

# **PUBLIC DISCLOSURE**

**January 28, 1999**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First United Bank  
00202**

**790 Mill Street  
Middletown, Indiana 47356**

**Federal Deposit Insurance Corporation  
Division of Compliance and Consumer Affairs  
Chicago Regional Office  
500 West Monroe Street Suite 3300  
Chicago, Illinois 60661**

**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.

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## 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 **First United Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **January 28, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

- An analysis of loan originations reveals an acceptable penetration among borrowers of different incomes. The majority of installment loans and an adequate number of real estate loans were originated to low- and moderate- income borrowers.
- The bank has achieved a reasonable dispersion of loans within its assessment area.
- A majority of loan originations during the past year are within the bank's assessment area.
- The average loan-to-deposit ratio reflects an adequate responsiveness to community credit needs.

## **DESCRIPTION OF INSTITUTION**

The First United Bank, located in Middletown, Indiana, is a commercial bank with \$44,218,000 in gross loans and \$65,311,000 in total assets. The bank's primary business focus is 1-4 family residential, consumer installment, and commercial loans. Residential loans comprise 35 percent, and consumer installment loans represent 23 percent, of gross loans respectively.

The bank operates from three locations in Henry County. The main office is located in Middletown, while other branches are located in Mooreland and Sulphur Springs. These locations are located in northern Henry County. The bank has an automated teller machine (ATM) at the main office.

The bank is owned by the First Merchants Corporation, Muncie, Indiana, a five-bank holding company. No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area consists of eleven block numbering areas (BNA's) in the northern two-thirds of Henry County. The assessment area consists of three moderate-income (9761.00, 9763.00, and 9765.00), six middle-income (9755.00, 9756.00, 9757.00, 9760.00, 9764.00, and 9766.00) and two upper-income (9758.00 and 9759.00) BNA's. There are no low-income BNA's in the assessment area. The assessment area can be described as rural. The bank's assessment area consists of whole geographies and does not arbitrarily exclude any low- or moderate- income areas. According to the 1990 Census, the population of the assessment area is 39,561 individuals. The three moderate-income BNA's are located south of the bank and its branches in the city of New Castle.

The bank has many competitors in Henry County. The bank's major competitors include one financial institution with a branch in Middletown, three credit unions in New Castle, eight financial institutions with offices or branches in New Castle, and seven residential finance companies. According to 1995 BLS data, Henry County's three largest industries, expressed as a percentage of total employment by industry, are retail trade (22 percent), services (21 percent), and manufacturing (18 percent). The Indiana Department of Workforce Development reported that the unemployment rate for Henry County was 3.6 percent in November 1998, which is down from the county's unemployment rate of 4.8 percent in November 1997. Henry County's unemployment rates have averaged approximately 1 percent higher than statewide averages. Census Bureau data reflects that there are 941 private non-farm establishments (i.e., employers) in Henry County. Approximately 96 percent of these establishments employ fewer than forty-nine people each. The largest employer in Middletown is the Shenandoah School Corporation (which employs approximately one-hundred and fifty individuals), while the largest employer in the assessment area is the Chrysler Corporation in New Castle (where 1,200 individuals are employed). There are 16,431 housing units in the assessment area; 70 percent of these units are owner-occupied, 24 percent are rental units, and 6 percent are vacant. The median home value in the assessment area is \$35,429.

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

The evaluation of the bank's lending performance is based upon a review of samples of both mortgage loans from all of 1998 and consumer installment loans that were originated since July 1998. The mortgage sample consisted of thirty-four residential mortgage loans totaling \$1,920,232 from a potential universe of fifty-two loans totaling \$3,194,362. The installment loan sample consisted of forty-three consumer installment loans totaling \$387,512 from a universe of 323 loans totaling \$3,148,546. The sample size has a 90% confidence level with 10% precision and is considered to be reflective of the bank's lending patterns since the last evaluation.

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

The bank has achieved an adequate penetration among borrowers of different incomes. The 1998 HUD-estimated Indiana statewide non-metropolitan median family income of \$41,100 was used for borrower distribution analysis. The following table provides information on how each income level is defined.

