



Comptroller of the Currency
Administrator of National Banks

Kalamazoo Duty Station
4341 South Westnedge, Suite 2108
Kalamazoo, Michigan 49008

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

April 25, 1996

**Old-First National Bank in Bluffton
Charter # 13305
304 West Market Street
Bluffton, Indiana 46714**

<p>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, conclusions, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>

GENERAL INFORMATION

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

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of April 25, 1996. 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 5 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".

Our review covered the period of time since the last CRA Performance Evaluation dated August 11, 1994. In rating this bank satisfactory, we placed primary emphasis on the type and volume of bank lending within the community and the geographic distribution of that lending.

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.

- OFNB has the financial resources and ability to adequately meet the credit needs of the community.

The bank has sufficient financial strength and technical resources to meet the credit needs of its community. There are no legal impediments or other factors which would inhibit the bank's efforts. A profile of the bank and its community is given at the beginning of this evaluation.

Bank Profile

Old-First National Bank in Bluffton (OFNB), with a \$124 million in assets, is a community orientated bank located 24 miles south of Fort Wayne. It also has an office in Ossian, Indiana. The bank offers a full range of credit and deposit services. The bank has loans outstanding of \$78 million and total deposits of \$106 million. Real estate loans make up the largest segment of the bank's loan portfolio. OFNB is the largest financial institution headquartered in Wells County. It is a subsidiary of Fort Wayne National Corporation, a \$2.2 billion, multi-bank holding company located in Fort Wayne, Indiana.

Community Profile

OFNB defines its community as Wells County. According to 1990 census data, the population of Wells County is 25,948 and the racial composition is 99% white. Bluffton is the county's largest city, with a population of 9,020. It is also the county seat. Ossian, in the northern portion of the county, is the second largest city. Wells County's economy is good. It is supported by a variety of small manufacturing facilities. Agriculture is also significant in much of the county. The county's proximity to Fort Wayne provides additional employment opportunities to its residents. Unemployment is very low, recently 3.3%.

Competition is moderately heavy. Located within the county are several locally-owned banks

as well as branches of larger regional financial institutions.

Wells County, in 1994, became part of the Fort Wayne Metropolitan Statistical Area (MSA). The county consists of 7 census tracts, 3 of which are in Bluffton. One tract in Bluffton is categorized as moderate income (e.g. median family income is 50-79% of the 1990 median MSA income). The remaining census tracts are categorized as middle income. Median family income in the county for 1994 is \$37,610 compared to \$34,790 for the entire Fort Wayne MSA. Housing is affordable with a median housing value of \$58,500. Seventy-five percent of the area housing is owner occupied.

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.

- The bank adequately ascertains the community's credit needs and communicates its credit services to the community.

Ascertainment efforts are informal, but adequately supported by bank management's involvement and experience in the community. Management is active in various community organizations including civic, business and philanthropic organizations. Examples include the Bluffton Chamber of Commerce. Management serves a key role in this organization which functions as the primary economic development organization for the area. Management is also actively involved with the area Board of Realtors. Through organizations like these, management is able to remain adequately informed of area credit needs and to communicate its credit services to the community. There are no identifiable affordable housing organizations.

Identifiable credit needs include non-conventional real estate financing, multi-family housing and small business financing. During this evaluation period OFNB has expanded its use of The Guaranteed Rural Housing Loan Program, thereby helping to meet the credit need of buyers who have nominal down payment funds.

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.

- Board of Director and senior management oversight are satisfactory.

The Board annually adopts a CRA Statement. The Statement is expanded and includes detailed information regarding the bank's lending programs and volume. Performance review is limited, but sufficient to support that reasonable lending activities are occurring throughout the community and among the bank's various loan products. Bank employees and the Board receive periodic training and updates regarding CRA.

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.

- Marketing efforts adequately inform the community of the bank's credit services.

OFNB uses a mix of newsprint media and community promotional activities to market its services. Much of this advertising is image orientation, although credit products such as mortgages, home improvement, agriculture and consumer loans are occasionally featured. Newsprint advertisements are run in both the Bluffton and Ossian newspapers. Other marketing efforts include presentations to area realtors. Bank management has made several such presentations to specifically discuss the criteria and benefits available through the Guaranteed Rural Housing Loan Program. OFNB is the only financial institution in the county to offer this product.

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 is an active lender in its community, particularly in providing real estate related credit.

The bank's loan to deposit ratio of 74 % is reasonable. OFNB offers a variety of loan products consistent with its resources and community needs. The distribution of its loan portfolio as of March 31, 1996 is as follows:

LOAN PORTFOLIO DISTRIBUTION

Loan Type	3-31-96 \$ (000)	%
Residential Mortgages and Home Equity Loans	47,022	60%
Consumer Loans	8,770	11%
Commercial Mortgage, Multi- Family and Construction Loans	8,006	10%
Agriculture & Farmland	7,702	10%
Business	6,598	8%

Municipal and Other Loans	764	1%
Total Loans	78,862	100%

As shown by the table, the bank is a significant real estate lender with residential mortgage lending dominating its loan portfolio. The remaining areas show a balanced portfolio between consumer, commercial property, business and agriculture financing. In 1995, OFNB was the lienholder in 22% of all mortgages filed with the county. This is the largest percentage of any single financial institution with the next largest being 11%. In addition, 61% of the home mortgages originated by the bank in 1995 were secured by homes with a cost or appraised value of less than \$50,000. This demonstrates that the bank is addressing the mortgage needs of all segments of the community, including low- and moderate-income individuals. The bank has approximately \$1.1 million outstanding in loans secured by multifamily housing family property. The bank did not grant any new multi-family property loans during 1994 or 1995.

