



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 30, 2008**

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

The First National Bank of Danville  
Charter Number 113

One Towne Centre  
Danville, IL 61832

Office of the Comptroller of the Currency

CENTRAL ILLINOIS & CENTRAL IND  
3001 Research Road Suite E2  
Champaign, IL 61822-0000

**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**

The primary factors supporting the bank's rating include:

- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans, by both number and dollar amount, are originated to borrowers inside the bank's AA.
- The distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes, given the demographics of the AA.
- The geographic distribution of loans reflects more than reasonable penetration in geographies of different income levels, given the demographics of the AA.

## **SCOPE OF EXAMINATION**

We evaluated the bank under the small bank performance standards. Using bank generated reports of all loan originations for the period January 1, 2006 through May 6, 2008, we determined the bank's primary credit products by dollar and number to be business loans and residential real estate purchase and refinance mortgages. For this analysis, we used the Home Mortgage Disclosure Act (HMDA) data for residential real estate purchase and refinance loans and a sample of twenty business loans. To assess the accuracy of the HMDA data, we conducted an independent test of the home mortgage loan data. We found the reported data to be accurate and reliable for this evaluation. We also used deposit information, reported annually to the Federal Deposit Insurance Corporation, to determine the bank's market share and market presence in the AA. The most recent deposit information available is as of June 30, 2007. There is no affiliate activity considered in this evaluation.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Danville (FNB) is a \$219 million intrastate financial institution located in Danville, Illinois. Danville is the county seat of Vermilion County, a Metropolitan Statistical Area (MSA) located in East Central Illinois. The bank is a wholly owned subsidiary of Founders Group Inc., a two-bank holding company located in Worth, Illinois, with total assets of \$1.2 billion.

The bank is a full service banking institution and operates five banking offices in Vermilion County, including the main office and three branches in Danville and one branch in Westville, Illinois. Automated teller machines (ATMs) are available at a local hospital and three branches in Danville and at the Westville branch. The bank also

offers Internet and telephone banking. The bank has not opened or closed any branches during the evaluation period.

The bank offers a full range of retail and commercial banking products and services normally associated with a community bank. Gross loans total \$113 million on December 31, 2007, representing 52% of total assets and 63% of deposits. The following represents the bank's loan and lease portfolio mix as of December 31, 2007: 53 percent commercial loans, 38 percent residential real estate loans, 6 percent agricultural loans, and 3 percent consumer loans. Tier 1 capital is \$13.7 million as of December 31, 2007. The bank's business strategy during the evaluation period has been to grow through origination of business lending inside and outside the AA. The bank's legal and financial circumstances do not impede its ability to meet the credit needs of the AA. The bank received a Satisfactory rating on its last CRA performance evaluation dated July 21, 2003.

## DESCRIPTION OF ASSESSMENT AREA(S)

The bank's assessment area (AA) consists of all twenty-five census tracts in Vermilion County in the Danville Metropolitan Statistical Area (MSA). This AA is legal, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geography. The AA includes no low-income, four moderate-income (16%), fifteen middle-income (60%), and six upper-income (24%) census tracts. The moderate-income census tracts are located in the center of Danville.

The following demographic information is based on 2000 census data:

Population:	83919
Population by Geography: <i>Low-, moderate-, middle-, upper-income tract</i>	0%, 11%, 70%, 19%
Housing Stock: <i>1-4 family housing units</i>	91%
Occupancy: <i>Owner-occupied, renter-occupied, vacant</i>	66%, 26%, 8%
Home Values: <i>Median home value</i>	\$55,018
Age of Homes: <i>Median year of homes built</i>	1955
Income: <i>Updated median family income for 2007</i>	\$47,000
Family Income Levels: <i>Low-, moderate-, middle-, upper-income</i>	18%, 19%, 24%, 39%
Income: <i>Weighted Average median household income</i>	\$34,824
Household Income Levels: <i>Low-, moderate-, middle-, upper-income</i>	24%, 17%, 20%, 39%
	<b>2007 Business Data</b>
Farms:	466
Farms: <i>Percent of small farms in the assessment area</i>	99%
Farms: <i>Percent not reporting revenue figures</i>	1%
Farms by Geography: <i>Low-, moderate-, middle-, upper-income tract</i>	0%, 1%, 89%, 10%
Businesses:	4,295
Businesses: <i>Percent of small businesses in the assessment area</i>	59%
Businesses: <i>Percent not reporting revenue figures</i>	37%
Businesses by Geography: <i>Low-, moderate-, middle-, upper-income tract</i>	0%, 20%, 63%, 17%

The local economy is stable, but weak. The area has suffered from a continued

decrease in manufacturing and other employment over the past thirty years. Housing values are depressed and housing stock in Danville is deteriorating. While housing is “affordable” with surplus supply, the market demand is weak for lack of qualified buyers. Employment is driven by light industry and agriculture. Major employers in the AA include the school district, two medical facilities, Walgreen’s Accounting Office, McClane Midwest (a distributor for convenience stores), and Quaker Oats. The December 2007 unemployment rate for the Danville MSA was 7.1% compared to the state and national rates of 5.3% and 5.0% respectively. The bank faces strong competition from several other financial institutions in the AA, including some significantly larger regional and national institutions.

