



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 14, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank and Trust Company
Charter # 12596
509 South University
Carbondale, Illinois 62902

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 and Trust Company**, Carbondale, Illinois, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **October 14, 1997**. This evaluation is based on information since the last CRA examination dated December 12, 1994. 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**.

- The level of lending to borrowers of different income levels is reasonable based on our sample of home mortgage lending activities.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- The bank's loan-to-deposit ratio is above other competing banks at 83% as of June 30, 1997. The loan-to-deposit ratio for the last 12 quarters is 73%.
- A majority of the loans are extended in the bank's assessment areas.

DESCRIPTION OF INSTITUTION

The First National Bank and Trust Company is a \$249 million bank that is wholly owned by Southern Bancshares, Ltd., Carbondale, Illinois, a one-bank holding company. The main office is in Carbondale and operates five branches located in Carterville, De Soto, Hurst, Mount Vernon, and Murphysboro, Illinois. The Mount Vernon and Murphysboro branches were opened in 1996. The bank's primary business focus is in real estate lending. As of June 30, 1997, the loan portfolio consists of 52% real estate, 31% consumer, and 17% business and agricultural production 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 areas. 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 December 12, 1994, was "Outstanding Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREAS

Assessment Area #1: Jackson County Block Numbering Areas (BNAs) 102, 104, 106 through 116; and Williamson County BNAs 201 and 202. This is a contiguous area and meets the criteria of the regulation.

Jackson and Williamson Counties are non-Metropolitan Statistical Areas (MSA) located in the southeastern section of Illinois approximately 100 miles southeast of St. Louis, Missouri. This assessment area is serviced by all offices with the exception of the Mount Vernon branch. Based on the non-MSA median family income for Illinois in 1990, the bank's assessment area in Jackson County has two BNAs that are low income, four moderate income, five middle income, and two upper income. The two BNAs designated as the assessment area in Williamson County consist of one moderate and one middle income. Jackson and Williamson Counties have unemployment rates of 5.6% and 8.6% respectively, as of June 30, 1997, compared with a state rate of 4.6% and a national rate of 5.2%. Both county unemployment rates have declined in the last year. Economic conditions have remained stable; however, recently there have been some additional coal mine closings. The bank has not arbitrarily excluded any low- or moderate- income areas by designating only a portion of these counties within its assessment area.

The combined population of Jackson and Williamson County BNAs in the bank's assessment area as of the 1990 census was 64,966. The median family income was \$24,620. The median family income for the state was \$29,694. The updated non-MSA median family income for Illinois for 1997 is \$37,600. Census information on family incomes aggregated for this assessment area indicated that 26% were considered low, 17% moderate, 20% middle, and 37% upper income. Major employers in this assessment area include Southern Illinois University, two hospitals and a medical clinic.

Assessment Area #2: Jefferson County BNAs 505 through 511. This is a contiguous area and meets the requirements of the regulation.

Jefferson County is a non-MSA, and the assessment area is approximately 60 miles northeast of Carbondale, Illinois. This assessment area is serviced by the Mount Vernon branch. Based on the non-MSA median family income for Illinois in 1990, one BNA is low income, two BNAs are moderate income, three BNAs are middle income, and the remaining BNA is upper income. As of June 30, 1997, the unemployment rate was 7.1% compared to 11.1% a year earlier. The economy is considered stable.

The combined population for this assessment area as of the 1990 census was 23,179. The median family income for this assessment area is \$28,365. The median family income for the state was \$29,694. Census information on family incomes aggregated for this assessment area indicated that 27% were considered low, 17% moderate, 21% middle, and 35% upper income. Major employers in this assessment area include the General Tire Company, a hospital, and Walgreens Warehouse/Distributor.

Community contacts performed by regulatory agencies in recent months indicate that all local financial institutions are serving the needs of low- and moderate-income families. Bank management's strategy is to actively market residential real estate and business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The bank meets the standards. There is a reasonable distribution of loans to borrowers of different income levels and to businesses and farms of different sizes. Our review of residential real estate loans originated in 1996 and 1997 reveals that loans are extended to borrowers of all income levels, including low- and moderate-income borrowers.

The loan distribution is somewhat misleading due to the large population of students that attend Southern Illinois University within assessment area #1, thereby creating a larger population of low- and moderate-income individuals. Also, there is a low turnover of low-income housing because the demographic information shows a high percentage of rental housing as opposed to owner-occupied units. According to 1990 census data, seven BNAs surrounding the campus are heavy in rental housing units ranging from 47% to 96% of total housing. These same BNAs reflect a student population of 6,670 and a below-poverty level ranging from 28% to 63%. The combined 15 BNAs in assessment area #1 reflect 48% of total housing are rental units and 29% of the population is below the poverty level. According to a 1996 report generated by Strategic Mapping, Inc., 21% of the census population within a three-mile radius of Carbondale are college students.

Also, assessment area #2 is fairly new since the acquisition of the Mount Vernon branch in November 1996. Only 1997 residential real estate loans were used in the sample for this assessment area.

Real estate loans extended in assessment area #2 only represent approximately 10% of the total number and total dollar amount of real estate extensions bank-wide for 1996 and 1997.

The bank extended 571 loans totaling \$37,302,000 in residential real estate loans in 1996 and 1997 for both assessment areas. We sampled 152 or 27% of the number and \$9,710,000 or 26% of the dollar volume of these loans.

