



Public Disclosure

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Community Reinvestment Act Performance Evaluation

**American National Bank and Trust Co.
Charter Number 14921**

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Muncie, IN 47308**

Comptroller of the Currency

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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 **American National Bank and Trust Co. of Muncie** (ANB) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 29, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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. The last review of the bank's CRA evaluation was performed August 4, 1994. At that time, the bank was found to have a satisfactory record of meeting the credit needs of its community.

Institution's CRA Rating: This institution has a satisfactory record of meeting community credit needs.

The bank's lending activity demonstrates good responsiveness to community credit needs. Specifically, ANB provides loans throughout its area with good penetration in LMI areas, and it reasonably provides community development loans. ANB's investment activity is adequate given local investment opportunity. The bank provides reasonable accessibility and access to banking services, and we found no evidence of discriminatory lending practices.

The following table indicates the performance level of American National Bank and Trust Co. of Muncie (ANB) with respect to the lending, investment, and service tests.

Performance Levels	Name of Financial Institution Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

ANB is a \$335 million bank owned by ANB Corporation (ANBC), a multibank holding company which also owns Peoples Loan and Trust Bank and American National Trust Investment Management Co., a trust services company which was a subsidiary of ANB until December 1996. ANB wholly owns ANB Financial Planning Services, a subsidiary providing financial planning for individuals, families, and businesses. ANBC's assets total \$504 million with ANB representing the largest subsidiary. ANB and ANBC are both headquartered in Muncie, Indiana.

ANB is a full service financial institution with a primary business focus on commercial and home loan products. At September 30, 1997, ANB's loan portfolio totaled \$276.8 million, representing 79% of bank assets. The loan portfolio's composition is 40% residential real estate, 23% commercial real estate, 25% commercial, 9% installment, and 3% for other purposes. In addition to the portfolio, ANB actively sells home mortgages in the secondary market. Since the last Performance Evaluation, approximately \$21 million in mortgages have been originated and sold. There are no impediments that would hamper the bank's ability to help meet the needs of its assessment areas.

ANB has eleven full service branches, including the main office facility, and ten ATM machines. Ten branches and two stand-alone ATM machines are located within Delaware County, Indiana. One branch is located in the City of Portland, located in adjacent Jay County, Indiana.

Description of Assessment Area

The bank has designated Delaware County and the City of Portland as assessment areas.

Delaware County

According to 1990 Census information, Delaware County has a population of 120,000 with 30,000 families. The City of Muncie constitutes a notable portion of the population with 70,000 residents. The 1997 HUD median family income for Delaware County is \$40,300. Within the area, 21% of families are low-income, 17% are moderate-income, 23% are middle-income, and 39% are upper-income. There are approximately 49,000 housing units within Delaware County, with 61% of units being owner-occupied and 33% being rental units. Seven percent of housing units within the area are vacant. The median value and age of homes are \$41,000 and 40 years, respectively.

Geographically, Delaware County comprises 31 census tracts. Four tracts are designated low-income, nine are moderate-income, twelve are middle-income, and six are upper-income. The low- and moderate-income tracts are located in the central Muncie area, which has been designated as an Urban Enterprise Zone. Ball State University is located in two of the low-income census tracts; 98% of the housing within those tracts are rental units. Five percent of areas families live in low-income areas, 23% reside in moderate-income areas, 43% are in middle-income areas, and 29% live in upper-income areas.

The local economy is improving with an August 1997 unemployment rate of 4.5%. 1995 U.S. Bureau of Labor information shows an economic reliance on manufacturing, retail, and service industries. Sixty-nine percent of the area's 2700 businesses had fewer than ten employees. Within the area, we identified 39 establishments which are engaged in agriculture.

Strong competition is provided by four other similarly situated banks and several credit unions. Additionally, nonbank lenders are active in the area.

City of Portland

The City of Portland is located in largely rural Jay County, Indiana. Portland has a population of 6,700 with 1900 families. The 1997 HUD Nonmetropolitan Statistical Area Indiana median family income is \$39,000. Twenty-two percent of Portland's families are low-income, 23% are moderate-income, 27% are middle-income, and 28% are upper-income. Portland's two geographies are both designated middle-income. The economic base is supported by light manufacturing and agriculture.

ANB has a limited market presence in Portland with competition provided by one local bank, one credit union, and branches from two additional banks. Deposits and loans originated in Portland represent approximately 4% and 1.4% of ANB's total deposit and loan portfolios, respectively. During 1996 and 1997, total loans originated in Portland by ANB were less than \$500,000.

