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Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

May 7, 1997

**First National Bank of Huntington
Charter # 14398
354 Jefferson Park Mall
Huntington, Indiana 46750**

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the First National Bank of Huntington, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agent.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 7, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **“Satisfactory record of meeting community credit needs.”**

Evaluation Period:

The bank's last Public Disclosure was dated February 8, 1995. This Public Disclosure evaluates the bank's performance from February 9, 1995 through May 7, 1997.

Bank Profile

First National Bank of Huntington (FNB) is a wholly-owned subsidiary of Fort Wayne National Corporation (FWNC), a multi-bank holding company headquartered in the City of Fort Wayne, Allen County, Indiana. FWNC operates seven commercial banks in Indiana. As of December 31, 1996, FWNC had total assets of \$2.8 billion.

FNB's main office is located in Huntington, Indiana. The bank maintains five full service banking centers, three of which offer 24 hour ATM access.

As of December 31, 1996, FNB reported total assets of \$168 million and net income of \$2 million. This represents a return on average assets of 1.17%. As of December 31, 1996, gross loans were reported at \$104 million resulting in a loan-to-deposit ratio of 73%. Similarly situated banks in Indiana reported a loan-to-deposit ratio of 75%. The loan portfolio consisted of loans secured by 1-4 family homes (32%), other real estate loans (30%), commercial and agricultural loans (20%), loans to individuals (16%), and other loans (2%).

Strong competition in the financial services industry is provided by several large regional banking companies as well as smaller community banks.

Community Profile

FNB's delineated community is defined as Huntington County, Indiana. Huntington County is part of the Fort Wayne, IN MSA # 2960 and consists of nine census tracts, all of which have been designated as middle-income areas. The City of Huntington is located approximately 23 miles southwest of Fort Wayne. Its close proximity to Fort Wayne has resulted in some growth and employment opportunities for local residents; however, the community's identity remains distinctive and much of the outlying areas of the county are rural and agricultural in nature. The 1997 median family income for the MSA is \$46,000. The following tables provide additional demographic information based upon 1990 census data.

Population				
Total Population	Low-income Families	Moderate-income Families	Middle-income Families	Upper-income Families
35,427	1,655	2,249	3,013	2,913

Housing			
Owner-Occupied Units	Rental Units	Vacant Units	Median Housing Value
9,840	3,167	799	\$43,400

Local economic conditions are sound. The manufacturing employment sector represents the largest segment of the work force at approximately 35% of the work force. As of April 1997, the unemployment rate for Huntington County was approximately 3% and below the State of Indiana average of nearly 4%. The largest employers include Wabash Magnetics, Preferred Hose and Couplings, and United Technologies Electronic Controls.

Community Credit Needs

Our evaluation included contacts with local organizations to obtain information on the community's credit needs and the bank's CRA performance. In addition to these contacts, we reviewed the bank's documentation of its ascertainment activities to identify local credit needs. Loans for affordable housing and small businesses were identified as the most pressing community credit needs. In addition, education on financial services was needed.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **FNB has an adequate credit ascertainment process. The process has resulted in effectively identifying the community's credit needs.**

Bank officials participate and meet with a wide variety of individuals and organizations representing civic, religious, neighborhood, minority, small business, government officials and others to determine credit needs. Examples of these organizations include the Andrews Town Council, the Huntington County United Economic Development Corporation, the Lime City Development Corporation, the Roanoke Chamber of Commerce, the Warren Area Development Corporation, and the Warren Chamber of Commerce.

FNB has an active officer call program with bank officers calling on current, as well as prospective customers. During 1996, over 500 business development and personal banking calls were made to determine credit needs of consumers.

Credit Need: Affordable Housing Financing

Affordable housing has been identified as a primary need in the community. The bank has responded by utilizing the mortgage products of its lead affiliated bank, Fort Wayne National Bank.

Small Business Loans - Small business loans were identified as a need in the community. In response, the bank continues to be active in providing small business loans through a variety of methods. One such method is through the Statewide Certified Development Corporation's SBA 504 program.

