



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 16, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The First National Bank of Waterloo
Charter # 10180
228 South Main Street, P.O. Box A
Waterloo, Illinois 62298

Comptroller of the Currency
Fairview Heights Field Office
13 Executive Drive, Suite 7
Fairview Heights, Illinois 62208

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 **The First National Bank of Waterloo, Waterloo, Illinois**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 16, 1998. This evaluation is based on information since the last CRA examination dated **March 14, 1994**. 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**.

- The level of lending to borrowers of different income levels is reasonable based on our review of residential mortgage lending activities.
- The bank's loan-to-deposit ratio is comparable to similarly situated area banks.
- A majority of loans are extended in the bank's assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Waterloo is a \$143 million bank which is wholly owned by First Waterloo Bancshares, Inc., a one-bank holding company. The bank operates its main office in downtown Waterloo and one branch on the north edge of town. The bank's primary business focus is 1-4 family residential real estate loans. As of December 31, 1997, loans secured by 1-4 family residential real estate comprised 49% of the bank's portfolio.

No financial or legal constraints impede the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. The bank's prior CRA rating, dated March 14, 1994, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

The First National Bank of Waterloo has designated Monroe County as its assessment area. The assessment area contains three census tracts (CTs). All are middle-income geographies. This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

The population of the bank's assessment area was 22,422 as of the 1990 census. The median family income at that time was \$39,986. The 1997 median family income for St. Louis Metropolitan Statistical Area (MSA) 7040 was \$49,300. Census information on family incomes aggregated for all CTs in the assessment area shows that 13% of the families were in low-, 17% were in moderate-, 32% were in middle-, and 38% were in upper-income levels.

For the analysis contained in this report, low income is defined as income that is less than 50% of the 1997 MSA median family income. Moderate income is defined as income that is at least 50% but less than 80% of the 1997 MSA median family income. Middle income is at least 80% but less than 120% of the 1997 MSA median family income. Upper income is income that is 120% or more of the 1997 MSA median family income.

The median housing value is \$70,080 and the median year built is 1963. Owner-occupied units represent 73% of the housing stock, with 86% of the housing stock being 1-4 family units.

Economic activity in the immediate area is stable. Major employers in the area are the local school district, Monroe County Nursing Home, Harrisonville Telephone Company, Walmart, the City of Waterloo, and the County of Monroe. Approximately 9% of the households in the assessment area rely on farming.

The January 1998 unemployment rate in Monroe County was 5.2%. This mirrors the state unemployment rate of 5.6% and the national rate of 5.2% for the same period.

Moderate competition in the area of residential real estate loans, the bank's main focus, is provided by several financial institutions in Waterloo and nearby Columbia.

To further our understanding of the community's credit needs, we reviewed a community contact performed in Waterloo by a Federal Deposit Insurance Corporation examiner since the bank's last CRA examination. The contact indicated that the primary credit need of the community is residential real estate loans. He also indicated that local financial institutions are serving the credit needs of residents in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:

The bank demonstrates satisfactory performance. There is a reasonable distribution of loans to borrowers of different income levels and to businesses and farms of different sizes. Our review of residential real estate loans originated in 1997 reveals that loans are extended to borrowers of all income levels, including low- and moderate-income borrowers.

We reviewed the Home Mortgage Disclosure Act Loan Application Register compiled by the bank detailing all residential real estate loans originated in 1997. The following table shows the distribution of residential real estate loan originations among borrowers of different income levels within the assessment area:

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	CT Family Breakdown by Income
<i>Low Income</i>	11	5%	284	2%	13%
<i>Moderate Income</i>	45	19%	2,289	13%	17%
<i>Middle Income</i>	83	35%	4,869	29%	32%
<i>Upper Income</i>	99	41%	9,493	56%	38%

The bank extends loans to small businesses and small farms. The following tables were produced using bank reports for all small business and small farm loans extended in 1997.

Size of Loans to Small Businesses

	Under \$100M		\$100M-\$250M		\$250M-\$500M		Over \$500M	
#	88	82%	15	14%	4	4%	0	0%
\$ (000's)	1,644	32%	2,409	48%	1,023	20%	0	0%

Size of Loans to Small Farms

	Under \$100M		\$100M-\$250M		\$250M-\$500M		Over \$500M	
#	46	88%	4	8%	2	4%	0	0%
\$ (000's)	1,148	46%	698	28%	659	26%	0	0%

Geographic Distribution of Loans:

Because all the CTs in the bank's assessment area are middle income, no meaningful analysis could be performed based on loans in geographies of different income levels.

Loan-to-Deposit Ratio:

The bank's loan-to-deposit ratio is satisfactory. The loan-to-deposit ratio was 86% as of December 31, 1997. The bank's average loan-to-deposit ratio for the seventeen quarters since the previous CRA evaluation is 79%. Five similarly situated area banks have loan-to-deposit ratios ranging from 48% to 86% as of December 31, 1997, and average ratios for the period ranging from 43% to 84%.

Lending in the Assessment Area:

Lending in the assessment area is satisfactory. Our review of all residential real estate loans originated in 1997 showed that 75% of the number of loans and 78% of the dollar amount of loans were in the bank's assessment area.

Response to Complaints:

No complaints were received since the prior CRA evaluation.

Compliance with Antidiscrimination Laws:

In conjunction with the CRA evaluation, we performed a Fair Lending examination which included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No substantive violations of these antidiscrimination laws and regulations were identified.