

## **PUBLIC DISCLOSURE**

**November 17, 1998**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Peoples National Bank of McLeansboro  
Charter Number 9408  
P.O. Box 369  
Fairfield, Illinois 62837**

**Office of the Comptroller of the Currency  
Evansville Field Office  
P.O. Box 20130  
Evansville, Indiana 47708**

**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 financial supervisory agency 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 Peoples National Bank of McLeansboro (Peoples) for the time period of November 5, 1994 through November 17, 1998. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated "Satisfactory."

Peoples has a satisfactory record of lending to borrowers of all income levels and to businesses and farms of all sizes. A substantial majority of the bank's loans are to customers living within the assessment area.

## DESCRIPTION OF INSTITUTION

The Peoples National Bank of McLeansboro (Peoples) is a full-service bank located in McLeansboro, Illinois. Peoples is a wholly owned subsidiary of Market Street Bancshares, Inc., a one bank holding company headquartered in Mt. Vernon, Illinois. On September 30, 1998, Peoples had total assets of \$261 million. Earnings as of this date were \$1,830,000, representing a 0.93 percent return on assets.

Peoples is a full-service lender focusing on residential real estate, small business, and agricultural related loans. There are no financial or legal impediments which would hamper the bank's ability to meet the credit needs of the community. Peoples has a strong capacity to serve the community's credit needs. Table 1 depicts several key balance sheet figures:

<b>Table 1</b> <b>Balance Sheet as of September 30, 1998</b>			
Total Loans	\$210,030,000	Total Deposits	\$226,649,000
Investments	\$34,582,000	Other Liabilities	\$15,565,000
Other Assets	\$16,815,000	Total Liabilities	\$242,214,000
		Total Equity Capital	\$ 19,213,000
Total Assets	\$261,427,000	Total Liabilities & Capital	\$261,427,000

Source: Report of Condition.

As of September 30, 1998, the loan portfolio consisted of 36% residential real estate loans, 31% commercial loans, 23% agricultural related loans and 10% consumer loans.

Peoples has one branch in each county of its assessment area with the exception of Jefferson County, which has two. The most commonly offered banking hours are Monday through Friday from 8:00 A.M. to 4:00 P.M. and Friday from 9:00 A.M. to 5:30 P.M. at the Fairfield and Salem branches. Saturday hours from 8:00 A.M. to 12 Noon are also offererd. Expanded drive-up hours are available at each branch Monday through Saturday. Automated Teller Machines (ATMs) are provided at ten locations including several branch offices, retail establishments, and a community college.

The bank opened new branches in Harrisburg and Fairfield, Illinois in September and December 1995 respectively. The bank also opened new branches in Salem and Mt. Vernon, Illinois in June 1997. Peoples has not closed any branches since the last examination.

## DESCRIPTION OF ASSESSMENT AREA

Peoples assessment area includes Hamilton, Jefferson, Marion, Saline, and Wayne County, Illinois. The assessment area contains forty Block Numbering Areas (BNAs). One BNA is classified low-income, twelve as moderate-income, twenty five as middle-income, and two as

upper-income. Income levels of the BNAs are based on the statewide non-Metropolitan Statistical Area median family income. The income categories are defined as low-, moderate-, middle-, and upper-, which are less than 50%, 50% to 80%, 80% to 120%, and over 120%, respectively, of the non-MSA median family income of \$39,500 for 1998. The assessment area is consistent with the guidelines of the regulation.

Peoples assessment area is largely rural with the most populated area in Jefferson County, containing the City of Mt. Vernon. The area is largely dependent on agriculture and supporting businesses. Businesses located in each of the communities containing Peoples branches and in smaller communities nearby offer moderate employment and economic support. The largest employers in Hamilton County are Hamilton Memorial Hospital and Sun Transformer Corporation with 150 and 50 employees respectively; in Jefferson County the largest employers are General Tire Company and Good Samaritan Regional Hospital with 2,100 and 920 employees respectively; in Marion County the largest employers are North American Lighting and World Color Press each with 840 employees; in Saline County the largest employers are Kerr McGee and Harrisburg Medical Center with 500 and 250 employees respectively; and, in Wayne County the largest employers are AirTex Manufacturing and Webb Printing with 950 and 175 employees respectively.

