



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**May 7, 2004**

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

**The First National Bank  
Charter Number 4994**

**432 West Gallatin Street  
Vandalia, IL 62471**

**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 Satisfactory.**

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The bank's lending reflects an adequate dispersion among borrowers of different income levels and a good dispersion among businesses and farms of different sizes given the demographics, economic factors, and legal impediments faced by the bank.
- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 67% and is comparable to similarly situated area banks.
- Loans are reasonably distributed by geographic classification.
- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's assessment area (AA).

## **DESCRIPTION OF INSTITUTION**

First National Bank (FNB) is 100% owned by First Vandalia Corporation, a one-bank holding company located in Vandalia, Illinois. As of December 31, 2002, FNB had total assets of \$174 million, net loans of \$91 million, total deposits of \$147 million, and total risk based capital of \$20 million. FNB has four offices. The main office is located in Vandalia, Illinois. The bank also has full service branches in Vandalia, Ramsey, and Patoka, Illinois. ATMs offer depository services at the main office, the Ramsey branch, the Vandalia branch, an Amoco Service Station in Vandalia, and an IGA store in Vandalia. Cash-dispensing ATMs are located at a convenience store in Patoka and at the Sunset 66 convenience store in Vandalia.

FNB offers traditional bank services and loan products normally associated with a community bank. As of December 31, 2002, net loans totaled \$91 million, representing 52% of total assets. The loan portfolio consisted of 36% residential real estate, 28% farm real estate/agriculture production, 27% commercial real estate/business, 8% consumer, and 1% other loans.

There are no legal or financial constraints placed on the bank's ability to help meet the 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. No branches were closed during the evaluation period.

To further our understanding of the community's credit needs, we made a community contact with a local city official knowledgeable about most of the areas served by the bank. Our contact did not identify any unmet credit needs and felt that local banks are involved in the community

and are adequately meeting its credit needs.

FNB's last CRA evaluation was January 4, 1999, and we rated the bank Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management has designated Fayette County, Illinois, and Block Numbering Area (BNA) 9517 in Marion County, Illinois, as its AA. Fayette County consists of seven BNAs. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Fayette and Marion Counties are in non-Metropolitan Statistical Areas (non-MSA). Based on the 1990 State of Illinois non-MSA median family income, one BNA or 13% is classified as moderate-income and 7 BNAs or 87% are classified as middle-income. The bank's main office is located in the moderate-income BNA, 9506.00.

The 1990 census data shows the total population of the AA was 23,612, which included 6,390 families. Of these families, 1,444 or 23% were classified as low-income, 1,329 or 21% as moderate-income, 1,619 or 25% as middle-income, and 1,998 or 31% as upper-income. The non-MSA statewide median family income as of the 1990 census was \$29,693. The 2002-updated figure, adjusted for inflation by the Department of Housing and Urban Development, is \$46,700. We used the 2002-updated figure in our analysis to determine borrower income levels.

Based on the 1990 census data for the AA, 18% of the population is age 65 or older, 16% of households are in retirement, and 15% of households live below the poverty level. The median housing value is \$33,066 and the median year built is 1958. Owner-occupied units represent 70% of the housing stock, with 80% being 1-4 family units.

The March 2004 seasonally unadjusted unemployment rates were 8.2% for Fayette County and 9.0% for Marion County. These figures were higher than the 6.4% State of Illinois rate and the 6.0% national rate. The economy is primarily based on agriculture, with some manufacturing, service-related and retail businesses. Major employers in the AA include Vandalia Correctional Center, Owens-Brockway, Inc., Orgill, Inc, and Crane Packing.

Competitive pressure in the local community comes from three other banks in FNB's AA and from two branch offices in Vandalia of other financial institutions located outside of FNB's AA. Competition is also provided by mortgage companies, investment services, farm services, and insurance company offices that offer loan products.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB does a satisfactory job of meeting the credit needs of its AA, given the demographics, economic factors, and competitive pressures faced by the bank. Please refer to the “Description of Institution” and “Description of Assessment Area” sections of this evaluation for details on these performance context factors.

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

FNB’s lending reflects a good dispersion among borrowers of different income levels and an adequate dispersion among businesses and farms of different sizes. Lending levels, as shown by the volume of all loans generated, reflect good responsiveness to the credit needs of the AA.

