



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

April 21, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank of Raymond
Charter # 6910
403 East Broad Street
Raymond, Illinois 62560

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 **First National Bank of Raymond, Illinois**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 21, 1999. This evaluation is based on information since the last CRA examination dated **February 1996**. 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**.

- C The level of lending to low- and moderate-income individuals and farms of different sizes shows good penetration based upon the demographics of the area and credit needs of the assessment area.

- C The bank's loan-to-deposit ratio exceeds the loan-to-deposit ratios of similarly situated area banks.

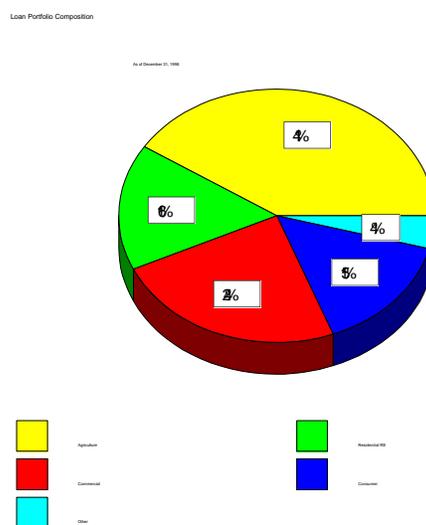
- C A majority of loans are extended in the bank's assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Raymond (FNB) is a \$97 million bank which is wholly owned by Raymond Bancorp, Inc., a one-bank holding company. The main office is located in downtown Raymond, Illinois (Montgomery County). Branches are located in Girard and Virden (Macoupin County), Morrisonville (Christian County), and Pawnee (Sangamon County). ATMs are located at the main office and all branch offices. FNB offers a full range of retail and commercial banking products normally associated with a community bank. The bank's primary business focus is agriculture-related loans.

As of December 31, 1998, the loan portfolio represented 76% of total assets. At that time, the composition of the loan portfolio was 41% agriculture-related, 24% commercial, 16% residential real estate, 15% consumer, and 4% other loans.

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 February 1996, was "Outstanding Record of Meeting Community Credit Needs."



DESCRIPTION OF ASSESSMENT AREA

FNB has designated portions of Montgomery, Macoupin, Christian and Sangamon Counties as its assessment area (AA). The AA includes Block Numbering Area (BNA) 9575 in Montgomery County; BNAs 9560 and 9561 in Macoupin County; BNAs 9582 and 9590 in Christian County; and Census Tracts (CTs) 33 and 34 in Sangamon County, which is part of the Springfield, Illinois, Metropolitan Statistical Area (MSA) # 7880. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. Based on the weighted average of the non-MSA and MSA median family incomes for the AA in 1990, all seven BNAs/CTs are middle income.

The AA population was 28,253 as of the 1990 census. The updated non-MSA median family income in Illinois for 1999 is \$39,500. Census information on family incomes aggregated for the AA shows that 19% of the families are in low-, 19% are in moderate-, 26% are in middle-, and 36% are in upper-income levels.

For the analysis contained in this report, low income is defined as income that is less than 50% of the 1999 statewide non-MSA median family income. Moderate income is at least 50% but less than 80% of the 1999 statewide non-MSA median family income. Middle income is at least 80% but less than 120% of the 1999 statewide non-MSA median family income. Upper income is 120% or more of the 1999 statewide non-MSA median family income. The non-MSA median family income figure is used in our analysis because the majority of the AA is located in non-MSA areas.

The 1990 census demographic data for the AA shows that 15% of the population is age 65 and over, 17% of the households are in retirement, and 10% of the households are below the poverty level. The median housing value is \$43,167 and the median age of the housing stock is 41 years. Owner-occupied units represent 71% of the housing stock, with 88% being 1-4 family units.

The local economy is primarily supported by agriculture and other service-related businesses. The largest employers in the area are the local school districts, Freeman Crown, R and R Book Binding, Thermic Refractories, Truss/Slater, Common Wealth, Pleasant Hill Village, Sunrise Manor, Virden Nursing Home, and Dickey-John. The local economy has been relatively stable; however, low grain and livestock prices may adversely impact the AA. The March 1999 unemployment rates for Montgomery, Macoupin, Christian and Sangamon Counties are 7.1%, 4.9%, 4.3%, and 3.4%, respectively. The national and state unemployment rates for the same period are 4.0% and 4.4%, respectively.

Strong competition comes primarily from financial institutions located in Litchfield, Virden, Nokomis, Morrisonville and Pawnee. The bank's business strategy is to remain competitive with the other financial institutions in the AA and serve the community's loan needs.

