

PUBLIC DISCLOSURE

September 7, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**State Farm Bank, FSB
One State Farm Plaza, E-6
Bloomington, IL 61710
Docket #: 14640**

**Office of Thrift Supervision
Central Region
1 South Wacker Drive, Suite 2000
Chicago, Illinois 60606**

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.

Institution

Overall Rating

INSTITUTION'S CRA RATING: "Satisfactory"

State Farm Bank, FSB (State Farm or institution) is a nationwide lender that benefits from relationships with affiliate companies. Its main strengths are very high levels of Investments (especially from affiliated companies) and Community Development Lending (CDL). Outstanding subcomponent ratings were earned in the Investment and Service Tests. A High Satisfactory subcomponent rating was given for the Lending Test.

Based on these subcomponent ratings, State Farm would have received an overall "Outstanding" rating based on its performance during the review period. However, evidence of lending and marketing practices that disproportionately impacted protected groups as defined under the Equal Credit Opportunity Act, Fair Housing Act and OTS Nondiscrimination regulations were identified. These factors adversely impacted CRA performance and resulted in lowering the overall rating from "Outstanding" to "Satisfactory."

Under the Lending Test, State Farm generated a strong volume of loans, particularly consumer, on a nationwide basis. It had a reasonable volume of Home Mortgage Disclosure Act (HMDA) reportable loans within its assessment area (AA) based on the amount of deposits derived from this area. Within its AA, State Farm had a good distribution of HMDA loans and a reasonable distribution of consumer loans within low- and moderate-income (LMI) geographies. State Farm's penetration LMI borrowers on HMDA loans were good within its AA, while its consumer loan performance was only acceptable. On a nationwide basis, its penetration of LMI borrowers through HMDA and consumer loans was reasonable. State Farm and its affiliates granted a very good volume of CDL loans.

State Farm had a relatively high volume of Qualified Investments. Many of the investments were innovative and flexible and represented an excellent responsiveness to community development needs. Additionally, State Farm's parent company generated a large volume of Qualified Investments also with flexible features. Both the institution and its parent made a generous number of grants in small amounts to community groups in the AA, broader regional area, and across the nation.

Institution (continued)

PNC Capital Markets Mortgage Backed Securities (PNCCM) - This is a \$2 million investment in government-backed, targeted MBSs through PNCCM. The underlying mortgage loans are to LMI borrowers and properties located in McLean County and Illinois. The underlying assets are 30-year fixed rate government loans, both Veterans Administration (VA) and Federal Housing Authority (FHA) mortgages.

Solomon Hess SBA Loan Fund - State Farm Bank invested \$2 million in the Solomon Hess Small Business Administration (SBA) Loan Fund. This fund purchases the federally guaranteed portion of SBA 7(a) loans. These are community development loans to small businesses located in low- or moderate-income areas, or that employ low-to moderate-income persons. The investment targets small business loans in McLean County and surrounding areas in Illinois.

Affiliate Qualified Investments

The following chart illustrates the affiliates investments and grants during the review period. The current dollar balance of affiliate total investments and grants has increased substantially from that reported at the preceding CRA evaluation.

Qualified Investments – State Farm Bank Affiliates				
Date Investment/Contributions	Original Dollar Amount (000)	Current Dollar Balance (000)	Primary Area Served	Name of Investment
Investments				
12/5/1995	\$2,003	\$1,906	Illinois	Shore Bank
4/7/1999	7,500	2,386	Normal, IL	Baby Fold
9/1/2009	5,000	680	Illinois & Regional	Great Lakes Capital Fund for Housing
Total – Illinois	\$14,503	\$4,972		
12/1/1998	101,687	53,834	California, Nationwide	Impact Community Capital, LLC
5/4/2010	25,000	955	Nationwide	National Equity Fund
Total – Nationwide	\$126,687	\$54,789		
Total – Investments	\$141,190	\$59,761		
Contributions		Amount	Primary Area Served	
10/2007 – 6/2010		\$1,316	McLean Co., IL	
10/2007 – 6/2010		930	Illinois	
10/2007 – 6/2010		31,263	Nationwide	
Total Contributions		\$33,509		
Grand Total		\$93,270		

Information about the investments (in organizations not discussed previously) follows: