



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 1, 2008**

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

The First National Bank of Brownstown  
Charter Number 10397

108 East Main Street  
Brownstown, IL 62418

Office of the Comptroller of the Currency

St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 63103

**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 Outstanding.**

All of the lending performance criteria meet or exceed the standards for a satisfactory performance. The major factors that support this rating are:

- The bank's distribution of loans to individuals of different income levels is excellent. The percentage of residential real estate loans made to low-income borrowers exceeds the percentage of low-income families in the assessment area (AA). The percentage of residential real estate loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA. For consumer loans, the ratio of loans to low-income borrowers significantly exceeds the ratio of low-income households in the AA and the ratio of loans to moderate-income borrowers exceeds the ratio of moderate-income households in the AA.
- The geographic distribution of loans reflects an excellent dispersion throughout the AA. For each of our sampled products, the ratio of loans made to borrowers in the moderate-income census tracts (CTs) significantly exceeds the comparative ratio.
- The bank's quarterly average loan-to-deposit ratio, at 65%, is above all similarly situated area banks, whose quarterly average ranged from 48% to 61%.
- A majority of the bank's loans extended during this evaluation period, 88% by number and 75% by dollar volume, were made in the AA.

**SCOPE OF EXAMINATION**

We used small bank procedures to evaluate the performance of The First National Bank of Brownstown (FNB) under the Community Reinvestment Act (CRA). We sampled residential real estate, agricultural, and consumer loans originated between January 1, 2006 and August 29, 2008 for our analysis of the bank's lending activity.

**DESCRIPTION OF INSTITUTION**

FNB is an intrastate bank located in Brownstown, Illinois, a small Central Illinois town in Fayette County. Brownstown is situated along Interstate 70 about 25 miles west of Effingham, Illinois. FNB is 99.2% owned by First Brownstown Bancorp, Inc., a one-bank holding company located in Brownstown; 0.8% of bank shares are held by a few individuals. FNB's assets, \$26.5 million as of June 30, 2008, represent substantially all of the holding company's assets. There have been no changes in the bank's corporate structure since the last CRA evaluation. No branches were opened or closed. The bank operates one office with a non-depository automated teller machine in downtown Brownstown, Illinois. This office is located in a moderate-income CT (9506).

FNB offers a full range of retail and commercial banking products normally associated with a small community bank. The bank had a 7% deposit market share in Fayette County as of June 30, 2008, which placed it fourth out of eight banks with offices in Fayette County. FNB is primarily a residential real estate, agricultural, and consumer lender. As of June 30, 2008, net loans totaled just over \$13 million or 49% of total assets, total deposits were \$23.6 million, and Tier 1 Capital was \$2.7 million. The loan portfolio consists of 37% farm-related, 34% residential real estate, 18% consumer, and 11% commercial loans.

There are no legal or financial impediments to the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community. FNB's last CRA evaluation was March 12, 2002, and its performance was rated Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management has designated Fayette County as its AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Fayette County is a non-Metropolitan Statistical Area (non-MSA). Based on the non-MSA median family income of \$43,531 in 2000, Fayette County has two moderate-income CTs (9506 and 9509) and five middle-income CTs (9505, 9507, 9508, 9510 and 9511). There are no low- or upper-income CTs in Fayette County.

As of the 2000 census, the population in Fayette County totaled 21,802, with 4,786 (22%) people living in the moderate-income CTs and 17,016 (78%) in the middle-income CTs. Owner-occupied housing in the AA matches these percentages as 22% of owner-occupied housing is situated in the moderate-income CTs. The distribution of households in the AA is similar: 24% of households are located in moderate-income CTs and 76% are located in middle-income CTs.

The 2000 census demographic data for the AA showed that 17% of the households are in retirement and 13% of households live below the poverty level. The median housing value was \$58,719 and the median age of the housing stock was 45 years. Owner-occupied units represented 72% of the housing stock.

As of the 2000 census, 21% of the families were classified as low-income, 23% as moderate-income, 23% as middle-income, and 33% as upper-income. For households, 25% were classified as low-income, 18% as moderate-income, 22% as middle-income, and 35% as upper-income. The Department of Housing and Urban Development (HUD) 2008 updated median family income of \$51,900 was used in our analysis to determine borrower income levels.

