

# **PUBLIC DISCLOSURE**

October 21, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First Trust and Savings Bank of Watseka  
RSSD# 193649

120 East Walnut Street  
Watsaka, Illinois 60970-0160

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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## BANK'S CRA RATING

The First Trust and Savings Bank of Watseka is rated Satisfactory.

The bank's loan-to-deposit ratio is reasonable, a majority of the bank's loans and other lending-related activities occurred within its assessment area, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, and the bank has a reasonable penetration of lending among businesses and farms of different sizes. There were no CRA complaints received from the public during the evaluation period.

## SCOPE OF EXAMINATION

The bank's performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution CRA Examination Procedures. The evaluation considered information about the bank such as asset size, financial condition and competition, and the economic and demographic characteristics of the bank's assessment area. The evaluation included a full-scope review of the bank's single assessment area and reviewed small business and small farm lending performance based on a sample of loans originated from October 5, 2020, through December 31, 2023.

Performance in the assessment area was evaluated using the streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16 quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's small business and small farm loans originated from October 5, 2020, through December 31, 2023, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending*** – A sample of the bank's small business and small farm loans originated from October 5, 2020, through December 31, 2023, was analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.
- ***Lending to Businesses and Farms of Different Sizes*** – A sample of the bank's small business and small farm loans originated from October 5, 2020, through December 31, 2023, was reviewed to determine the distribution to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank's record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives familiar with the needs of small businesses and farms were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area.

## DESCRIPTION OF INSTITUTION

The First Trust and Savings Bank of Watseka is the sole subsidiary of First Trust Holdings, Inc., in Watseka, Illinois, and had assets of \$314.8 million, as of June 30, 2024. The bank has a main office and one branch office, each with a cash only automated teller machine (ATM). The main office in Watseka, Illinois is located in a moderate-income census tract, while the bank's Clifton, Illinois office is in a middle-income census tract. There have been no acquisitions, branch openings or closings since the previous evaluation.

As shown in the table below, the bank is primarily an agricultural lender, with those loans comprising 52.9 percent of the bank's outstanding loans as of June 30, 2024. The bank also offers commercial, consumer, and residential real estate loans, including selling residential real estate loans into the secondary market. Industry standard deposit products are also offered, including checking, savings, and certificate of deposit accounts. As of June 30, 2024, the bank had a deposit market share of 24.6 percent of Federal Deposit Insurance Corporation (FDIC) insured deposits in Iroquois County, ranking first of 12 FDIC insured institutions in the county. Additional information about the bank's products and services is found at its website, located at [www.ftsbank.com](http://www.ftsbank.com).

Composition of Loan Portfolio as of June 30, 2024 (000's)		
Type	\$	%
Agriculture	88,599	52.9
Commercial	36,211	21.6
Residential	22,368	13.4
Consumer	6,657	4.0
Other	13,589	8.1
Total	167,424	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on October 5, 2020.



## DESCRIPTION OF ASSESSMENT AREA

The bank's non-metropolitan assessment area is comprised of Iroquois County, Illinois in its entirety and a single contiguous census tract in the Kankakee, IL Metropolitan Statistical Area (MSA) #28100. The Kankakee MSA tract includes the town of Chebanse, which is located in both counties in close proximity to the bank's Clifton, Illinois office. The assessment area footprint is unchanged since the previous examination, although two formerly upper-income census tracts became middle-income as a result of updated U.S. Census Bureau American Community Survey (ACS) Data as discussed below. The assessment area includes 10 census tracts, with one moderate-income census tract; there are no low-income or distressed or underserved middle income census tracts in the assessment area. The moderate-income census tract is in Watseka, Illinois.

Small business and farm lending opportunities exist in the assessment area. A community representative indicated that Iroquois County has some of the best producing corn and soybean farms in the state, with recent land prices trending upward significantly. Demographic information indicates that there are 1,091 businesses in the assessment area, with 927 having revenues of \$1 million or less. There are also 270 farms in the assessment area, with 266 of them having revenues of \$1 million or less.