Financial Education - The bank has determined that affordable housing seminars and other banking education, such as credit counseling, is needed in the community. The bank has adequately responded to educational needs as discussed in this report.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board of Directors and senior management provide adequate oversight and direction for the bank's CRA activities.**

CRA is the responsibility of senior management and the bank's CRA Officer. CRA performance is discussed at senior management and officer meetings. The Board has not established a formal CRA plan with specific goals and objectives for performance. The Board reviews the CRA policy on an annual basis.

The bank's CRA public file is maintained as required.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **FNB markets credit products and related programs to all areas of the community. Advertising is designed to reach all segments of the community. Marketing efforts are governed by an annual, board approved marketing plan.**

Credit products are marketed throughout the community. FNB uses conventional mass media advertising, calling programs, seminars and direct mailings to market credit-related programs.

The bank sponsors and participates in agricultural, business and retail credit-related seminars. Financial education was an identified need in the community. During the evaluation period, FNB participated in the Chamber of Commerce Small Business '96 Expo at Huntington College. Over 12,000 people attended the two day affair. FNB also sponsored numerous commercial and agricultural seminars during the evaluation period. "Business Manager Presentation to Small Business", "Farm Estate Planning",

“Agriculture: 2000 and Beyond”, “Small Business: 2000 and Beyond”, “Economic Outlook Seminar” and “Ag Outlook” were presented to interested parties. Lastly, FNB has presented First Time Homebuyers seminars.

Assessment Factor I - The institution’s origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community or the purchase of such loans originated in its community.

- **The bank actively originates consumer and commercial loans throughout the community.**

A wide variety of credit programs are offered and are listed in the bank’s 1997 CRA Statement. The primary products offered include: Real Estate Loans to purchase or build a home, a commercial building or purchase farmland; Consumer Loans to individuals for the purchase of a consumer product (such as an auto), or to make home improvements, or to pay for personal expenses; and Commercial Loans to businesses, farmers or other organizations to finance expansion, develop new products, purchase equipment, etc.

The composition of the loan portfolio has remained stable as illustrated in Table 1.

Table 1 - Loan Portfolio Composition - Outstanding Balances						
Loan Type	1995		1996		Mar-31-97	
	(\$000s)	%	(\$000s)	%	(\$000s)	%
Real Estate	63,032	63	66,548	64	65,706	64
Consumer	15,422	15	16,263	16	16,631	16
Commercial	12,070	12	11,577	11	11,670	11
Agriculture	8,377	8	8,962	9	7,378	7
Other	2,063	2	411	-	1,394	2

Source: Consolidated Reports of Condition

Mortgage Lending

The bank has been active in originating mortgage loans in response to the community's credit needs. An analysis of 1995 HMDA data (1996 data not available) indicates that the bank is the fifth most active lender of 35 HMDA reporters in home purchase loans in the delineated community. FNB's market share was 10.3% compared to the market leader at 19.3%. With regards to home improvement lending, FNB is the market leader of 14 HMDA reporters with a 26.1% market share. For home refinancings, FNB is the second largest lender of this type of lending with a 15.6% market share. The market leader of 31 HMDA reporters had a 25.1% market share.

Table 2 illustrates the amount and number of home-related loans originated within the community. As noted, a majority of these loans originated within the community.

Table 2 - Originations Inside the Market - 1995/1996				
Loan Type	\$ Inside the Market (\$000's)	% of \$ Inside Market	# of Loans Originated in Market	% of Loans Originated in Market
Home Purchase	4,806	67	100	71
Home Improvement	1,063	69	99	68
Home Refinances	4,569	68	118	67

Source: PCI Services, Inc., CRA Wiz

A mortgage loan originator was hired in 1996 to specifically focus on increasing mortgage loans. In addition, FNB began to offer new products in October 1996 to stimulate mortgage loan originations. These products were part of the standardized mortgage programs of its parent, FWNC. Introduction of these programs enhanced FNB's ability to offer a wider range of mortgage financing options, which was a need ascertained through outreach efforts. These products included the FHA, FmHA, FHLMC Affordable Gold, Indiana Housing Finance Authority and private mortgage insurance programs. The reader is referred to Assessment Factor J for details on the FHA and FmHA programs.

