



**PUBLIC DISCLOSURE**

December 8, 1998

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First National Bank of Litchfield  
Charter # 3962  
324 North State Street, Box 450  
Litchfield, Illinois 62056

Comptroller of the Currency  
Fairview Heights Field Office  
13 Executive Drive, Suite 7  
Fairview Heights, Illinois 62208

**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 the **First National Bank of Litchfield**, Litchfield, Illinois, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **December 8, 1998**. This evaluation is based on information since the last CRA examination dated October 12, 1995. 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**.

- The level of lending to borrowers of different income levels is reasonable based on our sample of 1-4 family residential lending activities.
- The bank lends to farms of all different sizes.
- The bank's loan-to-deposit ratio is above most competing banks at 80% as of June 30, 1998. The bank's average loan-to-deposit ratio for the last twelve quarters is 70%.
- A majority of the loans are extended within the bank's assessment area.

## **DESCRIPTION OF INSTITUTION**

The First National Bank (FNB) of Litchfield is a \$69 million bank which is owned by First Montgomery Bancorp, Inc, a one-bank holding company located in Litchfield, Illinois. The main office is in the downtown area of Litchfield. A branch is located near Interstate 55 and the shopping centers. The main office and the branch operate drive-up facilities. An Automated Teller Machine offers services at the branch office only. FNB offers a full range of retail and commercial banking products. Net loans represent 64% of total assets as of September 30, 1998. The bank's primary business focus is in residential real estate lending and agriculture-related loans to farmers. As of the same date, 1-4 family residential real estate loans comprise 34% of the loan portfolio; agriculture-related loans, 28%; business loans, 23%; and consumer loans, 15%.

No financial or legal constraints impede the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. The bank's prior CRA rating, dated October 12, 1995, was "Satisfactory Record of Meeting Community Credit Needs."

## **DESCRIPTION OF ASSESSMENT AREA**

The assessment area (AA) consists of most of Montgomery County except for the northeastern portion of the county, and the southeastern section of Macoupin County. The AA includes Block Numbering Areas (BNAs) 9575 through 9580 in Montgomery County and BNAs 9563 and 9569 through 9572 in Macoupin County. This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Montgomery and Macoupin Counties are non-Metropolitan Statistical Areas (MSA). Based on the non-MSA median family income for the entire assessment area in 1990, all eleven BNAs are middle income. The economy is primarily based on agriculture, with some manufacturing and other service-related businesses and retail stores. Major employers are a replacement automobile parts manufacturer and a local hospital. Economic conditions have remained relatively stable; however, low grain and livestock prices may adversely impact the AA. As of October 31, 1998, the unemployment rate for Montgomery County is 8.3%, for Macoupin County is 4.3%, and for the State of Illinois is 4%; the national average is 4.4%. All other BNAs in both counties outside the bank's AA are also designated as middle income.

The AA population was 42,729 as of the 1990 census. The updated non-MSA median family income in Illinois for 1998 is \$39,500. Census information on family incomes aggregated for this AA indicated that 20% of families were considered low-, 18% moderate-, 25% middle-, and 37% upper-income.

The 1990 census information indicates the weighted average of median housing value is \$40,257 and the weighted average of median year of construction is 1951. Owner-occupied units represent 71% of the housing stock, with 87% being 1-4 family units.

Thirteen percent of the number of households are below poverty level and 17% of the number of households are in retirement.

FNB's competition is strong. It comes from two other banks in Litchfield and seven other banks in the bank's AA. Competitor banks in the AA range from \$26 million to \$168 million in total assets as of June 30, 1998. The bank's business strategy is to remain competitive with the other financial institutions in the AA and serve the community's loan needs.

A community contact was performed with an area real estate agency during the evaluation. The contact indicated that the local financial institutions are serving the credit needs of the community. The contact stated the financial institutions are providing residential real estate loans for affordable housing for low- and moderate-income families by offering programs with as little as 5% down payment; however, there is a need for lower priced housing in the area.

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

### **Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes:**

*Residential real estate loans* - The bank's primary product lines are residential real estate lending for purchase, home improvement, and refinancing. Lending to borrowers of different income levels is satisfactory. There is a reasonable distribution of loans to borrowers of different income levels.

We sampled 1-4 family residential real estate loans originated in 1997 and 1998. During this period the bank originated approximately 181 loans totaling \$9,689,000. We reviewed 43 or 23% of the number and \$2,207,000 or 23% of the dollar amount of originations.

