

PUBLIC DISCLOSURE

January 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: Heartland Bank
043918200000
939 E. Johnstown Road
Gahanna, OH 43230

Supervisory Agency: Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101-1387

NOTE: 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.

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 operation 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 Community Reinvestment Act ("CRA") performance of Heartland Bank prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of January 21, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated satisfactory.

Heartland Bank ("HB") has a satisfactory record of helping to meet the credit needs of its entire community, consistent with the bank's resources and capabilities. The bank's loan-to-deposit ratio is reasonable, a majority of HB's loans are within its assessment area, loans are reasonably dispersed throughout the assessment area, and loans reflect an excellent penetration among individuals of different income levels, including low- and moderate-income individuals and small businesses.

The following table indicates the performance level of Heartland Bank with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>HEARTLAND BANK</u> 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		X	

DESCRIPTION OF INSTITUTION

Heartland Bank had seven branches open and one office in Gahanna under construction at the time of our examination. The open branches were located in Croton, Johnstown, Newark, Dublin, Grove City, Northeast Columbus, and West Columbus.

The bank had total assets of approximately \$149 million as of September 30, 1996.

Loans comprised 67.94% of HB's total assets while investments accounted for 24.67%.

As of September 30, 1996, residential real estate loans were approximately 25.42% of the bank's lending activity and includes residential units and commercial buildings while construction and land development real estate loans were 5.10% of the overall lending activity. Remaining loan volume consisted primarily of: consumer installment loans (18.11% of lending activity), agricultural loans (.51% of lending activity), commercial and industrial loans (27.61% of lending activity), and credit card and related plans (.55% of lending activity).

HB offers a wide variety of loan products including, but not limited to, commercial loans, residential real estate loans, consumer and business installment loans, consumer and business time and demand loans, and loans for agricultural purposes. In addition to offering these conventional loan products, the bank participates in Farm Service Agency and Small Business Administration government loan programs.

HB has no legal or financial constraints which would impede its ability to provide credit to its community. The bank's CRA rating as of its previous examination, November 28, 1994, was "Satisfactory."

DESCRIPTION OF HB's ASSESSMENT AREA

The city of Croton, Ohio, and the surrounding communities served by the bank's offices can generally be described as Licking, Franklin, Delaware, and Pickaway Counties. More specifically, the bank has determined its assessment area to include the following census tracts ("CTs"):

Licking County

7501	7516	7536	7553
7503	7519	7539	7556
7504	7522	7541	7577
7507	7525	7544	7589
7510	7528	7547	
7513	7531	7550	

Franklin County

43	69.32	72	83.4
45	69.33	79.2	83.5
46.1	69.42	79.3	83.6
46.2	69.43	79.4	83.7
47	69.44	79.5	83.8
48.1	69.45	81.1	83.8
48.2	69.9	81.2	83.91
62.1	70.1	81.3	96
62.2	70.2	81.4	97.11
62.3	71.11	81.6	97.12
63.6	71.12	82.1	97.2
63.7	71.13	82.3	97.4
63.81	71.2	82.4	97.5
63.82	71.3	83.11	98
69.23	71.92	83.12	
69.24	71.93	83.21	
69.31	71.94	83.22	

Delaware County

114.1	114.2	116	117
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Pickaway County

213	214
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There are 8,430 people and 3,060 households within Heartland Bank's assessment area. The median household income in the assessment area is \$14,472 and the median family income is \$14,376. The median family income in Ohio during 1996 was \$37,000. Household income includes the income of all persons residing within a household, whereas family income includes only the income of persons related by blood or marriage living together.

The population is racially homogeneous with minority groups representing 7.6% of the assessment area population. The entire MSA in which Heartland Bank is

located, 1840, has a minority population of 14.6% while the total minority population in the assessment area is 7.6%. Blacks constitute 4.9% of that minority population within the assessment area.