The number of Home Mortgage Disclosure Act mortgages made in 1994, 1995 and year to date 1996 is shown in the following chart.

MORTGAGE ACTIVITY

	3-31-1996	1995	1994
Home Purchase	20	78	86
Home Refinance	57	38	4
Home Improvement	Not Available	29	61

The bank regularly extends credit for agriculture and small business purposes. In 1995 the bank granted 51 (\$2.1 million) new loans for agricultural purposes and 106 (\$3.6 million) new small business loans. A substantial majority of these agriculture (45) and small business (97) loans were for less than \$100,000. This indicates that customers with small financing needs are able to obtain credit.

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

- OFNB's participation in government loan programs is acceptable.

The bank participates in one government loan program. The Guaranteed Rural Housing Loan Program is sponsored by the Farmers Home Administration. The program encourages home ownership and is open to applicants with incomes less than the area medium income level. The program provides fixed rate, 100% financing for the purchase of a home. Between August 1994 and March 31, 1996 the bank granted 24 mortgages totaling \$1,158,200 under this

program.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- The bank's community delineation is reasonable.

The bank defines its community as Wells County, Indiana. Over 80% of the bank's outstanding loans are located within Wells County. The delineation encompasses all of the bank's branches and does not arbitrarily exclude any low- or moderate-income areas.

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

- The bank effectively extends credit to all areas of its community.

The geographic distribution of the bank's lending activity demonstrates good penetration of the entire delineated community. Wells County is designated as a small county for Home Mortgage Disclosure Act purposes. As a result, financial institutions are not required to code mortgage applications by individual census tract. OFNB maintains maps on which management plots mortgage loans. A review of these maps indicates that mortgage lending is distributed throughout all areas of the county, including the moderate income area. Zip code analysis of commercial and consumer loans also supports the reasonableness of the banks loan distribution.

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

- Banking offices are readily accessible and convenient to all segments of the community.

Banking locations and services adequately meet the needs of the community. OFNB has four banking offices. The main office and two branches are located in Bluffton, Indiana. The north Bluffton branch is drive-up only. The fourth office is in Ossian, Indiana, approximately 15 miles north of Bluffton. The bank also has seven 24 hour Automatic Teller Machines (ATMs). The bank has never closed a branch. However, a branch closing policy is in place which adequately outlines the steps management will take if it decides to close a branch. The bank's main office is located in the moderate income census.

Management reviews its services and business hours on an ongoing basis. The south Bluffton branch was physically expanded in 1995 to include lobby services. Office hours were also expanded at this office to include evening and Saturday banking.

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).

- There are no practices that discourage credit applications.

Bank policies adequately address issues of illegal discouragement and fair lending. Loan applications are provided to all upon request. Applications for loan products are accepted at each of the three lobbied bank offices. Most credit decisions are made by the bank's loan committee. This gives senior management the opportunity to partake of and monitor the credit decision process.

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

- We found no evidence of discrimination or disparate treatment on a prohibited basis. The bank is in essential compliance with the provisions of anti-discrimination laws and regulations.

During our examination, we tested consumer loans to determine if similarly situated customers received comparable credit terms. We compared denied home mortgage loan applications by single females to home mortgage loans granted to single males and married couples. We found that both groups were treated similarly and received comparable loan terms.

Though there were some minor violations of disclosure and reporting regulations, we found no discrimination or illegal credit practices.

V. COMMUNITY DEVELOPMENT

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

- The bank participates in and supports community development programs.

Community development initiatives in the bank's trade area are limited. However, the bank has supported past projects and senior management remains open to new opportunities as they arise. Management's active role in the local Chamber of Commerce and its economic development function keeps management informed of community development activities.

The bank has provided financing to various local governmental and non-profit organizations, such as Bi-County Services which services low and moderate income individuals. A list of these can be found in the bank's CRA Statement. Management is currently working with a borrower

to obtain financing using the Indiana Statewide Certified Development Corporation (ISCDC) to assist in establishing a new small business in town.

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

- Other activities demonstrate OFNB's commitment to the community.

Bank directors, officers and employees participate in numerous area organizations and activities designed to enhance the community. Each year the bank sponsors a seminar designed to assist either small business owners or the agricultural community. The seminars utilize outside speakers to address current issues facing small businesses and farmers. The bank also offers a basic low cost checking account product for those with nominal checking account needs.

A listing of various community activities the bank is involved in or otherwise supports can be found in the CRA statement.

ADDITIONAL INFORMATION

None.