



## **PUBLIC DISCLOSURE**

June 12, 2014

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

The First National Bank of Assumption  
Charter Number 5316

141 North Chestnut Street  
Assumption, IL 62510

Office of the Comptroller of the Currency

Harris Center  
3001 Research Road  
Champaign, IL 61822-1089

**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 major factors providing support for this rating include:

- While low, the bank's loan-to-deposit ratio is reasonable based upon the institution's size, competition, and low local loan demand.
- The distribution of loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income, given the demographics of the assessment area (AA).
- A substantial majority of loans originated were within the institution's AA.
- The geographic distribution reflects reasonable dispersion among the census tracts within the AA.

**SCOPE OF EXAMINATION**

We evaluated First National Bank of Assumption (FNB) under the small bank performance standards, which evaluate the bank's record of meeting the credit needs of its AA through its lending activities.

We evaluated the institution's performance from June 27, 2009, to June 12, 2014. Based on number and dollar volumes of loans provided by the bank, we determined consumer and home loans to be the primary lending products. As the institution's business strategy and lending products have not significantly changed since the prior evaluation, the lending test sampling period utilized is January 1, 2012, to December 31, 2013. We sampled 20 consumer loans and 20 home loans originated during this time period. We also utilized 2010 U.S. Census Data and FDIC deposit market share data as of June 30, 2013, for the evaluation.

**DESCRIPTION OF INSTITUTION**

FNB is a \$25 million intrastate institution located in Assumption, Illinois. Assumption is located in the northeastern corner of Christian County on State Highway 51, approximately 25 miles from Decatur, Illinois and 45 miles from Springfield, Illinois. The bank is 100 percent owned by the Hall and Corzine families. The bank has no branch facilities or automated teller machines (ATMs), and was not involved in merger or acquisition activities during the evaluation period.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. The institution offers conventional mortgage products, consumer, commercial, and agriculture loans. The bank also offers deposit products including savings, certificates of deposit, individual retirement accounts, and NOW accounts. While the bank does not offer Internet banking, FNB offers mobile banking for customers to access account information via smartphone. The bank's business strategy is to increase home loan lending.

There are no known financial, legal, or other impediments limiting FNB's ability to meet the credit needs of the community, including those of low- and moderate-income families and neighborhoods.

As of March 31, 2014, the bank's gross loan portfolio totaled \$5.7 million, or 23 percent of total assets. Tier 1 capital totaled \$2.1 million. The following table represents the loan portfolio mix:

<b>Loan Portfolio Summary by Loan Product</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Business loans, including commercial real estate	7.92%
Home loans, including multi-family	50.40%
Farm loans, including farmland	24.15%
Consumer loans	16.34%
Other loans	1.19%

Source: March 31, 2014 Call Report

The previous CRA examination dated July 13, 2009, rated the institution "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The AA consists of four census tracts (#9586, 9587, 9588, and 9589) in Christian County and two census tracts (#9591 and 9592) in Shelby County, all of which are in non-metropolitan areas in Illinois. These census tracts comprise the southeast portion of Christian county and the northwest portion of Shelby County and are contiguous. Five out of the six census tracts are middle-income geographies. Census tract #9589 in Christian County is a moderate-income tract located in Pana.

There are no low-income census tracts in the AA. The assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. Competition from other financial institutions in Christian and Shelby counties is moderate. There are 20 other financial institutions with offices in these two counties. FNB has a market share of only 1.5 percent of deposits within these counties.

Based upon 2010 Census data, the population in the AA was 19,307 with 14 percent of the population residing in the moderate-income census tract. The remaining 86 percent of the population live in the middle-income census tract. A summary of demographic information for the AA is as follows:

<b>Demographic Information</b>	
	<b>2010 Census Data</b>
Population	19,307
Housing Stock: <i>1-4 family housing units</i>	7,375
Occupancy: <i>Owner-occupied, Rental-occupied, Vacant units</i>	70%, 20%, 10%
Home Values: <i>Median home value</i>	\$81,717
Age of Homes: <i>Median year of homes built</i>	1957
Family Income: <i>Average median (2013)</i>	\$56,200 (2013 updated)
Household Income: <i>Average median</i>	\$43,969
Family Income Levels (%): <i>low-, moderate-, middle-, upper-income</i>	22%, 16%, 27%, 35%
Household Income Levels (%): <i>low-, moderate-, middle-, upper-income</i>	26%, 14%, 19%, 16%

Families Below Poverty Level	13.1%
Households Below Poverty Level	16.2%

*Source: 2010 Census data and HUD updated family median data*

The current economy in the AA diminished during the evaluation period due to the national economic decline. Several small businesses closed, due to increased competition from other small businesses and national retailers in neighboring communities. GSI and Sloan Implement remain the communities' largest employers. The unemployment rates in Christian and Shelby counties of 7.4 and 7.0 percent, respectively, are consistent with the state unemployment rate of 7.2 percent. The AA unemployment rate remains above the national unemployment rate of 5.9 percent.

We performed one community contact with a housing program director and guaranteed housing coordinator with a federal agency covering central Illinois. The contact indicated Christian county is in need of economic development, primarily retaining existing companies and enticing new companies to the area.

