originated within the bank's assessment area. A random sample of 25 of small business and small farm loans originated in 1998 revealed that 68% of the number and 49% of the dollar amount were within SBNA's assessment area.

### **Compliance with Antidiscrimination Laws and Regulations**

We conducted a fair lending examination to determine if all applicants that applied for refinanced loans were treated similarly. We determined if the rates and terms granted to approved borrowers of the prohibited basis group were similar to other approved loan borrowers. We found no evidence of discrimination.

### **Response to Complaints**

SBNA has not received any complaints since the prior examination.

## **CONCLUSIONS WITH RESPECT TO INVESTMENTS AND SERVICES**

### **Investments**

SBNA's investing activities enhances credit availability in its assessment area. This conclusion is based on the needs and opportunities within the market identified through community contacts and the bank's size and financial capacity. The bank provides investments in its communities primarily through cash contributions and grants to various organizations serving low- and moderate-income residents in its assessment area. They primarily promote child care and social services. SBNA contributed to 6 different organizations, totaling \$31,120, during this evaluation period.

### **Services**

SBNA services and delivery systems enhances credit availability in its assessment area. SBNA operates 4 full-service branches that are dispersed throughout the assessment area. All branches are located in middle-income census tracts, as there are no low-or moderate-income census tracts in the assessment area. However, all branches are assessable to low-and moderate-income borrowers, since at least 30% of the families within each census tract are low- or moderate-income.

SBNA's alternative delivery systems make services more accessible. All branch locations are equipped with a 24 hour ATM. The bank also offers a free 24 hour telephone banking service. Customers are able to obtain deposit account information, transfer funds between existing deposit

accounts, and make loan payments.

SBNA's products and services are available at any location. The bank's hours are generally tailored to the needs of the surrounding area. All of the locations maintain Saturday hours. However, the lobby is open only at the Rochelle and Byron branches, on Saturday. Since the last CRA examination, the bank has not opened any branches.

#### Community Development Service

- Senior management took the lead in the formation of the Ogle County Community Development Corporation (CDC). The CDC has been established to promote small business development and retention in Ogle County. Senior management took the initiative in completing state filing requirements, coordinating the participation of local financial institutions.