



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**February 02, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Dwight  
Charter Number 8044**

**122 West Street  
Dwight, IL 60420**

**Comptroller of the Currency  
ADC-North Central Illinois & Eastern Iowa  
111 West Washington Street, Suite 300  
East Peoria, IL 61611**

**NOTE: This document is an evaluation of this 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. 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.**

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

- The First National Bank of Dwight's ("FNB") record of lending to borrowers of different income levels to refinance their personal residences is good. FNB's lending to moderate-income people for home refinancing exceeds the percentage of moderate-income families in the Assessment Area ("AA"). FNB's lending to low-income families (less than 50% of median income) to refinance their personal residence is below the percentage of low-income families in the AA, however this is still considered good as nine percent of the households in the AA are below the designated poverty level.
- FNB's performance of lending to businesses of different sizes is reasonable. Seventy-two percent of the commercial loans originated during the examination period were made to small businesses.
- FNB's lending to farms of different sizes is good. All agricultural loans were made to small farms (under one million dollars in annual revenues). Additionally, 68% of the number and 53% of the dollar volume of the agricultural loans originated were made to farming operations generating revenues of less than \$200,000.
- A majority of the commercial, residential, and agricultural loans originated by FNB are to customers within the AA.
- The bank's average net loan-to-deposit ratio over the last five years is reasonable.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$92 million intrastate financial institution located on Interstate 55 in Livingston County, approximately 70 miles Southwest of Chicago, Illinois. FNB has one office in downtown Dwight, with drive-up facilities and an ATM. The bank has three additional ATM's located in Dwight. The bank is a wholly owned subsidiary of First Dwight Corporation, a one-bank holding company.

The bank has three primary lending products: commercial, residential real estate, and agricultural loans. These three areas account for 96 percent of all loan originations during 2001 and 2002 and make up 95 percent of the outstanding loan balances as December 31, 2003. Thus, these three products were used for the analysis of this evaluation. Consumer loans are not a primary loan product as they only account for 4 percent of all loan originations during 2001 and 2002 and make up the remaining 5 percent of the outstanding loan balances as of December 31, 2003.

<b>Table 1 – Loan Originations by Loan Type for 2001 &amp; 2002</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans	\$ 43,787	54%
Residential Loans	\$ 18,765	23%
Agricultural Loans	\$ 14,990	19%
Consumer Loans	\$ 2,910	4%
Total	\$ 80,452	100%

*Source: Bank Records from 2001 and 2002*

As of December 31, 2003, the bank reported \$43 million in outstanding loans and had a net loans and leases to total assets ratio of 47 percent. The loan portfolio consists of the following:

<b>Table 2 – Loan Portfolio Summary by Loan Type December 31, 2003</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$ 18,152	42%
Residential Loans	\$ 14,136	33%
Agricultural Loans	\$ 8,350	20%
Consumer Loans	\$ 2,295	5%
Total	\$ 42,933	100%

*Source: Call Report 12/31/2003*

There are no financial conditions, legal constraints or other factors that would hinder the bank's ability in helping to meet the credit needs of its community. Tier 1 capital was reported at \$14.2 million as December 31, 2003. The bank's previous CRA rating as of September 1998 was Satisfactory.

## **SCOPE OF THE EVALUATION**

- The evaluation period covers loans originated during 2001 and 2002, utilizing 1990 census data for evaluating residential loans.
- FNB has three assessment areas. A majority of the bank's loans and deposits are generated from the Livingston/LaSalle County AA. The Livingston/LaSalle County AA received a full-scope review. A limited review was performed for the Grundy County AA and the Kankakee County AA.

## DESCRIPTION OF ASSESSMENT AREAS

FNB’s AAs remain unchanged from the prior examination. The AAs consist of four Block Numbering Areas “BNAs” in Livingston County and one BNA in LaSalle County, two Census Tracts “CTs” in Grundy County of the Grundy County Primary Metropolitan Statistical Area “PMSA” and one CT in Kankakee County of the Kankakee County PMSA. There are three assessment areas because Livingston and LaSalle counties are not a part of the Grundy County or the Kankakee County PMSAs.

