

# **PUBLIC DISCLOSURE**

May 2, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Logan County Bank  
RSSD# 364337

303 Pulaski Street  
Lincoln, Illinois 62656

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

**TABLE OF CONTENTS**

**PERFORMANCE EVALUATION ..... 2**

**BANK'S COMMUNITY REINVESTMENT ACT (CRA) RATING: SATISFACTORY..... 2**

**SCOPE OF EXAMINATION..... 2**

**DESCRIPTION OF BANK ..... 3**

**DESCRIPTION OF ASSESSMENT AREA ..... 4**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA ..... 4**

    LOAN-TO-DEPOSIT (LTD) RATIO ..... 4

    ASSESSMENT AREA CONCENTRATION..... 5

    GEOGRAPHIC DISTRIBUTION ..... 5

    BORROWER INCOME DISTRIBUTION ..... 6

    RESPONSE TO COMPLAINTS..... 6

**SANGAMON COUNTY, ILLINOIS-FULL REVIEW ..... 7**

    DESCRIPTION OF INSTITUTION'S OPERATIONS IN SANGAMON COUNTY, ILLINOIS ..... 7

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SANGAMON COUNTY, ILLINOIS.....

    LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES 10

**LOGAN COUNTY, ILLINOIS-FULL REVIEW ..... 13**

    DESCRIPTION OF INSTITUTION'S OPERATIONS IN LOGAN COUNTY, ILLINOIS ..... 13

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOGAN COUNTY, ILLINOIS ..... 16

    LENDING TO INDIVIDUALS OF DIFFERENT INCOME LEVELS AND BUSINESSES AND FARMS OF DIFFERENT SIZES.... 16

**CRA APPENDIX ..... 19**

## **BANK'S COMMUNITY REINVESTMENT ACT (CRA) RATING: Satisfactory**

Logan County Bank is meeting the credit needs of its community, based on an analysis of the bank's lending activities. The bank's loan-to-deposit ratio is reasonable, considering current economic conditions, characteristics of the bank, performance of local competitors, and the credit needs of its assessment area. A substantial majority of the bank's loans were originated in its assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's lending activity exhibits a reasonable distribution of loans across borrowers of different income levels, especially those designated as low- and moderate-income, and across businesses of different sizes, particularly small businesses. There were no CRA-related complaints received by the institution or this Reserve Bank during the scope of this evaluation.

### **SCOPE OF EXAMINATION**

Logan County Bank's CRA performance was evaluated using information about the bank and assessment area, such as asset size, financial condition, competition, economic, and demographic characteristics. The evaluation focused on lending as reported under the Home Mortgage Disclosure Act (HMDA), which includes loans to purchase, refinance and improve single- and multi-family housing, referred to as home mortgage loans. The products selected for this evaluation were home mortgage loans, small farm loans and small business loans.

The bank has two assessment areas, Sangamon County (Springfield MSA #441000) and Logan County (non-MSA). Both assessment areas received full reviews. Performance within the designated assessment area was evaluated using small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio was calculated for the bank and compared to its peer group, as well as a sample of local competitors. The average ratio was calculated based on quarterly loan-to-deposit ratios beginning March 31, 2007 and ending December 31, 2010;
- ***Lending in the Assessment Area*** – HMDA-reportable, small business and small farm loans originated from January 1, 2010 to December 31, 2010 were reviewed to determine the percentage of loans originated in the assessment area;
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's HMDA-reportable, small farm and small business loans originated between January 1, 2010 and December 31, 2010 were analyzed to assess the dispersion of loans made throughout the assessment area;
- ***Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes*** – HMDA-reportable, small farm and small business loan originations from January 1, 2010 to

December 31, 2010 were analyzed to assess the loan distribution among borrowers of different income levels and to businesses with different revenue levels; and

- **Response to Substantiated Complaints** – Neither Logan County Bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

In addition to the above criteria, information obtained from discussions with two community representatives was considered in the overall evaluation.

