



LARGE
BANK

Public Disclosure

October 20, 1998

Community Reinvestment Act Performance Evaluation

**First Bank Richmond, N.A.
Charter Number 23570**

**20 N. 9th Street
Richmond, IN 47374**

Office of the Comptroller of the Currency

**Indianapolis Field Office
8777 Purdue Road, Suite 105
Indianapolis, IN 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 CRA performance of **First Bank Richmond, N. A. (FBR)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 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 provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "Satisfactory". The prior examination, performed by the Federal Deposit Insurance Corporation dated September 18, 1995, resulted in a Satisfactory CRA rating.

FBR's responsiveness to its community's credit needs is adequate. The dispersion of loans within the assessment area is reasonable. Loan distribution among borrowers of different income levels is low. Lending to businesses of various sizes is adequate. The level of qualified investments is adequate. Banking services are reasonably accessible, and alternative delivery systems are readily available. As a part of this evaluation, a review of loans was performed to determine compliance with fair lending laws and regulations. No evidence of discriminatory practices was found.

The following table indicates the performance level of **FBR** with respect to the lending, investment, and service tests.

Performance Levels	First Bank Richmond, N.A. Performance Tests		
	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

FBR, with total assets of \$436 million at September 30, 1998, is headquartered in Richmond, Indiana. Richmond is located in east central Indiana, about 70 miles east of Indianapolis. The bank was formerly a federally chartered savings bank which converted to a national bank in June, 1998. The bank is owned by Richmond Mutual Bancorporation, Inc., which is owned by First Mutual of Richmond, Inc. Information provided by FBR shows that its primary competition is provided by two national banks, four state banks, two savings banks, and eight credit unions. FBR has the largest deposit market share at approximately 23%; the nearest competitor has 22%. The bank's commercial loan department was started in 1993.

FBR also engages in two significant lines of business which involve the purchase of brokered second mortgages and brokered small business leases. These assets are subsequently sold and the bank collects a servicing fee. Brokered second mortgages totaling over \$27 million were sold in 1997 and 1998.

The bank operates five full service offices, with automated teller machines (ATM's) provided at four of those offices. There is also one free standing ATM location within its assessment area. FBR offers traditional community bank services at all office locations.

There are no financial, legal, or other impediments which would hinder the bank's ability to help meet the credit needs of its community. On September 30, 1998 FBR had net income of \$4,349,000 and a loan to deposit ratio of 112%. The loan portfolio represents 69% of the bank's total assets. The loan portfolio is comprised of 74% real estate loans (with 70% of that category secured by 1-4 family residential properties), 25% commercial and industrial loans; and 1% loans to individuals.

Description of Assessment Area

The bank's assessment area is Wayne County. Wayne County contains 19 Block Numbering Areas (BNA's): 5% are low-income; 32% are moderate-income; 58% are middle-income; and 5% are upper-income. Wayne County is not in a Metropolitan Statistical Area (MSA).

There are 19,785 families in the assessment area. Based upon the 1998 median family income, the composition of families by income level within Wayne County is as follows: low income 21%, moderate income 22%, middle income 23%, and upper income 34%.

There are 29,586 housing units in Wayne County. Of this volume, 63% are owner occupied, 31% are rental units, and 6% are vacant. The median housing value is \$42,136 with a median year built of 1953. Assessment area characteristics show that 1% and 26% of the owner occupied units are located in low and moderate income geographies, respectively.

Small businesses and small farms in Wayne County total 2,316. The composition of small businesses and small farms by income tract level is as follows: low income 2%, moderate income 41%, middle income 45%, and upper income 12%.

The population of Wayne County is estimated at 71,951 in 1990 by the U.S. Census Bureau. The current (August, 1998) unemployment rate is 3.8%. Specific employers with the largest number of employees include Beldon Wire & Cable, Reid Hospital, Richmond Community Schools, Richmond State Hospital, Carpenter Manufacturing, and Schrock Cabinets.

There are no other similarly situated banks within the assessment area. Two similarly sized national banks are owned by large out of state holding companies. There are 16 competitors in Wayne 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 two organizations. These organizations provide assistance in starting small businesses, and providing community development services to low- and moderate-income residents and small businesses within the assessment area. Our discussions revealed the primary credit needs of the community are affordable housing, small business, economic development, and financial/credit counseling services. Our review of the bank's assessment area and discussions with community contacts revealed limited opportunity to participate in qualifying investments. However, there are ample opportunities for community development; and FBR is recognized as a leader in these initiatives.

