



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

February 19, 2008

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

The First National Bank of Sandoval  
Charter Number: 9786

302 North Main  
Sandoval, IL 62882

Office of the Comptroller of the Currency

St. Louis Field Office  
2350 Market Street, Suite 100  
St. Louis, MO 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.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

All of the lending criteria meet or exceed the standards for a satisfactory rating. The major factors that support this rating are:

- The bank's distribution of loans to individuals of different income levels for residential real estate loans is more than reasonable.
- The bank's distribution of loans to individuals of different income levels for consumer loans is reasonable.
- The bank's distribution of loans to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable penetration among the census tracts (CTs) in the assessment area (AA).
- A majority of the loans originated by the bank are to customers within the AA.
- The bank's loan-to-deposit (LTD) ratio is reasonable. The bank's quarterly average LTD ratio since the 2002 Community Reinvestment Act (CRA) examination is 53%.

## **SCOPE OF THE EXAMINATION**

First National Bank of Sandoval's performance under the CRA was evaluated using Small Bank Procedures. The evaluation period covers loans originated or purchased from January 1, 2006 through January 1, 2008. We sampled the bank's residential mortgage, consumer, and small business loans to analyze the bank's lending activity.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Sandoval (FNB) is a \$38 million financial institution located in Sandoval, Illinois. FNB is wholly owned by First Sandoval Bancorp, Inc., a one-bank holding company located in Sandoval. FNB operates one office, with a non-depository automated teller machine (ATM) in downtown Sandoval. The bank also has an ATM cash dispenser at a convenience store in neighboring Odin, IL. Management has neither opened nor closed any branches since the last evaluation.

FNB offers a full range of retail and commercial banking products normally associated with a community bank. Their market niche is consumer and residential real estate lending. The loans made at FNB speak for the economically challenged community.

As of September 30, 2007, net loans totaled \$18 million, representing 47% of total assets. The loan portfolio consisted of 54% residential real estate, 17% consumer, 15% commercial real estate and business, 9% agricultural, 3% construction, and

2% municipal loans. Residential real estate loans represent the highest percentage of the loans originated during this evaluation period by dollar value and by number of loans granted. At September 30, 2007, Tier One Capital totaled \$6 million.

There are no legal or financial constraints placed on the bank's ability to help meet the community credit needs. The bank has adequate resources to provide for the credit needs of its AA. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community.

FNB's CRA performance was rated Satisfactory at the last CRA examination dated June 3, 2002.

## **DESCRIPTION OF ASSESSMENT AREA**

Management designated the western portion of Marion County as its AA, with primary consideration given to the Village of Sandoval. Marion County is a non-Metropolitan Statistical Area (non-MSA). The AA includes CTs 9517, 9518, 9519, 9523, 9524, 9525, 9526, and 9527. Based on the non-MSA median family income in 2000, two CTs (9525 and 9527) are moderate-income and six are middle-income. The bank is located within CT 9518, a middle-income CT. This AA is a contiguous area, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

According to the Designated 2007 List of Middle Income Non-Metropolitan Distressed or Underserved Geographies FFIEC census report, Sandoval no longer remains in a distressed geography. However, it remains economically challenged. Many manufacturing jobs have left the Centralia and Salem areas, which impacted the immediate areas. Manufacturing, service-related businesses, and retail stores continue to support the local economy. Major employers include: North American Lighting, Gilster Mary Lee, Centralia Corrections Center, and St. Mary's Hospital in Centralia, IL.

The 2000 Census indicates that the AA has a total of 7,095 families. Of these families, 1,455 or 20% were classified as low-income, 1,330 or 19% as moderate-income, 1,834 or 26% as middle-income, and 2,476 or 35% as upper-income. The HUD Updated MSA median family income for 2007 was \$50,600. As of November 2007, the unemployment rate for Marion County is 6.3%, which is higher than the unemployment rate for Illinois (4.8%) and the United States (4.5%). According to 2000 Census data, 12% or 1,261 households live below the poverty level.

Business data as of 2007 shows that the AA has 1,622 businesses: 964 (60%) have revenues equal or less than \$1 million, 68 (4%) have revenues greater than \$1 million and 590 (36%) did not report revenues.

The 2000 Census data indicates there are 11,290 housing units in the AA, with owner-occupied units at 70%, occupied rental units at 22%, and vacant housing units at 9%. In the AA, 26% of the owner-occupied units are located in moderate-income geographies and 74% are located in middle-income geographies. There are no low- or upper-income geographies in the AA. Per the 2000 Census data, the weighted average median value for housing is \$48,749 and the weighted average median age of a home is 46 years old. The weighted average median rent level is \$385 per month.

Competition in the AA is strong and is provided by thirteen banks, sixteen finance companies, four local credit unions, and a farm credit agency. As of June 30, 2007, the bank's total deposits inside the market are \$29 million, which amounts to a 5% market share in Marion County.

