



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 06, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**FCN Bank, National Association  
Charter Number 5629**

**501 Main Street  
Brookville, IN 47012**

**Comptroller of the Currency  
Louisville Field Office  
9200 Shelbyville Road Suite 505  
Louisville, KY 40222**

**NOTE: This document is an evaluation of this 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. 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.**

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## INSTITUTION'S CRA RATING

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of FCN Bank, N.A. in Brookville, Indiana prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 6, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**This institution is rated Satisfactory.**

Major Conclusions:

- A substantial majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects reasonable penetration among individuals of different income levels.
- Geographic distribution of loans is considered reasonable, given the community's credit needs and demographics in relation to the bank's location and capacity to lend. There were no conspicuous gaps in lending.
- The average loan-to-deposit ratio is reasonable, considering the bank's size, financial condition, and assessment area credit needs.

## **DESCRIPTION OF INSTITUTION**

FCN Bank, N.A. (FCN) is a full-service intrastate bank 100% owned by FCN Banc Corp, a one-bank holding company, headquartered in Brookville, Indiana. As of September 30, 2003, the bank had \$195 million in total assets, \$156 million in deposits, \$116 million in loans and \$26 million in Tier One capital. The bank offers traditional banking products and services. The bank operates four branches and one drive-thru location in four Indiana counties. FCN has acquired one branch and closed one branch since our last examination. The bank's main office and drive-thru facility is located in Brookville, Indiana (Franklin County). The Everton branch is located north of Brookville in Fayette County. The Batesville branch is located in Franklin/Ripley County in the Batesville Community. In December 2003, FCN acquired another branch in Sunman, Indiana (Ripley County). All locations have Automated Teller Machines (ATM) except the main office. The drive-thru office is located approximately one block away from the main office and it has an ATM. All of the ATM's are full service. The bank is accessible to all segments of the community.

The bank's primary lending focus is home mortgage loans and consumer loans. FCN also makes loans to small businesses and farms in the area. As of September 30, 2003, net loans represented approximately 56% of the bank's average assets. The loan portfolio mix is as follows: 1-4 family residential mortgages 62%, total commercial real estate loans 14%, farm-related real estate loans 11%, consumer loans 7%, construction and development loans 3%, agriculture loans less than 2%, and multifamily loans of approximately 1%.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed on January 4, 1999. The bank received a rating of satisfactory. This CRA evaluation will cover the time period of January 2001 to December 2002.

## **DESCRIPTION OF FRANKLIN COUNTY, FAYETTE COUNTY, AND DECATUR COUNTY**

FCN Bank has identified Franklin County, Fayette County, and Decatur County as its assessment area (AA) for CRA purposes. The assessment area delineation is in conformance with the regulatory requirements of CRA and appears appropriate in relation to the location of the bank's offices. The delineation of the assessment area does not arbitrarily exclude any low- or moderate-income areas.

Ripley County was added to the assessment area in 2003 when FCN added the Sunman branch. However, due to the change in assessment area and the addition of the 2000 Census' effect on our analysis, we have chosen to review the bank's compliance with CRA as of December 2002 and will use the 2002's delineated assessment area for this examination, which was Franklin County, Fayette County, and Decatur County.

The assessment area includes all three counties in their entirety and they are all located in the non-metropolitan portion of the State of Indiana. The 1990 U.S. Census divided the assessment area into eighteen census tracts (CT's), with one moderate-income, fifteen middle-income, and two upper-income geographies. There are no low-income CT's in the assessment area. This determination was based on the Indiana 1990 Median Family Income for a non-metropolitan area of \$30,800.

Franklin, Fayette, and Decatur counties are rural counties in Southern Indiana with a total population of 69,240 according to the 1990 U.S. Census. That number has risen to approximately 99,000 in 2003. The 1990 population of the AA was comprised of 25,069 households, of which 9,545, or 38%, are considered to have low- or moderate-incomes. In addition, the percentage of households in the AA living below the poverty level is approximately 10%. Other significant factors to consider include: 5% of the households receive public assistance and 30% are on social security.

The economy of the assessment area is considered to be stable overall with employment typically based in light industrial companies. The majority of workers in Franklin County commute to jobs in surrounding counties. Unemployment rates have experienced an overall decrease in 2002-2003 and are slightly below both the state (4.8%) and national averages (5.8%) with the exception of Fayette County. According to the U.S. Department of Labor, the most current unemployment rate for the assessment area is: Franklin County - 4.4 percent, Decatur County - 3.0 percent, and Fayette County - 9.3 percent (September 2003).

