

# **PUBLIC DISCLOSURE**

November 18, 2002

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Peoples State Bank of Mansfield  
RSSD #: 297734

1 Jefferson Street  
Mansfield, Illinois 61854

Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, Illinois 60604

**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.

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## 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 operations 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 CRA performance of **Peoples State Bank of Mansfield; Mansfield, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **November 18, 2002**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank's loan-to-deposit ratio over the past two years is low in relation to other banks. A majority of the bank's loans were originated within the assessment area. The bank's loan distribution to low- and moderate-income borrowers and to small businesses and small farms marginally exceeds the standards for satisfactory performance. The bank does not have any low- or moderate-income census tracts in its assessment area, so the geographic dispersion of loans was not specifically evaluated as part of this examination. There were no CRA-related complaints received by the bank or by the Federal Reserve Bank of Chicago.

## DESCRIPTION OF INSTITUTION

Peoples State Bank of Mansfield had total assets of \$120,067,000 as of September 30, 2002. The bank has three full-service offices. They are located in census tracts or block numbering areas 9545.00 (Mansfield, Piatt County), 9715.00 (Weldon, DeWitt County), and 106.01 (Mahomet, Champaign County). Based on the 1990 Census, no office is located in a low- or moderate-income census tract. The main office in Mansfield and the Weldon branch are not located in a metropolitan statistical area (MSA). The Mahomet branch is located in the Champaign-Urbana, Illinois MSA.

The bank's business focus remains primarily in agricultural lending. In recent years the bank has increased its residential and commercial real estate lending. According to the September 30, 2002 Uniform Bank Performance Report (UBPR), the bank's loan portfolio compared to a peer group of banks is depicted in the following table.

<b>Table 1</b>		
<b>PEOPLES STATE BANK OF MANSFIELD LOAN PORTFOLIO MIX</b>		
<b>Loan Type</b>	<b>Bank Loan Mix</b>	<b>Peer Loan Mix</b>
Real Estate Loans	50.92%	64.50%
Construction & Development	3.29%	3.91%
1-4 Family Residential	31.29%	31.22%
<i>Home Equity</i>	0.00%	1.22%
Other Real Estate Loans	16.34%	27.33%
<i>Farmland</i>	5.93%	5.43%
<i>Multi Family</i>	0.00%	0.82%
<i>Non-Farm, Non-Residential</i>	10.41%	10.39%
Loans to Individuals	10.34%	11.59%
Credit Card Loans	0.00%	0.18%
Commercial & Industrial Loans	18.65%	14.42%
Agricultural Loans	19.49%	5.50%
Municipal Loans	0.60%	0.59%
Other Loans*	0.00%	0.23%
* Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

There are no apparent factors relating to the bank's financial condition and size, products offered, legal impediments, or local economic conditions that would prevent the bank from helping to meet the community's credit needs.

#### **DESCRIPTION OF ASSESSMENT AREA**

Peoples State Bank of Mansfield's CRA assessment area includes portions of three counties: Piatt, DeWitt, and Champaign. The areas making up the assessment area are largely agricultural. Champaign County is home to the University of Illinois at Urbana Champaign and surrounding towns have become commuter towns for University employees. The bank's assessment area includes two tracts in the Champaign-Urbana MSA and three block numbering areas in non-MSA areas. The geographies are MSA tracts 106.01 and 106.02; and non-MSA block numbering areas 9714.00, 9715.00, and 9545.00.

Due to the small number of census tracts and their general proximity to each other, performance was evaluated on a combined basis (MSA together with non-MSA).

<b>Table 2</b>				
<b>PEOPLES STATE BANK OF MANSFIELD</b>				
<b>Assessment Area and Comparative Characteristics</b>				
	<b>BANK ASSESSMENT AREA</b>	<b>CHAMPAIGN- URBANA MSA</b>	<b>STATEWIDE NON-MSA</b>	<b>STATE</b>
<b><i>Tract Summary</i></b>				
Total Number of Census Tracts	5	-	-	-
Low-Income Census Tracts	0	-	-	-
Moderate-Income Census Tracts	0	-	-	-
Middle-Income Census Tracts	3	-	-	-
Upper-Income Census Tracts	2	-	-	-
<b><i>Income Summary</i></b>				
HUD Adj. Median Family Income - 2002*	Not Available	\$59,600	\$46,700	\$66,500
Median Family Income – 1990 Census	\$34,101	\$26,541	\$23,886	\$32,252
Low-Income Families	12.5%	19.7%	19.9%	20.0%
Moderate-Income Families	14.2%	18.2%	18.6%	17.9%
Middle-Income Families	27.2%	24.6%	23.7%	24.2%
Upper-Income Families	46.1%	37.6%	37.8%	38.0%
Families Below Poverty	5.2%	8.0%	10.5%	9.0%
<b><i>Unemployment Summary</i></b>				
Total Population	20,647	173,025	1,856,803	11,430,602
Labor Force Population	11,213	95,044	861,216	5,840,292
<b><i>Housing Summary</i></b>				
Total Housing Units	7,942	68,416	782,241	4,506,275
Owner-Occupied Units	73.3%	50.9%	66.4%	59.9%
Rental Units	21.4%	42.5%	24.7%	33.4%
Vacant Units	5.3%	6.6%	8.9%	6.7%
Boarded-Up Units	0.1%	0.2%	0.2%	0.5%
Median Housing Value	\$57,237	\$67,514	\$40,181	\$80,114

