



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 7, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Marengo
Charter Number 16601**

**102 North State Street
Marengo, Illinois 60152**

**Office of the Comptroller of the Currency
Rockford Duty Station
5804 Elaine Drive
Rockford, Illinois 61108**

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 **First National Bank of Marengo (FNBM)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 7, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

This Evaluation covers the period since July 28, 1993, the date of the last CRA examination when the bank was rated "Outstanding Record of Meeting Community Credit Needs."

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

The bank has a reasonable loan-to-deposit ratio and a majority of loans are made to borrowers within the assessment area. FNBM originates loans to individuals of various income levels and business of different sizes.

The following table indicates the performance level of First National Bank of Marengo with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Marengo</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Marengo (FNBM), a \$93 million financial institution, is a wholly owned subsidiary of First Marengo Financial Corporation (one bank holding company), headquartered in Marengo, Illinois. The main office and nearby drive-through facility are located in Marengo with branches in Lake in the Hills and Huntley. Each branch and the drive-through facility has an automated teller machine (ATM). On June 30, 1996, FNBM had approximately \$62 million in outstanding loans and a loan-to-deposit ratio of 72%. The loan portfolio consists of residential real estate loans (60%), commercial & commercial real estate loans (25%), consumer loans (12%), and agriculture & agriculture real estate loans (3%).

There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA:

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. The assessment area is comprised of five census tracts in **McHenry County**. McHenry County represents a small portion of the Chicago Metropolitan Statistical Area (MSA) in northeastern Illinois. The total population of the assessment area is 42,453 based on 1990 census data. The MSA median family income is \$54,100. The assessment area contains 9%, 14%, 28% and 49% of low-, moderate-, middle-, and upper-income families, respectively. Of the 5 census tracts which comprise the assessment area, 3 (60%) are middle-income, and 2 (40%) are upper-income.

The major cities in the assessment area include Marengo (population of 5,306), Lake in the Hills (16,006), Huntley (2,453), and Algonquin (17,737). The local economy is good and housing demand is strong. Local housing is 79% owner-occupied, 17% rental-occupied, and 4% vacant housing units. The median home value is \$119,200. Major employers in Marengo include Nissan Industrial Trucking, Arnold Engineering, and Warner Electric. The major employer in Huntley is Union Special. The unemployment rate for McHenry County is 3.2% as of September 1996. The vast majority of businesses in the assessment area are small businesses. Approximately 96% of businesses have less than 50 employees, 4% of businesses have 50 to 499 employees, and less than 1% of businesses have 500 or more employees.

FNBM's primary competitors consist of national and state-chartered financial institutions, and credit unions. Recent contacts with area leaders identified residential mortgage, business and consumer loans as the community's most pressing credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

As of June 30, 1996 the loan-to-deposit (L/D) ratio is 72%, above the average of other financial institutions located in the assessment area. FNBM's average quarterly L/D ratio from July 28, 1993 to June 30, 1996 is 72%. The other financial institutions' (6), which are primarily community banks, loan-to-deposit ratios range from 48% to 94% with an average of 61%.

Lending In Assessment Area:

FNBM's lending within the assessment area is reasonable. For 1994, 62% of the number and 58% of the dollar of residential mortgage loans subject to the Home Mortgage Disclosure Act (HMDA) originated are within the bank's assessment area. For 1995, 72% of the number and 66% of the dollar of HMDA loans originated were in bank's assessment area. In a sample of 30 commercial loans between April 1996 and October 1996, 83% of the loans were originated within the bank's assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes:

Mortgage loan information maintained under HMDA was reviewed to determine the extent of the bank's loans to borrowers of different income levels. The following table reflects the number and dollar of mortgage loans by borrower income within the entire assessment area:

Borrower Income as % of MSA Median Family Income	1994		1995		Assessment Area
	#	\$	#	\$	% of Families by Income Level
Low Income	5%	2%	6%	1%	9%
Moderate Income	21%	16%	25%	19%	14%
Middle Income	42%	37%	31%	15%	28%
Upper Income	32%	45%	36%	63%	49%
NA	0%	0%	2%	2%	NA

- represents the number of loans by percentage.

\$ - represents the dollar of loans by percentage.

NA - Applicant income information was not available

Table 1 reveals a distribution of mortgage loans to borrowers of different income levels that is generally consistent with demographic information.

The bank originates many loans to small businesses and small farms in its assessment area. A sample of 30 commercial loans originated in April to October 1996 totaling approximately \$2 million was reviewed to determine the extent of the bank's origination of small business loans. Of the sample reviewed, 87% of the number of loans reviewed were to small businesses.

Geographic Distribution of Loans:

The bank has a reasonable distribution of loans in the middle and upper income census tracts. Using the HMDA information, the bank's loan distribution by census tract characteristic is as follows:

Table 2 All HMDA Loans Originated By Census Tract Characteristic						
Census Tract Income Level	1994		1995		Distribution of Owner-Occupied Units	Distribution of Census Tracts
	#	\$	#	\$		
Middle Income	86%	84%	91%	89%	47%	60%
Upper Income	14%	16%	9%	11%	53%	40%

- represents the number of loans by percentage.
 \$ - represents the dollar of loans by percentage.

Compliance with Fair Lending Laws and Regulations:

We conducted a fair lending examination using a sample of home improvement loans originated in 1996. Based on the sample reviewed, no evidence of illegal discrimination was detected.