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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 23, 2001

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

**First National Bank of Clifton  
Charter #6318**

**145 E. Fifth Ave., Box 38  
Clifton, IL 60927**

**Office of the Comptroller of the Currency  
Chicago South Field Office  
7600 County Line Road, Suite 3  
Burr Ridge, IL 60527**

**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 CRA performance of First National Bank of Clifton prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 23, 2001. Our assessment of the bank's performance covers the period since May 6, 1996. The rating received at that time was " Satisfactory Record of Meeting Community Credit Needs" . The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

## **INSTITUTION'S CRA RATING**

Your institution is rated **Satisfactory**.

Major Conclusions:

- The bank's record of extending credit to consumers of different income levels and businesses of different sizes within its assessment area is good.
- The bank's loan-to-deposit ratio is reasonable, given the bank's size and the assessment area's credit needs.
- A substantial majority of the bank's loans are within its assessment area.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Clifton (FNBC) is a \$26 million institution located in Iroquois County. The rural community of Clifton, Illinois, is approximately 70 miles south of Chicago and 20 miles south of Kankakee. Based on 1990 demographic data, Iroquois County has approximately 30,787 people. Clifton,

Illinois has approximately fourteen hundred people. Clifton's assessment area totals 7,373 people.

As of June 30, 2001, the First National Bank of Clifton's assets totaled \$26.7 million. The bank's average assets are comprised of 61 percent loans, 20 percent investments, 9 percent federal funds sold, and 10 percent non-earning assets. As of June 30, 2001 the bank's loan portfolio totals approximately \$16 million, or 59 percent of total assets. Tier 1 capital is \$2.7 million. The loan mix at June 30, 2001 was as follows:

Agriculture	4,648,152	30%
Commercial and Comm. Real Estate	4,441,192	28%
1-4 Family Residential Real Estate	4,194,441	26%
Consumer	2,531,000	15%
Other	204,645	1%

The bank is a wholly owned subsidiary of First Trust Holdings, Inc. and an affiliate of a \$110 million state bank. These two banks make up the majority of the assets of the holding company. The bank is an intrastate bank in Illinois. There are no Automated Teller Machines (ATM's) or branches.

The bank provides a variety of lending products to the community. These include home purchase, refinance, home improvement, consumer, commercial, and agricultural loans. Home purchase and refinance products are three-year, balloon loans. Business loans are made primarily for farm operations and small businesses in the area. These loans are considered small farm and small business because they were originated at less than \$1 million.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community. The bank's previous CRA rating as of May 6, 1996 was Satisfactory.

**DESCRIPTION OF ASSESSMENT AREA**

The assessment area (AA) is located in the northwest section of Iroquois County and includes the villages of Clifton, Chebanse, Ashkum, Danforth and Crescent City. The bank's AA is in a non-metropolitan statistical area (non-MSA). The AA consists of two block numbering areas (BNA) designated as middle income geographies. The primary market area of the bank is the Village of Clifton. Other areas that are similarly situated and served by the institution are the Villages of Chebanse, and Ashkum. These villages are eight miles on either side of Clifton. The AA meets the requirements of the regulation.

The following demographic information for the bank's AA is based on 1990 census data, unless otherwise indicated:

2000 HUD Adjusted Non-MSA  
Median Family Income: \$43,600  
1990 Non-MSA  
Median Family Income: \$34,908  
Income Levels: 15% of the families are low income;  
15% are moderate income; 18% are middle  
income; and 52% are upper income  
Housing Stock: 84% of the housing units are 1-4  
family  
Occupancy: 67% owner occupied; 24% renter occupied; 9%  
vacant  
Median Home Value: \$49,189  
Median Year of Homes Built: 1956

The local economy is stagnant. The lack of industrial development and residential construction is reflective of the economic trends in this area. A drawback to future growth is the outdated sewage system. Within the last two years, the area has lost the local hospital and a John Deere store. This caused a loss of approximately seventy-five jobs to local residents. As of September 2001, Iroquois County had an unemployment rate of 5.8 percent. In comparison, 1990 unemployment for Iroquois County was 2.10 percent and in the bank's AA it was 2.40 percent. The State of Illinois unemployment rate as of September 2001 stood at 5.5 percent.

The AA is primarily an agricultural community; however, a substantial portion of the workforce is employed in the Kankakee area, primarily in the service industry.

The bank's major competition in the Iroquois County AA consists of Iroquois Federal-Clifton branch (\$250 million in assets), Central Bank of Ashkum (\$29 million in assets), Federated bank - Chabanse branch (\$40 million in assets), and Federal Bank of Kankakee (\$267 million in assets).

According to bank management, FNBC's market share for lending equates to approximately 25 percent of Clifton and the two similarly situated towns of Ashkum and Chebanse.

Based on a discussion with a community development organization it was confirmed that the primary needs in FNBC's AA are farming and small business funding. Small farm and small business loans are the primary needs in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

FNBC's distribution of lending reflects good penetration among individuals of different income levels and businesses of different sizes. We selected and sampled 20 loans of each product type; home purchases and consumer, to determine the lending distribution by income level.

The following chart provides a sample of loans reviewed based on income levels of families and how the bank provided lending to the different groups.

Gross Income Levels	Home Purchases	Consumer Loans	Totals
	% of bank loans	% of bank loans	% of total families
Low	15%	25%	15%
Moderate	20%	15%	15%
Middle	40%	10%	18%
Upper	25%	50%	52%

The bank's percentage of home purchase loans to low- and moderate-income borrowers exceeds the percentage of the families in the AA. In consumer lending, the bank's percentage of loans to low- and moderate-income borrowers exceeds the percentage of families as well.

### Small Business Lending

Ninety-five percent of the businesses in the AA have gross annual revenues of less than \$1 million. Based on a sample of twenty loans originated by the bank, including a large percentage of farm related lending, it was determined that one hundred percent were made to businesses with revenues less than a million dollars and 70 percent of the small business loans are made within the AA. This level of lending is reflective of the needs within the assessment area.

### Loan- to-Deposit Ratio

The bank's loan-to-deposit ratio is satisfactory. The bank's average quarterly loan-to-deposit ratio covering the period from June 1, 1997 to June 30, 2001 is 63.75 percent. The bank has made modest increases in this ratio since the last review. The strongest ratio being in year 2000 with a 68 percent loan to deposit ratio. A review of peer information (from the Uniform Bank Performance Report) for the last three years reflects an average of 64 percent, in line with FNBC. Based on Federal Deposit Insurance Corporation (FDIC) information, similarly situated banks in the AA reflected an average of 65%.

### **Lending In The Bank's Assessment Area**

A substantial majority of loans originated are within the AA. Between June 1, 1996 and June 30, 2001, 76 percent of the number of all loans were made within the bank's AA and 72 percent of the dollar volume was found to be in the AA.

### **Geographic Distribution Of Loans**

Because all the Block Numbering Areas tracts in the bank's AA are middle-income, a geographic distribution analysis of the bank's loan originations would not be meaningful, and is not considered in the overall CRA rating.

### **Compliance With Fair Lending Laws**

An analysis of public comments, and consumer complaint information was performed according to the OCC's risk based analysis approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in May 1996.

### **Written Complaints**

First National Bank of Clifton has received no written complaints about its performance in helping to meet the credit needs within its assessment area during this evaluation period.