Conclusions with Respect to Performance Criteria:

Lending Test

Our evaluation of the bank's performance with the CRA focused on ANB's performance in the Delaware County assessment area. As a very small volume of ANB's business activity originates in Portland, and a number of other financial institutions provide credit and services in that area, a separate analysis of ANB's lending activity in Portland was not performed. In ascertaining the credit needs of Delaware County, we considered information provided by representatives of two organizations; one organization provides affordable housing services while the other promotes economic development.

The primary credit needs of the area are small business development and revitalization and affordable housing. As 1995's lending activity was consistent with trends noted in 1996 and into 1997, we elected to only analyze 1996 and year-to-date 1997 lending activity. ANB has originated a nominal number (5) of small farm loans during the period; therefore, loans to small farms are not included in this analysis. We found that ANB's lending activity demonstrates adequate extension of credit to small businesses and home loan borrowers of various income levels, good penetration throughout Delaware County, a good record of lending in LMI areas, and a relatively high level of community development lending, given the bank's size.

Lending Activity - ANB's lending activity demonstrates reasonable responsiveness to the area's credit needs. As illustrated in **Table 1**, a significant level of small business loans and a majority of home loan dollars are provided within the assessment area. Analysis of home loan activity revealed that although a majority of dollars are provided within the assessment area, a lesser majority of home loans is within the area due to the number of out of area indirect home improvement loans. During 1996 and 1997, ANB originated 433 of 716 home improvement loans outside of its assessment area. During 1996, 15% of area home loan dollars extended and 37% of the dollars extended to area small businesses were originated by ANB. Among lenders originating home loans in Delaware County during 1996, ANB had the second highest overall market share.

Table 1			
Loans Originated Inside Assessment Areas (AA)			
Number			
	Home Mortgage	Small Business	Total
Total Loans Originated	1,555	775	1,930
Loans within the AA	1,003	604	1,607
Percent Inside AA	65%	78%	83%
Dollars (000's)			
Total Loans Originated	68,151	83,679	151,830
Loans within the AA	55,633	75,760	131,393
Percent Inside AA	82%	91%	87%

Source: HMDA-LAR 1996-11/ 17/97; Small Business/Small Farm Data Collector Register 1996- 12/3/97

Distribution by Borrower Income - The bank reasonably provides credit to borrowers of all income levels. The distribution of home loans by borrower income levels is reflective of the area's demographic characteristics. ANB adequately extends credit to small businesses, and the level of small loans to small businesses is good.

Home Mortgage Loans

ANB's lending to low- and moderate-income borrowers is adequate. As illustrated in **Table 2**, the number of loans extended to low-income borrowers by ANB is below the area's population characteristics, while moderate- income borrowers were provided loans at a level representative of the area's population distribution. ANB maintained its overall market share among low- and moderate-income home loan borrowers during 1996. A total of 169 home lenders extended credit in the area during 1996.

Table 2					
Home Mortgage Loans by Borrower Income					
Borrower Income	Loans		% of Total		Assessment Area
	Number	\$(000's)	Number	\$(000's)	% of families
Low-Income	113	3,056	12%	6%	21%
Moderate-Income	162	3,863	17%	8%	17%
Middle-Income	234	9,938	25%	19%	23%
Upper-Income	445	34,313	46%	67%	39%
Total	954	50,988	100%	100%	100%

Small Business Loans

ANB's overall volume of loans to small businesses is adequate. During 1996, ANB originated 29% of all loans to small businesses in the assessment area and 37% of total dollars provided. Loans to small businesses are defined as loans made to businesses having revenues under \$1 million. Discussions with area bankers and community contacts indicates a moderate opportunity for small business lending. Recent area business growth has occurred in larger revenue producing industries.

During 1996 ANB provided \$16,055 million in credit to small businesses in Delaware County; these loans represented 56% of all business loan dollars ANB originated in the area. In 1997, ANB's origination of business loans in Delaware County increased (through December 3, 1997) by \$18.5 million. Loans to larger businesses, undergoing expansion, provided the increase. Of the \$46 million extended by ANB during 1997, \$13.5 million (29%) was extended to small businesses.

ANB provides a reasonable level of small dollar loans to small businesses. As illustrated on **Table 3**, a notable majority (85%) of loans made in 1997 to small businesses are small dollar loans. The volume of dollars provided in varying amounts is relatively evenly dispersed.