## DESCRIPTION OF BANK

Logan County Bank is headquartered in Lincoln, Illinois and is a wholly-owned subsidiary of Town & Country Financial Corporation, a two-bank holding company located in Springfield, Illinois. Logan County Bank is a small community bank with total assets of \$95.1 million as of December 31, 2010. In addition to the main office, the bank has one branch office in Lincoln, Illinois, and one in Buffalo, . In July 2009, Town & Country Financial Corporation collapsed the charter of Town and Country Bank Buffalo and Logan County Bank assumed one of the branches in Buffalo, Illinois. Logan County Bank also has two cash-dispensing automated teller machines (ATMs) in Lincoln, Illinois.

The bank is primarily a real estate-secured and agricultural lender. The composition of the loan portfolio at December 31, 2010 shows that commercial real estate, residential real estate, and agricultural lending account for 70.0 percent of the dollar amount outstanding. A detailed breakdown of the bank’s loan portfolio as of December 31, 2010 is shown below.

<b>Logan County Bank Composition of Loan Portfolio at December 31, 2010</b>		
<b>Loan Category and Type</b>	<b>Amount Outstanding (000)</b>	<b>% of Total Loans</b>
Commercial (nonfarm/nonresidential) real estate	\$10,044	23.9%
1-4 family residential	\$12,543	29.8%
Construction & land development	\$1,478	3.5%
Multifamily	\$1,511	3.6%
Farm land	\$3,279	7.8%
<b>Total Real Estate Loans</b>	<b>\$28,855</b>	<b>68.5%</b>
Agricultural	\$6,844	16.3%
Commercial & industrial	\$3,865	9.2%
Loans to individuals	\$1,407	3.3%
States & political subdivisions	\$591	1.4%
All other loans	\$551	1.3%
<b>Total Loan Portfolio</b>	<b>\$42,113</b>	<b>100.0%</b>

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on March 12, 2007.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank has two delineated assessment areas. One area includes Logan County in its entirety and the second includes a portion of Sangamon County, which is part of the Springfield, Illinois MSA #44100.

The assessment areas have a combined total of 11 contiguous census tracts with 8 located in Logan County. There are no low- or moderate-income census tracts in the bank's assessment area. In addition, there are no distressed or underserved non-metropolitan middle-income census tracts.

Since the previous performance evaluation, the bank's assessment area was expanded to include three census tracts in Sangamon County. The bank acquired this assessment area as the result of a merger with an affiliate that operated a branch office in Buffalo, Illinois. Details about each assessment area appear in the individual assessment area sections.

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

### **Loan-to-Deposit (LTD) Ratio**

Logan County Bank's LTD ratio relative to its national peer group and local competitors is reasonable given the bank's size, financial condition, and assessment area credit needs.

The 16-quarter average LTD ratio is 55.0 percent for the quarter ending December 31, 2010. The bank's LTD ratio is lower than the national peer group and lower than a sample of institutions in the same assessment area. Over the 16 quarters, the bank's LTD ratio was mostly stable and experienced a slight reduction over the past few years.

<b>Comparative Loan-to-Deposit Ratios</b>	
<b>Institution Name, Location, and asset size as of December 31, 2010</b>	<b>Loan-to-Deposit Ratio (%)</b>
	<i>16 - Quarter Average</i>
Logan County Bank Lincoln, IL \$95.1	55.0
National Peer Group #11	70.4
<b>Competitors</b>	
Bank of Springfield Springfield, IL - \$681.2	96.9
Carrollton Bank Carrollton, IL - \$950.2	87.6
Illini Bank Springfield, IL \$246.8	68.2
Illinois National Bank Springfield, IL \$564.1	76.1
Marine Bank Springfield, IL - \$583.6	92.5
United Community Bank Chatham, IL \$843.3	83.0

### Assessment Area Concentration

A substantial majority of loans and other lending-related activities are in the assessment area. Overall, 90.2 percent of loans by number were made in the assessment areas, representing a nominal increase from 87.1 percent noted at the previous performance evaluation. The bank's lending activity was based on an analysis of 2010 home mortgage, small farm and small business loan data.