Indiana Housing Finance Authority - This is a program for first time home buyers. There are income and home purchase price restrictions. FNB offers this program through its affiliate, Fort Wayne National Bank (FWNB). The program was introduced in October 1996 and to date no loans have been originated.

Private Mortgage Insurance - Prior to 1995, FNB had not offered private mortgage insurance. This insurance is designed for borrowers who borrow in excess of 80% of the value of the property and offers protection to the bank. In 1995-96, 23 loans were originated totaling \$1.4 million using private mortgage insurance.

Small Farm and Small Business Lending

The bank is active in originating small loans to businesses and farms, the majority of which can be considered small businesses by virtue of their revenue size. The majority of business lending is made within the delineated community (Huntington County). As noted in Table 3, the majority of farm loans are outside Huntington County. A large portion of these loans are to farmers with operations in Grant and Wells Counties.

Tables 3 and 4 illustrate the volume of farm and business loans originated within the community in 1996. The tables note the volume of loans by loan size rather than by revenues of the borrower. Prior to 1996, this information was not tracked.

Table 3 - Farm Loans				
Loan size	#	% within community	(\$000's)	% within community
≤ \$100,000	150	42%	\$3,157	34%
>\$100,000 & ≤ \$250,000	17	50%	\$2,785	50%
> \$250,000 & ≤ \$500,000	1	20%	\$500	24%

Source: Bank information

Table 4 - Business Loans				
Loan size	#	% within community	(\$000's)	% within community
≤ \$100,000	77	65%	\$2,700	82%
>\$100,000 & ≤ \$250,000	16	89%	\$2,689	92%
> \$250,000 & ≤ \$1,000,000	8	89%	\$5,860	94%

Source: Bank information

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small business or small farms.

- **FNB's participation in government-sponsored loans is satisfactory.**

The bank's participation and loan volumes in government-sponsored loans is as follows:

Farm Services Agency (FSA) - FSA, formerly known as the Farmers Home Loan Administration (FmHA), provides working capital loans to operators of small farms. As of December 1996, FNB had a balance on all FSA loans of \$3,082,116. Of that amount, \$1,046,520 (12 loans) were originated in 1996. Two of the loans were Beginning Farm Ownership Loans totaling \$173,520. As of December 1995, the total of all FSA loans was \$2,635,227. Of that amount, \$1,832,572 (13 loans) were originated in 1995. FNB reported that they are the only originator of FSA loans in Huntington County.

Farmers Home Loan Administration (FmHA) - This program is designed for rural, low- or moderate-income consumers to purchase homes. FNB introduced this program in late 1996. To date, two loans totaling \$117,000 have been originated. These loans were originated through FWNB.

Federal Housing Administration (FHA) - FNB began to offer FHA products in October 1996, through its affiliate FWNB. To date, one loan was originated totaling \$49,000.

Federal Home Loan Mortgage Corporation (FHLMC) Affordable Gold - FNB offers three Affordable Gold programs. Since the last evaluation, two loans totaling \$102,000 under the 97% loan to value program have been originated. The 97% program was implemented in 1996.

Small Business Administration (SBA) 504 - This program promotes economic development through job creation and retention. Long-term fixed asset financing is provided in a layered transaction. A bond guaranteed by the SBA is sold to provide up to 40% of the funds at a reduced rate. The bank provides the remainder of the funds and received a first lien on the collateral. In 1995 and 1996, FNB originated five loans totaling in excess of \$2.2 million. FNB also participates in the SBA 7(a) and low doc programs, but there has been no originations during the evaluation period.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **The bank's community delineation is reasonable.**

The bank's delineated community is Huntington County, Indiana. This area includes all of the bank's branches and ATMs and captures a substantial majority of all lending activity. No low- or moderate-income areas are excluded by this delineation. The delineation is reviewed and approved annually by the bank's Board of Directors.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The geographic distribution of credit extensions, applications and denials is good. Lending occurs to borrowers of all income levels throughout the entire community.**

FNB monitors the geographic distribution of mortgage loan products through the use of externally prepared, geographic distribution reports. These reports assist management in ascertaining if lending covers all geographic areas as well as income levels of consumers. No geographic analysis of commercial or other consumer loans is performed.

