

# **PUBLIC DISCLOSURE**

**February 1, 1999**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NCF Bank & Trust Company  
31626  
106A West John Rowan Blvd.  
Bardstown, Kentucky 40004**

**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 **NCF Bank & Trust Company, Bardstown, Kentucky**, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **February 1, 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 an exceptional practice of providing for the credit needs of its assessment area. This rating is supported by the following:

- The average loan-to-deposit ratio reflects a superior responsiveness to community credit needs.
- An analysis of mortgage loan originations reveals a penetration among borrowers of different incomes, including low- and moderate-income families which is similar to their percentage within the assessment area. The vast majority of lending to commercial borrowers is to small businesses.
- A sizable majority of loan originations are within the bank's assessment area.
- Since there are no low- or moderate-income geographies within the assessment areas, the geographical loan distribution would not be meaningful.

## **DESCRIPTION OF INSTITUTION**

NCF Bank & Trust Company, located in Bardstown, Kentucky, is a commercial bank with \$30,702,000 in gross loans and \$41,312,000 in total assets. The bank has one branch office, also located in Bardstown, Kentucky. The bank's one Automated Teller Machine (ATM) is located at the main office.

The following is a breakdown of the volume and percent by loan type as of September 30, 1998:

<b>LOAN TYPE</b>	<b>DOLLAR AMOUNT</b>	<b>PERCENT</b>
Residential Real Estate	21,843,000	71
Agriculture	99,000	Less than 1
Business	8,760,000	29
<b>TOTALS</b>	<b>\$30,702,000</b>	<b>100</b>

Prior to April 1997, the bank had been chartered as a thrift institution and the primary emphasis has been residential mortgage lending. A significant volume of the business lending described in the table above is to real estate developers constructing new homes. The bank has sold approximately 25 residential mortgage loans in the secondary market during the last twelve months through its holding company. Bank management intends to provide more residential lending to low- and moderate-income borrowers in the future through programs of the Kentucky Housing Corporation.

The bank recently changed its charter to become a commercial bank, and, according to bank management, the bank will increase its focus on commercial lending. Also, during the fourth quarter of 1998, the bank began offering consumer loans which were not secured by residential real estate. The bank originates a small number of loans for sale in the secondary market. The bank offers all types of deposit accounts, including certificates of deposit, checking accounts and savings accounts. However, Money Market Deposit Accounts (MMDAs) are not offered.

NCF is owned by Community Bank Shares of Indiana, Inc. This multi-bank holding company owns two other banks that are located in Indiana. No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community.

## **DESCRIPTION OF *NELSON COUNTY***

According to the 1990 census, Nelson County, Kentucky, had a population of 29,710 while Bardstown, Kentucky, the largest city in Nelson County, had a population of 6,712. Estimates by the Kentucky Cabinet for Economic Development (1994) for Nelson County and Bardstown show populations of 32,638 and 7,787, respectively. Bardstown is the county seat of Nelson County and the business and financial center of the county. Until the mid-1980's, Bardstown and Nelson County experienced only modest growth. Over the past decade, however, the public and private sectors have combined efforts to implement an economic development plan that has stimulated growth significantly. As a result, there is currently a larger and more diverse industrial base, and the population forecast for 2020 is 35,976, which represents a 21 percent growth rate.

Access to Jefferson County and Louisville, Kentucky, and its highly developed industrial base is provided by Interstate 65 and Route 31 E. Although Nelson County's road system is developed, most major roads lead from Bardstown to major highways and cities outside the county such as Elizabethtown in Hardin County and Mt. Washington in Bullitt County. There is limited accessibility to sparsely populated, rural areas.

Competition from other financial institutions in Nelson County is strong with four other banks headquartered in Nelson County, a credit union, a branch of a savings and loan association headquartered in an adjacent county, and a branch of a large regional bank. Deposits of banks within Nelson County exceed \$334 million.

Nelson County consists of seven Block Numbering Areas (BNAs); BNAs 9901 through 9905 are upper-income geographies and 9906 and 9907 are middle-income geographies. There are no low- or moderate-income geographies in the county.