2010 Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase Loans	12	66.7	1,247	67.6	6	33.3	597	32.4
Refinanced Loans	37	90.2	3,076	88.1	4	9.8	415	11.9
Home Improvement Loans	12	80.0	566	68.2	3	20.0	264	31.8
Multi-Family Loans	1	100.0	123	100.0	0	0.0	0	0.0
<b>Total HMDA-Reportable Loans</b>	<b>62</b>	<b>82.7</b>	<b>5,012</b>	<b>79.7</b>	<b>13</b>	<b>17.3</b>	<b>1,276</b>	<b>20.3</b>
Total Small Business Loans	33	100.0	2,974	100.0	0	0.0	0	0.0
Total Small Farm Loans	53	94.6	5,974	90.2	3	5.4	650	9.8
<b>Total Loans</b>	<b>148</b>	<b>90.2</b>	<b>13,960</b>	<b>87.88</b>	<b>16</b>	<b>9.8</b>	<b>1,926</b>	<b>12.12</b>

### Geographic Distribution

The bank's assessment area contains only middle- and upper-income census tracts; therefore, a limited analysis was performed to determine the dispersion of loans within the assessment area. An analysis of small farm, small business and HMDA-reportable loans indicates that the bank's

lending is reasonably distributed throughout the assessment area. The bank's performance is discussed in more detail under each assessment area summary.

#### Borrower Income Distribution

The distribution of loans, based on borrower income and revenue characteristics, reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's performance is discussed in detail under each assessment area discussion.

#### **Response to Complaints**

Neither Logan County Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

#### **Fair Lending or Other Illegal Credit Practices Review**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## METROPOLITAN AREAS

### SANGAMON COUNTY-SPRINGFIELD, ILLINOIS MSA- Full Review

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN SPRINGFIELD, ILLINOIS MSA #44100

Logan County Bank delineates three contiguous middle-income census tracts in northern Sangamon County, which is part of the Springfield MSA #44100 (Springfield MSA). It has one retail banking office in Buffalo, Illinois and no ATMs. The bank began operations here as the result of a merger with an affiliate in July 2009.

Sangamon County is a highly competitive banking environment. In addition to Logan County Bank, 24 other FDIC-insured financial institutions operate 87 banking offices in the county. As of June 30, 2010, Logan County Bank had a market share of 0.42 percent of all FDIC-insured deposits in Sangamon County ranking it 22<sup>nd</sup> out of 25 financial institutions operating at least one branch office in the county. The top eight banks collectively account for approximately 73.8 percent of all deposits. JP Morgan Chase Bank ranks first in deposit market share with 11.0 percent of the deposits.

Selected demographic data for this assessment area is provided in the following tables. The data is based on the 2000 Census as well as recent census estimates and current Dun & Bradstreet information.

#### *Population Characteristics*

According to the 2000 Census, the population of the assessment area was 12,268. Sangamon County as a whole grew by 2.7 percent according to 2009 estimates. Additional population statistics are presented in the following table.

Population Changes 2000 Census vs. July 1, 2009			
Area	2000 Census	July 1, 2009 Estimates	Percentage Change
Assessment Area	12,268	N/A	N/A
Sangamon County, Illinois	188,958	194,000	2.7%
Springfield MSA	201,182	208,182	3.4%
State of Illinois	12,419,658	12,910,409	4.0%
<i>Source: U.S. Census Bureau</i>			

**Income Characteristics**

According to the 2000 Census, median family income levels for the assessment area were comparable to that of Sangamon County as a whole. The 2010 Census Bureau estimates the median family income level in Sangamon County grew to \$66,600, or by 23.6 percent. This growth can be attributed in part to the diverse and traditionally strong employers in the state government and healthcare industries within the county. The following table provides additional income data:

Median Family Income Changes 2000 Census vs. Year 2010			
Area	2000 Census	2010 Estimates	Percentage Change
Assessment Area	\$52,683	N/A	N/A
Sangamon County	\$53,900	\$66,600	23.6%
Springfield MSA	\$55,573	\$66,600	19.8%
State of Illinois	\$55,545	\$69,600	25.3%

*Source: U.S. Department of Housing and Urban Development*

Bankruptcy rates in Sangamon County, the state of Illinois, and the U.S. increased in 2009 over the rates for 2008. The bankruptcy rates for the assessment area rose between 2008 at 3.7 per thousand and 2009 at 4.3 per thousand. In 2009, the state of Illinois’s bankruptcy rate was higher than that of the U.S. with rates of 5.5 per thousand individuals and 4.6 per thousand individuals, respectively.

