

# **PUBLIC DISCLOSURE**

**February 25, 1999**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Decatur Bank and Trust Company  
19668**

**520 North 13<sup>th</sup> Street  
Decatur, IN 46733**

**Federal Deposit Insurance Corporation  
Division of Compliance and Consumer Affairs  
Chicago Regional Office  
500 West Monroe, 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 **Decatur Bank and Trust Company** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **February 25, 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 Outstanding.

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

- A substantial majority of loan originations since the last evaluation are within the bank's assessment area.
- The geographic distribution of loans reflects excellent penetration throughout the assessment area including moderate-income geographies.
- The average loan-to-deposit ratio reflects an excellent responsiveness to community credit needs.
- An analysis of loan originations reveals an excellent penetration among borrowers of different incomes, particularly low- and moderate-income borrowers.

## **DESCRIPTION OF INSTITUTION**

Decatur Bank and Trust Company, located in Decatur, Indiana, is a commercial bank with \$81,923,000 in gross loans and \$120,295,000 in total assets, according to the December 31, 1998 Consolidated Report of Income and Condition. The bank's lending is concentrated in residential real estate. Residential real estate loans comprise 58 percent of gross loans.

The bank operates from four locations, all within Adams County. The main office and all of the branches are located in the town of Decatur. The bank has two automated teller machines (ATMs) one at the main office (520 North 13<sup>th</sup> Street) and the other at the downtown branch (103 East Monroe Street).

The institution is owned by Decatur Financial Incorporated, a one-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 four census tracts within the Fort Wayne Metropolitan Statistical Area (MSA) # 2760. All four census tracts (0301.00, 0302.00, 0303.00, and 0304.00) are in Adams County. Adams County is considered rural with close proximity to Fort Wayne, Indiana. The area contains one moderate-income (0303.00) and three middle-income geographies. According to the 1990 Census, the population of the assessment area is 17,888.

The bank has several competitors in Adams County including a branch of a large money center bank. Major competitors include two financial institutions with branches in the town of Decatur. Adams County lies within the Fort Wayne Metropolitan Statistical Area (MSA) # 4250. The county's four largest industries, as a percentage of total industries, are retail trade (29 percent), services (29 percent), manufacturing (10 percent) and construction (10 percent). According to the State of Indiana Department of Work Force Development, the unemployment rate for Adams County was 2.1 percent during November of 1998, which is lower than the county's unemployment rate of 2.2 percent for November of 1997. Census Bureau data reflects that there are 709 private nonfarm establishments (i.e.: employers) in Adams County. Approximately 95 percent of these establishments employ less than 50 people each.

The median family income (MFI) for the 4,840 families in the assessment area, based on the 1990 census data, is \$32,164 or 88 percent of the 1990 MFI of \$36,533 for the Fort Wayne, Indiana MSA. The national poverty level is \$15,150 for a family of four; in the assessment area, there are 317 families, or 7 percent of the family population, living below the poverty level.

There are 6,720 housing units in the assessment area. Seventy-four percent are owner-occupied, 21 percent are rental units, and 5 percent are vacant. The median home value in the assessment

area is \$52,099.

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

The bank is a Home Mortgage Disclosure Act (HMDA) reporter. This information was used to analyze the bank's assessment area loan concentration, geographic distribution of loans, and lending to borrowers of different income levels. Income information was available from the Home Mortgage Disclosure Act, Loan Application Registers (HMDA LAR) in electronic form for 1998. The HMDA Loan Application Registers (LARs) for 1998 and 1997 were used to evaluate the bank's lending performance with regard to borrowers of different income levels, including loans to low- and moderate-income borrowers.

### **Lending in Assessment Area**

The bank originates a substantial majority of its loans within the assessment area. In 1998 the bank originated a total of 245 HMDA-reportable loans. Eighty-seven percent of the number and 85 percent of the dollar volume of all HMDA-reportable loans were made within the assessment area. In 1997 the bank originated 146 HMDA-reportable loans. Ninety percent of the number and 90 percent of the dollar volume of all HMDA-reportable loans were made in the assessment area.

### **Geographic Distribution of Loans**

The bank has achieved an excellent dispersion of loans within the assessment area. This dispersion is presented in the following tables that includes the percent of families living in the geographies according to the 1990 Census. The bank's main office and two branches are located within the one moderate-income geography. In 1998, 44 percent of the number and 37 percent of the dollar amount of loans were originated in the moderate-income census tract. This compares favorably to the percent of families located in the moderate-income census tract.

**1998 HMDA DATA**

<b>INCOME LEVEL</b>	<b>PERCENT OF FAMILIES</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Moderate	25	94	44	5,302,000	37
Middle	75	118	56	8,918,000	63
<b>TOTALS</b>	<b>100%</b>	<b>212</b>	<b>100%</b>	<b>\$14,220,000</b>	<b>100%</b>

In 1997, 50 percent of the number and 50 percent of the dollar amount of loans were originated in the moderate-income census tract. This compares favorably to the percent of families located in the moderate-income census tract.

