



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 20, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Freestar Bank, National Association
Charter Number: 14260

223 North Mill Street, P.O. Box 680
Pontiac, IL 61764-0000

Office of the Comptroller of the Currency

NORTH CENTRAL ILLINOIS & EASTERN IOWA FIELD OFFICE
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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 Lending Test is rated: Outstanding.

The Community Development Test is rated: Satisfactory.

- FREESTAR Bank, N.A. (FREESTAR) adequately responds to the community development needs within its assessment areas (AAs). A majority of the activity stems from community development loans from one AA. This fact was taken into consideration when determining the overall rating.
- The distribution of loans reflects an excellent penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution reflects reasonable penetration.
- FREESTAR's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of the bank's primary loan products were made within the bank's AAs.

Scope of Examination

FREESTAR Bank, N.A. (FREESTAR) was evaluated under the Intermediate Small Bank examination procedures, which includes a lending test and a community development (CD) test.

The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The lending test for FREESTAR covers its performance from January 1, 2007 through January 20, 2009, as this is representative of its lending strategy since the last Community Reinvestment Act (CRA) examination. The evaluation period for the CD test is from December 2, 2003, through January 20, 2009.

FREESTAR's primary loan products are home and business loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be not reliable. Therefore, to evaluate the bank's home loan performance, we selected a sample of home loans made during the lending test evaluation period. As a small bank, the bank is not required to report small business data. Therefore, a sample of business loans originated during the same period was used to evaluate the bank's business loan performance.

Community development activities were reviewed to ensure that they meet the regulatory definition of community development.

We conducted full-scope reviews on two of the bank's AAs. Livingston County AA received a full-scope review as the bank's main office is located in this AA, and a majority of the bank's deposits are from office locations in Livingston County. Bloomington-Normal Metropolitan Statistical Area (MSA) AA also received a full-scope review as a majority of the bank's loans are originated from offices in this AA. The Champaign County AA received a limited-scope review, as the bank had a presence in this AA of less than twenty-four months.

Of the full-scope AAs, Bloomington-Normal MSA AA received more weight on the lending test, as a majority of the bank's loans are originated from this AA. The Bloomington-Normal MSA AA was weighed heavier than the Livingston County AA for the community development test, due to a slightly higher presence of offices in the AA. Thirty-one percent of the bank's offices are located in the Bloomington-Normal MSA AA, compared to only twenty-three percent in the Livingston County AA. In addition, more opportunities are present in the Bloomington-Normal MSA AA for CD activities.

Description of Institution

FREESTAR Bank, N.A. (FREESTAR) is an intrastate institution headquartered in Pontiac, Illinois, off Interstate 55 between Bloomington and Chicago. As of September 30, 2008, FREESTAR had total assets of \$406 million and net tier one capital of \$26 million. FREESTAR is wholly owned by PNB Holding Co., a one-bank holding company. In addition to the main office, twelve branches are located within Pontiac, Bloomington, Gridley, Downs, Champaign, Urbana, and Mahomet.

Since the previous examination, FREESTAR opened a branch in Downs, Illinois, in 2005 and a branch in Champaign, Illinois, in 2007. In addition, FREESTAR acquired two branches in Champaign, two branches in Urbana, and the Mahomet, Illinois, facilities from MainStreet Bank and Trust in November 2007. The only branch closings were two temporary locations in Downs and Champaign, Illinois.

FREESTAR operates cash-dispensing ATMs at all branches, with the exception of the Gridley branch. In addition, FREESTAR operates eleven free-standing ATMs that also do not take deposits.

The bank offers a full range of deposit and loan products and services. Residential mortgage and business lending is FREESTAR's primary business focus, with farm loans comprising a small portion of the loan portfolio. Within the residential mortgage portfolio, the bank originates long-term mortgage loans for sale on the secondary market.

As of September 30, 2008, FREESTAR reported net loans of \$233 million and had a net loans and leases to total assets ratio of 57%. The loan portfolio composition is as follows:

Loan Portfolio Summary by Loan Product September 30, 2008	
Loan Category	% of Outstanding Dollars
Home Loans	31.75%
Business Loans	52.37%
Farm Loans	12.23%
Consumer Loans	2.54%
Other Loans	1.11%

There are no legal or financial impediments to FREESTAR's ability to meet the credit and community development needs of its assessment areas. The bank was rated Satisfactory at its last CRA examination dated December 1, 2003.