Using only loans made in the AA, we sampled 20 residential real estate loans, 20 agriculture-related loans, and 20 business-related loans originated from January 1, 2000 through December 31, 2002. Residential real estate loans were not differentiated by type, i.e., home purchase, refinancing, and home improvement, because that information was not readily available.

#### *Residential Real Estate Loans*

The overall borrower distribution of residential real estate loans in the bank's AA is good. In evaluating the borrower distribution of residential real estate loans, we considered the large number of households that live below the poverty level (15%) and the barriers this may have on home ownership. Many of the sampled loans were refinances and it is likely that middle- and upper-income borrowers can more easily afford the costs associated with refinancing. The data used to evaluate FNB’s residential lending activity is presented in the following table.

Borrower Distribution of Residential Real Estate Loans in AA								
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 Real Estate	23%	15%	21%	25%	25%	35%	31%	25%

*Sources: Loan Sample and 1990 US Census Information. The updated 2002 non-MSA median family income is \$46,700. The income categories are defined as: less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$46,700.*

Based on the sample of loans selected, the bank’s residential lending to low-income borrowers (15%) is below the percentage of low-income families (23%) in the AA. Opportunities to make loans to low-income borrowers are limited by the high percentage of people living below the poverty level. Residential lending to moderate-income borrowers (25%) exceeds the percentage of moderate-income families (21%).

### ***Farm Loans***

The overall borrower distribution of farm loans is good in the bank's AA. The data used to evaluate FNB's farm loan activity is presented in the following table.

<b>Borrower Distribution of Loans to Farms in AA</b>		
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms	98%	2%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

*Source: Loan sample (20 loans in the AA); Dunn and Bradstreet data.*

### ***Business Loans***

The bank's overall lending distribution to businesses of different sizes is adequate. The data used to evaluate FNB's business lending activity is presented in the following table.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses*	78%	5%	17%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	36%	64%	0%	100%

*Source: Loan Sample and Dunn and Bradstreet 2002 data. \* 17 % of AA businesses did not report revenue data*

Based on the sample of loans selected, FNB's business lending to small businesses (65%) with revenues of \$1 million or less is below the percentage of small businesses (78%) in the AA. Although the bank's level of lending is below the proportion of small businesses in the area, this is considered adequate given the performance context factors.

### **Geographic Distribution of Loans**

The bank's overall lending reflects a satisfactory dispersion among geographies of different income levels. Our conclusion was based on the sample of residential real estate loans, farm-related loans, and business-related loans discussed above.

### ***Residential Real Estate Loans***

Residential real estate loan geographic distribution is good. The data used to evaluate FNB's residential lending activity is presented in the following table.

Geographic Distribution of Residential Real Estate Loans in AA								
BNA 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
Residential Real Estate Loans	0%	0%	10%	10%	90%	90%	0%	0%

Sources: Loan Sample and 1990 US Census Information.

The percentage of the bank's residential real estate loans made in the moderate-income geographies (10%) equals the percentage of owner-occupied housing units (10%) in these geographies.

### ***Farm Loans***

The geographic distribution of farm loans is good. The data used to evaluate FNB's farm lending activity is presented in the following table.

Geographic Distribution of Loans to Farms in AA								
BNA 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
Farm Loans	0%	0%	13%	15%	87%	85%	0%	0%

Source: Loan sample and Dunn and Bradstreet data.

The percentage of the bank's farm loans made in the moderate-income geography (15%) slightly exceeds the percentage of households (13%) in these geographies.

### ***Business Loans***

Business loan geographic distribution is satisfactory. The data used to evaluate FNB's business lending activity is presented in the following table.

Geographic Distribution of Loans to Businesses in AA								
BNA Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0%	0%	6%	5%	94%	95%	0%	0%

Source: Loan Sample and Dunn and Bradstreet data.

The percentage of the bank's business loans made in the moderate-income geography (5%) approximates the percentage of businesses (6%) in these geographies.

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

FNB's loan-to-deposit (LTD) ratio is reasonable. As of December 31, 2002, the bank's LTD ratio was 62%. FNB's quarterly average LTD ratio since December 31, 1998 was 67%. This is comparable to nine similarly situated banks in the area whose quarterly average LTD ratios ranged from 48% to 82%, with an average ratio of 65%. These banks are considered similarly situated because of their size, lending opportunities, and location.

### **Lending in Assessment Area**

A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's AA. A sample of 20 residential real estate loans, 20 farm loans, and 20 business loans found that 90% by number and 95% by dollar were made within the bank's AA. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geographies.

### **Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

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

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