



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**November 13, 2001**

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

**The Farmers National Bank of Prophetstown  
Charter Number 6375**

**114 West Third Street  
Prophetstown, Illinois 61277**

**Office of the Comptroller of the Currency  
Chicago West Field Office  
85 West Algonquin Road, Suite 340  
Arlington Heights, IL 60005**

**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, 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.**

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## 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 Farmers National Bank of Prophetstown (FNB), as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 13, 2001. The agency rates the CRA Performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated "Satisfactory."

The major factors that support FNB's rating include:

- A good level of lending in the assessment areas.
- A good level of lending to small farms of different sizes.
- A good level of residential real estate loans to borrowers of different income levels.
- A reasonable level of net loan-to-deposit ratio.

## DESCRIPTION OF INSTITUTION

The Farmers National Bank of Prophetstown (FNB) is a \$204 million intrastate financial institution headquartered in Prophetstown, Illinois. Prophetstown is located in western Illinois. FNB is a wholly owned subsidiary of Prophetstown Banking Corporation (PBC), a one-bank holding company. Neither PBC nor FNB has any other subsidiaries.

As of June 30, 2001, FNB had approximately \$105 million in outstanding net loans and deposits of approximately \$143 million, for a net loan-to-deposit ratio of 73%. FNB had approximately \$22 million in Tier One capital. Agricultural and residential real estate loans are bank's primary lending product. The bank's gross loan portfolio consisted of the following:

Loan Category	\$(000s)	Percent
Agriculture Loans	\$74,055	70.2
Residential Real Estate Loans	\$18,533	17.6
Commercial Loans	\$9,102	8.6
Consumer Loans	\$3,476	3.3
Other Loans	\$297	0.3
<b>Total</b>	<b>\$105,463</b>	<b>100.0</b>

FNB has two full-service locations, one in Prophetstown and the other in Geneseo, Illinois. The bank has a drive-up facility with an automated teller machine (ATM) attached to each location.

FNB received an overall Satisfactory rating on November 7, 1996, the date of the last Community Reinvestment Act performance evaluation. There are no financial conditions, legal constraints or other factors that would hinder its ability to meet the credit needs of its community.

## DESCRIPTION OF ASSESSMENT AREAS:

The bank has two assessment areas (AAs): all of **Whiteside County**, which not part of any metropolitan statistical area (MSA) and all of **Henry County**, which is part of Davenport-Moline-Rock Island MSA #1960. Although the Whiteside County AA and the Henry County AA are contiguous, our analysis focussed on bank's performance separately in each of those AAs since one of the counties is not part of any MSA. The following provides further details regarding each AA.

### Whiteside County AA:

This AA meets the requirement of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The AA consists of eighteen geographies. Sixteen geographies (89%) are considered middle-income and two (11%) are considered upper-income. There are no low- or moderate-income geographies within the county.

Major towns in the AA are Sterling and Rock Falls. The total population of the county is 60,186. The median family income was \$32,122 based on 1990 census data. The 2001 adjusted median family income was \$49,900. The AA contains fifteen percent low-income, seventeen percent moderate-income, twenty-six percent middle-income and forty-two percent upper-income families.

Eighty-nine percent of the housing in the AA was 1-4 family units with sixty-eight percent owner-occupied. The median home value was approximately \$45,820.

The major employers include Lawrence Brothers, National Manufacturing and Wayne Dalton. The 2001 unadjusted seasonal unemployment rate for the AA was 8.8 percent. The vast majority of the businesses and farms are considered small businesses and small farms with ninety-four percent of the businesses employing less than fifty people.

### **Henry County AA (MSA # 1960):**

This AA also meets the requirement of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The AA consists of 14 geographies. Four geographies (29%) are considered moderate-, eight (57%) middle- and two (14%) geographies are considered upper-income.

Major towns in this AA are Geneseo and Kewanee. The total population of the county is 51,159. The median family income was \$31,254 based on 1990 census data. The 2001 adjusted median family income was \$52,700. The AA contains twenty-one percent low-income, twenty-two percent moderate-income, twenty-five percent middle-income and thirty-two percent upper-income families. Ninety-two percent of the housing in the AA was 1-4 family units with seventy percent owner-occupied. The median home value was approximately \$40,314.

