

# **PUBLIC DISCLOSURE**

October 21, 1996

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First State Bank of Dongola  
RSSD# 630041**

**P. O. Box 219  
Dongola, Illinois 62926**

**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 **The First State Bank of Dongola** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of **October 21, 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 First State Bank of Dongola meets the standards for a satisfactory rating. The bank's loan-to-deposit ratio is adequate given the institution's size, its financial condition, and the credit needs of the assessment area. A substantial majority of the bank's loans and other lending related activities are within its assessment area. The loan distribution reflects reasonable penetration among individuals of different income levels and among businesses of different sizes. The geographic distribution of loans in the assessment area by income level of the Block Numbering Areas (BNAs) is a reasonable representation of the population within each geography.

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

| SMALL INSTITUTION ASSESSMENT<br>CRITERIA   | <u>THE FIRST STATE BANK OF DONGOLA</u><br>PERFORMANCE LEVELS   |  |   |
|--|--|--|---|
|  | Exceeds<br>Standards for<br>Satisfactory<br>Performance        | Meets<br>Standards<br>for<br>Satisfactory<br>Performance | Does not<br>meet<br>Standards<br>for<br>Satisfactory<br>Performanc<br>e |
| Loans to Deposit Ratio   |  | X  |   |
| Lending in Assessment Area   | X  |  |   |
| Lending to Borrowers of<br>Different Incomes and to<br>Businesses of Different Sizes |  | X  |   |
| Geographic Distribution of<br>Loans  | X  |  |   |
| Response to Complaints   | No complaints were received since the<br>prior<br>examination. |  |   |

## DESCRIPTION OF INSTITUTION

The First State Bank of Dongola is independently owned. It is the fourth largest of the five banks headquartered in Union County, Illinois. It has its main office located in Dongola, Illinois, and a branch office located in Ullin, Illinois, six miles to the south. As of June 30, 1996, the bank reported \$13.7 million in total assets.

There are several banks within a fifteen mile radius of Dongola. Competition comes from these institutions and branches of other banks headquartered outside the fifteen mile radius. The competing banks are all located in Illinois as follows: two banks in Anna, ten miles north; a bank in Jonesboro, twelve miles north; a bank in Olmsted, about 12 miles south; two banks in Vienna, about 18 miles east; a bank in Grand Chain, about 11 miles southeast; a bank in Tamms, about 10 miles southwest; and a branch bank located in Mounds about 18 miles south. All of

these banks and branch offices are within or immediately adjacent to the bank=s assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The bank=s assessment area consists of all or parts of the Illinois counties of Alexander, Johnson, Pulaski, and Union, is primarily rural and includes a number of small towns and villages. The more prominent of these are: Anna, Cypress, Dongola, Grand Chain, Jonesboro, Karnak, Millcreek, Mounds, Olive Branch, Tamms, Thebes, and Vienna.

These towns/villages encompass the BNAs listed in the following table:

| County    | BNA No. | Income Level |
|-----------|---------|--------------|
| Alexander | 9576    | Middle       |
| Alexander | 9577    | Moderate     |
| Johnson   | 9778    | Middle       |
| Pulaski   | 9710    | Middle       |
| Pulaski   | 9711    | Moderate     |
| Union     | 9503    | Moderate     |
| Union     | 9504    | Middle       |
| Union     | 9505    | Middle       |

There are no low-income BNA=s within the bank=s assessment area although there are low-income individuals and families.

The 1990 census data for the bank=s assessment area show a categorization of family income levels as follows:

|   |                 |              |
|---|-----------------|--------------|
| C | Low-income      | 29.8 percent |
| C | Moderate-income | 21.2 percent |
| C | Middle-income   | 23.2 percent |
| C | Upper-income    | 25.8 percent |

Retail trade and manufacturing are the predominant industries in the assessment area. Many individuals in the area commute daily to jobs in manufacturing and other businesses in the surrounding counties and the states of Kentucky and Missouri. The September 1996 unemployment rates for the counties in the assessment area are: Alexander 7.7 percent; Johnson 7.4 percent; Pulaski 8.8 percent; and Union 5.9 percent.

