



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Danville
Charter #113**

**One Towne Centre
Danville, Illinois 61832**

Office of the Comptroller of the Currency

**2009 Fox Drive, Suite B
Champaign, IL 61820**

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 Danville prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 13, 1998. Our assessment of the bank's performance covers the period since October 17, 1994, when the bank had a satisfactory record of meeting community credit needs. 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 was found to have a **satisfactory record of meeting community credit needs.**

This rating is based on the fact that a majority of the loans originated between November 1, 1994 and December 31, 1997 were located within the bank's assessment area. The distribution of loans reflects a reasonable penetration among individuals of different income levels, and businesses and farms of all sizes. The bank does a good job of lending in all types of geographies. Additionally, the bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

DESCRIPTION OF INSTITUTION

The First National Bank of Danville is a \$139 million bank operating from a main bank in Danville. Three other branches are located in Danville and one branch in Westville. The bank also has two ATMs for customer convenience. Danville, population 33,828, is the county seat for Vermillion County in East Central Illinois. Danville is located on Interstate 74, approximately 40 miles east of Champaign, Illinois and 90 miles west of Indianapolis, Indiana.

The following represents this institution's loan portfolio mix as of December 31, 1997.

<u>Type of Loans</u>	<u>%</u>	<u>Dollars (In Thousands)</u>
Commercial Loans	16%	\$ 8,198
Commercial Real Estate Loans	37%	\$19,714
Residential Real Estate Loans	31%	\$16,333
Consumer Loans	8%	\$ 4,177
Agricultural Loans	8%	\$ 4,357

The bank does not have any financial or legal impediments restricting it from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Vermillion County. Vermillion County consists of twenty-five Block Numbering Areas (BNAs). Five of these BNAs are moderate-income geographies. Fourteen of the BNAs are middle-income geographies, and the remaining six BNAs are upper-income. There are no low-income geographies in the assessment area. The assessment area meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. The following demographic information on the bank's assessment area is based on 1990 census data:

- Housing Stock - 82% of the housing units are 1-4 family.
- Occupancy - 65.5% are owner occupied, 26.5% renter occupied and 8% vacant.
- Home Values - The Median Home Value is \$39,418.
- Age of Homes - The Median Year of Homes Built is 1953.
- Income - Median Family income of the assessment area is \$30,392.
- Income Levels - 20% of the families are low income, 18% are moderate income, 22% are middle income, and 40% are upper income.

The local economy is stable with modest growth, and is driven by service and manufacturing industries. The largest employers include United Samaritan's Medical Center, Nacco, Veteran's Administration Hospital, McLane Midwest, and Quaker Oats. The bank's major competition consists of First Midwest Bank, Palmer-American National Bank of Danville, Iroquois Federal Savings, and several other banks, savings and loans, and credit unions located throughout Vermillion county.

Two community contacts were made during this examination with city and county officials. The main community need, according to the contacts, is home improvement and home purchase loans for moderate-income areas. First National Bank of Danville is meeting this need (refer to the geographic distribution of loans section on page 7).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The average loan-to-deposit ratio for 13 quarters (12/31/94 - 12/31/97) was 49.18%. An important factor to note is that bank has originated an additional \$8.6 million in real estate loans (in 1996 and 1997) that have been sold into the secondary market. Originating secondary market loans allows customers to obtain fixed rate loans at competitive rates. The only competitor of comparable size in Vermillion County is Palmer-American National Bank (PANB) of Danville, with \$297 million in total assets. As of September 30, 1997, PANB’s loan-to-deposit ratio was 68.92%.

LENDING IN ASSESSMENT AREA

A substantial majority of loans originated are within the assessment area. An analysis of loans originated from November 1, 1994 through December 31, 1997 showed that 89% of the number of loans and 75% of the dollar amount of loans were made within the bank’s assessment area. This demonstrates that the bank is adequately making loans within its assessment area. The following table shows a more detailed breakdown.

Table 1 - Lending in Assessment Area				
Type of Loan	Within Assessment Area		Outside Assessment Area	
Real Estate	\$11,962,933	71%	\$4,855,140	29%
	218	85%	38	15%
Consumer	\$5,201,769	88%	\$714,003	12%
	550	89%	67	11%
Commercial	\$20,951,454	74%	\$7,254,828	26%
	437	90%	48	10%
Total	\$38,116,156	75%	\$12,823,971	25%
	1,205	89%	153	11%

This table is based off a report generated by the bank. This report contained all loans on the bank’s books that had an origination date between 11/01/94 and 12/31/97. Consumer loans include what the bank has designated as consumer installments, home equity lines of credit, and checking account overdraft lines.

