

## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Peoples Bank and Trust Company, Sunman, Indiana**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **June 10, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## **ASSIGNMENT OF RATING**

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

### **Institution's Rating:**

This institution is rated **A**Satisfactory record of meeting community credit needs@based on the findings presented below.

### **COMMUNITY PROFILE**

The bank's delineated community includes portions of Ripley (Block Numbering Area 9684) and Dearborn (Census Tracts 801,802 and 807) Counties. The Dearborn County portion of the community is in the Cincinnati, Ohio-Kentucky-Indiana Metropolitan Statistical Area (MSA). Communities within the delineated area include Guilford, Moores Hill, Sunman, St. Leon, Batesville and Milan. Sunman, Indiana is located two miles south of Interstate 74 in northeastern Ripley County. It is 62 miles southeast of Indianapolis, 93 miles north of Louisville, Kentucky, and 35 miles west of Cincinnati, Ohio. According to the 1990 Census, Sunman has a total population of 623, of which Whites represent 99.67%.

According to community contacts, Ripley County is an agricultural/farming community, but manufacturing is also a major industry. Local employers include: Sperry Rubber and Plastics, in Brookville (210 employees); Ohio Rod Products in Versailles (110 employees); McPherson's, in Sunman (140 employees); and Hill-Rom Company,(1,800 employees) and Batesville Casket Company (1,100 employees), both located in Batesville.

Approximately 18.3% of the total Sunman population is aged 55 and older. Single family homes comprise most of the housing stock (79%), and the median value in the Sunman area is \$67,234. The median household income for Ripley County is \$26,608.

### **BANK PROFILE**

Peoples Bank and Trust Company had total assets of \$51,662,000 as of December 31, 1995, and was recently acquired (July 1995) by First Financial Bancorp., a multi-bank holding company with total assets of \$2,070,782,000 as of March 31, 1996. The bank is the only financial institution located in Sunman, and its primary competitors are branches of Ripley County Bank in Milan, The Merchants Bank and Trust Company in West Harrison, and People's Trust Company in Batesville.

**ASSESSMENT OF RECORD**

**I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

***Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.***

**Regulatory Expectation**

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

**Scope and Findings**

The examination focused on the bank's informal and formal methods of ascertaining the credit needs of its community. The effectiveness of these methods and management's communication with members of its delineated community were also reviewed.

Bank directors and management ascertain credit needs through ongoing contact with community, religious, and small business organizations within the community. Following is a list of groups/organizations in which directors and management are involved:

- Sunman Chamber of Commerce
- Batesville Church of Christ
- United Way
- Sunman Economic Development
- Morris Fireman's Auxiliary
- Sunman Rural Letter Carriers Auxiliary
- Ripley County Saddle Club
- Batesville Jaycees
- Society for Prevention of Child Abuse of Ripley County

As the preceding list suggests, there are a limited number of community/civic organizations in and around Sunman. In addition, the management team is relatively new, so their familiarization with community members is just getting started. The president plans to become more involved with community activities. Nonetheless, officers, senior directors, and staff have established channels of communication with representatives of the delineated community. No unmet credit needs were identified through the bank's involvement with the listed groups/organizations, and management is aware of the community's credit needs.

The bank uses an informal officer call program to enhance its ascertainment efforts. Currently, the bank president is the only officer who makes calls; since May of 1995, he has made 14 documented calls. He primarily contacts retail business owners in Sunman

(10 calls), but he has also reached out to other areas (St. Leon-1, Milan-1, Batesville-1) within the delineated community. No credit needs were identified as a result of the calls, but management was satisfied that its objectives of introducing the new management personnel to the community and expressing the bank's willingness to serve the community's needs was accomplished.

### **Conclusions**

Management's efforts to ascertain credit needs throughout its delineated community are considered adequate and consistent with the bank's capabilities. No unmet credit needs were identified, and management is involved in the credit needs ascertainment process, and is aware of the community's needs.

***Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.***

### **Regulatory Expectation**

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community needs.

### **Scope and Findings**

The minutes of the bank's board meetings were reviewed for evidence of director involvement. The bank's CRA compliance program was also reviewed. The bank has a CRA Policy that is reviewed annually and was last readopted on February 13, 1995. The policy has three main provisions:

- C Assign CRA-related responsibilities to the board of directors and CRA officer, and establish expectations for bank staff in achieving the bank's CRA goals.
- C Define the role of the CRA officer as it relates to technical compliance and the procedural requirements of CRA.
- C Define the bank's CRA Program and establish its provisions.

