



## **PUBLIC DISCLOSURE**

February 12, 2018

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

Farmers-Merchants National Bank of Paxton  
Charter Number 14458

101 North Taft Street Paxton, IL 60957

Office of the Comptroller of the Currency

Harris Center 3001 Research Road, Suite E-2  
Champaign, IL 61822-1089

**NOTE:** This document is an evaluation of this 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. This evaluation is not, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>3</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>4</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>9</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>10</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>11</b>
<b>LENDING TEST .....</b>	<b>11</b>
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>B-1</b>

## Overall CRA Rating

The Lending Test is rated: **Satisfactory**.

*The major factors that support the rating for Famers-Merchants National Bank of Paxton (FMNB) include:*

*FMNB's loan-to-deposit ratio was reasonable over the evaluation period, considering the local low loan demand, the high portion of public funds within FMNB's deposits, and origination of real estate loans sold in the secondary market.*

- *FMNB originates a majority of loans within their Assessment Area (AA).*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals for any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Farmers-Merchants National Bank of Paxton (FMNB) is a \$112.5 million intrastate institution headquartered in Paxton, Illinois. The bank is a wholly owned subsidiary of FM Bancorp, Inc.

FMNB is a full-service banking institution and operates three banking offices, one in Paxton, Melvin, and Piper City, Illinois. Only the Paxton and Piper City offices have drive-up facilities. Each office has convenient banking hours. FMNB has two automated teller machines (ATMs) within the assessment area. Based on the branch locations, FMNB established one AA: Ford County AA, which is comprised of five census tracts, and one census tract, number 9507 of Iroquois County.

FMNB offers traditional loan and deposit products as well as Internet, mobile and telephone banking. The bank also offers an investment center through Raymond James Financial Services, Inc., allowing customers to invest in a variety of non-insured investments including annuities, bonds, stocks, and mutual funds.

No affiliate data was utilized in this analysis. There have been no mergers or acquisitions affecting the bank's CRA performance since the last evaluation.

As of December 31, 2017, net loans totaled \$35.2 million, or 31.3 percent of total assets. Tier 1 Capital is \$13.4 million. FMNB's strategy is to concentrate on small business lending and increased personal banking relationships. The following table represents the loan portfolio mix as of December 31, 2017:

<b>Loan Portfolio Summary by Loan Product</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home loans, including multi-family	32.2%
Business loans, including commercial real estate	36.6%
Agricultural loans, including farm land	27.0%
Consumer loans	3.9%
Other loans & leases	0.3%

Source: December 31, 2017 Uniform Bank Performance Report (UBPR)

There are no known impediments limiting FMNB's ability to help meet the credit needs of its local community, including those of low- and moderate-income families and neighborhoods. FMNB's deposit market share in the AA is 24.4 percent, and ranks first out of six banks. At the previous CRA evaluation dated November 7, 2011, FMNB received a rating of "Outstanding."

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated FMNB's CRA performance using Small Bank evaluation procedures, which reviewed the bank's record of meeting the credit needs of its AA through lending activities. The evaluation period for this review is from November 8, 2011, to February 12, 2018. As the bank's business strategy and lending products have not significantly changed since the prior examination, we utilized loans originated from January 1, 2015, to December 31, 2017 for the lending test.

Based on the number and dollar value of loan origination data supplied by the bank, FMNB's primary lending products are agricultural and business loans. Agricultural loans represent 18.6 percent of the number and 42.9 percent of the dollar volume of loan originations for 2015 to 2017, and business loans represent 16.1 percent of the number and 38.2 percent of the dollar volume. We sampled agricultural and business loans for this evaluation.

For analysis purposes, we compared FMNB's 2015 and 2016 lending performance with 2016 business geodemographic data and 2010 United States (U.S.) Census data, and 2017 lending performance with 2017 business geodemographic data and 2015 American Community Survey (ACS) U.S. Census data. Refer to the table in Appendix A for more information on the scope of review.

### **Selection of Areas for Full-Scope Review**

FMNB has only one AA and we conducted a full-scope review of this AA. A community profile for the full scope AA review is in Appendix B.