To further our understanding of the community's credit needs, we made one community contact. Our contact did not identify any unmet credit needs and felt that local banks are involved in the community and are adequately meeting its credit needs.

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

FNB's performance is reasonable in meeting the credit needs of its AA, including those of low- and moderate-income individuals, given the performance context, demographics, economic factors, and competitive pressures.

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

FNB's LTD ratio is reasonable. As of September 30, 2007, the bank's LTD ratio was 64%. FNB's quarterly average LTD ratio since the 2002 CRA examination was 53%. This is comparable to five similarly situated banks in the area whose quarterly average LTD ratios ranged from 48% to 84%. The bank's LTD ratio is higher than two banks and lower than three banks. These five banks, with total assets ranging from \$16 million to \$43 million, are located in Marion, Jefferson, and Fayette Counties, Illinois. They are considered similarly situated because of their size, location, and lending opportunities.

### **Lending in Assessment Area**

Lending in the AA is satisfactory. A majority of the bank's loans originated since the last CRA examination were made in the AA. Our analysis included a mix of 20 loans: residential real estate, consumer, and small business loans made from January 1, 2006 through January 1, 2008. The data indicates that 75% by number and 59% by dollar amount of these loans were made within the bank's AA.

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

The bank's residential real estate lending distribution to borrowers in different income levels is more than reasonable. The bank's consumer lending to individuals in different income levels is reasonable, as is its lending to businesses of different revenue sizes.

### Residential Real Estate Loans

The bank's distribution of residential real estate loans is more than reasonable. FNB's lending to low-income borrowers for residential real estate loans (25%) exceeds the percentage of low-income families in the AA (20%). The bank's lending to moderate-income borrowers (25%) exceeds the percentage of moderate-income families in the AA (19%).

Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	20%	25%	19%	25%	26%	30%	35%	20%

Source: Sample of 20 residential real estate loans within the AA from January 1, 2006 through January 1, 2008; and 2007 HUD updated median family income.

### Consumer Loans

The bank's distribution of consumer loans is reasonable. FNB's lending to low-income borrowers for consumer loans (30%) exceeds the percentage of low-income households in the AA (24%). The bank's lending to moderate-income borrowers (30%) exceeds the percentage of moderate-income households in the AA (16%).

Borrower Distribution of Consumer Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24%	30%	16%	30%	21%	20%	39%	20%

Source: Sample of 20 consumer loans originated in the AA from January 1, 2006 through January 1, 2008 and 2007 HUD updated median family income.

### Small Business Loans

The bank's distribution of small business loans is reasonable. The percentage of loans to businesses with revenues of less than \$1 million (100%) exceeds the percentage of the market demographic (60%). However, 36% of businesses in the AA had unknown revenues.

<b>Borrower Distribution of Loans to Businesses in the AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	60%	4%	36%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Sample of 20 small business loans originated in the AA from January 1, 2006 through January 1, 2008 and 2007 Business Demographic Data.

## Geographic Distribution of Loans

The geographic distribution of the bank's residential, consumer, and small business loans reflects reasonable dispersion throughout the AA. The AA has no low-income geographies; therefore, the analysis is focused on lending in moderate-income CTs.

### Residential Real Estate Loans

FNB's geographic distribution of residential real estate loans reflects a reasonable level of penetration in moderate-income CTs. The percentage of loans made in moderate-income CTs (10%) is lower than the percentage of owner-occupied housing (26%) located in these CTs.

<b>Geographic Distribution of Residential Real Estate Loans in the AA</b>								
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
Residential RE	0%	0%	26%	10%	74%	90%	0%	0%

Source: Sample of 20 residential real estate loans within the AA from January 1, 2006 through January 1, 2008; and 2007 HUD updated median family income.

### Consumer Loans

FNB's geographic distribution of consumer loans reflects a low level of penetration in moderate-income CTs. The percentage of loans made in moderate-income CTs (5%) does not compare favorably to the percentage of households in the moderate-income geographies (30%). It should be noted, however, that another community bank has a branch in one of the moderate-income CTs and that 21% of the households in the two moderate-income CTs are living below the poverty level.

<b>Geographic Distribution of Consumer Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	30%	5%	70%	95%	0%	0%

Source: Sample of 20 consumer loans originated in the AA from January 1, 2006 through January 1, 2008 and 2007 HUD updated median family income.

### **Small Business Loans**

FNB's geographic distribution of small business loans reflects reasonable penetration in the CTs of different income levels. Based on our sample of small business loans originated during the evaluation period, the percentage made in moderate-income CTs (15%) is lower than the level of commercial businesses located in these CTs (25%).

<b>Geographic Distribution of Loans to Businesses in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	0%	0%	25%	15%	75%	85%	0%	0%

*Source: Sample of 20 small business loans originated in the AA from January 1, 2006 through January 1, 2008 and 2007 Business Demographic Data.*

### **Responses to Complaints**

Neither the bank nor the OCC has received any CRA-related complaints since our last examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or illegal credit practices inconsistent with helping to meet community credit needs.