

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 **Linden State Bank, Linden, Indiana** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 3, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated **Outstanding**.

Linden State Bank generally promotes economic revitalization and growth consistent with its size, financial capacity, location, and the current economic conditions of its assessment area. The bank provides this support through origination of real estate, consumer, small farm and small business loans. The extent of the bank's activities is demonstrated by the growth in loan volume and the bank's loan-to-deposit ratio of 66.17%. A substantial majority of the bank's loan originations are within the assessment area. Loans to small farms and businesses, as well as consumers of all income levels are prevalent. The examination revealed no patterns or practices intended to discriminate or discourage applications from any protected class. There were no CRA-related complaints received by the bank since the previous examination.

The following table indicates the performance level of **Linden State Bank, Linden, Indiana** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	LINDEN STATE BANK 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	There are no low or moderate-income geographies in the assessment area.		
Response to Complaints	No CRA related complaints have been received since the previous examination.		

DESCRIPTION OF INSTITUTION

Linden State Bank, with total assets of \$47.3 million as of December 31, 1996, is a subsidiary of Linden State Bancorp, Inc., Linden, Indiana, a one bank holding company. The bank's main office is located in Linden. The bank has two branch offices, including one each in Crawfordsville and New Richmond Indiana. Deposit and loan services are available at all offices. A loan officer is available at the New Richmond branch on a limited basis.

Competition in the Montgomery County portion of the assessment area is provided by Bank One Crawfordsville NA; Montgomery Savings Association, Crawfordsville; Union Federal Savings and Loan Association, Crawfordsville; as well as branch offices of Lincoln Federal Savings Bank, Plainfield; National City Bank of Indiana, Indianapolis; Tri-County Bank and Trust Company, Roachdale; and Union Federal Savings Bank; Indianapolis. Competition in the Tippecanoe County portion of the assessment area is provided by Bank One, Lafayette NA; Lafayette Bank and Trust Company, Lafayette; Lafayette Savings Bank, FSB, Lafayette; and branches of NBD Bank NA, Indianapolis; The Bright National Bank, Flora; Citizens Bank of Western Indiana, Terre Haute; and Salin Bank and Trust Company, Indianapolis. The bank's competitors are all significantly larger than Linden State Bank.

The bank offers a wide range of mortgage, consumer, agricultural and commercial loan products. Review of the bank's loan portfolio as of December 31, 1996 showed that residential mortgage loans represented 42% of the bank's outstanding loans. By comparison consumer loans represented 21% of the portfolio, while agricultural loans were 22% and commercial loans were 10% of the portfolio. There are no factors relative to the bank's financial condition, size, or local economic conditions which would prevent the bank from meeting community credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's offices are located in Montgomery County, in western Indiana. The bank's main office is located in Linden, approximately 15 miles south of Lafayette. The bank has defined its assessment area as all of Montgomery County, and the contiguous southern portions of Tippecanoe County. Tippecanoe County is part of the Lafayette-West Lafayette Metropolitan Statistical Area (MSA). This portion of the assessment area consists of four Census Tracts (106, 107, 109, and 110). Although this portion of the assessment area falls within the MSA, the bank has no offices located in the MSA. The Montgomery County portion of the assessment area consists of nine Block Numbering Areas (BNA).

Based on 1990 U.S. Census Bureau data, three of the census tracts and eight of the BNAs are classified as middle-income, with the remaining geographies classified as upper-income. None of the census tracts or BNAs within the assessment area are classified low or moderate-income areas. The median family income of the assessment area is \$35,049. The total population of the assessment area is 49,266. The assessment area's population is 98.3% White, 0.5% Black, 0.3% Asian, 0.5% Hispanic, and 0.4% American Indian.

The total number of housing units in the area is 19,301, with 13,758 or 71% owner-occupied; 4,590 or 24% renter-occupied; and 5% vacant. The median housing value in the assessment area is \$54,056. The median age of the area's housing stock is 45 years with 38% of all area housing built prior to 1950. Median monthly rent for the assessment area is \$334.

The State of Indiana Department of Workforce Development indicated that the unemployment rate for nonagricultural employment in the State of Indiana was 3.4% in December 1996. The December 1996 unemployment rate for Montgomery County was 2.6% compared to 2.1% for Tippecanoe County and 3.2% for the City of Crawfordsville.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank was examined for compliance with fair lending laws and regulations. No evidence of prohibited discriminatory credit practices was detected. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan-To-Deposit Ratio Analysis

A review of the bank's quarterly Consolidated Reports of Condition from March 31, 1996 through December 31, 1996 revealed that the bank had a average net loan-to-deposit ratio (LTD) of 66.17%. According to the quarterly Uniform Bank Performance Reports (UBPR) over the same time period, the bank's level of lending compares reasonably to the peer average LTD of 67.02%. A more detailed review of the bank's Consolidated Reports of Condition revealed that the bank's average LTD does not fully reflect the bank's level of lending. Certificates of deposit from the North Montgomery School Corporation and Montgomery County Treasurer totaling \$8.5 million caused dramatic influxes in short term certificates of deposit during 1996. The effect of these large short term deposits is to inflate total deposits and reduce the net loan-to-deposit ratios. Subtracting the \$8.5 million in Montgomery County certificates of deposit, the current loan-to-deposit ratio is 86.04%.