The census tracts within the assessment area include: 3 (or 3.2% of all census tracts within the assessment area) low-income tracts; 17 (18.3%) moderate-income tracts; 46 (49.5%) middle-income tracts; and 27 (29.0%) upper-income tracts according to the 1990 Census Bureau data.¹ There are a total of 181,785 households within the bank's assessment area. Within the assessment area, 1.68% of the households are located in low income tracts; 14.62% are located within moderate income tract areas; the majority of the households, or 43.78%, are located in middle income tract areas; and 39.92% of the households are located within upper income tract areas. Further, the assessment area has population of 483,823. Of that population, 1.70% are living in low income census tract areas, 14.0% are in moderate income tract areas, 43.0% in the assessment area are living in middle income tracts, and 41.20% of the population in the assessment area are in upper income tract areas.

Approximately 129,956 families live within the bank's assessment area. Low-income and moderate-income families represented 14.5% and 16.6% of the families in the assessment area, respectively, while middle-income and upper-income families represented 25.5% and 43.4%, respectively.

Owner-occupied dwellings account for 59.5% of the total housing units within the assessment area. The majority of the remaining housing units are rental units, representing 34.9% of the total housing units, with the remaining 5.6% of the housing units consisting of vacant properties. The median housing value is \$77,369 and the median gross rent is \$462. Approximately 15.3% of the housing units in the assessment area were built prior to 1950 and have a median housing age of 20 years. Of the 114,436 owner-occupied dwellings within the assessment area, 0.79% units are in low-income census tract areas, 11.4% are in moderate-income tract areas, 44.9% are in middle-income tract areas and 42.9% are in upper-income tract areas. One to four family dwellings comprise 76.9% of the housing units within the

¹Low-, moderate-, middle-, and upper-income are defined as follows:

<u>Low-income:</u>	Up to 50% of the median MSA family income.
<u>Moderate-income:</u>	Greater than 50% up to 80% of the median MSA family income.
<u>Middle-income:</u>	Greater than 80% up to 120% of the median MSA family income.
<u>Upper-income:</u>	Greater than 120% of the median MSA family income.

assessment area, while mobile homes and 5 or more family dwellings comprise 2.3% and 20.0% of the units, respectively.

Service and other, manufacturing, and retail are the predominant industries within the MSA in which the assessment area is located. The February 1997 unemployment rates for Licking, Delaware, Franklin, and Pickaway counties were 5.3%, 4.1%, 3.2%, and 5.3% respectively. The unemployment rates in these counties for the month of February 1997 were lower than the state unadjusted average of 5.9% and the national unadjusted average of 5.3%.²

Two community contacts were conducted prior to the examination. The contacts provided information used in developing the performance context for the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The assessment of the bank's CRA performance included a review of the following:

- ! loan-to-deposit ratio
- ! lending volume within its assessment area
- ! geographic distribution of loans within the assessment area
- ! distribution of loans within the assessment area to low- and moderate-income borrowers and small businesses.

Loan-To-Deposit Ratio

An average loan-to-deposit ratio of 73.9% was calculated using the ratios from the eight quarters between examination dates. The bank's loan-to-deposit ratio has increased from 74.1% at December 30, 1994, to 75.1% at September 30, 1996. The ratio fluctuated from a low of 71.8% on March 31, 1996, to a high of 75.1% on September 30, 1996. A ratio of 73.9%, while slightly higher than peer banks of similar size, is reasonable for HB given its size, financial condition, competition, and assessment area.

Lending Volume Within Assessment Area

² *Ohio Labor Market Information*, Ohio Bureau of Employment Services.

To assess the remaining areas, a statistical sample of the bank's major product categories was selected for review. The universe upon which the sample was based included all loans originated (in terms of number of loans, not dollar amount of loans) since the last examination date of November 28, 1994. The sample included residential loans, auto-direct loans, personal unsecured loans, and truck loans. Based upon the sample, the loan volume (number of loans) within HB's assessment area was 52.7% and the loan amount (dollar amount of loans) was 54.3%. The following shows the distribution by loan type:

Type of Loan Sampled	Number/Percent in Assessment Area		Amount/Percent in Assessment Area	
	Number	Percent	Amount	Percent
Residential	38	60	\$1,041,751	66
Auto-Direct	93	52	\$ 837,115	52
Personal Unsecured	44	52	\$ 146,426	40
Truck	<u>30</u>	<u>47</u>	<u>\$ 482,598</u>	<u>46</u>
	205	52.7%	\$2,507,890	54.3%

This distribution reflects that a little more than half of the loans generated are within the bank's assessment area.

