

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 operations 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 CRA performance of **First Farmers Bank & Trust, Converse, Indiana**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **January 13, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION-S RATING: This institution is rated **Satisfactory**.

First Farmers Bank & Trust generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and assessment area's current economic conditions. The bank's efforts are accomplished primarily through the origination of real estate, consumer, small business and agricultural loans. A reasonable loan-to-deposit ratio supports these efforts. The majority of the bank's loans are originated within the assessment area and are reasonably distributed geographically and among borrowers of different income levels. Management has developed adequate policies, procedures, and training programs that have been effective in preventing illegal practices in its lending and credit activities. The examination revealed no patterns or practices intended to discriminate or discourage any protected class. No complaints have been received by the bank regarding its CRA performance.

The following table indicates the performance level of **First Farmers Bank & Trust** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST FARMERS BANK & TRUST PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	There were no CRA related complaints received since becoming a member of the Federal Reserve System.		

DESCRIPTION OF INSTITUTION

First Farmers Bank & Trust, Converse, Indiana, with assets of \$142.1 million as of September 30, 1996, is a subsidiary of First Farmers Financial Corp, a one bank holding company. The bank is located at 123 North Jefferson in Converse, Indiana, approximately 12 miles west of Marion, 20 miles northeast of Kokomo, and 50 miles north of Indianapolis. The bank operates eight branches, located in Amboy, Bennetts Switch, Elwood, Greentown, Kokomo, Marsh, Tipton, and Windfall; and one loan production office in Peru.

First Farmers Bank & Trust is a retail community bank offering commercial, consumer, real estate and farm credit products. According to the September 30, 1996 Consolidated Report of Condition, the primary loan product is 1-4 family real estate loans which comprise 37.23% of the bank's loan portfolio. The consumer loan products include secured and unsecured instalment loans, indirect installment loans, and credit cards. The bank offers conventional real estate and construction loans. Private mortgage insurance (PMI) is available for qualified applicants. The bank's agricultural/commercial loans include secured and unsecured loans for operating expenses and equipment; and agricultural/commercial loans for real estate.

The bank is in a highly competitive market. Competition is provided from the following banks: First National Bank, and a branch of Salin Bank and Trust Company of Indianapolis, in Kokomo; a branch of First of America Bank-Indiana of Indianapolis, a branch of Norwest Bank Indiana NA of Fort Wayne, a branch of National City Bank Indiana of Indianapolis, and a branch of Frances Slocum Bank and Trust Company of Wabash, in Peru; and STAR Financial Bank, and Bank One Marion Indiana NA, in Marion. There are several other financial institutions, credit unions, and non-bank-lenders within the bank's market area, but the above list is representative of the bank's primary competition.

The bank's assessment area consists of 30 census tracts and 22 block numbering areas (BNAs). The Kokomo MSA 3850 lies within the assessment area and contains 25 census tracts; 21 in Howard County and four in Tipton County. The remaining five census tracts are located in Madison County and are part of the Indianapolis MSA 3480. In the Kokomo MSA, there is one low- income tract, five moderate income tracts, 14 middle income tracts, and five upper income tracts. In the Indianapolis MSA portion of the assessment area, there are two moderate income tracts, two middle income tracts, and one upper income tract. Portions of Cass, Grant, Miami and Wabash Counties make up the 22 BNAs, which include four moderate income areas, 12 middle income areas, and six upper income areas.

The population in the bank's assessment area, according to 1990 U.S. Census Data, is 209,206. Whites constituted 194,076 or 92.8%, 9,991 or 4.8% are Black, and all other minorities 5,139 or 2.4% of the assessment area's population. Low- and moderate-income families comprise 22,443 or 38.10% of the total 58,899 families. The median family income in the assessment area is \$33,697, while 5,443 or 9.2% of the families are below the poverty level. Overall, the assessment area comprises whole census tracts and BNAs and does not arbitrarily exclude any low- or moderate-income areas. The assessment area includes: the entire Kokomo MSA; a

portion of the Indianapolis MSA; and BNAs which are analyzed in comparison to non-metropolitan State of Indiana demographics. For purposes of analysis and comparison the following table shows the demographics of each area.

AREA	Median Family Income	Low-income Families # and %	Moderate-Income Families # and %	Middle-Income Families # and %	Upper-Income Families # and %	Families Below Poverty # and %
ASSESSMENT AREA	33,697	11,731 19.9	10,172 18.2	13,974 23.7	22,482 38.2	5,443 9.2
MSA 3480 Indianapolis	37,198	69,300 18.6	69,039 18.6	89,562 24.1	143,813 38.7	27,763 7.5
MSA 3850 Kokomo	36,770	5,478 20.0	4,616 16.9	6,767 24.8	10,466 38.3	2,372 8.7
Non-Metropolitan State of Indiana	30,800	75,604 17.3	85,154 19.5	110,492 25.3	166,166 38.0	35,395 8.1

Of all the census tracts and BNAs in the assessment area, a group of three tracts located on the northeast side of downtown Kokomo are of special interest for several reasons. One tract (#0001.00) is classified as low-income according to 1990 U. S. Census data, which is a predominately industrial area having a population of 309, with the median age of the population being 56, and contains only 28 owner occupied units. Another tract (# 0002.00), is classified as a minority census tract when using a concentration level of 50% or more minority residents in a geography. Community representatives indicate that housing in tract # 0005.00 includes some of the oldest housing in Kokomo and is generally in need of repair. According to bank management, Howard County, which includes the City of Kokomo, has the highest per capita income of any county in the State of Indiana. The Village of Elwood is the lowest income geography within the assessment area.