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's ACS and geographic definitions from the Office of Management and Budget and are updated approximately every five years. Income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

See the table below for further information on the income designation changes.

Census Tract Income Designation Changes American Community Service Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	1	0
Middle	5	7	2
Upper	4	2	-2
Unknown	0	0	0
Total	10	10	0
Source: U. S. Census Bureau: Decennial Census: ACS Data: 2011-2015 and 2016-2020			

Additional information about the assessment area is found in the following demographic table.

2023 IL Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,554	17.2
Moderate	1	10.0	927	10.3	75	8.1	1,645	18.2
Middle	7	70.0	6,009	66.5	491	8.2	2,115	23.4
Upper	2	20.0	2,102	23.3	100	4.8	3,724	41.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	10	100.0	9,038	100.0	666	7.4	9,038	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	2,072	1,008	9.7	48.6	753	36.3	311	15.0
Middle	9,926	6,951	66.7	70.0	1,918	19.3	1,057	10.6
Upper	3,391	2,455	23.6	72.4	551	16.2	385	11.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	15,389	10,414	100.0	67.7	3,222	20.9	1,753	11.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	193	17.7	170	18.3	18	15.9	5	9.8
Middle	684	62.7	577	62.2	71	62.8	36	70.6
Upper	214	19.6	180	19.4	24	21.2	10	19.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,091	100.0	927	100.0	113	100.0	51	100.0
Percentage of Total Businesses:				85.0		10.4		4.7
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	6	2.2	5	1.9	1	25.0	0	0.0
Middle	200	74.1	197	74.1	3	75.0	0	0.0
Upper	64	23.7	64	24.1	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	270	100.0	266	100.0	4	100.0	0	0.0
Percentage of Total Farms:				98.5		1.5		0.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								



The following presentation of demographic and economic data used to help inform the evaluation of bank activity in its assessment area is based on a comparison of two sets of ACS data, 2011-2015 and 2016-2020. The bank's assessment area consists of all of Iroquois County and one of thirty tracts of the Kankakee, IL MSA #28100, which is a single county MSA. The analysis below will focus on Iroquois County because the Kankakee County portion of the assessment area is only a small portion of the larger MSA, although Kankakee County data is also provided for reference.

### Population Change

The assessment area's population has declined 7.2 percent to 31,298 as of the 2020 Decennial Census. This is a significant decline when compared to the state of Illinois, which experienced a 0.5 percent decline over the same period. Community representatives indicated that Iroquois County is challenged by younger residents moving away for employment outside of the area, and the older population retiring to warmer climates. However, the representatives also indicated that recent initiatives to emphasize job opportunities in the assessment area are expected to assist in retaining younger residents with a positive effect on future population trends.

Population Change			
Area	2015 Population	2020 Population	Percentage Change (%)
Assessment Area	33,711	31,298	-7.2
Iroquois County, IL	29,053	27,077	-6.8
Kankakee County, IL	112,221	107,502	-4.2
Illinois	12,873,761	12,812,508	-0.5
Source: U.S. Census Bureau: American Community Survey Data: 2011-2015 and 2020 Decennial Census			

### Income Characteristics

The median family income level for Iroquois County equaled \$69,606 in 2020, which was an increase of 8.8 percent in inflation adjusted terms. This income growth rate is lower than the state of Illinois as a whole, but reflects strong farm revenues during the period. However, community representatives indicated that more recent farm incomes have declined due to commodity price declines, while inputs, such as grain and fertilizer costs have increased.

Median Family Income Change			
Area	2015 Income (\$)	2020 Income (\$)	Percentage Change (%)
Iroquois County, IL	64,000	69,606	8.8
Kankakee County, IL	69,615	73,857	6.1
Illinois	78,169	86,251	10.3
Source: U.S. Census Bureau: American Community Survey Data: 2011-2015 and 2016-2020. Median Family Incomes have been inflation adjusted and are expressed in 2020 dollars.			

## Housing Characteristics

In 2020, the median housing value in the assessment area equaled \$116,232, with a median gross rent level of \$694; these housing costs exceeded the levels in other non-MSA counties in the state, which had a median housing value average of \$103,263 and a rent average of \$678. Housing in the assessment area is also substantially older, at 61 years, than the average of other non-MSA counties in the state, which equaled 50 years. As shown in the table below, Iroquois County's low-income renters and owners have substantial housing cost burdens, with 70.1 percent and 59.9 percent of those individuals, respectively, paying 30 percent or more of their household income for housing. Moderate-income households have a lower proportion of individuals that are housing cost burdened, but this still equates to 25.5 percent of renters and 27.6 percent of owners being housing cost burdened.

Community representatives indicated that affordable housing is a need for low- and moderate-income individuals in the assessment area, and that housing is needed in the farm sector for seasonal employment under the U.S. Department of Labor's H-2A Temporary Agricultural Program.

2023 IL Non MSA Housing Cost Burden						
Area	Cost Burden – Renters (%)			Cost Burden – Owners (%)		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Iroquois County, IL	70.1	25.5	37.6	59.9	27.6	17.8
Kankakee County, IL	79.1	41.1	45.6	66.6	28.7	19.3
Illinois	72.9	30.3	41.8	65.6	32.4	21.1
Cost Burden is housing cost that equals 30 percent or more of household income						
Source: U.S. Department of Housing and Urban Development, 2016-2020 Comprehensive Housing Affordability Strategy						

## Employment Conditions

Unemployment rates in Iroquois County have declined since the pandemic high of 6.3 percent, to 5.0 percent in the September 2023 year to date period. However, this unemployment level is higher than that of the state of Illinois, which equaled 4.5 percent in the same period in 2023. Iroquois County employment is centered in agriculture, the public sector, retail and wholesale trade, and manufacturing. Community representatives indicated Iroquois County residents also travel for work to Champaign and Kankakee, Illinois or the state of Indiana for employment. Additionally, limited childcare resources and job-related transportation negatively impact the county's overall employment levels.



Unemployment Rates (%)				
Area	2020	2021	2022	September 2023 YTD Average
Iroquois County, IL	6.3	4.8	4.5	5.0
Kankakee County, IL	9.0	6.6	5.3	6.0
Illinois	9.3	6.1	4.6	4.5
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics				

### Community Representatives

Community representatives indicated that key challenges for the assessment area include its declining population, transportation needs due to the distance residents must travel to jobs, and the need for low- and moderate-income housing, including for seasonal agricultural employment. Banks are responsive to the needs of the assessment area, with several area banks offering financial literacy, entrepreneur and farm budgeting, and planning programs. Farm succession planning is also a need for the area, as there are significant financial concerns associated with transferring land to newer generations.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

The First Trust and Savings Bank of Watseka's performance in the lending test is Satisfactory based on a reasonable loan-to-deposit ratio, a majority of the bank's loans and other lending-related activities originating within its assessment area, a reasonable dispersion of loans throughout the assessment area, and a reasonable penetration of lending among businesses and farms of different sizes. There were no CRA complaints received from the public during the evaluation period.

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities). Over the 16 quarters ended June 30, 2024, the loan-to-deposit ratio averaged 51.3 percent. This loan-to-deposit ratio is also similar to the competitor institutions identified in the table below.

Comparative Loan-to-Deposit Ratios As of June 30, 2024	
Institution	16 – Quarter Average
The First Trust and Savings Bank of Watseka	51.3%
Competitors	
Federated Bank, Onarga	51.2%
First Trust Bank of Illinois	48.2%
Iroquois Farmers State Bank	59.4%
Peoples Bank of Kankakee County	50.8%
State Bank of Herscher	48.2%

### Assessment Area Concentration

A majority of the bank's loans and other lending-related activities were made in the assessment area. Of the 165 loans in the sample, 85.5 percent by number were originated in the bank's assessment area. Small business loans were originated at a rate of 89.7 percent, and small farm loans at a rate of 81.6 percent in the assessment area. This level of lending indicates that the bank is effectively serving the credit needs of its assessment area.