LENDING TEST

Overall, the bank's lending practices reflect:

- An adequate responsiveness to credit needs in its community;
- A majority of FBR originated loans within the assessment area;
- A poor distribution of loans among borrowers of different income levels;
- A reasonable geographic distribution of loans within the assessment area;
- A reasonable level of participation in community development lending;
- No innovative or flexible lending products.

Lending Activity

FBR demonstrates an adequate responsiveness to serving the area's credit needs. The level of loans originated within the assessment area is adequate. Table 1 shows that a majority of loans, by dollar amount, are made inside FBR's assessment area. The bank's purchase of second mortgages adversely affects the percentage of loans originated by FBR in the assessment area. During the evaluation period, 1,021 brokered mortgages totaling \$27,214,331 were originated. Of these originations, 626 loans totaling \$11,848,397 were sold. Total brokered second mortgages sold during the evaluation period totaled \$25,124,366. As reflected in Table 1A, if the bank's brokered loans are excluded, lending levels within the assessment area are higher.

Table 1			
January 1, 1997 - September 30, 1998			
Loans Originated Inside the Assessment Area (AA)			
Number			
	Home Mortgage	Small Business	Total
Loans Inside the AA	824	337	1,161
Total # of Loans	1,951	390	2,341
% Inside the AA	42%	86%	50%
Dollars (000's)			
Loans Inside the AA	\$58,064	\$38,391	\$96,455
Total \$ of Loans	\$96,677	\$48,533	\$144,810
% Inside the AA	60%	79%	66%

Source: 1997 and 1998 Bank Reports; 1997 and 1998 Year-to-Date Small Business/Small Farm Data Collector Register

As shown on Table 1A (excluding brokered loans originated and sold in 1997 & 1998), 68% by number and 72% by dollar of originated direct loans are within the assessment area.

Table 1A			
Loans Originated Inside the Assessment Area (AA)			
Number			
	Home Mortgage	Small Business	Total
Loans Inside the AA	824	337	1,161
Total # of Loans	1,325	390	1,715
% Inside the AA	62%	86%	68%
Dollars (000's)			
Loans Inside the AA	\$58,064	\$38,391	\$96,455
Total \$ of Loans	\$84,828	\$48,533	\$133,361
% Inside the AA	68%	79%	72%

Source: 1997 and 1998 Bank Reports; 1997 and 1998 Year-to-Date Small Business/Small Farm Data Collector Register

Geographic Distribution of Loans:

The geographic distribution of loans originated by FBR reflects a reasonable penetration throughout the assessment area. This is based on the location of FBR's home loans and small business (SBSF) loans. The distribution of home and small business loans to LMI areas is adequate.

Home Mortgage Loans

Table 2 illustrates the number and amount of home loans that were originated in each income type of geographic area within the assessment area. As shown below, 2% of the number of home loans originated by FBR were made in low-income geographies, while 31% of the home loans originated were in moderate-income geographies. The distribution of credit originated by FBR to LMI areas is comparable to the assessment area's housing characteristics.

Table 2 January 1, 1997 - September 30, 1998 Geographic Distribution of Residential Real Estate Loans						
Income Level of Geography	Loans		% of Total		Assessment Area Characteristics	
	Number	\$ (000's)	Number	\$ (000's)	% Owner Occupied	% Owner Occupied within geography
Low	12	682	2%	1%	1%	45%
Moderate	258	13,869	31%	24%	26%	57%
Middle	453	33,703	55%	58%	65%	84%
Upper	101	9,810	12%	17%	8%	93%
Total	824	58,064	100%	100%	100%	

Source: 1997 & Year-to-Date 1998 Bank Reports

Small Business Loans

FBR's geographic distribution of small business loans indicates that the bank provides small business credit to LMI areas at a level below the assessment area characteristics. Table 3 depicts the percentage of small business loans by geographic type. The table shows that 6% and 13% of FBR's small business loans were made to borrowers in low- and moderate-income geographies, respectively. Based on demographics for the assessment area, 3% and 34% of small business and small farm loans are located in low- and moderate-income geographies, respectively. Agricultural

lending is not a primary focus of the bank and was not analyzed.