Description of Assessment Area(S)

FREESTAR Bank, N.A. (FREESTAR) has three assessment areas in Central Illinois, which are described below. Livingston County and Bloomington-Normal MSA areas were reviewed as full-scope areas, while Champaign County was reviewed as limited scope.

Bloomington-Normal Assessment Area

The Bloomington-Normal AA is the entire McLean County, which makes up Bloomington-Normal MSA (#14060) in Central Illinois. This AA is centrally located along Interstates 55, 74, and 39 and only 2 ½ hours from Chicago, St. Louis, and Indianapolis. It meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Demographic Information for the Bloomington-Normal AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	41	2.44%	21.95%	56.10%	19.51%
Population by Geography	150,433	5.16%	22.68%	53.48%	18.68%
Owner-Occupied Housing by Geography	37,707	0%	21.24%	55.27%	23.49%
Businesses by Geography	9,585	0.58%	23.62%	59.57%	16.23%
Farms by Geography	810	0%	0.42%	73.09%	20.49%
Family Distribution by Income Level	35,676	17.41%	18.87%	26.57%	37.15%
Household Distribution by Income Level	56,792	22.91%	16.68%	19.36%	41.05%
Census Median Family Income (MFI)		\$61,140	Median Housing Value		\$115,840
HUD-Adjusted MFI: 2008		\$70,900	Families Below the Poverty Level		4.11%
HUD-Adjusted MFI: 2007		\$70,300	Unemployment Rate		5.40%

Source: 2000 U.S. Census Data; HUD; and Illinois Department of Security

The current local economy for the Bloomington-Normal remains strong and stable. Unemployment rates in December 2008 are well below the national and state rates of 7.2% and 7.6%, respectively. The largest employer is State Farm Insurance, employing over 14,000 individuals. Other large employees include Illinois State University, Mitsubishi Motor Manufacturing of America, Inc., COUNTRY Insurance and Financial Services, and BroMenn Health Systems.

Competition from other financial institutions is strong, with twenty-nine other financial institutions with a presence in the AA. The bank's competitors include several local community banks, branches of large regional institutions, and mortgage/finance companies.

While assessing the bank's performance, we contacted a local organization. While most credit needs are being met, there is still a need for more affordable housing for low- and moderate-income individuals in the AA. Community development needs include affordable housing loans and community services to the low- and moderate-income families in the local area. The need for home ownership counseling and foreclosure prevention has increased. Community

development opportunities are good with several organizations serving the thirty-six percent of the AA families that are low- and moderate-income families.

Livingston Assessment Area

The Livingston County AA is comprised of the entire Livingston County in North-Central Illinois. While Livingston County is not part of a Metropolitan Statistical Area(MSA), it does border the following four MSAs: Bloomington-Normal, Champaign-Urbana, Chicago-Naperville-Joliet, and Kankakee-Bradley.

Livingston County does not include any middle-income and upper-income census tracts. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Demographic Information for the Livingston County AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	10	0%	0%	90%	10%
Population by Geography	39,678	0%	0%	85.07%	14.93%
Owner-Occupied Housing by Geography	10,666	0%	0%	84.85%	15.15%
Businesses by Geography	2,700	0%	0%	83.96%	16.04%
Farms by Geography	615	0%	0%	81.95%	18.05%
Family Distribution by Income Level	10,040	13.96%	17.81%	23.81%	44.42%
Household Distribution by Income Level	14,400	17.05%	15.31%	19.24%	48.40%
Census Median Family Income (MFI)		\$43,531	Median Housing Value		\$78,371
HUD-Adjusted MFI: 2008		\$51,900	Families Below the Poverty Level		5.78%
HUD-Adjusted MFI: 2007		\$50,600	Unemployment Rate		7.8%

Source: 2000 U.S. Census Data; HUD; and Illinois Department of Employment Security

The current economy for the Livingston County AA is declining as unemployment is rising and there is the potential closure of the state prison and additional layoffs from various other employers. Some of the largest employers in the area include Pontiac Correctional Facility, OSF St. James Hospital, R.R. Donnelley & Sons, and Caterpillar, Inc. Economic activity is relatively diverse, with agriculture, manufacturing, and services companies being the primary economic activities.

Competition from other financial institutions is strong, with seventeen other financial institutions with a presence in Livingston County. The bank’s competitors include several local community banks and branches of large regional institutions. FREESTAR ranks second on deposit market share within the county.