The bank's loan-to-deposit ratio is more than reasonable given the bank's capacity to lend, and the demographic data, economic conditions, and identified credit needs of the assessment area. The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Lending In Assessment Area

The bank used an outside consultant (The Attus Group Inc.) to prepare a geographic analysis of the bank's loan originations for 1996. The analysis included real estate, consumer, agricultural and commercial loans. Results of this analysis are illustrated in the following chart.

LENDING IN ASSESSMENT AREA			
	UNIVERSE	WITHIN THE ASSESSMENT	% IN AREA

LENDING IN ASSESSMENT AREA						
LOAN TYPE	#		\$		AREA	
	#	\$	#	\$	#	\$
Real Estate	92	2,867,000	76	2,398,000	82.6	83.6
Consumer	678	3,600,000	577	3,013,000	85.1	83.7
Agricultural	81	3,075,000	75	2,826,000	92.6	91.9
Commercial	57	1,458,000	49	1,131,000	86.0	77.6
TOTAL	908	11,000,000	777	9,368,000	85.6	85.2

As the preceding chart illustrates, 85.6% of the total number of loans and 85.2% of the total dollar amount of loans were made within the assessment area. The bank's loan distribution within its assessment area exceeds the standards for satisfactory performance.

Lending To Borrowers Of Different Incomes And To Businesses/Farms Of Different Sizes

A sample of real estate and installment loans, for the six month period from July 1, 1996 through December 31, 1996 was reviewed to determine the bank's level of lending to consumers of different income levels. A three year trend analysis of the bank's agricultural and commercial loan portfolios was reviewed to determine the level of lending to small farms and small businesses.

Consumer Loans

The review of consumer real estate and installment loans originated during the sample period revealed the following:

LENDING BASED ON BORROWER INCOME								
LOAN TYPE	LOW-INCOME		MODERATE-INCOME		MIDDLE-INCOME		UPPER-INCOME	
	#	%	#	%	#	%	#	%
Real Estate	0	NA	5	31.2	4	25.0	7	43.8
Installment	19	48.7	5	12.8	7	18.0	8	20.5
TOTAL	19	34.5	10	18.2	11	20.0	15	27.3
% Population		13.6		18.3		25.1	43.0

The above chart demonstrates that the bank is making real estate and installment loans to consumers of all income levels. The chart further shows that the bank's combined lending to consumers with low or moderate-incomes is consistent with the percentage of low and moderate-income residents within the assessment area.

Small Farm

The bank's June 30, 1994, 1995, and 1996 Consolidated Reports of Condition were reviewed and compared to determine the level of lending to small farms. Instructions for preparation of the Consolidated Report of Condition define small farm loans as those with original loan amounts of \$500,000 or less. The following chart illustrates the bank's small farm lending:

LENDING TO SMALL FARMS			
	JUNE 30, 1996	JUNE 30, 1995	JUNE 30, 1994
LOANS TO SMALL FARMS	\$6,739,000	\$6,451,000	\$6,555,000
TOTAL AGRICULTURAL	\$6,741,000	\$6,451,000	\$6,555,000
% SMALL FARM	99.9%	100.0%	100.0%

The chart above shows that virtually all of the bank's outstanding agricultural loans were to small farms.

Small Business

The bank's June 30, 1994, 1995, and 1996 Consolidated Reports of Condition were reviewed and compared to determine the level of lending to small businesses. Small business loans are those with original loan amounts of \$1 million or less. The following chart illustrates the bank's small business lending:

LENDING TO SMALL BUSINESS			
	JUNE 30, 1996	JUNE 30, 1995	JUNE 30, 1994
LOANS TO SMALL BUSINESSES	\$3,205,000	\$3,113,000	\$4,287,000
TOTAL COMMERCIAL	\$3,205,000	\$3,113,000	\$4,287,000
% SMALL BUSINESSES	100.0%	100.0%	100.0%

The chart above shows that all of the bank's outstanding commercial loans were to small businesses.

The bank's level of lending to individuals of different incomes and small farms and businesses exceeds the standards for satisfactory performance.

Geographic Distribution of Loans

Because there were no designated low- or moderate-income geographies located within the assessment area in which lending activity could be analyzed, this criterion is not rated.

Response to Complaints

No complaints were received by the institution regarding its CRA performance since the previous examination.