### Livingston/LaSalle County AA

The Livingston/LaSalle County AA is comprised of five contiguous BNAs; #9601, #9602, #9603, #9609 in Livingston County and #9637 in LaSalle County. These BNAs are located in the northern and eastern portions of Livingston County and in the southeastern corner of LaSalle County. All five BNAs are middle- or upper-income: #9603, #9609, and #9637 are middle-income BNAs, while #9601 and #9602 are upper-income BNAs, which includes the Town of Dwight. This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information for the assessment area is based on census data:

<b>Table 3 – Demographic Information for Livingston/LaSalle County AA</b>		
Category of Information	Number	Percentage
Population:	21,248	
Total Housing Units	7,945	
Occupancy: Owner Occupied Units	5,681	71%
Renter Occupied Units	1,882	24%
Vacant Units	382	5%
Median Home Value	\$46,023	
Median Year Built	1950	
2002 HUD Adjusted Median Family Income for Illinois Non-MSA	\$46,700	
Low Income Families	778	14%
Moderate Income Families	914	16%
Middle Income Families	1,290	22%
Upper Income Families	2,752	48%
Households living below the poverty level	678	9%
Small Farms	375	99%
Small Businesses	769	81%

*Source: 1990 Census Data*

The following table displays the number and percentage of owner-occupied housing units by BNA designation within the Livingston/LaSalle County AA:

<b>Table 4 – Demographic Distribution of Owner-Occupied Units In the Livingston/LaSalle County AA</b>				
Census Tract Designation	Total Housing Units	% of Housing Units	# of Owner-Occupied Units	% of Owner-Occupied Housing Units
Low Income Tracts	- 0 -	0%	- 0 -	0%
Moderate Income Tracts	- 0 -	0%	- 0 -	0%
Middle Income Tracts	4,836	61%	3,580	63%
Upper Income Tracts	3,109	39%	2,101	37%
Total	7,945	100%	5,681	100%

Source: 1990 Census data.

### Grundy County AA

The Grundy County AA is comprised of two contiguous CTs; #6 and #9. These CTs are located in the southern half of Grundy County, adjacent to Livingston County to the north. Both CTs are middle-income. This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information for the assessment area is based on census data:

<b>Table 5 – Demographic Information for Grundy County AA</b>		
Category of Information	Number	Percentage
Population:	6,088	
Total Housing Units	2,399	
Occupancy: Owner Occupied Units	1,659	69%
Renter Occupied Units	576	24%
Vacant Units	164	7%
Median Home Value	\$54,577	
Median Year Built	1950	
2002 HUD Adjusted Median Family Income for Grundy County PMSA	\$75,400	
Low Income Families	416	24%
Moderate Income Families	344	20%
Middle Income Families	530	31%
Upper Income Families	441	25%
Households living below the poverty level	190	8%
Small Farms	119	99%
Small Businesses	201	76%

Source: 1990 Census Data

## Kankakee County AA

The Kankakee County AA is comprised of one CT, #103. This CT is located in the western portion of Kankakee County, adjacent to Livingston County to the east. The CT is middle-income. This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate- income areas. The following demographic information for the assessment area is based on census data:

<b>Table 6 – Demographic Information for Kankakee County AA</b>		
<b>Category of Information</b>	<b>Number</b>	<b>Percentage</b>
Population:	3,242	
Total Housing Units	1,153	
Occupancy: Owner Occupied Units	862	75%
Renter Occupied Units	220	19%
Vacant Units	71	6%
Median Home Value	\$51,700	
Median Year Built	1955	
2002 HUD Adjusted Median Family Income for Grundy County PMSA	\$55,400	
Low Income Families	122	13%
Moderate Income Families	165	18%
Middle Income Families	204	22%
Upper Income Families	430	47%
Households living below the poverty level	72	6%
Small Farms	91	97%
Small Businesses	101	78%

*Source: 1990 Census Data*

## Economic Data

The local economy is considered stable. The Livingston County December 2003 unemployment rate of 4.9% compares favorably to the 5.7% national average and to the 6.4% State of Illinois rate. Meanwhile, the unemployment rates are above the national and state levels for Kankakee County at 7.9%, LaSalle County at 8.2%, and Grundy County at 10.4%. The economy of the AA is concentrated in the manufacturing and agricultural industries. Major employers include; RR Donnelley, Caterpillar Inc., William W. Fox Development Center, Dwight Correctional Center, ALDI, Inc. distribution center, and the local school districts.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

The distribution of loans reflects satisfactory penetration among individuals of different income levels (including low-, and moderate-income) and businesses and farms of different sizes.

A substantial majority of FNB's business is generated from the Livingston/LaSalle County AA, where the bank is located. While the following findings are for the Livingston/LaSalle County AA, the information provided to us shows that the findings from an analysis of the Grundy County AA and the Kankakee County AA would not be inconsistent with the findings for the Livingston/LaSalle County AA.

### Commercial Loans

FNB's performance of lending to businesses of different sizes is reasonable. From a sample of fifty-seven commercial loans in the Livingston/LaSalle County AA, seventy-two percent of the loans were made to small businesses, while twenty-two percent of the dollar amounts were loans made to small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. The demographic data for the Livingston/LaSalle County AA shows that eighty-two percent of the businesses in the assessment area have revenues equal to or less than one million dollars.