Farm data as of 2008 shows 192 farms in Fayette County: 191 (99.5%) have revenues less than \$1 million and only 1 (0.5%) has revenues over \$1 million. Of these farms, 17% are located in the moderate-income CTs.

The local economy is primarily supported by agriculture and also by service-related businesses and retail stores. Brownstown is considered a bedroom community, with local residents commuting to the larger cities for employment. Major employers in Fayette County are the State of Illinois (Correctional Center in Vandalia) and several manufacturing plants (plastics and automotive parts). Economic conditions are deteriorating as one hardware distribution center plans to move operations out of the local area and other manufacturing plants in the county are downsizing.

Fayette County's unemployment rate fluctuated: from a high annual average of 7.9% in 2004, it dropped to 5.9% in 2006 and trended up in 2007 and 2008. In 2005, the five middle-income CTs were designated Distressed due to high unemployment. As of June 2008, the seasonally unadjusted unemployment rate in Fayette County is 7.8%, close to the state unemployment rate of 7.1% and higher than the national unemployment rate of 5.7%.

FNB is the only bank in Brownstown. Of the seven other banks competing for financial services in the county, two are interstate banks, two are larger community banks, and three are local competitors. Other competition is provided by eight credit unions and several mortgage companies, farm services and insurance company offices in the AA.

To further our understanding of the community's credit needs, we contacted a Central Illinois economic development organization during our examination. This contact indicated there is a need for low-cost housing and small business loans in the AA and surrounding counties. Based on our analysis, FNB is meeting these needs.

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

FNB's performance is excellent in meeting the credit needs of its AA, including those of low- and moderate-income borrowers, given the performance context, demographics, economic factors, and competitive pressures faced by the bank.

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

FNB's loan-to-deposit (LTD) ratio is more than reasonable. FNB's quarterly average LTD ratio for the last 26 quarters was 65%; the bank's lowest LTD ratio during that period was 53% and the highest 73%. The bank's quarterly average LTD ratio is above that of three similarly situated community banks whose quarterly average ratios ranged from 48% to 61%.

**Lending in Assessment Area**

Lending in the AA is satisfactory. Based on our sample of 60 loans, a majority of loans by number (88%) and by dollar volume (75%) are made in the AA.

| <b>Lending in Fayette County</b> |                 |            |          |            |           |                  |            |              |            |                  |
|----------------------------------|-----------------|------------|----------|------------|-----------|------------------|------------|--------------|------------|------------------|
| Loan Type                        | Number of Loans |            |          |            |           | Dollars of Loans |            |              |            |                  |
|                                  | Inside          |            | Outside  |            | Total     | Inside           |            | Outside      |            | Total<br>\$(000) |
|                                  | #               | %          | #        | %          |           | \$(000)          | %          | \$(000)      | %          |                  |
| Residential RE                   | 17              | 85%        | 3        | 15%        | 20        | \$ 606           | 74%        | \$209        | 26%        | \$ 815           |
| Consumer                         | 17              | 85%        | 3        | 15%        | 20        | \$ 79            | 91%        | \$ 8         | 9%         | \$ 87            |
| Farm                             | 19              | 95%        | 1        | 5%         | 20        | \$ 660           | 73%        | \$240        | 27%        | \$ 900           |
| <b>Total</b>                     | <b>53</b>       | <b>88%</b> | <b>7</b> | <b>12%</b> | <b>60</b> | <b>\$1,345</b>   | <b>75%</b> | <b>\$457</b> | <b>25%</b> | <b>\$1,802</b>   |

Source: Sample of 60 loans.

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

The bank’s lending distribution to borrowers of different income levels is excellent; it exceeds standards especially for low-income borrowers in our samples of residential real estate and consumer loans. The bank’s lending distribution to farms of different revenue sizes is reasonable.

