



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 29, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Marengo  
Charter Number 16601**

**102 North State Street  
Marengo, Illinois 60152**

**Office of the Comptroller of the Currency  
Chicago West Field Office  
85 West Algonquin Road, Suite 340  
Arlington Heights, IL 60005**

**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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## 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 First National Bank of Marengo (FNB Marengo), Marengo, Illinois, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 29, 2002. The agency rates the CRA Performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## INSTITUTION RATING

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

The major factors that support First National Bank of Marengo's (FNB Marengo) rating include:

- The bank's loan to deposit ratio is reasonable.
- The bank does a majority of lending within the assessment area.
- The bank is doing an excellent job of lending to borrowers of different income levels and a reasonable job of lending to businesses of different sizes.

## DESCRIPTION OF INSTITUTION

FNB Marengo is a \$177 million intrastate financial institution headquartered in Marengo, Illinois. Marengo is located approximately 60 miles northwest of Chicago, Illinois. FNB Marengo is a wholly owned subsidiary of First Marengo Financial Corporation, a one bank holding company. In addition to the main bank in Marengo, there is also one branch in Marengo, one in Huntley and two located in the Lake in the Hills. Each facility except for the main facility has deposit taking ATMs.

As of December 31, 2001, FNB Marengo had approximately \$138 million in outstanding net loans and deposits of approximately \$165 million, for a net loan-to-deposit ratio of 84 percent.

The bank's gross loan portfolio consisted of the following\*:

<b>Loan Category</b>	<b>\$(000s)</b>	<b>percent</b>
Agriculture Loans	\$ 2,947	2.12
Commercial Loans	\$15,160	10.90
Commercial Real Estate Loans	\$40,684	29.26
Consumer Loans	\$15,649	11.26
Residential Real Estate Loans	\$64,580	46.46
<b>Total Gross Loans</b>	<b>\$139,020</b>	<b>100.00</b>

\* From the 12/31/01 call report.

The last public evaluation was dated November 7, 1996. The bank received a "satisfactory" rating.

There are no financial conditions, legal constraints or other factors that would hinder its ability to meet the credit needs of its community.

## DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area (AA) which comprises a portion of the Chicago Metropolitan Statistical Area (Chicago MSA). Within the Chicago MSA, the AA is comprised of portions of McHenry and Kane Counties. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The total population of the AA is 104,789 based on 1990 census data. The AA contains 15 geographies, with no low-income, no moderate-income, seven (46.7 percent) middle-income, and eight (53.3 percent) upper-income census tracts. The 1990 median family income of the AA was \$50,578 and the 2000 HUD adjusted median family income was \$70,500. The AA contains 9.6 percent, 14.4 percent, 27.3 percent and 48.7 percent of low-, moderate-, middle- and upper-income families, respectively. Ninety percent of the housing in the AA were 1-4 family units with 77 percent owner-occupied. The median home value was \$121,876.

The 2001 unadjusted seasonal unemployment rates for the two counties in the AA were 5.7 percent for Kane County and 4.8 percent for McHenry County. This information is obtained from the Bureau of Labor Statistics. Major employers in Marengo and Huntley are Arnold

Engineering, Nissan Forklift, Coyle Inc, and Meyer Material. The vast majority of the businesses (93%) in the AA employ less than 50 employees.

The bank’s competition in the AA is strong and includes community banks and branches of regional and multinational banks headquartered elsewhere in Illinois or outside Illinois. According to the Federal Deposit Insurance Corporation data base, 82 banks and savings associations operate 227 locations in McHenry and Kane county with deposits totaling \$9 billion as of June 30, 2001. FNB Marengo deposits totaled \$165 million.

We conducted one community contact interview during our evaluation. The contact was with Marengo’s Chamber of Commerce. The contact stated that the major credit needs are home loan mortgages and commercial loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The evaluation of the bank’s lending performance is based upon the review of its residential real estate and commercial loans, as these are the bank’s primary lending products. To review residential loans, we used the bank’s Home Mortgage Disclosure Act-Loan Application Register (HMDA). To evaluate lending to commercial business borrowers, we took a sample of 29 loans made during 2000 and 2001.

