



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 4, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in DeKalb
Charter Number 14008**

**141 West Lincoln Highway
DeKalb, Illinois 60115**

**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 in DeKalb (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 4, 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, 1992, 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.

FNB's overall lending activity in Northern DeKalb County is reasonable. Lending in low- and moderate-income areas is exceptional and lending to borrowers of different income levels is adequate when compared to the characteristics of the assessment area. FNB makes loans to businesses and farms of different sizes.

The following table indicates the performance level of First National Bank in DeKalb, DeKalb, Illinois with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank in DeKalb</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		X	

DESCRIPTION OF INSTITUTION

First National Bank in DeKalb (FNB), a \$225 million financial institution, is a wholly-owned subsidiary of Castle Bancgroup, Inc. (CBI), a holding company headquartered in DeKalb, Illinois. CBI also owns three state banks, a finance company and a mortgage company. FNB's main office is located in DeKalb. FNB has one full-service branch located in Sycamore and one drive-up facility in DeKalb. All offices have a full-service automated teller machine (ATM). FNB has two full-service, stand-alone ATMs. One is located on the campus of Northern Illinois University and one is located at University Plaza.

On September 30, 1996, FNB had \$127 million in outstanding loans and a loan-to-deposit ratio of 65%. The loan portfolio consists of real estate loans (62%), agriculture (11%), commercial (18%) and consumer loans (9%). FNB is the largest agriculture lender in DeKalb County. There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

DESCRIPTION OF THE ASSESSMENT AREA - NORTHERN DEKALB COUNTY:

The assessment area, Northern DeKalb County, meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. DeKalb County is part of the Chicago Metropolitan Statistical Area (MSA). Based on 1990 census data, the total population of Northern DeKalb County is 63,423. The MSA median family income is \$54,100. Northern DeKalb County contains 19%, 22%, 28% and 31% of low-, moderate-, middle- and upper-income families, respectively. It also consists of 16 census tracts. Of the 16 census tracts, 1 (6%) is low-income, 2 (13%) moderate-income, 11 (69%) middle-income, and 1 (6%) is an upper-income census tract. One (6%) census tract has not been categorized by the U.S. Census Bureau. The low-income census tract is located in central DeKalb and includes Northern Illinois University. The distribution of owner-occupied units is 1% in low-, 7% in moderate-, 82% in middle- and 10% in upper-income census tracts.

The largest city in DeKalb County is the city of DeKalb with a population of about 36,000. Approximately 45% of the population consists of students. The local economy is good and housing demand is strong. Local housing is 56% owner-occupied units, 41% rental-occupied units and 3% vacant housing units. The median home value is \$78,700. The volume of rental-occupied units is high due to the demand for off-campus student housing.

State government is the largest employer in DeKalb County, followed by the service, retail trade and manufacturing industries. Major area employers are Northern Illinois University, employing in excess of 3,500; DeKalb Genetics Corporation, a seed research and production company employing approximately 600; and Ideal Industries, a manufacturer of electrician tools and supplies employing approximately 530. The area's unemployment rate is 3.3% as of October 1996. The vast majority of businesses in DeKalb County are small businesses.

Approximately 94% of businesses have less than 50 employees, 6% have 50 to 499 employees, and less than 1% have 500 or more employees.

FNB's primary competitors consist of several national and state-chartered financial institutions, credit unions and one branch of a multinational financial institution headquartered out-of-state. Several Chicago area banks are also competing for loans in DeKalb County, although none have a branch in the area. Recent contacts with community leaders in DeKalb County identified residential mortgage, business and agriculture loans as the community's most pressing credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (L/D):

FNB's average quarterly L/D ratio from July 28, 1992, to September 30, 1996 was 58%. FNB's average L/D ratio approximates the ratios of other financial institutions with total assets ranging from \$10 million to \$300 million and located in DeKalb County. These other financial institutions' average L/D ratios range from 46% to 111%.

Lending in the Assessment Area:

FNB's lending within Northern DeKalb County is reasonable. To determine the extent of FNB's lending, a sample of 811 loans totaling \$50,943,000, originated between January 1, 1994 and September 30, 1996, was reviewed. The following table shows the results of the review:

Table 1 Loans Originated in Northern DeKalb County January 1, 1994 through September 30, 1996				
Type of Loans:	Total Loans Reviewed		% of Loans Originated within Northern DeKalb County	
	#	\$	#	\$
Residential Mortgage*	642	\$32,308,000	93%	87%
Business	100	\$13,499,000	77%	68%
Farm	69	\$5,136,000	68%	70%
Total	811	\$50,943,000		

* - Represents all loans originated in 1994, 1995 and January 1, 1996 through September 30, 1996, as reported under the Home Mortgage Disclosure Act.

Table 1 reveals FNB originates a substantial majority of its mortgage loans and a majority of its business and farm loans within Northern DeKalb County. Of the 642 residential mortgage loans originated, 93% of the number and 87% of the dollar are within Northern DeKalb County. Of the sample of 100 business loans originated, 77% of the number and 68% of the dollar are within Northern DeKalb County. Sixty-eight percent of the number and 70% of the dollar of farm loans originated are within Northern DeKalb County.

