



PUBLIC DISCLOSURE

February 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Monterey
Charter Number 9784
Box 8
Monterey, Indiana 46960**

**Office of the Comptroller of the Currency
Kalamazoo Field Office
4341 S. Westnedge, Suite 2108
Kalamazoo, Michigan 49008**

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 Community Reinvestment Act (CRA) performance of **The First National Bank of Monterey** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 2, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory Record of Meeting Community Credit Needs**”.

The First National Bank of Monterey (FNB Monterey) exhibits a satisfactory CRA performance record. The bank conducts a substantial portion of its lending within its assessment area. Lending activity is reasonable and is distributed among all areas of the community and income groups including those with low or moderate income.

DESCRIPTION OF INSTITUTION

FNB Monterey is a \$115 million bank located in northwest Indiana approximately half-way between Indianapolis and Chicago. The bank has 4 offices - located in Monterey, Winamac, Culver and North Judson. All offices have reasonable banking hours, including Saturdays. The North Judson office opened in April 1996.

The type and amount of lending by FNB Monterey is consistent with the nature of its community. The bank's \$75 million loan portfolio, as of December 1997, was comprised of 5% commercial, 12% consumer loans, 13% commercial real estate, 34% residential real estate, and 36% agricultural and farmland credits. There are no financial or legal impediments that affect the bank's ability to meet the credit needs of

its community. FNB Monterey was rated satisfactory at its last CRA examination in March, 1995.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNB Monterey's assessment area consists of fourteen Block Numbering Areas (BNA's) which encompass all of Pulaski County (4 BNA's), the southern two-thirds of Starke County (6 BNA's), the southern third of Marshall County (2 BNA's), and the northwest portion of Fulton County (2 BNA's). The assessment area consists of small towns and rural areas. It incorporates the bank's four offices and does not arbitrarily exclude low or moderate income geographies.

According to 1990 U. S. Census data the assessment area contained 12,575 families with a median income of \$28,410 which is below the non-MSA median family income level of \$30,800. The median housing value was \$41,274.

Local economic conditions are stable with modest growth occurring. The largest manufacturing employers are in Winamac, while the Culver Academy helps benefit the Culver area. Competition is moderate and includes several branches of larger regional banking affiliates as well as other local banks. Area credit needs include expanded housing opportunities and upgrading of the older housing stock.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO -

FNB Monterey's loan to deposit ratio is reasonable. The bank's average loan to deposit ratio since the prior CRA examination is 70%. This ratio has been trending upward and is currently 72%. This ratio is in the lower middle- half of similarly sized Indiana banks.

LENDING IN ASSESSMENT AREA -

A substantial majority of the bank's lending is made to borrowers located inside the bank's assessment area. A zip code analysis by the bank of its existing loan portfolio

indicated that 89% of its loans were within its assessment area. We sampled 81 personal, residential mortgage, commercial or agriculture loans granted in 1997 and found over 87% of the number and dollar amount of these loans were located within the bank's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

The bank effectively lends to borrowers of all income levels. We reviewed a sample of 62 personal and residential mortgage loans originated in 1997 to analyze the distribution of loans based upon the borrowers' income. Income categories were determined by comparing the borrowers income to the State's 1997 median family income level in non-MSA areas of \$39,000. The following table shows the distribution of those loans. In order to relate this distribution to the general population we listed the percentage of families living in the bank's market area by their income level, using 1990 Census Data. Comparisons between the two demonstrate that loans are being reasonably extended to all segments of the population, especially to moderate income borrowers.

Distribution of Personal Loans and Mortgages by Borrower Income								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Personal Loans	33%	18%	41%	43%	19%	27%	7%	12%
Mortgage Loans	17%	9%	26%	16%	26%	27%	31%	48%
AA Families	20%		21%		28%		31%	

We also reviewed lending for businesses and agricultural purposes to assess the bank's volume of lending to small businesses and small farms. We sampled 19 credits. Of the 17 with revenue information, 14 or 82% had revenue of less than one million dollars. And 6 had revenue of less than \$100,000. Most of the loans, 16 or 84%, were for amounts of \$100,000 or less. This supports that the bank effectively lends to

businesses and farms of all income levels.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of loans is good. One BNA is defined as moderate income and the remaining thirteen BNA's are considered middle income areas. Our sample of loans found credit to be extended throughout the assessment area including the moderate income BNA.

Two of the 22 (9%) residential mortgages for which we determined BNA locations were in the moderate income tract. Altogether, these 22 mortgages were broadly distributed, reaching 11 of the 14 BNA's (79%) in the bank's assessment area.

One of the 18 (6%) commercial and agricultural loans for which we determined BNA locations was in the moderate income tract. Altogether, these 18 loans were broadly distributed reaching 10 of the 14 BNA's (71%) in the bank's assessment area.

The above demonstrates that the bank is successfully extending credit throughout its assessment area.

RESPONSE TO COMPLAINTS

The bank has not received any complaints from the public or the OCC regarding its performance in meeting assessment area credit needs.