



## **PUBLIC DISCLOSURE**

November 23, 1998

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

**First National Bank of Manhattan  
Charter Number 8713**

**230 South State Street  
Manhattan, Illinois 60442**

**Office of the Comptroller of the Currency  
Chicago-South Field Office  
7600 County Line Road, Unit 3  
Burr Ridge, Illinois 60521-6962**

**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 the **First National Bank of Manhattan** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 23, 1998. 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**” based on the following:

- ▶ A majority of the bank’s loans are originated inside the assessment area.
- ▶ The distribution of borrowers reflect reasonable penetration among individuals of different incomes and businesses of various sizes.
- ▶ A majority of the bank’s commercial loans are to small businesses and farms.
- ▶ The bank’s loan-to-deposit ratio at 54% is reasonable.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Manhattan (FNBM) is located in the Village of Manhattan, Illinois. FNBM is wholly owned by Manhattan Bancshares, a one bank holding company. The bank's main office and full service branch are located within the Village of Manhattan. The bank also has two automated teller machines (ATM). One is located at the branch and the other is located in Hansen's Super Market just west of the the main office on Route 52. FNBM at September 30, 1998 had total assets of \$72 million. Gross loans comprise 49% of the bank's total assets. The loan portfolio is 31% residential real estate (1-4 family), 26% commercial, 18% loans to individuals, 17% agricultural loans, and 8% other real estate loans.

The bank offers a wide variety of loan products including conventional fixed rate real estate mortgages, residential construction and development, commercial, agricultural and municipal loans. There are no financial or legal impediments to prevent FNBM from helping to meet the credit needs in its assessment area. The last public evaluation was as of November 14, 1994 and was performed under the old CRA regulation. FNBM received a **"Satisfactory"** rating.

## **DESCRIPTION OF ASSESSMENT AREA**

FNBM's assessment area (AA) consists of whole geographies surrounding the bank's main office and branch. It includes the Villages of Manhattan (population 3,136), Elwood (794) and Peotone (2,474). Also included are the unincorporated townships of Florence, Green Garden, Jackson, Manhattan, Wilton, Peotone, and Will. All of these geographies are part of the Chicago Metropolitan Statistical Area (MSA 1600). The median family income in the AA is \$55,800 (based on 1990 US Census data). The AA includes only three census tracts. All are middle income tracts, however, low- and moderate-income families comprise 12% and 18% of the families in the AA, respectively. The AA comprises 4,037 families (based on 1990 US Census data). Total population of the AA is 14,718.

The local economy is stable and is predominantly agricultural with some retail and light manufacturing. The unemployment rate is 2.0% versus the national rate of 4.4% . The Village of Manhattan and surrounding area has experienced significant growth since 1995 with the addition of four new single family housing developments representing approximately 306 new homes. The average cost of these new homes is \$180,000.

Competition within the AA is provided by a local branch of a regional bank with \$1 billion in total assets. However, many financial institutions serve the AA. According to 1997 Home Mortgage Disclosure Act (HMDA) information, 174 financial institutions originated real estate mortgages in the bank's AA. Some of these banks are larger regional and money center banks. There are no banks in the AA that are of similar size to FNBM.

We considered comments from the community in assessing the bank's CRA performance. We contacted local government officials. They identified the community's credit needs as mortgage financing, small business and agricultural loans. They also indicated that FNBM is doing an excellent job in meeting those needs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

- ▶ **A majority of FNBM’s lending is within its assessment area.**

As the table below indicates, 74% of the number of loans and 78% of the dollar volume of loans are within the bank’s assessment area. Our analysis is based on all loans originated by the bank for the period 1996 through September 30, 1998. Based on 1997 HMDA information, FNBM ranked ninth (2.25% market share) out of 174 lenders who had originated or purchased loans in the AA. This level of lending is reasonable given FNBM’s size and strong competition in the AA.

**Table 1**  
**Analysis of Lending Within the AA**  
**January 1, 1996 through March 31, 1998**

LOAN TYPE (\$ in 000's)	Loans			
	#	% of loans in AA	\$	% of loans in AA
<b>Consumer</b>	985	46	16,049	31
<b>Agricultural</b>	395	18	12,510	24
<b>Commercial</b>	300	14	10,001	19
<b>Total</b>	1,680	78	38,560	74
<b>Total Loans</b>	2,149	100	51,935	100

Source: Bank generated reports from loan trials.

- ▶ **The bank has a satisfactory record of lending to borrowers of different incomes and businesses of different sizes.**

Table two below details FNBM’s distribution of loans to individuals by borrower income level. Based on all HMDA loans originated for the period 1996 through September 30, 1998, 30% of the number of these loans were to borrowers with low- and moderate-incomes. This level of lending to borrowers of different incomes is reasonable given the AA consists of 30% of low- and moderate-income families and the fact that there are no low- and moderate-income census tracts in the bank’s AA.

**Table 2**  
**HMDA Loans to Borrowers of Different Income Levels**

Income Levels (\$ in 000s)	Loans			
	#	%	\$	%
<b>Low</b>	7	9	210	4
<b>Moderate</b>	16	21	1,030	20
<b>Middle</b>	32	41	2,230	44
<b>Upper</b>	22	29	1,641	32
<b>Total</b>	77	100	5,111	100

Source: All HMDA reportable loans originated within the AA for the period 1996-9/30/98.

FNBM also has a reasonable record of making loans to small businesses and small farms. Table three below shows that 46% of the number of loans are to businesses and farms with revenues below \$250,000. Sixty- nine percent (69%) are to businesses and farms with revenues below \$500,000 and 88% are to businesses and farms with revenues of less than \$1 million.

**Table 3**  
**Loans to Businesses and Farms of Different Sizes**

Gross Revenue Levels	Loans within the AA			
	#	% of Total	\$(000)	% of Total
<b>Less than \$249,999</b>	12	46	865	36
<b>\$250,000 -</b>	6	23	474	19
<b>\$500,000 -</b>	5	19	835	34
<b>\$1,000,000 and</b>	3	12	266	11
<b>Total</b>	26	100	2,440	100

Source: Bank loan trials

Note: Analysis is based on a 4% sample of commercial and agricultural loans originated for the period 1996-9/30/98.

- ▶ **The geographic distribution of loans is not meaningful since there are no low- or moderate-income census tracts in the bank's AA.**

- ▶ **The bank's loan-to-deposit ratio is satisfactory.**

FNBM's average loan-to-deposit ratio is 52%. This ratio was calculated by taking the average of the last eleven quarter-end figures. At September 30, 1998 the loan-to-deposit ratio had improved to 54%. This ratio is reasonable in view of the many competing financial institutions serving the AA and only modest commercial lending opportunities. There are no similarly situated banks within FNBM's assessment area.

- ▶ **FNBM has not received any consumer complaints related to community reinvestment since the last examination.**
- ▶ **FNBM is in compliance with the substantive provisions of the fair lending laws.**