The majority of the employment opportunities revolve mainly around factory positions along with some agriculture-related jobs. Specifically, major employers in Franklin County include Sperry Rubber (rubber manufacturer), J&J Packaging (Duracell batteries), Owens Corning (shingle manufacturer), and the Franklin County School Corp. (Board of Education). Major employers in Franklin/Ripley County include Hillenbrand Industries (manufacturer of hospital-related equipment), Hill Rom (casket manufacturer), Batesville Casket Co. (casket manufacturer), Forethought Group (insurance), Batesville Tool and Dye (manufacturer), Rom Weber (furniture manufacturer), and New Horizons (insurance). Major employers in Fayette County include Visteon Automotive Services (automotive products), Fayette Memorial Hospital, and Fayette County Schools.

Competition is considered moderate to strong and involves competition from both banks and finance companies. Local competition within the assessment area consists of nine banks and several finance companies.

A community contact familiar with the area's credit needs indicated all local banks are active in the community and are very willing to provide financing for potential projects. The contact did not identify any credit needs in the county that were not being addressed by the banks or through other sources.

The following additional demographic information covering the bank's assessment area of Franklin County, Fayette County, and Decatur County is based on 1990 census data unless otherwise noted.

Type of Information	AA	
Total Population in AA		
1990 Census Information	69,240	
2000 Census Information	98,817	
Indiana HUD Adjusted Median Family Income - 2002	\$50,300	
Families in AA:		
Income Levels of Families	#	%
Low	3,234	16.83%
Moderate	3,677	19.13%
Middle	4,745	24.69%
Upper	7,563	39.35%
Total Families within AA	19,219	100.00%
Households in AA:		
Income levels of households	#	%
Low	5,238	20.89%
Moderate	4,307	17.18%
Middle	5,141	20.51%
Upper	10,383	41.42%
Total Households within AA	25,069	100.00%
Median Home Value:		
1990 Census Information	\$46,216	
2000 Census Information	\$46,749	
Median Year of Homes Built:	1958	

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Lending in Assessment Area

A substantial majority of loans and other lending-related activities are in FCN's assessment area. The analysis shows approximately 90% of the number and 99% of the dollar amount of loan originations sampled were to borrowers inside the assessment area. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans originated since the last CRA examination. See table below for details.

<b>SAMPLE OF LOAN ORIGINATIONS FROM JAN 2001 THROUGH DEC 2002</b>				
	<b>Number of Loans</b>	<b>Percentage of loans</b>	<b>Dollar Amt of Loans \$(000's)</b>	<b>Percentage of Loans</b>
<b>Within the Assessment Area</b>	18	90.00%	\$ 997	98.62%
<b>Outside the Assessment Area</b>	2	10.00%	\$ 14	1.38%
<b>Totals</b>	20	100.00%	\$1,011	100.00%

\* Source: Randomly selected sample of loans originated between Jan 2001 and December 2002.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans, given the demographics of the assessment area, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income). To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans of each of the bank's primary loan types. The primary loan types for this analysis included 1-4 family residential mortgages and consumer loans. See the tables below for details.

"Table INC-1 Home Mortgage Loans" shows the percentage of FCN's home mortgages to low- and moderate-income borrowers to be comparable to the percentage of families in the assessment area with low- and moderate-income. Low-income borrowers received 15% of the number of home purchase loans and moderate-income borrowers received 20% of the number of home purchase loans. FCN's mortgage lending for the purpose of obtaining a home mortgage is reasonable considering the identified home mortgage credit needs in the community.

**Table INC-1 Home Mortgage Loans**

<b>1-4 FAMILY MORTGAGES</b>					
<b>Borrower Income Level</b>	<b>Sampled Between January 1, 2001 and December 31, 2002</b>				<b>% of Families within each Income Category</b>
	<b># of Loans</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	
<b>Low</b>	3	15.00%	\$ 175	8.60%	16.83%
<b>Moderate</b>	4	20.00%	\$ 229	11.26%	19.13%
<b>Middle</b>	7	35.00%	\$ 683	33.58%	24.69%
<b>Upper</b>	6	30.00%	\$ 947	46.56%	39.35%
<b>Total</b>	20	100.00%	\$2,034	100.00%	100.00%

\* Source: Randomly selected sample of 1-4 family residential mortgages (home purchase loans) originated between January 1, 2001 and December 31, 2002 from within the bank's assessment area.

"Table INC-2 Consumer Loans" shows the overall percentage of FCN's consumer loans to low- and moderate-income borrowers to exceed the percentage of households in the assessment area with low- and moderate-income. Low-income borrowers received 50% of the number of consumer loans. Moderate-income borrowers received 20% of the number of consumer loans.