Assessment Area Concentration								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	70	89.7	5,803	89.1	8	10.3	711	10.9
Small Farm	71	81.6	11,208	84.0	16	18.4	2,142	16.0
Total Loans	141	85.5	17,011	85.6	24	14.5	2,852	14.4

### Geographic Distribution of Loans<sup>1</sup>

The geographic distribution of the bank's small business and small farm loans reflects a reasonable dispersion throughout the assessment area and does not have conspicuous unexplained gaps in assessment area lending. The tables that follow detail lending performance in four different years from 2020 through 2023, with analysis focused on the total lending in those years.

During the evaluation period, in addition to the loan samples presented in the tables below, the bank also originated 338 Small Business Administration Paycheck Protection Program (PPP) loans. The bank made 91 loans, or 26.9 percent of PPP loans, to borrowers in the City of Watseka, which includes the single moderate-income census tract in the assessment area. The PPP loans are considered particularly impactful based on the challenges that small businesses faced as a result of the COVID-10 pandemic and were beneficial to the community as they were exclusively for payroll or income replacement.

<sup>1</sup> For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data. Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.



## Small Business Lending

During the evaluation period, the bank originated six loans, or 8.6 percent, of its small business loans in the bank's single moderate-income census tract. This is below the demographic measure of 17.7 percent of small businesses being located in that census tract in 2022 and 2023. However, the trend of lending in the single moderate-income census tract increased from zero loans in 2020, to one loan each in 2021 and 2022, and four loans in 2023.

Distribution of 2020 and 2021 Small Business Lending By Income Level of Geography									
Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	%	\$(000)	\$%	#	%	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	1	5.9	34	2.5	17.8
Middle	1	33.3	44	32.4	6	35.3	223	16.1	42.2
Upper	2	66.7	92	67.6	10	58.8	1,130	81.5	40.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	3	100.0	136	100.0	17	100.0	1,386	100.0	100.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

Distribution of 2022 and 2023 Small Business Lending By Income Level of Geography									
Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2022				2023				
	#	%	\$(000)	\$%	#	%	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	1	5.0	250	25.9	4	13.3	390	11.8	17.7
Middle	19	95.0	717	74.1	24	80.0	2,842	85.8	62.7
Upper	0	0.0	0	0.0	2	6.7	82	2.5	19.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	20	100.0	967	100.0	30	100.0	3,314	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									



## Small Farm Lending

The bank originated one small farm loan in the bank's moderate-income census tract during the evaluation period, or 1.4 percent of the total of small farm loans originated in the evaluation period. This loan origination level is consistent the demographic measure of 2.2 percent of farms located in the moderate-income census tract. The assessment area has only six farms in total in the moderate-income tract, as it includes a portion of the downtown area of the City of Watseka.

Distribution of 2020 and 2021 Small Farm Lending By Income Level of Geography									
Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Farms %
	2020				2021				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	2.2
Middle	2	50.0	396	73.9	15	62.5	2,793	74.9	49.1
Upper	2	50.0	140	26.1	9	37.5	935	25.1	48.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	4	100.0	536	100.0	24	100.0	3,727	100.0	100.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									
Distribution of 2022 and 2023 Small Farm Lending By Income Level of Geography									
Assessment Area: IL Non MSA									
Geographic Income Level	Bank Loans By Year								Total Farms %
	2022				2023				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	1	4.8	300	9.2	0	0.0	0	0.0	2.2
Middle	17	81.0	2,385	73.4	20	90.9	3,294	89.2	74.1
Upper	3	14.3	565	17.4	2	9.1	400	10.8	23.7
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	21	100.0	3,250	100.0	22	100.0	3,694	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

### **Lending to Businesses of Farms of Different Sizes<sup>2</sup>**

The bank had reasonable penetration of lending to businesses and farms of different sizes. The tables that follow detail lending performance in the four years from 2020 through 2023, with analysis focused on the total lending in those years.