### **Ratings**

The bank's overall rating is based on the full scope review of the Ford County AA. FMNB's performance for agricultural loans received slightly more weight than business loans, due to the volume of originations. In the borrower and geographic distribution criteria, we did need to perform separate analyses for loans originated in 2017, as demographic data changed based upon the 2015 ACS US Census data. We weighed the 2017 analyses slightly more than the 2015 and 2016 analyses.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

FMNB's performance under the lending test is satisfactory. The loan-to-deposit ratio is reasonable and a majority of loans are originated within the AA. Lending to businesses and farms of different sizes is excellent, primarily due to performance in 2017. The geographic distribution was poor, but this was not a significant conclusion, as the geographic analysis was generally not meaningful. There was only one moderate-income census tract to consider in the 2015-2016 analysis. There were no LMI areas to consider when reviewing 2017 lending.

#### **Loan-to-Deposit Ratio**

FMNB's loan-to deposit ratio is reasonable based on its size, financial condition, AA credit needs, and local competition. The loan-to-deposit ratio averaged 36.9 percent over the past 24 quarters. The timeframe used for this calculation represents the first quarter-end after the start of the last CRA evaluation through September 30, 2017. September 30, 2017 data was the most recent data available when this evaluation began.

Over the past 24 quarters, the bank's highest loan-to-deposit ratio was 45.9 percent and the lowest was 31.3 percent. The ratio has consistently been below 40 percent for the past 15 quarters. The bank's ratio is the lowest of eight similarly situated banks in Ford and Iroquois County with total assets between \$50 and \$150 million. The quarterly average for these eight banks was 53.1 percent. The second lowest quarterly average ratio is from another bank headquartered in Paxton. Bank management mentioned that loan demand in the Paxton market has been low.

Additional contributors to the bank's lower loan-to-deposit ratio include public funds deposits and loans sold into the secondary market. Public funds make up 10 percent of FMNB's deposits. During this evaluation period, FMNB originated and sold \$10.9 million of home loans to the secondary market. Adjusting for these items brings FMNB's loan-to-deposit ratio in line with the similarly situated banks.

#### **Lending in Assessment Area**

FMNB originates a majority of their primary product loans within the AA. Our sample showed 62.5 percent of the total number and 57.8 percent of the total dollar volume of loans were originated within the AA.

<b>Table 1 - Lending in Ford County AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	14	70.0%	6	30.0%	20	\$1,329,707	72.0%	\$516,000	28.0%	\$1,845,707
Business	11	55.0%	9	45.0%	20	\$650,486	41.1%	\$931,928	58.9%	\$1,582,414
Totals	25	62.5%	15	37.5%	40	\$1,980,193	57.8%	\$1,447,928	42.2%	\$3,428,121

Source: A sample of 20 agricultural and 20 business loans originated from 1/1/2015 to 12/31/2017

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

FMNB's lending to businesses and farms of different sizes reflects excellent distribution. We placed more weight on the 2017 analysis, as this indicates more recent performance. Both business and agricultural loan samples for 2017 indicated excellent distribution. While the 2015 and 2016 analysis for both portfolios represented reasonable distribution.

#### *Business Loans*

When combining the borrower distribution of business loans in the Ford County AA, we determined the distribution to be excellent. The borrower distribution during 2015 and 2016 is reasonable, while the borrower distribution during 2017 is excellent.

#### *Business Loans originated between 1/1/2015 and 12/31/2016*

The borrower distribution of business loans in the Ford County AA is reasonable. The percentage of loans to small businesses (businesses with gross annual revenues of \$1 million or less) is 85.0 percent. This is above the demographic area data; however, 18.7 percent of businesses in the AA did not provide financial information for the demographic data. Generally, businesses that do not report are small businesses.

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Ford County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.2	6.1	18.7	100%
% of Bank Loans in AA by #	85.0	15.0	0.0	100%
% of Bank Loans in AA by \$	52.9	47.1	0.0	100%

Source: Sample of 20 business loans originated between 1/1/2015 and 12/31/2016 made within the AA and June 2016 Dun and Bradstreet data.

#### *Business Loans originated in 2017*

The borrower distribution of business loans in the Ford County AA is excellent. The percentage of loans to small businesses is 94.4 percent. This is above the demographic area data where 75.7 percent of businesses in the AA are small business.

