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Comptroller of the Currency  
Administrator of National Banks

Small  
Bank

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

May 26, 1999

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Home National Bank of Thorntown  
Charter Number: 5842**

**117 East Main Street  
P.O. Box 67  
Thorntown, Indiana 46071**

**Office of the Comptroller of the Currency  
Indianapolis Field Office  
8777 Purdue Road, Suite 105  
Indianapolis, Indiana 46268**

**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 The Home National Bank of Thorntown (HNBT) prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 26, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

### **INSTITUTION'S CRA RATING:**

This institution is rated Satisfactory Record of Meeting Community Credit Needs.

This rating is based on analyses of the bank's lending performance from January 1, 1996 to March 31, 1999. HNBT received a satisfactory rating at its last CRA examination, dated May 17, 1996. The lending performance test includes analyses of the distribution of credit to borrowers of different incomes and businesses of different sizes, the bank's average loan-to-deposit ratio, the volume of total lending within the bank's assessment area, and the bank's level of compliance with fair lending laws and regulations.

The bank's satisfactory rating is supported by the following:

- HNBT's loan distribution to borrowers of different incomes and businesses of different sizes is good.
- HNBT's average loan-to-deposit ratio is reasonable, given the bank's performance context.
- A substantial majority of loans originated during the evaluation period were extended within the bank's assessment area.
- HNBT's distribution of loans by borrower income is good.
- HNBT is in compliance with fair lending laws and regulations.

### **DESCRIPTION OF INSTITUTION:**

HNBT is a \$37 million institution located approximately 30 miles northwest of Indianapolis, Indiana, the state's capital. The bank does not have any branches. HNBT owns one ATM, which is located on the bank's premises. HNBT is 100% owned by Home National Corporation, a one-bank holding company also located in Thorntown, Indiana. HNBT's primary focus is agriculture lending. Agriculture loans comprised the largest portion of the bank's loan portfolio on March 31, 1999 Call Report. Loans comprise \$17 million (46%) of the bank's total assets. HNBT's loan portfolio is broken down as follows: \$6 million (35%) in agriculture loans, \$4.7 million (27%) in mortgage loans, \$3.7 million (21%) in commercial loans, and \$3 million (17%) in individual and other loans. There are no legal impediments that would hinder meeting the credit needs of its assessment area.

### **DESCRIPTION OF ASSESSMENT AREA:**

HNBT's assessment area is comprised of five census tracts in Boone County, which is located in the Indianapolis Metropolitan Statistical Area (MSA). As the entire MSA consists of nine counties representing a large geographic area, the bank included only those census tracts that it considers its effective lending territory. All five census tracts in the bank's assessment area are middle-income census tracts, based on 1990 US Census Data. The median family income of the Indianapolis MSA is \$37,198. HNBT's assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

According to 1990 Census data, the population of the bank's assessment area is 20,810. There are 5,911 families residing in the bank's assessment area. Using the Department of Housing and Urban Development's (HUD) 1999 median family income of \$54,600 for the Indianapolis MSA, the breakdown of families by income category is as follows: 19% low-income, 20% moderate-income, 30% middle-income, and 31% upper-income. The local economy is stable with low unemployment and minimal population growth.

The assessment area's primary industries are agriculture and light manufacturing. Major employers in the area include Western Boone County Community School Corporation, Stalco Inc., and Palmor Products. HNBT's main competitors include three larger institutions in a neighboring town. Thorntown residents largely work in Indianapolis, IN and Lafayette, IN and competition also stems from numerous institutions in those markets. We contacted a local realtor to discuss the community's credit needs. The realtor did not identify any specific credit needs, but stated that there is a shortage of homes for sale. Only 4% of housing units are vacant and housing stock does not stay on the market long. The median home value is \$57,507 and the median year of homes built is 1954.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

## **LOAN-TO-DEPOSIT RATIO**

HNBT's average loan-to-deposit ratio is low compared to its local peer banks, but reasonable given HNBT's performance context. We used loan-to-deposit information for each quarter between January 1, 1996 and March 31, 1999 for all banks in the Indianapolis MSA with total assets of under \$250 million. HNBT's average loan-to-deposit ratio for this time period was 49.63%, compared to the peer average of 84.78%. HNBT ranked 14<sup>th</sup> of 16 peer banks. Average loan-to-deposit ratios for these 16 banks ranged from 21.41% to 267.67%. As stated in the description of the assessment area, there is a noted shortage of homes for sale in the bank's assessment area, which is a factor contributing to low loan demand. HNBT received 158 loan applications during the evaluation period. Of these, only two applicants were denied credit.

