



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Homer
Charter #11882**

**134 South Main Street
Homer, Illinois 61849**

**Office of the Comptroller of the Currency
8777 Purdue Road, Suite 105
Indianapolis, Indiana 46268**

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 Homer** prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 2, 1998. Our assessment of the bank's performance covers the period since March 30, 1995. The rating received at that time was "Satisfactory Record of Meeting Community Credit Needs". 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**".

Our assessment of the bank's Satisfactory Record of Meeting Community Credit Needs rating is supported by the following:

- ▶ The bank's loan-to-deposit ratio is reasonable given the assessment area's credit needs.
- ▶ A substantial majority of the loans originated between January 1, 1997 and January 31, 1998 were located within the bank's assessment area.
- ▶ The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes.
- ▶ An analysis of the distribution of credit among different geographies in the assessment area was not necessary, as all Census Tracts/Block Numbering Areas were middle income.
- ▶ The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

The First National Bank of Homer is an \$11 million bank situated in Homer, Illinois, population 1,264. The bank's main office is its only banking location and includes a drive-up teller window facility. Homer is located in southeastern Champaign County, approximately one mile from the Vermilion County line. Population in the bank's assessment area is 7,796.

This institution serves the needs of the community by offering a variety of loan products. These loan products include commercial and agricultural loans (operating, equipment, and real estate), residential real estate loans (construction, purchase, and refinance), and consumer installment loans (new and used autos and trucks, debt consolidation, and unsecured). As illustrated in the table below, the bank's primary lending focus is in serving the community's agricultural needs. However, the table illustrates that growth in real estate and consumer installment lending during the assessment period has reduced the bank's emphasis on agricultural lending in proportion to its overall lending activity. The increase in real estate lending is the result of the bank's initiating a residential real estate lending program at the beginning of the assessment period. The following represents this institution's loan portfolio mix at March 31, 1995 and December 31, 1997:

Loan Portfolio Mix

<i>Loan Category</i>	<i>March 31, 1995</i>		<i>December 31, 1997</i>		<i>% Dollar Loan Growth</i>
	<i>\$000's</i>	<i>% Loans</i>	<i>\$000's</i>	<i>% Loans</i>	
Commercial	\$187	5%	\$377	6%	+ 102%
Real Estate	\$455	11%	\$1,834	28%	+ 303%
Consumer Instalment	\$852	21%	\$1,679	25%	+ 97%
Agricultural	\$2,553	63%	\$2,728	41%	+ 7%
Total Gross Loans	\$4,047	100%	\$6,618	100%	+ 64%

Source: Call report data submitted for quarter end March 31, 1995 and December 31, 1997.

The bank does not have any financial or legal impediments restricting it from meeting the credit needs of its local community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of one census tract in Champaign County and one block numbering area (BNA) in Vermilion County. Champaign County is a Metropolitan Statistical Area (MSA). Vermilion County is not designated as an MSA. The median family income for the Champaign County MSA is \$46,600, while the median family income for Vermilion County is \$39,500. The above assessment area, as designated by the bank, conforms to the regulation and does not arbitrarily exclude low- or moderate-income areas. Both census tracts are considered middle-income areas based on 1990 census data. The following demographic information on the bank's assessment area is based on 1990 census data:

Housing Stock:	91% of the housing units are 1-4 family.
Occupancy:	74% of housing units are owner occupied, 20% are renter occupied, and 5% are vacant.
Home Values:	The median home value is \$43,095.
Age of Homes:	The median year of homes built is 1947.
Income:	Median family income of the assessment area is \$31,792.
Income Levels:	18% of the assessment area's families are low-income, 20% are moderate-income, 28% are middle-income, while 34% are upper-income.

The local economy is stable and driven by agriculture. Homer is primarily a farming community, with corn and soybeans being the main crops. Many residents commute to Champaign/Urbana or Danville, Illinois, where they hold service and industrial jobs. The largest employer in Champaign County is the University of Illinois, with 17,000 employees. Unemployment is in line with state and national averages. Housing costs are moderate, with less than 10% of housing unit's costs exceeding 30% of the occupants' monthly income.

The First National Bank of Fairmount, State Bank of Allerton, First National Bank of Ogden, and a branch of Central Illinois Bank in Sidney are the closest competing banks to Homer. Other competition stems from financial institutions in Longview, Sidell, and Philo, Illinois.

One community contact was performed by the Office of the Comptroller of the Currency with a local community leader in March 1998. Affordable housing for the elderly was stated as a significant community banking need. The bank extends residential real estate loans, which is available to assist in meeting this community credit need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is reasonable based on the institution's size and assessment area credit needs. During the most recent 12 calendar quarters, The First National Bank of Homer's loan-to-deposit ratio ranged from 98% on December 30, 1995 to 64% on March 31, 1997, and averaged 80% during this time. The wide range in the loan-to-deposit ratio is the result of high loan growth, which caused the increased ratio, followed by significant deposit growth during the evaluation period, which resulted in the ratio's subsequent decline. The 80% average is higher than the average loan-to-deposit ratio of 55% of six local competing banks in Champaign and Vermilion Counties. Assets of the six competing banks range from \$9 million to \$50 million.

