

# **PUBLIC DISCLOSURE**

August 12, 1996

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Bank of Farina  
RSSD #162645  
P. O. Box 246  
Farina, Illinois  
62838

Federal Reserve Bank of St. Louis

P.O. Box 442

St. Louis, Missouri 63166-0442

**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 Reserve 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 **State Bank of Farina** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of August 12, 1996. 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 State Bank of Farina meets the standards to receive a satisfactory rating. The loan-to-deposit ratio is considered reasonable, given the institution's size, financial condition, and the credit needs of its assessment area. A substantial majority of the bank's loans and other lending related activities are located within its assessment area. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. The geographic distribution shows a reasonable dispersion of loans throughout the bank's assessment area.

The following table indicates the performance level of State Bank of Farina with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	State Bank of Farina 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 were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

The State Bank of Farina is a \$24 million commercial bank. It has one office in Farina, Illinois, which is located in the southeastern corner of Fayette County. The bank is owned by Midland States Bancorp, Inc., a two-bank holding company. Primary credit products include small business loans, loans secured by 1-4 family residential properties, and consumer installment loans. Competition in the area includes several other rural banks in nearby communities.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as block numbering area (BNA) 9511 in Fayette County, BNAs 9719 and 9720 in Clay County, BNAs 9503 and 9504 in Effingham County and BNAs 9516 and 9517 in Marion County. All of the assessment area BNAs are middle-income, except for BNA 9719, which is considered moderate-income. The income level of a BNA is determined by comparing the percentage of the individual BNA median family income to the statewide nonmetropolitan median family income.<sup>1</sup> The statewide nonmetropolitan median family income is \$23,886, while the median family income for the assessment area is \$21,887, based upon 1990 Census information.

The bank's assessment area is predominantly rural but includes the cities of Farina, St. Elmo, Kinmundy, and Louisville. The area is primarily agricultural and depending upon the weather, area residents' income levels can fluctuate due to the performance of the crops. Farina, Illinois is a community with a population of 575. According to the 1990 census, the assessment area has a population of 24,085.

## **CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:**

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

**The bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. Since the previous examination, the bank's loan-to-deposit ratio has averaged 78.18 percent. The bank's loan-to-deposit ratio is higher than its competitors', which range from 46.46 to 63.60 percent.**

### **Lending within the Assessment Area**

**A substantial majority of loans originated are located within the assessment area. Of the 138 loans sampled, 86 percent are located within the**

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<sup>1</sup> Middle-income is defined as family income that is at least 80 percent and less than 120 percent of the statewide nonmetropolitan median family income.

Moderate-income is defined as family income at least 50 percent and less than 80 percent of the statewide nonmetropolitan median family income.

assessment area. The following chart shows loan activity within the bank=s assessment area by loan type.

### LENDING WITHIN ASSESSMENT AREA

Loan Type	Loans Sampled		Inside Assessment Area			
	Number	Volume (000s)	Number	Percent	Volume (000s)	Percent
Auto Loans	57	\$ 343	48	84.2%	\$ 315	91.8%
Small Business	81	1,341	71	87.7%	1,249	93.1%
TOTAL	138	\$ 1,684	119	86.2%	\$ 1,564	92.9%

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Because information concerning borrower income was not available in most instances, loan amount was used as a proxy to analyze the bank's loan distribution to individuals of different income levels. As depicted in the following chart, the large number of small dollar loans may indicate the bank is making loans to individuals with low and moderate income. This distribution reflects a reasonable distribution of lending by loan amount. In addition, the percentage of loans in the # \$2,000 and \$2,001-\$5,000 categories is favorable compared to the percentage of low- (21.6%) and moderate-income (22%) families within the assessment area.

Loan Amount	Auto Loans		Small Business	
	Number	Percent	Number	Percent
<= \$2,000	7	14.6%	15	21.1%
\$2,001-\$5,000	23	47.9%	16	22.5%
\$5,001-\$10,000	5	10.4%	13	18.3%
\$10,001-\$20,000	10	20.8%	11	15.5%
\$20,001-\$30,000	3	6.3%	5	7.0%
>\$30,000	0	0.0%	11	15.5%

Total	48		71	
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## **Geographic Distribution**

As shown in the following chart, the geographic distribution of loans reflects a reasonable dispersion throughout the two geographies in the bank=s assessment area. Originally, all of the loans sampled appeared to be in middle-income BNAs.

However, it was determined that loans made in BNA 9719, the moderate-income tract, were assigned to BNA 9511, a middle-income tract, because the residents have the Farina Zip code.

Loan Type	Moderate-Income		Middle-Income		Total
	Number	Percent	Number	Percent	Number
Small Business	11	46%	60	63%	71
Auto	13	54%	35	37%	48
Total	24	100%	95	100%	119

## **Review of Complaints:**

No complaints were received since the prior examination.

## **Additional Information:**

A fair lending review was performed to assess compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these laws and regulations were identified.