**Table INC-2 Consumer Loans**

<b>CONSUMER LOANS</b>					
<b>Borrower Income Level</b>	<b>Sampled Between January 1, 2001 and December 31, 2002</b>				<b>% of Households within each Income Category</b>
	<b># of Loans</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	
<b>Low</b>	10	50.00%	\$ 74	36.45%	20.89%
<b>Moderate</b>	4	20.00%	\$ 49	24.14%	17.18%
<b>Middle</b>	3	15.00%	\$ 31	15.27%	20.51%
<b>Upper</b>	3	15.00%	\$ 49	24.14%	41.42%
<b>Total</b>	20	100.00%	\$203	100.00%	100.00%

\* Source: Randomly selected sample of consumer loans originated between January 2001 and December 2002 from within the bank's assessment area.



We did not review farm and business loans as agricultural and commercial lending are considered to be a small part of the portfolio and an analysis would not be meaningful.

### Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment area. FCN's lending activity extends throughout the assessment area. There were no conspicuous gaps in lending. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans of each of the bank's primary loan types (see tables below). The primary loan types included 1-4 family home purchase loans and consumer loans.

"Table GEO-1 Home Mortgage Loans" shows FCN has reasonable penetration in making mortgage loans in the moderate-income census tract. For FCN, there is only one moderate-income census tract out of the eighteen census tracts within the assessment area. This one census tract contains approximately 5% of all owner-occupied housing in the assessment area and the sample selected for FCN showed 5% of the number and 3% of the dollar amount of their 1-4 Family mortgages were made to borrowers located in the moderate-income census tract.

**Table GEO-1 Home Mortgage Loans**

<b>Geographic Distribution of 1-4 Family Mortgage Loans By Geography Income Designation Originated Between January 1, 2001 – December 31, 2002</b>					
<b>Income Level of Census Tract Areas</b>	<b>1-4 Family Loan Originations</b>				<b>Distribution of Owner Occupied Housing</b>
	<b># of Loans</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	
<b>Moderate</b>	1	5.00%	\$ 53	2.61%	4.88%
<b>Middle &amp; Upper</b>	19	95.00%	\$1,981	97.39%	95.12%
<b>Total</b>	20	100.00%	\$2,034	100.00%	100.00%

\* Source: Randomly selected sample of 1-4 family residential mortgages (home purchase loans) originated between January 1, 2001 and December 31, 2002 from within the bank's assessment area.

\*\* Note: The assessment area has no low-income geographies and only one moderate-income geography.

“Table GEO-2 Consumer Loans” shows FCN has excellent penetration in making consumer loans in the moderate-income census tract. For FCN, there is only one moderate-income census tract out of the eighteen census tracts within the assessment area. This one census tract contains approximately 5% of all households in the assessment area and the sample selected for FCN showed 10% of the number and 14% of the dollar amount of their consumer loans were made to borrowers located in the moderate-income census tract.

**Table GEO-2 Consumer Loans**

<b>Geographic Distribution of Consumer Loans By Geography Income Designation Originated Between January 1, 2001 – December 31, 2002</b>					
<b>Income Level of Census Tract Areas</b>	<b>Consumer Loans Originations</b>				<b>Distribution of Households</b>
	<b># of Loans</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>	
<b>Moderate</b>	2	10.00%	\$ 28	13.79%	4.64%
<b>Middle &amp; Upper</b>	18	90.00%	\$175	86.21%	95.36%
<b>Total</b>	20	100.00%	\$203	100.00%	100.00%

\* Source: Randomly selected sample of consumer loans originated between January 1, 2001 and December 31, 2002 from within the bank's assessment area.

\*\* Note: The assessment area has no low-income geographies.

We did not review farm and business loans as agricultural and commercial lending are considered to be a small part of the portfolio and an analysis would not be meaningful.

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

FCN's average net loan-to-deposit ratio for the nineteen quarters since the last CRA evaluation is 77.40%. The loan-to-deposit ratio has decreased since the last CRA evaluation and as of September 30, 2003 is 73.46%.

The OCC identified several competitors as well as four similarly situated financial institutions operating in Indiana and Kentucky markets similar to FCN's market. The similarly situated banks are comparable to FCN in asset and deposit size, major lending products, and number of offices. For these identified banks (i.e. peer), the loan-to-deposit ratios ranged from 62% to 98% with an average ratio of approximately 79%.

<b>Institution</b>	<b>Average</b>
FCN Bank, N.A.	77.40%
Bank #1	77.29%
Bank #2	87.45%
Bank #3	97.64%
Bank #4	91.31%
Bank #5	65.86%
Bank #6	61.52%
Bank #7	70.47%

### **Responses to Complaints**

FCN Bank has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

An analysis of recent years' public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed as of September 30, 1998. In regards to the loans we reviewed, we found no evidence of illegal discrimination or other illegal credit practices.