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Ford County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.7	5.9	18.4	100
% of Bank Loans in AA by #	94.4	5.6	0.0	100
% of Bank Loans in AA by \$	78.0	22.0	0.0	100

Source: All 18 business loans originated in 2017 within the AA and June 2017 Dun and Bradstreet data.

### *Agricultural Loans*

FMNB's performance of originating loans to farms of different sizes reflects excellent distribution. The borrower distribution during 2015 and 2016 is reasonable, while the borrower distribution during 2017 is excellent. Our analysis placed more weight on the 2017 analysis, as this represents the most recent performance.

### *Agricultural Loans originated between 1/1/2015 and 12/31/2016*

The borrower distribution of agricultural loans in the Ford County AA is reasonable. The percentage of loans to small farms (farms with gross annual revenues of \$1 million or less) was 95.0 percent. This is slightly below the demographic area data where 99.2 percent of farms in the AA are small farms.

<b>Table 2A - Borrower Distribution of Loans to Farms in the Ford County AA</b>				
Agricultural Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.2	0.0	0.8	100%
% of Bank Loans in AA by #	95.0	5.0	0.0	100%
% of Bank Loans in AA by \$	97.6	2.4	0.0	100%

Source: Sample of 20 agricultural loans originated between 1/1/2015 and 12/31/2016 made within the AA and June 2016 Dun and Bradstreet data.

### *Agricultural Loans originated between 1/1/2017 and 12/31/2017*

The borrower distribution of farm loans in the Ford County AA is excellent. All the loans in this analysis were made to small farms.

<b>Table 2A - Borrower Distribution of Loans to Farms in the Ford County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	98.2	0.9	0.9	100%
% of Bank Loans in AA by #	100.0	0.0	0.0	100%
% of Bank Loans in AA by \$	100.0	0.0	0.0	100%

Source: Sample of 20 agricultural loans originated in 2017 and June 2017 Dun and Bradstreet data..

## **Geographic Distribution of Loans**

FMNB's overall geographic distribution of business and agricultural loans reflects poor dispersion among different income tracts throughout the AA. However, we note that only one CT in the AA was considered moderate-income based upon the 2010 census

data. There were only 96 businesses and 48 farms located within the moderate-income CT. There are no middle-income CTs based upon the 2015 ACS U.S. Census data. CT #9616 is now considered a middle-income CT. Therefore, an analysis of geographic distribution of loans originated in 2017 was not performed, as it would not be meaningful.

The geographic distribution of business and agricultural loans in the Ford County AA is poor. Our sample indicated that FMNB did not originate any business loans in the moderate-income CT and only one agricultural loan within this tract. This performance is below demographic data. We did not identify any conspicuous gaps within the AA.

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in the Ford County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Businesses	0.0%	0.0%	10.4%	0.0%	89.6%	100.0%	0.0%	0.0%
Agricultural	0.0%	0.0%	20.3%	5.0%	79.7%	95.0%	0.0%	0.0%

Source: Sample of 20 business loans and 20 agricultural loans originated between 1/1/2015 and 12/31/2016 made within the AA, June 2016 Dun and Bradstreet, and 2010 US Census data..

## Responses to Complaints

Farmers-Merchants did not receive any complaints regarding its CRA performance during the assessment period.

## Appendix A: Scope of Examination

---

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/2015 to 12/31/2017) Investment and Service Tests and CD Loans: N/A	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Farmers-Merchants National Bank of Paxton Paxton, IL	Business and agricultural loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Ford County AA	Full-Scope	All of Ford County AA plus census tract #9507 of Iroquois County

## Appendix B: Community Profiles for Full-Scope Areas

### Ford County AA (2010 U.S Census Data)

Demographic Information for Full-Scope Area: Ford County 2015/2016 Data						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.0	16.7	83.3	0.0	0.0
Population by Geography	17,035	0.0	11.7	88.3	0.0	0.0
Owner-Occupied Housing by Geography	5,408	0.0	11.8	88.2	0.0	0.0
Businesses by Geography	920	0.0	10.4	89.6	0.0	0.0
Farms by Geography	237	0.0	20.2	79.8	0.0	0.0
Family Distribution by Income Level	4,612	18.0	19.9	24.7	37.4	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,747	0.0	16.2	83.8	0.0	0.0
Median Family Income	= \$61,821	Median Housing Value		= \$96,560		
FFIEC Adjusted Median Family Income for 2016	= \$67,917	Unemployment Rate		= 4.1%		
Households Below the Poverty Level	= 8.9%					

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, June 2016 Dun and Bradstreet, and 2016 FFIEC updated MFI. Unemployment rate is the November 2017 rate calculated by the Bureau of Labor.

