



## **PUBLIC DISCLOSURE**

February 03, 2014

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Bank Richmond, National Association  
Charter Number 23570

20 North 9th Street Richmond, IN 47374

Office of the Comptroller of the Currency

Indianapolis Field Office 8777 Purdue Road, Suite 105 Indianapolis, IN 46268

**NOTE:** This document is an evaluation of this 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. 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

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

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

First Bank Richmond, National Association (FBR or bank) has a satisfactory record in meeting the credit needs of its community. Factors supporting the Satisfactory rating include:

- More than reasonable loan-to-deposit (LTD) ratio;
- A substantial majority of primary product loans are inside the assessment area;
- Reasonable dispersion of loans to low- and moderate-income (LMI) areas;
- Reasonable penetration of loans to low- and moderate-income borrowers;
- Adequate responsiveness to community development needs; and,
- No written complaints during the review period regarding the bank's CRA performance

### **Scope of Examination**

Examiners utilized the Intermediate Small Bank (ISB) examination procedures to evaluate the bank's record of meeting the credit needs of its community. ISB procedures include a Lending Test and a separate Community Development Test. The review period for the Lending Test is January 1, 2012 through December 31, 2013 (2011 lending data is not included in this review due to the 2010 Census and its impact on data comparability). The Community Development Test will consider all activities during the official review period; June 9, 2010 through December 31, 2013. This is the period since the last CRA evaluation to the beginning of this evaluation. Demographic data is from the 2010 Census unless otherwise noted.

### **Lending Test**

Under the Lending Test, we evaluate an institution's record of meeting the needs of its assessment area based on the following criteria:

- Loan-to-deposit ratio, while considering internal and external factors;
- Percentage of primary product loans originated within the bank's assessment areas;
- Lending to borrowers of different income levels; primarily low- and moderate-income individuals;
- Lending in low- and moderate-income geographies in the assessment area; and
- The bank's record of taking action to address written complaints regarding its performance in helping to meet credit needs of its assessment area.

The Lending Test focused on the bank's primary lending products; residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA), small loans to

businesses, and small loans to farms. A data integrity examination was conducted February 3, 2014. We tested HMDA data for residential mortgage loans and CRA loan data for small business and small farm loans to verify the accuracy of data used for this evaluation. The bank's loan data was determined to be reliable.

### **Community Development Test**

The Community Development Test evaluates an ISB's performance based on its responsiveness to the needs of its assessment area. Credit is earned through eligible community development loans, qualified investments, and community development services. The adequacy of a bank's responsiveness depends on its capacity for community development activities, the assessment area's needs, and the availability of opportunities within the assessment area.

The bank provided information and supporting documentation for its community development loans, investments, and services. We sampled the activities to ensure eligibility; see the *Community Development* section of this report for details.

### **Description of Institution**

FBR is an intrastate institution that serves all of Wayne County, IN and a small portion of Shelby County, IN. Wayne County is located in a Non-Metropolitan Statistical Area (MSA) and Shelby County is located in the Indianapolis, IN MSA. As of December 31, 2013, FBR had \$515 million in total assets.

FBR is a wholly owned subsidiary of Richmond Mutual Bancorporation (Richmond Mutual), a two-bank holding company headquartered in Richmond, Indiana. Richmond Mutual also owns Mutual Federal Savings Bank in Sidney, OH. Richmond Mutual is a wholly owned subsidiary of First Mutual of Richmond Incorporated, which has consolidated total assets of \$635 million and is also headquartered in Richmond, Indiana.

In total, FBR has nine offices and nine deposit taking automatic teller machines (ATMs). The bank operates eight offices and eight ATMs in Wayne County, IN and one office and one ATM in Shelby County, IN. FBR has not opened or closed any branches during this evaluation period.