The following table shows the distribution of commercial loans among businesses of different sizes within the Livingston/LaSalle County AA:

<b>Table 8 – Borrower Distribution of Loans to Businesses in the Livingston/LaSalle AA</b>					
Business Revenues	Number of Loans		% Businesses in AA**	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	41	72%	82%	\$ 2,487	22%
>\$1,000,000	16	28%	5%	\$ 9,063	78%
Total	57	100%	87%	\$11,550	100%

Source: Bank records on new loans originated in 2001 and 2002.

\*\* 13% of AA businesses did not report revenue data.

### Residential Real Estate Loans

FNB's lending to borrowers of different income levels regarding the refinancing of their personal residence is good. Based on our sample, the lending to moderate-income people for home refinancing exceeds the percentage of moderate-income families in the AA. While the lending to low-income people to refinance their personal residence is below the percentage of

low-income families in the AA, this is still considered good because nine percent of the households in the AA are below the poverty level.

Since the bank is not located in a Metropolitan Statistical Area and is not subject to the requirements of the Home Mortgage Disclosure Act, the type of residential loan (purchase, refinance or home improvement) and the income data on residential home loan borrowers is not maintained outside of the individual mortgage files. Thus, an initial sample of twenty-one home loans found one home purchase and twenty home refinances. Bank personnel confirmed a substantial majority of all residential lending during the examination period was for home refinancing. The volume of home purchase and home improvement loans was not sufficient to perform a valid analysis.

A sample of forty-one home refinance loans originated during 2001 and 2002 were used in assessing the range of distribution by borrower income levels.

<b>Table 9 – Borrower Distribution of Residential Real Estate Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families
Home Refinance	10%	14%	17%	16%	24%	22%	49%	48%

*Source: 1990 Census data and bank records on residential real estate loans originated in 2001 and in 2002.*

### **Agricultural Loans**

FNB’s performance of lending to small farms is good. From a sample of sixty-five agricultural loans in the Livingston/LaSalle County AA, all of the loans were made to small farms. Small farms are farming operations with annual gross revenues of less than one million dollars. The demographic data for the Livingston/LaSalle County AA shows that ninety-nine percent of the farming operations in the assessment area have revenues equal to or less than one million dollars.

Additionally, sixty-eight percent of the number and fifty-three percent of the dollar volume of the agricultural loans originated to small farms were made to farming operations generating revenues of less than two hundred thousand dollars.

The following table shows the distribution of loans to small farms within the Livingston/LaSalle County AA:

<b>Table 10 – Borrower Distribution of Loans to Farms in the Livingston/LaSalle AA</b>					
Farm Revenues	Number of Loans		% Farms in AA	Dollars of Loans	
	#	%		\$(000)	%
≤\$1,000,000	65	100%	99%	\$ 4,322	100%
>\$1,000,000	0	0%	1%	\$ - 0 -	0%
Total	65	100%	100%	\$ 4,322	100%



Source: Bank records on new loans originated in 2001 and 2002.

### Lending in Assessment Area

A majority of the loans originated by FNB are to customers from within its AA. FNB's lending to customer's within the AA for all loan types is reasonable. Commercial lending within the AA is primarily to smaller businesses, while the lending outside of the AA is through participation loans to large businesses. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

<b>Table 7 – Loans Originated within the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Commercial	145	66%	75	34%	220	\$18,489	42%	\$25,298	58%	\$43,787
Residential	194	83%	41	17%	235	\$13,611	73%	\$ 5,153	27%	\$18,765
Agricultural	197	88%	28	12%	225	\$13,192	88%	\$ 1,798	12%	\$14,990
Consumer	304	74%	109	26%	413	\$ 1,868	64%	\$ 1,042	36%	\$ 2,910
Totals	840	77%	253	23%	1,093	\$47,160	59%	\$33,292	41%	\$80,452

Source: Bank records on new loans originated in 2001 and 2002. All of the loan originations in 2001 and in 2002 were used to calculate the ratios listed in the Table.

### Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. FNB's quarterly average loan-to-deposit ratio for the period July 1, 1998, to September 30, 2003, was sixty-three percent. The quarterly average loan-to-deposit ratio for other similarly situated financial institutions over the same time period ranged from fifty-one percent to sixty-two percent. FNB's average loan-to-deposit ratio is higher than the other two similarly situated banks, which range in asset size from \$80 million to \$134 million. The similarly situated banks utilized for comparison purposes are community banks located in LaSalle and Livingston counties.

### Geographic Distribution of Loans

A geographic distribution of loans was not performed at this examination. Since all the geographies are middle- and upper-income, the analysis would not be meaningful.

### Responses to Complaints

FNB has not received any complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.