

# **PUBLIC DISCLOSURE**

July 16, 2001

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Farmers Bank of Mt. Pulaski  
RSSD: 830645

130 S. Washington St.  
Mt. Pulaski, IL

Federal Reserve Bank of Chicago

230 S. LaSalle St.  
Chicago, IL 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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**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The Farmers Bank of Mt. Pulaski generally promotes economic development in a manner consistent with its asset size, financial capacity and the economic conditions of its assessment area. The bank's loan-to-deposit ratio meets the standards of satisfactory performance. Despite the lack of low- and moderate-income geographies, the distribution of loans by income level within its assessment area is strong. The bank's efforts are accomplished through the origination of residential real estate, consumer, small business and small farm loans. The examination loan sample and the bank's policies and procedures revealed no patterns or practices intended to discriminate or discourage loan applications from any member of a protected class. In addition, no CRA-related complaints were received by the bank or this Federal Reserve Bank since the previous examination.

## **DESCRIPTION OF INSTITUTION**

The Farmers Bank of Mt. Pulaski, with total assets of \$36.5 million as of March 31, 2001, is a locally-owned bank with one main office and drive-up facility in Mt. Pulaski, Illinois. The bank offers consumer, real estate, commercial and agricultural loans. The bank's primary competitors include the First National Bank of Mt. Pulaski, with total assets of \$45.4 million; the Bank of Chestnut, Chestnut, Illinois, with total assets of \$15.6 million; and the State Bank of Latham, Latham, Illinois, with total assets of \$6.3 million. Competition for agricultural loans also comes from Farm Credit Services in Lincoln, Illinois.

The bank, on June 15, 2001, acquired the Mt. Pulaski branch of Citizens National Bank. All deposits, totaling approximately \$5 million dollars, and loans, totaling approximately \$26,000, were transferred to The Farmers Bank. The former branch of Citizens National Bank was never opened under this bank's name, due to the proximity to the bank's location, and the site has been placed for sale.

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

## **DESCRIPTION OF MT. PULASKI'S ASSESSMENT AREA**

The bank is located in the southeast portion of Logan County, Illinois, 175 miles southwest of Chicago, while the bank's drive-up facility and automated teller machine (ATM) are located across the street from the bank. Logan County is divided into eight block-numbering areas (BNAs). The bank has designated one BNA as its assessment area, number 9536. The assessment area contains the rural townships of Chester, Aetna, Mount Pulaski, Laenna, and Lake Fork. The bank's customers reside

primarily in the southern portion of the BNA that includes the communities of Mt. Pulaski, Latham, Chestnut and Lake Fork, while the northern portion of the BNA consists mainly of farmland. According to 1990 census data, the population of Logan County is 30,798, while the bank’s assessment area has a population of 3,661. Residents of Mt. Pulaski, Latham, Chestnut, and Lake Fork comprise 75.8% of the assessment area’s total population, with Mt. Pulaski representing approximately 44% of the population. Based on interviews with two local community contacts, the labor market has been fairly stable compared to Decatur, which recently lost approximately 1800 jobs due to the closing of the Firestone plant; however many of the residents do commute to neighboring communities for work. The recently released 2000 census data indicates a decreasing trend in population for the bank’s assessment area.

The BNA, with a median family income of \$34,804, is considered middle-income. This is somewhat higher than the yearly-adjusted Housing and Urban Development – Metropolitan Statistical Area 1990 Median Family Income for non-metropolitan areas of Illinois of \$29,693. Approximately 47% of the families in the assessment area are upper-income; 29% are middle-income; 13% are moderate-income; and 11% are low-income. There are no identified low- or moderate-income areas within the bank’s assessment area.

Based on interviews with community contacts and the Economic Development Council for the City of Mt. Pulaski, the following illustrates the major employers within the bank’s assessment area and neighboring communities:

MAJOR EMPLOYERS IN MT. PULASKI and NEIGHBORING COMMUNITIES		
Employer	# of Employees	Product / Service
State of Illinois (Springfield)	21,600	Government
Caterpillar (Decatur)	2,400	Mining/Construction
Lincoln and Logan Correctional Centers (Lincoln)	500 each*	State prison facilities
Inland Tool (Mt. Pulaski)	50	Tool & Die
Vonderlieth Living (Mt. Pulaski)	88	Care of the Elderly
Mt. Pulaski Products (Mt. Pulaski)	50	Food Fiber Additive

\* Estimates based on community contacts

Mt. Pulaski has changed from a rural, agricultural community into a bedroom community, with many of its residents commuting to Lincoln, Decatur, and Springfield for employment. There are 495 housing units in the City of Mt. Pulaski, which have a median home value of \$46,400. There are 1,494 housing units within the bank’s assessment area, of which 1,018 (74.9%) are owner-occupied. The median age of the housing stock is 45 years. New housing construction, which is very limited, is primarily of single-family homes, and is most evident in the areas surrounding Mt. Pulaski.

According to the Illinois Department of Employment Security, the unemployment rate in Logan County was 4.0% in May 2001 compared to 3.6% in May 2000. The State of Illinois seasonally adjusted unemployment rate was to 5.2% in May of 2001, compared to 4.3% in May of 2000. The increase in unemployment is due in part to the recent closing of the Firestone plant that accounted for a loss of approximately 1800 jobs for the county.