FBR is a full service lender who offers various loan and deposit products. The bank's primary lending focus is commercial loans followed by home mortgages. As of December 31, 2013, net loans and leases totaled \$296 million or 57 percent of total assets, and consisted of commercial and commercial real estate loans (46 percent), commercial leases (24 percent), residential real estate loans (28 percent), and consumer and other loans (2 percent).

There are no financial, legal or other factors, which would impede the bank’s ability to meet the credit needs of the community it serves. FBR was rated “Satisfactory” at its last CRA evaluation dated June 8, 2010.

From January 1, 2012 through December 31, 2013, the bank originated 997 loans totaling \$147 million. This includes 654 home mortgage loans (\$82 million), 320 small loans to businesses (\$61 million), and 23 small loans to farms (\$4 million).

**Description of Assessment Areas**

FBR has two assessment areas (AAs) consisting of all of Wayne County, IN and a small portion of Shelby County, IN. The Wayne County Non-MSA AA is the bank’s primary assessment area, where the main office and most branches are located. The county includes 17 geographies (four moderate-income, 11 middle-income, and two upper-income census tracts). Of the nine institutions in Wayne County, FBR has the largest deposit market share at 32.79 percent. Full-scope examination procedures were performed for this assessment area.

<b>Demographic Information for Full Scope Area: Richmond IN - Wayne County AA</b>					
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts/BNAs)	17	0.00	23.53	64.71	11.76
Population by Geography	68,917	0.00	27.86	59.57	12.57
Owner-Occupied Housing by Geography	19,181	0.00	20.16	65.31	14.52
Business by Geography	4,434	0.00	26.66	55.86	17.48
Farms by Geography	383	0.00	4.18	78.07	17.75
Family Distribution by Income Level	18,825	21.17	18.67	22.77	37.39
Distribution of Low and Moderate Income Families throughout AA Geographies	7,500	0.00	39.65	52.76	7.59
Median Family Income		52,796	Median Housing Value		99,652
HUD Adjusted Median Family Income for 2013		52,700	Unemployment Rate (02/14)		7.8%
Households Below Poverty Level		14%			

Source: 2010 US Census, Bureau of Labor Statistics, and 2013 HUD updated MFI

For this evaluation, we conducted a community contact interview with an economic development organization in Wayne County. The interview disclosed a need to retain and create more jobs for the local area. The interviewee stated that high school and college graduates are seeking employment in other areas due to limited job opportunities and lower wages in Wayne County. The interviewee also stated that local banks are doing an excellent job in supporting the community through sponsorships and contributions.

The Shelby County MSA AA consists of five census tracts covering the city of Shelbyville, IN. This assessment area includes one low-income, one moderate-income, and three middle-income census tracts. The bank's one branch office is located in a grocery store, and deposit and loan activity in this area is minimal. The branch represents only five percent of the bank's deposits and 11 percent of the bank's branches. Additionally, only one percent of loan originations during this evaluation period were originated in the Shelby County MSA AA. The bank ranks 13<sup>th</sup> of 14 banks in deposit market share in Shelby County, at 4.40 percent. Only limited scope examination procedures were performed for this assessment area.

## Conclusions with Respect to Performance Tests

### Lending Test

FBR's performance in helping meet the needs of its assessment area through lending is satisfactory.

### Loan-to-Deposit Ratio

FBR's quarterly loan-to-deposit (LTD) ratio averaged 92.5 percent during the previous 15 quarters ended December 31, 2013. The ratio ranged from 113.4 percent on September 30, 2010 to 69.5 percent on December 31, 2013. This ratio is well above the average peer banks<sup>1</sup> (75.9 percent) during the same period. This performance is considered more than reasonable.

### Lending in Assessment Area

A substantial majority of the bank's loans are made inside the bank's assessment areas. For the evaluation period, the bank made 84.4 percent of its loans in the assessment area. By dollar amount, 75.7 percent of loans were made in the assessment area. By product type, 82.9 percent of home mortgage, 88.4 percent of small business loans, and 69.6 percent of small farm loans were made inside the assessment area.