Table 3				
1997 Small Business Loans by Size of Loan				
Loan Size	Loans		% of Total	
	Number	\$(000's)	Number	\$(000's)
Less than \$100,000	142	4,101	85%	34%
\$100,000-\$249,999	16	3,523	10%	29%
\$250,000-\$1,000,000	9	4,451	5%	37%
Total	167	12,075	100%	100%

Source: 1997 Small Business/Small Farm Register Data through November 17, 1997

Geographic Distribution - The geographic distribution of loans reflects reasonable distribution of loans in Delaware County. Both home loans and loans to small businesses are consistently dispersed throughout the area.

Home Loans

As illustrated in **Table 4**, ANB's geographic distribution of home loans is generally consistent with the area's housing and population characteristics. Student housing in central Muncie limits the opportunity to provide home loans in LMI areas. In low-income tracts, 3% of the homes are owner-occupied; in moderate-income areas 22% of homes are owner-occupied. Homes in moderate-income areas have a median value of \$23 thousand. The average size of home loans ANB extended in moderate-income areas

was \$17 thousand. The majority of loans ANB extends in moderate-income areas are for home improvement or refinancing. As a result, the percentage of total dollars extended in moderate-income areas is noticeably lower than the number of loans.

Table 4 Geographic Distribution of Home Loans						
Income of Census Tract	#	\$ 000's	% of Total		Assessment Area(AA) Characteristics	
			#	\$\$	% of AA's Owner Occupied Homes	% of families in area
Low	24	666	2%	2%	3%	5%
Moderate	167	2,920	17%	5%	22%	23%
Middle	371	20,693	38%	37%	45%	43%
Upper	421	31,246	43%	56%	30%	29%
Total	983	55,525	100%	100%	100%	100%

Source: 1996 and 1997 HMDA-LAR Data

In comparison to ANB's overall 1996 home loan market share of 15%, ANB did not maintain its overall home loan market share in LMI areas. However, ANB provided more home loans in LMI areas than competitors. ANB held the highest market share among home lenders extending credit in low-income areas with 8% market share. In moderate-income areas, ANB held the second highest market share with 9%. ANB's market share in middle- and upper-income areas is 13% and 18%, respectively.

Loans to Small Businesses

The geographic distribution of loans to small business is reflective of the area's geographic income characteristics. As illustrated on **Table 5**, ANB originates a reasonable portion of loans in low- and moderate-income areas. The number and volume of small business loans provided in low- and moderate-income areas represent 25% and 28% of ANB's extension of small business loans by number and dollars, respectively.

Table 5 Geographic Distribution of Small Business Loans					
Income Level of Census Tract	Number of Loans	Dollars in thousands	Percent of Total		Percent of AA in Tracts
			#	\$	
Low	30	1,287	7%	6%	13%
Moderate	75	4,855	19%	22%	29%
Middle	175	10,824	44%	49%	39%
Upper	122	5,249	30%	24%	19%
Total	402	22,215	100%	100%	100%

Source: Small Business/Farm Loans Data Collection Register: 1996 through November 17, 1997

ANB provides credit to small businesses at levels consistent with its overall lending activity. Review of 1996 Aggregate CRA Business Data reveals that in comparison to ANB's overall small business market share of 37%, ANB had a 35% market share in low-income areas, 50% market share in moderate-income areas, 34% market share in middle-income areas, and 32% market share in upper-income areas. Overall, ANB held a 46% market share of loans to small businesses in Delaware County's LMI areas.

Community Development Lending

Considering the bank's size, competitive environment, and local opportunities, we determined that ANB originates a substantial level of community development loans in response to identified credit needs. Community development loans are those loans which provide credit for development/revitalization of LMI areas or support to LMI residents. Community development loans are not reported in either the housing or small businesses analyses. During the evaluation period the bank extended credit for the following community development purposes:

- ANB, along with other area financial institutions, has provided land acquisition and construction financing to a local nonprofit enterprise which provides area homeless, abandoned, and at-risk children and youth with housing and educational services. During the evaluation period, ANB funded \$1.4 million.
- ANB provided \$100,000 in operating loans to a local organization which provides food, transportation, and other services to elderly LMI residents.

