



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 12, 2002**

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

**The First National Bank of Brownstown  
Charter Number 10397**

**108 East Main Street, P.O. Box 310  
Brownstown, Illinois 62418**

**Comptroller of the Currency  
St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, Missouri 63103**

**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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The level of lending is reasonable. The bank's average loan-to-deposit ratio is 65% and is comparable to similarly situated area banks.
- Loans are reasonably distributed by geography classification, to borrowers of different income levels, and to farms of different revenue sizes.
- A substantial majority of the bank's loans are in the assessment area.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Brownstown (FNB) had assets of approximately \$21 million as of December 31, 2001. FNB is wholly owned by First Brownstown Bancorp, Inc., which is a one-bank holding company located in Brownstown. FNB assets represent substantially all of the holding company's assets. There have been no changes in the bank's corporate structure since the last CRA evaluation. The bank operates one office with a non-depository automated teller machine located in downtown Brownstown, Illinois. Management has neither opened nor closed any branches.

FNB offers a full range of retail and commercial banking products normally associated with a small rural community bank. The bank's primary business focus is residential real estate loans, agriculture-related loans, and consumer loans. As of December 31, 2001, net loans total approximately \$13 million, or about 59% of total assets. The composition of the loan portfolio was 36% residential real estate, 30% agriculture-related, 19% consumer, and 15% commercial.

There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area. The type and amount of CRA activities are consistent with the bank's size, financial capacity, and local economic conditions. FNB's last CRA evaluation was August 29, 1996, and we rated the bank Satisfactory.

## **DESCRIPTION OF FAYETTE COUNTY**

Management designated Fayette County as its assessment area (AA). This is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

Fayette County is a non-Metropolitan Statistical Area (non-MSA) located approximately eighty miles northeast of St. Louis, Missouri. Fayette County consists of seven Block Numbering Areas (BNAs). Based on the non-MSA median family income in 1990, six BNAs or 86% are classified as middle income and one BNA or 14% is classified as moderate income. The

demographic data in 1990 shows that 83% of the population is in the middle-income BNAs and 17% of the population is in the moderate-income BNA. The majority of the town of Brownstown is located in the moderate-income BNA.

As of the 1990 census, the county's population was 20,893, which included 5,557 families. Of these families, 22% were classified as low income, 21% were classified as moderate income, 26% were classified as middle income, and 31% were classified as upper income. The non-MSA statewide median family income as of the 1990 census was \$29,693, and the most recent updated figure is \$44,900.

The 1990 census demographic data for the county shows that 18% of the population is age 65 and over, 17% of the households are in retirement, and 15% of the households are below the poverty level. Median housing value is \$33,545 and the median age of the housing stock is 44 years. Owner-occupied units represent 70% of the housing stock, with 80% being 1-4 family units.

The local economy is primarily supported by agriculture, with some manufacturing and other service-related businesses and retail stores. Economic conditions have been relatively stable; however, continued low grain and livestock prices may adversely impact the AA. Brownstown is considered a "bedroom" community. Many of the local residents commute to the larger cities within the county for employment. The unemployment rates have been trending upward since 1999. The February 2002 unemployment rate for Fayette County is 7.8% and compares unfavorably to the state rate of 6.4% and the national rate of 6.1%.

There is strong competition in the county in the financial services industry. There are approximately 9 offices of 8 different banks operating in the county. This number does not include the sundry of credit unions, mortgage companies, farm services, and insurance company offices that now offer loan products.

To further our understanding of the community's credit needs, we performed one community contact during this examination with a local government official. Although community needs differ throughout the county, low-cost housing, downtown business development and improvements, and farm-related loans are the primary credit needs of the community. The community contact felt that FNB is very dedicated to meeting these needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

FNB does a reasonable job of meeting the credit needs of its AA, including those of low- and moderate-income people.

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

FNB's loan-to-deposit ratio is reasonable. As of December 31, 2001, the bank's quarterly average ratio calculated since the 1996 CRA evaluation was 65.42%. This compares with ratios ranging from 47.98% to 87.39% for FNB's four self-identified competitors. The competitor banks are considered similarly situated institutions because they are rural community banks with comparable assets sizes, no branching networks, where agriculture is an important part of the

economy.

### **Lending in Assessment Area**

Lending in the AA is satisfactory. A substantial majority of the bank's loans originated from September 1996 through December 31, 2001 are in the AA. A bank-generated geographic distribution analysis of credit extensions by cities shows that 86% of the number and 89% of the dollar volume were in the AA. A sample of 20 residential real estate loans taken from loans originated throughout the evaluation period shows that 95% of the number and 96% of the dollar volume were in the AA.

