



PUBLIC DISCLOSURE

June 25, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Lerna
Charter #8224**

**506 Main Street
Lerna, Illinois 62440**

Office of the Comptroller of the Currency

**2009 Fox Drive, Suite B
Champaign, IL 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 **The First National Bank of Lerna** prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 25, 1998. Our assessment of the bank's performance covers the period since October 16, 1995. The rating received at that time was "Satisfactory 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.**

- The bank has a good record of lending to individuals of different incomes and to business of all sizes.
- The bank's loan-to-deposit ratio is more than reasonable, given the bank's size, financial condition, assessment area's credit needs, and comparison to similar banks in the area.
- A substantial majority of the bank's loans are within its assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Lerna is a \$11 million bank located in Lerna, Illinois. Lerna is a village of 400 situated in Pleasant Grove Township in Coles County. Lerna is located in Central Illinois approximately 8 miles southwest of Mattoon and 12 miles southwest of Charleston, Illinois. The bank does not have any branches.

No significant changes in loan portfolio products or composition have occurred since the last CRA examination. Gross loans have decreased 14%, from \$8.5 million at December 31, 1995, to \$7.3 million at March 31, 1998. The following represents the bank's loan portfolio mix at March 31, 1998.

<u>Type of Loans</u>	<u>%</u>	<u>Dollars (in thousands)</u>
Commercial Loans	17%	\$ 1,223
Real Estate Loans	52%	\$ 3,760
Consumer Loans	20%	\$ 1,440
Agricultural Loans	11%	\$ 834

Based on information provided by the bank, the following loan volumes were originated during the evaluation period,:

	<u>#</u>	<u>Dollars (in thousands)</u>
Commercial Loans	74	\$1,090
Real Estate Loans	128	\$3,300
Consumer Loans	179	\$ 808
Agricultural Loans	32	\$1,232

The bank does not have any financial or legal impediments restricting it from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of all of the Block Numbering Areas (BNAs) in Coles and Cumberland Counties. The three BNA's in Cumberland County are designated middle- income. Coles County has one BNA that is moderate-income, nine that are middle-income, and three that are upper-income. The assessment area meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate- income geographies. The following demographic information on the bank's assessment area is based on 1990 census data:

Housing:	79% of the housing units are 1-4 family.
Occupancy:	63% are owner occupied, 30% are renter occupied, and 7% are vacant.
Home Values:	Median home value is \$44,621.
Age of Homes:	Median year of homes built is 1958.
Income:	Median family income is \$32,210.
Income Distribution:	18% of families are designated low-income, 17% are moderate-income, 23% are middle-income, and 42% are upper-income.

The local economy is good. This is a rural area, with a broad mix of industrial factories and service jobs located primarily in Mattoon and Charleston. Major employers include Eastern Illinois University, Sarah Bush Lincoln Hospital, Illinois Consolidated Communications and Lake Land College.

Community contacts have been conducted by the OCC on an ongoing basis within the bank’s assessment area. Review of these contacts indicated that credit needs include residential real estate, agricultural, small business, and personal loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

First National Bank of Lerna more than satisfactorily extends credit to consumers of all income levels, and satisfactorily extends credit to smaller-sized commercial and agricultural borrowers within its assessment area. Eighteen percent of the population in the bank’s assessment area is considered low-income, with an additional 17% 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.

Consumer Loan Analysis

First National Bank of Lerna originates loans to individuals of different income levels in a reasonable proportion to the area’s income characteristics. As illustrated in *Table 1*, 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; 55% of the number, and 43% of the dollars, of residential real estate loans were made to low- and moderate-income borrowers. As shown on *Table 2*, analysis of an installment loan sample indicates that 69% of the number, and 52% of the dollars, of installment loans were made to low- and moderate-income borrowers.

RESIDENTIAL MORTGAGE LOANS					
Table 1					
<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	5	25%	\$94,386	18%	18%
Pro forma	32	25%	\$594,026	18%	
Moderate - Income 50% - 79% of Median	6	30%	\$131,837	25%	17%
Pro forma	38	30%	\$825,037	25%	

RESIDENTIAL MORTGAGE LOANS					
Table 1 (Continued)					
Middle - Income 80%-119% of Median	6	30%	\$87,094	17%	23%
Pro forma	38	30%	\$561,025	17%	
Upper - Income 120% or more of Median	3	15%	\$201,284	40%	42%
Pro forma	19	15%	\$1,302,058	40%	
Total Sample	20	100%	\$514,601	100%	100%
Pro forma	128	100%	3,300,146	100%	

Source: This table is based on a sample of 20 residential real estate loans made in the bank's assessment area between June 30, 1997 and June 30, 1998. Pro forma is based on an extrapolation of data for total loans originated during the evaluation period.

