



Comptroller of the Currency
Administrator of National Banks

SMALL
BANK

PUBLIC DISCLOSURE

March 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Sullivan
Charter #7692**

**1 South Main Street
Sullivan, Illinois 61951**

**Office of the Comptroller of the Currency
Champaign Field Office
2009 Fox Drive, Suite B
Champaign, Illinois 61820**

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 Sullivan** prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 17, 1998. Our assessment of the bank's performance covers the period since March 25, 1995. The rating received at that time was "Outstanding 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 CFR Part 25.*

INSTITUTION'S CRA RATING

This institution is rated "**Satisfactory Record of Meeting Community Credit Needs**".

This rating is based on the bank's lending performance during the assessment period. The lending performance test includes analyses of the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, the distribution of credit to borrowers of different incomes and to businesses of different sizes, the distribution of credit among low- and moderate-income geographies within the assessment area, and the bank's level of compliance with Fair Lending laws and regulations.

The bank's Satisfactory Record of Meeting Community Credit Needs rating is supported by the following:

- ▶ The bank's loan-to-deposit ratio is reasonable given the assessment area's credit needs.
- ▶ A majority of the loans originated between January 1, 1997 and March 13, 1998 were located within the bank's assessment area.
- ▶ The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes.
- ▶ The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.
- ▶ An analysis of the distribution of credit among different geographies in the assessment area was not necessary, as all Block Numbering Areas are middle-income.

DESCRIPTION OF INSTITUTION

The First National Bank of Sullivan is a \$53 million institution in Sullivan, Illinois, which is located in Moultrie County. Sullivan is located on Route 121, approximately 30 miles southeast of Decatur, Illinois and 20 miles northwest of Mattoon, Illinois. The bank has a branch facility also located in Sullivan and offers ATMs at each location for customer service and convenience, along with a drive-up teller window at the branch facility. This institution is owned by Sullivan Bancshares, Inc., which also has a loan production office located in Champaign, Illinois. First National Bank purchases loans from the affiliated loan production office to increase overall business.

This institution serves the needs of the community by offering a variety of loan products. These loan products include commercial and agricultural loans (operating, equipment, and real estate), residential loans (construction, purchase, refinance, and home improvement), and consumer instalment loans (new and used autos and trucks, debt consolidation, and unsecured). The table below shows the changes in the composition and growth of the loan portfolio from June 30, 1995 to December 31, 1997.

LOAN PORTFOLIO MIX					
	<i>June 30, 1995</i>		<i>December 31, 1997</i>		
<i>Loan Category</i>	<i>\$000's</i>	<i>% Loans</i>	<i>\$000's</i>	<i>% Loans</i>	<i>Dollar Loan Growth</i>
Real Estate	\$11,403	32%	\$15,817	41%	+ 39%
Commercial & Other	\$ 4,154	12%	\$ 8,287	21%	+ 99%
Consumer Instalment	\$17,082	47%	\$10,604	27%	- 38%
Agricultural	\$ 3,337	9%	\$ 4,445	11%	+ 33%
Total Gross Loans	\$35,976	100%	\$39,153	100%	+ 9%

Source: Call report data submitted for quarter end June 30, 1995 and December 31, 1997.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community. More revealing of the bank's lending activity is the fact that the bank has made or purchased 1,285 loans totaling \$31 million dollars during the year 1997, including 81 first mortgages on 1-4 family properties totaling over \$3.75 million. The above table also reveals significant changes within the individual categories of loan products. These changes in portfolio composition are the result of management's decision to leave the indirect automobile financing market (the bank still finances direct automobile loans to consumers) and to increase commercial and real estate lending.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Moultrie County, population 13,930. Moultrie County consists of four Block Numbering Areas (BNAs). The assessment area conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. Based on 1990 census data, all four BNAs are designated as middle-income areas. The following demographic information for Moultrie County is based on 1990 census data:

Housing Stock:	90% of the housing units are 1-4 family.
Occupancy:	72% are owner occupied, 22% are renter occupied, and 4% are vacant.
Home Values:	Median home value is \$42,885.
Age of Homes:	Median year of homes built is 1955.
Income:	Median family income is \$31,514.
Income Levels:	18% of families are considered low-income, 16% moderate-income, 24% middle-income, and 42% are upper-income.