The board of directors also reviews and approves the bank's CRA statement, at least annually, to ensure its accuracy; however, the most recent review occurred on February 13, 1995.

Procedures have been implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments. Management's approach to CRA is very proactive. At the majority of the monthly board of directors meetings, management reviews the number of loans made in the delineated community. The board also reviews detailed semi-annual reports that list the distribution of the bank's approvals and denials. The directors also assist in the bank's ascertainment efforts through participation and membership with community and professional organizations. The bank also receives CRA-related assistance from its holding company.

### **Conclusions**

Board participation in the bank's CRA efforts is considered adequate based on its ongoing review of the bank's efforts to comply with the Community Reinvestment Act. Through participation and membership with community and professional organizations, the directors are assisting in the bank's ascertainment efforts. The board also reviews semi annual reports that analyze the geographic distribution of approved and denied credit applications to ensure that the bank is effectively reaching all segments of its delineated community.

## **II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

***Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.***

### **Regulatory Expectation**

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

**Scope and Findings**

The bank's marketing efforts since the previous examination were reviewed for their effectiveness in promoting the availability of the credit products and services throughout its entire delineated community. The bank markets its products and services using the following methods/media:

Newspapers:

The Herald Tribune - a bi-weekly publication with an approximate circulation of 4,500 that is distributed throughout Ripley and Franklin Counties. The bank runs advertisements in each issue of the newspaper, and management estimates that 30% are deposit related, and 70% are for other consumer products and services.

Over 50 Magazine - a monthly publication, with an approximate circulation of 10,000, that is devoted entirely to the interests of those over fifty years of age. The magazine is primarily distributed throughout the Counties of Ripley, Dearborn, Jefferson, Ohio, and Switzerland. According to management, advertisements are run periodically (close to quarterly) and generally promote the bank's deposit products.

The Versailles Republican - a weekly publication that is primarily distributed to Ripley County residents. The paper has an approximate circulation of 5,000 and the bank uses it to advertise consumer installment loans, about once each quarter.

The Dearborn County Register - with an approximate circulation of 8,805, a weekly publication that serves Dearborn and Ohio Counties in Indiana, and Western Hamilton County in Ohio. Annually, the bank places an advertisement to promote its deposit products.

The Harrison Press - the bank places semi-annual advertisements for consumer installment loans in this weekly publication. The paper is distributed to residents of Dearborn and Ohio Counties, and has an approximate circulation of 5,500.

Radio Stations:

WRBI (FM) - located in Batesville, has an approximate listening audience of 96,000 and transmits throughout the entire delineated community. Advertisements for automobile loans are run three times per day.

WSCH (FM) - located in Lawrenceburg, has an approximate listening audience of 30,000, and transmits throughout the delineated community. Advertisements for deposit (50%) and other consumer products are placed two to three times per year.

Television:

Sunman TV - The bank began running advertisements for bank products on the local Weather Channel. There are approximately 700 Weather Channel subscribers in the area, and the advertisements run about 500 times per month.

The bank also uses statement stuffers, word-of-mouth, and the involvement of its employees, management, and directors in groups and activities to market its products and services. Lending officers review the bank's marketing efforts on an ongoing basis.

### Conclusions

The bank's marketing efforts are sufficient. Although the majority of the bank's 1996 advertisements promote consumer installment and automobile loans, the institution is a well established mortgage lender (80% of the bank's current portfolio is real estate-related). Management is making a concerted effort to publicize its installment and auto loans in an effort to increase loan activity and better balance its portfolio. The composition of the media used by the bank is sufficient to reach all segments of its delineated community.

***Assessment Factor (i) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.***

### Scope and Findings

A review of the bank's December 31, 1995 Consolidated Report of Condition revealed a loan-to-deposit ratio of 56.96%. The distribution by loan type was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	346	1.41
Residential (1-4)	13,964	56.98
Commercial	3,542	14.45
Agricultural	1,994	8.14
Multi-family	433	1.77
CONSUMER	2,088	8.52
COMMERCIAL AND INDUSTRIAL	1,120	4.57
AGRICULTURAL	1,008	4.11
OTHER	12	.05

A comparison of the bank's loan distribution with information contained in the previous report of examination (information from the September 30, 1994 Consolidated Report of Condition), revealed no significant changes in the bank's loan mix. Overall, total loans increased by \$1.932 million or 8.56% since the previous examination; \$1.395 million or 72.2% of the loan portfolio growth was in the residential loan category.

According to the Uniform Bank Performance Report (UBPR), dated December 31, 1995, the bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	2.06%	1.15%
1 - 4 Family Residential	55.80%	27.10%
Home Equity	0%	0.06%
Other Real Estate	24.19%	20.94%
Farmland	8.60%	7.26%
Multi-family	1.58%	0.28%
Commercial	14.02%	10.98%
TOTAL REAL ESTATE LOANS	82.05%	52.50%
LOANS TO INDIVIDUALS	9.15%	15.04%
CREDIT CARD LOANS	0%	0.18%
COMMERCIAL & INDUSTRIAL LOANS	4.68%	13.98%
AGRICULTURAL LOANS	4.08%	10.97%
MUNICIPAL LOANS	0%	0.28%
OTHER LOANS*	0.05%	0.16%
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO
56.28%	60.68%

The bank's loan portfolio is primarily composed of real estate loans, with a concentration in one-to-four family residential loans. The bank has also outperformed peer in this area; as of December 31, 1995, total real estate loans comprised 82.05% of the bank's loan portfolio, compared to 52.50% for peer. One-to-four family residential loans accounted for 55.80% of the bank's portfolio, compared to 27.10% for peer. Management believes that these percentages are too high and would like a more balanced portfolio. Management is focusing the bank's marketing efforts on consumer installment and automobile loans in an effort to even out the portfolio mix.

Community representatives contacted during this examination expressed concerns about the availability of 30 year fixed rate mortgages. The bank does offer these products but based on the average price of a home, the majority of borrowers opt for a 20-year amortization. As the economy improves and housing prices increase, management expects increased demand for 30 year mortgage loans.

The percentage of agricultural loans (4.08%), commercial and industrial loans (4.68%) and loans to individuals (9.15%) do not compare favorably to peer percentages (10.97%, 13.98%, and 15.04%, respectively). According to bank management and community contacts, the demand for agricultural and business loans is minimal; nonetheless, since January of 1996, the bank has made five small business and three small farm loans totaling \$579,000 and \$49,000, respectively within the delineated community. Management is satisfied with the present loan to deposit ratio (56.28%) which is in line with peer (60.68%).

### **Conclusions**

The bank originates residential mortgage, small business, and agricultural loans in all segments of its delineated community. The bank's lending performance is consistent with its size and resources, and demonstrates management's willingness to help meet the credit needs of area residents.

***Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.***

### **Scope and Findings**

The bank's participation in government sponsored loan programs and its effectiveness in meeting the need for these types of credit products and programs within the bank's delineated community were reviewed.

According to management, the bank does not offer Federal Housing Administration (FHA), Veterans Administration (VA), or Farmers Home Administration (FmHA) loans due to lack of demand for these products, and the bank's size and limited resources. The bank does offer Small Business Administration (SBA) loans and has made one since the previous examination. In January of 1996, the bank funded a \$400,000 SBA 504 loan to 3-D Mart, Inc., a small business located in Saint Leon, Indiana.

Recently, the bank became involved with Rural Housing Services, an organization that provides housing for low-and-moderate income families. Since the previous examination, the bank made three of these government subsidized loans for a total of \$60,000. The bank does not originate but continues to offer guaranteed student loans through its participation in the **AHome Town Lender** program. The bank assists prospective student borrowers in completing the paper work for these loans and refers the request to another lender.

Discussions with community representatives did not reveal a need for additional government- insured or guaranteed loans in the community.

**Conclusions**

The bank's participation in governmentally-insured loan programs is adequate to meet the needs of the delineated community. The bank's involvement with Rural Housing Services demonstrates a commitment to provide housing for borrowers of all income levels, specifically low-and-moderate income families.

**III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES****Regulatory Expectation****Reasonableness of Community Delineation**

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

**Scope and Findings**

The bank's delineated community, its method of choosing the delineation, and the reasonableness of both were reviewed.

