



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

April 30, 1997

**First National Bank of Decatur
Charter #4920
130 North Water Street
Decatur, IL 62525**

<p>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.</p>

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First National Bank of Decatur prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agent.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of April 30, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: "**Outstanding Record of Meeting Community Credit Needs**" .

Bank and Community Profile:

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **First National Bank of Decatur (FNBD) is capable of meeting the credit needs of its local community. There are no legal or financial impediments to the bank's ability to meet the credit needs of its local community.**

Bank Profile

FNBD is a \$328 million institution operating from 5 full service locations in Decatur, Illinois, county seat of Macon County. For customer service and convenience the bank also has 7 Automated Teller Machines (ATM's) and one stand alone drive-up facility. Four of the ATM's are located at full service locations, two others are stand alone units at shopping centers and one is located in the Staley Office Building.

The bank is a wholly-owned subsidiary of First Decatur Bancshares, Inc. (FDBI). Consolidated assets of FDBI were \$399 million at March 31, 1997. There are 2 other subsidiaries, a bank and a data processing servicer. Lending activity of the affiliated bank is not included in this analysis.

This institution serves the needs of the community by offering a variety of loan products. These loan products include commercial and agricultural loans (operating, equipment, and real estate), residential loans (construction, purchase, refinance, and improvement), and consumer and personal loans (new and used autos and trucks, debt consolidation, home equity and unsecured).

The following represents this institution's loan portfolio mix as of March 31, 1997:

Residential Real Estate	33%
Consumer and Personal	33%
Commercial Real Estate	18%
Commercial	14%
Agricultural related	2%

The bank does not have any financial or legal impediments restricting it from meeting the credit needs of the Decatur/Macon County area.

Community Profile

FNBD's community consists of the Decatur MSA and Macon County. The community is comprised of 37 census tracts. Based on the U.S. Census 1990 Median Family Income for the Decatur MSA (\$34,861), there are 5 low income, 7 moderate income, 17 middle income and 8 upper income census tracts.

The county has a population of 117,206 persons. Based on the 1997 HUD adjusted MSA Median Family Income (\$42,800), 21% are low income, 17% are moderate income, 24% are middle income and 38% are upper income.

Major employers in the Decatur area include, manufacturing entities A.E. Staley Manufacturing Company, Caterpillar, Inc., Archer-Daniels-Midland, Inc., and Bridgestone/Firestone, Inc., educational entities Millikin University, Richland Community College and the Decatur public school system. The unemployment rate for February 1997 for Macon County was 8.2% as compared to the state average of 5.3%.

Competition in the financial services industry in Decatur is strong. Major competitors include Magna Bank, First of America Bank, First Mutual Bank, Hickory Point Bank & Trust, and Soy Capital Bank & Trust Company. Additionally, there are numerous other competitors which include 14 credit unions and 11 smaller area banks.

DESCRIPTION OF ASSESSMENT AREA

- **First National Bank of Decatur's assessment area is reasonable and does not arbitrarily exclude any low- or moderate-income census tracts.**

The bank's assessment area consists of all 37 census tracts in Macon County. This assessment area does conform to the regulation and does not arbitrarily exclude any low- or moderate-income areas. There are 12 census tracts identified as low- or moderate-income, all of these tracts are within the city limits of Decatur. The following demographic information on the bank's assessment area is based on 1990 census data:

Housing Stock - 81% of the housing units are 1-4 family.

Occupancy - 64% owner occupied, 27% renter occupied and 9% vacant.

Home Values - The Median Home Value is \$40,900.

Age of Homes - The Median Year of Homes Built is 1953.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **First National Bank of Decatur is active in ascertaining the credit needs of the community.**

The bank employs several methods to determine the credit needs of its assessment area. These methods include involvement in non-profit organizations, participation in city-wide and community based groups, and ongoing contact with individuals from civic, governmental, religious, neighborhood, and minority groups. These groups and organizations serve all segments of the community, including the low- and moderate-income areas. More specifics on the bank's ascertainment efforts are provided below.

