



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 17, 2009**

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

The First National Bank of Dwight  
Charter Number 8044

122 West Main Street  
Dwight, IL 60420

Office of the Comptroller of the Currency  
North Central Illinois and Eastern Iowa Field Office  
111 West Washington Street, Suite 300  
East Peoria, IL 61611-2532

**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.

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

First National Bank of Dwight's (FNB's) lending is satisfactory and addresses the credit and development needs of the community. This rating is based on:

- FNB's average quarterly loan-to-deposit (LTD) ratio for the period since the previous Community Reinvestment Act (CRA) exam is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- FNB originates a substantial majority of their primary loan products inside the bank's AA.
- FNB's distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank's product offerings and local economic conditions.
- There are no adverse complaints regarding the bank's CRA performance.

**DESCRIPTION OF INSTITUTION**

FNB is an intrastate financial institution located 70 miles southwest of Chicago on Interstate 55 in Livingston County, Illinois. The bank has total assets of approximately \$104 million as of September 30, 2008. FNB has one office in downtown Dwight with drive-up facilities and a deposit-taking ATM. The bank has two additional cash dispensing ATM's located off-premises in Dwight. The bank is a wholly owned subsidiary of First Dwight Corporation, a one-bank holding company. There have not been any significant changes in FNB's corporate structure since the previous CRA examination.

FNB offers a full range of deposit and loan products and services. The bank has two primary lending products: small business and consumer loans. These two loan types account for 77 percent of all loan originations during 2007 and 2008 and make up 62.4 percent of the outstanding loan balances as of September 30, 2008. Thus, these two products were used for the analysis of this evaluation. Agriculture loans are not a primary loan product as they were only 16 percent of the loans originated during 2007 and 2008 and account for less than 10 percent of the loan portfolio as of September 30, 2008. Residential loans are also not a primary loan product as they only account for 7 percent of all loan originations during 2007 and 2008 and make up 19.5 percent of the outstanding loan balances as of September 30, 2008.

**Table 1- Loan Origination by Loan Type for 2007 and 2008**

<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Number of Loans Originated/Purchased during evaluation period</b>
Home Loans	10%	7%
<b>Consumer Loans</b>	<b>6.5%</b>	<b>44%</b>
<b>Business Loans</b>	<b>68.5%</b>	<b>33%</b>
Farm Loans	15%	16%
Total	100%	100%

*Source: Bank records on all new loans originated in 2007 and 2008*

There are no financial conditions, legal constraints or other factors that hinder FNB's ability to meet the credit needs of the community. The bank's previous CRA rating as of February 2, 2004 was 'Satisfactory.'

## **DESCRIPTION OF DWIGHT ASSESSMENT AREA**

FNB identified three AAs, the Livingston/LaSalle County AA, the Grundy County AA, and the Kankakee County AA. We combined these AAs into one AA due to the fact that the bank is not located in, nor does it have any branches, within a metropolitan statistical area. The combined Dwight AA consists of four census tracts (9601, 9602, 9603, and 9609) in Livingston County, one census tract (9637) in LaSalle County, two block numbering areas (6 and 9) in Grundy County, and one block numbering area (103) in Kankakee County. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude any low-or moderate-income areas.

The local economy in Dwight, IL has slightly contracted. Due to the nationwide recession, there have been a number of business closures. The largest impact to the local economy was the closure of a General Motors dealership. In addition, a community contact from the Dwight Economic Development Commission stated that there are more empty storefronts in Dwight than ever before. The averaged unemployment rate of 9.45 percent for Livingston County, LaSalle County, Grundy County, and Kankakee County is above both the national unemployment rate of 7.2 percent and the state unemployment rate of 7.6 percent. Major economic activities for the area are agriculture and manufacturing industries. The largest employers in Livingston County include RR Donnelley, the William W. Fox Development Center, the Dwight Correctional Center, and ALDI, Inc. Distribution.

The community contact stated that a primary credit need of the community is financing to help existing establishments from going out of business as well as provide new businesses with start-up money. The Economic Development Commission is currently in the discussion phase of a partnership between the Village of Dwight and local banks. The commission hopes that this partnership will provide low interest loans for small business start-ups and struggling businesses.

Competition from other financial institutions is strong. The bank's competitors include local community banks, branches of regional institutions, and credit unions. The population of the Dwight AA is at 30,455 as of December 2008 and there are 62 different banks operating within the bank's AA. According to FDIC deposit information, FNB holds less than 1 percent of the total market share of the AA. Within the Village of Dwight alone, there are five operating branches of banking institutions.