Community representatives contacted during the examination indicated the bank is actively involved in the community and is meeting the credit needs of the community. Bank management has strong ties to the community and has lived in the community for a number of years. The bank recently approved two new loans to the city’s fire district and one to the City of Mt. Pulaski.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank was examined for compliance with fair lending laws and regulations; no evidence of prohibited discriminatory credit practices was found. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

**LOAN-TO-DEPOSIT RATIO**

A review of the bank’s December 31, 2000 Call Report revealed a loan-to-deposit (LTD) ratio of 47.34%. Though slightly lower than previous ratios, this remains relatively consistent with the loan-to-deposit ratio noted in the previous report of examination of 51.14% (as of March 31, 1997). A review of the bank’s Call Report over the most recent eight quarters, beginning December 31, 1999, revealed an average loan-to-deposit ratio of 51.26% versus its national peer group average of 66.06%, as noted in the chart below.

Loan-to-Deposit Ratio		
Past 8 Quarters (March '99 – Dec '00)	Bank	Peer
March 1999	51.95	N/A
June 1999	53.54	64.48
September 1999	51.89	66.22
December 1999	50.87	64.16
March 2000	50.30	64.56
June 2000	53.98	68.05
September 2000	50.17	68.07
December 2000	47.34	66.87

<b>AVERAGE</b>	<b>51.26</b>	<b>66.06</b>
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The following are the loan-to-deposit ratios of the bank and its local competitors:

<b>BANK NAME</b>	<b>LOCATION</b>	<b>ASSET SIZE*</b>	<b>LOAN-TO-DEPOSIT RATIO*</b>
The Farmers Bank	Mt. Pulaski, IL	\$36.87 million	47.34%
First National Bank	Mt. Pulaski, IL	\$47.03 million	70.26%
State Bank of Latham	Latham, IL	\$6.75 million	77.74%
Bank of Chestnut	Chestnut, IL	\$15.05 million	81.83%

\* As of 12/31/00

As the preceding table illustrates, the bank's loan-to-deposit ratio is less than its competitors, however is reasonable. The decline in the loan-to-deposit ratio can be partly attributed to a recent certificate of deposit promotion that was very successful in bringing in new money. The change in the economy of Mt. Pulaski from agricultural-based to a bedroom community and less demand for agricultural loans can also be attributed to the bank's low loan-to-deposit ratio.

Based upon its asset size, lending opportunities and current economic factors, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

## **LENDING IN THE ASSESSMENT AREA**

A review of the examination loan sample revealed the following level of lending within the assessment area.

<b>LOAN TYPE</b>	<b>TOTAL SAMPLED</b>	<b>WITHIN THE ASSESSMENT AREA</b>	<b>PERCENT OF TOTAL</b>
Residential Real Estate	42	29	69.05
Consumer Installment - Auto	126	82	65.08
Commercial	25	18	72.00
Agriculture	18	12	66.67

<b>Total Loans</b>	<b>211</b>	<b>141</b>	<b>66.82</b>
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As the preceding table illustrates, 66.82% (69.05% of residential real estate, 65.08% of consumer loans, 72% of commercial loans and 66.67% of agricultural loans) of the loans sampled were made within the bank’s assessment area from June 2000 through June 2001. This is relatively consistent with the total numbers of loans originated during the same twelve-month period, 424 total loans, and the total number of loans made within the bank’s assessment area, 306 loans (72.17%). The level of lending within the assessment area is considered reasonable and meets the standards for satisfactory performance.

**LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES**

An analysis of the loans sampled from the banks loan data, where income information was requested, revealed the following distribution among borrowers of different income levels:

<b>LOAN TYPE</b>	<b>LOW-INCOME (# of loans)</b>	<b>MODERATE- INCOME (# of loans)</b>	<b>MIDDLE- INCOME (# of loans)</b>	<b>UPPER- INCOME (# of loans)</b>
Residential Real Estate	1	1	8	8
Consumer Installment - Auto	19	18	20	10
<b>Total</b>	<b>20</b>	<b>19</b>	<b>28</b>	<b>18</b>
<b>Percent</b>	<b>23.53%</b>	<b>22.35%</b>	<b>32.94%</b>	<b>21.18%</b>

The above chart reveals a total of 45.88% of loans sampled were made to low- and moderate-income individuals; 23.53% (20 of 85) of the loans sampled were made to low-income borrowers, and 22.35% (19 of 85) were made to moderate-income borrowers. According to 1990 Census data, of the 1360 households identified within the bank’s assessment area, 973 of these households were identified as families. Of those, 231 were identified as low- and moderate-income families or 23.74%.

According to management, all agricultural and small business loans were to businesses with annual gross revenues of less than \$1 million, with the exception of one business, which had gross annual revenues of greater than \$1 million for the previous year. A review of agricultural and commercial loans made during the previous twelve months revealed an average loan size of \$67,662 for agricultural loans and \$28,905 for commercial loans.

The distribution of loans reflects an excellent penetration among individuals of different income levels, especially low- and moderate-income individuals, and businesses and farms of different sizes.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

There are no low- or moderate- income census tracts or BNAs in the bank's assessment area; therefore, this criterion is not being rated.

### **RESPONSE TO COMPLAINTS**

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.