**1997 HMDA DATA**

<b>INCOME LEVEL</b>	<b>PERCENT OF FAMILIES</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Moderate	25	66	50	3,589,000	50
Middle	75	66	50	3,661,000	50
<b>TOTALS</b>	100%	132	100%	\$7,250,000	100%

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio indicates an excellent responsiveness to area credit needs. The bank's average loan-to-deposit ratio, based on 13 quarters since the last evaluation, is approximately 82 percent. Of the local competitors, one is smaller and the other is larger than the bank in terms of size, asset structure, and loan products. Those two banks average loan-to-deposit ratios for the same time period is depicted in the following chart.

<b>BANK</b>	<b>LOAN-TO-DEPOSIT RATIO</b>
Bank of Geneva	71%
First Bank of Berne	74%

**Lending to Borrowers of Different Incomes**

The bank has achieved an excellent penetration among borrowers of different incomes. The 1998 and 1997 Department of Housing and Urban Development estimated median family income for the Fort Wayne, Indiana MSA was used for the portions of the assessment area within this MSA. The various income figures are detailed in the following tables.

**1998-Fort Wayne, IN MSA MFI of \$48,800**

<b>INCOME LEVEL</b>	<b>PERCENT OF MEDIAN FAMILY INCOME</b>	<b>INCOME RANGE</b>
Low	Less than 50%	Less than \$24,400
Moderate	50% to less than 80%	\$24,400 to less than \$39,040
Middle	80% to less than 120%	\$39,040 to less than \$58,560
Upper	120% and over	\$58,560 and over

**1997-Fort Wayne, IN MSA MFI of \$46,000**

<b>INCOME LEVEL</b>	<b>PERCENT OF MEDIAN FAMILY INCOME</b>	<b>INCOME RANGE</b>

Low	Less than 50%	Less than \$23,000
Moderate	50% to less than 80%	\$23,000 to less than \$36,800
Middle	80% to less than 120%	\$36,800 to less than \$55,200
Upper	120% and over	\$55,200 and over

The following tables reflect the lending distribution of the loans reported on the HMDA LAR for 1998 and 1997. In addition, the tables include the percentage of families within each income level according to the 1990 census data. The analysis only includes loans, which were originated within the assessment area.

<b>1998 HMDA 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*	17	21	10	761,000	5
Moderate	24	42	20	2,327,000	16
Middle	28	66	31	4,239,000	30
Upper	31	83	39	6,893,000	49
<b>TOTALS</b>	<b>100%</b>	<b>212</b>	<b>100%</b>	<b>\$14,220,000</b>	<b>100%</b>

\* Families living below the poverty level equal 7 percent of the population. A more reasonable comparison for the low-income borrowing population percentage is 10 percent. This was arrived at by subtracting 7 percent of families below the poverty level from 17 percent of the families in the low-income category.

The data indicates that lending to low- and moderate-income borrowers was below the percentage of families considered low- and moderate-income within the assessment area. Data from the 1990 census indicates that 17 percent and 24 percent of the population in the bank's assessment area are classified as low-income and moderate-income families, respectively. The table reveals that 10 percent and 20 percent by number of HMDA-reportable loans were originated to low-income and moderate-income borrowers, respectively. The table also shows that 5 percent and 16 percent by dollar amount of the HMDA-reportable loans were originated to low-income and moderate-income families, respectively. When adjustments are made for the 7 percent of the families living below the poverty level, the bank's lending to low-income borrower's is equal to the assessment area percentage of families considered low-income.

The bank only had 4 percent of the mortgage loan market in the assessment area. Competition for low- and moderate-income borrowers is high. The bank faces competition from several larger institutions within the area including mortgage bankers from the Fort Wayne area.

Aggregate 1998 HMDA data was not yet available for comparison.

1997 HMDA LOANS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low*	17	20	15	576,000	8
Moderate	24	38	29	1,454,000	20
Middle	28	32	24	1,883,000	26
Upper	31	42	32	3,337,000	46
TOTALS	100%	132	100%	\$7,250,000	100%

\* Families living below the poverty level equal 7 percent of the population. A more reasonable comparison for the low-income borrowing population percentage is 10 percent. This was arrived at by subtracting 7 percent of families below the poverty level from 17 percent of the families in the low income category.

The 1997 data indicates that lending to low- and moderate-income borrowers was considerably above the percentage of families considered low- and moderate-income within the assessment area. Data from the 1990 census indicates that 17 percent and 24 percent of the population in the bank's assessment area are classified as low-income and moderate-income families, respectively. The chart reveals that 15 percent and 29 percent by number of HMDA-reportable loans were originated to low-income and moderate-income borrowers, respectively. The chart also shows that 8 percent and 20 percent by dollar amount of the HMDA-reportable loans were originated to low-income and moderate-income families, respectively. When adjustments are made for the 7 percent of the families living below the poverty level, the bank's lending to low-income borrower's substantially exceeds the assessment area percentages of families considered low-income and moderate-income.

### **Response to Complaints**

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

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

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

## **Home Mortgage Disclosure Act Data**

The institution has offices in the Fort Wayne, Indiana Metropolitan Statistical Area. The bank is subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). The central depository information and contact is:

Alan Tepfer  
Community and Economic Development  
City County Building - Room 800  
One Main Street  
Fort Wayne, Indiana 46802  
(219) 427-1498