



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 08, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Ava
Charter Number 10911**

**304 West Main Street
Ava, IL 62907**

**Comptroller of the Currency
St. Louis Field Office
2350 Market Street, Suite 100
St. Louis, MO 63103**

NOTE: This document is an evaluation of this 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. 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

All the lending performance components meet the standards for satisfactory performance. The major factors that support this rating are:

- The level of lending to low- and moderate-income individuals shows satisfactory penetration based on the demographics of the community and credit needs of the assessment area.
- The bank's level of lending is reasonable. The bank's average loan-to-deposit ratio is 69% and compares favorably to similarly situated area banks.
- A majority of the bank's loans have been made in the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Ava (FNB) had assets of approximately \$41 million at March 31, 2002. FNB is wholly owned by Headquarters Holding Company, Inc., a one-bank holding company located in Ava, Illinois. There have been no changes in the bank's corporate structure since the last CRA evaluation. The bank operates its main office in downtown Ava, and a branch facility is located in nearby Gorham, Illinois. FNB does not operate any ATMs; however, debit cards with ATM access are available to customers. All ATM fees incurred by customers are reimbursed by FNB. Management has neither opened nor closed any branches since the November 26, 1996 CRA Examination.

FNB offers a full range of retail and commercial banking products normally associated with a small community bank. FNB is primarily a residential real estate and consumer lender. As of March 31, 2002, net loans totaled approximately \$23 million, representing 57% of total assets. The composition of the loan portfolio included 40% residential real estate, 23% agriculture, 16% consumer, and 21% commercial loans.

There are no legal or financial impediments to the bank's ability to meet community credit needs. The bank has adequate resources to provide for the credit needs of its assessment area. The type and amount of CRA activities are consistent with the bank's size, its financial capacity, local economic conditions, and the credit needs of the community. FNB's last CRA evaluation was November 26, 1996, and we rated the bank Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Management has designated the western portion of Jackson County as its assessment area (AA). The AA includes three Block Numbering Areas (BNAs) in Jackson County: BNAs 101, 103 and 104. This is a contiguous area, meets the requirements of the regulation, and does not

arbitrarily exclude low- or moderate-income geographies. FNB's main office is located in BNA 101 and the Gorham branch facility is located in BNA 103.

Jackson County is a non-Metropolitan Statistical Area (non-MSA). Based on the non-MSA median family income in 1990, all three BNAs in the assessment area are classified as middle-income.

As of the 1990 census, the population in the bank's AA totaled 10,712, which included 3,014 families. Of these families, 23% were classified as low-income, 18% as moderate-income, 25% as middle-income, and 34% as upper-income. The non-MSA statewide median family income as of the 1990 census was \$29,693. The 2002 updated figure adjusted for inflation by the Department of Housing and Urban Development is \$46,000. We used this updated figure in our analysis to determine the borrower income levels.

The 1990 census demographic data for the AA shows that 16% of the population is age 65 and over, 15% of households are in retirement, and 16% of households live below the poverty level. The median housing value is \$39,068 and the median age of the housing stock is 35 years. Owner-occupied units represent 74% of the housing stock, with 77% being 1-4 family units.

Service-related businesses provide some support for the local economy. However, Ava is considered a "bedroom" community, as most of the local residents commute to the larger cities for employment. Major employers are all state-related and include Community School District 176, Southern Illinois University at Carbondale, and the Illinois Department of Corrections.

The local economy is stable. The May 2002 unemployment rate for Jackson County is 3.9%. This ratio compares favorably to the state rate of 6.0% and the national rate of 5.5%.

Competitive pressures are not excessive. FNB is the only financial institution located in Ava and Gorham, Illinois. Other than FNB, only one bank and two branch offices of other banks are located in the assessment area. There is some competitive pressure from nearby Murphysboro, Illinois, where five offices of four banks are located.

To further our understanding of the community's credit needs, we performed one community contact with a local government official. Our contact identified that residential real estate loans are the primary credit need of the community. The community contact feels that FNB is very dedicated to meeting this need. Our contact did not identify any unmet credit needs and knows of no community development or other credit-related projects available for participation by local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB does a good job of meeting the credit needs of its AA, including those of low- and moderate-income people.

Lending to Borrowers of Different Incomes

The bank's lending distribution to borrowers of different income levels is reasonable.

FNB's primary loan products are residential real estate loans and consumer loans. Residential real estate loans comprise the largest portion of the loan portfolio by dollar, and consumer loans comprise the largest portion of the loan portfolio by number.

Using only loans made in the AA, we sampled 20 residential real estate loans and 20 consumer loans originated from January 1, 2000, through June 30, 2002. The facts and data used to evaluate FNB's lending activity are presented in the following tables.

**Distribution by Borrower Income Level
1-4 Family Residential Real Estate Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Family Income
<i>Low Income</i>	6	30%	202	20%	23%
<i>Moderate Income</i>	4	20%	182	18%	18%
<i>Middle Income</i>	4	20%	270	27%	25%
<i>Upper Income</i>	6	30%	345	35%	34%

**Distribution by Borrower Income Level
Consumer Loans**

Income Levels	# of Loans	% By # of Loans	Loan \$ (000's)	% By \$ of Loans	AA Household Income
<i>Low Income</i>	1	5%	13	7%	25%
<i>Moderate Income</i>	8	40%	68	36%	15%
<i>Middle Income</i>	8	40%	45	24%	18%
<i>Upper Income</i>	3	15%	62	33%	42%

Geographic Distribution of Loans

All BNAs comprising the assessment area are middle-income. An analysis of the geographic distribution of loans within the assessment area would not provide meaningful information.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable. As of March 31, 2002, the bank's loan-to-deposit ratio

was 66%. FNB's quarterly average loan-to-deposit ratio since the 1996 CRA evaluation was 69%. This compared favorably to three competing banks in the area whose quarterly average ratios ranged from 23% to 66%. Bank management identified these three competing banks and felt they were similarly situated due to their size and because they had limited branching networks.

Lending in Assessment Area

Lending in the AA is satisfactory. A majority of the bank's loans originated since the last CRA evaluation were made in the AA. FNB generates a report that details loans originated and outstanding by BNA location. As of February 28, 2002, the analysis of originations for all loans made in 2001 and year-to-date 2002 found that 74% by number and 70% by dollar were made within the bank's AA.

Responses to Complaints

No CRA-related complaints have been received since the prior CRA evaluation.

Fair Lending Review

We analyzed five years of public comments and consumer complaint information according to the OCC's risk-based fair lending approach. Based on our analysis of the information, we determined that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed November 12, 1996.