**Housing Characteristics and Affordability**

In general, housing is more affordable in the assessment area when compared to the county as a whole and the Springfield MSA. The table immediately following this discussion includes data regarding median housing values, rents, and affordability ratios. The assessment area’s median housing value is approximately 35.0 percent lower than the statewide median housing value. The median gross rent is 53.8 percent lower than HUD’s 2010 Fair Market Rent values. The affordability ratio also supports the relatively lower cost of housing in the assessment area. Definitions of both Fair Market Rent and the Affordability Ratio are found in the glossary of this report.

Housing Costs				
Location	2000 Median Housing Value	2000 Median Gross Rent	Fair Market Rent *	Affordability Ratio
Assessment Area	\$83,084	\$489	\$664	57
Sangamon County	\$87,600	\$503	\$664	49
Springfield MSA	\$87,864	\$501	\$664	49
State of Illinois	\$127,800	\$605	N/A	36

*2000 United States Census Data;*  
*\*2010 Department of Housing and Urban Development’s 2010 rent for two-bedroom apartment.*

**Employment Conditions**

State government, public administration, healthcare, and retail represent significant percentages of the employment opportunities within Sangamon County. During the evaluation period, the number of state government employees decreased while the healthcare industry increased to its highest employment levels. However, despite the decrease in employment, state government and public administration are the primary employers and industries in the Springfield job market. The local economy is supported by tourism, as well.

The relatively diverse economy has helped insulate Sangamon County from the higher unemployment and bankruptcy rates that were being experienced in other counties across the state of Illinois during the evaluation period. The major employers in the area are listed below.

Largest Employers in the Assessment Area		
Company	# Employed	Employment Sector
State of Illinois	59,659	State Government
Office of the Governor of Illinois	39,402	State Government
Hospital Sisters Health System	14,000	Healthcare
Illinois Department of Health	6,406	Healthcare
Midstates Video Corporation	5,000	Retail
Family Video Club	5,000	Retail
St. John’s Hospital	3,000	Healthcare
Memorial Medical Center	2,849	Healthcare
Illinois Department of Human Services	2,800	Public Administration
<i>Source: Hoovers.com</i>		

As of December 31, 2010, the unemployment statistics, as presented below for the United States, state of Illinois, and Sangamon County were 9.6 percent, 10.3 percent, and 8.3 percent, respectively. Over the past four years, Sangamon County has been below the State of Illinois’ unemployment rates, and for three of the last four years, it has been below United States’ unemployment rates.

The unemployment rate within Sangamon County has been steadily increasing. This steady increase in unemployment is partially the residual effect of challenging economic conditions experienced in both the state of Illinois and the United States.

The following table presents the unemployment rates for the period under review.

Unemployment Statistics				
Region	2010	2009	2008	2007
United States	9.6%	9.3%	5.8%	4.6%
State of Illinois	10.3%	10.1%	6.4%	5.1%
Sangamon County	8.3%	7.4%	5.8%	4.7%
<i>Source: United States Department of Labor – Bureau of Labor Statistics</i>				

According to a community representative, employment has been steady and unemployment rates have been relatively low compared to other metropolitan areas in central Illinois. Job losses have occurred in real estate and public administration, but not to the degree the rest of the country has experienced.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SANGAMON COUNTY, ILLINOIS ASSESSMENT AREA**

### **LENDING TEST**

The bank is meeting the credit needs of this assessment area, based on an analysis of the bank's lending activities. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's lending activity exhibits a reasonable distribution of loans across borrowers of different income levels, small businesses and small farms.

#### **Geographic Distribution of Loans**

The bank's assessment area contains only middle-income census tracts; therefore, a limited analysis was performed to determine the dispersion of loans within the assessment area. An analysis of home mortgage, small farm and small business loans indicated a reasonable dispersion throughout the bank's assessment area.

#### **Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes**

##### *Home Mortgage Loans*

The following table presents the bank's home mortgage lending by income level of the borrower in 2010. The bank made 31.2 percent of the number and 20.4 percent of the dollar volume of its residential real estate loans to low- and moderate-income borrowers. The percentage of loans made to low- and moderate-income borrowers (31.2 percent) is reasonable when compared to the percentage of families within the assessment area categorized as low- or moderate-income (34.9 percent).

