



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 21, 2005**

### **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**

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

**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.**

## INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- A majority of the loans are originated within the bank's assessment area.
- The distribution of loans to borrowers with different incomes and to small farms and small businesses provides reasonable penetration given the demographics of the assessment area.
- The bank's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and assessment area's credit needs.

## DESCRIPTION OF INSTITUTION

The Home National Bank of Thorntown (HNBT) is a \$46 million institution located approximately 30 miles northwest of Indianapolis, Indiana. This institution is 100% owned by Home National Corporation, a one-bank holding company also located in Thorntown, Indiana. HNBT does not have any branches. HNBT has one ATM located on the bank's premises.

HNBT offers a full range of retail and commercial banking products normally associated with a community bank. Net loans were \$32 million on December 31, 2004, or 65% of total assets.

The following represents this institution's loan and lease portfolio mix as of December 31, 2004:

Residential Real Estate	\$21.9 million	68%
Commercial	\$ 3.7 million	12%
Agricultural related	\$ 3.4 million	11%
Consumer Installment	\$ 3.0 million	9%

During 2003 and 2004, the bank originated 1,007 loans, as noted below.

Agricultural related	\$13.3 million	194 loans
Residential Real Estate	\$11.4 million	116 loans
Commercial	\$10.2 million	309 loans
Consumer Installment	\$ 5.9 million	647 loans

*Source: Bank's internally generated new loan lists for 2003 & 2004.*

Tier one capital totals \$4.6 million. There were no financial, legal, or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. Bank activities are consistent with the bank's size, its financial capability, local economic conditions, and credit needs of the community. The bank was rated "Satisfactory" at its last CRA examination on May 26, 1999.

## DESCRIPTION OF THE ASSESSMENT AREAS

HNBT's assessment area (AA) includes five census tracts in Boone County, which is located in the Indianapolis Metropolitan Statistical Area (MSA). According to the 2000 census data, all five of the bank's AA's are middle-income areas. The following demographic information for the combined assessment areas is based on census data:

Demographic Information for Assessment Area (AA)	
	2000 Census Data
Population:	24,293
Housing Stock: <i>1-4 family housing units</i>	85%
Occupancy: <i>owner-occupied, renter-occupied, vacant</i>	70%, 24%, 6%
Home Values: <i>Median home value</i>	\$105,931
Age of Homes: <i>Median year of homes built</i>	1963
Family Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	19%, 21%, 29%, 31%
Household Income Levels (%): <i>Low-, moderate-, middle-, upper-income</i>	23%, 19%, 22%, 36%

The local economy is relatively stable. December 2004 unemployment rates for Boone County (3.4%) are favorable when compared to the State of Indiana (5.0%) and national (5.5%) averages. The assessment area's primary industries are agriculture and light manufacturing. Major employers in the area include Western Boone County Community School Corporation, Stalcorp Inc., and Palmor Products. HNBT's major competitors include five larger institutions in a neighboring town. Thorntown residents largely work in nearby Indianapolis, Lebanon, and Lafayette and competition also stems from numerous institutions in those markets.

A local government agency was contacted during this examination to discuss the community's needs. According to the contact, local community banks are meeting community credit needs and are supportive of community projects. The contact also indicated that the assessment area lacks low-income housing.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank's primary loan products, which based on origination information provided by the bank, included agricultural loans, residential real estate loans, and commercial loans. We also reviewed consumer loans due to the number of loans generated during this evaluation period. We utilized 2003 and 2004 originations, as well as 2003 and 2004 HMDA data submitted by the bank to evaluate the bank's performance. Census data (2000) was also utilized.

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

The overall distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and farms and businesses of different sizes.

### **Agricultural Loans Originations**

The bank's performance of lending to farms of different sizes is reasonable compared to the area's demographics. Ninety percent of the number of farm loans (92% in dollars) originated in the assessment area during 2003 and 2004 were made to small farms. Demographic data shows that 95% of the farms in the assessment area are small farms. Small farms are farms with annual gross revenues of less than one million dollars. The following table shows the distribution of originated agricultural loans among farms of different sizes within the assessment area:

<b>Borrower Distribution to Farms in AA</b>				
<b>Business Revenues (or Sales)</b>	<b>&lt;= \$1,000,000</b>	<b>&gt; \$1,000,000</b>	<b>Unavailable</b>	<b>Total</b>
% of AA Farms	95.52%	2.49%	1.99%	100.00%
% of Bank Loans in AA by #	90.00%	10.00%	0.00%	100.00%
% of Bank Loans in AA by \$	91.83%	8.17%	0.00%	100.00%

*Source: % of AA farms is derived from the 2000 U.S. Census income figures, while the bank's information is from a sample of 20 agricultural loans originated by the bank in 2003 & 2004.*

### **Residential Loan Originations**

The distribution of residential home purchase loans originated reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (17%) is only slightly lower than the percentage of low-income families (19%) in the AA. However, the percentage of loans originated to moderate-income borrowers (9%) is significantly lower than the percent of families (21%) in the AA. It should be noted that 14% of households in the area are retired, 6% are below poverty level, and 2% require public assistance. The weighted average of median housing prices (according to 2000 U.S. Census data) is \$105,931. A low-income family is defined as family income of \$31,599 or less, and a moderate-income family is defined as income of \$31,600-\$50,559. Many families within these income levels simply cannot afford a home and have to resort to rental properties.