Bank employees serve as officers and directors of various community organizations and participate in special projects in Decatur and Macon County. Such organizations include; the Financial Institutions Needs Assessment Council (FINAC), Community Investment Corporation of Decatur (CICD), Economic Development Foundation of Decatur, Macon County Economic Development Foundation and the Economic Development Commission of Mt. Zion. In addition, bank employees and officers are actively involved in community reinvestment groups such as the Decatur and Mt. Zion Chambers of Commerce, the Decatur Housing Authority, the Decatur Board of Realtors and the Women's Council of Realtors.

Members of the board are involved in various groups and organizations which help to keep them informed of the credit needs of the community. Their involvement in these organizations includes: President of CICD, Director of Macon County Economic Development Foundation, member of the District #61 (Decatur) Board of Education Planning Committee, Director of Decatur Memorial Hospital and member of the Chamber of Commerce Infrastructure Committee. Through these groups and others, the board members maintain contact with city, county, and state government officials.

The bank also maintains ongoing contact with individuals from the National Association for the Advancement of Colored People (NAACP), Coalition of Neighborhood Organizations (CONO), Association of Builders and Contractors, and the Decatur Homebuilders Association. Additionally, regular meetings are held with officials from the City of Decatur which address community reinvestment and community development areas. Information obtained from these contacts is incorporated into the bank's CRA program and practices.

The bank is actively involved in FINAC. The council was formed in 1993 and is comprised of representatives from 5 local financial institutions. The purpose of FINAC is to assess the credit needs in Decatur and Macon County, with special emphasis on low- and moderate-income areas. A direct result of the council is the Decatur/Macon County Loan Program Guide. Other FINAC activities include sponsoring home-buying seminars, preparing educational news articles describing loan programs and services, supporting community development projects, and discussing all other community reinvestment related issues.

In addition, the bank has a formal officer calling program in place as a means to communicate with members of the community regarding credit and bank services. The program monitors each officers individual calls by month and year-to-date. Officers actively participate in this program. Calls made to local businesses and individuals totaled 1,457 in 1995, 1,647 in 1996 and 444 in the first three months of 1997.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The board of director's role in CRA planning and reviewing its performance is supportive.**

The board of directors are involved in numerous CRA activities as stated in Assessment Factor A. These activities help to identify the credit needs of the community.

The board regularly reviews the bank's community reinvestment activities by meeting with the CRA Officer on a quarterly basis. The CRA Officer provides a synopsis of the activities that took place during the quarter. In addition, the board receives an annual report from the CRA Officer which contains the major highlights of the past year and the plans for the coming year.

The board is supportive of innovative underwriting criteria that help address community credit needs. The bank is involved in Decatur's First Time Home-Buyer Program and the Illinois League of Financial Institutions Affordable Housing Grant Program. The bank took a leadership role in being able to combine these two programs to help low- and moderate-income families purchase homes.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The First National Bank of Decatur's marketing program is informative and reaches all segments of the community, including low- and moderate-income areas.**

The bank's marketing efforts consist of advertising in local newspapers, advertising on local television and radio, bank officers answering questions from callers on radio and television programs, visiting the local realtors, direct mail program, statement stuffers, and an electronic signboard. The mediums used for advertising are:

Television - WAND, WFHL, TCI Cablevision.

Radio - WSOY, WEJT, WXFM, WYDS, AND WZD.

Print - Herald & Review, Decatur Tribune, The Voice, Mt. Zion Regional News, The Prairie News Shopper, the HOME Magazine, the Decatur TV Revue, and The Business Journal.

These media sources have a wide circulation and reach the entire community, including low- and moderate-income neighborhoods.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **First National Bank originates a significant number of loans from within their assessment area and has a reasonable distribution of loans to borrowers of different incomes and to businesses of different sizes.**

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is reasonable based on the institution's size and assessment area credit needs. First National Bank of Decatur's average loan-to-deposit ratio equaled 67% for the most recent 8 calendar quarters. This is in line with the average loan-to-deposit ratio of the bank's primary competitors ranging from 62% to 117%.

LENDING IN ASSESSMENT AREA

A majority of the loans being originated are from within the assessment area. Based on a sample of loans (including 500 residential mortgages, 149 small business loans, and 48 agricultural loans) originated in the second half of 1995 and in 1996, 90% of the number of loans and 89% of the dollar amount of the loans were made within the bank's assessment area.

FIRST NATIONAL BANK'S RECORD OF LENDING

Type of Loan	Within Assessment Area		Outside Assessment Area	
	Amount	Percentage	Amount	Percentage
Residential Real Estate	\$26,255M	94%	\$1,753M	6%
	458	92%	42	8%
Small Business	\$ 6,944M	95%	\$ 401M	5%
	142	95%	7	5%
Small Farm	\$968M	32%	\$2,058M	68%
	25	52%	23	48%
Total	\$34,167M	89%	\$4,212M	11%
	625	90%	72	10%

FNBD has put together a special mortgage product for low and moderate income, first time home buyers. The bank has been able to combine the Affordable Housing Program from the Illinois League of Financial Institutions' and the City of Decatur's First Time Homebuyer Program. The combined program allows the purchaser to receive a grant up to \$4,000 in down payment and closing cost assistance, borrow 25% of the purchase price from the City of Decatur at 3% and finance the remaining purchase price from the bank. FNBD has originated 3 loans for \$43,000 in 1995, 6 loans for \$123,501 in 1996 and 1 loan for \$16,400 in the first quarter of 1997.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **The bank aggressively participates in several government-guaranteed, -subsidized, and insured loan programs.**

Besides the previously mentioned program through the City of Decatur, the bank participates in and offers Small Business Administration (SBA) loans, and financing through the Federal National Mortgage Association (FNMA). Below is a record of the bank's loan performance in these programs.

Loan Program	# of Loans	\$ Originated
FNMA	193	\$ 13,863,926
SBA	9	\$ 529,597

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The bank's geographic distribution of loans reflect a reasonable dispersion throughout its assessment area, including low- and moderate-income areas.**

The following table shows the number of loans and the dollar amount of loans originated by census tract income designation.

Census Tract Characteristics	# of Tracts	%	# of Loans	%	\$ of Loans	%
Low - Income	5	13%	29	5%	\$ 1,237M	4%
Moderate-Income	7	19%	78	12%	\$ 3,744M	11%
Middle - Income	17	46%	264	42%	\$13,617M	40%
Upper - Income	8	22%	254	41%	\$15,569M	45%

The information from the table above does show the bank has a reasonable dispersion of loans throughout their assessment area. This is especially true when there are only half as many low- and moderate-income census tracts versus middle- and upper-income census tracts and that the vast majority of all new development in the Decatur area is taking place in the middle- and upper-income census tracts. Thus the lending opportunities in the low- and moderate income census tracts are not as great as they are in the middle- and upper-income census tracts.

This table depicts the average number of loans per census tract and the average dollar amount of a loan by census tract.

Census Tract Characteristics	Average # of Loans per Census Tract	Average \$ per Loan
Low - Income	6	\$43M
Moderate-Income	11	\$48M
Middle - Income	16	\$52M
Upper - Income	32	\$61M

These results indicate the bank's geographic dispersion is reasonable. It is necessary to look at the average number of loans originated and the average dollar amount of a loan by census tract since there are twice as many (25) middle and upper income tracts as there (12) low and moderate income tracts.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES:

The bank has done a reasonable job of making home mortgage loans to people of all income levels and has done a good job of making loans to small businesses.

The following table shows the distribution of residential loan originations among borrowers of different income levels within the assessment area:

Residential Mortgage Loans

Income Level	Population	# of Loans	%	\$ of Loans	%
Low - Income	21%	34	8%	\$ 730M	3%
Moderate-Income	17%	79	17%	\$ 2,855M	11%
Middle - Income	24%	116	25%	\$ 5,476M	21%
Upper - Income	38%	229	50%	\$17,194M	65%

This breakdown is reasonable based on the cost of homes in Decatur/Macon County. While it is usually difficult from an economical feasibility standpoint for low- and moderate-income families to be able to purchase a home, FNBD has demonstrated a willingness to work with low- and moderate-income families to find a way to finance that home purchase.