In addition to the lending presented in the tables that follow, the bank originated a total of 338 Small Business PPP loans during the COVID-19 pandemic and in the evaluation period. Ninety seven percent of these loans were in amounts of \$100,000 or less, with the majority of loans being in amounts of less than \$25,000.

### **Small Business Lending**

The bank had reasonable penetration of lending to businesses of different sizes. The bank originated 53 loans to borrowers with gross revenues of \$1.0 million or less during the evaluation period. This represents 75.7 percent of the bank's small business lending in the period. This level of lending is below the 2023 demographic measure of 85.0 percent of businesses in the assessment area having gross revenues of \$1.0 million or less. However, 47 of the 53 loans with revenues of \$1.0 million or less, or 88.7 percent of the loans, were made in dollar amounts of \$100,000 or less, which is considered most beneficial to small businesses.

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<sup>2</sup> For the purposes of this review, loans made in calendar year 2021 or before were analyzed based on 2011-2015 American Community Survey income designations for individuals<sup>2</sup>. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

Distribution of 2020 and 2021 Small Business Lending By Revenue Size of Businesses									
Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	3	100.0	136	100.0	14	82.4	569	41.1	85.3
Over \$1 Million	0	0.0	0	0.0	3	17.6	817	58.9	10.1
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	4.7
Total	3	100.0	136	100.0	17	100.0	1,386	100.0	100.0
By Loan Size									
\$100,000 or Less	3	100.0	136	100.0	14	82.4	480	34.6	
\$100,001 - \$250,000	0	0.0	0	0.0	1	5.9	116	8.4	
\$250,001 - \$1 Million	0	0.0	0	0.0	2	11.8	790	57.0	
Total	3	100.0	136	100.0	17	100.0	1,386	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	3	100.0	136	100.0	13	92.9	453	79.6	
\$100,001 - \$250,000	0	0.0	0	0.0	1	7.1	116	20.4	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	3	100.0	136	100.0	14	100.0	569	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									
Distribution of 2022 and 2023 Small Business Lending By Revenue Size of Businesses									
Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Businesses %
	2022				2023				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	15	75.0	745	77.0	21	70.0	1,160	35.0	85.0
Over \$1 Million	5	25.0	222	23.0	9	30.0	2,155	65.0	10.4
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	4.7
Total	20	100.0	967	100.0	30	100.0	3,314	100.0	100.0
By Loan Size									
\$100,000 or Less	18	90.0	563	58.2	24	80.0	988	29.8	
\$100,001 - \$250,000	2	10.0	404	41.8	4	13.3	651	19.6	
\$250,001 - \$1 Million	0	0.0	0	0.0	2	6.7	1,675	50.5	
Total	20	100.0	967	100.0	30	100.0	3,314	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	13	86.7	341	45.8	18	85.7	659	56.8	
\$100,001 - \$250,000	2	13.3	404	54.2	3	14.3	501	43.2	
\$250,001 - \$1 Million	0	0.0	0	0.0	0	0.0	0	0.0	
Total	15	100.0	745	100.0	21	100.0	1,160	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									



## Small Farm Lending

The bank had reasonable penetration of lending to farms of different sizes. The bank originated 47 loans to borrowers with gross revenue of \$1.0 million or less during the evaluation period. This represents 66.2 percent of the bank's small farm lending in the period. This level of lending is below the demographic measure of 98.5 percent of farms in the assessment area having gross revenues of \$1.0 million or less. However, 26 of the 47 loans to businesses with gross revenues of \$1.0 million or less, or 55.3 percent of the loans, were made in dollar amounts of \$100,000 or less, which is considered most beneficial to small farms.

