

## **PUBLIC DISCLOSURE**

February 24, 1999

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

**Farmers-Merchants National Bank of Paxton  
Charter #14458**

**101 North Taft Street  
Paxton, Illinois 60957**

**Office of the Comptroller of the Currency  
Champaign Field Office  
3001 Research Road, Suite E2  
Champaign, IL 61822**

**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 **Farmers-Merchants National Bank of Paxton** prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 24, 1998. Our assessment of the bank's performance covers the period since March 22, 1996. 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 **Outstanding Record of Meeting Community Credit Needs**.

This rating is based on analyses of the bank's lending performance from March 22, 1996 - February 24, 1999. The lending performance test includes analyses of the distribution of credit to borrowers of different incomes and businesses of different sizes, the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, and the bank's level of compliance with Fair Lending laws and regulations.

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

- C The bank has a strong record of providing consumer credit and real estate loans to low-and-moderate income individuals.
- C The bank has a good record of lending to small farms.
- C A substantial majority of the bank's loans are within its assessment area.
- C The bank's loan-to-deposit ratio is reasonable given the assessment area's credit needs.

**DESCRIPTION OF INSTITUTION**

Farmers-Merchants National Bank of Paxton (FMNB) is a \$63 million institution located in east central Illinois. FMNB is 100% owned by FM Bancorp, a one-bank holding company. The bank has one full-service branch located in Melvin, Illinois, in addition to the main bank in Paxton. The bank also owns an automated teller machine located in Paxton.

Loans have been growing since the last CRA examination. On December 31, 1995, gross loans totaled \$27,649,000. As of December 31, 1998, gross loans totaled \$36,202,000. The most significant loan growth has been in the real estate area. The bank also participates in selling real estate loans in the secondary market. At December 31, 1998 the bank’s loan portfolio was made up of 36% real estate, 29% agricultural, 20% consumer, and 15% commercial loans.

As shown in *Table 1*, loan originations have been centered in consumer and agricultural credit. The table shows the breakdown of loan originations made from January 1, 1996 through December 31, 1998. A total of 4339 loans were made, with the dollar volume being \$54,698,836.

<b>Total Originations Since January 1, 1996</b>		
<b>Table 1</b>		
Type of Loans	Number Made	Dollar Amount Made
Residential Real Estate	382	\$12,575,885
Consumer	2746	\$14,141,375
Agricultural	825	\$20,350,728
Commercial	386	\$7,630,848
<b>Total</b>	<b>4339</b>	<b>\$54,698,836</b>

We reviewed two recent community contacts conducted by the OCC within the bank’s assessment area. According to these contacts, the local area credit needs are centered in residential real estate loans with varying repayment terms. The bank serves these credit needs by offering various real estate loan options.

The bank has no financial or legal impediments that restrict it from meeting the credit needs of its local community.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area consists of all five Block Numbering Areas (BNAs) in Ford County and BNA #9507 in southern Iroquois County, with a combined population of approximately 17,000 people. Based on 1990 census data, all of the BNAs in the bank's assessment area are designated middle-income. The following demographic information for the assessment area is based on 1990 census data:

Housing Stock:	93% of the housing units are 1-4 family.
Occupancy:	67% are owner occupied, 24% are renter occupied, and 9% are vacant. va
Home Values:	Median home value is \$42,331.
Age of Homes:	Median year of homes built is 1948.
Income Levels:	14% of families are designated low-income, 18% are moderate-income, 26% are middle-income, and 42% are upper-income.

The local economy is stable and is driven by agriculture, small business, and light industry. The largest employers include Baltimore Air Coil, the Paxton-Buckley-Loda and Gibson City-Melvin-Sibley school districts, Illinois Tool Works, M&W Gear Company, and Gibson City Community Hospital.

Competition is strong and consists of Bank of Gibson City, First National Bank of Paxton, Buckley State Bank, Roberts State Bank, and Federated Bank Onarga.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

Farmers-Merchants National Bank of Paxton satisfactorily extends credit to consumers of all income levels, and satisfactorily extends credit to smaller-sized agricultural borrowers within its assessment area. Fourteen percent of the population in the bank's assessment area is considered low-income, with an additional eighteen percent classified as moderate-income. Income levels used in our analysis are based on the 1998 nonmetropolitan median family income for Illinois, which is \$39,500, the 1997 nonmetropolitan median family income of \$37,600, and the 1996 nonmetropolitan median family income of \$36,000. (Our sample included originations from 1998, 1997, and 1996. The applicable year's median was used in our analysis.)

#### **Agricultural Loan Analysis**

Given the bank's limited extension of commercial credit (at 12/31/98 commercial credits only made up 15% of the banks loan portfolio), our review focused on agricultural lending. The bank's record of

lending to small farms within the assessment area is good. As shown on *Table 2*, all of the twenty-one agricultural loans sampled were made to farms with gross revenues of less than \$500,000.