Community development needs include community services for low- and moderate-income individuals and affordable housing. Community development opportunities are available as the county has several organizations that provide community services to low- and moderate-income

individuals and was declared a disaster area by FEMA in March 2008; however, the opportunities are more limited than those found in MSAs.

Limited Scope - Champaign County Assessment Area

The bank’s third AA is Champaign County, which is a portion of the Champaign-Urbana MSA (#16580). Champaign County is located in East Central Illinois along Interstates 57, 72, and 74.

FREESTAR established a presence in this county in April 2007 with the opening of a branch in Champaign. The presence in this AA expanded in November 2007 with the purchase of five branches from Bank Illinois. The AA does not include the entire MSA, as the bank does not have a presence in the other two counties that make up the MSA, making it difficult to serve those counties. It meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Demographic Information for the Champaign-Urbana AA						
	#	% Low	% Moderate	% Middle	% Upper	% NA
Geographies (Census Tracts)	41	7.32%	29.27%	39.02%	21.95%	2.44%
Population by Geography	179,669	6.19%	28.70%	44.32%	20.69%	0.10%
Owner-Occupied Housing by Geography	39,334	0.91%	18.58%	52.37%	28.14%	0%
Businesses by Geography	11,403	4.91%	28.22%	43.81%	20.92%	2.14%
Farms by Geography	836	0.72%	0.94%	82.30%	0.81%	0.24%
Family Distribution by Income Level	39,751	18.12%	18.34%	24.52%	39.02%	NA
Household Distribution by Income Level	70,619	25.00%	15.30%	18.03%	41.67%	NA
Census Median Family Income (MFI)		\$51, 878	Median Housing Value			\$96,578
HUD-Adjusted MFI: 2008		\$61,600	Families Below the Poverty Level			6.92%
HUD-Adjusted MFI: 2007		\$60,600	Unemployment Rate			6.0%

Source: 2000 U.S. Census Data, HUD, and Illinois Department of Employment Security

The current local economy for the Champaign County AA is strong and stable. Unemployment remains lower than national and state rates. The largest employer is the University of Illinois with just under 14,000 employees. Other employers employing over 2,000 employees, include Carle Clinic Association and Carle Foundation Hospital.

Competition from other financial institutions is strong, with twenty-nine other financial institutions having offices located within Champaign County. The bank’s competitors include several local community banks, branches of large regional institutions, and several mortgage/finance companies.

While assessing the bank's performance, we reviewed information from contacts at three local community development organizations. While most credit needs are being met, there is still a need for more affordable housing for low- and moderate-income individuals in the AA. Additional community development needs include affordable housing loans, small business loans, and community services to the low- and moderate-income families, including improving financial literacy with home ownership counseling and foreclosure prevention. Community development opportunities are good for the assessment area, as there are several organizations present that are concentrating on community services and affordable housing services to low- and moderate-income individuals and economic development by financing small businesses.

Conclusions with Respect to Performance Tests

LENDING TEST

FREESTAR's performance under the lending test is outstanding. The borrower distribution portion of the test received the majority of the weight, as a significant amount of families are considered low- and moderate-income. FREESTAR was found to have excellent penetration among borrowers of different income levels and businesses of different sizes. Also, the loan to deposit ratio was more than reasonable, and a substantial majority of the bank's loans are made within their AAs.

Loan-to-Deposit Ratio

FREESTAR's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's net loan-to-deposit ratio averaged eighty-one percent over the past twenty quarters since the last CRA examination, with a quarterly low of sixty-six percent and a quarterly high of eighty-six percent. It should be noted that FREESTAR's average loan-to-deposit ratio does not reflect all home mortgage lending activity, since the bank sells mortgages on the secondary market. FREESTAR sold \$30 million in loans in 2007 and \$39 million in 2008.

The bank's net loan-to-deposit ratio compares favorably with other community banks of similar size, location, and product offerings. FREESTAR ranks second among a total of five similarly-situated banks serving its assessment area. The other four banks had average net loan-to-deposit ratios ranging from sixty-one to ninety-six percent over the twenty quarters since the last CRA examination. These peer banks, headquartered in Livingston, McLean, or Champaign Counties with total assets between \$200 million and \$650 million, had a quarterly average loan-to-deposit of seventy-four percent.