Home Mortgage Lending, 2010 Borrower Distribution					
Income Level	Bank Loans				Families by Family Income Level
	#	%	\$	%	%
<b>Total Home Mortgage Loans</b>					
Low	2	12.5	90	9.9	14.7
Moderate	3	18.7	96	10.5	20.2
Middle	6	37.5	313	34.4	28.9
Upper	4	25.0	397	43.6	36.2
Unknown	1	6.3	15	1.6	0.0
<b>Total</b>	<b>16</b>	<b>100.0</b>	<b>911</b>	<b>100.0</b>	<b>100.0</b>

***Loans to Small Businesses and Small Farms***

The distribution of the bank’s loans reflects a reasonable penetration among businesses and farms of different revenue sizes.

Logan County Bank originated 10 small business loans in 2010. Ninety percent of the loans were originated in amounts of \$100,000 or less. Similarly, the bank originated 15 small farm loans in 2010; 60.0 percent of which were originated in amounts of \$100,000 or less. The bank’s record of lending to small businesses and small farms was also evaluated by reviewing loans originated to borrowers with \$1 million or less in revenues. Based on 2010 loans to small businesses, the bank originated the majority of its loans, 90.0 percent, to borrowers with gross annual revenues of \$1 million or less. All 2010 loans to small farms were also originated to borrowers with gross annual revenues of \$1 million or less. Additional detail about the bank’s lending is presented in the following tables.

Small Business Loan Distribution, 2010 By Revenue and Loan Size (000's)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
<b>By Revenue</b>					
\$1 Million or Less	9	90.0	331	76.8	89.2
Over \$1 Million	1	10.0	100	23.2	4.1
Not Known	0	0.0	0	0.0	6.8
Total	10	100.0	431	100.0	100.0
<b>By Loan Size</b>					
\$100,000 or less	9	90.0	281	65.2	
\$100,000 - \$250,000	1	10.0	150	34.8	
\$250,000 - \$1 Million	0	0	0	0	
Total	10	100.0	431	100.0	
<b>By Loan Size and Revenue \$1 Million or Less</b>					
\$100,000 or less	8	88.9	181	54.7	
\$100,000 - \$250,000	1	11.1	150	45.3	
\$250,000 - \$1 Million	0	0.0	0	0.0	
Total	9	100.0	331	100.0	

Small Farm Loan Distribution, 2010 By Revenue and Loan Size (000's)					
Category	Bank Loans				Farms By Annual Revenues
	#	%	\$	%	# %
<b>By Revenue</b>					
\$1 Million or Less	15	100.0	1,543	100.0	100.0
Over \$1 Million	0	0.0	0	0.0	0.0
Not Known	0	0.0	0	0.0	0.0
Total	15	100.0	1,543	100.0	100.0
<b>By Loan Size</b>					
\$100,000 or less	9	60.0	293	19.0	
\$100,000 - \$250,000	4	26.7	652	42.2	
\$250,000 - \$500,000	2	13.3	598	38.8	
Total	15	100.0	1,543	100.0	
<b>By Loan Size and Revenue \$1 Million or Less</b>					
\$100,000 or less	9	60.0	293	19.0	
\$100,000 - \$250,000	4	26.7	652	42.2	
\$250,000 - \$500,000	2	13.3	598	38.8	
Total	15	100.0	1,543	100.0	

## NONMETROPOLITAN AREAS

### LOGAN COUNTY, ILLINOIS-Full Review

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN LOGAN COUNTY, ILLINOIS

Logan County Bank operates two retail banking offices and four ATMs in Logan County, Illinois. Each office has an onsite ATM. The remaining ATMs are located in local shopping centers. The bank has not opened or closed any branch offices or ATMs in Logan County since the previous evaluation.

Logan County has a relatively competitive banking environment. In addition to Logan County Bank, there are 11 other FDIC-insured financial institutions that operate 20 banking offices in the county. As of December 31, 2010, the bank had a market share of 11.1 percent of all FDIC-insured deposits ranking it 3<sup>rd</sup> of 11 financial institutions operating branch offices in the county. State Bank of Lincoln and Regions Bank were the two largest deposit holders in the county with 36.8 percent and 13.6 percent of the market share, respectively.

