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Comptroller of the Currency  
Administrator of National Banks

**Small Bank**

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## **PUBLIC DISCLOSURE**

November 5, 1996

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Lynnville National Bank  
Charter Number 8868**

**Main Street, Box 126  
Lynnville, Indiana 47619**

**Comptroller of the Currency  
Evansville Duty Station  
P.O. Box 20130  
Evansville, Indiana 47708**

**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.

## 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 CRA performance of The Lynnville National Bank for the time period of April 13, 1992 through November 5, 1996. This document was prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of November 15, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

The bank's average loan-to-deposit ratio over the last two years is similar to the ratios of other small, independent banks in the area. A substantial portion of the bank's loans are to customers living in the bank's assessment area.

The following table indicates the performance level of The Lynnville National Bank with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>Grundy County National Bank</u></b> <b>PERFORMANCE LEVELS</b>		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in the Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	<b>No complaints were received since the prior examination.</b>		

## **DESCRIPTION OF INSTITUTION**

Lynnville National Bank (LNB) is a full-service, locally owned bank located in Lynnville, Indiana. On September 30, 1996, LNB had total assets of \$47 million. The financial posture of the bank does not materially affect its ability to serve the needs of the community. The bank's prior CRA rating of "Satisfactory" was assigned to April 13, 1992.

LNB is a full-service lender focusing on residential real estate and consumer lending. As of June 30, 1996, the loan portfolio consisted of 79% real estate loans (84% which are secured by 1-4 family residential mortgage), 15% consumer loans, 4% commercial loans, and 2% agricultural loans. LNB purchased the deposits and a banking office in nearby Chandler, Indiana from an Evansville bank in September 1995, establishing LNB's first branch. Both the main office and the branch have an ATM machine.

## **DESCRIPTION OF THE ASSESSMENT AREA**

Lynnville has a population of 640 and is located in Northern Warwick County, Indiana, approximately 25 miles northeast of Evansville. Bank management defines its assessment area as of all Warrick County plus one Block Numbering Area (BNA) in Pike County and one BNA in Gibson County. The total population of the assessment area is 53,900. The assessment area consists of twelve BNAs, three of which are designated as moderate-income areas (defined as having a median family income between 50% and 80% of the MSA median family income of \$40,900), seven are designated as a middle-income area (between 80% and 120%), and two are classified as an upper-income area (greater than 120%). The assessment area meets the criteria of the regulation and does not arbitrarily exclude any low-and moderate-income areas. The main office is located in a moderate-income BNA.

The area surrounding Lynnville is rural. Businesses in small surrounding towns offer moderate employment and economic support. The economy is highly dependent on mining operations and small local businesses. The county's largest employer is the Alcoa Aluminum Company, Inc. The unemployment rate in Warwick County is 5%, compared to that state's average of 4.2%. Branches of Evansville banks and small, independent financial institutions provide the bank's primary competition.

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

### **Loan to deposit ratio:**

The bank's loan to deposit ratio since the last CRA examination averages 79%. This is comparable to the average loan to deposit ratio of all similarly situated banks. Analysis of seven small, independent banks in nearby communities revealed their average loan to deposit ratios over the last two years ranged from 49% to 91%. The bank had a loan to deposit ratio of 88% at the time of the Chandler branch acquisition in September 1995. The acquisition of deposits resulted in an immediate reduction in LNB's ratio to 64%. The current loan to deposit ratio is 72%.

**Lending in assessment area:**

To determine the extent of the bank’s lending within the assessment area, we reviewed the statistical data on 301 loans. These 301 loans total \$14,231,000; were compiled via the Home Mortgage Disclosure Act and other sources; and originated between January 1, 1994 and October 29, 1996. The following table shows the results of the review:

Table 1 Loans Originated in the Assessment Area January 1, 1994 through October 29, 1996				
Type of Loans:	Total Loans Reviewed		% of Loans Originated within the Assessment Area	
	#	\$	#	\$
Residential Mortgage*	246	\$10,078,000	95%	96%
Business	30	\$2,754,000	63%	64%
Farm	25	\$1,399,000	96%	93%
TOTAL	301	\$14,231,000	92%	89%

Table 1 reveals that LNB originates a substantial portion of its loans within the assessment area. Of all residential mortgage loans originated between January 1, 1994 and October 29, 1996, 95% of all loans (96% of the dollar volume) are secured by real estate located in the assessment area. Of the 30 business and 25 farm loans sampled, 63% of the business loans (64% of the dollar volume) and 96% of the farm loans (93% of the dollar volume) are to borrowers located in the assessment area. Overall, 92% of the 301 loans and 89% of the dollar volume are extended to borrowers living within LNB’s assessment area.

**Lending to borrowers of different incomes and businesses of different sizes:**

We sampled mortgage loan information reported under the Home Mortgage Disclosure Act (HMDA) and business and farm loans to determine the bank’s record of extending credit to borrowers of different income levels. The following table reveals the percentages of loans made to mortgage loan borrowers of different income levels:

Table 1 Mortgage Loans Originated by Borrower Income January 1, 1994 through October 29, 1996				
Borrower Income	Number of Loans		Dollar Volume	
	#	%	\$	%
Low-income	32	13%	\$901,000	9%
Moderate-income	52	21%	\$1,470,000	15%
Middle-income	89	36%	\$3,779,000	37%
Upper-income	73	30%	\$3,926,000	39%
Total	246	100%	\$10,076,000	100%

Table 2 reveals that LNB makes credit services available to individuals of all income levels. A reasonable amount of loans are originated to low- and moderate-income borrowers.

We sampled 55 business and farm loans to determine the extent of lending to businesses and farms of different sizes. The results are as follows:

Table 3 Business and Farm Loans January 1, 1994 through October 29, 1996		
Annual Revenue:	#	\$
\$0-\$100,000	13	\$946,000
\$100,001-\$250,000	7	\$444,000
\$250,001-\$500,000	8	\$765,000
\$500,001-\$1,000,000	18	\$962,000
Total Loans - \$1,000,000 or less	46	\$3,117,000
% of Loans 0 \$1,000,000 or less	84%	75%
Greater than \$1,000,000	9	\$1,036,000

Table 3 reveals that the bank makes loans to businesses and farms of different sizes. Of the 55 business and farm loans reviewed, 46 (84%) or \$3,117,000 (75%) are to entities with annual revenues of \$1,000,000 or less.

**Geographic distribution of loans:**

LNB has an adequate distribution of loans throughout the assessment area, including loans in moderate-income BNAs. We reviewed all mortgage loans that originated between January 1, 1994 and October 29, 1996 to determine the income characteristics of the BNAs in which the property was located. The results are as follows:

Census Tract Income Level:	Assessment Area Characteristics		Number of Loans		Dollar Volume	
	# of BNAs	Distribution of BNAs	#	%	\$	%
Low-Income	0	0%	0	0%	\$0	0%
Moderate-Income	3	25%	56	23%	\$2,089,000	21%
Middle-Income	7	58%	174	70%	\$7,314,000	73%
Upper-Income	2	17%	4	2%	\$225,000	2%
Loans Out of Area			12	5%	\$450,000	4%
Total	12	100%	246	100%	\$10,078,000	100%

Table 4 reveals that the bank has a reasonable amount of lending activity in the moderate-income areas of its assessment area. The assessment area has no low-income BNAs.

**Response to Complaints:**

The bank has received no letters from the public regarding its CRA activities.

**Compliance with antidiscrimination laws:**

We tested the bank’s compliance with the Equal Credit Opportunity Act and the Fair Housing Act. We identified no violations of the substantive provisions of these antidiscrimination laws and regulations.