Lending in Assessment Area

A substantial majority of FREESTAR's primary loan products were made within the bank's assessment areas. Ninety-three percent of the loans originated in these primary loan products were made within the AAs. The following table details the bank's lending within the assessment areas by number and dollar amount of loans.

Lending in Assessment Areas										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	12	100.00%	0	0.00%	12	\$1,337	100.00%	\$0	0.00%	\$1,337
RE - Home Refinance	6	75.00%	2	25.00%	8	\$877	86.40%	\$138	13.60%	\$1,015
RE - Home Improvement	0	0.00%	0	0.00%	0	\$0	0.00%	\$0	0.00%	\$0
Commercial Loans	19	95.00%	1	5.00%	20	\$2,557	98.27%	\$45	1.73%	\$2,602
Totals	37	92.50%	3	7.50%	40	\$4,771	96.30%	\$183	3.70%	\$4,954

Source: Sample of 20 home loans and 20 commercial loans originated from 1/1/07 - 1/20/09.

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

The distribution of loans reflects an excellent penetration among individuals of different income levels and businesses of different sizes.

Performance in the Bloomington-Normal MSA AA

The borrower distribution of loans in the Bloomington-Normal MSA AA is excellent. Home loans were weighed more in this analysis, as loans for affordable housing to low- and moderate-income individuals was identified as a credit need in this AA.

Home Loans

The distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels. Seventeen percent of the families in the AA are low-income, yet the bank's performance of providing home loans to low-income families greatly exceeds the demographic data. FREESTAR made thirty-five percent of their home loans to low-income borrowers. The bank's performance to moderate-income individuals is reasonable. Sixteen percent of FREESTAR's home loans made in the AA were to moderate-income borrowers. Nineteen percent of the families in the AA are moderate-income.

The bank's performance in this AA is especially favorable as four percent of the families in the AA live below poverty levels based on 2000 U.S. Census data. The following table shows the distribution of sampled home loans among borrowers of different income levels for the period of January 1, 2007 through January 20, 2009, as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Home Loans in Bloomington/Normal MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	17.41%	34.88%	18.87%	16.28%	26.57%	27.91%	37.15%	20.93%

Source: Sample of 45 home loans originated from 1/1/07 – 1/20/09 & 2000 U.S. Census data

Business Loans

The distribution of loans to businesses shows reasonable penetration among businesses of different sizes. Fifty-five percent of the bank’s business loans originated during the loan sampling period were made to small businesses. Sixty-two percent of the AA’s businesses are small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less.

The following table shows the distribution of commercial loans among different-sized businesses in the AA.

Table 2A - Borrower Distribution to Businesses in Bloomington - Normal MSA AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	61.99%	4.31%	33.70%	100.00%
% of Bank Loans in AA by #	55.00%	35.00%	10.00%	100.00%
% of Bank Loans in AA by \$	29.15%	69.59%	1.26%	100.00%

Source: Sample of 20 business loans originated from 1/1/07 – 1/20/09 & 2008 Business Geodemographic Data

Performance in the Livingston County AA

The borrower distribution of loans in the Livingston County AA is reasonable. Loans for affordable housing was identified as a credit need in this AA.

Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. FREESTAR had excellent penetration among moderate-income borrowers. The bank originated twenty-five percent of their home loans to moderate-income borrowers, while only eighteen percent of the AA’s families are moderate-income. However, there is poor dispersion among low-income families in the AA. Fourteen percent of the families in the AA are low-income, however none of the loans in our sample were made to low-income borrowers. This is somewhat mitigated due to the fact that poverty rates for the county are increasing, making it more difficult for these low-income residents to be able to afford a home loan. The poverty rate based on the 2000 Census was six percent. With the AA’s economy declining and unemployment rising, the poverty rate will most likely continue to climb. The

following table shows the distribution of sampled home loans among borrowers of different income levels for the period of January 1, 2007, through January 20, 2009, as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Home Loans in Livingston County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Loans	13.96%	0.00%	17.81%	25.00%	23.81%	20.00%	44.42%	55.00%

Source: Sample of 20 home loans made within the AA from 1/1/07 – 1/20/09 & 2000 U.S. Census data

Business Loans

The distribution of loans to businesses shows reasonable penetration among businesses of different sizes. Fifty-five percent of the bank’s business loans originated from this AA were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. This meets the ratio of the AA’s businesses that are considered small.

The following table shows the distribution of commercial loans among different-sized businesses in the AA.

