



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**July 13, 2009**

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

**The First National Bank of Assumption  
Charter Number 5316**

**141 North Chestnut Street  
Assumption, IL 62510**

**Comptroller of the Currency  
Central Illinois & Central Indiana  
3001 Research Road Suite E2  
Champaign, IL 61822**

**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.**

- **The distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income), and businesses and farms of different sizes, given the demographics of the assessment area.**
- **A substantial majority of the loans are originated within the bank's assessment area.**
- **The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, assessment area's credit needs, and competition.**

## **SCOPE OF EXAMINATION**

First National Bank of Assumption (FNB) was evaluated under the Small Bank examination procedures, which evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

The lending test for FNB covers its performance from January 1, 2007 to June 30, 2009. Based on both the number and dollar volume of loan origination information supplied by the bank, FNB's primary loan products are consumer and agricultural loans. We selected a sample of consumer and agricultural loans made during this time period to evaluate the bank's lending performance.

We also utilized 2000 census data for evaluating consumer loans and 2008 farm demographic data for evaluating agricultural loans.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$19 million intrastate institution located in Assumption, Illinois. Assumption is located in the northeastern corner of Christian County on State Highway 51 approximately 25 miles from Decatur, Illinois and 45 miles from Springfield, Illinois, the state's capitol. The bank is 100% owned by the Hall and Corzine families. FNB has no branch facilities or ATMs, and has not opened or closed any branches during this evaluation period.

The bank offers a full range of retail and commercial banking products normally associated with a community bank. Gross loans, at \$6.7 million on December 31, 2008, represent 34% of total assets. The following table shows the bank's loan and lease portfolio mix as of December 31, 2008.

<b>Loan Portfolio Summary by Loan Product</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home Loans	57%
Farm Loans	12%
Consumer Loans	23%
Commercial Loans	8%

Source: December 31, 2008 Call Report Data

During the years of 2007 and 2008 and the first two quarters of 2009, the bank originated 454 loans totaling \$8.6 million. According to bank reports, 364 of these loans were consumer (\$2.8 million), 37 were agricultural (\$3.6 million), 30 were commercial (\$625 thousand), and 22 were 1-4 family residential real estate (\$1.6 million).

The bank offers standard loan products to the community. The bank offers Farm Service Administration (FSA) guaranteed loans. FNB also makes loans to local municipalities, such as the local fire protection district.

Tier one capital totals \$2 million. There are no financial, legal, or other impediments that would hinder the bank's ability to meet the credit needs of its assessment area. Bank activities are consistent with the bank's size, its financial capacity, local economic conditions, and credit needs of the community. The bank was rated "Satisfactory" at its last CRA examination on September 13, 2004.

## **DESCRIPTION OF THE ASSESSMENT AREA**

The assessment area consists of four census tracts (#9586, #9587, #9588, and #9589) in Christian County and two census tracts (#9591 and #9592) in Shelby County. Only census tract #9586 in Christian County is designated as upper-income, the other five census tracts are designated as middle-income. Neither Christian County nor Shelby County is located in a Metropolitan Statistical Area (MSA). This assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. The following demographic information for the assessment area is based on census data.

<b>Demographic Information for Assessment Area (AA)</b>		
		<b>2000 Census Data</b>
Population:		19,710
Housing Stock: <i>1-4 family housing units</i>		96%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>		72%, 19%, 9%
Home Values: <i>Median home value</i>		\$59,753
Age of Homes: <i>Median year of homes built</i>		1952
Income: <i>Median family income</i>		\$43,421
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>		17%, 21%, 25%, 37%
Household Income Levels(%): <i>Low-, moderate-, middle-, upper-income</i>		21%, 16%, 22%, 41%

Updated Income: 2007 HUD Non-MSA Illinois median family income was \$50,600. 2008 HUD Non-MSA Illinois median family income was \$51,900. The 2009 HUD Non-MSA Illinois median family income is \$54,400.

		<b>2008 Business Data</b>
Farms: % of small farms in the assessment area		99.15%
Businesses: % of small businesses in the assessment area		57.92%
Percent of farms not reporting revenue figures		.43%
Percent of businesses not reporting revenue figures		30.06%

The local agriculture economy is stable, but many businesses in the area have suffered due to a downturn in the national economy. A major employer in Assumption, IL (GSI Manufacturing) experienced cut-backs and lay-offs in the fall of 2008. GSI Manufacturing, at one time the largest employer in the county, recently reduced their employment by approximately 200 individuals. Other local businesses such as a video store, pharmacy, and a restaurant have been forced to close their doors due to a lagging economy. Many of the local residents continue to commute to Decatur for employment with heavy manufacturers including Caterpillar, ADM, Staley's, and Mueller's. These large manufacturers have also experienced major cut-backs and lay-offs in recent years. The December 2008 unemployment rate for Christian County was 5.1% and Shelby County was 4.6%. The state unemployment rate for the same time period was 4.6%, compared to the national rate of 7.2%. As of May 2009, these numbers have significantly increased with the unemployment rate for Christian County 8.7%, Shelby County 8.6% and the State and National rate 9.9% and 9.1% respectively.

FNB faces competition from several community banks in Taylorville, Pana, and Shelbyville, and from larger regional and national banks located in Springfield and Decatur. There are sixteen other banks, two savings and loan associations, and three large regional banks located in Christian and Shelby Counties. Given the level of competition, FNB Assumption has only 1.6% of the deposit market share.

A local city official, a director of an affordable housing agency, and a director of an economic development corporation were contacted during this evaluation period. These contacts indicated that FNB has participated in the city of Assumption's revolving loan fund. Other opportunities for participation by local financial institutions include: providing funding for programs such as homeownership counseling, affordable mortgage products, low-interest loans for business development, and additional participation in revolving loan funds. Financial expertise is also needed.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

FNB's performance in meeting the community credit needs is satisfactory. This review concentrated on the bank's primary loan products, which include consumer and agricultural loans. FNB has a reasonable loan-to-deposit ratio and a substantial majority of the loans originated are within the AA. FNB has reasonable distribution among borrowers of different income levels and farms of different sizes. A geographic distribution test was not performed, as there are no low- or moderate-income census tracts in the bank's assessment area. All criteria of the lending test are documented below.

## Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, assessment area's credit needs, and local competition. During the past nineteen quarters through March 31, 2009, FNB's loan-to-deposit ratio has averaged 42%, with a low of 35% and a high of 48%. FNB's average ratio is low compared to the 58% quarterly average for three similarly situated banks. These banks located in Christian and Macon Counties had total assets between \$16 million and \$20 million. As previously noted, FNB faces strong competition from other local and regional banks; FNB deposits total only 1.6% of the market share. Additionally, due to the stable agricultural economy, demand for farm operating lines has decreased significantly. The local housing market is stagnant and loan demand for mortgage loans has also diminished. It should be noted that Public Funds have historically represented approximately one-third of total deposits. Taking this into consideration, the bank's loan to deposit ratio as of December 31, 2008 would be approximately 63%.

## Lending in Assessment Area

A substantial majority of the loans are originated within the bank's assessment area. Based on a sample of twenty consumer loans and twenty farm loans originated in 2007, 2008, and the first two quarters of 2009, 95% of the number and nearly 100% of the dollar volume were made within the bank's assessment area.

Lending in the AA										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	18	90%	2	10%	20	\$204	95.99%	\$9	4.01%	\$ 213
Farm Loans	20	100%	0	0%	20	\$2,020	100%	\$0	0%	\$2,020
Totals	38	95%	2	5%	40	\$2,224	99.62%	\$9	.38%	\$2,233

Source: Sample of 20 consumer and 20 farm loans originated between 1/1/07 and 6/30/09.

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

The overall distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and farms of different sizes, given the demographics of the assessment area.

### Consumer Loan Originations

The distribution of loans reflects more than reasonable penetration for consumer originations among individuals of different income levels (including low- and moderate-income) given the demographics of the assessment area.

The bank's 2007, 2008, and 2009 performance in originating consumer loans to both low- and moderate-income borrowers is favorable compared to demographic data. The following tables show the distribution of consumer loan originations among borrowers of different income levels

within the assessment area.

<b>Borrower Distribution of Consumer Loans in the AA</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	21%	50%	16%	20%	22%	20%	41%	10%

*Source: This table is based on a random sample of 20 consumer loans originated in the AA for 2007, 2008, and the first two quarters of 2009 and 2000 U.S. Census data.*

### Agricultural Loans

The bank's performance of lending to farms of different sizes is reasonable. Eighty percent of the number of agricultural loans sampled in the assessment area were made to small farms. Small farms are farms with annual gross revenues of less than one million dollars. Demographic data for the AA shows that approximately ninety-nine percent of the farms in the assessment area have revenues equal to or less than one million dollars.

<b>Borrower Distribution of Loans to Farms in the AA</b>		
Gross Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms*	99.15%	.43%
% of Bank Loans in AA by #	80.00%	15.00%
% of Bank Loans in AA by \$	26.54%	73.13%

*Source: This table is based on a random sample of 20 farm loans from the AA that were originated in 2007, 2008, and the first two quarters of 2009, and 2008 farm demographic data. .43% of AA farms did not report revenue data. One loan in the sample (5%) totaling \$7,000 (.33%) did not contain financial information.*

### **Geographic Distribution of Loans**

A geographic distribution analysis was not performed, as the assessment area does not include any low- or moderate-income census tracts.

### **Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

### **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.