

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentations: Gerald Johnson

[Applause]

Gerald Johnson:

Good afternoon. I am Gerald Johnson, President of the First National Bank of Grand Ridge in Grand Ridge, Illinois. First National Bank of Grand Ridge is a national bank with approximately \$35 million in assets with one office. I am the Illinois District 1 State Director for the Independent Community Bankers of America and serve on the Community Bankers of Illinois board. I have 30 years' experience as a bank officer.

The First National Bank of Grand Ridge is classified as a small bank under CRA and received a satisfactory rating from the office of comptroller and currency back in March of 2008. As a \$35 million community bank, I have approximately \$10 million in loans consisting of agricultural, commercial, consumer, and 1 through 4 residential loans. In total, I have 279 loans on my books. My delineated community encompasses eight mile radius surrounding Grand Ridge. The First National Bank of Grand Ridge has been in operation for over 107 years. We continue to reevaluate our agricultural lending due to the cyclical nature and impact on the risk tolerance. Making mortgage loans to hold in our portfolio posed an interest rate risk. Because we have so few loans per year, whether the loan resides in or out of our delineated community is a CRA factor. The loan size is a factor. Urban areas are out of our delineated area community. But they have greater values and collateral along with higher and more stable incomes, making one \$180,000 loan in an urban area can be the same dollarwise as making three loans in Grand Ridge utilizing the same type of collateral. These high dollar loan -- high dollar out of community loans can become detrimental to our CRA rating.

Grand Ridge is a mature community. It has more deposits than loan demand. For more than five decades, its population has been stable and housing construction has been nonexistent. In the past few years, our customer flight to safety and into insured deposits have increased the bank's deposit base. This, in turn, drops the loan deposit ratio, which is a factor to our CRA rating. There are very few qualifying municipal investments within my marketplace to meet CRA credits. Our bank serves the community with deposit, lending, and other banking services. In addition, we play a key role to many civic activities. The First National Bank of Grand Ridge bank staff have served on school, village, county, fire district, and United Way boards. We have served as treasurers to many organizations. We donate time to community activities in numerous not for profit groups. CRA is still by [inaudible] regulation scored by loans. The giving of time, especially a combination of personnel and corporate time, should become another major mitigating factor. The records requirements necessary for documentation and proof in complying with CRA have changed much over my banking career. When our bank was \$12 million in assets, compliance with CRA was much more inconsistent and time consuming. Keeping CRA compliance simplistic with minimum documentation, recordkeeping is essentially for banks. As our bank continues to grow and utilizing new banking technologies, our delineated community will change. Internet and mobile banking can expand our client base and we'll compete with much larger institutions. I thank you for the opportunity to give presentation.