FNB's lending in its community is consistent with the area's demographics and available opportunities. Our analysis focused on the distribution of lending by income of the borrower and not by geography since the bank's delineation consists of only middle-income census tracts. Table 5 illustrates lending by borrower income during 1996. Lending patterns for 1995 are not illustrated as they approximate 1996's results.

1996 HMDA Lending by Borrower Income Characteristics

Table 5	Low/Mod	Mid	Upper	Not Available
	%	%	%	%
PMA	40	23	27	10
PML	38	24	29	9
HIA	50	20	13	17
HIL	49	21	13	17
RMA	43	32	16	9
RML	42	34	16	8
TOTAL APPS	44	26	18	12
TOTAL LOANS	43	27	19	11
% Families in Community	40	31	29	---

PMA = Purchase Money Applications; PML = Purchase Money Loans
HIA = Home Improvement Applications; HIL = Home Improvement Loans
RMA = Refinance Mortgage Applications; RML = Refinance Mortgage Loans

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **FNB has not opened or closed any branches during the evaluation period. A full array of banking services and products are offered at all branch locations.**

The bank has five full-service branches and three Automated Teller Machines (ATM) which provide easy access to banking services and products throughout the community. The ATMs located at the Northway and Roanoke branches are full service. The ATM located near the Warren Office at the Warren Auto Truck Plaza is a cash dispensing machine only.

All branches offer the same services; however, business hours vary slightly according to the needs of the bank's consumers. The Warren office has Saturday morning lobby hours. Branch hours are similar to other financial institutions in Huntington County.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **The bank does not discourage credit applicants on a prohibited basis.**

FNB affirmatively solicits credit applications from all segments of its community. Policies and practices promote fair lending. The bank's loan policies and practices provide a sound basis for nondiscriminatory lending. There are no policies or underwriting standards that act as barriers to credit access.

Training is provided to all applicable personnel on an ongoing basis.

The bank uses a second review process for all loan transactions. The review process helps to ensure that all applicants are treated fairly and accurately.

The bank's compliance monitoring program adequately reviews for compliance with the technical requirements of various fair lending regulations.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **FNB is in compliance with fair lending laws and regulations.**

The examination reviewed FNB's compliance with fair lending laws and regulations. No violations or illegal practices were noted. Our examination included testing for compliance with the Equal Credit Opportunity and Fair Housing Acts. We performed a comprehensive review of the bank's home improvement loans testing for discrimination based upon gender. We tested rates and terms offered to male borrowers and compared them to those offered female borrowers. The objective was to determine if female borrowers were treated similarly to approved male borrowers. Our findings showed that all borrowers were treated equally.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **FNB's participation in community development projects and programs is limited. Grants and other assistance are provided to organizations involved in community development programs.**

City of Huntington, Tax Increment Finance - FNB purchased \$1 million (100%) of a local bond issue in 1996. The proceeds of the issue were used to rebuild and extend Hauenstein Road for future commercial development on the City of Huntington's northside. To date, nine businesses are expanding their operations and are in the process of hiring new employees, the majority of whom would be considered low- to moderate-income.

Church loans - FNB actively supports the financing needs of local churches. These loans are made with favorable rates and terms and have included financing for improvements and renovation. During the evaluation period, three loans were originated totaling \$290 thousand.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **There are no legal, financial or economic impediments that hinder FNB's efforts to meet community credit needs. The reader is referred to the bank and community profiles at the beginning of this public disclosure for further details.**

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **FNB is active in other meaningful activities that help to meet the needs of the community.**

Contributions/Grants - FNB makes cash contributions to organizations and groups in the community. In 1995/96, FNB made cash contributions totaling nearly \$13,000 to organizations with a community development focus. This total represented 41% of all contributions made by FNB.

Goalsetter CD (Certificate of Deposit) Account - In July 1996, FNB began to offer an account designed for younger consumers to promote savings. The account requires a minimum of \$250 to open and deposits of \$25 or more can be made. This compares to a regular CD which requires a minimum of \$1,000 to open and no deposits are allowed. To date, 86 accounts have been opened with an aggregate balance of \$89,000.