

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 operations 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 CRA performance of **State Bank of Arthur, Arthur, Illinois** prepared by the **Federal Reserve Bank of Chicago**, 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 RATING: This institution is rated **Satisfactory**.

State Bank of Arthur generally promotes economic revitalization and growth consistent with its size, financial capacity, location, and the current economic conditions of its assessment area. The bank provides this support through origination of real estate, small farm, small business, and consumer loans. The extent of the bank's activities is evidenced by its consistently higher than peer loan-to-deposit ratio. The vast majority of the bank's loan originations are within the assessment area. Loans to small farms and small businesses, as well as consumers of all income levels are prevalent. The geographic distribution of loans throughout the assessment area is reasonable. The examination revealed no patterns or practices intended to discriminate or discourage applications from any protected class. There were no CRA-related complaints received by the bank since the previous examination.

The following table indicates the performance level of **State Bank of Arthur, Arthur, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	STATE BANK OF ARTHUR 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 have been received since the previous examination.		

DESCRIPTION OF INSTITUTION

State Bank of Arthur, with total assets of \$57.8 million as of June 30, 1996, is a subsidiary of Arthur Bancshares Corporation, Arthur, Illinois, a one bank holding company. The Bank serves the assessment area through its main office and a drive-up/walk-up branch facility, both of which are located in downtown Arthur.

Competition is provided by Arthur Community Bank, Arthur, the Arthur branch of First of America Bank - Champaign, Champaign, Illinois and the Arthur branch of First National Bank of Arcola, Arcola, Illinois. Additional competition in the assessment area includes: First State Bank, Atwood, Illinois, Tuscola National Bank, Tuscola, Illinois, First National Bank of Sullivan, Sullivan, Illinois, and First Mid-Illinois Bank and Trust, Mattoon, Illinois, with branches in Arcola, Tuscola, and Sullivan. Competition for consumer and real estate loans is also provided by several larger institutions in Champaign and Decatur.

The bank provides traditional deposit and loan services at its main office, and deposit services at its drive-up/walk-up branch. The bank offers agricultural, residential mortgage, commercial, and consumer loan products. In addition to its standard loan products the bank also offers loans through both Federal and State of Illinois government-guaranteed/insured programs. Federal loan programs include Farmers Home Administration (FmHA) and Small Business Administration (SBA). State of Illinois programs include loans through the Illinois Farm Development Authority and State of Illinois Ag Production Loan Deposit Program. Agricultural and Consumer loans are the largest portion of the bank's loan portfolio. As of June 30, 1996, combined agricultural production and real estate secured loans represented 29% of the bank's total outstanding loans. Consumer loans also represented 29% of outstanding loans. By comparison, combined commercial operating and real estate loans were 27% of the portfolio, and residential mortgage loans were 15%. There are no factors relative to the bank's financial condition, size, or local economic conditions which prevent the bank from meeting community credit needs.

DESCRIPTION OF STATE BANK OF ARTHUR'S ASSESSMENT AREA

The bank's main office and limited service branch are located in Arthur, in central Illinois. Arthur, which straddles the Douglas/Moultrie County line, is approximately 35 miles south of Champaign Illinois, and 35 miles east of Decatur, Illinois. The bank has defined its assessment area as all of Moultrie County and contiguous portions of western Douglas County and southeastern Piatt County. This is primarily a rural agricultural area which consists of eight block numbering areas (BNAs). The Moultrie County portion of the assessment area includes BNAs 9769, 9770, 9771, and 9772. The Douglas County portion of the assessment area includes BNAs 9522, 9523, and 9524, while the Piatt County portion includes BNA 9547.

Based on 1990 U.S. Census Bureau data, all eight of the BNAs in the assessment area are classified as middle-income and nonminority geographies. The median family income of the

assessment area is \$32,453. The total population of the assessment area is 30,204. The assessment area's population is 98.7% White, 0.1% Black, 0.1% Asian, 1.0% Hispanic, and 0.1% American Indian.

The median housing value in the assessment area is \$42,388. The median age of the area's housing stock is 42 years with 39.4% of all area housing built prior to 1950. By comparison, the median housing value for the State of Illinois is \$80,114 and the median housing value for the rural (non-Metropolitan Statistical Area) portion of the state is \$40,181. Approximately 70.6% of the housing units located in the assessment area are owner-occupied, and 24.4% are renter-occupied. Median monthly rent for the assessment area is \$315 compared to \$445 for the state.