Table 1 – Lending in Wayne County or Shelby County Assessment Area 2012-2013										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	542	82.9%	112	17.1%	654	\$59,533	72.5%	\$22,616	27.5%	\$82,149
Small Business	283	88.4%	37	11.6%	320	\$49,400	81.0%	\$11,602	19.0%	\$61,002
Small Farm	16	69.6%	7	30.4%	23	\$2,653	61.2%	\$1,685	38.8%	\$4,338
Totals	841	84.4%	156	15.7%	997	\$111,586	75.7%	\$35,903	24.3%	\$147,489

Source: Data reported under 2012-2013 HMDA

### Geographic Distribution of Loans

The overall geographic distribution of FBR's home mortgage loans and loans to small businesses and farms in moderate-income geographies is reasonable, given the bank's

<sup>1</sup> Banks with total assets of between \$300 million and \$1 billion.

overall market share, area demographics, and lending strategy. Home purchase, refinance, and business loans received more weight than home improvement and farm loans, based on the volume of loans. More consideration is given to the Wayne County AA due to the low loan activity and market share in the Shelby County AA.

**Performance in Wayne County AA**

The geographic distribution of loans in the Wayne County assessment area reflects reasonable dispersion among geographies of different incomes.

***Home Loans***

Geographic Distribution of Residential Real Estate Loans in Wayne County Indiana MSA Indiana Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	20.16	9.85	65.31	57.58	14.52	32.58
Home Improvement	0.00	0.00	20.16	7.50	65.31	77.50	14.52	15.00
Home Mortgage Refinance	0.00	0.00	20.16	12.12	65.31	66.94	14.52	20.94

*Source: Data reported under 2012-2013 HMDA; 2010 U.S. Census data.*

The bank originated 132 home purchase loans, in the Wayne County AA, during the review period. The percentage of bank originated home purchase loans to moderate-income tracts is lower than the percentage of owner-occupied housing units in moderate-income census tracts. The bank’s geographic distribution of home purchase loans reflects poor dispersion among census tracts of different income levels. However, home purchase loans will receive less weight than home mortgage refinance loans due to the volume of lending.

The bank originated 40 home improvement loans during the review period. The percentage of home improvement loans made in moderate-income geographies is well below the percentage of owner-occupied housing units in moderate-income census tracts. Based on this information, the geographic distribution of home improvement loans is considered poor. However, this area received less weight based on the low volume of home improvement loans.

The bank originated 363 home mortgage refinance loans during the review period. The percentage of refinance loans in moderate-income census tracts is lower than, but still near, the percentage of owner-occupied units in this geography. Based on this information, geographic distribution of home mortgage refinance loans is considered reasonable.

Overall, residential real estate loans in moderate-income census tracts represent 11.2 percent of total residential real estate lending.

**Small Loans to Businesses**

Geographic Distribution of Loans to Businesses in Wayne County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses/	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	0.00	0.00	26.66	43.73	55.86	41.22	17.48	15.05

*Source: Data reported under 2012-2013 CRA loan data; 2013 Dunn & Bradstreet data.*

The bank originated 279 small loans to businesses during the review period. The percentage of small business loans originated in moderate income tracts exceeded the percentage of businesses located in moderate-income geographies. The geographic distribution of small business loans in the Wayne County AA reflects excellent dispersion.

**Small Loans to Farms**

Geographic Distribution of Loans to Farms in Wayne County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Small Farm	0.00	0.00	4.18	0.00	78.07	100	17.75	0.00

*Source: Data reported under 2012-2013 CRA loan data; 2013 Dunn & Bradstreet data.*

The bank originated 16 small loans to farms during the review period. The bank did not make any of these loans in moderate-income geographies. Based on this information, geographic distribution of small loans to farms is considered poor. However, little weight is given to this area considering the low volume of farm loans originated and the high percentage of farms located in middle-income geographies.