Table 2A - Borrower Distribution to Businesses in Livingston County				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	55.11%	4.19%	40.70%	100.00%
% of Bank Loans in AA by #	55.00%	35.00%	10.00%	100.00%
% of Bank Loans in AA by \$	18.66%	79.62%	1.72%	100.00%

Source: Sample of 20 business loans originated from 1/1/07 – 1/20/09 & 2008 Business Geodemographic Data

Performance in the Limited Scope Champaign-Urbana AA

Overall, the limited-scope AA borrower distribution was weaker than the overall performance in the full-scope AA. The distribution in the Champaign-Urbana AA is considered reasonable.

Home Loans

The distribution of home loans to borrowers reflects excellent penetration among borrowers of different income levels. Eighteen percent of families in the AA are moderate-income. FREESTAR exceeded this demographic benchmark by making twenty percent of their home loans in the AA to moderate-income borrowers. Low-income families also make up eighteen percent of the AA based on 2000 U.S. Census data. The bank made eleven percent of their loans to low-income borrowers. The low-income dispersion is considered reasonable as 2000 U.S. Census data also shows that seven percent of the AA families are below the poverty level, making it difficult to afford home loans. The following table shows the distribution of sampled

home loans among borrowers of different income levels for the period of January 1, 2007, through January 20, 2009, as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Home Loans in Champaign County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	18.12%	11.43%	18.34%	20.00%	24.52%	31.43%	39.02%	37.14%

Source: Sample of 35 home loans originated from 1/1/07 – 1/20/09 & 2000 U.S. Census data

Business Loans

The distribution of loans to businesses shows poor penetration among businesses of different sizes. Forty-five percent of the bank’s business loans originated during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. This is less than favorable when compared with demographic data that shows sixty-four percent of the AA’s businesses are small businesses.

The following table shows the distribution of commercial loans among different-sized businesses in the AA.

Table 2A - Borrower Distribution to Businesses in Champaign County AA				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	63.87%	4.50%	31.63%	100.00%
% of Bank Loans in AA by #	45.00%	45.00%	10.00%	100.00%
% of Bank Loans in AA by \$	32.16%	65.35%	2.49%	100.00%

Source: Sample of 20 business loans originated from 1/1/07 – 1/20/09 & 2008 Business Geodemographic Data

Geographic Distribution of Loans

The distribution of loans reflects reasonable dispersion throughout the bank’s AAs. There were no conspicuous gaps identified within FREESTAR’s AAs.

Performance in the Bloomington-Normal MSA AA

The bank’s geographic distribution of loans in the Bloomington-Normal MSA AA is reasonable. FREESTAR’s performance of making home loans in moderate-income tracts is poor. However, the excellent performance in business loans does bring the overall geographic distribution of loans up to reasonable.

Home Loans

The geographic distribution of home loans in this AA reflects poor dispersion throughout census tracts of different income levels. Twenty-one percent of the AA’s owner-occupied housing is located in moderate-income census tracts. However, only thirteen percent of the bank’s home loans reviewed were secured by homes in moderate-income census tract. The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level, based on our sample.

Table 3 - Geographic Distribution of Home Loans in Bloomington-Normal MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0.00%	0.00%	21.24%	13.33%	55.27%	57.78%	23.49%	28.89%

Source: Sample of 45 home loans originated from 1/1/07 – 1/20/09 & 2000 U.S. Census data

Business Loans

The bank’s geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. While the bank did not originate any business loans in the one low-income census tract in this AA, this is considered reasonable as only fifty-six businesses are located in this census tract, limiting the opportunities to make business loans. Twenty-four percent of the businesses in the AA are located within moderate-income census tracts, and FREESTAR originated 25% of its business loans to businesses located in these moderate-income census tracts, which is more than reasonable. The following table shows the distribution of commercial loans among businesses in each census tract income level, based on our sample.

Table 3A - Geographic Distribution of Commercial Loans in Bloomington-Normal MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0.58%	0.00%	23.62%	25.00%	59.58%	60.00%	16.22%	15.00%

Source: Sample of 20 loans originated in AA from 1/1/07 – 1/20/09 & 2008 Business Geodemographic Data

Performance in the Livingston County AA

Due the lack of low- and moderate-income census tracts in the AA, the geographic distribution

analysis was not performed on the AA, as it would not be meaningful.