Table 3 January 1, 1997 - September 30, 1998 Geographic Distribution of Small Business Loans					
Geographic Type	Loans		% of Total		Assessment Area
	Number	\$ (000's)	Number	\$ (000's)	% of SBSF
Low Income	31	2,789	6%	5%	2%
Moderate Income	67	8,499	13%	16%	41%
Middle Income	253	26,907	51%	50%	45%
Upper Income	150	15,416	30%	29%	12%
Total	501	53,611	100%	100%	100%

Source: 1997 & Year-to-Date 1998 Small Business/Small Farm Data Collection Register

Loan Distribution By Borrower Income

FBR's distribution of credit to borrowers of different income levels is less than the assessment area's characteristics, while the bank's record of lending to small businesses is good.

Home Mortgage Loans

Table 4 shows the volume of home mortgage loans made by FBR to low- or moderate-income borrowers inside the assessment area. This analysis found that FBR lends to low- or moderate-income borrowers in the assessment area at levels below comparable characteristics of the population in the assessment area. As shown on the next page, FBR has provided a low level of home loans to low-income borrowers, while loans to moderate-income borrowers are also made at levels below the assessment area's population characteristics.

Table 4					
January 1, 1997 - September 30, 1998					
Home Mortgage Loans by Borrower Income					
Borrower Income	Loans		% of Total		Assessment Area
	Number	\$ (000's)	Number	\$ (000's)	% of Families
Low Income	40	1,145	5%	2%	21%
Moderate Income	90	3,719	11%	7%	17%
Middle Income	118	6,217	14%	11%	22%
Upper Income	574	45,603	70%	80%	39%
Total	822	56,684	100%	100%	100%

1997 & Year-to-Date 1998 Bank Reports

Small Business and Small Farm Loans

FBR's overall record of lending to area small businesses is good. In 1997 and year-to-date 1998 (September 30), the bank originated approximately \$49 million in small business loans. FBR originates a majority of its commercial loans to small businesses.

A majority of FBR's business loans by number are small loans to businesses. Table 5 displays the distribution of small loans by loan size.

Table 5				
January 1, 1997 - September 30, 1998				
Business Loans by Loan Size at Origination				
Loan Size	Loans		% of Total	
	Number	\$ (000's)	Number	\$ (000's)
Less than \$100,000	282	10,975	72%	22%
\$100,000-\$249,999	59	9,517	15%	20%
\$250,000-\$1,000,000	49	28,041	13%	58%
Total	390	48,533	100%	100%

Source: 1997 & Year-to-Date 1998 Small Business/Small Farm Data Collection Register

Table 6 demonstrates that a majority of business loans were made to businesses and farms with annual revenues of less than \$1 million. This level is reasonable given that the majority of businesses in the assessment area are small businesses. Demographic data for the assessment area indicates that there are 1,679 businesses within the Richmond assessment area with revenues less than \$1 million. These businesses represent 73% of all area businesses.

Table 6 January 1, 1997 - September 30, 1998 Loans to Small Business with Annual Revenue of less than \$1 Million				
	Loans		% of Total Small Loans	
	Number	\$ (000's)	Number	\$ (000's)
Loans w/ Revenue < \$1 million	259	34,578	66%	71%
Total Loans	390	48,533	100%	100%

Source: 1997 & Year-to-Date 1998 Small Business/Small Farm Data Collection Register

Community Development Lending

FBR's level of community development lending during the evaluation period is good. FBR provided financing in March, 1998 to Prestwick Square in the amount of \$2,345,242 to construct a Section 42 apartment project in Richmond. FBR has also participated in financing (March, 1997) a Section 42 tax credit project in Jeffersonville, Indiana to the same borrower. As of September 30, 1998, FBR's remaining balance outstanding was \$1,972,934. These apartments are federally subsidized and provide affordable housing to low- and moderate-income individuals. FBR also provides the servicing for these loans.

FBR is also the lead participant (\$115,000) in the permanent financing (September, 1997) of the Townsend Community Center. The facility is located in a low-income BNA, and provides a variety of services to low-and moderate-income families. These services include a day-care facility, youth programs, and adult education classes.

Innovative or Flexible Lending Practices

FBR does not currently offer any innovative or flexible lending programs that benefit low- and moderate-income borrowers or geographies.

