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Comptroller of the Currency  
Administrator of National Banks

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Fairview Heights Duty Station  
13 Executive Dr., Suite 7  
Fairview Heights, IL 62208

## **PUBLIC DISCLOSURE**

April 7, 1997

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

**The First National Bank of Barry  
Charter Number 5771**

**694 Bainbridge Street  
Barry, Illinois 62312**

**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 **The First National Bank of Barry (FNBB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 7, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “**Satisfactory Record of Meeting Community Credit Needs.**”

This report evaluates CRA performance with respect to loan originations for calendar years 1995 and 1996.

We rated FNBB “Satisfactory” because:

- o the geographic distribution of the bank’s loans reflected adequate penetration in the assessment area;
- o the bank had a reasonable average quarterly loan-to-deposit ratio;
- o the bank showed good responsiveness to its community credit needs and made a substantial majority of its loans in its assessment area; and,
- o the bank displayed strong performance in lending to businesses and farms of different sizes.

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The following table indicates the performance level of the FNBB with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Barry</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 have been received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

FNBB is a \$69 million financial institution located in a rural west central Illinois agricultural community. The main office is in Barry, Illinois with one branch located 10 miles north in Liberty, Illinois. The bank operates one automated teller machine in Barry, installed in 1996. The bank has no legal or financial impediment which precludes it from fulfilling its obligation under the CRA. The bank received a "satisfactory" rating for the CRA examination dated February 21, 1995.

The bank's primary lending focus is agriculture. The bank offers a wide variety of other loan products including commercial, real estate, and consumer loans as well as participates in government guaranteed programs. Net loans represent 58% of total assets. The bank is a leader in agricultural lending and has the largest agriculture related loan portfolio in the area. Agricultural loans represent 58% of the loan portfolio. This compares well to the peer group of 16 financial institutions in Adams and Pike counties which has an average of only 30%. FNBB's loan portfolio consists of 58% agricultural and farmland, 21% commercial and commercial real estate, 10% residential real estate, and 11% consumer loans.

## **DESCRIPTION OF THE ASSESSMENT AREA**

FNBB's assessment area includes portions of Adams and Pike counties. This is a rural non-metropolitan area of the state. The area consists of 4 contiguous Block Numbering Areas (BNA), 1 in Adams County and 3 in Pike County. The assessment area meets the requirements of the CRA.

The 1996 state-wide non-metropolitan median family income is \$36,000. The assessment area has 3 middle-income BNAs and 1 moderate-income BNA; however, it should be noted that 2 of the middle-income BNAs have average incomes at or near the threshold determining middle- and moderate-income status. The 1990 Census reveals that the family income distribution is 24.3% low, 23.2% moderate, 27.8% middle, and 24.7% upper income. The 1990 Census shows the population of the area is approximately 16,000 people with 17% of the families living below the poverty level.

The bank and members of the community identified the primary credit needs of the community as agriculture and affordable housing in the \$50,000-\$70,000 range. There has been little construction in this area. Contacts made in the community described the lack of home construction as a reason people employed by major employers continue to commute from outside the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### *Loan-to-Deposit Ratio*

FNBB's loan-to-deposit ratio is reasonable and in line with other financial institutions in Adams and Pike counties. The loan-to-deposit ratio has increased from 62.0% at year-end 1995 to 71.3% at year-end 1996. The bank's average quarterly loan-to-deposit ratio for the last 7 quarters is 67.4%. The average loan-to-deposit ratio of all banks in Adams and Pike counties is 71.9% at year-end 1996. The loan-to-deposit ratios of these banks range from 61% to 85%.

### *Lending in the Assessment Area*

FNBB originated a substantial majority of its loans within the assessment area. Based on a review of all loans originated in 1995 and 1996, 85% of the number and dollar of loans were made in the assessment area. This is displayed in the following table.

Loan Originations in 1995 and 1996 in the Assessment Area				
Loan Type	#	% in AA	\$ 000's	% in AA
Agricultural	295	90.5%	\$13,300	85.2%
Business	126	83.4%	\$4,758	86.7%
Residential	69	90.8%	\$2,297	91.8%
Consumer	513	82.3%	\$3,339	77.3%
<b>Total</b>	<b>1,003</b>	<b>85.3%</b>	<b>\$23,694</b>	<b>84.9%</b>

### *Lending to Borrowers of Different Income Levels*

FNBB has a strong record of lending to businesses of different sizes. The bank originated 295 agriculture related loans in 1995 and 1996. Of these, 259 or 87.8% were loans under \$100,000. Out of a sample of 49 loan originations to different borrowers from the pool of 295, 98% were to small farms with revenues under \$1 million. This is consistent with the make up of the community. Of those farms reporting sales data in the 1990 Census, 100% of them had revenues under \$1 million.

FNBB's level of lending to low- and moderate-income borrowers is appropriate. An analysis of 57 or 95% of all residential mortgage originations in 1995 and 1996 in the assessment area shows that 45.6% of the number of loans made were to low- and moderate-income families. The 1990 Census indicates that 47.5% of the families in the assessment area have low or moderate incomes, with 17% of the families living below the poverty level.

The following table shows the bank's mortgage loan distribution in each income level.

Mortgage Loans Originated in 1995-1996 in Assessment Area				
Income Level of Borrowers	#	%	\$ 000's	%
Low	5	8.8%	\$68	3.8%
Moderate	21	36.8%	\$516	28.7%
Middle	15	26.3%	\$549	30.6%
Upper	16	28.1%	\$662	36.9%
Total	57	100.0%	\$1,795	100.0%

The bank regularly makes low dollar consumer loans to meet the credit needs of lower income families in the community and does not have a minimum loan amount. We assumed a correlation exists between loan amount and income of borrowers due to the informal application process in making small consumer loans. Of 343 consumer loans made in 1995 and 1996 in the assessment area, 71 or 20.7% were made for under \$1,000.

***Geographic Distribution of Loans***

The geographic distribution of loans within the bank's assessment area is satisfactory. We reviewed all of the loan originations in 1995 and 1996 in the assessment area and found the bank made a significant amount of loans in the moderate-income BNA #9524. Also, combining the moderate-income BNA and the 2 middle-income BNAs just above the moderate-income threshold, the bank made 80% of its loans in BNA tracts with income at 84% or less of the median family income (MFI). BNA #9526 has the least penetration. This is mainly due to the significant number of financial institutions and competition in the town of Pittsfield located just over the far edge of the BNA. The BNA is also made up of primarily farmland.

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The following chart reflects the bank's dispersion across the different BNAs. The threshold between moderate- and middle-income is 80% of the MFI.

Geographic Distribution of Loan Originations in the AA			
BNA	% of MFI	# of loans	# %
#103 - Middle-income	91.0%	195	19.4%
#9524 - Moderate-income	78.4%	122	12.2%
#9525 - Middle-income	84.0%	597	59.5%
#9526 - Middle-income	80.0%	89	8.9%

FNBB is in compliance with the substantive provisions of antidiscrimination laws and regulations. The bank solicits applications from all segments of the assessment area.