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

FNB adequately lends to borrowers of all income levels when compared to the characteristics of Northern DeKalb County. FNB also adequately lends to businesses and farms of different sizes. Mortgage loan information maintained under the Home Mortgage Disclosure Act (HMDA) and a sample of business and farm loans were reviewed to determine the volume of such lending. The following table compares the numbers and percentages of loans made to borrowers of different incomes with the percentages of families living in Northern DeKalb County by income level:

Table 2 Mortgage Loans Originated in Northern DeKalb County By Borrower Income January 1, 1994 through September 1, 1996					
Borrower Income as a % of MSA Median Family Income:	#	\$	Percent of Total		Northern DeKalb County Characteristics - % of Families by Income Level
			#	\$	
Low Income	71	\$1,894,000	12%	7%	19%
Moderate Income	144	\$4,949,000	24%	18%	22%
Middle Income	161	\$7,464,000	27%	26%	28%
Upper Income	195	\$11,718,000	33%	41%	31%
NA	29	\$2,233,000	5%	8%	0%
TOTAL	600	\$28,258,000	100%	100%	

NA - Applicant income information was not available.

Table 2 reveals FNB’s mortgage loan activity between January 1, 1994 and September 30, 1996 is comparable to the characteristics of Northern DeKalb County. FNB’s mortgage loans are adequately dispersed to borrowers of moderate-, middle- and upper- incomes. Mortgage loans to low-income borrowers is slightly lower than the characteristics of Northern DeKalb County.

Business and farm loans originated between April 30, 1996 and October 30, 1996, and within Northern DeKalb County, were reviewed to determine the extent of FNB's lending to businesses and farms of different sizes. The results are as follows:

Table 3				
Business and Farm Loans in Northern DeKalb County				
January 1, 1996 through September 30, 1996				
	Business		Farm	
Business Revenue:	#	\$	#	\$
\$0 - \$100,000	22	\$706,418	8	\$190,600
\$100,001 - \$250,000	16	\$1,348,088	6	\$295,000
\$250,001 - \$500,000	12	\$542,430	15	\$742,054
\$500,001 - \$1,000,000	4	\$130,707	12	\$1,466,954
Total Loans - \$1,000,000 or Less	54	\$2,727,643	41	\$2,694,608
% of Loans - \$1,000,000 or Less	72%	33%	87%	75%
> \$1,000,000	23	\$6,525,760	6	\$887,000

Table 3 reveals the bank makes loans to businesses and farms of different sizes. Of the business loans reviewed, 54 (72%) or \$2,727,643 (33%) are to businesses with revenues of \$1,000,000 or less. Although 33% appears low, this is due to the many small dollar business loans originated. The average loan amount is low at \$50,512. Twenty-three loans totaling \$6,525,760 are to businesses with revenues in excess of \$1,000,000. Two large dollar business loans totaling \$2,700,000 are included in this total. Of the farm loans reviewed, 41 (87%) or \$2,694,608 (75%) are to farms with revenues of \$1,000,000 or less. Six loans totaling \$887,000 are to farms with revenues in excess of \$1,000,000.

Geographic Distribution of Loans:

FNB has a good distribution of loans within Northern DeKalb County. Mortgage loan information maintained under the HMDA was compared to the distribution of both owner-occupied units and census tracts by income level in Northern DeKalb County. The results are as follows:

Table 4
Mortgage Loans Originated in
Northern DeKalb County by Census Tract Income Level
January 1, 1994 through September 30, 1996

Census Tract Income Level:			Percent of Total		Northern DeKalb County Characteristics	
	#	\$	#	\$	Distribution of Owner- Occupied Units*	Distribution of Census Tracts
Low Income	14	\$908,000	2%	3%	1%	6%
Moderate Income	82	\$3,540,000	14%	13%	7%	13%
Middle Income	421	\$19,301,000	70%	69%	82%	69%
Upper Income	81	\$4,370,000	14%	15%	10%	6%
NA	0	\$0	0%	0%	0%	6%
TOTAL	598	\$28,119,000	100%	100%		

NA - Census tract information is not available.

* - Emphasis is placed on the distribution of owner-occupied units.

Table 4 reveals FNB's loan volume in low- and moderate-income census tracts is exceptional when compared to the owner-occupied units in those census tracts. The bank originated 2% of the number and 3% of the dollar in low-income census tracts and 14% of the number and 13% of the dollar in moderate-income census tracts. This compares favorably to the 1% and 7% of owner-occupied units in low- and moderate-income census tracts, respectively. The mortgage loan volume in middle- and upper-income census tracts is generally comparable to the owner-occupied characteristics of Northern DeKalb County.

Response to Complaints:

FNB adequately responds to lending-related complaints.

Compliance with Fair Lending Laws and Regulations:

A fair lending examination was also conducted as of September 30, 1996. Thirty-nine home improvement loans originated between June 1, 1996 and September 30, 1996, were reviewed for compliance with fair lending laws and regulations. Based on the sample reviewed, no evidence of illegal discrimination was detected.