



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

September 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Lee County Bank & Trust, National Association
Charter Number 22123
Post Office Box 280
Fort Madison, Iowa 52627**

**Office of the Comptroller of the Currency
Peoria Field Office
111 West Washington Street, Suite 300
East Peoria, Illinois 61611**

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 **Lee County Bank & Trust, National Association (LCBT)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 7, 1999**. This evaluation is based on information from the last CRA examination dated June 17, 1996, to the current examination dated September 7, 1999. 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."

- C A majority (87%) of LCBT's loan originations are located within the bank's assessment areas.
- C The bank's distribution of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- C LCBT's record of lending to small farms and small businesses within its assessment areas is good.

DESCRIPTION OF INSTITUTION

Lee County Bank and Trust is a \$110 million bank in Fort Madison, Iowa, located in southeast Iowa. LCBT has one office in downtown Fort Madison, with a drive-up facility and Automated Teller Machine (ATM) at that location. The bank also has a drive-up facility and three other ATM's located in Fort Madison. Two additional ATMs are located in middle-income areas.

LCBT is 98% owned by Lee Capital Corporation, a one bank holding company. The bank offers traditional banking services and lending products. Their primary business focus is residential real estate and commercial lending. The loan portfolio mix is as follows: residential real estate 45%, commercial 41%, instalment 7%, agricultural 7%. Net loans to assets is 71% as of June 30, 1999.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area (AA). An "Outstanding" rating was received during the June 17, 1996 CRA examination.

DESCRIPTION OF ASSESSMENT AREAS:

The bank's assessment areas consist of all the block numbering areas (BNAs) in Lee County, Iowa and Hancock County, Illinois.

Lee County, Iowa Assessment Area

This AA is comprised of the eleven BNAs in Lee County, Iowa. One of the BNAs in the AA is designated as moderate-income while the remaining ten are middle-income. There are no low- or upper-income BNAs in the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The location of the BNAs by income level is as follows:

C Moderate-income: 9908

C Middle-income: 9901, 9902, 9903, 9904, 9905, 9906, 9907, 9909, 9910, 9911

According to 1990 census data, the total population of the bank's AA is 38,687. The 1999 non-Metropolitan Statistical Area (MSA) statewide median family income for Iowa is \$42,100. Potential borrowers earning less than 50% of the non-MSA statewide median family income are designated as low-income, while those earning 50% - 80%, 80% - 120%, and more than 120% are designated as moderate-, middle-, and upper-income, respectively. Within the AA, 20% of the families are low-income, 17% are moderate-income, 23% are middle-income, and 40% are upper-income. Thirteen percent of the population is below poverty level. The unemployment rate for the AA is low at 3%.

Ninety percent of the businesses in the AA have gross income of less than \$1 million. All of the farms have revenues less than \$1 million.

There are 16,443 housing units in the AA, of which 67% are owner-occupied, 24% are rental-occupied, and 9% are vacant. The median age of homes in the AA is 47 years, while the median housing price is \$36,341.

Hancock County, Illinois Assessment Area

Hancock County AA consists of eight BNAs, two are moderate-income and six middle-income. There are no low-income or upper-income BNAs. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The location of the BNAs by income level is as follows:

☺ Moderate-income: 9537, 9544

☺ Middle-income: 9538, 9539, 9540, 9541, 9542, 9543

According to the 1990 census, the population of the bank's AA totaled 21,373. The 1999 non-MSA statewide median family income for Illinois is \$41,500. Within the Hancock County AA, 19% of the families are low-income, 20% are moderate-income, 25% are middle-income, and 36% are upper-income. Thirteen percent of the population is below poverty level. The unemployment rate for the AA is low at 2%.

Ninety-one percent of the businesses in the AA have gross income of less than \$1 million with nine percent greater than \$1 million. All of the farms have revenues less than \$1 million.

There are 9,692 housing units in this AA, of which (6,407) 66% are owner-occupied, (2,002) 21% are rental-occupied, and (1,283) 13% are vacant units. The median housing price is \$32,402 while the median age of homes is 52 years in the AA.

Economic Data

Economic conditions in the AA are stable. Principal employers are Iowa State Penitentiary and several manufacturing plants, including Sheaffer Eaton, Armour Dial Corporation, E.I. DuPont De Nemours & Company, and Wabash Corporation. Retail businesses and agricultural production also contribute to the local economy.

The large number of banks, thrift institutions, credit unions, and Farm Credit Services provide a high level of competition in the financial services market. Fort Madison Bank & Trust Company, Keokuk Savings Bank & Trust Company, Pilot Grove Savings Bank, and First State Bank of Western Illinois were identified as similar situated institutions within the AA based on asset size and/or business focus.

A community contact was made with a local Realtor in Fort Madison during the examination. The contact indicated local financial institutions are responsive to community credit needs and there are no significant unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. The average loan-to-deposit ratio for the thirteen quarters ending June 30, 1999, equals 79.68% compared to 74.36% for local similarly situated banks. During these thirteen quarters, LCBT's loan-to-deposit ratio has increased from 83.19% on June 30, 1996, to 93.82% on June 30, 1999.