Residential Real Estate Loans

Based on our sample, the borrower distribution of residential real estate (RE) loans in the AA exceeds the standard for satisfactory performance. The percentage of residential RE loans made to low-income borrowers (35%) is well above the percentage of low-income families in the AA (21%). The percentage of such loans made to moderate-income borrowers (20%) is near the percentage of moderate-income families in the AA (23%).

| <b>Borrower Distribution of Residential Real Estate Loans in Fayette County</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 |
| Residential Re  | 21%              | 35%                  | 23%              | 20%                  | 23%              | 30%                  | 33%              | 15%                  |

Source: Sample of 20 residential RE loans, 2008 HUD updated median family income, and 2000 U.S. Census data.

Consumer Loans

Based on our sample, the borrower distribution of consumer loans in the AA also exceeds the standard for satisfactory performance. The percentage of consumer loans made to low-income borrowers (45%) is significantly above the percentage of low-income households in the AA (25%). The percentage of such loans made to moderate-income borrowers (25%) exceeds the percentage of moderate-income households in the AA (18%).

| <b>Borrower Distribution of Consumer Loans in Fayette County</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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 |
| Consumer Loans   | 25%                | 45%                  | 18%                | 25%                  | 22%                | 20%                  | 35%                | 10%                  |

Source: Sample of 20 consumer loans, 2008 HUD updated median family income, and 2000 U.S. Census data.

**Farm Loans**

The distribution of the bank’s loans to small farms is reasonable. The ratio of bank loans to farms with revenues of less than \$1 million (100% of our sample) meets the ratio of small farms in the AA (99.5%).

| <b>Borrower Distribution of Loans to Farms in Fayette County</b> |              |              |                     |       |
|--|--------------|--------------|---------------------|-------|
| Farm Revenues  | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Farms  | 99.5%        | 0.5%         | 0%                  | 100%  |
| % of Bank Loans in AA by #                                       | 100%         | 0%           | 0%                  | 100%  |
| % of Bank Loans in AA by \$                                      | 100%         | 0%           | 0%                  | 100%  |

Source: Sample of 20 farm loans, and 2008 Business Geodemographic Data.

**Geographic Distribution of Loans**

The geographic distribution of the bank’s loans reflects an excellent dispersion throughout the AA for all products sampled.

**Residential Real Estate Loans**

The geographic distribution of residential RE loans made in the AA is more than reasonable. The ratio of residential RE loans made in moderate-income tracts (55%) significantly exceeds the ratio of owner-occupied housing in these CTs (22%).

| <b>Geographic Distribution of Residential Real Estate Loans in Fayette County</b> |                                |                      |                                |                      |                                |                      |                                |                      |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level   | Low                            |                      | Moderate                       |                      | Middle                         |                      | Upper                          |                      |
| Loan type   | % 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 |
| Residential RE  | NA                             | NA                   | 22%                            | 55%                  | 78%                            | 45%                  | NA                             | NA                   |

Source: Sample of 20 residential RE loans, and 2000 U.S. Census Data.

**Consumer Loans**

The geographic distribution of consumer loans made in the AA is more than reasonable. The percentage of consumer loans made in moderate-income CTs (70%) significantly exceeds the percentage of households in these CTs (24%).

| Geographic Distribution of Consumer Loans in Fayette County |                    |                      |                    |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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 |
| Consumer Loans  | NA                 | NA                   | 24%                | 70%                  | 76%                | 30%                  | NA                 | NA                   |

Source: Sample of 20 consumer loans, and 2000 U.S. Census Data.

**Farm Loans**

The geographic distribution of farm loans made in the AA is also more than reasonable. The ratio of farm loans made in moderate-income CTs (65%) significantly exceeds the ratio of farms located in these CTs (17%).

| Geographic Distribution of Loans to Farms in Fayette County |               |                      |               |                      |               |                      |               |                      |
|---|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| Census Tract Income Level                                   | Low           |                      | Moderate      |                      | Middle        |                      | Upper         |                      |
| Loan Type   | % of AA Farms | % of Number of Loans | % of AA Farms | % of Number of Loans | % of AA Farms | % of Number of Loans | % of AA Farms | % of Number of Loans |
| Farms   | NA            | NA                   | 17%           | 65%                  | 83%           | 35%                  | NA            | NA                   |

Source: Sample of 20 farm loans, and 2008 Business Geodemographic Data.

There were no conspicuous gaps noted in the bank’s lending.

**Responses to Complaints**

No CRA-related complaints have been received since the prior CRA evaluation.

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

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