



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fairfield National Bank
Charter Number 6609
220 East Main Street
P.O. Box 429
Fairfield, Illinois 62837**

**Office of the Comptroller of the Currency
Evansville Duty Station
P.O. Box 20130
Evansville, Indiana 47708**

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 Fairfield National Bank for the time period of February 15, 1994 through July 31, 1997. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. 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."

A substantial majority of the bank's loans are to customers living within the assessment area. The average loan to deposit ratio since the previous CRA examination is comparable to the loan to deposit ratios of other local banks of similar size. The bank has a satisfactory record of lending to borrowers of all income levels and to businesses and farms of all sizes.

DESCRIPTION OF INSTITUTION

Fairfield National Bank (FNB) is a full-service bank located in Fairfield, Illinois. It is wholly owned by Fairfield Bancshares, Inc., a one-bank holding company with local ownership. FNB had total assets of \$141 million as of March 31, 1997. The bank's prior CRA rating of "Satisfactory" was assigned on February 15, 1994.

FNB is a full-service lender focusing primarily on business, residential real estate, and consumer lending. There are no financial or legal impediments which would hamper the bank's ability to meet the credit needs of the community. FNB has a strong capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

Net Loans	\$65,729,000	Total Deposits	\$118,445,000
Investments	68,151,000	Other Liabilities	5,239,000
Other Assets	7,283,000	Total Liabilities	123,684,000
		Total Equity Capital	17,479,000
Total Assets	\$141,163,000	Total Liabs & Capital	\$141,163,000

Source: FFIEC Report of Condition

FNB's loan portfolio as of March 31, 1997 consisted of 54% real estate loans (35% of which are secured by 1-4 family residential mortgage), 19% commercial loans, 13% agricultural loans, 11% consumer loans, and 3% other types of loans. FNB has one branch office in nearby Wayne City, IL. FNB has three automated teller machines (ATMs), one at each office and one at a local grocery store.

DESCRIPTION OF FNB'S ASSESSMENT AREA

Fairfield has a population of 5,400 and is centrally located in Wayne County, Illinois. Fairfield is approximately 110 miles east of St. Louis, Missouri and 65 miles west of Evansville, Indiana. Bank management defines its assessment area as all of Wayne County. Wayne County has a population of 17,200. The assessment area consists of five Block Numbering Areas (BNA's). Two of the BNA's are designated as moderate-income areas (defined as having a median family income between 50% and 80% of the statewide non-MSA median family income of \$37,600) and three are designated as middle-income areas (between 80% and 120%). The assessment area is consistent with regulatory guidelines, and does not arbitrarily exclude any low- or moderate-income areas.

Table 2 depicts the number and percentage of families within the bank's assessment area based upon income level. The table reveals that 46.6% of the families have low or moderate incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels.

Table 2 Number and Percentage of Families in Each Income Level					
	Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families	Total
Total	1,247 24.8%	1,095 21.8%	1,296 25.7%	1,396 27.7%	5,034 100%

Source: CRA Wiz Demographic Data

The non-MSA median family income for the state of Illinois is \$37,600. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$37,600.

The area surrounding Fairfield is rural. Businesses in small surrounding towns offer moderate employment and economic support. The economy is highly dependent on agriculture and industrial manufacturing. The biggest employer in Wayne County is Airtex Industries. The unemployment rate in Wayne County is 5.5%, compared to the state average of 4.8%. Branches of small independent financial institutions are the bank's primary competition.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LENDING TEST

Lending in assessment area:

The bank performed an analysis of all of loans that were originated in 1996, to determine how many loans were made within the assessment area. The results of this analysis demonstrated that a substantial majority of the loans made in 1996 were made to borrowers living within the assessment area. Table 3 illustrates:

Table 3 Loans Originated or Renewed in the Assessment Area January 1, 1996 through December 31, 1996			
Total Loans Originated/Renewed in 1996		% of Loans Originated/Renewed within the Assessment Area	
#	\$	#	\$
1,535	\$30,692,000	88%	72%

Source: FNB Internal Analysis

To independently test the bank's findings, we reviewed a sample of 29 mortgage loans that have originated since the previous CRA examination. We found that 27 (93%) of the sampled loans were to borrowers living in Wayne County. We have concluded that the bank's findings are materially accurate.

Loan to deposit ratio:

The bank's loan to deposit ratio since the last CRA examination averages 55%. This is comparable to the average loan to deposit ratio of other banks of similar size in Wayne County. Analysis of FNB's primary competition revealed that their average loan to deposit ratios over the last two years ranged from 54% to 66%.