LENDING IN ASSESSMENT AREA

The bank's record of lending within the AA is reasonable and meets the standards for satisfactory performance. The following table details the bank's lending within and outside the AA by dollar volume and number of loan originations in the evaluation period.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$28,558,458	\$3,533,230	602	62
	89%	11%	91%	9%
Business	\$27,342,140	\$7,772,039	355	45
	78%	22%	89%	11%
Agricultural	\$6,026,782	\$1,542,973	120	12
	80%	20%	91%	9%
Consumer Instalment	\$4,186,476	\$1,130,435	739	155
	79%	21%	83%	17%
TOTAL	\$66,113,856	\$13,978,677	1,816	274
	83%	17%	87%	13%

Source: Bank Records (5/31/96 to 8/30/99)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of residential real estate loans reflects adequate penetration among individuals of different income levels including low- and moderate-income individuals. Based on a sample of 61 residential real estate loans originated within the AA, seven percent and 14% were originated to low-income borrowers in the Iowa and Illinois AAs. Fifteen percent and 29% were originated to moderate-income borrowers in the Iowa and Illinois AAs.

LCBT accommodates low- and moderate-income individuals by granting small dollar real estate loans. Twenty-five percent of the real estate loans originated for less than \$25,000, 43% originated for \$25,000 to \$49,999, 25% originated for \$50,000 to \$99,999, and 7% originated for \$100,000 or more in the Iowa AA. Nine percent of the real estate loans originated for less than \$25,000, 63% originated for \$25,000 to \$49,999, 25% originated for \$50,000 to \$99,999, and 3% originated for \$100,000 or more in the Illinois AA.

The following tables summarize the bank's distribution of loan originations among borrowers of different income levels:

**IOWA ASSESSMENT AREA
RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS**

INCOME LEVEL OF BORROWER	% OF FAMILIES	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	20%	\$55,358	3%	2	7%
Moderate-income	17%	\$159,625	9%	5	15%
Middle-income	23%	\$535,201	30%	13	39%
Upper-income	40%	\$1,054,649	58%	13	39%
TOTAL	100%	\$1,804,833	100%	33	100%

Source: Bank Records (5/31/96 to 8/30/99)

**ILLINOIS ASSESSMENT AREA
RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS**

INCOME LEVEL OF BORROWER	% OF FAMILIES	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	19%	\$110,856	9%	4	14%
Moderate-income	20%	\$322,654	25%	8	29%
Middle-income	25%	\$291,099	23%	7	25%
Upper-income	36%	\$547,104	43%	9	32%
TOTAL	100%	\$1,271,713	100%	28	100%

Source: Bank Records (5/31/96 to 8/30/99)

LCBT's lending levels for small business and small farm loans reflect good responsiveness to community cre needs. All of the small farm loans were made to farms with annual revenues less than \$1 million in both AA Eight-five percent and 100% of the small business loans were made to companies and farms with annual revenues less than \$1 million in the Iowa and Illinois AA, respectively. This performance is reflective of the markets in the bank's assessment areas.

As detailed in the following tables, a substantial portion of the loans originated during the evaluation period t small businesses and farms originated for less than \$50,000.

**IOWA ASSESSMENT AREA
DISTRIBUTION OF SMALL BUSINESS AND FARM LOANS
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$25,000	146	43%	53	49%
\$25,000 - \$49,999	60	18%	23	21%
\$50,000 - \$99,999	59	17%	16	15%
\$100,000 - \$249,999	53	15%	11	10%
\$250,000 - \$499,999	12	4%	5	5%
\$500,000 - \$999,999	7	2%	0	0%
>\$1,000,000	2	1%	0	0%
TOTAL SAMPLE	339	100%	108	100%

Source: Bank Records (5/30/96 to 8/30/99).

**ILLINOIS ASSESSMENT AREA
DISTRIBUTION OF SMALL BUSINESS AND FARM LOANS
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$25,000	10	63%	7	58%
\$25,000 - \$49,999	5	31%	2	17%
\$50,000 - \$99,999	0	0%	3	25%
\$100,000 - \$249,999	1	6%	0	0%

\$250,000 - \$499,999	0	0%	0	0%
\$500,000 - \$999,999	0	0%	0	0%
>\$1,000,000	0	0%	0	0%
TOTAL SAMPLE	16	100%	12	100%

Source: Bank Records (5/30/96 to 8/30/99).

GEOGRAPHIC DISTRIBUTION OF LOANS

We did not analyze the geographic distribution of loans as it was determined this analysis would not be meaningful. The Iowa assessment area consists of only one BNA designated as a moderate-income area and the Illinois assessment area consists of only two moderate-income BNAs. In addition, the moderate-income BNA in the Iowa AA only has 1,400 units with a 7% owner occupancy and the moderate-income BNAs in the Illinois AA only has 2,154 units with a 23% owner occupancy.

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to its performance under the CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We performed a fair lending review for gender discrimination by reviewing mortgage loan denials. Our sample consisted of denied individual female applications to approved individual male applications. No violations of substantive provisions of the anti-discrimination laws and regulations were discovered during our examination.