- During the evaluation period, ANB extended \$165,888 for acquisition and rehabilitation of housing in LMI areas. The borrower is an organization which revitalizes LMI residential areas within Muncie by acquiring, rehabilitating, and selling homes in Muncie's LMI historical district.
- ANB, along with other area institutions, has provided funding for a borrower to acquire and convert an empty commercial facility into a subsidized day-care center. ANB provided \$130,000.
- ANB has provided \$30,000 to a local affordable housing organization to acquire and resell one home to a LMI resident. This organization provides affordable housing services and credit counseling, and assists LMI residents with home ownership financing.

ANB also provided a total of \$2 million to four borrowers who either located or expanded businesses in LMI areas, or rehabilitated abandoned facilities in an LMI area.

Innovative or Flexible Lending Practices

ANB adequately provides credit with innovative and flexible lending practices. Below is a listing of programs that are available to individuals and small businesses.

- ANB provides loans guaranteed by the Small Business Administration (SBA). During the evaluation period, four borrowers were provided a total of \$945,000 in SBA loans.
- The bank participates in the Indiana Statewide Certified Development Corporation (ISCDC) loan program. This program provides funding for economic development by providing lenders with credit enhancements. With the SBA, ISCDC enhances 40% of the transaction by providing a guarantee, a fixed rate, and a limited (10%) downpayment requirement. The bank finances 60% of the transaction under normal underwriting and pricing criteria. During the evaluation period, ANB has extended two loans, totaling \$761 thousand, under this program.
- The bank offers Freddie Mac "Affordable Gold" home loans. Borrowers with less than the median family income may use nontraditional down payment sources to meet the 3% down payment requirements. Additionally, nontraditional underwriting may be considered. Private mortgage insurance requirements for this product vary based on loan terms. The bank has extended two loans to LMI borrowers under this program during the evaluation period.

INVESTMENT TEST

Our review of data provided by two local banks and through community contacts indicated a limited ongoing opportunity for qualifying investments in the assessment area. We found that ANB has adequately invested in its area, given the limited investment opportunities. During the evaluation period, ANB provided \$22,500 in 1997 to Vision 2001, a local organization which promotes economic revitalization, and 36,000 in qualifying contributions was provided to the United Way. Additionally, three LMI home purchasers were provided credit, totaling \$109,000, from ANB's contribution to the Muncie Homeownership and Development Center. This entity provides credit counseling services and facilitates home ownership to local LMI residents by providing liberal credit term and nontraditional underwriting considerations. ANB continues to hold a \$1.025 million bond, purchased in 1994, issued to support economic revitalization in the Urban Enterprise Zone by funding expansion of the city's convention center.

SERVICE TEST

Retail Banking Services

ANB's Delaware County branches are readily accessible to individuals in LMI geographies. The distribution of branches, along with area characteristics, are detailed in **Table 6**. Branches are well dispersed geographically. No branches have been closed during the evaluation period although ANB closed one drive-up in 1995. This facility was located in a LMI area but its closing did not impede accessibility, as services remained available from a full service branch located in the same geography and within walking distance from the drive up facility.

Table 6 Branch Distribution and Area Characteristics				
Income Level of Tract	Branches by Location		Percentage of Area's Geographies	Level of Geographies with Branch Penetration
	#	%		
Low-Income	1	10%	13%	25%
Moderate-Income	3	30%	29%	33%
Middle-Income	2	20%	39%	17%
Upper-Income	3	40%	19%	67%

Branch hours provide reasonable access and are consistent with competitors' hours. ANB has bank by phone service which provides customers with after hour account access. Loan applications are not offered over this automated network. Non-loan consumer products are traditional; ANB offers one low-cost checking account product which does not require a minimum balance. For commercial customers, including small

businesses, ANB provides a “Business Manager” service. With this product, business loan customers are able to increase cash flow by selling accounts receivable to ANB’s service contractor. ANB is the only financial institution in Delaware County which provides commercial borrowers with this service.

Community Development Services

ANB provides an adequate level of community development services. During the evaluation period, ANB has provided one informational seminar on home ownership and credit counseling and provided scholarship support for the East Central Indiana Small Business Development Center (SBDC). ANB has personnel representation on Board of Directors of the Indiana Statewide Certified Development Corporation, the SBDC Microloan Program, and the Advisory Committee for the Muncie Housing Authority.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in Muncie Metropolitan Statistical Area

ANB’s CRA performance within the Muncie MSA is presented as overall conclusions in this Performance Evaluation.