Limited – scope: Performance in the Champaign County AA

The bank’s geographic distribution of loans in the Champaign County is weaker than the results of the full scope AAs, as distribution of loans in this AA is poor.

Home Loans

The geographic distribution of home loans in this AA reflects poor dispersion throughout census tracts of different income levels. While the bank did not originate any loans to individuals located in a low-income census tract, this is reasonable considering less than 1 percent of the AA’s owner-occupied housing is located in the three low-income census tracts. A substantial majority of the housing in the low-income census tracts are multi-family non-owner occupied units, with nine percent of the housing units vacant. Opportunities for FREESTAR to make loans in these census tracts would be limited. FREESTAR originated only six percent of their home loans to individuals in moderate-income census tracts, which is less than reasonable considering nineteen percent of the AA’s owner occupied housing is located in these census tracts. The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level, based on our sample.

Table 3 - Geographic Distribution of Home Loans in Champaign County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0.91%	0.00%	18.58%	5.71%	52.37%	60.00%	28.14%	34.29%

Source: Sample of 35 home loans originated with in the AA from 1/1/07 – 1/20/09 & 2000 U.S. Census data

Business Loans

The bank’s geographic distribution of business loans reflects poor dispersion throughout the census tracts of different income levels. FREESTAR originated five percent of its business loans to businesses located in low-income census tracts. This shows excellent dispersion as it meets demographic data. However, FREESTAR had poor dispersion in moderate – income census tracts. The bank made only fifteen percent of their loans to businesses in moderate-income census tracts, which is less than favorable, as twenty-eight percent of the AA’s businesses are located in these tracts. The following table shows the distribution of commercial loans among businesses in each census tract income level, based on our sample.

Table 3A - Geographic Distribution of Commercial Loans in Champaign County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	4.91%	5.00%	28.22%	15.00%	43.81%	25.00%	20.92%	55.00%

Source: Sample of 20 loans originated in AA from 1/1/07 – 1/20/09 & 2008 Business Geodemographic Data
 The remaining 2.14% of AA businesses are located in CT 0051.00, which is labeled NA.

Responses to Complaints

FREESTAR has not received any CRA complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Satisfactory. Overall, performance in the full-scope AAs demonstrated adequate responsiveness to the community development needs within its AAs. During the evaluation period, FREESTAR provided over \$2.3 million in community development loans and CRA qualified investments to help meet the community development (CD) needs of its AAs. In addition, a bank officer provided financial expertise to two community development organizations serving the AAs. The bank’s level of CD activities is considered adequate given its size and capacity, considering the CD needs and opportunities of its AAs.

Performance in the Bloomington-Normal AA

FREESTAR has demonstrated excellent responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

Performance in the Livingston County AA

FREESTAR has demonstrated poor responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

Performance in Limited-Scope Champaign County AA

The bank’s responsiveness to community development needs in this AA was weaker than performance for full-scope AAs. The bank has demonstrated very poor responsiveness to the community development needs of this AA. As this AA was reviewed as limited-scope, very

little weight was placed upon this AA. The limited scope review was due to the relative newness of the AA for the bank. However, with forty-six percent of the bank's branches located in the AA, this AA could receive more weight in future examinations.

Number and Amount of Community Development Loans

Performance in the Bloomington-Normal MSA AA

FREESTAR originated nine community development loans in this AA since the last CRA examination totaling \$2,303,972.

- Six of these loans totaling \$1,553,972 were made to Habitat for Humanity of McLean County to provide affordable housing for low- or moderate-income families. Loans were made for operating needs, for land to be developed, and repurchase of houses.
- Three loans totaling \$750,000 were made to an organization that provides community services and housing to low-income developmentally handicapped individuals.

Performance in the Livingston County AA

The bank has not originated any community development loans in this AA since the last CRA examination.

Performance in Limited Scope Champaign County AA

The bank has not originated any community development loans in this AA.

Number and Amount of Qualified Investments

Performance in the Bloomington-Normal MSA AA

FREESTAR made two donations that were qualified investments totaling \$275 to CD organizations in this AA since the last examination. Two hundred dollars was donated to an organization that provides community services and housing to low-income developmentally handicapped individuals. Seventy-five dollars was donated to an organization that provides child car seats to low-income families in this AA.