The major employers include Geneseo School District, Springfield Armory and Hammond-Henry Hospital. The 2001 unadjusted seasonal unemployment rate for the AA was 4.8 percent. The vast majority of the businesses and farms are considered small businesses and small farms with 95 percent of the businesses employing less than 50 people.

### **Community Contact**

We conducted two community contacts during our evaluation. The first contact was with the mayor for the city of Prophetstown. The mayor stated that the major credit need is affordable housing. The second contact was with the administrator for the city of Geneseo. He also indicated affordable housing as major credit need.

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

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

FNB's net loan-to-deposit ratio as of June 30, 2001 is reasonable at 73%. The bank's average quarterly net loan-to-deposit ratio from December 31, 1996 to June 30, 2001 was 75%. In comparison, the peer net loan-to-deposit ratio ranged from 44% to 68%. The peer group was chosen based on asset size range of \$155-205 million and location in the state.

### **Lending in Assessment Areas**

FNB's record of lending within its assessment areas is good. The following table details the bank's agriculture lending within the assessment areas by number of loan originations and dollar volume

since its last CRA evaluation. As indicated previously, FNB has two assessment areas, one is part of an MSA and the other is not part of any MSA. Since residential real estate loans made in the non-MSA portion of the assessment area were not easily identifiable, a random sample of twenty residential real estate loans were chosen to determine bank's lending within the assessment areas. The sample was chosen from loans made for the period January 1, 1998 to December 31, 2000, the earliest date that bank became eligible for reporting those loans.

Loans Originated in Assessment Areas						
Loan Type	# in AAs	\$ in AAs	Total #	Total \$	Percent # in AAs	Percent \$ in AAs
		(000 omitted)		(000 omitted)		
<b>Agriculture*</b>	18	503	20	515	90	98
<b>Residential Real Estate *</b>	19	763	20	772	95	99

\* Represents sample of 20 loans selected at random.

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

#### ***Whiteside County AA***

The bank's record of lending to small farms of different sizes and extending residential real estate loans to borrowers of different income levels is good.

#### **Agriculture Loan Originations**

FNB does not collect gross revenue information as part of its normal lending procedures. Therefore, a sample of twenty farm loans made in the assessment area since the previous CRA evaluation were chosen and analyzed in terms of the size of the loan. For this analysis it was assumed that small loans are made to small farms.

<b>Lending to Farms of Different Sizes- Whiteside County*</b>				
<b><i>Loan Size</i></b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
\$0-\$100,000	19	95	585,126	78.5
\$100,001-\$250,000	1	5	160,000	21.5
\$250,001-\$500,000	0	0	0	0
\$500,001-\$1,000,000	0	0	0	0

\* Based on a sample selection of 20 loans.

The borrower distribution of farm loans in the assessment area is good. Distribution analysis revealed that the nineteen loans (95%) totaling \$585,126 of the sample were made for less than \$100,000 each. This was somewhat below the 98% of farms classified as small farms in the assessment area.

## Residential Real Estate Loan Originations

<b>Borrower Income Level</b>	<b>Percentage of Residential Real Estate Loans-Whiteside County</b>	<b>Percentage Of Families In AA</b>
Low	15	15.4
Moderate	25	17.3
Middle	40	25.5
Upper	20	41.8

\* Represents a total sample of 20 residential real estate loans selected from Whiteside County, a non-MSA.

The borrower distribution of residential real estate loans is good. Since the Whiteside County AA is not part of any MSA, residential real estate loans in the assessment area were not easily identifiable, therefore, a random sample of twenty residential real estate loans made in the assessment area were chosen for performance evaluation. Based on the sample selection, three (15%) residential real estate loans made to low-income borrowers were somewhat below the 15.4% of low-income families in the AA. However, the five (25%) residential real estate loans made to moderate-income families were significantly above the 17.3% of moderate-income families within the AA.

### ***Henry County AA (MSA #1960)***

The bank's record of lending to small farms of different sizes is excellent. The bank's record of extending residential real estate loans to borrowers of different income levels is good.