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

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

The bank's loan-to-deposit ratio is reasonable, considering the context in which the bank operates. The bank's average loan-to-deposit ratio for the five quarters since the last examination (April 17, 1995) is 70.7 percent. This ratio is higher than three of the four competitors headquartered within the assessment area. There are a total of seven banks whose headquarters are within a 20-mile radius of Dongola. In addition, there are branches of three other financial institutions headquartered outside the 20-mile radius. The average loan-to-deposit ratios of the other institutions headquartered within the assessment area range from 30.4 percent to 80.4 percent for the same five quarter time period.

### **Lending in the Assessment Area**

A substantial majority of the bank's loans are located within its assessment area. Of the 88 consumer loans sampled during the examination, 86 or 97.7 percent are located within the assessment area. The bank periodically performs a zip code analysis of lending. Examination findings are consistent with the bank's analysis.

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

Consumer loans represent the bank's major product line. An analysis of a sample of consumer loans to individuals on both a secured and unsecured basis indicates a reasonable penetration among individuals of different income levels. Business loans were not reviewed for CRA analysis purposes since the bank makes only a limited number of such loans.

Using the 1996 statewide nonmetropolitan median family income of \$36,000 to determine the income level of each borrower, the bank's lending to applicants by income level is as follows:

**Distribution of Loans Across Assessment Area by Income Level of Borrower**

| Loan Type                      | Borrower Income Level<br>Number and Volume (000s) |                       |                     |                    |                      |
|--------------------------------|---|-----------------------|---------------------|--------------------|----------------------|
|                                | Low <sup>1</sup>                                  | Moderate <sup>2</sup> | Middle <sup>3</sup> | Upper <sup>4</sup> | Income Not Available |
| Consumer (Secured & Unsecured) | 19<br>22%   | 19<br>22%             | 19<br>22%           | 12<br>14%          | 17<br>20%            |
|                                | \$64,521<br>20%                                   | \$61,991<br>19%       | \$86,173<br>27%     | \$110,739<br>34%   |                      |
| Assessment Area Population     | 29.8%   | 21.2%                 | 23.2%               | 25.8%              |                      |

<sup>1</sup>Low-income is defined as income that is less than 50 percent of the statewide nonmetropolitan median family income.

<sup>2</sup>Moderate-income is defined as income that is at least 50 percent and less than 80 percent of the statewide nonmetropolitan family income.

<sup>3</sup>Middle-income is defined as income that is at least 80 percent and less than 120 percent of the statewide nonmetropolitan median family income.

<sup>4</sup>Upper-income is defined as income that is 120 percent or more of the statewide nonmetropolitan median family income.

The chart shows that bank lending is being directed towards low-, moderate- and middle-income individuals. The ratio distributions are reasonable when compared to the family income level of the bank=s assessment area.

## Geographic Distribution

The geographic distribution of the bank's consumer loans reflects reasonable dispersion within the assessment area, including loans to the moderate-income geographies. From the sample of 86 loans located within the assessment area, the percentage located in each BNA is reasonable when compared to the population of each BNA. The three moderate-income BNAs in the assessment area contain 37.1 percent of the assessment area population and the five middle-income BNAs contain 62.9 percent of the assessment area population.

### **Geographic Distribution of Loans Within Assessment Area by Income Level of Census Tract**

| Loan Type                            | BNA Income Level<br>Number and Volume (000s) |                  |                   |
|--------------------------------------|--|------------------|-------------------|
|                                      | Moderate                                     | Middle           | Total             |
| Consumer<br>(Secured &<br>Unsecured) | 24<br>28%                                    | 62<br>72%        | 86<br>100%        |
|                                      | \$102,419<br>24%                             | \$316,327<br>76% | \$418,746<br>100% |

The bank periodically analyzes the geographic distribution of its loans by zip code and city/town. An analysis of the sample of consumer loans conducted during the examination is consistent with the results of the bank's geographic analysis.

## Review of Complaints

No complaints were received since the prior examination dated April 17, 1995.

## Additional Information

A fair lending analysis focusing on the Equal Credit Opportunity Act and the Fair Housing Act was performed during the examination. The analysis concluded that the bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discouragement of applications was noted. Applications are actively solicited from all segments of the bank's assessment area.