The assessment area consists of Logan County in its entirety. This area consists of eight census tracts comprised of seven middle- and one upper-income census tracts. The Logan County, Illinois assessment area has not changed since the previous examination.

Selected demographic data for this assessment area are provided in the following tables. The data is based on the 2000 Census as well as recent census estimates and current Dun & Bradstreet information.

#### *Population Characteristics*

Logan County experienced a decline in its population since the 2000 census. According to 2009 estimates by the U.S. Census Bureau, the population decreased by -4.5 percent to 29,776. Figures for the county and the state of Illinois are presented in the following table:

Population Changes 2000 Census vs. July 1, 2009			
Area	2000 Census	July 1, 2009 Estimates	Percentage Change
Assessment Area – Logan County	31,183	29,776	(4.5%)
State of Illinois	12,419,293	12,910,409	4.0%
<i>Source: U.S. Census Bureau</i>			

***Income Characteristics***

The 2010 estimated median family income level of the assessment area is \$60,900. The median family income increased by 25.2 percent since the 2000 Census. During the same period, the median family income also increased for the state of Illinois by 25.3 percent. Families in the assessment area with incomes below the poverty level represent 6.2 percent of all families, a level that is below the state level of 7.8 percent.

Bankruptcy rates in the assessment area, the state of Illinois, and the U.S. decreased in 2010 from the rates for 2009. The bankruptcy rates for the assessment area fell from 6.2 in 2009 to 5.5 per thousand individuals in 2010. The state of Illinois' bankruptcy rate was higher than the U.S. bankruptcy rate in 2010, at 6.2 and 5.0 per thousand individuals, respectively.

Median Family Income Changes 2000 Census vs. Year 2010			
Area	2000 Census	2010 Estimates	Percentage Change
Assessment Area – Logan County	48,655	60,900	25.2%
State of Illinois	55,545	69,600	25.3%

*Source: U.S. Department of Housing and Urban Development*

***Housing Characteristics and Affordability***

The table following this discussion includes data regarding median housing values, rents, and affordability ratios. The assessment area's median housing value is approximately 41.4 percent lower than the statewide median housing value. Rental housing is affordable in the assessment area, with a \$455 median gross rent that is approximately 21.4 percent lower than HUD's 2010 Fair Market Rent. Housing in the assessment area is also more affordable than housing available statewide based on affordability ratios. Higher ratios generally mean more affordable housing; the assessment area's ratio is 52 compared to the state's ratio of 36. Definitions of both Fair Market Rent and the Affordability Ratio are found in the glossary of this report.

Housing Costs				
Location	2000 Median Housing Value	2000 Median Gross Rent	Fair Market Rent *	Affordability Ratio
Assessment Area – Logan County	\$74,900	\$455	\$579	52
State of Illinois	\$127,800	\$605	N/A	36

*2000 United States Census Data;*  
*\*2010 Department of Housing and Urban Development's rent for two-bedroom apartment.*

**Labor and Employment**

Similar to the State of Illinois, unemployment rates have increased dramatically since 2007. The increasing unemployment rate can be attributed to the challenging economic conditions experienced both at the state and county levels. The following table presents the unemployment rates since 2007. Unemployment Statistics

Region	2010	2009	2008	2007
United States	9.6%	9.3%	5.8%	4.6%
State of Illinois	10.3%	10.0%	6.4%	5.1%
Logan County	9.8%	9.2%	6.8%	5.1%

Source: United States Department of Labor – Bureau of Labor Statistics  
\*Preliminary

This mostly rural county’s major employers come from the manufacturing, agricultural, and health sectors. The major employers in the area are listed below.

Largest Employers in the Assessment Area		
Company	# Employed	Industry
Christian Homes	2,300	Skilled Nursing Care Facility
Abraham Lincoln Memorial Hospital	311	General Hospital
Lincoln Health Services, Inc.	300	Drug & Wholesale Medical Equipment
Precision Products Inc.	200	Manufacturing
Lincoln Christian University	200	University

Source: Hoovers.com

Community representatives, contacted during the examination to determine the credit needs of the assessment area, indicated that local financial institutions are actively involved in the community and are adequately meeting the community's credit needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOGAN COUNTY, ILLINOIS**

### **LENDING TEST**

The bank is meeting the credit needs of this assessment area, based upon an analysis of the bank's lending activities and information provided by community representatives. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's lending activity exhibits a reasonable distribution of loans across individuals of different income levels, and small businesses and small farms of different sizes.

