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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

June 12, 1996

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

**First National Bank and Trust Company of Beloit  
Charter Number 2725**

**345 East Grand Avenue  
Beloit, Wisconsin 53511**

**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 and Trust Company of Beloit (FNB)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 12, 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 June 19, 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.

The bank has a reasonable loan-to-deposit ratio and a substantial majority of FNB's loans are made to borrowers within the assessment areas. FNB lends to a variety of borrowers and small business owners.

The following table indicates the performance level of First National Bank and Trust Company of Beloit with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank and Trust Company of Beloit</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	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

First National Bank and Trust Company of Beloit (FNB), a \$216 million financial institution, is headquartered in Beloit, Wisconsin. On March 31, 1996, FNB had approximately \$132 million in outstanding loans and a loan-to-deposit ratio of 75%. The loan portfolio consists of real estate loans (49%), consumer loans (28%), and commercial loans (23%). FNB has three branch locations, two in Beloit and one in the city of Clinton, Wisconsin. The bank has three full-service automatic teller machines (ATMs) all located in Beloit. FNB also operates a loan processing office in Roscoe, Illinois. The bank is wholly owned by Centre I Bancorp, Inc., headquartered in Beloit, Wisconsin.

There are no other legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

## **DESCRIPTION OF THE JANESVILLE-BELOIT METROPOLITAN STATISTICAL AREA (MSA) AND THE WINNEBAGO COUNTY ASSESSMENT AREAS:**

The bank's two assessment areas are comprised of: the **Janesville-Beloit MSA** in south-central Wisconsin and **Winnebago County**, a portion of the Rockford MSA in north-central Illinois. While the bank does not have a branch in Winnebago County, the assessment areas are contiguous in location. The total population of the assessment areas is 392,423 based on 1990 census data. The assessment area contains 19%, 18%, 26% and 37% of low-, moderate-, middle- and upper-income families, respectively. The assessment areas consists of 101 census tracts. Of the 101 census tracts, 7 (7%) are low-income, 22 (22%) are moderate-income, 54 (53%) are middle-income and 18 (18%) are upper-income census tracts. There are six other similarly-situated financial institutions (total assets between \$100 million and \$300 million) within the bank's assessment areas. The following provides more detail for each area:

### **Janesville-Beloit MSA:**

This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. The total population of the MSA is 139,510. Rock County comprises the entire MSA. Major cities of the MSA include Beloit, Janesville and Clinton. The MSA median family income is \$35,605. The assessment area contains 18%, 18%, 27% and 37% of low-, moderate-, middle- and upper-income families, respectively. The MSA consists of 34 census tracts. There is one (3%) low-income census tract, 5 (15%) moderate-income, 23 (68%) middle income and 5 (14%) upper-income census tracts. The low-income census tract is located in central Janesville. Local housing is 87% single-family units of which 65% is owner-occupied. The median home value is \$50,750.

The bank's main office and two branch offices are located in Beloit. Beloit, population of 35,573 per the 1990 Census, is located in Rock County, near the Wisconsin/Illinois state border. The population of Beloit is stagnant while the greater Beloit area reflects some growth. The bank's trade area includes Beloit, Wisconsin, and South Beloit, Illinois. The area's local economy is stable. On February 29, 1996, the unemployment rate was 4.9%. Manufacturing is the largest industry in the bank's trade area, followed by the service and retail trade industries. Major employers of the greater Beloit area are the Beloit Corporation, employing 1,900 and manufacturer of paper-making machines; Beloit Memorial Hospital, employing 840; and Warner Electric, employing 818.

The bank's third branch office is located in Clinton, population of 1,923. Clinton is located in southeast Rock County. The primary economic base is agriculture. Major employers are the Clinton Community School District, Meadow Park Nursing Home and Scot Forge, a manufacturer of open die steel forgings. Local housing is 66% single-family units of which 65% is owner-occupied. The median home value is \$52,200.

