



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bright National Bank
Charter No. 13977

4 East Main Street
Flora, Indiana 46929

Office of the Comptroller of the Currency

Central Ohio Field Office
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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 Bright National Bank (BNB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 20, 1998. The agency evaluates performance in assessment area(s), as they are delineated by the institution rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provision set forth in Appendix A to 12 C.F.R. Part 25. The last review of the bank's CRA evaluation was performed April 19, 1996. At that time, the bank was found to have a satisfactory record of meeting the credit needs of its community.

Institution's CRA Rating: This institution has a satisfactory record of meeting community credit needs.

BNB's responsiveness to its community credit needs is satisfactory. Specifically, BNB provides loans throughout its area with adequate penetration in low- and moderate-income areas. BNB's investment activity is adequate given local investment opportunity. As a part of this evaluation, a review of loans was performed to determine compliance with fair lending laws and regulations. We found no evidence of discriminatory lending practices and noted the bank provides reasonable accessibility and access to banking services.

The following table indicates the performance level of **The Bright National Bank (BNB)** with respect to the lending, investment, and service tests.

Performance Levels			
	Lending Test *	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

BNB is a \$129 million bank headquartered in Flora, Indiana, Carroll County. The bank is owned by First Financial Bancorp, a multi-bank holding company with total assets in excess of \$2 billion. First Financial Bancorp owns fourteen bank subsidiaries located in Western Ohio, Southern Michigan and eastern and west-central Indiana. BNB is a full service financial institution with a primary business focus on commercial and home loan products. At December 31, 1997, BNB's loan portfolio totaled \$105 million, representing 82% of total assets. The loan portfolio's composition is 69% real estate loans (with 50% of that category secured by 1-4 family residential properties and 21% secured by farmland), 12% agricultural loans, 9% commercial, 8% installment and 2% for other purposes. The loan to deposit ratio is 97%. BNB actively participates in selling loans to the secondary market. In 1996 and 1997, BNB sold \$11 million in mortgage loans to the secondary market. There are no impediments that would hamper the bank's ability to help meet the needs of its assessment areas.

BNB has six full service branches, one deposit taking branch, and six automated teller machines (ATM's). Four branches and three ATMs are located within Carroll County, Indiana. Two branches and two ATMs are located in Lafayette, Indiana (Tippecanoe County) and one branch and ATM are located in Rossville, Indiana (Clinton County).

Our evaluation of the bank's performance with the CRA included determination of the credit needs within the bank's assessment area. In ascertaining these needs, we considered information provided by representatives of organizations which provide services to low- and moderate-income residents and small businesses within the assessment area. The primary credit needs of the community are affordable housing and small business loans.

Description of Assessment Area

The bank's assessment area comprises all of Carroll County (seven Block Numbering Areas, or BNA's), twenty-two census tracts in Tippecanoe County and one BNA in Clinton County.

The composition of families by income level within the assessment area is as follows: low-income less than 1%, moderate-income 15%, middle-income 71% and upper-income 13%. There are 39,795 housing units in the assessment area. Of this volume, 61% are owner-occupied, 33% are rental and 6% are vacant. The median housing value is \$59,148, with a median year built of 1956.

Carroll County

The population of Carroll County is 37,618, based upon 1990 census data. Carroll County's local economy is based on agriculture and a stable industrial base. The 1997 Nonmetropolitan Statistical Area (MSA) median family income for Indiana is \$39,000. Thirteen percent (13%) of Carroll County's families are low-income, 20% are moderate-income, 26% are middle-income, and 41% are upper-income. As noted above, Carroll County consists of seven BNA's. The seven BNA's are designated as middle-income.