In January of 1996, the bank revised its delineated community and renamed it Assessment area in order to comply with the new requirements of the Community Reinvestment Act. Block Numbering Area 9684 and Census Tracts 801, 802, and 807 now define the bank's community. While the bank is not located in an MSA, portions of the delineated community is located in the Cincinnati MSA. There are no low-and-moderate income areas (as defined by the 1990 Census) in the delineated community, and none that the bank could reasonably be expected to serve were excluded from the delineation. Management periodically assesses the reasonableness of its delineation. The last documented review of the delineated community by the board of directors occurred on December 11, 1995.

**Conclusions**

Reviews of the sample of loans selected during this examination support the reasonableness of the delineated community. The delineation does not exclude any areas that the bank could reasonably be expected to serve.

***Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.***

**Regulatory Expectation**

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

**Scope and Findings**

The examination focused on a review of the geographical distribution of the bank's loans and denials. The bank's internal mechanisms for analyzing the geographic distribution of credit were also evaluated. A review of the loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Commercial	9	8	89%
Real Estate Mortgage	20	17	85%
Installment	20	16	80%
Single Payment	20	16	80%
Total Loans	69	57	83%
Denied Applications	23	18	78%

For 1995, the bank performed semi-annual analyses of the geographic distribution of its credit applications; The results are illustrated in the following chart:

Zip Code	Loan Distribution by Type		
	Mortgage	Installment	Commercial
47041 - Sunman	55	282	203
47006 - Batesville	18	27	17
47012 - Brookville	4	41	25
47060 - W. Harrison	0	12	1
47022 - Guilford	7	20	11
47031 - Milan	17	76	47
Other	20	101	69
Total	121	559	373

The bank also analyzed the number of rejected loan requests from February 1, 1995 to August

1, 1995; the distribution of denials was as follows : Sunman - 13, Milan - 4, Guilford - 1, Brookville - 5, Batesville - 3, West Harrison - 0, and other - 7.

In 1996, the bank switched to a software program that allows the bank to track the geographic distribution of its loans. The following table illustrates the bank's year-to-date 1996 distribution of loans by census tract and/or block numbering area (BNA):

<u>Census tract/BNA</u>	<u># of loans</u>	<u>% of total loans</u>
BNA #9684	21	15.8
Tract # 801	53	39.8
Tract #802	2	1.5
Tract #807	6	4.5
<b>Total (in A. Area)</b>	<b>82</b>	<b>62.0</b>
Other	51	38.0

The software system also allows the bank to perform an applicant income analysis, as illustrated below, which shows the bank's 1996 year-to-date performance:

	<b>Loans</b>

<b>Income</b>	<b>Number</b>	<b>Percent</b>
No income reported	27	20%
Less than 50%	25	18.5%
50% - 79.99%	44	32.6%
80% - 119.99%	19	14.1%
Greater or =120%	20	14.8%
<b>Totals</b>	<b>135</b>	<b>100%</b>

As the preceding chart indicates, 51% (69 of 135) of the bank's loans were made to low- and moderate-income applicants. These numbers are skewed as a significant percentage of applicants did not report their income (20%).

The loan tracking system has allowed the bank to conduct more detailed analysis of its lending patterns; factors such as applicant income, census tract income, and minority levels are now available, and will enhance the bank's self-analysis.

### **Conclusions**

Based upon the geographic distribution of the bank's credit applications and loans, the bank's performance under this category is considered strong. Despite the limited customer base, the bank still has a high percentage of lending within zip codes that comprise the bank's delineated community-especially in the City of Sunman. The bank's loan distribution also supports the reasonableness of the delineation.

*Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.*

**Scope and Findings**

The bank's level of services and hours of operation were reviewed for their responsiveness to the community's needs for banking services.

Peoples Bank and Trust Company has one office and one automated teller machine (ATM). The bank's hours of operation are as follows:

	<u>Lobby Hours</u>	<u>Drive Up Hours</u>
Monday - Thursday*	9:00am - 3:00pm	8:30am - 4:00pm
Friday	9:00am - 6:30pm	8:30am - 6:30pm
Saturday	9:00am - 2:00pm	8:30am - 3:00pm

\*Office is closed on Wednesday

In July of 1995, the bank mailed 1,400 ~~awe~~ invite your comment@cards to existing bank customers that asked for an evaluation of the bank's teller services and additional comments. To date, the bank has received 26 responses; from the responses, the bank was able to ascertain that customers wanted longer hours (the bank is closed on Wednesdays). As a result, in September of 1996 the bank will be open on Wednesdays.