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

The bank's lending distribution to borrowers of different income levels and to farms of different revenue sizes is reasonable in light of the high unemployment rates, the relatively high population of persons over age 65, the number of households in retirement, and the number of households below the poverty level.

FNB's primary product lines are residential real estate loans, auto/truck loans, and agriculture-related loans. Residential real estate loans and agriculture-related loans comprise the largest portion of the loan portfolio on a dollar basis, and auto/truck loans comprise the largest portion of the loan portfolio on a number basis. Using only loans from within the AA, we reviewed a sample of 20 residential real estate loans, 20 auto/truck loans, and 20 agriculture-related loans originated from January 1, 2000 through March 31, 2002. The findings of these analyses are presented in the following tables.

**Distribution by Borrower Income Level  
1-4 Family Residential Real Estate Loans**

<b>Income Levels</b>	<b># of Loans</b>	<b>% By # of Loans</b>	<b>Loan \$ (000's)</b>	<b>% By \$ of Loans</b>	<b>AA Family Income</b>
<i>Low Income</i>	1	5%	17	2%	22%
<i>Moderate Income</i>	4	20%	108	14%	21%
<i>Middle Income</i>	8	40%	337	45%	26%
<i>Upper Income</i>	7	35%	291	39%	31%

**Distribution by Borrower Income Level**

### Auto and Truck Loans

<b>Income Levels</b>	<b># of Loans</b>	<b>% By # of Loans</b>	<b>Loan \$ (000's)</b>	<b>% By \$ of Loans</b>	<b>AA Household Income</b>
<i>Low Income</i>	0	0%	0	0%	26%
<i>Moderate Income</i>	2	10%	26	10%	18%
<i>Middle Income</i>	8	40%	101	37%	20%
<i>Upper Income</i>	10	50%	141	53%	36%

### Distribution by Farm Gross Revenue Size

	<b>Under \$100M</b>		<b>\$100M-\$250M</b>		<b>\$250M-\$500M</b>		<b>\$500M-\$1MM</b>		<b>Over \$1MM</b>	
#	7	35%	10	50%	3	15%	0	0%	0	0%
\$ (000's)	400	24%	1,026	62%	240	14%	0	0%	0	0%

Based on 1990 business demographic data, 97% of all farms within the AA have gross revenues of less than \$1 million.

### Geographic Distribution of Loans

The geographic distribution of loans is reasonable, given the performance context. Our conclusion was based on the sample of residential real estate, auto/truck, and farm-related loans discussed above. The findings of these analyses are presented in the following tables.

### 1-4 Family Residential Real Estate Loans

<b>BNA Income Level</b>	<b># of Loans</b>	<b>% By # of Loans</b>	<b>Loan \$ (000's)</b>	<b>% By \$ of Loans</b>	<b>% Owner Occupied Housing Units</b>
<i>Low Income (a)</i>	0	0%	0	0%	0%
<i>Moderate Income (b)</i>	12	60%	475	63%	12%
<i>Middle Income (c)</i>	8	40%	278	37%	88%
<i>Upper Income (d)</i>	0	0%	0	0%	0%

### Auto and Truck Loans

<b>BNA Income Level</b>	<b># of Loans</b>	<b>% By # of Loans</b>	<b>Loan \$ (000's)</b>	<b>% By \$ of Loans</b>	<b>% of Households</b>
<i>Low Income (a)</i>	0	0%	0	0%	0%
<i>Moderate Income (b)</i>	13	65%	158	59%	12%
<i>Middle Income (c)</i>	7	35%	109	41%	88%
<i>Upper Income (d)</i>	0	0%	0	0%	0%

### **Agriculture-Related Loans**

<b>BNA Income Level</b>	<b># of Loans</b>	<b>% By # of Loans</b>	<b>Loan \$ (000's)</b>	<b>% By \$ of Loans</b>	<b>% of Farms</b>
<i>Low Income (a)</i>	0	0%	0	0%	0%
<i>Moderate Income (b)</i>	11	55%	919	62%	14%
<i>Middle Income (c)</i>	9	45%	568	38%	86%
<i>Upper Income (d)</i>	0	0%	0	0%	0%

*(a) 0 low-income BNAs in AA*

*(b) 1 moderate-income BNA in AA*

*(c) 6 middle-income BNAs in AA*

*(d) 0 upper-income BNAs in AA*

There are also BNAs with no or little loan penetration. This is due primarily to the geographic distance between these BNAs and the bank's office and to stiff banking competition in parts of the county. The gaps are not due to geography income characteristics. One hundred percent of the BNAs without loan penetration are classified as middle income.

### **Responses to Complaints**

No complaints were received since the prior CRA evaluation.

### **Fair Lending Review**

We analyzed four years of public comments and consumer complaint information according to the OCC's risk based fair lending approach. Based on our analysis of the information, we determined that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 2000.