## **LENDING IN THE ASSESSMENT AREA**

A substantial majority of HNBT's lending is within its assessment area. We performed an analysis of all mortgage loans extended between 1996 and first quarter 1999 using the bank's Home Mortgage Disclosure Act (HMDA) information. During the evaluation period, 90% of the number of loans extended and 88% of the dollar amount of loans were extended within HNBT's assessment area. Table 1 shows this breakdown by year.

	# Inside AA/Outside AA	% Inside AA	\$ Inside AA/Outside AA	%Inside AA
1996	35/38	92%	649/760	85%
1997	52/58	90%	1,478/1,671	88%
1998	36/42	86%	1,188/1,443	82%
1/1/99-3/31/99	14/14	100%	773/773	100%
Total	137/152	90%	4,088/4,647	89%

Source: 1996-1999 bank-prepared HMDA information

We also reviewed a sample of 20 business and 20 farm loans. We noted that HNTB extended 34 of these 40 loans (85%) and \$2,484,821 of \$3,002,921 (83%) within the bank's assessment area.

## **LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES**

HNBT has a good distribution of loans to borrowers of different incomes. We analyzed the bank's HMDA information for January 1, 1996 through March 31, 1999. Tables 2 and 3 reflect the bank's lending performance to borrowers of different income levels. HNBT's loan distribution has consistently approximated the income characteristics of its assessment area in both the number of loans extended and the dollar amount of loans

extended.

Table 2 - Loan Distribution by Borrower Type - Number of Loans Extended

Borrower Type	1996		1997		1998		1/1/99-3/31/99		Totals By Income Category		% AA Population
	#	%	#	%	#	%	#	%	#	%	
Low-income 0-49% of MFI*	5	14	14	27	11	30	2	14	32	23	19
Moderate-income 50-79% of MFI	10	29	12	23	9	25	6	43	37	27	20
Middle-income 80-119% of MFI	15	43	13	25	10	28	2	14	40	29	30
Upper-income Over 120% of MFI	5	14	13	25	6	17	4	29	28	21	31
Totals by Year	35	100	52	100	36	100	14	100	137	100	100

\* MFI=Median Family Income. Source: 1996-1999 bank-prepared HMDA information

Table 3 - Loan Distribution by Borrower Type - Dollar Amount of Loans Extended

Borrower Type	1996		1997		1998		1/1/99-3/31/99		Totals by Income Category		% AA Population
	\$	%	\$	%	\$	%	\$	%	\$	%	
Low-income 0-49% of MFI*	75	12	282	19	226	19	23	3	606	15	19
Moderate-income 50-79% of MFI	137	21	364	25	302	25	168	22	971	24	20
Middle-income 80-119% of MFI	331	51	303	20	256	22	95	12	985	24	30
Upper-income Over 120% of MFI	106	16	529	36	404	34	487	63	1,526	37	31
Totals by Year	649	100	1,478	100	1,188	100	773	100	4,088	100	100

\*MFI=Median Family Income. Source: 1996-1999 bank-prepared HMDA information. Dollar amounts are in thousands

HNBT's record of originating loans to small farms and small businesses is good. The majority of farms and businesses in HNBT's assessment area are small farms and small businesses. Businesses with gross revenues under \$1 million and farms with gross revenues under \$500,000 are considered small. Within the bank's assessment area, 94% of farms are small farms and 92% of businesses are small businesses.

We reviewed a sample of business loans in the bank's assessment area that were extended during our evaluation period to determine the breakdown of loans by gross business revenue. Table 4 shows that 100% of business loans were extended to small businesses.