The community feedback also led to the replacement of the ATM with a new 24-hour full-service ATM (located at the main office) that is tied to the MAC network, a feature that was not available before. Management believes that the new ATM will give customers added convenience by allowing them to be a part of a network.

Although the bank does not have any branches, it does have a policy for branch closings which was adopted by the Board of Directors on June 20, 1996.

**Conclusions**

The bank's facilities provide an adequate level of service to the entire delineated community. Management's commitment to its community is evident from its response to identified service needs by expanding banking hours and improving services.

**IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES**

***Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).***

**Scope and Findings**

The bank's CRA Statement and the types of available credit listed in the statement were reviewed. The bank's ability to extend credit in accordance with its stated policy was also reviewed.

The bank's CRA statement indicates that the following types of credit are available to members of its community:

**Real Estate Loans**

- residential (1-4 family)
- commercial (including multi-family)
- farm

**Consumer Loans**

- installment loans (secured and unsecured, fixed and variable rate)
- credit cards (**when offered**, fixed and variable rate)
- term notes
- home equity loans (through the bank's holding company)
- overdraft banking (**when offered**)

**Commercial Loans**

- term loans
- single payment loans
- lines of credit
- letters of credit

**Leases** (through the bank's holding company)

- vehicle
- equipment

**Government Subsidized**

- student
- small business administration

Discussions with management revealed that credit cards and overdraft banking (the products labeled with the phrase **when offered**) are not currently available. The bank is planning to offer these products.

**Conclusions**

An analysis of the bank's loan portfolio indicates that the bank extends credit, by general type, consistent with the types of credit listed in its CRA statement. Comments from community contacts did not reveal any practices that would discourage applications for the types of credit listed in the bank's CRA statement.

***Assessment Factor (f) - Evidence of prohibited discriminatory or other illegal credit practices.***

**Scope and Findings**

Recently approved real estate, installment, single payment, and commercial loans, as well as rejected credit applications were reviewed for compliance with the applicable fair housing and fair lending laws and regulations. The bank's loan forms, policy and procedures were reviewed, and loan officers were interviewed. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws, including the Fair Housing and the Equal Credit Opportunity Acts.

Management indicated that each denied credit application is reviewed by two loan officers to ensure that the bank's written lending standards are applied consistently among all applicants.

**Conclusions**

No evidence of prohibited discriminatory or other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws, including the Fair Housing Act and the Equal Credit Opportunity Act.

**V. COMMUNITY DEVELOPMENT**

*Assessment Factor (h) - The institution's participation, including investments, in local community development or redevelopment projects or programs.*

**Scope and Findings**

The bank's community development lending, participation in local bond activity, and charitable contributions were reviewed for their impact on the development of the community.

As previously discussed under Assessment Factor (a), directors, officers, and staff are involved in community and civic groups that help keep the bank aware of community development issues. Currently, there are no community development projects in which the bank could participate; however, management expressed its willingness to participate in such projects as the opportunity arises. Since the previous examination, the bank ( in conjunction with the Indiana Statewide Certified Development Corporation) made a \$400,000 SBA loan to start a new business that resulted in the creation of 30 jobs. Also, the bank's recent involvement with Rural Housing Services has resulted in three loans for \$60,000 to low- and moderate-income families.

In 1995, the bank made a total of \$19,095 in contributions/donations to professional, civic, and community organizations throughout the delineated community. Year-to-date 1996 donations totaled \$1,917.

Also since the previous examination, the bank has purchased approximately \$5,930,000 (par value) in municipal bonds. Of these issues, approximately \$365,000 were for

obligations within the bank's delineation. Bank staff is also involved in community development efforts. A bank officer is involved in a group that is organizing to pursue the locating of a regional campus for college and technical training to Sunman.

The bank has demonstrated a commitment to the small businessperson within its delineated community. Year-to-date, the bank has made three loans to small businesses less than \$100,000 in size; one loan to a business between \$100,000 and \$250,000; and one loan to a business greater than \$250,000 for a total of five small business loans.

**Conclusions**

Based on the limited opportunities for participation in community development, the bank's performance is commendable. Loans such as the SBA loan epitomize community development in a town like Sunman. The bank's involvement in efforts to locate a regional college campus to the area, establish it as a leader in community development.

***Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.***

There are no apparent factors relating to the bank's financial condition and size, or local economic conditions that would prevent the bank from meeting community credit needs.

***Assessment Factor (l) - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.***

None