



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**August 24, 2007**

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

**First National Bank in Pinckneyville  
Charter Number 13975**

**210 South Main Street  
Pinckneyville, IL 62274**

**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: The First National Bank in Pinckneyville (FNB) is rated Satisfactory.**

- The bank's distribution of lending to borrowers of different income levels is more than reasonable, based on the demographics of the community and the credit needs of the bank's assessment area (AA).
- A substantial majority of the bank's loans extended during this evaluation period were originated within its AA.
- The level of lending is reasonable. Since the February 2004 CRA examination, the bank's loan-to-deposit (LTD) ratio rose significantly from 22% to 42% on June 30, 2007. FNB's quarterly average LTD ratio is 34%. When comparing the bank's LTD ratio to similarly situated institutions and considering its other efforts as described in more detail below, the bank is meeting the standards for satisfactory performance.

## **SCOPE OF EXAMINATION**

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criterion.

- The evaluation period covers loans originated or purchased from March 1, 2004 through August 24, 2007.
- FNB has one AA, which consists of census tracts 301, 302 and 303 in Perry County, Illinois.
- Conclusions regarding the bank's lending performance are based on FNB's primary loan product, home mortgages.
- FNB was not required to maintain Home Mortgage Disclosure Act (HMDA) data on its home mortgage loans. Thus, we reviewed a sample of 21 home mortgage loans originated during the evaluation period, focusing on those made in 2006 and 2007.

## **DESCRIPTION OF INSTITUTION**

FNB is an \$81 million intrastate bank located in Pinckneyville, Illinois. FNB is wholly owned by First Perry Bancorp, Inc., a one-bank holding company located in the city of Pinckneyville, Illinois. In addition to FNB, First Perry Bancorp, Inc. owns an FNB affiliate, First National Insurance Services, Inc., also located in Pinckneyville, Illinois. There have been no changes in the bank's corporate structure since the last CRA evaluation.

The bank does not have any branches at this time. During the evaluation period, FNB closed the Steeleville, Illinois branch on June 23, 2006.

FNB has two automated teller machines (ATMs), one located at the main office and the other located in their insurance office. Banking hours offer reasonable access and convenience. Extended hours are available with either the lobby or drive-up locations open on Saturdays and open longer on Fridays. FNB also offers Internet banking products. These products allow customers to check balances, transfer funds, and make loan payments. Loan applications can also be posted on the bank's website.

FNB offers traditional bank services and loan products normally associated with a community bank. In addition to the traditional products offered by a community bank, FNB participates in the Rural Development Guaranteed Loan Program, and the Guaranteed Loan Program of the USDA's Rural Development division, which is a program allowing FNB to offer no-money-down, no-PMI financing to homebuyers who fall into low- to moderate-income categories. FNB also combines this guaranteed loan program with another program offered by the Federal Home Loan Bank and Illinois League of Financial Institutions called "Down Payment Plus," which provides qualified borrowers, particularly those in the low- to moderate-income levels, with a forgivable grant, up to a certain dollar amount, that can go towards a down payment.

As of June 30, 2007, net loans totaled \$26 million, representing 32% of total assets. Also on this date, total deposits were \$64 million and Tier One Capital was \$9.5 million. The loan portfolio consisted of 75% residential real estate, 11% commercial, 1% construction, 2% farm real estate and agricultural production, 3% multi-family, and 8% consumer.

To further our understanding of the community's credit needs, we made two contacts with local city officials knowledgeable about the areas served by the bank. Our contacts did not identify any unmet credit needs. They felt that local banks are involved in the community and are adequately meeting its credit needs.

There are no legal or financial constraints placed on the bank's ability to help meet the community's 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 last CRA evaluation was February 12, 2004, and we rated the bank Needs to Improve.

## **DESCRIPTION OF PERRY COUNTY ASSESSMENT AREA**

Bank management has designated Perry County in southwestern Illinois as its AA. The AA is comprised of three census tracts (CTs), 301, 302, and 303, in Perry County. At the previous examination, the AA also included parts of Randolph County due to the Steeleville branch location.

The 2000 census data shows that the NonMSA Median Family Income for the State of Illinois was \$43,531. Based on this figure, CTs 301, 302 and 303, or 100%, are classified as middle-

income. There are no low- or moderate-income CTs in Perry County.

The 2007 HUD Adjusted Median Family Income is \$50,600 for the 3,229 families in the AA. Based on this information, the AA has 17.62% low-, 18.21% moderate-, 30.01% middle-, and 34.16% upper-income families.

Based on the 2000 census data for the AA, 13.80% of the population was age 65 and older, 18.41% of households were in retirement, and 11.33% of households lived below the poverty level. In 2000, the median housing value for the AA was \$57,625 and the median age of the housing stock was 36 years. Local housing for the AA was 96.67% 1-4 family units, with 73.17% owner-occupied and 9.91% vacant.

There are 697 businesses in Perry County. The majority of the businesses (352 or 50.50%) have revenue less than \$1 million. Only 21 or 3.01% of the businesses have revenue greater than \$1 million, and 324 or 46.48% have unknown revenues.

There are 132 farms in Perry County. The substantial majority of the farms (131 or 99.24%) have revenue less than \$1 million. Only 1 farm has revenue greater than \$1 million, and zero have unknown revenues.