### **Winnebago County:**

This assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas. Winnebago County is one of three counties in the Rockford MSA. Winnebago County's total population is 252,913. Major cities include Rockford, Roscoe, Rockton and South Beloit. The MSA median family income is \$37,078. The assessment area contains 19%, 17%, 26% and 38% of low-, moderate-, middle- and upper-income families, respectively. Winnebago County consists of 67 census tracts. There are 6 (9%) low-income census tracts, 17 (25%) moderate-income, 31 (46%) middle-income and 13 (20%) upper-income census tracts. The low-income census tracts are located in the central and western areas of Rockford. Local housing is 84% single-family units of which 65% is owner-occupied. The median home value is \$55,500.

The vast majority of businesses are small businesses. Approximately 93% of businesses have less than 50 employees, 6% have 50 to 499 employees, and 1% with 500 or more employees.

Two contacts were made with community representatives within the assessment areas. Based on those contacts, the community's credit needs are identified as residential real estate and small business loans. Consumer loans were also mentioned as a credit need.

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

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

On March 31, 1996, the loan-to-deposit ratio is 75% and is comparable to other financial institutions, at 75%, of similar size and located in the bank's assessment area. Six other financial institutions of similar size and located within the bank's assessment area have a

loan-to-deposit ratio ranging from 54% to 87%. FNB's average quarterly loan-to-deposit ratio from June 30, 1992 to March 31, 1996 is 75%.

**Lending In Assessment Areas:**

FNB's lending within the assessment areas is high. As of March 31, 1996, 87% of the total dollar of all loans outstanding were made within the assessment areas. The percentages by loan category are as follows: commercial 94%; real estate 92%; home equity 97%; and instalment 67% reflect the loans inside the assessment area. These ratios were taken from the bank's internal report. That report was tested and found to be accurate.

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

Mortgage loan information required under the Home Mortgage Disclosure Act was reviewed to determine the extent of the bank's loans to borrowers of different income levels. The following table reflects the number and dollar of mortgage loans by loan purpose and borrower income:

Mortgage Loans Originated in 1995 by Loan Purpose and Borrower Income*								
Loan Purpose:	Applicant Income as a % of MSA Median Family Income							
	Low (<50%)		Moderate (50-79%)		Middle (80 - 119%)		Upper (≥ 120%)	
	#	\$	#	\$	#	\$	#	\$
Home Purchase	4	168	9	331	15	686	26	1,794
Home Improvement	2	7	5	26	8	64	7	95
Refinances	4	76	9	386	12	397	20	1,139
Multi-Family	0	0	0	0	0	0	0	0
<b>Total</b>	10	251	23	743	35	1,147	53	3,028
<b>Percent of Total Loans by Applicant Income</b>	8%	5%	19%	14%	29%	22%	44%	59%

# - Reflects the number of loans.

\$ - Reflects the dollar amount of loans in thousands.

\* - Information was derived from the loan application register required under the Home Mortgage Disclosure Act.

The above table reveals a distribution of loans to borrowers of different income levels consistent with demographic information. The following further details the above information by assessment area:

Janesville-Beloit MSA:

The following table reflects the percentage of loans made to borrowers of different income levels in this assessment area:

<b>Mortgage Loans Originated in the Janesville-Beloit MSA By Borrower Income*</b>		
<b>Applicant Income as a % of MSA Median Family Income:</b>	<b>1995</b>	
	<b>#</b>	<b>\$</b>
Low Income	9%	6%
Moderate Income	19%	14%
Middle Income	29%	23%
Upper Income	43%	57%

# - represents the number of loans by percentage.

\$ - represents the dollar of loans by percentage.

\* - Information was derived from the loan application register required under the Home Mortgage Disclosure Act.

The above table reveals the bank makes mortgage loans to borrowers of all income levels in the Janesville-Beloit MSA. The results are comparable to the bank's overall percentages in the above table.

**Winnebago County:**

The following table reflects the percentage of loans made to borrowers of different income levels in this assessment area:

<b>Mortgage Loans Originated in Winnebago County By Borrower Income*</b>		
<b>Applicant Income as a % of MSA Median Family Income:</b>	<b>1995</b>	
	<b>#</b>	<b>\$</b>
Low Income	6%	1%
Moderate Income	18%	16%
Middle Income	29%	19%
Upper Income	47%	64%

# - represents the number of loans by percentage.

\$ - represents the dollar of loans by percentage.

\* - Information was derived from the loan application register required under the Home Mortgage Disclosure Act.