Since 1983, Bardstown, center piece of the county's developmental plan, has doubled in size and attracted 12 new manufacturing plants employing approximately 2,500 people making an average wage of \$8.25 per hour. The work force now totals 16,685 with an unemployment rate of 4.8 percent as of the fourth quarter of 1998. The increased work force, along with an in-migration of residents from Louisville, Kentucky and some surrounding counties to the north (attracted by relatively lower real estate prices) have created the need for affordable housing. As of 1993, the six largest manufacturing firms employed 2,621 persons.

In response to demand, six housing developments have come under construction, and contain an estimated 870 units in the \$50,000 to \$100,000 price range. Also, an increase in professional managers and technicians moving to the area have caused a demand for higher priced housing, giving rise to several new and more exclusive developments with houses priced from \$175,000 to \$400,000.

Information obtained from a community contact indicates that while economic and population

growth will continue, they will be moderate while infrastructure catches up with private development. In general, new plants have been financed from private funding and by federal block grants administered through the state government. The block grants require a percentage of low- and moderate-income employment. Some private financing for smaller projects related to the industrial park has occurred.

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

The evaluation of the bank’s lending performance is based upon the review of several loan samples. A sample of 75 loans of all types totaling \$2,358,795 originated between January 1, 1998, and February 1, 1999, was used to determine the number and volume of loans in the assessment area. During that time period, 428 loans of all types totaling \$21,420,134 were originated.

A sample of 47 residential mortgage loans totaling \$2,434,916 was used to determine the level of lending to borrowers of different incomes. Between January 1, 1998, and February 1, 1999, the bank originated 250 residential mortgage loans totaling \$19,457,817.

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

The bank has achieved an excellent penetration among borrowers of different incomes and businesses of different sizes. The 1998 HUD estimated statewide non-metropolitan median family income (MFI) of \$29,800 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 MFI</b>	<b>INCOME RANGE</b>
Low	Less than 50%	Less than 14,900
Moderate	50% to <80%	\$14,900 to less than \$23,840
Middle	80% to <120%	\$23,840 to less than \$35,760
Upper	120% and over	\$35,760 and over

The following tables reflect the lending distribution of the residential real estate loan sample reviewed. In addition, the tables includes the percentage of families within each income level according to the 1990 census data. The sample consists of loans made within the assessment area only.

<b>RESIDENTIAL REAL ESTATE 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	23	7	15	252,800	10
Moderate	21	8	17	315,500	13
Middle	19	10	21	438,050	18
Upper	37	22	47	1,428,566	59
<b>TOTALS</b>	<b>100</b>	<b>47</b>	<b>100</b>	<b>2,434,916</b>	<b>100</b>

The bank's responsiveness to the needs of low- and moderate-income families is good when considering the nature of the real estate market in the assessment area. Nelson County, especially the Bardstown area, is growing rapidly. Real estate prices are rising rapidly, as Bardstown is both a tourist attraction and a bedroom community for employees commuting to the Louisville, Kentucky-Indiana Metropolitan Statistical Area (MSA) for employment. Thus, it is a very positive achievement for the bank to originate 32 percent of its mortgage loan portfolio to low- and moderate-income families.

Most of the bank's commercial loan portfolio consists of lending to developers constructing single family dwellings. Many of these developers have annual gross revenues of \$1 million or less. The bank has only recently begun actively pursuing commercial loans which are not secured by real estate.

### **Lending in Assessment Area**

The bank originates a significant majority of its loans within the assessment area. Specifically, 96 percent of the number and 98 percent of the dollar volume of loans originated between January 1, 1998, and February 1, 1999, are within the assessment area.

### **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 12 quarters since the previous evaluation, is 105 percent. This ratio has been somewhat lower than the average during the last six quarters. During this time period the ratio has averaged 83 percent. This ratio was compared to a bank within the assessment area that is similar in terms of size, asset structure, and loan products. This bank had a loan-to-deposit ratio of 79 percent.

### **Geographic Distribution of Loans**

A review of the bank's lending revealed a significant number and volume of loans in all BNAs. There are no low- and moderate income geographies in the assessment area; therefore, an analysis of the distribution of loans among geographies of different income levels is not meaningful. No other geographic breakdown was available to determine if areas existed that contained a significant concentration of low-and moderate-income families.

### **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-discrimination laws and regulations were discovered during the examination.