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

The bank has done a reasonable job of lending to people of all income levels. In the assessment area, 38% of the population is low- to moderate-income. Forty-three percent of the number of installment and residential real estate loans sampled were made to low- and moderate-income families. The following tables show a more detailed distribution of installment and residential real estate loan origination among borrowers of different income levels. These tables were based on a sample of loans (including 15 installments and 25 residential mortgages) originated in 1997. Income levels are based on 1997 non-metropolitan median family income for Illinois of \$37,600.

Table 2 - Installment Lending to Borrowers of Different Income Levels					
Income Level	% of Assessment Area Families	# of Loans	%	\$ of Loans	%
Low - Income Less than 50% of Median	20%	4	27%	\$8,922	20%
Moderate - Income 50% to less than 80% of Median	18%	6	40%	\$18,073	41%
Middle - Income 80% to less than 120% of Median	22%	2	13%	\$4,494	10%
Upper - Income 120% or more of Median	40%	3	20%	\$12,896	29%

Based upon the sample, the bank has made 67% of the number of their installment loans to low- and moderate-income borrowers. This percentage is greater than the percentage of low- and moderate-income families in the population of the assessment area.

Table 3 - Real Estate Lending to Borrowers of Different Income Levels					
Income Level	% of Assessment Area Families	# of Loans	%	\$ of Loans	%
Low - Income Less than 50% of Median	20%	4	16%	\$63,014	5%
Moderate - Income 50% to less than 80% of Median	18%	3	12%	\$98,675	9%
Middle - Income 80% to less than 120% of Median	22%	6	24%	\$249,800	22%
Upper - Income 120% or more of Median	40%	12	48%	\$737,930	64%

Based upon our sample, the bank has made 28% of the number of residential loans to low- and moderate-income borrowers. This compares to the 39% of low- and moderate-income families in the bank's assessment area.

The bank's record of lending to business and farms of different sizes is good. Eighty percent of the agricultural loans sampled were made to small farms and seventy percent of commercial loans sampled were made to small business. By dollars, forty-eight percent of sampled agricultural loan were made to small farms and fifteen percent of commercial loans were provided to small businesses. A small farm has annual gross revenue of \$500,000 or less. A small business has annual gross revenues of \$1,000,000 or less. The following tables detail the distribution of loans by loan size for farm and business borrowers in the assessment area.

Table 4 - Distribution of Agricultural Loans				
Gross Revenues	# of Loans	%	\$ of Loans	%
Less than \$100,000	4	40%	\$45,000	4%
\$100,000-\$250,000	2	20%	\$157,000	16%
\$250,001-\$500,000	2	20%	\$275,000	28%
Over \$500,000	2	20%	\$515,000	52%

This table is based on a sample of 10 farm loans that were originated in 1997. All 10 loans were for amounts less than \$100,000.

Table 5 - Distribution of Commercial Loans				
Gross Revenue Size	# of Loans	%	\$ of Loans	%
Less than \$100,000	1	10%	\$30,000	2%
\$100,000 - \$250,000	5	50%	\$183,860	12%
\$250,001 - \$500,000	0	0%	\$0	0%
\$500,001 - \$1,000,000	1	10%	\$11,000	1%
Over \$1,000,000	3	30%	\$1,365,000	86%

This table is based on commercial loans sampled. All 10 loans were for amounts less than \$100,000.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank does a good job of lending in all types of geographies. The geographical breakdown of the assessment area is 18% of the households are in each of the moderate- and upper-income BNAs. The remaining 64% of households are in middle-income BNAs. Twenty-seven percent of the number of loans sampled were loans in moderate-income BNAs. This sample also showed that the bank is meeting the community's credit need by providing real estate loans in moderate-income BNAs. The following table shows the geographic distribution of the bank's loans made between 11/01/94 and 12/31/97.

Table 6 - Geographic Distribution of Loans

Type of Loans	Mortgage Loans		Consumer Loans		Commercial Loans		Total	
	Loans in moderate-income BNAs	\$3,853,127	32%	\$1,162,228	22%	\$6,457,383	31%	\$11,472,738
	63	29%	132	24%	133	31%	328	27%
Loans in middle-income BNAs	\$6,268,729	53%	\$3,114,821	60%	\$8,893,238	42%	\$18,276,788	48%
	111	51%	323	59%	215	49%	649	54%
Loans in upper-income BNAs	\$1,841,077	15%	\$924,720	18%	\$5,600,833	27%	\$8,366,630	22%
	44	20%	95	17%	89	20%	228	19%

This table is based off a report generated by the bank. This report contained all loans on the bank's books that had an origination date between 11/01/94 and 12/31/97.

COMPLIANCE WITH FAIR LENDING LAWS

The First National Bank of Danville is in compliance with the substantive provisions of the anti-discriminatory laws and regulations. There is no evidence of practices to discourage individuals from applying for credit. The bank generally solicits credit applications from all segments of its assessment area, including the moderate-income areas.

WRITTEN COMPLAINTS

The First National Bank of Danville has not received any written complaints about its performance in helping to meet credit needs within its assessment area.