Table 2 provides unemployment percentages for each county in Peoples assessment area as of September 1998, while comparing them to the unemployment percentage for the State of Illinois.

<b>Table 2 Unemployment Percentages by County September 1998</b>					
<b>Hamilton</b>	<b>Jefferson</b>	<b>Marion</b>	<b>Saline</b>	<b>Wayne</b>	<b>State of Illinois</b>
7.5%	5.8%	6.6%	9.9%	6.5%	4.2%

Source: Illinois Department of Employment Security

Strong competition is provided by financial institutions affiliated with Evansville, Indiana and St. Louis, Missouri based bank holding companies and independent community banks.

Table 3 depicts the number and percentage of families within the bank's assessment area based upon income level. The table reveals that 25% of the families have low-incomes and 19% have moderate-incomes. This information is used to compare the bank's lending patterns to borrowers of different income levels.

<b>Table 3 Number and Percentage of Families in Each Income Level</b>				
<b>Low-Income Families</b>	<b>Moderate-Income Families</b>	<b>Middle-Income Families</b>	<b>Upper-Income Families</b>	<b>Total</b>
9,364 25%	6,940 19%	8,266 22%	12,403 34%	36,973 100%

Source: 1990 U.S. Census Bureau Data.

Table 4 depicts the geographic distribution by number and percentage of the owner occupied housing units by income level of the geography throughout the assessment area. The table indicates that only 1% of the owner occupied housing units are located in low-income geographies and 29% are located in moderate-income geographies. This information was used to determine the lending opportunities for residential real estate loans in the assessment area.

<b>Table 4 Geographic Distribution of Owner Occupied Units in the Assessment Area</b>				
Low-Income Geographies	Moderate-Income Geographies	Middle-Income Geographies	Upper-Income Geographies	Total
351 1%	11,550 29%	25,300 64%	2,262 6%	39,463 100%

Source: 1990 U.S. Census Bureau Data.

Table 5 depicts the number and percentage of small businesses and farms within the bank's assessment area. Small businesses and small farms are defined as those with annual revenues of less than \$1,000,000. The table reveals that the majority of businesses in the assessment area are small. This information was used to determine the lending opportunities for small business and small farm loans in the assessment area.

<b>Table 5 Number of Businesses and Farms in Peoples Assessment Area</b>				
	Annual Revenues of less than \$1,000,000		Annual Revenues of \$1,000,000 or more	
	#	%	#	%
Businesses	4,088	94%	282	6%
Farms	144	99%	1	1%

Source: Dunn & Bradstreet, Inc.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

To evaluate the bank's lending performance, the OCC reviewed the banks analyses of real estate loans originated during 1997 and from January 1 to June 30, 1998. These reviews were done to evaluate the bank's volume of lending inside the assessment area. We also sampled 35 residential real estate loans from this period to determine the volume of lending to borrowers of different income levels.

### Lending inside assessment area:

Peoples analysis of lending activity indicates that a substantial majority of the bank's loans are originated within the assessment area. We have concluded that the bank's findings are materially accurate.

<b>Table 6 Ratio of Loans Inside the Assessment Area January 1 to June 30, 1998</b>	
	<b>Residential Real Estate</b>
<b># of Loans Inside the AAs</b>	257
<b>Total # of Loans</b>	295
<b>% of Loans Inside by #</b>	87.1%
<b>\$ of Loans Inside the AAs</b>	\$11,348,000
<b>Total \$ of Loans</b>	\$12,521,000
<b>% of Loans Inside by \$</b>	90.6%

Source: Peoples Internal Analysis

The bank's record of lending shows that 87% of the number and 91% of the dollar volume of real estate loans were secured by property located inside the bank's assessment area. Peoples record of lending to borrowers in the assessment area is good.