Distribution of 2020 and 2021 Small Farm Lending By Revenue Size of Farms									
Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Farms %
	2020				2021				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
By Revenue									
\$1 Million or Less	3	75.0	153	28.5	17	70.8	2,255	60.5	98.5
Over \$1 Million	1	25.0	383	71.5	7	29.2	1,473	39.5	1.5
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	4	100.0	536	100.0	24	100.0	3,727	100.0	100.0
By Loan Size									
\$100,000 or Less	2	50.0	48	9.0	12	50.0	604	16.2	
\$100,001 - \$250,000	1	25.0	105	19.6	9	37.5	1,685	45.2	
\$250,001 - \$500,000	1	25.0	383	71.5	3	12.5	1,439	38.6	
Total	4	100.0	536	100.0	24	100.0	3,727	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	2	66.7	48	31.4	10	58.8	510	22.6	
\$100,001 - \$250,000	1	33.3	105	68.6	6	35.3	1,245	55.2	
\$250,001 - \$500,000	0	0.0	0	0.0	1	5.9	500	22.2	
Total	3	100.0	153	100.0	17	100.0	2,255	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

Distribution of 2022 and 2023 Small Farm Lending By Revenue Size of Farms									
Assessment Area: IL Non MSA									
	Bank Loans By Year								Total Farms %
	2022				2023				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
By Revenue									
\$1 Million or Less	14	66.7	2,154	66.3	13	59.1	1,902	51.5	98.5
Over \$1 Million	7	33.3	1,096	33.7	9	40.9	1,792	48.5	1.5
Revenue Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	21	100.0	3,250	100.0	22	100.0	3,694	100.0	100.0
By Loan Size									
\$100,000 or Less	9	42.9	449	13.8	9	40.9	429	11.6	
\$100,001 - \$250,000	7	33.3	1,144	35.2	7	31.8	1,140	30.9	
\$250,001 - \$500,000	5	23.8	1,658	51.0	6	27.3	2,126	57.6	
Total	21	100.0	3,250	100.0	22	100.0	3,694	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	7	50.0	286	13.3	7	53.8	372	19.6	
\$100,001 - \$250,000	3	21.4	555	25.8	3	23.1	440	23.1	
\$250,001 - \$500,000	4	28.6	1,313	61.0	3	23.1	1,090	57.3	
Total	14	100.0	2,154	100.0	13	100.0	1,902	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey									
Note: Percentages may not total 100.0 percent due to rounding.									

## Response to Complaints

Neither the bank nor this Reserve Bank have received any CRA-related complaints since the previous examination.

## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

**The First Trust and Savings Bank of Watseka 193649**  
IL Non MSA





## APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		The sample was comprised of loans originated from October 5, 2020, through December 31, 2023.	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
The First Trust and Savings Bank of Watseka Watsaka, Illinois		Small business and small farm loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None	NA	NA	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA Iroquois County, Illinois	Full scope review	None	In addition to Iroquois County, the assessment area includes a single tract from contiguous Kankakee, IL MSA #28100 which has a total of 30 census tracts.

## APPENDIX C – Glossary

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Affordability ratio:** To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**American Community Survey Data (ACS):** The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.<sup>3</sup>

**Area Median Income (AMI):** AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income if a person or geography is located outside an MSA.

**Assessment area:** Assessment area means a geographic area delineated in accordance with section 228.41

**Automated teller machine (ATM):** An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

**Bank:** Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an uninsured state branch (other than a limited branch) of a foreign bank described in section

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<sup>3</sup> Source: FFIEC press release dated October 19, 2011.

228.11(c)(2).

**Branch:** Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSAs):** Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide nonmetropolitan median income figure.

**Community Development:** The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:



- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

**Community Development Loan:** A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
  - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
  - b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Community Development Service:** A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

**Consumer loan:** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th

percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

**Full review:** Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act:** The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Income Level:** Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;
- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median



income, or a median family income that is at least 120 percent in the case of a census tract.

*Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).*

**Limited-purpose bank:** This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

**Limited review:** Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

**Loan location:** Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

**Loan production office:** This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or



more bordering states is called a multistate metropolitan statistical area.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan area:** This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

**Small Bank:** This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

*Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.*

**Small Business Loan:** This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** This term refers to a loan that is included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Wholesale Bank:** This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).