The loan distribution shown below is somewhat misleading due to a relatively high population of persons over the age of 65, the number of households in retirement, and the number of households below the poverty level. The 1990 census demographic data for the AA shows that 19% of the population is age 65 and over, 17% of the households are in retirement, and 13% of the households are below the poverty level. Also, the unemployment rate of Montgomery County is relatively high at 8.3%. The above-mentioned population consists generally of low- or moderate-income households who rarely seek residential real estate financing.

Also, FNB originated 32 fixed rate residential real estate loans for \$2,541,000 in 1997 and 1998. These credits were sold on the secondary market. FNB presently services 65 fixed rate residential real estate loans sold on the secondary market totaling \$3,771,000.

The following table shows the distribution of loan originations for 1-4 family residential real estate borrowers of different income levels within the assessment area:

<b>Income Levels</b>	<b># of Loans</b>	<b>% of Loans #</b>	<b>Loan \$ (000's)</b>	<b>% of Loans \$</b>	<b>Assessment Area Family Income</b>
<i>Low Income</i>	2	5%	48	3%	20%
<i>Moderate Income</i>	5	14%	205	12%	18%
<i>Middle Income</i>	10	27%	488	30%	25%
<i>Upper Income</i>	20	54%	917	55%	37%

**Agricultural Loans** - The bank's secondary product line is agricultural lending. FNB extends credit to farms of all sizes. During 1997 and through September 30, 1998, the bank originated 178 agricultural operating loans for \$8,576,000. We reviewed 27 or 15% of the number and \$1,054,000 or 12% of the dollar amount of originations made for farm operating loans to determine the size of farms being served.

The following table reflect the distribution of farming-related loan originations by size of annual revenues within the assessment area:

**Distribution by Farm Gross Revenue**

	<b>Under \$100M</b>		<b>\$100M-\$250M</b>		<b>\$250M-\$500M</b>		<b>\$500M-\$1MM</b>		<b>Over \$1MM</b>	
<b>#</b>	<b>11</b>	<b>41%</b>	<b>6</b>	<b>22%</b>	<b>7</b>	<b>26%</b>	<b>2</b>	<b>7%</b>	<b>1</b>	<b>4%</b>
<b>\$ (000's)</b>	<b>328</b>	<b>31%</b>	<b>165</b>	<b>15%</b>	<b>281</b>	<b>27%</b>	<b>260</b>	<b>25%</b>	<b>20</b>	<b>2%</b>

Based on 1990 business demographic data, most farms in the bank's AA have revenues of less than \$1,000,000.

**Geographic Distribution of Loans:**

A geographic analysis was not performed as all geographies in the assessment areas are middle income.

**Loan-to-Deposit Ratio:**

The bank’s loan-to-deposit ratio is satisfactory. The loan-to-deposit ratio as of June 30, 1998, was 80%. The bank’s average loan-to-deposit ratio for the twelve quarters since the previous CRA evaluation was 70%. The loan-to-deposit ratio grew during that period from 62% to the present 80%. The loan-to-deposit ratios of nine competitor banks ranged from 64% to 86% as of June 30, 1998. Four of the nine competitor banks’ average loan-to-deposit ratios over the last twelve quarters exceeded the bank’s ratio of 70%. Only one competitor bank exceeded the bank’s loan-to-deposit ratio as of June 30, 1998. The competitor banks are considered similarly situated institutions as they are all community banks in rural communities, where agriculture is an important part of the economy.

**Lending in the Assessment Area:**

Lending in the assessment area is satisfactory. A majority of the bank’s residential real estate loans are within its assessment area. This conclusion is based on the sample of 1-4 family residential real estate loans. Also, during the evaluation the bank prepared a zip code analysis of all loans in the portfolio. The following tables represent the results of our residential real estate sample and the bank’s zip code analysis report.

**Percentage of Real Estate Loans by Number and Dollar Amount Within Assessment Area**

Total Number of Loans Sampled	% of Loans Within AA (#)	Total \$ Amount of Loans Sampled (000's)	% of Loans Within AA (\$)
43	86%	\$2,207	76%

**All Loans by Number and Dollar Amount Within Assessment Area by Zip Code**

Total Number of Loans in Loan Portfolio	% of Loans Within AA (#)	Total \$ Amount of Loans in Portfolio (000's)	% of Loans Within AA (\$)
1,795	80%	\$49,498	82%

**Response to Complaints:**

No complaints were received since the prior CRA evaluation.

**Compliance with Antidiscrimination Laws:**

In conjunction with the CRA evaluation, we performed a Fair Lending examination which included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of these antidiscrimination laws and regulations were identified.