During this examination, we made one community contact with a representative of a not-for-profit organization that provides social services in east central Illinois, including Vermilion County. The majority of their clients qualify as low-income individuals. The community contact identified credit needs centered in micro loans for amounts less than \$10,000 for small startup businesses, and suitable and affordable alternative housing to public housing. He indicated that the local financial institutions have been responsive with lending and leadership participation.

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

The bank’s performance under the Lending Test is satisfactory.

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

The bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and AA credit needs. The bank’s loan-to-deposit ratio averaged sixty-one percent (61%) over nineteen quarters between September 2003 and December 2007, ranging from a low of 55% to a high of 68%. The bank’s loan-to-deposit ratio was 63% on December 31, 2007. This ratio is comparable with the average loan-to-deposit ratio for similarly situated banks in or near the AA. The similarly situated banks include four banks in the adjacent counties of Champaign, Iroquois, and Edgar, with assets between \$166 million and \$223 million. The combined loan-to-deposit ratio for the similarly situated banks was 71%, ranging from 61% to 86%, for the same time period. In addition, the bank has 424 residential real estate mortgage loans totaling \$69 million sold into the secondary market. The bank’s adjusted loan-to-deposit ratio for December 31, 2007 would be 102%. The bank has the highest deposit market share in the Danville MSA at 19%.

### **Lending in Assessment Area**

The bank originated a substantial majority of loans within the AA. Ninety percent (90%) of the number and eighty-two percent (82%) of the dollar volume of loans originated to borrowers within the bank’s AA.

<b>Lending in AA</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
RE – Home Purchase	18	80%	4	20%	225	\$13,209	70%	\$5,658	30%	\$18,867
RE – Home Refinance	36	95%	1	5%	385	\$20,324	91%	\$2,116	9%	\$22,440
Business Loans	17	85%	3	15%	20	\$1,827	88%	\$238	12%	\$2,065
Totals	56	90%	6	10%	630	\$35,360	82%	\$8,012	18%	\$43,372

Source: HMDA data for January 1, 2006 – March 31, 2008 for residential purchase and refinance loans, and a sample of 20 business loans from the AA that were originated between January 1, 2006 and May 6, 2008.

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

The distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes, given the demographics of the AA.

#### Small Business Loans

The bank's performance of lending to businesses of different sizes is reasonable. Seventy percent of the number of business loans sampled in the assessment area is made to small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. One loan in the sample (5%) did not contain financial information. Demographic data for the assessment area shows that fifty-nine percent (59%) of the businesses in the assessment area have revenues equal to or less than one million dollars.

<b>Borrower Distribution of Loans to Businesses in the Assessment Area (MSA)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses*	59%	4%	37%	100%
% of Bank Loans in AA by #	70%	25%	5%	100%
% of Bank Loans in AA by \$	70%	25%	5%	100%

Source: Sample of 20 business loans from the AA that were originated between January 1, 2006 and May 6, 2008, and 2000 U.S. Census data. One loan for \$100,132 did not have income information in the file.

#### Residential Real Estate Loans

The distribution of residential real estate loans to borrowers of different income levels is reasonable. Performance with moderate-income borrowers is excellent and above the demographic comparator for both purchase and refinance mortgage loans. Performance with low-income borrowers is weaker than the demographic comparator

for both purchase and refinance loans. Although the percentage of loans to low-income borrowers is below the demographic comparator, performance is considered reasonable given the high family poverty rate of thirteen percent (13%) and above average unemployment rate in the Danville MSA. With income below the poverty level, it is difficult to afford home ownership. In addition, thirty-four percent (34%) of the population is on social security, and four percent is on public assistance.

<b>Borrower Distribution of Residential Real Estate Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	18%	5%	19%	22%	24%	23%	39%	46%
Refinance	18%	9%	19%	20%	24%	23%	39%	46%

*Source: HMDA data January 1, 2006 – March 31, 2008 for residential purchase and refinance loans, and 2000 U.S. Census data. Eight purchase loans (4%), and nine refinance (2%) did not have income information available.*

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects more than reasonable penetration in geographies of different income levels, given the demographics of the AA. Our geographic distribution analysis did not identify any unexplained conspicuous lending gaps in the AA.

#### Small Business Loans

The geographic distribution of small loans to businesses is excellent. Performance in the moderate-income tract exceeds the geographic comparator. The bank’s main office is headquartered in a moderate-income tract.

<b>Geographic Distribution of Loans to Businesses in MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0%	0%	20%	25%	63%	45%	17%	30%

*Source: Sample of 20 business loans originated in the AA between January 1, 2006 and May 6, 2008 and 2000 Census data.*

#### Residential Real Estate Loans

The geographic distribution of residential real estate loans is more than reasonable. Performance in moderate-income tracts is excellent and meets or exceeds the demographics for both refinance and purchase mortgage loans. The vacant housing rate in the moderate-income tracts of fifteen percent (15%) is nearly double the rate for

the entire Danville MSA. In addition, a majority (51%) of the housing units in moderate-income tracts are rental units.

<b>Geographic Distribution of Residential Real Estate Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	0%	0%	8%	8%	70%	46%	22%	46%
Refinance	0%	0%	8%	14%	70%	56%	22%	30%

*Source: HMDA data January 1, 2006 – March 31, 2008 for residential purchase and refinance loans, and 2000 U.S. Census data.*

### **Responses to Complaints**

The bank has not received any CRA related complaints.

### **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.