Therefore, although the bank's borrower distribution of residential home purchase real estate loans to moderate-income families is less than favorable compared to the demographic data, the bank's overall distribution is reasonable. The following table shows the distribution of residential home purchase real estate loan originations among borrowers of different income levels within the assessment area:

<b>Borrower Distribution of Residential Home Purchase Real Estate Loans in AA</b>
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Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
# of Real Estate Loans		6		3		8		18
% of Total	19.00%	17.00%	21.00%	9.00%	29.00%	23.00%	31.00%	51.00%

Source: % of AA Families columns is derived from the 2000 U. S. Census income figures. % of Number of Loans columns are from the bank's 2003 & 2004 HMDA data.

The distribution of residential home improvement loans originated reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (36%) is significantly greater than low-income families (19%) in the AA. However, no home improvement loans were originated to moderate-income borrowers, which compared unfavorably to the percentage of assessment area families (21%) designated moderate income. As indicated above, many families within these income levels simply cannot afford a home.

Therefore, although the bank's residential home improvement real estate loans to moderate-income families are less than favorable compared to the demographic data, the bank's overall distribution is reasonable. The following table shows the distribution of residential home improvement real estate loan originations among borrowers of different income levels within the assessment area:

<b>Borrower Distribution of Residential Home Improvement Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
# of Real Estate Loans		5		0		3		6
% of Total	19.00%	36.00%	21.00%	0.00%	29.00%	21.00%	31.00%	43.00%

Source: % of AA Families columns is derived from the 2000 U. S. Census income figures. % of Number of Loans columns are from the bank's 2003 & 2004 HMDA data.

The distribution of residential refinance loans originated reflects reasonable penetration among individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (16%) is only slightly lower than the percent of low-income families in the assessment area (19%). The percentage of loans originated to moderate-income borrowers (37%) is significantly greater than the percent of assessment area families (21%) designated moderate-income.

The bank's performance in originating residential refinance real estate loans to low- income borrowers is favorable compared to demographic data. The bank's performance of originating residential refinance real estate loans to moderate-income borrowers is significantly favorable compared to the demographic data. The following table shows the distribution of residential

refinance real estate loan originations among borrowers of different income levels within the assessment area:

<b>Borrower Distribution of Residential Refinance Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
# of Real Estate Loans		5		12		7		8
% of Total	19.00%	16.00%	21.00%	37.00%	29.00%	22.00%	31.00%	25.00%

Source: % of AA Families columns is derived from the 2000 U. S. Census income figures. % of Number of Loans columns are from the bank's 2003 & 2004 HMDA data. One of the loans sampled did not provide income verification.

### **Commercial Loans Originations**

The bank's performance of lending to businesses of different sizes is more than reasonable compared to the area's demographics. Eighty-five percent of the number of business loans (81% of the dollars) originated in the assessment area during 2003 and 2004 were made to small businesses. Demographic data shows that 67% of the businesses in the assessment area are small businesses. Small businesses are businesses with annual gross revenues of less than one million dollars. The following table shows the distribution of originated commercial loans among businesses of different sizes within the assessment area:

<b>Borrower Distribution to Businesses in AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	67.11%	4.34%	28.55%	100.00%
% of Bank Loans in AA by #	85.00%	10.00%	5.00%	100.00%
% of Bank Loans in AA by \$	80.65%	19.07%	0.28%	100.00%

Source: % of AA businesses are derived from the 2000 U.S. Census State income figures, while the bank's information is from a sample of 19 out of 20 commercial loans originated by the bank in 2003 & 2004 that had available income information.

### **Consumer Loan Originations**

The distribution of consumer loans reflects reasonable penetration for originating consumer loans to individuals of different income levels (including low- and moderate-income). The percentage of loans originated to low-income borrowers (15%) is less than favorable compared to the percent of assessment area households designated as low-income (23%). The bank's performance of originating consumer loans to moderate-income borrowers (25%) is significantly favorable compared to the percent of assessment area households (19%). The following table shows the distribution of consumer loan originations among borrowers of different income levels within the assessment area:

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
% of Total	23.00%	15.00%	19.00%	25.00%	22.00%	20.00%	36.00%	40.00%

Source: % of AA Households columns are derived from the 2000 U.S. Census State income figures. % of Number of Loans column is from sample of 20 consumer loans originated by the bank in 2003 & 2004.

### Lending in Assessment Area

A majority of the loans are originated within the bank's assessment area. Based on a sample of 164 loans, all originating in 2003 and 2004, 78% of the number of loans was made in the assessment area and 70% of the dollar of loans was made in the assessment area. See the following table for more information:

Lending in Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	82	78.85%	22	21.15%	104	\$7,915	69.90%	\$3,407	30.10%	\$11,322
Consumer Loans	18	90.00%	2	10.00%	20	\$143	84.04%	\$27	15.96%	\$170
Agricultural Loans	12	60.00%	8	40.00%	20	\$945	68.48%	\$435	31.52%	\$1,380
Commercial Loans	16	80.00%	4	20.00%	20	\$860	75.05%	\$286	24.95%	\$1,146
Totals	128	78.04%	36	21.96%	164	\$9,863	70.36%	\$4,155	29.64%	\$14,018

Source: Data is from a sample of 20 agricultural loans, 20 commercial loans, 104 mortgage loans, and 20 consumer loans all originated by the bank in 2003 & 2004.

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is low compared to its local peer banks, but reasonable given HNBT's performance context. During the past twenty-three quarters, HNBT's loan-to-deposit ratio has averaged 63%. This average ratio is lower than the peer bank's quarterly average of 71%. Peer banks are four banks headquartered in Montgomery, Marion, and Hendricks Counties, with total assets between \$47.3 million and \$128 million. The bank's deposit market share rank is 7 out of 11 institutions.

### Geographic Distribution of Loans

A geographic distribution analysis was not performed, as HNBT's AA does not contain any low-income or moderate-income census tracts.

### **Responses to Complaints**

HNBT 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**

We found no evidence of illegal discrimination or other illegal credit practices.