



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

March 18, 1999

Community Reinvestment Act Performance Evaluation

**The First National Bank of Mitchell
Charter Number 6433**

**628 Main Street
P.O. Box 37
Mitchell, IN 47446**

Comptroller of the Currency

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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 CRA performance of **The First National Bank of Mitchell** (FNB) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 18, 1999. This evaluation covers the time period from the last CRA examination dated February 7, 1996 through March 18, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. 25.

INSTITUTION'S CRA RATING: This institution has a **“satisfactory record of meeting community credit needs”**.

- C The bank's average loan-to-deposit ratio is reasonable with an average loan-to-deposit ratio during the period of 78%.
- C A substantial majority of the loans are extended within the bank's assessment area.
- C The level of lending to borrowers of different income levels is satisfactory based on our sample of 1-4 family residential lending activities.
- C The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Mitchell (FNB) is a \$47 million financial institution located in south central Indiana. FNB operates only one main office in downtown Mitchell, and two cash-dispensing ATMs at its main office drive-up facility and at State Routes 37 and 60 in Mitchell. FNB is owned by a closely-held one-bank holding company, Waterfield Bank Corporation, Indianapolis, Indiana. The holding company is related to other Waterfield Group companies, including Waterfield Mortgage Company, Incorporated, Fort Wayne, Indiana, and Union Federal Savings Bank of Indianapolis, Indianapolis, Indiana. There are no economic or legal impediments which prevent the bank from meeting the credit needs of the community. The bank was rated as having a **“satisfactory record of meeting community credit needs”** at the last CRA examination dated February 7, 1996.

Based on FNB's data, the bank originated 3,399 loans during the evaluation period. Information was not available to determine the types of loans originated. However, the bank primarily grants residential real estate loans. The lending activity of the bank is consistent with the portfolio composition. As reported in the December 31, 1998 Consolidated Report of Condition, net loans represented 53% of total assets. The loan portfolio was comprised of:

	VOLUME	% OF GROSS LOANS
Loans secured by real estate	\$12.3 million	49%
Loans secured by non-residential real estate	3.9 million	16%
Loans to individuals	5.5 million	22%
Commercial purpose loans	2.9 million	12%
Other	.2 million	1%
TOTAL	\$24.8 million	100%

DESCRIPTION OF ASSESSMENT AREA

The assessment area (AA) is Lawrence County and one adjacent BNA in Orange County containing the city of Orleans. Lawrence County includes the communities of Mitchell and Bedford. The AA is not located within a Metropolitan Statistical Area (MSA), but is subdivided into standard U.S. Census Bureau Block Numbering Areas (BNAs). Based on 1990 census data of the 11 BNAs in the AA, one BNA (9%) is moderate-income and ten BNAs (91%) are middle-income. The bank is located in the moderate-income BNA. There are no low-income or upper-income BNAs in the AA. The assessment area complies with the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Since the bank is located outside an MSA, the area median income used for comparison purposes is the statewide non-MSA family income. The 1998 U.S. Department of Housing and Urban Development (HUD) estimated Indiana non-MSA median family income is \$41,100. According to 1990 census information, the AA population was 46,133 with 11% of the households below poverty level. The number of families in the AA is 13,271, with 17% of families considered low income, 22% moderate-income, 24% middle-income and 36% upper-income. The median housing value is \$42,318 and 74% of the housing units are owner-occupied. The largest industry in the assessment area is durable goods manufacturing. The local economy is considered stable.

Strong local competition is provided by several financial institutions ranging in size from \$40 million to \$30 billion in total assets. The competitors include the offices and branches of these community banks: Bank of Mitchell, Civitas Bank, Jackson County Bank in Orleans, and Stone City Bank in Bedford; Hoosier Hills Federal Credit Union; and the branches of two large banks, Bank One,

N.A. and Union Planters Bank, N.A.

Two individuals, a community leader and a representative of an economic development organization, were interviewed separately as a part of this evaluation. They both stated that the credit needs of the assessment area are being adequately met by the financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable.

During the assessment period, the bank's net loan-to-deposit ratio ranged from 70% (September 30, 1996) to 90% (March 31, 1998). The average quarterly loan-to-deposit ratio from March 31, 1996 through December 31, 1998 was 78%. Our analysis indicates that FNB's loan-to-deposit ratio is at the midpoint of loan-to-deposit ratios of four similarly-situated locally-based community banks serving the assessment area.

Lending in the Assessment Area

FNB's lending activity within the assessment area is satisfactory.

Our analysis of bank-prepared reports revealed that 80% of the number of loans made in 1996, 1997, and 1998 (2,706 of the total 3,399 loans) were inside the assessment area.

Lending to Borrowers of Different Incomes

FNB demonstrates satisfactory performance in extending real estate loans to borrowers of different incomes.

As described earlier, the majority of the bank's lending is in real estate loans. We sampled 20 recent loans for 1-4 family residential properties to evaluate lending to borrowers of different incomes. For residential real estate mortgage loans, 40% by number were made to low- and moderate-income borrowers. This is comparable to the area's low- and moderate-income family distribution of 39%. The following chart shows FNB's distribution of mortgage loan originations for each income category compared to the percentage distribution of families for each income category in the AA.

Residential Real Estate Mortgage Loan Originations Within Assessment Area									
		Low Income		Moderate Income		Middle Income		Upper Income	
# Ins.	%	5	25%	3	15%	6	30%	6	30%

Residential Real Estate Mortgage Loan Originations Within Assessment Area									
\$ amt. (000's)	%	143	15%	118	13%	291	31%	376	41%
Distribution of Family Income		17%		22%		25%		36%	

FNB's lending to businesses of different sizes is satisfactory.

Based on a sample of 8 commercial credits, 75% of the number of loans were to small businesses. Small businesses are defined as those with less than \$1 million in annual revenues. The bank does not make a significant number of farm loans.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion within the assessment area, including the single moderate-income BNA.

Based upon a review of maps provided by the bank showing the location of borrowers, there were no significant geographies that were excluded. Maps were reviewed for all loans made in 1996, 1997, and 1998.

Response to Complaints

FNB received no complaints during this evaluation period.

Record of Compliance with Antidiscrimination Laws

We conducted a review of consumer applications received in the past four months for the purchase of used automobiles. We reviewed individual male applicants whose loans were approved and individual female applicants whose loans were denied. No violations of the substantive provisions of federal antidiscrimination laws and regulations were identified.