Performance in the Livingston County AA

The bank made fifteen donations that are qualified investments totaling \$5,900 to CD organizations in this AA since the last examination. Ten donations totaling \$5,000 for youth camps and investments in the tech center were provided to Big Brother and Big Sister Club that primarily provides community service to youth from low- and moderate-income families. Two donations totaling \$200 were provided to an organization that provides community services to low- and moderate-income individuals with developmental disabilities. A donation of \$250 was provided to a medical center that provides free or low-cost medical services to low- and moderate-income individuals. A donation of \$200 was provided to a local food pantry that provides food to low- and moderate-income families. Lastly, a donation of \$250 was made to

Mid Central Community Action, Inc., an organization serving both Livingston County and the Bloomington-Normal MSA providing community services and affordable housing to low- and moderate-income individuals.

Performance in Limited Scope Champaign County AA

FREESTAR made one donation that was a qualified investment of \$150 to an organization that provides emergency, intervention, respite child care and family services to primarily low- and moderate-income families.

Extent to Which the Bank Provides Community Development Services

Performance in the Bloomington-Normal MSA AA

The bank offers Simplicity Checking accounts providing free checking, free online banking, and free web bill payment systems requiring only a \$100 initial deposit. In addition, telephone banking is offered as an alternative delivery system. This account and alternative delivery systems are offered to all customers, but help increase access to financial services for low- and moderate-income individuals. In addition, one of the four branches located in this MSA is located in a moderate-income census tract. The bank offers a cash-dispensing ATM at this branch and an additional ATM is located in a moderate-income census tract. These two ATMs equate for twenty percent of the ATMs located in this AA. Access is needed for the thirty-six percent of the AA families that are considered to be low- and moderate-income.

Performance in the Livingston County AA

As noted above, FREESTAR provides a product and alternative delivery systems that generally help to increase access to financial services for low- and moderate-income individuals. Access is needed for the thirty-two percent of the AA families that are considered to be low- and moderate-income families. With a declining economy in this AA, the number of low-and moderate families is expected to be on the rise.

One bank officer provided community development services to two qualifying programs in this AA during the evaluation period. This officer assisted a group home for low- and moderate-income persons with disabilities in completing a grant form to receive assistance from the FHLB of Chicago Affordable Housing Program in 2007. This officer also served on a committee responsible for fundraising and solicitations for the Long Term Flood Relief Champaign. This committee raised \$70,000 to provide financial services to individuals affected by the 2008 flood in this AA. Livingston County was declared a disaster area by FEMA on March 7, 2008.

Performance in Limited Scope Champaign County AA

As noted above, FREESTAR provides a product and alternative delivery systems that generally help to increase access to financial services for low- and moderate-income individuals. In addition, one of the six branches located in this AA is located in a low-income census tract. The bank also maintains one of their six ATMs at this branch location. Access is needed for the thirty-six percent of the AA families that are considered to be low- and moderate-income.

Responsiveness to Community Development NeedsPerformance in the Bloomington-Normal MSA AA

FREESTAR's community development activities, primarily consisting of community development loans, demonstrate excellent responsiveness to the needs and opportunities in the AA. Our community contact stated that while most credit needs are being met, there is still a need for more affordable housing for low- and moderate-income individuals in the AA. Identified community development needs include affordable housing loans and community services to the low- and moderate-income families in the local area. The need for home ownership counseling and foreclosure prevention has increased. Community development opportunities are good with several organizations serving the thirty-six percent of the AA families that are low- and moderate-income families. Almost \$1.6 million was provided in community development loans to an organization that provides affordable housing to low- and moderate-income families in the AA. Also, over \$750 thousand was provided in community development loans and qualified investments to organizations that provide community services to low- and moderate-income individuals.

Performance in the Livingston County AA

FREESTAR's community development activities, as a whole, demonstrate poor responsiveness to the needs and opportunities in this AA. Community development needs include community services for low- and moderate-income individuals and affordable housing. Community development opportunities are available as the county does have a several organizations that provide community services to low- and moderate-income individuals and was declared a disaster area by FEMA in March 2008; however, the opportunities are more limited than those found in MSAs. The bank did provide \$5,900 in donations to organizations that primarily provide community services to low- and moderate-income individuals; and an officer of the bank provided technical expertise to two organizations. One organization focused on community services to developmentally disabled individuals whom are at low- or moderate-income levels. The other organization worked to revitalize and stabilize a disaster area. While the bank demonstrated some response, the response is small based upon their presence in the AA and their capacity.

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.