The local economy is based primarily on agriculture, with corn and soybeans representing the chief crops. In addition to farming, the economy is also supported by woodworking, carpentry, retail sales, and tourism. The woodworking and cabinet trade has become an increasing specialty among the area Amish residents. Increased land prices are forcing younger Amish residents to seek employment opportunities outside of traditional farming. The Amish settlement, estimated at 4,000 residents within a 20 mile radius of Arthur, is the only known Amish settlement within the State of Illinois, making Arthur the **Heart of Illinois Amish Country.** The Amish settlement also contributes to a strong tourism trade attracting visitors to observe the simple Amish way of life and purchase hand-made high quality crafts and wood products.

The area has a number of small industries which provide employment including the following: Schrock WCI (a division of Westinghouse that manufactures kitchen cabinets) employing 650; Coach House Inc., (building and truss) employing 250; Horizon Home Center (lumber and hardware) employing 40; New Progress Industries (a manufacturer of truck and trailer tanks) employing 80-100; Yoder Cabinets which employs 45 and Arthur Cheese Company, which employs 30.

The State of Illinois Department of Employment Security indicated that the state unemployment rate for nonagricultural employment was 5.5% in June 1996, compared to 5.3% in June 1995. By comparison, the June unemployment rates for Moultrie County were 4.3% in 1996 and 4.8% in 1995. The June unemployment rates for Douglas County were 4.5% in 1996 and 4.3% in 1995. The June unemployment rates for Piatt County were 6.3% in 1996 and 5.3% in 1995.

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 detected. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan-to-Deposit Ratio Analysis

Review of the bank's June 30, 1996 Consolidated Report of Condition revealed a loan-to-deposit ratio of 62.15%. Review of the Consolidated Reports of Condition from December 31, 1994 through June 30, 1996 revealed that the bank had a seven quarter average loan-to-deposit ratio of 64.21%.

Review of the most recently available Uniform Bank Performance Report (UBPR) dated March 31, 1996, revealed the bank's net loan-to-deposit ratio was 60.33%, compared to a peer group ratio of 60.57%. Bank and peer group loan-to-deposit ratio history is illustrated in the chart below.

LOAN TO DEPOSIT RATIO HISTORY		
RATIO DATE	BANK RATIO	PEER RATIO
06/30/96	62.15%	na
03/31/96	61.78%	60.57%
12/31/95	63.53%	60.70%
09/30/95	66.83%	62.76%
06/30/95	67.29%	62.20%
03/31/95	65.58%	60.10%
12/31/94	62.30%	59.71%
7 QUARTER AVE.	64.21%	na

The bank's loan-to-deposit ratio is reasonable given the bank's capacity to lend, the economic conditions, and identified credit needs of the assessment area.

Lending in Assessment Area

A sample of real estate, agricultural, commercial, and consumer loans for the six month period from January 1, 1996 through June 30, 1996 was reviewed to determine the bank's level of lending within its assessment area. The results of this review are illustrated in the following chart.

LENDING IN ASSESSMENT AREA						
LOAN TYPE	UNIVERSE		ASSESSMENT AREA		% IN AREA	
	#	\$	#	\$	#	\$
Real Estate	33	1,071,330	19	408,401	57.6	38.1
Agricultural	119	1,314,882	81	802,097	68.1	61.0
Commercial	203	3,322,543	128	2,423,939	63.1	73.0
Consumer	781	3,825,835	470	2,361,791	60.2	61.7
TOTAL	1,136	9,534,590	698	5,996,228	61.4	62.9

As the preceding chart illustrates, 61.4% of the total number of loans and 62.9% of the total dollar amount of loans were made within the assessment area. Real estate loan totals were impacted by four large loan participations from outside the bank's assessment area. The bank's loan distribution within its assessment area meets the standards for satisfactory performance.

Lending Analysis Based Upon Borrower Income and Size of Business

The bank's small business, small farm, consumer and real estate loans were reviewed for the six month period from January 1, 1996 through June 30, 1996 to determine the bank's performance under this criterion. The bank does not consistently collect income information from loan applicants. As a result, an analysis based on loan amount was used as a proxy to determine the bank's performance.

Small Business and Small Farm Loans

Loan amounts were used to illustrate the bank's lending activity. Instructions for preparation of the Consolidated Report of Condition define small business loans as those with original amounts of \$1 million or less, and small farm loans as those of \$500,000 or less. The following charts illustrate the bank's level of small business and small farm lending.

SMALL FARM/SMALL BUSINESS LOAN AMOUNT ANALYSIS						
LOAN AMOUNTS IN (000'S)	FARM OPERATING		FARM REAL ESTATE		BUSINESS OPERATING	
	#	% total	#	% total	#	% total
\$50 or less	79	97.6	4	80.0	116	90.6
\$50+ thru \$100	1	1.2	1	20.0	10	7.8
\$100+thru\$250	1	1.2	0	na	2	1.6
TOTAL	81	100.0	5	100.0	128	100.0

The chart above shows that all of the bank's commercial and agricultural lending during the six month sample period is classified as small business and small farm lending.