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

FNB's performance under the lending test is satisfactory. The institution's loan-to-deposit ratio is reasonable and the institution originated a substantial majority of the primary product loans within the AA. Borrower distribution reflects excellent penetration, while the geographic distribution reflects reasonable dispersion. All criteria of the lending test are documented below. While reasonable, the low loan-to-deposit ratio influenced the overall rating conclusion.

### **Loan-to-Deposit Ratio**

FNB's loan-to-deposit ratio is reasonable based on its size, financial condition, AA credit needs, and local competition. The loan-to-deposit ratio averaged 35 percent over the past 20 quarters. We utilized a quarterly average from June 30, 2009, to March 31, 2014. The institution's highest loan-to-deposit ratio during this period was 46 percent while the lowest was 25 percent. FNB's loan-to-deposit ratio has trended downward since its highest point in December 2010.

The bank's ratio is lower than the average of similarly situated institutions, but does fall within the range. We analyzed 15 other financial institutions located within a community of 2,000 or less throughout the center portion of the state of Illinois. All of these institutions were not located in a metropolitan area and had total asset of less than \$50 million. The loan-to-deposit ratio for these institutions averaged 53 percent over the last 20 quarters. The highest and lowest average for similarly situated institutions was 70 percent and 24 percent, respectively.

FNB experienced declining loan demand, due to the loss of local small businesses, strong farm operating cycles, and farmland sales slowing. Since the previous performance evaluation, gross loans decreased 7 percent while deposits increased 33 percent. The increase in deposits is largely due to public funds from local municipalities. Without these public funds, the bank's loan to deposit ratio would be higher.

**Lending in Assessment Area**

A substantial majority of the primary product loans originated are inside the institution’s AA. Based on a sample of 20 home loans and 20 consumer loans, 85 percent of the number and 96 percent of the dollar volume were made in the institution’s AA.

<b>Lending in the Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	18	90.00%	2	10.00%	20	\$875	96.74%	\$30	3.26%	\$904
Consumer Loans	16	80.00%	4	20.00%	20	\$144	94.54%	\$8	5.46%	\$152
Totals	34	85.00%	6	15.00%	40	\$1,019	96.42%	\$38	3.58%	\$1,056

Source: Sample of 20 home and 20 consumer loans originated between 1/1/2012 and 12/31/13.

**Lending to Borrowers of Different Incomes**

The overall distribution of loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income, given the demographics of the AA. In reaching our conclusions, we placed more weight on consumer loans as they represented the largest number of loans between the two primary products.

*Home Loans*

The distribution of loans reflects excellent penetration for home loan originations among individuals of different income levels. The bank’s strong performance of originating home loans to moderate-income borrowers was significant in this conclusion. Although the percentage of loans to low-income borrowers is lower than the demographic comparator, performance is considered reasonable given the high family poverty rate of 13 percent and level of unemployment in the AA. Families with income below the poverty level would have difficulty affording home ownership.

<b>Borrower Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	22.09%	15.00%	15.86%	35.00%	27.43%	25.00%	34.62%	25.00%

Source: Sample of 20 home loans originated in 2012 and 2013 and 2010 U.S. Census Data

*Consumer Loans*

The distribution of loans reflects excellent penetration for consumer loan originations among individuals of different income levels. The number of loans originated to moderate-income families significantly exceeds the percent of moderate-income households in the AA. The number of loans originated to low-income families is reasonable compared with the percent of low-income households in the AA.

Borrower Distribution of Consumer Loans in the Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
% of Total	26.00%	25.00%	13.59%	25.00%	19.30%	15.00%	41.10%	35.00%

*Source: Sample of 20 consumer loans originated during 2012 and 2013 and 2010 U.S. Census Data*

**Geographic Distribution of Loans**

The geographic distribution reflects reasonable dispersion among the census tracts within the AA. We did not identify any unexplained conspicuous lending gaps. We noted loans in four out of the six census tracts within the AA. Our sample did not include any loans originated within the moderate-income census tract. The AA’s moderate-income census tract is located 12 miles from Assumption in Pana, Illinois, where there are three banks that serve the city. There are no low-income census tracts in the AA.

*Home Loans*

Geographic dispersion of home loans is reasonable. The institution’s performance of lending in the AA is reasonable for home purchase, refinance, and home improvement. While the bank did not originate home loans within the moderate-income census tract, we determined this was reasonable due to the distance from the bank and other local financial institutions serving this census tract. A majority of the AA owner-occupied housing units are located within middle-income geographies.

Geographic Distribution of Home Loans in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	0.00%	0.00%	12.68%	0.00%	87.32%	100.00%	0.00%	0.00%

*Source: Sample of 20 home loans originated in 2012 and 2013 and 2010 U.S. Census Data*

*Consumer Loans*

Geographic distribution of consumer loans is reasonable. As previously mentioned, the bank did not originate consumer loans in the moderate-income census tract. However, we determined this to be reasonable due to the distance from the bank and competitors in the area. A majority of households in the AA are located in middle-income geographies.

Geographic Distribution of Consumer Loans in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
% of Total	0.00%	0.00%	15.05%	0.00%	84.95%	100.00%	0.00%	0.00%

*Source: Sample of 20 consumer loans originated during 2012 and 2013 and 2010 U.S. Census Data*

**Responses to Complaints**

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

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.