The above table reveals the bank originates a reasonable volume of mortgage loans to borrowers of all income levels in Winnebago County.

The bank originates many loans to small businesses in its assessment areas. A sample of 34 commercial loans originated in 1995 totaling \$8.3 million was reviewed to determine the extent of the bank's origination of small business loans. Of the sample reviewed, 19 or 56% of the number and \$2.8 million or 34% of the dollar of loans reviewed were to small businesses. The disparity in the percentages can be attributed to the fact that three large dollar commercial loans to small businesses were included in the sample reviewed. The following information further details the bank's small business lending by assessment area:

Janesville-Beloit MSA:

Twenty-eight loans in the above mentioned sample were made to small businesses in this assessment area. Fifteen (54%) of the number and \$2,460,000 (32%) were to small businesses. Again, the percentage disparity was attributed to the three large dollar commercial loans to small businesses included in the sample.

Winnebago County:

Six loans totaling \$594,000 of the 34 commercial loans mentioned above, were made to small businesses in this assessment area. Four (67%) of the number and \$396,000 (68%) were to small businesses.

The bank does not specialize in agriculture lending and has a nominal amount of this type of loan.

**Geographic Distribution of Loans:**

The bank has a disproportionate distribution of loans within its assessment area. Using the bank’s internal report detailed under the Lending In Assessment Areas section above, the bank’s loan distribution by census tract characteristic is as follows:

All Loans Originated By Census Tract Characteristic*			
Census Tract Characteristics:	#	\$	% of Census Tracts within the Assessment Area with Similar Characteristics
Low Income	1%	1%	7%
Moderate Income	16%	6%	22%
Middle Income	62%	61%	53%
Upper Income	21%	32%	18%
Low- and Moderate-Income	17%	7%	29%

# - represents the number of loans by percentage.  
 \$ - represents the dollar of loans by percentage.  
 \* - represents the loans geo-coded by the bank.

The percentages in the above table reflect a disproportionate distribution of loans in low- and moderate-income census tracts. The following information further details the geographic distribution of all loans by assessment area:

Janesville-Beloit MSA:

Using the same internal report mentioned above, the bank’s loan distribution by census tract characteristic is as follows:



All Loans Originated in the Janesville-Beloit MSA By Census Tract Characteristi#			
Census Tract Characteristics:	#	\$	% of Census Tracts within the Assessment Area with Similar Characteristics
Low Income	1%	1%	3%
Moderate Income	18%	10%	15%
Middle Income	62%	54%	68%
Upper Income	19%	35%	14%
Low- and Moderate-Income	19%	11%	18%

# - represents the number of loans by percentage.

\$ - represents the dollar of loans by percentage.

\* - represents the loans geo-coded by the bank.

The percentages in the above table reflect a reasonable distribution of loans including loans in low- and moderate-income census tracts.

Winnebago County:

Using the same internal report mentioned above, the bank’s loan distribution by census tract characteristic is as follows:

All Loans Originated in Winnebago County By Census Tract Characteristi#			
Census Tract Characteristics:	#	\$	% of Census Tracts within the Assessment Area with Similar Characteristics
Low Income	1%	1%	9%
Moderate Income	4%	1%	25%
Middle Income	67%	69%	46%
Upper Income	28%	29%	20%
Low- and Moderate-Income	5%	2%	34%

# - represents the number of loans by percentage.

\$ - represents the dollar of loans by percentage.

\* - represents the loans geo-coded by the bank.

The percentages in the above table reflect a disproportionate distribution of loans among low- and moderate-income census tracts. The bank’s lending volume is low within these census tracts because the bank does not have a branch office in Winnebago County. Also, the bank’s primary trade area is Beloit, Wisconsin and South Beloit, Illinois. South Beloit is located at the northern border of Winnebago County.

**Response to Complaints:**

Since the last examination, there have been no CRA complaints filed regarding the bank's performance under the Act.

**Compliance with Fair Lending Laws and Regulations:**

We conducted a fair lending examination using a sample of mortgage-related applications received between January 1, 1995 and March 31, 1996. We reviewed successful and unsuccessful applications. Based on the sample reviewed, no evidence of illegal discrimination was detected.