

# **PUBLIC DISCLOSURE**

**January 7, 1999**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Pendleton Banking Company  
8047**

**100 West State Street  
Pendleton, Indiana 46064**

**Federal Deposit Insurance Corporation  
Division of Compliance and Consumer Affairs  
Chicago Region  
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 **Pendleton Banking Company** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **January 7, 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.

The bank's CRA performance reflects a satisfactory practice of providing for the credit needs of its assessment area. This rating is supported by the following:

- An analysis of loan originations reveals an acceptable penetration among borrowers of different incomes. The majority of installment loans and a substantial portion 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 Pendleton Banking Company, located in Pendleton, Indiana, is a commercial bank with \$74,298,000 in gross loans and \$103,147,000 in total assets. The bank's primary business focus is 1-4 family residential, consumer installment, and commercial loans. Residential loans comprise 34 percent and consumer installment loans represent 21 percent of gross loans, respectively.

The bank operates from six locations in Madison County. The main office and one drive-up branch are located in Pendleton with other branches in Anderson, Ingalls, Lapel and Markleville. The bank has automated teller machines (ATMs) located at most office locations. Additional ATM locations include the Walmart Store in Anderson and the Waters Street drive-up facility in Pendleton. The Markleville ATM is located at a convenience store in close proximity to the branch.

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 all census tracts in Madison County, census tracts 1101.00 and 1108.01 in Hamilton County, and census tracts 4101.00 and 4102.00 in Hancock County. The assessment area can be described as rural and suburban. The bank's assessment area consists of whole geographies and does not arbitrarily exclude any low- or moderate- income areas. The assessment area is composed of three low-income, ten moderate- income, twenty-four middle-income, and five upper-income geographies. According to the 1990 Census, the population of the assessment area is 154,925. A recent community contact, representing a local nonprofit housing authority, indicated that the county's population and employment is stable.

The bank has many competitors in Madison County. The bank's major competitors include three financial institutions with branches in Pendleton. Other competition includes financial institutions, credit unions and mortgage/finance companies located within the bank's assessment area. According to 1995 BLS data, Madison County's three largest industries, expressed as a percentage of total employment by industry, are service (28 percent), manufacturing (23 percent), and retail trade (21 percent). The Indiana Department of Workforce Development reported that the unemployment rate for Madison County was 2.8 percent in November 1998, which is down from the county's unemployment rate of 3.1 percent in November 1997. Employment and the economy within the county continue to improve as new businesses locate to the area. Census Bureau data reflects that there are 2,621 private non-farm establishments (i.e., employers) in Madison County. Approximately 95 percent of these establishments employ less than 49 people each. There are 62,048 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 \$45,935.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The evaluation of the bank's lending performance is based upon both the review of the 1998 Home Mortgage Disclosure Act (HMDA) reported loans for 1998 and a sample of consumer installment loans originated since July 1998. There were 271 HMDA-reported loans originated inside the assessment area for a total amount of \$19,528,000 during 1998. The sample consisted of 46 consumer installment loans totaling \$361,114 from a potential universe of 283 loans totaling \$2,599,418. 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 Indianapolis metropolitan statistical area median family income (MFI) of \$51,100 was used for borrower income distribution analysis. The following table provides information on how each income level is defined:

INCOME LEVEL	PERCENT OF MEDIAN FAMILY INCOME	INCOME RANGE
Low	Less than 50%	Less than \$25,550
Moderate	50% to 80%	\$25,551 to less than \$40,880
Middle	80% to 120%	\$40,881 to less than \$61,320
Upper	120% and over	\$61,320 and over

The following table reflects the lending distribution of the consumer loans sampled 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:

CONSUMER LOANS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	22	14	35	67,260	22
Moderate	19	19	47	144,579	47
Middle	23	3	8	38,360	12
Upper	36	4	10	58,512	19
<b>TOTALS</b>	100	40	100	\$308,711	100

The following table reflects the lending distribution of the 1998 HMDA reported 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	22	38	14	1,601,000	8
Moderate	19	66	24	3,757,000	19
Middle	23	71	26	4,503,000	23
Upper	36	96	36	9,667,000	50
<b>TOTALS</b>	<b>100</b>	<b>271</b>	<b>100</b>	<b>\$19,528,000</b>	<b>100</b>

**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 Pendleton, a middle-income census tract (0117.00). The bank has three branches in middle-income census tracts: Lapel (0111.00), Markleville (0114.00), and Ingalls (0118.00). The bank has one branch in an upper income census tract in Anderson (0016.00).

<b>GEOGRAPHIC DISTRIBUTION OF MORTGAGE LOANS</b>					
<b>INCOME LEVEL</b>	<b>PERCENT OF CENSUS TRACTS</b>	<b>NUMBER OF LOANS</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Low	7	16	6	1,772,000	9
Moderate	24	24	9	930,000	5
Middle	57	197	73	14,038,000	72
Upper	12	34	12	2,788,000	14
<b>TOTALS</b>	<b>100</b>	<b>271</b>	<b>100</b>	<b>\$19,528,000</b>	<b>100</b>

The dispersion presented in the following table is the number of loans and dollar volume of the bank's sampled consumer lending during the final two quarters of 1998.

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS SAMPLED</b>					
<b>INCOME LEVEL</b>	<b>PERCENT OF CENSUS TRACTS</b>	<b>NUMBER OF LOANS</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Low	7	3	8	12713	4
Moderate	24	2	5	22218	7
Middle	57	31	77	225917	73
Upper	12	4	10	47863	16
<b>TOTALS</b>	<b>100</b>	<b>40</b>	<b>100</b>	<b>\$308,711</b>	<b>100</b>

### **Lending in Assessment Area**

The bank originates a majority of its loans within the assessment area. 87 percent of the number and 85 percent of the dollar volume of sampled consumer loans were made within the assessment area. For HMDA-reported mortgage loans, 91 percent of the number and 77 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 85 percent. Of the local competitors, only one is similar to the bank in terms of size and asset structure: Anderson Community Bank with ratios for the same time period of 87 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.

## **HOME MORTGAGE DISCLOSURE ACT DATA**

This institution has offices in the Indianapolis, Indiana Metropolitan Statistical Area (MSA), and therefore, the bank is subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). HMDA data for this bank and other banks within this MSA may be obtained at the following location:

Indianapolis, Indiana MSA Number 3480

Allison Cole, Principal Planner  
Department of Metropolitan Development  
City of Indianapolis  
129 E. Market Street, Suite 500  
Indianapolis, IN 46219  
Phone: 317-327-5142  
FAX: 317-327-5103