Economic conditions in Perry County are depressed. The closing of the coal mining industry in Southern Illinois over a decade ago put Pinckneyville in an economic downturn, which has been extremely difficult to recover from. Large retailers in nearby towns have also intensified the town's situation, adding competitive pressure on Pinckneyville's smaller retail operators. Employment in high-paying jobs and the general economy in the area have declined due to the lack of opportunities and the retirement of many residents. During this evaluation period the following plants were closed or downsized, contributing to the county's high unemployment rate: General Henry Biscuit Company in nearby DuQuoin, Illinois closed in May 2005, laying off many residents of Pinckneyville; Technicolor/Thomson SA laid off more than 400 workers at the company's DVD manufacturing facility in Pinckneyville this spring; the closure of the Technicolor plant's DVD packaging department in 2006 left more than 200 employees without jobs; and the Maytag plant in Herrin, Illinois, employing over 2,000 workers, closed in 2007 and relocated out of Illinois. Just recently, it was announced that GS Metals, employing approximately 200 workers, is in the process of negotiating a sale. The future of GS Metals' presence in Pinckneyville is uncertain.

Perry County has the highest jobless rate for July 2007 in Illinois, at 10.1%. As of June 30, 2007, Perry County's seasonally unadjusted unemployment rate of 8.5% significantly exceeded the State of Illinois rate of 5.4% and the national rate of 4.7%. In 2006, Pinckneyville's Chamber of Commerce created a Vision Committee to address Pinckneyville's economic concerns and develop strategies to help invigorate the town once again. Four new mines are now operating within a 50-mile radius, and 50-100 residents travel to these sources of employment each day. Major employers in the area are Pinckneyville Community Hospital, Perry County, Pinckneyville Correctional Center, and currently GS Metals.

Including FNB, there are five financial institutions in the AA. Major competitors include a mix of community banks and branches of regional banks: Banterra Bank, Regions Bank, Du Quoin

State Bank, and Murphy-Wall State Bank and Trust Company. As of June 30, 2006, the bank's total deposits inside the market are \$62 million, which amounts to a 24.26% market share and is the second highest of the other competitors. Du Quoin State Bank has the highest market share with \$72 million or 28.53%.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

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

FNB's LTD ratio is reasonable. Since the February 2004 CRA examination, the bank's LTD ratio rose significantly from 22% to 42% as of June 30, 2007. FNB's quarterly average LTD ratio is 34%. Since the previous CRA examination, management has developed marketing strategies to improve their involvement in the community and raise their LTD ratio. While the LTD ratio still falls below the thirteen similarly situated banks in the area, management's efforts to increase the LTD are noteworthy. The thirteen similarly situated banks' quarterly average LTD ratios for the same period ranged from 41% to 79%, with an average ratio of 61%. These banks are considered similarly situated because of their size, lending opportunities, and location.

Several factors have positively impacted FNB's LTD ratio since the previous CRA examination:

- The Marketing Committee, established early in 2005. This committee meets weekly to discuss opportunities of investing in the community and the welfare of Pinckneyville residents.
- Increased loan volume. The bank's Home Loan Activity reports for 2005, 2006 and 2007 confirm the bank's commitment to provide lending opportunities to the community. The bank received more applications during the first six months in 2007 than they did for the entire 2006 year. Also, within these first six months of 2007, the bank closed as many loans as they did in the entire 2006 year. Since the previous CRA examination, the bank increased loans by \$10 million and decreased deposits by \$9 million.
- Reduced deposits through the sale of the Steeleville branch. When FNB purchased this branch, the bank gained \$8 million in deposits and \$2 million in loans. When the branch was sold, deposits were \$11 million and the volume of loans remained relatively unchanged.
- Retained loans. Since the previous examination, the bank retained more loans, which they previously were selling into the secondary market. Thus, management improved the bank's LTD ratio. At the previous examination, the bank was servicing \$11 million in loans that were sold into the secondary market. Currently, the bank has less than \$9 million sold in the secondary market.

## **Lending in Assessment Area**

Lending in the AA is outstanding. The substantial majority of loans and other lending-related activities were originated in the bank's AA. Based on our sample of residential real estate loans made in 2006 and 2007, 95% by number and 74% 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 lending to borrowers of different incomes is more than reasonable. Lending levels, as shown by the volume of all residential real estate loans generated, reflect very good responsiveness to the credit needs of the AA. The bank also made loans to small businesses for community development purposes.

### ***Residential Real Estate Loans***

The bank's distribution of home mortgage loans to borrowers of different income levels is more than reasonable. FNB's lending to low-income borrowers, at 15%, compares favorably to the 18% of low-income families in the AA. Given that 11% of the households in the AA live below the poverty level, the bank's penetration to this group of borrowers is very good. Lending to moderate-income borrowers, at 25%, is excellent, exceeding the 18% of moderate-income families in the AA.

The following table shows the distribution of residential real estate loans made to borrowers of different income levels within the AA.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>								
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
Home Mortgage	18%	15%	18%	25%	30%	10%	34%	50%

*Sources: Sample of 21 residential mortgage loans originated between January 1, 2006 and August 30, 2007 and 2000 U.S. Census data.*

## **Geographic Distribution of Loans**

An analysis of the geographic distribution of the bank's loans in its AA would not be meaningful. The bank's AA consists of three CTs, which are all classified as middle-income geographies.

## **Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet community credit needs since the last CRA examination.

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

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