Consumer Loans

Consumer personal installment, single payment, and automobile loans originated during the sample period were reviewed. Bank management agreed with the examiner that the use of the following loan amounts as proxies for income were reasonable. A loan amount of \$1,000 was chosen as the base amount to stratify the bank's personal lending activity to low and moderate income borrowers. A loan amount of \$5,000 was used as the base amount for stratifying automobile lending activity to low and moderate income borrowers. The following chart illustrates the distribution of consumer lending by loan amount.

CONSUMER LOAN AMOUNT ANALYSIS							
PERSONAL LOAN AMOUNTS	PERSONAL INSTALMENT LOANS		PERSONAL SINGLE PMT. LOANS		AUTOMOBILE LOAN AMOUNTS	AUTOMOBILE LOANS	
	#	%total	#	%total		#	%total
\$500 or less	10	(5.7)	29	(14.7)	\$2500 or less	17	(17.3)
\$501 - \$1000	21	(12.0)	54	(27.4)	\$2501-\$5000	28	(28.6)
\$1001-\$2500	50	(28.6)	56	(28.5)	\$5001-\$10000	24	(24.5)
\$2501-\$5000	34	(19.4)	26	(13.2)	\$10001-\$20000	24	(24.5)
\$5001 or more	60	(34.3)	32	(16.2)	\$20001 or more	5	(5.1)
TOTAL	175	(100.0)	197	(100.0)	TOTAL	98	(100.0)

The chart above shows that the bank is making consumer loans in amounts typical of those

requested by low and moderate-income borrowers.

Real Estate Loans

Loan size for consumer purpose real estate loans was used as a proxy to determine loan distribution based on borrower income level. The following chart illustrates the distribution of real estate lending by loan amount.

MORTGAGE LOAN AMOUNT ANALYSIS				
LOAN AMOUNTS IN (000's)	1-4 RESIDENTIAL 1ST MORTGAGE		1-4 RESIDENTIAL 2ND MORTGAGE	
	#	%total	#	%total
\$15000 or less	5	(55.6)	3	(60.0)
\$15001 - \$25000	2	(22.2)	2	(40.0)
\$25001 - \$40000	2	(22.2)	0	na
TOTAL	9	(100.0)	5	(100.0)

The chart above shows that the bank is making small mortgage loans in amounts normally associated with low and moderate-income consumers.

Based on available information, the bank's level of lending to individuals of different income levels for both mortgage and consumer loan purposes and loan sizes to small businesses and small farms meets the standards for satisfactory performance.

Geographic Distribution of Loans

The bank's assessment area consists of eight BNAs, all of which are considered middle-income areas. The following chart represents the geographic distribution throughout the assessment area for the six month period from January 1, 1996 through June 30, 1996.

DISTRIBUTION OF LOANS THROUGHOUT ASSESSMENT AREA				
GEOGRAPHIES	NUMBER & DOLLAR AMOUNT OF LOANS		PERCENT IN ASSESSMENT AREA	
	#	\$	#	\$
DOUGLAS COUNTY				
BNA 9522	31	238,219	4.4	4.0
BNA 9523	257	2,232,204	36.8	37.2
BNA 9524	106	571,671	15.2	9.5
MOULTRIE COUNTY				
BNA 9769	194	2,239,717	27.8	37.3
BNA 9770	36	141,597	5.2	2.4
BNA 9771	3	10,131	0.4	0.2
BNA 9772	16	53,460	2.3	0.9
PIATT COUNTY				
BNA 9547	55	509,229	7.9	8.5
DOUGLAS COUNTY	394	3,042,094	56.4	50.7
MOULTRIE COUNTY	249	2,444,905	35.7	40.8
PIATT COUNTY	55	509,229	7.9	8.5
ASSESSMENT AREA	698	5,996,228	100.0	100.0

The chart above illustrates that the bank is making loans in all of the BNAs within its assessment area. Lending is concentrated in BNAs 9523 and 9769, reflecting the location of the bank's single office in Arthur. The bank also has a significant number of loans in BNA 9524 which includes the Village of Arcola. Arcola is one of the larger communities within the assessment area with a population of approximately 2,678 according to the 1990 census.

The bank's lending penetrated all areas of the assessment area. There is no evidence of irregular lending patterns. The bank's geographic distribution throughout the assessment area is considered reasonable and meets the standards for satisfactory performance.

Response to Complaints

No complaints were received by the institution regarding its CRA performance since the previous examination.