INSTALLMENT LOANS					
Table 3					
<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	6	32%	\$11,530	16%	18%
Pro forma	57	32%	\$129,425	16%	
Moderate - Income 50% - 79% of Median	7	37%	\$26,811	36%	17%
Pro forma	66	37%	\$291,2087	36%	
Middle - Income 80%-119% of Median	6	31%	\$35,016	48%	23%
Pro forma	56	31%	\$388,276	48%	
Upper - Income 120% or more of Median	0	0%	\$0	0%	42%
Pro forma	0	0%	\$0	0%	
Total Sample	19	100%	\$73,357	100%	100%
Proforma	179	100%	\$808,908	100%	

Source: This table is based on a sample of 19 consumer installment loans made in the bank's assessment area between June 30, 1997 and June 30, 1998. Pro forma is based on an extrapolation of data for total loans originated during the evaluation period.

Commercial Loan Analysis

The bank's record of lending to businesses and small farms within the assessment area is good. The bank provides a significant level of small dollar loans to small businesses and farms. The bank originated commercial loans of \$1.090 million during the assessment period. Our sample indicates that all loans had origination amounts less than \$50 thousand; however, the discussion with the bank indicates that some loans over \$100 thousand have been originated. Also, of all the farm loans sampled, all but one, had origination amounts less than \$100 thousand. *Table 3* and *Table 4* provide detailed information.

COMMERCIAL LOANS				
Table 4				
<i>Loan Size</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$50,000	20	100%	\$308,454	100%
Proforma	74	100%	\$1,090,000	100%
More than \$100,000	0	0%	\$0	0%
Totals	20	100%	\$308,454	100%

Source: This table is based on a sample of 20 commercial loans made to businesses located inside the bank's assessment area between June 30, 1997 and June 30, 1998. Proforma is based on an extrapolation of data for loans originated during the evaluation period.

AGRICULTURAL LOANS				
Table 5				
<i>Loan Size</i>	<i># of Loans</i>	<i>%</i>	<i>\$ of Loans</i>	<i>%</i>
Less than \$50,000	8	80%	\$165,709	40%
Pro forma	32	80%	\$492,769	40%
\$50,000 - 100,000	1	10%	\$96,928	23%
Pro forma	3	10%	\$283,342	23%
\$100,000 - 500,000	1	10%	\$154,960	37%
Pro forma	3	10%	\$455,811	37%
More than \$500,000	0	0%	\$0	0%
Pro forma	0	0%	\$0	0%
Total Sample	10	100%	\$417,597	100%
Pro forma	32	100%	\$1,231,922	100%

Source: This table is based on a sample of 10 agricultural loans made to farmers located inside the bank's assessment area between June 30, 1997 and June 30, 1998. Pro forma is based on an extrapolation of data for loans originated during the evaluation period.

LOAN-TO-DEPOSIT RATIO

The First National Bank of Lerna's loan-to-deposit ratio is more than reasonable. During the assessment period, the bank's net loan-to-deposit ratio ranged from 73% to 86%, and averaged 82%. This average ratio is higher than the 60% average net loan-to-deposit ratio for banks with total assets of less than \$25 million located in the surrounding counties. No similar institution is located inside the designated assessment area.

LENDING IN THE ASSESSMENT AREA

A substantial majority of loans originated are within the assessment area. An analysis, based on a sample of loans originated from June 30, 1997 through June 30, 1998, showed that 92% of the number of loans and 96% of the dollar amount of loans were made within the bank's assessment area. This demonstrates that the bank is doing a good job of making loans within its assessment area. The following table shows a more detailed breakdown.

LOAN PENETRATION ANALYSIS				
Table 5				
<i>Type of Loan</i>	<i>Within Assessment Area</i>		<i>Outside Assessment Area</i>	
Residential Real Estate	\$514,601	96%	\$24,000	4%
	20	95%	1	5%
Commercial Loans	\$289,712	94%	\$18,742	6%
	20	87%	3	13%
Agricultural Loans	\$417,597	100%	\$0	0%
	10	100%	0	0%
Consumer Loans	\$73,357	93%	\$5,452	7%
	20	87%	3	13%
Total	\$1,295,267	96%	\$48,194	4%
	69	92%	6	8%

This table is based off a sample of loans originated between June 30, 1997 and June 30, 1998.

GEOGRAPHIC DISTRIBUTION OF LOANS

Given the number and income distribution of geographies in the assessment area, an analysis of geographic distribution of the bank's loans would not be meaningful. The bank is located in an upper-income BNA and there is only one moderate-income BNA in the assessment area. Based on the loan sample, we found that the dispersion of loans throughout the assessment area is good.

COMPLIANCE WITH FAIR LENDING LAWS

The First National Bank of Lerna is in compliance 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 from all segments of its assessment area, including the moderate-income area.

WRITTEN COMPLAINTS

The First National Bank of Lerna has not received any written complaints about its performance in helping to meet credit needs within its assessment area.