Geographic Distribution Within Assessment Area

The bank's assessment area contains low- and moderate-income census tract or BNAs. The percentage distribution of loan volume and loan amount by loan type shows that a majority of loans went to borrowers who live in middle-income census tract areas. The following shows the distribution of loans by census tract income level:

Low-Income Level Census Tracts

Type of Loan Sampled	Number/Percent in Census Tract		Amount/Percent in Census Tract	
	Number	Percent	Amount	Percent
Auto-Direct	0	0	\$ 0	0
Personal Unsecured	1	2	\$ 1,517	1
Residential	1	3	\$42,398	4

Truck	<u>1</u>	<u>3</u>		<u>\$15,015</u>	<u>3</u>
		3	1.46%	\$58,930	2.35%

Moderate-Income Level Census Tracts

Type of Loan Sampled	Number/Percent in		Amount/Percent in		
	Census Tract		Census Tract		
Auto-Direct	17	18	\$170,983	20	
Personal Unsecured	8	18	\$ 20,438	14	
Residential	3	8	\$ 51,023	5	
Truck	<u>0</u>	<u>0</u>	<u>\$ 0</u>	<u>0</u>	
		28	13.7%	\$242,444	9.67%

Middle-Income Level Census Tracts

Type of Loan Sampled	Number/Percent in		Amount/Percent in		
	Census Tract Per Product		Census Tract Per Product		
Auto-Direct	56	60%	452,670	54%	
Personal Unsecured	26	59%	92,447	63%	
Residential	28	74%	751,576	71%	
Truck	<u>25</u>	<u>83%</u>	<u>406,794</u>	<u>84%</u>	
		135	65.86%	\$1,693,487	67.53%

Upper-Income Level Census Tracts

Type of Loan Sampled	Number/Percent in		Amount/Percent in		
	Census Tract Per Product		Census Tract Per Product		
Auto-Direct	20	22	213,462	25	
Personal Unsecured	9	20	32,024	22	
Residential	6	16	206,754	20	
Truck	<u>4</u>	<u>13</u>	<u>60,789</u>	<u>13</u>	
		39	19.02%	\$513,029	20.45%

This data shows that out of the 205 loans in our analysis, a majority of the loans (65.86%) at Heartland bank were made to applicants who lived in middle income census tracts. This is primarily because the greatest number of census tracts within

Heartland Bank's assessment area are middle income level tracts. Our analysis shows that the number of loans to individuals in the various census tracts are proportionate to the distribution of census tracts within the bank's assessment area.

Distribution by Income

An analysis of the bank's lending efforts based on borrowers' income was also performed. This analysis revealed that the majority of the 161 loans sampled for which we obtained income information were relatively evenly distributed among low-, moderate-, middle-, and upper-income borrowers.

In terms of loans made along product lines, our analysis shows that the majority (52%) of the 29 residential loans made were to upper-income borrowers. Additionally, the majority (44%) of the 25 truck loans made were to moderate-income borrowers.

The following chart shows a distribution by income level of the number and dollar amount of 161 approved loans in our sample for which HB has provided income information:

	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers	
	#	\$	#	\$	#	\$	#	\$
	%	%	%	%	%	%	%	%
Auto Direct	22	\$150,531	23	\$210,369	15	\$154,859	11	\$104,664
	22%	24%	32%	34%	21%	25%	15%	17%
Personal Unsecured	10	\$24,318	13	\$45,556	7	\$24,734	6	\$27,683
	28%	20%	36%	37%	19%	20%	17%	23%
Residential	3	\$44,044	5	\$122,129	6	\$121,083	15	\$479,900
	10%	6%	17%	16%	21%	16%	52%	63%
Trucks	8	\$114,692	11	\$146,744	5	\$43,842	1	\$15,015
	<u>32%</u>	<u>36%</u>	<u>44%</u>	<u>46%</u>	<u>20%</u>	<u>14%</u>	<u>4%</u>	<u>5%</u>
	43	\$333,585	52	\$524,798	33	\$344,518	33	\$627,262
	26.70%	18.23%	32.30%	28.68%	20.50%	18.82%	20.50%	34.27%

Heartland bank is satisfactorily making loans to borrowers with low- to moderate-income levels, as evidenced by the 95 loans (or 59%) in our sample to individuals in those income

ranges.