The Ford County AA consists of the entire county of Ford in Illinois, plus the #9507 census tract in Iroquois County. The census tract in Iroquois County is contiguous with, and does not substantially extend beyond, the Champaign-Urbana MSA #16580. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The bank's assessment area is reasonable. The bank is located on the northern edge of the MSA, and it would be difficult for a bank of this size to serve all three counties in the Champaign-Urbana MSA. The AA is located in east central Illinois. Ford County is the 78th largest county in Illinois out of 102 counties.

Competition in the AA comes from six FDIC insured depository institutions operating offices. FMNB has three branches in the AA located in Paxton, Melvin, and Piper City Illinois, with two ATMs. As of June 30, 2017, FMNB deposits in the AA totaled \$104 million, which is 24.4 percent of the market. FMNB deposit market share ranks first out of six depository institutions. The next highest is First National Bank in Paxton with 17.5 percent market share. FMNB's deposit portfolio includes public funds.

### Employment and Economic Factors

According to the Bureau of Labor Statistics, unemployment in the Ford County AA was 4.1 in November 2017, which decreased from a peak of 9.2 percent in January 2013 during this evaluation period. The county unemployment rate was consistent with the state and national unemployment rates of 4.7 and 4.1 percent, respectively, in November 2017. Similarly, the state unemployment rate dropped from a peak of 10.4 percent in January 2013, and the national unemployment rate dropped from a peak of 8.1 percent in August 2012.

Industries driving the local economy include healthcare and social assistance, manufacturing, and retail trade. Of the businesses in the AA, 75.2 percent are small businesses, 6.1 percent have gross annual revenues over \$1 million, and 18.7 percent did not report revenue information.

A substantial majority, 99.2 percent, of AA farms are small farms. The remaining farms did not report revenue information.

## Ford County AA (2015 ACS U.S Census Data)

Demographic Information for Full-Scope Area: Ford County 2017 Data						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.0	0.0	83.3	16.7	0.0
Population by Geography	16,483	0.0	0.0	83.9	16.1	0.0
Owner-Occupied Housing by Geography	5217	0.0	0.0	80.7	19.3	0.0
Businesses by Geography	913	0.0	0.0	87.0	13.0	0.0
Farms by Geography	226	0.0	0.0	78.8	21.2	0.0
Family Distribution by Income Level	4,369	20.5	21.1	23.0	35.4	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,818	0.00	0.00	88.0	12.0	0.00
Median Family Income	= \$68,572	Median Housing Value Unemployment Rate				= \$98,155
FFIEC Adjusted Median Family Income for 2017	= \$67,983					= 4.1%
Households Below the Poverty Level	= 10.7%					

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2015 U.S. ACS Census, June 2017 Dun and Bradstreet, and 2017 FFIEC updated MFI. Unemployment rate is the November 2017 rate calculated by the Bureau of Labor.

See above, under Ford County AA (2010 U.S Census Data), for information on the assessment area competition and economic condition.

Businesses in the AA are 75.7 percent small businesses with gross annual revenues of \$1 million or less, 5.9 percent businesses with gross annual revenues over \$1 million, and 18.4 percent where businesses did not report revenue information.

A substantial majority, 98.2 percent of farms are small farms in the AA. Only 0.9 percent of farms report annual gross revenues greater than \$1 million and 0.9 percent of farms in the AA did not report revenue information.

### Community Contact

We performed on community contact with a regional economic development group in the AA. Identified credit needs include affordable housing for LMI individuals and families. The contact stated it is nearly impossible for LMI families to get conventional residential mortgages or traditional mortgages. Banks in the area, including FMNB, offer Rural Development mortgage loans. Economic development is an issue due to declining populations.