The following tables show the distribution of residential real estate loan originations among borrowers of different income levels within the assessment areas:

Assessment Area #1

	# of Loans	% of Loans #	Loan \$	% of Loans \$	Family Breakdown by Income
<i>Low Income</i>	9	9%	219,540	3%	26%
<i>Moderate Income</i>	22	23%	628,217	10%	17%
<i>Middle Income</i>	18	18%	732,903	12%	20%
<i>Upper Income</i>	49	50%	4,828,229	75%	37%

Assessment Area #2

	# of Loans	% of Loans #	Loan \$	% of Loans \$	Family Breakdown by Income
<i>Low Income</i>	1	4%	20,500	1%	27%
<i>Moderate Income</i>	1	4%	5,000	1%	17%
<i>Middle Income</i>	3	13%	119,200	6%	21%
<i>Upper Income</i>	19	79%	1,742,726	92%	35%

The bank participates in the Community Investment Program (CIP) to finance home purchases or rehabilitation of housing for rental by families whose incomes do not exceed 115% of median income for the area. Also, the bank participates in the Affordable Housing Program which is designed to assist in the development of affordable housing for low- and moderate-income households.

The bank extends loans to small businesses and small farms. The following table was produced using the June 30, 1997 Report of Condition and the bank's loan trial balance.

Size of Loans to Small Businesses

	Under \$100M		\$100M-\$250M		\$250M-\$1,000M		Over \$1,000M	
#	491	80%	79	13%	40	6%	6	1%
\$	10,932	28%	10,370	27%	9,140	24%	7,911	21%

Size of Loans to Small Farms

	Under \$100M		\$100M-\$250M		\$250M-\$500M		Over \$500M	
#	58	87%	7	10%	2	3%	0	0%
\$	1,234	53%	822	36%	252	11%	0	0%

The bank also participates in the Small Business Administration (SBA) and Farmer's Home Administration (FmHA) loan programs.

Geographic Distribution of Loans:

The geographic distribution of loans meets the standards. The distribution of loans reflects reasonable dispersion throughout the assessment areas. Our analysis indicates lending in most of the BNA tracts within the bank's assessment areas.

Geographic dispersion of residential real estate loans throughout the assessment areas:

Assessment Area #1

Income Characteristic of BNAs	Geographies by Income Level	Number of Loans	Percentage of Loans #	Dollar Amount of Loans	Percentage of Loans \$
Low Income (a)	13%	2	2%	185,500	3%
Moderate Income (b)	33%	30	30%	1,474,520	23%
Middle Income (c)	40%	52	53%	3,376,037	53%
Upper Income (d)	14%	14	14%	1,372,832	21%
Total	100%	98	100%	6,408,889	100%

- (a) 2 low-income BNAs in assessment area
- (b) 5 moderate-income BNAs in assessment area
- (c) 6 middle-income BNAs in assessment area
- (d) 2 upper-income BNAs in assessment area

Assessment Area #2

Income Characteristic of BNAs	Geographies by Income Level	Number of Loans	Percentage of Loans #	Dollar Amount of Loans	Percentage of Loans \$
Low Income (a)	14%	3	13%	103,726	5%
Moderate Income (b)	29%	3	12%	145,000	8%
Middle Income (c)	43%	15	62%	1,420,750	75%
Upper Income (d)	14%	3	13%	218,000	12%
Total	100%	24	100%	1,887,476	100%

- (a) 1 low-income BNA in assessment area
- (b) 2 moderate-income BNAs in assessment area
- (c) 3 middle-income BNAs in assessment area
- (d) 1 upper-income BNA in assessment area

Loan-to-Deposit Ratio:

The bank’s loan-to-deposit ratio exceeds the standards. The loan-to-deposit ratio as of June 30, 1997, was 83%. The bank’s average loan-to-deposit ratio for the twelve quarters since the previous CRA evaluation is 73%. The loan-to-deposit ratio grew steadily during that period from 69% to the present 83%. The loan-to-deposit ratios of three primary competitor banks were compared with the bank. Current loan-to-deposit ratios of these banks ranged from 39% to 55% as of June 30, 1997.

Lending in the Assessment Area:

A majority of the bank’s loans are within its assessment areas. This conclusion is based on a sampling of residential real estate loans originated in 1997. The sample included assessment area #1, the Jackson and Williamson County areas, and assessment area #2, Jefferson County (the Mount Vernon Branch location). Management indicated some borrowing customers who live out of the assessment area commute to Carbondale for employment.

Percentage of Real Estate Loans by Number and Dollar Amount Within Assessment Areas:

	Number of Loans Sampled	Percentage of Loans (#)	Percentage of Loans (\$)
<i>Assessment Area #1</i>	122	80%	85%
<i>Assessment Area #2</i>	30	80%	86%
<i>Total</i>	152	80%	85%

Response to Complaints:

No complaints were received since the prior CRA evaluation.

Investments:

The bank has qualified investments in two Community Development Corporations in Jackson and Jefferson Counties totaling \$80,000. Also, the bank has committed to an equity investment of \$1,000,000 in the Cache Valley Apartments, Limited Partnership, with the purpose of constructing low-income senior housing in Southern Illinois.

Services:

The bank offers a variety of lending services at all locations. There are 12 ATMs at various locations. The bank opened two branches since the last CRA review. The Murphysboro branch opened in January 1996 and the Mount Vernon branch opened in November 1996. The Murphysboro branch is located in a moderate-income BNA and the Mount Vernon branch is located in a low-income BNA.

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.