



**SMALL BANK**

---

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

---

## **PUBLIC DISCLOSURE**

**March 29, 2004**

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

**The First National Bank of Jonesboro  
Charter Number 12373**

**1002 Public Square  
Jonesboro, IL 62952**

**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 or exceed the standards for satisfactory performance. The major factors that support this rating are:

- The bank's lending reflects a good dispersion to borrowers of different income levels and an adequate dispersion to businesses of different revenue sizes based on our sample of residential real estate loans, consumer loans, and commercial loans.
- The geographic distribution of loans is good.
- The level of lending is good. The bank's average loan-to-deposit ratio is 80% and exceeds the similarly situated banks in the assessment area (AA).
- A substantial majority of the bank's loans extended during this evaluation period were originated within the bank's AA.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Jonesboro (FNB) is an intrastate bank wholly owned by Jonesboro Banccompany, Inc., a one-bank holding company, located in the city of Jonesboro, Illinois. The CRA evaluation period is from January 1, 2000, through December 31, 2002. As of December 31, 2002, FNB had total assets of \$52 million, net loans of \$37 million, total deposits of \$45 million, and total risk based capital of \$5 million. FNB assets represent substantially all of the holding company's assets. There are no active subsidiaries or affiliates. The A-J Insurance Agency is in the process of closing and has been inactive for about a year. There have been no changes in the bank's corporate structure since the last CRA evaluation.

FNB is primarily a residential real estate lender that operates two offices and two cash-dispensing automated teller machines (ATM). The main office is located in Jonesboro, Illinois. In June 1999, the bank opened a full-service branch in Anna, Illinois. The ATMs are located near the main office at 203 W. Broad in Jonesboro, Illinois and at the Anna branch. Management has not closed any branches during this evaluation period.

FNB offers traditional bank services and loan products normally associated with a small community bank. As of December 31, 2002, net loans totaled \$37 million, representing 71% of total assets. The loan portfolio consisted of 65% residential real estate, 21% commercial real estate/business, 13% consumer, and 1% farm real estate/agriculture production loans.

To help meet the community's credit needs, FNB originates and sells long-term fixed-rate residential real estate loans to the State Bank of Lincoln. The bank is also an approved lender for Rural Economic and Community Development Guaranteed Loans. This program allows

qualified low- and moderate-income families to purchase a home with no down payment. FNB also participates in the Affordable Housing Grant Program; qualified low- and moderate-income families may apply for grants to use for closing costs, down payments, or rehabilitation of dwellings. The bank did not report originating any multifamily loans during the evaluation period.

We evaluated FNB's mortgage, business, and consumer lending using data for the period beginning January 1, 2000 through December 31, 2002. Residential real estate loans (69%) and business-related loans (16%) represent the highest percentages of loans originated during this evaluation period by dollar value. When considering the number of loans originated during the period, consumer loans (51%) and residential real estate loans (43%) are the bank's largest product categories. Due to FNB's business focus, we gave the greatest weight to residential real estate 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.

FNB's last CRA evaluation was January 19, 1999, and we rated the bank Satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Management designated Union County as its AA. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Union County is a non-Metropolitan Statistical Area (non-MSA) and is comprised of five Census Tracts (CT): 9501, 9502, 9503, 9504, and 9505. Based on the 1990 State of Illinois non-MSA median family income, four CTs or 80% are classified as middle-income and one CT or 20% is classified as moderate-income. FNB's main office is located in the moderate-income CT 9503 and the Anna branch is located in the middle-income CT 9504.

The 1990 census data shows that the total population in Union County was 17,619, which included 4,984 families. Of these families, 1,262 or 25% were classified as low-income, 1,123 or 22% as moderate-income, 1,176 or 24% as middle-income, and 1,423 or 29% 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, was \$46,700. We used the 2002-updated figure in our analysis to determine the borrower income levels.

Based on the 1990 census data for the AA, 19% of the population was age 65 and older, 20% of households were in retirement, and 19% of households lived below the poverty level. In 1990, the median housing value for the AA was \$37,194 and the median age of the housing stock was

27 years. Local housing for the AA was 80% 1-4 family units, with 67% being owner-occupied

and 8% vacant.

Relatively weak economic conditions in Union County are reflected in unemployment rates higher than the state and nation. The December 2002 seasonally unadjusted unemployment rates for Union County and Illinois were 7.3% and 6.3%, respectively. These ratios are slightly above the 2002 national unemployment rate of 5.7%. The unemployment trend is improving. The April 2004 unemployment rate for Union County and Illinois are 6.4% and 5.9%, respectively. However, they remain slightly above the 2004 national unemployment rate of 5.4%.

Services and retail trade businesses primarily support the local economy. Major employers in the area include Choate Mental Health Facility, Union County Hospital, Transcraft Corporation, Southern Illinois University, and Federal and State of Illinois correctional facilities.

Competitive pressures are strong and primarily come from five local banks and one regional bank with a branch in Union County. In addition, credit unions, mortgage companies, investment services, farm services, and insurance company offices that offer loan products also provide competition.

Management indicated the primary credit need of Union County is residential real estate loans, specifically long-term fixed rate and affordable housing loans, consumer personal and auto loans, and small business-related loans. To further our understanding of the community's credit needs, we performed a community contact with a local government official knowledgeable about the community. Our contact identified residential real estate loans, a significant portion of the bank's current lending activity, as a primary credit need in the community. Our contact also identified consumer personal and auto loans as other credit needs. Our contact did not identify any unmet credit needs and knows of no community development or other credit-related projects available for participation by local financial institutions.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

FNB does a good job of meeting the credit needs of its AA, including those of low- and moderate-income people and small businesses, 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**

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

During this evaluation period, FNB's primary loan products are residential real estate loans and business-related loans by dollar, and consumer loans and residential real estate loans by number. Using only loans made in the AA, we sampled 20 residential real estate loans, 20 consumer 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 borrower distribution of residential real estate loans 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 (19% of households) and the barriers this might 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.