**Performance in Shelby County MSA AA**

The geographic distribution of loans in the Shelby County assessment area reflects poor dispersion among geographies of different incomes. However, the volume of lending in the Shelby County MSA AA is not significant in relation to the volume of lending in the Wayne County Non-MSA AA. Therefore, this weaker performance did not impact the bank’s overall Lending Test performance Rating.

Performance in the Shelby County AA for home mortgage loans is weaker due to the limited loan activity. The limited-scope AA accounts for only one percent of the bank’s lending volume. The bank did not make any small loans to farms in this AA. The bank made one home improvement loan in a moderate-income geography. The bank also made five home mortgage refinance loans and one home purchase loan in middle-

income geographies. The bank originated four small loans to businesses in this AA. One of the business loans was in a low-income geography; the remaining three were in middle-income geographies.

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

The overall distribution of bank loans to low- to moderate-income borrowers is considered reasonable. Home purchase, refinance, and business loans received more weight than home improvement and farm loans, based on the volume of loans. More consideration is given to the Wayne County AA, due to the low loan activity and market share in the Shelby County AA.

**Performance in Wayne County AA**

The bank’s overall distribution to borrowers of low to moderate-income in the Wayne County AA is considered reasonable.

**Home Loans**

Borrower Distribution of Residential Real Estate Loans in Wayne County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.17	3.79	18.67	22.73	22.77	24.24	37.39	43.94
Home Improvement	21.17	7.50	18.67	17.50	22.77	20.00	37.39	50.00
Home Refinance	21.17	7.16	18.67	16.25	22.77	18.73	37.39	46.56

*Source: Data reported under 2012-2013 HMDA; 2010 U.S. Census data.  
 Note: No income data available for 9.35 percent of loans.*

For home purchase, home improvement, and home refinance loan types, the percentage of loans to low-income borrowers are lower than the percentage of low-income families in the Wayne County AA. Based on the 2013 HUD adjusted median family income of \$52,700, low-income families in the assessment area by definition make an annual income below \$26,350. The median housing value in the AA is \$99,652. These demographic factors may limit the opportunities for FBR to lend to low-income families within the AA.

The percentage of home purchase loans to moderate-income borrowers exceeded the percentage of moderate-income families in the AA. In addition, the percentages of home improvement and home refinance loans to moderate-income families are near the percentage of moderate-income families in the AA. Based on FBR’s lending performance to moderate-income families in the AA and demographic factors that may limit opportunities to lend to low-income families, the borrower distribution of residential real estate loans is considered reasonable.

**Small Loans to Businesses**

<b>Table 2A - Borrower Distribution of Loans to Businesses in Wayne County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.72	5.30	22.98	100%
% of Bank Loans in AA by #	64.52	35.12	0.36	100%
% of Bank Loans in AA by \$	45.40	53.07	1.53	100%

*Source: Data reported under 2012-2013 CRA loan data; 2013 Dunn & Bradstreet data.*

The percentage of FBR’s business loans to small businesses with revenues of \$1 million or less was slightly lower than the relative percentage of businesses with revenues of \$1 million or less in the Wayne County AA. FBR has a market share of 18.61 percent of loans made to businesses with revenues of \$1 million or less and an overall market share of 9.74 percent. Based on this information, penetration is considered reasonable.

**Small Loans to Farms**

<b>Table 2A - Borrower Distribution of Loans to Farms in Wayne County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	99.22	0.42	0.20	100%
% of Bank Loans in AA by #	93.75	0.25	0.00	100%
% of Bank Loans in AA by \$	86.81	13.19	0.00	100%

*Source: Data reported under 2012-2013 CRA loan data; 2013 Dunn & Bradstreet data.*

Bank loans to farms with revenues below \$1 million were slightly below the percentage of businesses with revenues of \$1 million or less in Wayne County. FBR has 4.94 percent market share for loans made to small farms with revenues of \$1 million or less and an overall market share of 3.96 percent. Based on this information, penetration is considered reasonable.