Tippecanoe County

The bank's assessment area includes twenty-two census tracts in the eastern half of Tippecanoe County, which are located in the Lafayette, Indiana Metropolitan Statistical Area (MSA). The population of this portion of the assessment area is 70,806, based upon 1990 census data. One of the twenty-two census tracts is designated low-income, five are moderate-income, twelve are middle-income, and four are upper-income. The low- and moderate-income tracts are located in the central Lafayette area, which has been designated as an Urban Enterprise Zone. Eighty-nine percent of the housing units in the low-income tract are rental-occupied. Fifty-four percent of the housing units in the moderate-income tracts are rental-occupied. Purdue University is the major employer for the Lafayette MSA and provides a consistent level of employment and stability to the local economy. The unemployment rate for the Lafayette MSA in November 1997, was 2.4%.

Strong competition for loans and deposits is provided by First Chicago/NBD, Bank One, Huntington, First of America and five local banks and several credit unions. Among lenders originating home loans within their assessment area in Tippecanoe County during 1996, BNB ranked fourteenth in market share at 1.50%.

Clinton County

The bank's assessment area includes one BNA in Clinton County. This BNA is designated middle-income. The population of this portion of the assessment area is 4,218, based upon 1990 census data. Clinton County's local economy is based on agriculture and a stable industrial base.

LENDING TEST

Overall, the bank's lending practices reflect:

- A sound responsiveness to credit needs in its community
- A significant majority of loans originated are within the assessment area.
- An adequate distribution of loans among borrowers of different income levels.
- A reasonable geographic distribution of loans within the assessment area.

Lending Activity

Based on the level and distribution of credit within the assessment area, we found that BNB demonstrates an adequate responsiveness to serving the area's credit needs. The level of loans originated within the assessment area is good. Table 1 shows that a significant majority of loans, by both number and dollar amount, are made inside BNB's assessment area.

Table 1				
Loans Originated Inside the Assessment Area (AA)				
Number				
	Home Mortgage	Small Business	Small Farm	Total
Total Loans Originated	622	643	583	1,848
Loans within the AA	543	537	433	1,513
Percent Inside AA	87%	84%	74%	82%
Dollars (000's)				
Total Loans Originated	34,172	21,264	29,107	84,543
Loans within the AA	28,271	17,497	20,917	66,685
Percent Inside the AA	83%	82%	72%	79%

Source: 1996 and 1997 HMDA-LAR
1996 and 1997 Small Business/Small Farm Data Collector Register

Geographic Distribution of Loans:

The geographic distribution of loans originated by BNB reflects a reasonable penetration throughout the assessment area. This is based on the location of BNB's home loans, small business and small farm loans. The distribution of home, small business and small farm loans is adequate.

Home Mortgage Loans

As illustrated in Table 2, BNB's geographic distribution of home loans is generally consistent with the area's housing characteristics. Student housing (Purdue University) in central Lafayette limits the opportunity to provide home loans in low- and moderate-income geographies. This table indicates that 5% of the number of home loans were made in low- to moderate-income geographies. The distribution of credit to low- to moderate-income areas is adequate as compared to the percentage of owner-occupied units (12%). Among lenders originating home loans in Carroll County during 1996, BNB had the highest overall market share at 83% of total loans and 54% of total dollars.

Table 2 Geographic Distribution of Home Loans					
Income Level of Geography	Loans		% of Total		Assessment Area
	Number	\$ (000's)	Number	\$ (000's)	% of Owner Occupied
Low-Income	1	75	< 1%	< 1%	< 1%
Moderate-Income	27	3,128	5%	11%	12%
Middle-Income	483	22,774	89%	81%	75%
Upper-Income	32	2,294	6%	8%	13%
Total	543	28,271	100%	100%	100%

Source: 1996 and 1997 HMDA-LAR

Table 3 shows that overall, BNB's home mortgage loan volume by product type is comparable to the owner-occupied characteristics of the assessment area. BNB's loan volume is adequate in low- and moderate-income geographies.