Source: 1990 Census Data

\*Source: <http://www.huduser.org/datasets/il.html>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Performance Criteria

Performance standards for small banks consist of the following as applicable: the bank's loan-to-deposit ratio; percentage of loans and other lending-related activities within the bank's assessment area; record of lending to borrowers of different incomes and businesses and farms of different sizes; geographic distribution of loans; and record of taking action in response to written complaints. The bank's performance under these CRA criteria are analyzed and evaluated within the assessment area context, which includes, but is not limited to, a comparative analysis of assessment area and metropolitan statistical area demographic data on population, income, housing, and any other relevant data pertaining to the bank's assessment area. In assigning the overall rating, the greatest

weight was placed on the following three criteria: lending activities within the bank’s assessment area; loans to borrowers of different income levels and businesses of different sizes; and the net loan-to-deposit ratio.

**Loan-To-Deposit Ratio**

The loan portfolio of Peoples State Bank of Mansfield was reviewed to evaluate its lending, loan mix and how the bank’s performance compares to a sample of local competitors and the peer group. The bank’s net loan-to-deposit (LTD) ratio averaged 50.65% for the eight quarters ended September 30, 2002. The LTD ratios and trend for the bank as well as a sample of four competitors and a more general peer group are reflected in Table 3.

<b>Table 3</b>									
<b>LOAN-TO-DEPOSIT RATIO SUMMARY</b>									
<b>Financial Institution</b>	<b>LTD Ratio as of 09/30/02</b>	<b>LTD Ratio as of 06/30/02</b>	<b>LTD Ratio as of 03/31/02</b>	<b>LTD Ratio as of 12/31/01</b>	<b>LTD Ratio as of 09/30/01</b>	<b>LTD Ratio as of 06/30/01</b>	<b>LTD Ratio as of 03/31/01</b>	<b>LTD Ratio as of 12/31/00</b>	<b>Average LTD Ratio</b>
Peoples State Bank of Mansfield	47.77%	47.69%	47.62%	49.07%	51.91%	53.23%	52.79%	55.15%	50.65%
Peer	77.49%	77.28%	75.77%	75.95%	77.35%	77.63%	76.70%	77.99%	77.02%
Farmer City State Bank	61.41%	56.80%	53.58%	58.25%	59.23%	52.24%	52.86%	49.93%	55.53%
Bank Champaign, NA	86.12%	89.01%	88.73%	97.54%	100.41%	99.92%	95.55%	93.32%	93.82%
BankIllinois	79.05%	79.86%	82.20%	77.83%	84.06%	82.60%	80.39%	80.44%	80.80%
Busey Bank	87.84%	86.97%	90.14%	86.52%	77.99%	81.76%	81.41%	80.04%	84.04%

As illustrated in the preceding chart, the bank’s average LTD is low in relation to the LTDs of competitors and other banks. This is considered a negative indicator of performance, and the bank does not meet standards for satisfactory performance under this performance criterion.

**Lending In Assessment Area**



A sample of 335 loans was reviewed to determine lending patterns in the assessment area. The sample consisted of 149 consumer installment loans totaling \$786,000, 73 agriculture loans totaling \$1,838,000, and 113 commercial loans totaling \$3,270,000.

The sample period used is October 1, 2001 to September 30, 2002. The distribution of loans inside and outside the bank's assessment area is presented in Table 4.

<b>Table 4</b>			
<b>PEOPLES STATE BANK OF MANSFIELD LENDING WITHIN THE ASSESSMENT AREA</b>			
<b>Loan Type</b>	<b>Total Sample #/\$ (000)</b>	<b>Within the Assessment Area #/\$ (000)</b>	<b>Percent of Total #/\$</b>
Consumer Installment	149 / \$786	105 / \$536	70.5% / 68.2%
Agriculture Loans	73 / \$1,838	60 / \$1,663	82.2% / 90.5%
Commercial Loans	113 / \$3,270	82 / \$3,022	72.6% / 92.4%
<b>Total</b>	<b>335 / \$5,894</b>	<b>247 / \$5,221</b>	<b>73.7% / 88.6%</b>

As shown in Exhibit #2, 247 or 73.7% of the bank's loans were made within the assessment area. Agricultural loans represent the largest percentage (82.2%) of the number of loans in the assessment area. As shown in the above table, a total of \$5,221,000, or 88.6% of loan dollars, were with in the assessment area.

The bank meets the standards for satisfactory performance under this criterion.