<b>Borrower Distribution of Residential Real Estate Loans in Union 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 Real Estate	25%	15%	22%	25%	24%	25%	29%	35%

*Sources: Examiner-selected judgmental loan sample and 1990 U. S. Census Data. The updated 2002 statewide 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 quite a bit below the percentage of low-income families (25%) in the AA; however, it is considered reasonable because it can be difficult for a household with income below the poverty level to afford home ownership. Residential lending to moderate-income borrowers (25%) slightly exceeds the percentage of moderate-income families (22%).

**Consumer Loans**

The borrower distribution of consumer loans is good. Again, opportunities to make loans to low-income borrowers are limited by the high percentage of people living below the poverty level (19% of households). The data used to evaluate FNB’s consumer lending activity is presented in the following table.

<b>Borrower Distribution of Consumer Loans in Union 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	31%	30%	17%	25%	20%	25%	32%	20%

*Sources: Examiner-selected judgmental loan sample and 1990 U. S. Census Data.*

Based on the sample of loans selected, the bank’s consumer lending to low-income borrowers (30%) is near the percentage of low-income households (31%) in the AA. Consumer lending to

moderate-income borrowers (25%) significantly exceeds the percentage of moderate-income households (17%).

**Business Loans**

The bank’s lending distribution to businesses of different revenue 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 Union County</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 #	75%	25%	0%	100%
% of Bank Loans in AA by \$	63%	37%	0%	100%

*Sources: Examiner-selected judgmental loan sample and Dunn and Bradstreet 2002 data.*

Based on the sample of loans selected, FNB’s business lending to small businesses (75%) with revenues of \$1 million or less is near the percentage of small businesses (78%) that reported their revenues in the AA. Seventeen percent of businesses in the AA did not report their revenues.

**Geographic Distribution of Loans**

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

Bank-generated reports detailing FNB’s lending activity over the evaluation period for residential real estate loans, consumer loans, and business loans were reviewed to identify gaps in the geographic distribution of those loans. No conspicuous gaps were identified.

**Residential Real Estate Loans**

The geographic distribution of residential real estate loans is good. The data used to evaluate FNB’s residential lending activity is presented in the following table.

<b>Geographic Distribution of Residential Real Estate Loans in Union County</b>								
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
Residential Real Estate Loans	0%	0%	22%	25%	78%	75%	0%	0%

*Sources: Examiner-selected judgmental loan sample and 1990 U. S. Census data.*

Based on the sample of loans selected, the percentage of the bank's residential real estate loans

made in the moderate-income geography (25%) exceeds the percentage of owner-occupied housing units (22%) in the geography.

### **Consumer Loans**

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

<b>Geographic Distribution of Consumer Loans in Union County</b>								
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	0%	0%	29%	25%	71%	75%	0%	0%

Sources: Examiner-selected judgmental loan sample and 1990 U.S. Census data.

Based on the sample of loans selected, the percentage of the bank's consumer loans made in the moderate-income geography (25%) is near the percentage of households (29%) living in the geography.

### **Business Loans**

The geographic distribution of business loans is good. Our conclusion was based on the business loans discussed above. The data used to evaluate FNB's business lending activity is presented in the following table.

<b>Geographic Distribution of Loans to Businesses in Union County</b>								
Census Tract 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%	20%	25%	80%	75%	0%	0%

Source: Loan Sample and Dunn and Bradstreet 2002 data.

Based on the sample of loans selected, the percentage of the bank's business loans made in the moderate-income geography (25%) exceeds the percentage of businesses (20%) in the geography.

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

FNB's loan-to-deposit (LTD) ratio is good. As of December 31, 2002, the bank's LTD ratio was 83%. FNB's quarterly average LTD ratio since the 1999 CRA examination was 80%. This ratio compares well to the four similarly situated banks in the area whose quarterly average LTD ratios ranged from 38% to 79%, with an average ratio of 65%. These banks are considered similarly situated because of their size, location, and lending opportunities.

It should also be noted that since January 1999, the bank has originated and sold about \$2.5 million long-term fixed-rate residential loans to the State Bank of Lincoln. Because these loans are sold, they are not reflected in the bank's LTD ratio. During this evaluation period, the bank's participation in the Affordable Housing Grant Program and the Rural Economic and Community Development Guaranteed Loans has been limited.

### **Lending in Assessment Area**

Lending in the AA is reasonable. A substantial majority of the bank's loans originated since the last CRA evaluation were made in the AA. We analyzed bank-generated reports to review residential real estate loans, consumer loans, and business loans originated from 2000 through 2002. The data shows that 84% of the 1,912 loans originated 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**

In conjunction with the CRA examination, we performed a fair lending examination because the bank was selected in the random sample of banks to receive a fair lending examination. The comparative file analysis using the benchmark approach was used and included a review of five or 100% of the denied female residential real estate applications compared to a random judgmental sample of 20 approved male residential real estate loan applications. Additionally, we reviewed the bank's loan policy, lending practices, and compliance with the technical requirements of anti-discrimination laws and regulations. Our fair lending review found no evidence of illegal discrimination or other illegal credit practices.