Table 3							
Home Mortgage Loan Distribution by Loan Product and Income Level							
Income Level of Geography	Home Purchase		Home Improvement		Refinance		% Owner Occupied
	Number	\$\$	Number	\$\$	Number	\$\$	
Low Income	1%	1%	0%	0%	0%	0%	< 1%
Moderate Income	6%	10%	2%	1%	6%	9%	12%
Middle Income	88%	82%	91%	86%	88%	82%	75%
Upper Income	5%	7%	7%	13%	6%	9%	13%
Totals	100%	100%	100%	100%	100%	100%	100%

Source: 1996 and 1997 HMDA-LAR

Number - represents the percentage of the number of loans. \$\$ - represents the percent of the dollar volume of loans.

Small Business and Small Farm Loans

BNB's geographic distribution of small business and small farm lending is adequate. Table 4 depicts the percentage of small business and small farm loans by income level of geography. The table shows that 6% of BNB's small business and small farm loans were made to borrowers in low- and moderate-income geographies. Small business and small farm loans were combined due to the low level of small farm lending in the Lafayette census tracts.

Table 4					
Geographic Distribution of Small Business and Small Farm Loans					
Income Level of Geography	Loans		% of Total		Assessment Area
	Number	\$ (000's)	Number	\$ (000's)	% of AA in Tracts
Low-Income	16	496	2%	2%	3%
Moderate-Income	43	2,018	4%	5%	17%
Middle-Income	875	33,104	90%	86%	67%
Upper-Income	36	2,796	4%	7%	13%
Total	970	38,414	100%	100%	100%

Source: 1996 & 1997 Small Business/Small Farm Data Collection Register

Distribution by Borrower Income

BNB's distribution by borrower income of home mortgage, small business and small farm loans is adequate.

Home Mortgage Loans

Table 5 shows that BNB lends to low- to moderate-income borrowers at levels reflective of the area's characteristics. Our analysis found that among BNB's lending to low- and moderate-income borrowers, 26% of the number and 16% of the dollars is comparable to the level of low- to moderate-income families (16%) within the assessment area.

Table 5					
Home Mortgage Loans by Borrower Income					
Borrower Income	Loans		% of Total		Assessment Area
	Number	\$ (000's)	Number	\$ (000's)	% of families
Low-Income	31	708	6%	3%	1%
Moderate-Income	105	3,413	20%	13%	15%
Middle-Income	160	7,129	30%	26%	71%
Upper-Income	237	15,720	44%	58%	13%
Total	533	26,950	100%	100%	100%

Source: 1996 and 1997 HMDA-LAR

Note: Ten loans (\$1,321,000) did not have sufficient information to classify by income levels.

Small Business and Small Farm Loans

BNB's overall volume of loans to small businesses and small farms is good. Small business loans are defined as all loans made to businesses which had revenues of less than \$1 million. Table 6 demonstrates that a significant majority of small business and small farm loans were made to businesses and farms with annual revenues of less than \$1 million. BNB accounted for 18% of the small business loan originations within their assessment area in Tippecanoe County in 1996. Among lenders originating small business and small farm loans in Carroll County during 1996, BNB had the highest overall market share with 77% of the small business loan originations and 79% of the small farm loan originations. This level is reasonable given that the substantial majority of businesses in the assessment area are small businesses.

Table 6				
Loans to Small Business & Small Farms with Annual Revenue of less than \$1 Million				
	Loans		% of Total Small Loans	
	Number	\$ (000's)	Number	\$ (000's)
Loans in Assessment Area	970	38,577	79%	77%
Loans out of Assessment Area	256	11,794	21%	23%
Total	1,226	50,371	100%	100%

Source: 1996 & 1997 Small Business/Small Farm Data Collection Register

A majority of BNB's business loans are small loans to small businesses. Table 7 displays the distribution of small loans by loan size. As shown in Table 7, in 1996 and 1997, the bank originated approximately \$23 million in small business loans within its assessment area.