Lending to borrowers of different incomes and to businesses of different sizes:

**HOME MORTGAGE LOANS**

To determine Peoples record of extending home loans to individuals of different income levels in the assessment area, we reviewed the annual income of the borrowers selected in the residential real estate sample. Table 7 reveals that the number of home mortgage loans to low-income and moderate-income borrowers is 26% and 34% respectively. The dollar volume is 20% and 24% of the loans originated. This compares reasonably to the number of low-income and moderate-income families in the assessment area of 44% as illustrated in Table 3.

<b>Table 7 Mortgage Loans Originated by Borrower Income</b>				
Borrower Income *	Number of Loans		Dollar Volume	
	#	%	\$000's	%
Low-income	9	26%	\$210	20%
Moderate-income	12	34%	\$245	24%
Middle-income	9	26%	\$312	30%
Upper-income	5	14%	\$275	26%
<b>TOTAL</b>	<b>35</b>	<b>100%</b>	<b>\$1,042</b>	<b>100%</b>

Source: OCC's review of residential real estate loan originations. Dollar amounts are in thousands. \* The MSA's updated median family income is \$39,500. The income categories are defined as less than 50%, 50% to 80%, 80% to 120%, and >120%, respectively, of \$39,500.



## SMALL BUSINESS AND SMALL FARM LOANS

The demographic data contained in Table 5 indicates that 94 % of all businesses and 99% of all farms in Peoples assessment area have annual incomes of less than \$1,000,000. A review of the bank's commercial loan originations for January 1 through October 30, 1998 using loan size as an indicator, reflects that the majority of business and farm loans made by Peoples are to small businesses and farms. To verify the bank's record of extending loans to businesses and farms of different sizes, we reviewed 30 business and farm loans. Table 8 shows the small business and small farm loans originated in the assessment area by loan amount. The table illustrates that the bank has a good record of making small dollar volume loans to small businesses and small farms. This is evidenced by the fact that 84% of the small business and small farm loans were in amounts less than \$100,000. These loans comprise 33% of the dollar volume of small business and small farm loans sampled. The bank's penetration of loans to small businesses and small farms is good.

<b>Table 8</b> <b>Small Business and Small Farm Loans</b> <b>By Loan Amount at Origination</b>				
Loan Amount at Origination	#	%	\$	%
\$0 - \$100,000	25	84%	\$468,000	33%
\$100,001 - \$250,000	4	13%	\$687,000	48%
\$250,001 - \$1,000,000	1	3%	\$280,000	19%
More than \$1,000,000	0	0%	\$0	0%
TOTAL	30	100%	\$1,435,000	100%

Source: OCC's review of small business and small farm data.

Geographic distribution of loans:

The bank's assessment area includes one low-income, twelve moderate-income, twenty five middle-income, and two upper-income BNA's. Peoples analyses of real estate loan activity shows a reasonable volume of lending in all categories. Table 9 depicts the number and percentage of residential real estate loans originated from January to June 1998 and a snapshot of the entire real estate loan portfolio at December 31, 1997. The table shows that 26% of residential real estate loans were originated in the low- and moderate-income geographies. This is reasonable considering the percentage of owner occupied units located in these geographies is 30%.

<b>Table 9 Geographic Distribution of Residential Real Estate Loans</b>						
Income Level of Geography	January to June 1998 Number of Residential Real Estate Loans		1997 Number of Residential Real Estate Loans		% of Families	% of Owner Occupied Units
	#	%	#	%		
Low-Income	2	1%	21	1%	25%	1%
Moderate-Income	65	25%	473	28%	19%	29%
Middle-Income	179	70%	1150	67%	22%	64%
Upper-Income	11	4%	77	4%	34%	6%
<b>Total</b>	<b>257</b>	<b>100%</b>	<b>1,721</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Peoples Internal Analysis. 1998 data is an analysis of all real estate loans originated during the period. The 1997 data is an analysis of all real estate loans in the bank's portfolio.

Loan to deposit ratio:

Peoples loan to deposit ratio for the last ten quarters averages 86%. This is more than reasonable for a bank of Peoples size and condition in this area. The ratios for competitor banks in the market area range from 60% to 84%.

Response to complaints:

Peoples has not received letters from the public regarding its CRA activities.

Compliance with antidiscrimination laws:

We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.