Lending to borrowers of different incomes and to businesses of different sizes:
Home Mortgage Loans

To determine the bank’s record of extending home loans to individuals of different income levels, we sampled 29 mortgage loans that originated since the previous CRA examination. Table 4 reveals the results of our sample:

Table 4 Mortgage Loans Originated by Borrower Income				
Borrower Income *	Number of Loans		Dollar Volume	
	#	%	\$	%
Low-income	1	4%	\$37,000	3%
Moderate-income	10	34%	\$260,000	23%
Middle-income	10	34%	\$461,000	42%
Upper-income	8	28%	\$355,000	32%
TOTAL	29	100%	\$1,113,000	100%

Source: OCC mortgage loan sample

*The non-MSA median family income for the state of Illinois is \$37,600. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of \$37,600.

Table 4 indicates that the level of home mortgage loans to moderate-income borrowers is adequate at 34% of all home loans sampled, but the number of home loans to low-income borrowers appears low at 4%. A mitigating factor to be considered is that 46% of all low-income families in Wayne County are below the poverty level, and would likely be ineligible for a home loan. This supports the reasonableness of the lending penetration to low-income borrowers.

Small Business and Small Farm Loans

To determine the bank’s record of extending loans to businesses and farms of different sizes, we sampled 82 business and farm loans that originated since the last CRA examination. We found that the bank’s overall volume of loans to small businesses and small farms is satisfactory. Table 5 reveals that the bank originated approximately \$6.3 million in small business and small farm loans within the assessment area. Small business and small farm loans are defined by regulation as loans to businesses whose annual revenues total less than \$1,000,000 and farms whose annual revenues total less than \$500,000.

Table 5 Business and Farm Loans		
Annual Revenue:	#	\$
\$0 - \$100,000	17	\$1,211,000
\$100,001 - \$250,000	16	\$2,499,000
\$250,001 - \$1,000,000	9	\$2,591,000
Total Loans - \$1,000,000 or less	42	\$6,301,000
% of Loans - \$1,000,000 or less	51%	27%
Greater than \$1,000,000	40	\$16,801,000

Source: OCC business and farm loan sample

Table 6 summarizes the bank’s small business and small farm lending by varying loan amounts. The CRA assumes that loan size generally correlates with the size of the business or farm borrower. As can be seen in Table 6, the bank is making small loans to a majority of small businesses and farms. This is evidenced by the fact that 64% of the small business and small farm loans were originated for amounts less than \$100,000. These loans comprise 12% of the dollar amount of small business and small farm lending. This supports the conclusion that the bank’s penetration of loans to small businesses and small farms is satisfactory.

Table 6 Number of Small Business and Small Farm Loans By Loan Amount at Origination				
Loan Amount at Origination	Number of Loans	Percent of Total	Dollar Volume	Percent of Total
\$0 - \$100,000	27	64%	\$784,000	12%
\$100,001 - \$250,000	9	22%	\$1,443,000	23%
\$250,001 - \$1,000,000	6	14%	\$4,074,000	65%
Total	42	100%	\$6,301,000	100%

Source: OCC business and farm loan sample

Geographic distribution of loans:

Wayne County has two moderate- and three middle-income BNA's for a total of 5. Our sample of 29 mortgage loans that originated since the previous CRA examination revealed an adequate penetration into the two moderate-income tracts. Six of the 29 loans (21%) are to borrowers living in the moderate-income BNA's. Considering that the two BNA's that comprise the town of Fairfield are both middle-income tracts, this penetration is reasonable.

Response to complaints:

The bank has received no letters from the public regarding its CRA activities.

Compliance with anti-discrimination laws:

We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. We identified no violations of the substantive provisions of these anti-discrimination laws and regulations.

INVESTMENT TEST

FNB's investment activity is satisfactory. The bank is a participant in community development activities, as they become available. Some of the more significant activities that the bank participates in include:

Southeastern Illinois Community Development Corporation - This CDC was formed in 1993 and is comprised of nine area banks and a utility company. The objective is to create and retain employment opportunities by pooling funds to provide financing to new business ventures in a four county area, which includes Wayne County. FNB has pledged \$100,000 to the CDC and, to date, has funded \$15,000. The CDC has provided financing for two projects: a medical center in nearby Grayville and a day care facility in Fairfield.

Wayne County Housing Rehabilitation Program - In 1995, FNB allocated \$50,000 to a program which will provide home rehabilitation assistance to low-income individuals, in conjunction with the Greater Wabash Regional Planning Commission. To date, two loans have been made for this purpose totaling \$10,000.

SERVICE TEST

In March, 1997, FNB opened its first branch office in nearby Wayne City. This is located in one of the county's moderate-income areas. It is a full service branch and all products and services, including an ATM machine, are available. The new branch will enhance credit availability in this portion of the assessment area, and adjacent BNA's in the assessment area.