The total number of housing units in the assessment area is 85,553 with 57,364 or 67.1% owner-occupied and 22,146 or 25.9% rental units. The median age and value of the housing stock is 44 years and \$45,268.

The area's employment, and economic growth and development is primarily related to the automobile industry. The following chart illustrates the major employers in the bank's assessment area.

EMPLOYER	COUNTY	NUMBER OF EMPLOYEES	TYPE OF BUSINESS

Delco Electronics Corp - GMAC	Kokomo	10,000	Automotive Electronics
Chrysler Corp	Kokomo	8,000	Transmissions
Haynes International	Kokomo	890	High Performance Alloys
Marburger	Miami	200	Bacon
Square D	Miami	600	Electronic Switch Boxes
American Stationary	Miami	250	Product Fulfilment

The Chrysler transmission plant in Kokomo is expanding into Miami County and will employ approximately 700 additional employees. This and other planned area projects are improving employment opportunities and signal a stronger economy for the assessment area. Converse is a bedroom community located in Miami County with the majority of residents commuting to Kokomo in Howard County and Marion in Grant County for employment. Agriculture is predominant in the area, with corn and soybeans as the two major crops along with hog operations. According to the State of Indiana Department of Work Force Development, unemployment rates within the assessment area for the months of November 1996 and 1995 were as follows:

<u>Geography</u>	<u>November 1996</u>	<u>November 1995</u>
Kokomo MSA	2.9%	3.7%
Howard County	3.0%	3.8%
Tipton County	2.3%	3.4%
Wabash County	3.7%	4.3%
Miami County	6.0%	6.4%
Cass County	5.6%	6.7%
Madison County	3.2%	4.7%
Grant County	4.7%	6.1%

The corresponding figures for the State of Indiana were 3.3% and 4.4%, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Compliance With Antidiscrimination Laws

Management has developed adequate policies, procedures, and training programs that have been effective in preventing illegal practices in its lending activities. The examiners review of loan files and rejected applications revealed no practices intended to discourage loan applications. The bank is in compliance with the substantive provisions of Antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, and the Fair Housing Act.

Loan To Deposit Ratio Analysis

The bank's average loan-to-deposit ratio (LTD) for the previous six reporting quarters is 74.46%. According to the Uniform Bank Performance report dated September 30, 1996, the bank's LTD is 78.4%, which ranks in the 69th percentile of their peer average at 72.20%. The bank is compared to local peer lenders in the following chart:

First Farmers Bank & Trust Major Competitors				
Bank Name	Location*	Assets \$(000's)	Loan-to-Deposit Ratio	Primary Type of Lending
Norwest Bank Indiana NA	Peru (Branch of Fort Wayne)	2,065,590	53.94	Consumer
National City Bank of Indiana	Peru (Branch of Indianapolis)	5,452,086	103.43	Consumer
Frances Slocum Bank and Trust Company	Peru (Branch of Wabash)	122,455	88.44	Consumer
STAR Financial Bank	Marion	195,377	67.35	Consumer
Bank One Marion Indiana NA	Marion	110,778	86.72	Consumer
Salin Bank and Trust Company	Kokomo (Branch of Indianapolis)	356,339	84.98	Consumer
First National Bank	Kokomo	555,370	86.51	Commercial
First of America Bank, Indiana	Peru (Branch of Indianapolis)	1,392,425	97.96	Consumer
Average	N/A	1,281,303	83.67	N/A
First Farmers Bank & Trust	Converse	142,114	78.40	Consumer
N/A - not applicable * Assets and Loan-to-Deposit of parent company listed when location listed as a branch				

In addition to the loans reflected in the bank's portfolio, the bank originates and sells real estate loans to the secondary market, primarily to the Federal Home Loan Mortgage Corporation. During 1996, the bank sold 74 real estate loans for a total of \$4.8 million. The bank's loan-to-deposit ratio is consistent with the loan-to-deposit ratio of local competition according to the September 30, 1996 Consolidated Report of Condition.

The bank's loan-to-deposit ratio is reasonable considering the bank's capacity to lend, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area. The bank's loan-to-deposit ratio meets the standards for satisfactory performance.

Response to Substantiated Complaints

No complaints were received by the institution regarding its CRA performance since the bank became a member of the Federal Reserve System on October 3, 1995.