To further our understanding of the community's credit needs, we interviewed a local government official during this examination. This individual indicated that the primary credit need of the AA is loans to farmers. Other credit needs include residential real estate loans and instalment, primarily auto, loans. The contact stated that the local financial institutions are serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

Agricultural Loans - The bank's primary product line is agricultural lending which comprises the largest portion of the loan portfolio on a dollar basis. FNB is responsive to the credit needs of small farms in its AA. Small business and small farm loans are defined as loans to a company with less than \$1 million in gross annual revenues. We reviewed the revenue distribution of 29 agricultural borrowers with farm operating loan originations between January 1, 1997, and December 31, 1998, to determine the size of farms being served.

Total loan originations to these borrowers were \$3,772,000. Our agricultural sample represented approximately 6% of the number of farm operating loans originated during this period.

The following table illustrates the distribution of farm operating loan originations by size of annual revenues within the AA.

Distribution by Farm Gross Revenue Size

	Under \$100M		\$100M- \$250M		\$250M- \$500M		\$500M- \$1MM		Over \$1MM	
#	6	21%	10	35%	6	21%	5	17%	2	7%
\$ (000's)	136	4%	986	26%	550	15%	1,100	29%	1,000	27%

Based on 1990 business demographic data, all farms in the bank's AA had revenues of less than \$1 million.

Residential Real Estate Loans - One of the bank's secondary product lines is 1-4 family residential real estate lending for purchase, home improvement, and refinancing. Residential real estate loans comprise the second largest portion of the loan portfolio on a dollar basis. FNB's distribution to borrowers demonstrates good penetration to borrowers of all income levels.

We reviewed Home Mortgage Disclosure Act (HMDA) loans with loan originations in 1997 and 1998.

These originations totaled 31 loans with a dollar amount of \$1,644,000. Our residential real estate sample represented approximately 17% of the number of residential real estate loans originated during this period.

**Distribution by Borrower Income Level
1-4 Family Residential Real Estate Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	3	10%	53	3%	19%
<i>Moderate Income</i>	11	35%	451	27%	19%
<i>Middle Income</i>	9	29%	363	22%	26%
<i>Upper Income</i>	7	23%	439	27%	36%

Instalment Loans - Instalment loans comprise the largest portion of the loan portfolio on a number basis and the third largest portion of the portfolio on a dollar basis. FNB's distribution to borrowers demonstrates good penetration to borrowers of all income levels. Our review of 31 instalment loan originations between January 1, 1996, and December 31, 1998, revealed the distribution of loans to borrowers of low- and moderate-income levels exceeded the demographic data for the AA. However, the numbers and dollars are skewed because management routinely collects net income and not gross income on loan applications. During the examination, we discussed this practice with management. Management agreed to collect gross income going forward.

We reviewed instalment loans with loan originations in 1996, 1997 and 1998. These originations totaled 31 loans with a dollar amount of \$276,000. Our instalment loans sample represented approximately 1% of the number of instalment loans originated during this period.

**Distribution by Borrower Income Level
Instalment Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	14	45%	87	32%	19%
<i>Moderate Income</i>	6	19%	54	20%	19%
<i>Middle Income</i>	6	19%	40	14%	26%
<i>Upper Income</i>	5	17%	95	34%	36%

Geographic Distribution of Loans:

A geographic analysis was not performed as all geographies in the AA are middle income.

Loan-to-Deposit Ratio:

The bank's loan-to-deposit ratio is very good. The loan-to-deposit ratio as of December 31, 1998, was 82%. The bank's average loan-to-deposit ratio for the thirteen quarters since the previous CRA evaluation was 81%. The loan-to-deposit ratios of six competitor banks ranged from 39% to 79% as of December 31, 1998, and average ratios for the period ranged from 32% to 72%. Five of the six competitor banks are considered similarly situated institutions as they are rural community banks with total assets less than \$100 million, where agriculture is an important part of the economy.

Lending in the Assessment Area:

Lending in the assessment area is satisfactory. A majority of the bank's loans are extended within its AA. This conclusion is based on a bank-prepared analysis of all loans in the portfolio as of April 22, 1999.

All Loans by Dollar Amount Within AA

	Total # of Loans in Portfolio	% of Loans Within AA (#)	Total \$ Amount of Loans in Portfolio (000's)	% of Loans Within AA (\$)
Outstanding Loans	3,224	75%	\$70,506	70%

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.