



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 25, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First National Bank of Ava
Charter # 10911

One West Main
Ava, Illinois 62907

Comptroller of the Currency

Fairview Heights Duty Station
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 Ava** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 25, 1996**. This evaluation is based on information since the last CRA examination dated September 24, 1992. 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 Record of Meeting Community Credit Needs.

The bank's loan-to-deposit ratio is reasonable at an average of 66% over the last four years. A majority (70%) of the loans are in the bank's assessment area. The level of lending to borrowers of different income levels is reasonable as evidenced by a home mortgage loan sample which revealed 34% of the loans and 28% of the dollar volume of loans were made to low- and moderate-income individuals.

The following table indicates the performance level of First National Bank of Ava with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF AVA PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Not rated as the entire assessment area is middle-income.		
Response to Complaints	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Ava (FNB Ava) is wholly owned by Headquarters Holding Company, Inc., a one-bank holding company. The bank operates from a main office in Ava, Illinois, and a branch office in Gorham, Illinois. The Gorham office opened on December 1, 1994. As of September 30, 1996, the bank's assets totaled \$34 million. The loan portfolio consists of 40% residential real estate, 25% agricultural, 21% consumer and 14% commercial 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. FNB Ava's prior CRA rating was a "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

FNB Ava designates its assessment area as Block Numbering Areas (BNAs) 101, 103, and 104 in Jackson County, Illinois. Jackson County is in a non-Metropolitan Statistical Area (MSA). FNB Ava's main office is located in BNA 101 and the Gorham branch facility is located in BNA 103. The three BNAs are middle-income geographies.

As of 1990, the population of the bank's assessment area was 10,712. Of that population, approximately 800 people live in Ava. In 1990, the median family income for the assessment area was \$28,750. The 1996 non-MSA median family income for Illinois is \$36,000. Family incomes aggregated for the three BNAs indicate that 23% of the families are low income, 18% are moderate income, 25% are middle income, and 34% are upper income. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. There are five other financial institutions located in the bank's assessment area.

Economic conditions in Jackson County are good. The October 1996 seasonally unadjusted unemployment rate for Jackson County was 4.5%. The state and national seasonally unadjusted unemployment rates were 4.7% and 4.9%, respectively. Major employers in the assessment area include the local school district and the Illinois Department of Corrections. Bank management stated the primary credit needs of the assessment area are agricultural, residential, and consumer lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio:

FNB Ava's loan-to-deposit ratio is reasonable. As of September 30, 1996, the bank's loan-to-deposit ratio was 66%. FNB Ava's average loan-to-deposit ratio for the seventeen quarters between September 30, 1992, and September 30, 1996, was 62%. Loan-to-deposit ratios of the five other financial institutions within the assessment area were compared with the bank. Current loan-to-deposit ratios of these banks ranged from 54% to 110%.

Lending in the Assessment Area:

A majority of the bank's loans are within its assessment area. A bank-prepared analysis of the loan portfolio as of November 3, 1996, shows that 73% of the dollar volume of loans and 70% of the number of loans are to borrowers within the bank's assessment area. The bank-prepared analysis was based on the loan amount of all originations and extensions in the bank's loan portfolio as of November 3, 1996. Our review of 50 home mortgage loans originated in 1995 and 1996 indicated that 70% of these loans were made in the bank's assessment area.

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

FNB Ava has a reasonable distribution of loans to borrowers of different income levels and to businesses and farms of different sizes. An analysis of 35 home mortgage loans originated in 1995 and 1996 within the bank's assessment area reveals loans are extended to borrowers of all income levels, including low- and moderate-income borrowers. The loan distribution approximates the income characteristics of the assessment area. Thirty-four percent of the number of loans and 28% of the dollar volume of these loans were made to low- and moderate-income individuals. (See Table A)

Table A - Sample home mortgage loan distribution by borrower income

	# of Loans	% of Loans	Loan \$	% of Loans \$
<i>Low income</i>	5	14%	\$107,940	10%
<i>Moderate income</i>	7	20%	\$178,035	18%
<i>Middle income</i>	13	37%	\$410,843	41%
<i>Upper income</i>	10	29%	\$317,951	31%

The bank extends loans to small businesses and small farms. As of June 30, 1996, all the bank's commercial and agricultural loans met the definition of small business and small farm loans based on loan size and gross revenue. Additionally, over 90% of the farm and business loans were under \$100,000. The bank also offers loans under special programs designed to meet the credit needs of small farms. These programs are the Farmers Home Administration and the Illinois Development Authority Program.

Geographic Distribution of Loans:

All BNAs comprising the assessment area are middle income. An analysis of the geographic distribution of loans within the assessment area does not provide meaningful information.

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.