#### **Geographic Distribution of Loans**

The bank's assessment area contains seven middle and one upper-income census tracts; therefore, a limited analysis was performed to determine the dispersion of loans within the assessment area. An analysis of home mortgage, small farm and small business loans indicated a reasonable level of penetration throughout the bank's assessment area.

#### **Lending to Individuals of Different Income Levels and to Businesses and Farms of Different Sizes**

The distribution of the bank's loans reflects a reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels.

#### ***Home Mortgage Loans***

The following table presents the bank's home mortgage lending by income level of the borrower in 2010. The bank made 21.8 percent of the number and 12.1 percent of the dollar volume of its HMDA-reportable loans to low- and moderate-income borrowers.

Home Mortgage and Lending, 2010 Borrower Distribution					
Income Level	Bank Loans				Families by Income Level
	#	%	\$	%	%
Total Home Mortgage Loans					
Low	1	2.2	45	1.1	13.9
Moderate	9	19.5	453	11.0	16.4
Middle	12	26.1	750	18.3	24.5
Upper	23	50.0	2,730	66.6	45.2
Unknown	1	2.2	123	3.0	0.0
Total	46	100.0	4,101	100.0	100.0

***Loans to Small Businesses and Small Farms***

The distribution of the bank’s loans reflects a reasonable penetration among businesses and farms of different revenue sizes. The bank’s record of lending to small businesses and farms was also evaluated by reviewing loans originated to borrowers with \$1 million or less in revenues. Logan County Bank originated 16 loans to small businesses in 2010; 100.0 percent of the loans were originated in amounts of \$100,000 or less. The bank originated 38 loans to small farms in 2010; 44.7 percent of the loans were originated in amounts of \$100,000 or less.

Additional detail about the bank’s lending in these areas is presented in the following tables.

Small Business Loan Distribution, 2010 By Revenue and Loan Size (000's)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
<b>By Revenue</b>					
\$1 Million or Less	16	70.0	360	14.2	88.8
Over \$1 Million	7	30.0	2,182	85.8	4.5
Not Known	0	0.0	0	0.0	6.7
Total	23	100.0	2,542	100.0	100.0
<b>By Loan Size</b>					
\$100,000 or less	18	78.3	457	18.0	
\$100,000 - \$250,000	2	8.7	354	13.9	
\$250,000 - \$1 Million	3	13.0	1,732	68.1	
Total	23	100.0	2,543	100.0	
<b>By Loan Size and Revenue \$1 Million or Less</b>					
\$100,000 or less	16	100.0	360	100.0	
\$100,000 - \$250,000	0	0.0	0	0.0	
\$250,000 - \$1 Million	0	0.0	0	0.0	
Total	16	100.0	360	100.0	

Small Farm Loan Distribution, 2010 By Revenue and Loan Size (000's)					
Category	Bank Loans				Farms By Annual Revenues
	#	%	\$	%	# %
<b>By Revenue</b>					
\$1 Million or Less	38	100.0	4,432	100.0	100.0
Over \$1 Million	0	0.0	0	0.0	0.0
Not Known	0	0.0	0	0.0	0.0
Total	38	100.0	4,432	100.0	100.0
<b>By Loan Size</b>					
\$100,000 or less	17	44.7	430	9.7	
\$100,000 - \$250,000	16	42.1	2,462	55.6	
\$250,000 - \$500,000	5	13.2	1,540	34.7	
Total	38	100.0	4,432	100.0	
<b>By Loan Size and Revenue \$1 Million or Less</b>					
\$100,000 or less	17	44.7	430	9.7	
\$100,000 - \$250,000	16	42.1	2,462	55.6	
\$250,000 - \$500,000	5	13.2	1,540	34.7	
Total	38	100.0	4,432	100.0	

## CRA APPENDIX

### GLOSSARY

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Affordability ratio:** To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more

bordering states is called a multistate metropolitan statistical area (**MMSA**). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Small loans to business:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.