Gross Revenues	# Loans Extended	% of Total Extended	\$ Loans Extended	% of Total Extended
0-\$100,000	5	28%	201,000	18%
\$100,000-\$250,000	5	28%	160,000	15%
\$250,000-\$1,000,000	8	44%	723,321	67%
Over \$1,000,000	0	0%	0	0%
<b>Totals</b>	<b>18</b>	<b>100%</b>	<b>1,084,321</b>	<b>100%</b>

Source: This table is a pro forma analysis of 18 business loans extended with HNBT's assessment area during our evaluation period.

We also used bank information showing outstanding balances of HNBT's entire business loan portfolio where original loan balances were in the following ranges: \$0-\$100,000, \$100,000-\$250,000, \$250,000-\$1 million, and over \$1 million. The bank's small business loan portfolio is broken down as follows:

	# Loans Outstanding	% of Total	\$ Loans Outstanding	% of Total
Outstanding Balances Under \$100,000	102	91%	\$2,169	53%
Outstanding Balances \$100,000-\$250,000	8	7%	\$1,003	25%
Outstanding Balances \$250,000-\$1,000,000	2	2%	\$883	22%
Outstanding Balances Over \$1,000,000	0	0%	\$0	0%
<b>Totals</b>	<b>112</b>	<b>100%</b>	<b>\$4,055</b>	<b>100%</b>

Source: 6/22/99 bank-generated report. Dollar amounts are in thousands.

Table 5 also shows that 100% of business loans in the bank's loan portfolio are small business loans. We used this analysis as a proxy analysis for small business, as loans under \$1 million are typically extended to smaller businesses. The percentage of loans outstanding in amounts under \$1 million compares favorably to the percentage of small businesses in the assessment area (76%).

We used the same bank report to determine the breakdown of loans to small farms. The

report shows the number and dollar amount of farm loans outstanding where original loan balances were in the following ranges: \$0-\$100,000, \$100,000-\$250,000, \$250,000-\$500,000, and over \$500,000. The bank's small farm loan portfolio is broken down as follows:

	# Loans Outstanding	% of Total	\$ Loans Outstanding	% of Total
Outstanding Balances Under \$100,000	106	82%	\$2,806	42%
Outstanding Balances \$100,000-\$250,000	18	14%	\$2,581	39%
Outstanding Balances \$250,000-\$500,000	5	3%	\$1,151	17%
Outstanding Balances Over \$500,000	1	1%	\$125	2%
Totals	130	100%	\$6,663	100%

Source: 6/22/99 bank-generated report. Dollar amounts are in thousands.

Table 6 shows that 99% of the number of farm loans and 98% of the dollar amount of farm loans in the bank's loan portfolio are small farm loans. We used this analysis as a proxy analysis for small farms, as loans under \$500,000 are typically extended to smaller farms. The percentage of farm loans outstanding in amounts under \$500,000 compares favorably to the percentage of small farms in the bank's assessment area (85%).

We also reviewed a sample of farm loans in the bank's assessment area that were extended during our evaluation period to determine the breakdown of loans by gross farm revenue. Table 7 shows the results of our loan sample. We included only those loans where gross revenue information was available.

Gross Revenues	# Loans Extended	% of Total Extended	\$ Loans Extended	% of Total Extended
\$0-\$100,000	5	38%	212,000	18%
\$100,000-\$250,000	5	38%	420,000	36%
\$250,000-\$500,000	2	16%	146,000	12%
Over \$500,000	1	8%	400,000	34%
Totals	13	100%	1,178,000	100%

Source: This table is a pro forma analysis of 18 business loans extended with HNBT's assessment area during our evaluation period.

Table 7 shows that 92% of the number of farm loans and 66% of the dollar amount of farm loans sampled were extended to small farms with gross revenues under \$500,000.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

We did not evaluate HNBT's distribution of loans in its assessment area. An analysis would not provide meaningful information as all census tracts in the bank's assessment area are middle-income census tracts.

## **RESPONSE TO COMPLAINTS**

HNBT has not received any complaints during this evaluation period.

## **COMPLIANCE WITH FAIR LENDING LAWS**

We reviewed a sample of consumer loans to ensure that these loans complied with the provisions of the Equal Credit Opportunity Act and other fair lending laws and regulations when the loans were originated. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.