LENDING IN ASSESSMENT AREA

Performance in the assessment is considered reasonable. A substantial majority of the loans originated are within the bank's assessment area. This determination was made from a sample of 90 loans from the four major loan types extended by the bank. Analysis of this sample of loans originated from January 1, 1997 through January 31, 1998, revealed that 90% of the number and 91% of the dollar amount of the loans were made within the bank's assessment area. This is not unusual, considering the size of the bank and the extent of its service area. The following table shows the dollar amount and number of loans from our sample that fall within the assessment area and outside the assessment area:

Loan Penetration Analysis

Type of Loan	Within Assessment Area		Outside Assessment Area	
Residential Real Estate	\$673,812	100%	\$0	0%
	13	100%	0	0%
Consumer Loans	\$233,314	79%	\$61,281	21%
	26	87%	4	13%
Agricultural Loans	\$2,022,538	89%	\$255,000	11%
	26	90%	3	10%
Commercial Loans	\$951,081	94%	\$65,000	6%
	16	89%	2	11%
Total of Sample	3,880,745	91%	\$381,281	9%
	81	90%	9	10%

Source: This table is based on a sample of 90 loans that were made by the bank between January 1, 1997 and January 31, 1998.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES:

Lending to Consumers:

The bank has done a good job of lending to consumers of all income levels. Loans to low- and moderate-income borrowers are originated at levels above the area’s population characteristics. Analysis of lending activity in the Champaign MSA was done using the 1997 Department of Housing and Urban Development (HUD) Estimated Median Family Income for the MSA of \$46,600 (latest data available). Analysis of lending activity in the Vermilion County BNA was based on the HUD estimated 1998 nonmetropolitan median family income for Illinois of \$39,500.

The bank’s lending performance of residential mortgage loans is reasonable, given the assessment area’s credit needs. The table below shows the distribution of residential real estate originations among borrowers of different income levels within the assessment area. Based on the residential real estate sample, 54% of the number and 34% of the dollars of these loans were made to moderate-income borrowers. This represents a good penetration of lending to borrowers in the moderate-income category. However, no loans in the sample were made to low-income borrowers. While ongoing performance as such in this category is not desirable, it is not currently a concern, given the newness of the product and the low number of these loans made so far.

Residential Mortgage Loans

Income Level	# of Loans	%	\$ of Loans	%	% of Families in Each Category
Low - Income Less than 50% of Median	0	0%	\$0	0%	18%
Moderate - Income 50% - 79% of Median	7	54%	\$228,812	34%	20%
Middle - Income 80%-119% of Median	2	15%	\$88,000	13%	28%
Upper - Income 120% or more of Median	4	31%	\$357,000	53%	34%

This table is based on the 13 residential real estate loans from the sample that were made in the bank’s assessment area.

The bank's lending performance of consumer instalment loans is good, given the assessment area's credit needs. The table below shows the distribution of consumer instalment originations among borrowers of different income levels within the assessment area. Based on the consumer instalment sample, 73% of the number and 51% of the dollars of consumer instalment loans were made to low- and moderate-income borrowers. This represents a good penetration of lending to borrowers in the low- and moderate-income categories.

Instalment Loans

Income Level	# of Loans	%	\$ of Loans	%	% of Families in Each Category
Low - Income Less than 50% of Median	13	50%	\$58,746	25%	18%
Moderate - Income 50% - 79% of Median	6	23%	\$59,463	26%	20%
Middle - Income 80%-119% of Median	4	15%	\$66,156	28%	28%
Upper - Income 120% or more of Median	3	12%	\$48,949	21%	34%

This table is based on the 26 consumer instalment loans from the sample that were made in the bank's assessment area.

Lending to Small Farms and Businesses:

The bank primarily lends to small businesses and farms in the assessment area. Because of the nature of the bank's assessment area, most local businesses and farms are small, with revenues under \$500 thousand for farms and \$1 million for businesses.

The bank has done a good job in lending to small farms. Based on the agricultural loan sample, all agricultural loans were made to small farms.

Agricultural Loans

Gross Revenues	# of Loans	%	\$ of Loans	%
Less than \$100,000	6	23%	\$442,000	22%
\$100,000 - 250,000	19	73%	\$1,480,538	73%
\$250,000 - 500,000	1	4%	\$100,000	5%
More than \$500,000	0	0%	\$0	0%

This table is based on the 26 agricultural loans out of the sample that were made to businesses and farms located inside the bank's assessment area.

The bank has done a good job in lending to small businesses. Based on the commercial loan sample, all commercial loans were made to small businesses.

Commercial Loans

Gross Revenues	# of Loans	%	\$ of Loans	%
Less than \$100,000	10	63%	\$383,704	40%
\$100,000 - 250,000	3	19%	\$454,377	48%
\$250,000 - 500,000	2	12%	\$100,000	11%
\$500,000 - 1,000,000	1	6%	\$13,000	1%
More than \$1,000,000	0	0%	\$0	0%

This table is based on the 16 commercial loans out of the sample that were made to businesses and farms located inside the bank's assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

Because each census tract and BNA are middle income areas, performance of a geographic distribution of credit would not have been meaningful. Therefore, an analysis of the geographic distribution of loans to low- and moderate-income geographies was not conducted.

COMPLIANCE WITH FAIR LENDING LAWS

The First National Bank of Homer is in compliance with the substantive provisions of the antidiscrimination laws and regulations. There is no evidence of practices to discourage individuals from applying for credit. The bank generally solicits credit applications from all segments of its assessment area. No complaints have been received by the bank from members of its community regarding its CRA performance.