<b>INCOME LEVEL</b>	<b>PERCENT OF MEDIAN FAMILY INCOME</b>	<b>INCOME RANGE</b>
Low	Less than 50%	Less than \$20,550
Moderate	50% to 80%	\$20,550 to less than \$32,800
Middle	80% to 120%	\$32,800 to less than \$49,340
Upper	120% and over	\$49,340 and over

The following table reflects the lending distribution of the sampled 1998 mortgage loans which were originated within the assessment area. In addition, the table includes the percentage of families within each income level according to the 1990 census data.

<b>MORTGAGE LOANS</b>					
<b>INCOME LEVEL</b>	<b>PERCENT OF FAMILIES</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Low	21*	0	0	0	0
Moderate	19	5	20	181,615	13
Middle	32	6	24	317,600	22
Upper	38	14	56	944,217	65
<b>TOTALS</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>\$1,443,432</b>	<b>100</b>

The following table reflects the lending distribution of the sampled consumer loans that were originated within the assessment area. In addition, the table includes the percentage of families within each income level according to 1990 census data.

<b>CONSUMER LOANS</b>					
<b>INCOME LEVEL</b>	<b>PERCENT OF FAMILIES</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Low	21*	8	26	65,048	24
Moderate	19	10	32	77486	28
Middle	32	6	19	50,837	18
Upper	38	7	23	82,598	30
<b>TOTALS</b>	<b>110</b>	<b>31</b>	<b>100</b>	<b>\$275,971</b>	<b>100</b>

\* = 10.3 percent of the families in the assessment area were below the poverty line.

**Geographic Distribution of Loans**

The bank has achieved a reasonable dispersion of loans within the assessment area. The dispersion presented in the following table is the number of loans and dollar volume of the bank's mortgage lending during 1998. The bank's main office is located in Middletown, an upper-income BNA (9758.00). The bank has two branches in middle-income BNA's: Mooreland (9756.00) and Sulphur Springs (9757.00).

The following table presents data on the geographic distribution of the sampled mortgage loans that were originated for properties located inside of the bank's assessment area.

<b>GEOGRAPHIC DISTRIBUTION OF MORTGAGE LOANS SAMPLED</b>					
<b>INCOME LEVEL</b>	<b>PERCENT OF BNA's</b>	<b>NUMBER OF LOANS</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Low	N/A	N/A	N/A	N/A	N/A
Moderate	27	3	12	112,530	8
Middle	55	11	44	521,700	36
Upper	18	11	44	809,202	56
<b>TOTALS</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>\$1,443,432</b>	<b>100</b>

The dispersion presented in the following table is the number of loans and dollar volume of the sampled First United Bank consumer lending during the final two quarters of 1998.

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS SAMPLED</b>					
<b>INCOME LEVEL</b>	<b>PERCENT OF BNA's</b>	<b>NUMBER OF LOANS</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Low	N/A	N/A	N/A	N/A	N/A
Moderate	27	2	7	26,487	10
Middle	55	10	32	80,497	29
Upper	18	19	61	168,987	61
<b>TOTALS</b>	<b>100</b>	<b>31</b>	<b>100</b>	<b>\$275,971</b>	<b>100</b>

**Lending in Assessment Area**

The bank originates a majority of its loans within the assessment area. 72 percent of the number and 71 percent of the dollar volume of sampled consumer loans were made within the assessment area. For the sampled mortgage loans, 74 percent of the number and 75 percent of the dollar volume were made within the assessment area.

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

The bank's loan-to-deposit ratio indicates an adequate responsiveness to area credit needs. The bank's average loan-to-deposit ratio, based on 12 quarters since the last evaluation, is approximately 79 percent. Of the local competitors, only one is similar to the bank in terms of size and asset structure: Citizens State Bank with ratios for the same time period of 54 percent.

### **Response to Complaints**

The bank has not received any CRA-related complaints since the last examination.

### **Compliance with Anti-discrimination Laws and Regulations**

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the examination.