#### **Distribution of Loans by Borrower Income**

We reviewed consumer, small business, and small farm loans to evaluate the bank's record of lending to individuals of different income levels and businesses and farms of different revenue levels. Overall, the bank marginally exceeded the standards for satisfactory performance under this criterion. The bank demonstrated a good responsiveness to the credit needs of low- and moderate-income individuals for consumer credit and of small businesses and farms.

#### **Consumer Loans**

A 12-month sample of consumer loans originated in the assessment area was relied on to evaluate the bank's loan distribution to different income levels. The sample from October 1, 2002 to September 30, 2002 consisted of 105 consumer loans originated in the assessment area, totaling \$536,000. The distribution of the bank's loans to the different income levels, as defined by 2002 HUD adjusted median family income, is shown in Table 5.


<b>Table 5</b> <b>PEOPLES STATE BANK OF MANSFIELD</b> <b>DISTRIBUTION OF LOANS BY APPLICANT INCOME</b> <b>HUD ADJUSTED MEDIAN FAMILY INCOME (MFI) \$46,700</b>				
<b>Borrower Income</b>	<b>Number of Families</b>	<b>Percent of Total Families</b>	<b>Number of Loans</b>	<b>Percent of Total Loans</b>
Low – 0 to 49% of MFI	744	12.5%	50	48.5%
Moderate – 50 to 79% of MFI	847	14.2%	29	28.2%
Middle – 80 to 119% of MFI	1,617	27.2%	15	14.6%
Upper – > 120% of MFI	2,740	46.1%	9	8.7%
Totals	5948	100.0%	103*	100.0%*

\*Does not include two loans for which income information was not collected.

As illustrated in Table 5, the bank made 79, or 77 percent of the number of, consumer loans to low- and moderate-income borrowers. By comparison, 27 percent of families in the assessment area are low- and moderate-income, as are 39 percent of total families in the non-MSA areas of Illinois. A total of 9 percent of the bank’s consumer loans were made to upper-income borrowers, while upper-income families comprise 46 percent of families in the assessment area and 38 percent of families in non-MSA areas of Illinois.

**Small Business Loans**

*A small business is a business with gross annual revenues less than \$1 million. A Small Business Loan is a loan with an original loan balance of less than \$1 million.*

A 12-month sample of commercial loans originated in the bank’s assessment area for the period from October 1, 2001 to September 30, 2002 was reviewed to determine the bank’s level of lending to small businesses. The sample consisted of 82 commercial loans totaling \$3,022,000 of those 61 loans or 74.4% of commercial loans were made to small businesses.  If small business loans were of amounts of \$100,000 or less it is illustrated in Table 6.

<b>Table 6</b> <b>PEOPLES STATE BANK OF MANSFIELD</b> <b>SMALL BUSINESS LENDING DISTRIBUTION</b>							
<b>Loan Origination Amount (in 000s)</b>						<b>TOTAL</b>	
<b>&lt; \$100</b>		<b>&gt; \$100 ≤ \$250</b>		<b>&gt; \$250 &lt; \$1,000</b>		<b>#</b>	<b>%</b>
<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		
61	100.0%	0	0.0%	0	0.0%	61	100.0%



**Small Farm Loans**

*Small farm loans are those loans with an original loan balance of less than \$500,000 made to farms with less than \$1 million in gross annual revenues.*

A 12-month sample of agriculture loans originated in the bank’s assessment area for the period from October 1, 2001 to September 30, 2002 was reviewed to determine the bank’s level of lending to small farms. The sample consisted of 60 agriculture loans totaling \$1,663,000 of those 58 or 96.7% were granted to small farms. Fifty-four small farm loans of amounts of \$100,000 or less were originated in the assessment area this represents 93.1% of the bank’s small farm loans. A breakdown of small farm loans is illustrated in Table 7.

<b>Table 7</b>							
<b>PEOPLES STATE BANK OF MANSFIELD SMALL FARM LENDING DISTRIBUTION</b>							
<b>Loan Origination Amount (in 000s)</b>						<b>TOTAL</b>	
<b>&lt; \$100</b>		<b>&gt; \$100 ≤ \$250</b>		<b>&gt; \$250 &lt; \$500</b>			
<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
54	93.1%	4	6.9%	0	0.0%	58	100.0%

The bank’s performance in lending to low and moderate-income borrowers to small businesses and farms is an area of strength in its overall CRA performance.

**Geographic Distribution of Lending in the Assessment Area**

The bank does not have any low- or moderate-income census tracts in its assessment area. No such areas were unreasonably or arbitrarily excluded from the delineation of the assessment area. The geographic dispersion of loans was not evaluated as part of this examination.

**Response to Substantiated Complaints**

Neither Peoples State Bank of Mansfield nor the Federal Reserve Bank of Chicago has received any CRA-related complaints since the previous examination.

**Fair Lending**

No violations of the substantive provisions of the Fair Housing Act Equal Credit Opportunity Act, or their implementing regulations were identified during this examination.