**Performance in Shelby County AA**

The overall distribution of loans in the Shelby County assessment area reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.

The distribution of home loans reflects poor penetration among low- and moderate-income borrowers. The bank originated seven home mortgage loans in the Shelby County AA. One home refinance loan was made to a moderate-income borrower. Performance in the limited-scope AA for home mortgage loans is weaker due to the limited loan activity and market share in the Shelby County AA.

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank made four small loans to businesses in the Shelby County AA. Of the four small business loans made in the Shelby County AA,

three of the loans were made to businesses with revenues of \$1 million dollars or less. This represents 75 percent of the bank's small business loans in the Shelby County AA, which exceeds the relative percentage of small businesses in the AA of 68.94 percent.

The volume of lending in the limited-scope AA is not significant in relation to the volume of lending in the Wayne County Non-MSA AA. Therefore, more weight was given to the Wayne County AA performance.

### **Responses to Complaints**

No complaints regarding the bank's performance in meeting the credit needs of the assessment areas were received since the last evaluation.

## **COMMUNITY DEVELOPMENT TEST**

FBR's community development performance is rated satisfactory. FBR demonstrates adequate responsiveness to community development through its level of community development loans, qualified investments, and community development services.

### **Number and Amount of Community Development Loans**

#### **Conclusions for Wayne County AA**

FBR's community development lending performance demonstrates adequate responsiveness to the community development needs of its Wayne County full-scope assessment area through qualified loans considering the bank's capacity and the need and availability of such opportunities.

FBR originated six community development loans totaling \$854,045 in its Wayne County full-scope assessment area. All six qualified community development loans were made to Habitat for Humanity of Greater Richmond, Indiana for the following purposes: land acquisition for the construction of single-family, affordable housing units, working capital needs of the organizations, and improvements to the organization's physical plant.

#### **Conclusions for Shelby County AA**

FBR's community development lending performance demonstrates adequate responsiveness to the community development needs of its Shelby County limited-scope assessment area through qualified loans considering the bank's capacity and the need and availability of such opportunities.

FBR originated a single community development loan for \$825,000 preserving affordable housing for LMI individuals and families in Shelbyville, Indiana.

### **Number and Amount of Qualified Investments**

#### **Conclusions for Wayne County AA**

FBR's community development investment performance demonstrates adequate responsiveness to the community development needs of the Wayne County AA through qualified investments considering the bank's capacity and the need and availability of such opportunities.

The bank made \$306,201 in qualified community development investments for the period in its Wayne County full-scope assessment area. The bank made qualified grants to organizations providing community development services including the Boys and Girls Club of Wayne County, the Reid Hospital Foundation for programs increasing access to health care for LMI individuals, the United Way of Whitewater Valley.

**Conclusions for Shelby County AA**

FBR's community development investment performance demonstrates adequate responsiveness to the community development needs of its limited-scope assessment area through qualified investments considering the bank's capacity and the need and availability of such opportunities.

The bank made \$3,170 in qualified community development investments for the period in its Shelby County limited-scope assessment area. The single agency receiving community development grants in the Shelby County area focused on community services to LMI.

**Extent to Which the Bank Provides Community Development Services**

**Conclusions for Wayne County AA**

FBR's community development service performance demonstrates adequate responsiveness to the community development needs of its Wayne County full-scope assessment area through qualified loans considering the bank's capacity and the need and availability of such opportunities.

Sixteen employees provided community development services to ten different organizations during the period. These organizations included Habitat for Humanity of Greater Richmond, Indiana, the Boys and Girls Club of Wayne County, and the Economic Development Corporation of Wayne County.

**Conclusions for Shelby County AA**

FBR did not provide any qualified community development services in its Shelby County limited-scope assessment area.

**Responsiveness to Community Development Needs**

FBR's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.