**Loan-to-Deposit Ratio:**

The bank’s loan-to-deposit (LTD) ratio is reasonable. The quarterly average LTD ratio since the last evaluation is 79.10 percent. The quarterly average LTD ratio of peer banks during the same period ranged from 52 percent to 90 percent, with an average ratio of 75 percent. The peer bank group consisted of small community banks located in the bank’s AA.

**Lending in Assessment Area**

FNB Marengo’s lending in its AA is reasonable. A majority of the bank’s loans were originated in its’ AA. The following table details the bank’s lending within the AA by number of loan originations and dollar volume since its’ last CRA evaluation.

Loans Originated in Assessment Area					
				Percent # in	Percent \$ in

Loan Type	# in AAs	\$ in AAs	Total #	Total \$	AAs	AAs
		(000 omitted)		(000 omitted)		
Home Purchase*	135	\$16,792	216	\$26,186	62.50%	64.13%
Home Refinance*	128	\$16,513	190	\$23,576	67.37%	70.04%
Home Improve*	212	\$4,096	285	\$5,545	74.39%	73.87%
Multifamily*	4	\$833	13	\$3,378	30.77%	24.66%
Total HMDA*	479	\$38,234	704	\$58,685	68.04%	65.15%
Business/Commercial***	21	\$2,448,934	29	\$3,198,604	72.41%	76.56%

\* Represents loans originated in 1997, 1998, 1999, 2000 and 2001 as reported under the Home Mortgage Disclosure Act.

\*\*\* Represents sample of 29 loans selected.

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

### HMDA Loan Originations:

Mortgage loan information maintained under HMDA was reviewed to determine the extent of the bank's loans to borrowers of different income levels. FNB Marengo is doing an excellent job of lending to consumers of all income levels. FNB Marengo excels in lending to both low and moderate-income individuals. This is especially true when considering that 3 percent of the AA's population is below poverty level. It is more difficult for these credit applicants to qualify for credit based on prudent underwriting standards.

The following table reflects the number and dollar of mortgage loans by borrower income within the entire AA.

Borrower Income Level	Percentage of HMDA Loans								Percentage of Families in AA
	Home Purchase*		Home Improvement*		Home Refinance*		All Mortgage Loans* **		
	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	# of loans	\$ of loans	
Low	9.4	5.87	17.65	11.33	14.86	9.18	14.37	7.78	9.63%
Moderate	29.53	26.34	24.43	23.03	23.65	19.35	25.48	22.38	14.38%
Middle	34.23	33.83	34.39	30.53	31.08	32.99	33.14	32.46	27.26%
Upper	26.17	33.45	23.08	34.89	29.73	37.96	25.67	34.95	48.73%
Not Avail.	.67	.51	.45	.22	.68	.52	1.34	2.43	

#- Represents the number of loans by percentage.

\$- Represents the dollar of loans by percentage.

\* Represents loans originated in 1997, 1998, 1999 and 2000 as reported under the Home Mortgage Disclosure Act.

\*\* Includes multi-family originations

### **Commercial Loan Originations:**

FNB Marengo is doing a reasonable job of lending to businesses of different sizes. In the bank's AA, 84 percent of the businesses have gross revenues of \$1 million or less. The following table reflects the number and dollar amount of business loans by revenues based on the sample of commercial loans in the bank's AA. There were three loans totaling \$103,136 that did not have gross revenue information available.

<b>Lending to Businesses of Different Sizes*</b>								
<b>Revenue Ranges</b>	<b>\$1 Million or Less</b>				<b>Greater than \$1 Million</b>			
	<b>#</b>	<b>percent</b>	<b>\$ (000s)</b>	<b>percent</b>	<b>#</b>	<b>percent</b>	<b>\$ (000s)</b>	<b>Percent</b>
<b>Total</b>	12	57.14	1,046,812	42.75	6	28.57	1,298,986	53.04

### **Geographic Distribution of Loans**

All census tracts within the bank's AA are middle and upper income. Therefore, specific analysis of geographic distribution is not meaningful.

### **Responses to Complaints:**

FNB Marengo has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.