<b>AGRICULTURAL LOANS</b>				
<b>Proforma Distribution to Various Farm Sizes</b>				
<b>Table 2</b>				
<i>Gross Revenues</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$100,000	8	38%	\$322,700	22%
\$100,000 -250,000	9	43%	\$738,442	49%
\$250,000 - 500,000	4	19%	\$427,350	29%
More than \$500,000	0	0%	\$0	0%
<b>Actual Totals</b>	<b>21</b>	<b>100%</b>	<b>\$1,488,492</b>	<b>100%</b>

Source: This table is a proforma analysis based on a sample of 21 agricultural loans originated inside the bank's assessment area between 1/1/96 and 12/31/98.

### **Mortgage Loan Analysis**

As illustrated in *Table 3*, our analysis of a residential real estate loan sample indicated that the bank provides home loans to low- and moderate-income borrowers at a level exceeding the population's characteristics: 13% of the number and 9% of the dollars of residential real estate loans were made to low-income borrowers, while 35% of the number and 27% of the dollars were to moderate-income borrowers.

<b>REAL ESTATE LOANS</b>					
<b>Proforma Distribution of Borrowers' Income Levels</b>					
<b>Table 3</b>					
<i>Income Level</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>	<i>% of Families in Each Category</i>
<b>Low - Income</b> Less than 50% of Median	3	13%	\$100,058	9%	14%
<b>Moderate - Income</b> 50% - 79% of Median	8	35%	\$304,610	27%	18%
<b>Middle - Income</b> 80%-119% of Median	4	17%	\$169,427	15%	26%
<b>Upper - Income</b> 120% or more of Median	8	35%	\$549,600	49%	42%

Totals	23	100%	\$2,623,232	100%	100%
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Source: This table is a proforma analysis based on a sample of 23 real estate loans originated in the bank's assessment area between 1/1/96 and 12/31/98.

### Consumer Loan Analysis

Farmers-Merchants National Bank of Paxton originates retail loans to individuals of different income levels in reasonable proportion to the area's income characteristics.

As shown in *Table 4*, the amount of installment loans made to low- and moderate-income borrowers was good. Our analysis indicates that 48% of the number and 40% of the dollars of installment loans were made to low-income borrowers, and 40% of the number and 52% of the dollars were made to moderate-income borrowers.

<b>INSTALLMENT LOANS</b> <b>Proforma Distribution of Borrowers' Income Levels</b> <b>Table 4</b>					
<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	12	48%	\$17,000	40%	14%
Moderate - Income 50% - 79% of Median	10	40%	\$21,789	52%	18%
Middle - Income 80%-119% of Median	2	8%	\$1,350	3%	26%
Upper - Income 120% or more of Median	1	4%	\$2,000	5%	42%
Totals	25	100%	\$1,519,468	100%	100%

Source: This table is a proforma analysis based on a sample of 25 consumer installment loans originated in the bank's assessment area between 1/1/96 and 12/31/98.

### LOAN-TO-DEPOSIT RATIO

The Farmers-Merchants National Bank of Paxton's loan-to-deposit ratio is reasonable. The bank's loan-to-deposit ratio has been increasing. During the assessment period, the bank's net loan-to-deposit ratio ranged from 54% to 65% and averaged 59%. When adjusted for real estate loans sold in the secondary market during the assessment period, the bank's loan-to-deposit at December 31, 1998

would be 71%. This compares favorably when compared with that of four area banks, whose loan to deposits ratios ranged from 42% to 69% at December 31, 1998.

## LENDING IN THE ASSESSMENT AREA

A substantial majority of loans originated are within the assessment area. As illustrated in *Table 5*, our analysis of a sample of loans revealed that 91% of the dollar amount, and approximately 89% of the number of loans, were made inside the bank's assessment area.

<b>LOAN PENETRATION ANALYSIS</b>				
<b>Table 5</b>				
<i>Type of Loan</i>	<i>Within Assessment Area</i>		<i>Outside Assessment Area</i>	
Residential Real Estate	\$1,123,695	93%	\$82,640	7%
	23	92%	2	8%
Commercial Loans	\$336,019	77%	\$101,405	23%
	16	84%	3	16%
Agricultural Loans	\$1,488,492	94%	\$95,000	6%
	21	81%	5	19%
Installment Loans	\$42,139	77%	\$0	23%
	25	100%	0	0%
Total	\$2,990,345	91%	\$279,045	9%
	85	89%	10	11%

Source: This table is a proforma analysis using the following sample: 26 agricultural loans, 19 commercial loans, 25 residential real estate loans, and 25 installment loans. This sample covered the time period of 1/01/96 - 12/31/98.

## GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the geographic distribution of loans would not be meaningful since all of the BNAs in the assessment area are middle-income.

## COMPLIANCE WITH FAIR LENDING LAWS

During our examination we sampled residential real estate loans and found no evidence to indicate that the bank was not complying with the substantive provisions of the anti-discriminatory laws and regulations. There is no evidence of practices to discourage individuals from applying for credit. The bank generally solicits credit applications from all segments of its assessment area.

### **WRITTEN COMPLAINTS**

Farmers-Merchants National Bank of Paxton has not received any written complaints about its performance in helping to meet the credit needs within its assessment area.