The following table demonstrates the bank has done a good job of lending to small businesses within the assessment area.

Small Business/Agricultural Loans

Loan Size	# of Loans	Percent	\$ of Loans	Percent
Less than \$100M	152	91%	\$ 4,157M	53%
\$100M - Less than \$250M	10	6%	\$ 1,625M	20%
\$250M - Less than \$1MM	5	3%	\$ 2,130M	27%

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **FNBD's offices are readily accessible to all segments of its assessment area. Service offered are commensurate with the needs of the community.**

FNBD operates 5 full service offices, 1 stand alone drive-up facility and 7 ATM's. 2 of the full service offices equipped with ATMs, including the main office, the drive-up facility and one stand alone ATM are located in low- and moderate-income census tracts.

No offices have been closed since the last CRA evaluation. There has been one stand alone ATM site added since the last evaluation.

Office hours are reasonable and adequately service the needs of the bank's assessment area. All locations, besides the main office, offer Saturday morning lobby hours. All drive-up windows are open extended hours, until 6:00pm Monday-Friday at two locations and up to 5:00pm on Saturdays

FNBD has introduced two new services to their customers since the previous examination.

- Check Imaging was introduced in May 1995. This is where the customers receive an "image" of their canceled checks, instead of the actual canceled checks.
- Bank by Phone, an automated banking service, was introduced in January 1997. This system allows customer to review account balances, review account transactions, transfer funds between accounts, make loan payments, review loan balances, obtain loan and deposit interest rates, verify branch locations and business hours, and access interest paid information. This system is a telephone service available to all bank customers.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **We found no practices to discourage applications for the types of credit listed in the bank's CRA Statement.**

FNBD solicits applications from all segments of its assessment area, including low- and moderate-income areas. The bank does have a second review program for all real-estate related applications. This review is to ensure the bank's underwriting standards are being fairly applied and to determine if any other steps could be taken which could potentially result in approval of an application. During this process, two Vice Presidents must review the application before a final decision and denial letter is sent to the applicant.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **The bank is in compliance with the substantive portions of the Equal Credit Opportunity Act, Fair Housing Act, Home Mortgage Disclosure Act, and all other fair lending regulations.**

During our examination, we tested residential loan rates and terms for both female and control group applicants. The purpose of this review was to determine whether similarly situated borrowers were afforded the same interest rates, maturity structures and fees. The loan sample consisted of 16 total home purchase loans with 9 male and 7 female borrowers. We found that both groups received similar loan terms.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **FNBD actively participates in local community development and redevelopment projects. On numerous occasions, FNBD has taken a leadership role in development projects in the community.**

FNBD has supported projects to provide housing for low- and moderate-income and unfortunate individuals and/or families. The projects include:

- A loan for \$2,000,000 to finance the construction of a housing project for low-income families. This complex consists of 1, 2 and 3 bedroom units. The income restrictions are based on the number of people in the family. All levels of income would fall into the low- or moderate-income levels based on the median family income for the Decatur MSA.
- A loan for \$315,020 to finance the construction of new facilities including a gymnasium for Webster-Cantrall Hall, a care facility for Macon County children who are wards of the State of Illinois.
- Loans totaling \$106,582 to finance the purchase and remodeling of three large older houses for the mentally disabled. These houses are used by Macon County for supervised living for the mentally disabled.
- A loan for \$34,250 to finance the purchase and remodeling of a former nunnery which is used for a shelter for female victims of domestic violence.

The bank is also involved in supporting community service organizations. The bank has made a loan for \$153,655 to the Children's Museum and has provided a line of credit for \$110,000 to the Lincoln Trails Council (Boy Scouts) to provide the temporary financing of several of their annual projects.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **FNBD is involved in other activities which help to meet the credit needs of its assessment area.**

Although the bank sold its student loan portfolio in early 1995, they continue to facilitate students in obtaining loans. They provide applications for the loans, however, another bank funds the loans. From July 1, 1995 to March 31, 1997, 85 loans amounting to \$321,585 were originated based on the referrals made by FNBD.