The local economy is healthy, with steady growth noted over the assessment period. The economy outside of Sullivan is primarily agricultural based. Many residents commute to Decatur, Illinois where they hold service and industrial jobs. The largest employers in Moultrie County are Hydro-Gear, Inc., Agri-Fab, Inc., and Brach's Corporation, a candy and confectionary wholesaler. Unemployment is lower than state and national averages. Housing costs are affordable, with less than 6% of housing unit costs exceeding 30% of occupants' monthly income.

The State Bank of Arthur, Scott State Bank, Hardware State Bank, and The Hight State Bank are the only other banks that are headquartered in Moultrie County. Other competition stems from financial institutions in Mattoon and Decatur, Illinois.

A community contact was performed by the Office of the Comptroller of the Currency with a local community leader in March 1998. General credit needs cited include home mortgages, residential construction loans, farm loans, auto loans, other small consumer loans, and small business loans. The bank extends all of these types of credit, which assists in meeting these community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

During the evaluation period, First National Bank of Sullivan's lending activity within its assessment area has been reasonable. Management performed a zip code analysis of current outstanding loans that indicates that a majority of these loans are located in the bank's assessment area. Also, the bank performed an income distribution analysis of total current outstanding loans. This analysis indicates adequate extension of credit to low- and moderate-income individuals. However, this analyses does not measure the income distribution of borrowers located solely within the assessment area. Our analysis, based on a sample of loans originated within the assessment area from January 1, 1997 through March 13, 1998, supports the findings of management.

LOAN-TO-DEPOSIT RATIO

First National Bank of Sullivan's loan-to-deposit ratio is reasonable based on the institution's size and the assessment area's credit needs. During the assessment period, the bank's net loan-to-deposit ratio ranged from 71% to 81%, and averaged 76%. This average ratio is higher than the 59% average net loan-to-deposit ratio of five competing banks in Moultrie and Shelby Counties. Total assets of the five competing banks range from \$23 million to \$70 million.

LENDING IN ASSESSMENT AREA

First National Bank of Sullivan reasonably provides credit within its assessment area. In order to increase its loan-to-deposit ratio, the bank has purchased loans from its loan production office affiliate and from other financial institutions. Our analysis revealed that 63% of the number, and 57% of the dollar amount of loans were made within the bank's assessment area. These percentages are reasonable, given the bank's higher than average loan-to-deposit ratio, which results from the bank's purchase of loans made to borrowers outside the assessment area.

The following table shows the dollar amount and number of loans from our sample that fall within and outside the assessment area:

LOAN PENETRATION ANALYSIS				
Type of Loan	Within Assessment Area		Outside Assessment Area	
Residential Real Estate	\$839,919	46%	\$1,000,077	54%
	19	63%	11	37%
Commercial Loans	\$2,323,504	52%	\$2,154,553	48%
	17	68%	8	32%
Agricultural Loans	\$1,891,934	73%	\$710,175	27%
	15	60%	10	40%
Consumer Loans	\$146,481	58%	\$104,973	42%
	14	61%	9	39%
Total of Sample	\$5,201,838	57%	\$3,969,778	43%
	65	63%	38	37%

Source: This table is based on a sample of 103 loans that were made by the bank between January 1, 1997 and March 13, 1998.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

First National Bank of Sullivan satisfactorily extends credit to consumers of all income levels, and satisfactorily extends credit to the smaller-sized commercial and agricultural borrowers within its assessment area. Eighteen percent of the population of Moultrie County is considered to have income within the low-income range, with an additional 16% in the moderate-income range. Income levels are based on the 1998 nonmetropolitan median family income for Illinois, which is \$39,500.

Consumer Loan Analysis

The following tables show that First National Bank of Sullivan originates loans to individuals of different income levels in reasonable proportion to the area's income characteristics. Based on the residential real estate loan sample, 21% of the number and 14% of the dollars of residential real estate loans were made to moderate-income borrowers.

RESIDENTIAL MORTGAGE LOANS					
<i>Income Level</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Families in Each Category</i>
Low - Income Less than 50% of Median	0	0%	\$0	0%	18%
Moderate - Income 50% - 79% of Median	4	21%	\$114,545	14%	16%
Middle - Income 80%-119% of Median	11	58%	\$509,314	60%	24%
Upper - Income 120% or more of Median	4	21%	\$216,060	26%	42%
Totals	19	100%	\$839,919	100%	100%

Source: This table is based on the 19 residential real estate loans from the sample that were made in the bank's assessment area.