Table 7				
Small Business Loans by Loan Size at Origination				
Loan Size	Loans		% of Total	
	Number	\$ (000's)	Number	\$ (000's)
Less than \$100,000	551	11,977	92%	53%
\$100,000-\$249,000	37	5,918	6%	26%
\$250,000-\$1,000,000	12	4,670	2%	21%
Total	600	22,565	100%	100%

Source: 1996 & 1997 Small Business/Small Farm Data Collection Register

A majority of BNB's farm loans are small loans to small farmers. As shown in Table 8, in 1996 and 1997, the bank originated approximately \$23 million in small farm loans within its assessment area.

Table 8 Small Farm Loans by Loan Size at Origination				
Loan Size	Loans		% of Total	
	Number	\$ (000's)	Number	\$ (000's)
Less than \$100,000	399	11,735	88%	51%
\$100,000-\$249,000	41	6,673	9%	29%
\$250,000-\$1,000,000	15	4,680	3%	20%
Total	455	23,088	100%	100%

Source: 1996 & 1997 Small Business/Small Farm Data Collection Register

Community Development Lending

Considering the bank's size and competitive environment, we determined that BNB originates an adequate level of community development loans in response to identified credit needs. Community development loans are those loans which provide credit for development/revitalization of low- to moderate-income areas or support to low- to moderate-income residents. During the evaluation period the bank extended credit for the following community development purposes:

- BNB was an original participant in the Lafayette Neighborhood Housing Services, Inc.'s HomeStart program. The program was established to help low- and moderate-income families finance a home. BNB contributed \$100,000 to help fund a pool of mortgage loans (Outstanding balance - \$80,388).
- BNB approved a \$40,000 interest free line of credit for Habitat for Humanity to purchase residential lots. BNB has extended three loans totaling \$39,000 under this agreement.
- BNB has made \$100,000 available to the Delphi Housing Rehabilitation Program. This program offers funds to eligible low- and moderate-income families for home improvement loans. Seven applications have been filed and are being processed.

INVESTMENT TEST

Investment activities demonstrate:

- An adequate level of qualified community development investments and grants;
- An adequate responsiveness to credit and community economic development needs; and
- Limited use of innovative and/or complex investments to support community development initiatives.

BNB has an adequate level of qualified investments and donations, but rarely participates in investments that are not routinely provided by private investors. There have been limited opportunities for local municipal investments which benefit low- and moderate-income geographies.

The bank has purchased two Carroll County Redevelopment Authority Economic Development securities totaling \$300,000. Proceeds from the sale of those securities were used to fund construction and upgrade the infrastructure associated with the construction of a pork processing plant. The plant was constructed within an identified economic development zone.

SERVICE TEST

Retail Banking Services

BNB’s branches are accessible to individuals of all incomes. The distribution of branches, along with area characteristics, are detailed in Table 9. Branches are well disbursed geographically. Branch hours are convenient for all individuals. Opening and closing of branches have not adversely impacted the delivery of services. In 1996, a branch on Sagamore Parkway North in Lafayette, Indiana was closed and a new branch was opened at 302 Ferry Street in Lafayette, Indiana. The new branch is located in a low-income census tract and the Lafayette Urban Enterprise Zone.

For commercial customers, including small businesses, BNB provides a “Business Manager” service. With this product, business loan customers are able to their increase cash flow by selling accounts receivable to BNB. Five commercial customers have signed up for this service.

Table 9 Distribution of Branch Locations			
Geographic Characteristics	#	% of Total Branches	% of Census Tracts
Low-Income	1	14%	3%
Moderate-Income	0	0%	17%
Middle-Income	6	86%	67%
Upper-Income	0	0%	13%
Total	7	100%	100%

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Lafayette Metropolitan Statistical Area

BNB's CRA performance within the Lafayette MSA is identical to the overall conclusions. BNB's performance within the Lafayette MSA is limited due to the strong competition for loans and deposits within the assessment area. Among lenders originating home loans within their assessment area in Tippecanoe County during 1996, BNB ranked fourteenth in market share at 1.50%. BNB accounted for 18% of the small business loan originations within their assessment area in Tippecanoe County in 1996.