### **Agriculture Loan Originations**

As indicated previously, FNB does not collect gross revenue information as part of its normal lending procedures. Therefore, a sample of twenty farm loans made in the assessment area since the previous CRA evaluation were chosen and analyzed in terms of the size of the loan. For this analysis it was assumed that small loans are made to small farms.

<b>Lending to Farms of Different Sizes- Henry County*</b>				
<b><i>Loan Size</i></b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
\$0-\$100,000	20	100	491,971	100
\$100,001-\$250,000	0	0	0	0
\$250,001-\$500,000	0	0	0	0
\$500,001-\$1,000,000	0	0	0	0

\* Based on a sample selection of 20 loans.

The borrower distribution of farm loans in the assessment area is excellent. Distribution analysis revealed that all of the twenty loans sampled (100 percent) totaling \$491,971 were made for less than \$100,000 each. This exceeded the 98% of farms classified as small farms in the assessment area.

## Residential Real Estate Loan Originations

Borrower Income Level	Percentage of Residential Real Estate Loans- Henry County AA			Percentage Of Families In AA
	Home Purchase*	Home Improvement*	Home Refinance*	
	% of Bank Loans	% of Bank Loans	% of Bank Loans	
Low	5.3	11.1	8.9	20.9
Moderate	31.6	26.7	26.7	21.5
Middle	34.2	24.4	33.3	25.2
Upper	28.9	37.8	31.1	32.4

\* Represents loans originated in 1998,1999 & 2000 as reported under the Home Mortgage Disclosure Act.

The borrower distribution of home purchase loans is good. The two (5.3%) home purchase loans made to low-income borrowers were significantly below the 20.9% of low-income families in the assessment area. This is reasonable, considering approximately eleven percent of households in the assessment area are below poverty level, according to the 1990 Census Tract Data. The twelve (31.6%) home purchase loans made to moderate-income borrowers significantly exceeded the 21.5% of moderate-income families within the assessment area.

The borrower distribution of home refinance loans is good. The four (8.9%) home refinance loans made to low-income borrowers were significantly below the 20.9% of low-income families in the assessment area. The eleven percent of households classified as being below poverty level has reduced the bank's opportunities to lending to that particular income group. The twelve (26.7%) home refinance loans made to moderate-income borrowers exceeded the 21.5% of moderate-income families in the assessment area.

The borrower distribution of home improvement loans is good. The five (11.1%) home improvement loans made to low-income borrowers were significantly below the 20.9% of low-income families in the assessment area. Once again, the percentage of households below poverty level has directly impacted FNB's lending performance to that income group. However, the twelve (26.7%) home improvement loans made to moderate-income borrowers exceeded the 21.5% of moderate-income families in the assessment area.

## Geographic Distribution of Loans

### *Whiteside County AA*

Whiteside County AA is made up of eighteen geographies with no low- or moderate-income income geographies, sixteen (88.9%) are middle-income and two (11.1%) are upper-income geographies.

Since there are no low- or moderate-income geographies in the Whiteside County AA, analysis of bank's lending performance for agriculture, residential real estate loans, and commercial lending would be meaningless and was not performed.

### ***Henry County AA (MSA)***

Henry County AA is made up of fourteen geographies with no low-income geographies, four (28.6%) moderate-income geographies, eight (57.1%) are middle-income geographies and two (14.3%) are upper-income geographies.

FNB made no agriculture or residential real estate loans in the moderate-income geographies. Despite this, the geographic distribution of agriculture and residential real estate loans is considered adequate since the moderate-income geographies are approximately twenty-nine miles away from the bank's location. Also, only thirty-two farms (4.6%) of all the farms in the assessment area are located in the moderate-income geographies

### **Responses to Complaints**

FNB has not received any written complaints about its performance in helping to meet the credit needs within its assessment areas during this evaluation period.

### **Fair Lending Review**

An analysis of recent public comments, consumer complaint information, and Home Mortgage Disclosure Act (HMDA) lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with this CRA evaluation. The latest comprehensive fair lending exam was performed November 7, 1996.