INVESTMENT TEST

FBR's investment activities demonstrate:

- a limited level of qualified community development investments and grants, and
- a limited use of innovative and/or complex qualified investments.

FBR has participated in qualified investments and grants within its assessment area. To be considered a qualified investment, the investment must have as its primary purpose community development.

FBR purchased tax credits totaling \$731,371 for the Section 42 Prestwick Square Richmond housing project in 1998. All tax credits purchased provide the equity for the project and decrease the financing needs of the project. This in turn decreases monthly mortgage payments, resulting in decreased rents for tenants. Section 42 tax credit projects restrict tenants to those that are low- or moderate-income individuals.

Donations were made to four community service organizations to benefit low- and moderate-income individuals in FBR's assessment area during 1997 and 1998. These donations totaled over \$19,000.

SERVICE TEST

FBR's system for delivering retail banking and community development services demonstrates:

- delivery systems that are reasonably accessible to all segments of FBR's assessment area,
- a variety of alternate delivery systems,
- convenient banking hours and services, which do not inconvenience portions of the assessment area, and
- an adequate level of community development services to its assessment area.

Retail Banking Services

FBR's products and services are readily accessible to all segments of FBR's assessment area, and to low- and moderate-income individuals. FBR's branching system consists of a main office and four full-service branches. The location of branches within FBR's assessment area is summarized in the following table:

Table 7 Distribution of Branch Locations			
Geographic Characteristics	# of Branches	% of Total Branches	% of BNAs
Low-income	0	0%	5%
Moderate-income	1	20%	32%
Middle-income	3	60%	58%
Upper-income	1	20%	5%
Totals	5	100%	100%

Source: Internal bank reports and 1990 U.S. Census Data

It should be noted that one branch is located in an upper-income BNA that is adjacent to the low-income BNA in First Bank's assessment area.

FBR's record of opening and closing offices is satisfactory. FBR did not open or close any branches in 1997 or 1998.

Alternate Delivery Systems

FBR offers a variety of alternative delivery systems to customers, including ATMs, banking by phone, and PC home banking. Banking by phone and PC home banking is offered 24 hours a day. Customers are able to receive balance information, transfer funds, run account statements, and make loan payments.

Banking hours are convenient for customers. Office hours vary by location. Two offices have weekend hours, and one of these is open on Sundays. FBR offers numerous loan and deposit products at all locations.

It should be noted that two of the ATMs are located in an upper-income BNA that is adjacent to the low-income BNA in FRB's assessment area.

FBR closed one ATM located in an upper-income BNA in January 1998 and relocated the ATM to another location in the same BNA. FBR installed a new ATM in a middle-income BNA in August 1997.

FBR's distribution of ATMs throughout its assessment area is summarized in the following table:

Table 8 Distribution of ATMs			
Geographic Characteristics	# of ATMs	% of Total ATMs	% of BNAs
Low-income	0	0%	5%
Moderate-income	1	20%	32%
Middle-income	2	40%	58%
Upper-income	2	40%	5%
Totals	5	100%	100%

Source: Internal bank reports and 1990 U.S. Census Data

Community Development Services

FBR actively participates in various community development services. Some examples are listed below.

FBR acts as an intermediary between Habitat for Humanity projects and the Federal Home Loan Bank (FHLB), which disburses funds for the projects. Habitat for Humanity receives private donations and uses the funds to build homes for low-income families. FBR monitors the construction process of the homes and completes the necessary paperwork involved with the process, such as submitting requests for fund disbursements to the FHLB. FBR has been involved with two Habitat for Humanity projects in 1997 and 1998.

Several local economic development organizations refer customers to FBR for credit counseling. Various lenders at the bank provide technical expertise to consumers and business owners in the bank's assessment area who are trying to obtain financing for home and business loans.

FBR provides support in a leadership role, as four employees are members of the board of directors of five different local economic development groups. These groups provide various services for local businesses and individuals and primarily focus on the low- and moderate-income BNAs and individuals in FBR's assessment area. Some examples of services provided include granting funds for the rehabilitation or purchase of businesses and homes, and job training for low- to moderate-income individuals. One organization also provides loans to businesses and requires those businesses to employ low- to moderate-income individuals.

FBR offers one low-cost deposit account, the Check Plus account. This account requires \$100 to open the account. Fees are \$2 per month and \$.25 per check after the first 15 checks of the month.