The table above shows that none of the loans in the sample were made to low-income borrowers. However, management is attempting to meet the residential real estate credit needs of its lower income borrowers through the bank's First Time Homebuyer program. This loan product offers mortgages with only a 5% down payment requirement, and no Private Mortgage Insurance or escrow requirements. Sixteen loans totaling over \$760 thousand were extended to borrowers under this program in 1997. Information provided by management did not reveal if these loans were located within or outside the assessment area.

As noted in the table below, our instalment loan sample revealed that 28% of the number and 15% of the dollars of instalment loans were made to low- and moderate-income borrowers.

INSTALMENT LOANS					
<i>Income Level</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Families in Each Category</i>
Low - Income Less than 50% of Median	3	21%	\$16,065	11%	18%
Moderate - Income 50% - 79% of Median	1	7%	\$5,918	4%	16%
Middle - Income 80%-119% of Median	5	36%	\$43,136	29%	24%
Upper - Income 120% or more of Median	5	36%	\$81,362	56%	42%
Totals	14	100%	\$146,481	100%	100%

Source: This table is based on the 14 consumer instalment loans from the sample that were made in the bank’s assessment area.

The above real estate and instalment loan tables indicate that the level of lending to low- and moderate-income individuals is lower than the percentage of area families in these income levels. Management maintains an analysis of currently outstanding loans for consumer purposes (including residential real estate) by the income level of the borrower. This analysis, reported in income increments of \$5,000, reveals that 42% of the number, and 23% of the dollars of consumer loans are extended to individuals with incomes under \$30,000. This income level is slightly less than the maximum income level of the moderate-income category of \$31,750 based on the nonmetropolitan median family income level of \$39,500. Management’s analysis indicates that a higher percentage of the bank’s overall loan portfolio is made to low- and moderate-income individuals than is indicated by the above samples. However, this analysis by management is of total outstanding loans, and not of outstanding loans within the assessment area.

Commercial Loan Analysis

Loans are adequately extended to commercial and agricultural borrowers of different sizes, within the assessment area. The table on the following page shows that based on the commercial loan sample, 77% of the number of loans and 39% of the dollars of loans were extended to small businesses with gross revenue below \$1 million.

COMMERCIAL LOANS				
<i>Gross Revenues</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$100,000	6	35%	\$214,703	9%
\$100,000 - 250,000	2	12%	\$128,025	5%
\$250,000 - 500,000	2	12%	\$410,050	18%
\$500,000 - 1,000,000	3	18%	\$151,801	7%
More than \$1,000,000	4	23%	\$1,418,925	61%
Totals	17	100%	\$2,323,504	100%

Source: This table is based on the 17 sampled commercial loans made to businesses located inside the bank's assessment area.

Although the percentage of dollars loaned to small businesses is low relative to the percentage of numbers of loans to such businesses, this is explained by the nature of lending activity to the larger businesses in the bank's assessment area. First National Bank of Sullivan engages in inventory financing for some of the larger businesses in the area. The nature of this financing requires a large lending commitment, with individual loan amounts outstanding for a relatively short period of time. This is different from the lower dollar volume, longer-term capital asset financing generally required by the smaller businesses in the bank's assessment area.

The table below illustrates that based on the agricultural loan sample, 93% of the number of loans and 99% of the dollars of agricultural loans within the assessment area were extended to small farms with gross revenue below \$500,000. As most of the farms in the bank's assessment area are small farms by the nature of their operations, this distribution of lending activity represents a reasonable penetration of lending to small farms.

AGRICULTURAL LOANS				
<i>Gross Revenues</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$100,000	2	13%	\$20,250	1%
\$100,000 - 250,000	5	33%	\$521,384	28%
\$250,000 - 500,000	7	47%	\$1,325,775	70%
More than \$500,000	1	7%	\$24,525	1%
Totals	15	100%	\$1,867,409	100%

Source: This table is based on the 15 sampled agricultural loans were made to farmers located inside the bank's assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the geographic distribution of loans was not conducted because all four BNAs are designated as middle-income areas.

COMPLIANCE WITH FAIR LENDING LAWS

The First National Bank of Sullivan is in compliance with the substantive provisions of the antidiscrimination laws and regulations. There is no evidence of practices to discourage individuals from applying for credit. Credit applications are solicited from all segments of its assessment area. The First National Bank of Sullivan received no complaints from the public regarding its CRA performance during the assessment period.