<b>Demographic Information for the Dwight AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	8	0%	0%	100%	0%
Population by Geography	30,455	0%	0%	100%	0%
Owner-Occupied Housing by Geography	8,873	0%	0%	100%	0%
Businesses by Geography	1,790	0%	0%	100%	0%
Farms by Geography	502	0%	0%	100%	0%
Family Distribution by Income Level	8,152	14.76%	20.68%	23.87%	40.69%
Distribution of Low and Moderate Income Families throughout AA Geographies	2,889	0%	0%	100%	0%
Median Family Income (MFI)		\$56,485	Median Housing Value		\$88,677
HUD-Adjusted MFI for 2008		\$65,503	Families Below the Poverty Level		6%
2008 AA Unemployment Rate		9.45%			

Source: CRA Wiz using 2000 Census data

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

FNB's overall lending test rating is satisfactory. The bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the AA credit needs. FNB originates a substantial majority of their primary loan products within the bank's AA. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. For our lending analysis, we randomly selected a sample of twenty small business loans and twenty consumer loans.

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

FNB's average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the AA credit needs. FNB's quarterly average LTD ratio for the period of March 31, 2004, through December 31, 2008, was 60 percent. During this period, the ratio had a quarterly high of 67 percent and a quarterly low of 53 percent. The bank's LTD ratio for December 31, 2008, is 66 percent. The LTD ratios as of December 31, 2008, for three other similarly situated institutions were 82 percent, 70 percent, and 68 percent. These institutions have asset sizes ranging from \$100 million to \$201 million and operate in the same assessment area as FNB Dwight.

### **Lending in Assessment Area**

FNB originates a substantial majority of their primary loan products inside the bank's AA. Out of a 40 loan sample, the bank originated 97.5 percent of the number and 99.4 percent of the dollar amount of loans within the Dwight AA. The following table displays details on both categories of primary loan products by number and dollar amount of loans originated during the evaluation period.

<b>Table 1 - Lending in the Dwight Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Sm. Bus. Loans	20	100%	0	0%	20	\$2,258,624	100%	\$0	0%	\$2,258,624
Consumer Loans	19	95%	1	5%	20	\$157,947	91%	\$15,000	9%	\$172,947
Totals	39	97.5%	1	2.5%	40	\$2,416,571	99.4%	\$15,000	0.6%	\$2,431,571

*Source: Sample of twenty loans originated during the 2007 and 2008 evaluation period from each of the two primary product types*

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

FNB's distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes given the bank's product offerings and local economic conditions. The bank actively helps meet the two main identified credit needs of the community; small business loans and small consumer loans.

#### *Small Business Loans*

FNB's performance of lending to businesses of different sizes is reasonable. From a sample of 20 commercial loans in the bank's combined AA (originated from 2007 and 2008), the number of loans (19) or 95 percent are loans under \$500 thousand and only 1 loan or 5 percent of our sample is a loan greater than \$500 thousand. We chose to use loan size as a proxy for revenues as a majority of business revenues are unavailable. According to 2008 business demographic data from the Census Bureau, 55 percent or 1,023 of all non-farm businesses in the bank's combined AA have revenues under \$1 million. Businesses with revenues under \$1 million generally have credit needs for smaller loans.

<b>Table 2D - Borrower Distribution of Loans to Businesses by Loan Size in the Dwight AA</b>				
Loan Size (000's)	Number of Loans*	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	16	80%	\$573,443	25%
\$100,001 - \$250,000	1	5%	\$250,000	11%
\$250,001 - \$500,000	2	10%	\$635,180	28%
Over \$500,000	1	5%	\$800,000	35%

\*Sample of 20 business loans from the bank's originations from 2007 and 2008

#### *Consumer Loans*

The distribution of consumer loans to borrowers reflects excellent penetration among borrowers of different income levels. One of the credit needs in the AA was identified as smaller consumer loans. We analyzed the borrower distribution on a sample of twenty consumer loans. Analysis showed that FNB made 60 percent of their consumer loans to low- and moderate-income individuals. This substantially exceeds the percentage of low- and moderate-income households located within the AA.

The following table shows the distribution of consumer loans among borrowers of different income levels in the AA.

<b>Table 2 - Borrower Distribution of Consumer Loans in the Dwight AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	14.76%	33%	20.68%	27%	23.87%	27%	40.69%	13%

*Source: CRA Wiz using updated median family income and a sample of consumer loans originated by the bank in 2007 and 2008*

### **Geographic Distribution of Loans**

A geographic distribution of loans analysis is not meaningful due to a lack of low- or moderate-income geographies within the bank’s AA. All geographies within the bank’s AA are middle-income geographies.

### **Responses to Complaints**

FNB received no consumer complaints relating to CRA performance since the previous CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.