

## **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 operations 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 **Wayne Bank and Trust Company** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 12, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION-S RATING:** This institution is rated **Satisfactory**.

The bank encourages economic development and revitalization consistent with its size, financial capability, location, and current economic conditions. A review of the bank's lending activities reveal that the bank originates credit by general type consistent with the types of credit listed in its CRA statement, and consistent with community credit needs. This is demonstrated by a loan mix of consumer, real estate, commercial, small business and agricultural loans.

The bank's efforts to provide economic growth consistent with its size is evidenced by a consistently high loan-to-deposit ratio and a high percentage of loans originated within its assessment area. Further analysis revealed that the bank's geographic distribution of its credits demonstrated a reasonable penetration of all segments of its assessment area. Management has developed adequate policies and procedures to avoid prohibited discriminatory lending practices or policies intended to discourage loan applications. In addition, no complaints were received by the bank since the previous examination.

The following table indicates the performance level of **Wayne Bank and Trust Company** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>WAYNE BANK AND TRUST COMPANY PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
Loan-to-Deposit Ratio	<b>X</b>		
Lending in Assessment Area	<b>X</b>		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		<b>X</b>	
Geographic Distribution of Loans		<b>X</b>	
Response to Complaints	No complaints were received since the previous examination.		

**DESCRIPTION OF INSTITUTION**

Wayne Bank and Trust Company (WBTC), with \$83 million in total assets of as of June 30, 1996, is a subsidiary of Waytru Bankcorp, a one-bank holding company. The bank's main office is located in Cambridge, Indiana, approximately 60 miles east of Indianapolis. The bank has two branch offices, Waytru Plaza and Gateway, located in Richmond, Indiana, approximately 18 miles east of Cambridge City. The Gateway branch is a limited-service facility which refers all loan requests to the Waytru Plaza branch. The bank's processing operations and loan files are maintained at the Waytru Plaza office.

WBTC is a retail community bank offering traditional financial services including commercial, consumer, real estate and agricultural credit products. The consumer loan products include secured installment, personal unsecured and overdraft protection loans, and home equity lines of credit. Real estate loans include conventional, construction, land purchase and home improvement loans. Commercial and agricultural credit products include operating lines of credit, real estate, capital purchases and equipment. The bank sells its real estate mortgages on the secondary market and participates in various government-insured loan programs. There are no impediments limiting the bank's ability to meet the credit needs of its assessment area, including low- or moderate-income areas.

The bank's primary competitors include branches of Star Bank, NA - Cambridge City (436 million in assets); Bank One, Richmond, NA - Cambridge City (306 million); First Bank Richmond, sb - Cambridge City (320 million); Harrington Bank, FSB - Richmond (306 million); Peoples Loan & Trust Bank - Richmond (142 million); and West End Savings Bank - Richmond (85 million).

**DESCRIPTION OF BANK-S ASSESSMENT AREA**

Wayne County Bank and Trust Company has defined its assessment area as Wayne County, Indiana, which is located in the central region of the state along the Ohio border. Wayne County contains 19 census tracts (0001 through 0010, 0101 through 0108 and 0011) and includes the cities and towns of Cambridge City, Richmond, East Germantown, Centerville, Hagerstown, Mt. Auburn, Economy, Dublin, Greens Fork, Spring Grove, Whitewater, Milton and Fountain City.

According to the 1990 U. S. Census, the total population in the bank's assessment area is 71,951, with minorities comprising 4,513 or 6.3% of the population. Demographically, Blacks represent the largest minority concentration with 3,768 or 83.5% of the minority population and 5.2% of the total population within the bank's assessment area. Hispanics represent 334 of 0.5%, American Indians 200 of 0.3% and Asians 87 or 0.1% of the total population.

The population of Cambridge City and Richmond are 2,091 and 38,705, respectively. The ethnic make-up of Cambridge City is 99.8% White. Richmond's ethnic make-up is 89.5% White, 9.17% Black and 1.33% other.

The 1990 U. S. Census Bureau data reports the adjusted median family income of the assessment area is \$27,906. The total number of families in the assessment area is 19,785. A total of 4,216 or 21.3% are low-income (less than 50% of median income); 4,259 of 21.5% are moderate-income (50 - 79% of median income); 4,575 or 23.1% are middle-income (80 - 120% of median income); and 6,735 or 34% are upper-income families (121% or more of median income). There is one low-income census tract and three moderate-income census tracts located within the bank's assessment area.

Wayne County has a total of 29,586 housing units with 18,650 or 63% owner-occupied and 8,937 or 30.2% renter-occupied. A total of 1,999 or 6.8% of the housing units are vacant. Of the total number of housing units, 24,989 or 84.5% are single-family dwellings and 1,717 or 5.8% are mobile homes. Of the single-family dwellings, 466 or 2% are located in the low-income census tract with 209 or 1% owner-occupied. Single-family dwellings located in moderate-income tracts totaled 8,347 (33%) with 4,765 or 19% owner-occupied. Single-family owner-occupied units in middle and upper-income tracts are 12,106 or 48% and 1,570 or 6%, respectively. The median housing value is \$42,182 and the median housing age is 39 years.

The primary commercial hub for the bank's assessment area with a population of 38,705 is Richmond, Indiana, located approximately 18 miles east of Cambridge City. The following chart illustrates the major employers in the bank's assessment area.

<b>EMPLOYER - LOCATION</b>	<b>NUMBER OF EMPLOYEES</b>	<b>TYPE OF BUSINESS OR INDUSTRY</b>
Belden, Inc. - Richmond	850	Nonferrous Wiredrawing and insulation
Kemper - Richmond (A division of White Consolidated Industries Cleveland, Ohio)	480	Kitchen cabinets and Bathroom vanities
Dana Corp., Sleeve Casting Plant - Richmond (A division of Dana Corp. Toledo, Ohio)	350	Machinery - Sleeve casting
Steelworks Inc. - Cambridge City	300	Partitions and Fixtures
Landis Plastics, Inc. - Richmond	275	Plastic Products
Closure Systems International - Richmond (A division of Aluminum Co of America, Pittsburgh, PA)	265	Aluminum Closures, Packaging Equipment
Hoffco Inc. Richmond	200	Hand Tools
Dana Corp., Perfect Circle Div - Hagerstown	221	Piston Engine rings

EMPLOYER - LOCATION	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
ICC Primen Plastics - Richmond	200	Polystyrene sheeting
Dana Corp - Cylinder Liners - Richmond	200	Carburetors, Pistons and Valves
Mosey Manufacturing	200	Automotive Gear Blanks
Mosey Manufacturing Co., Inc. - Richmond	187	Corrugated Box Printing
Sanyo Laser Products, Inc. - Richmond	180	Household Audio and Video Equipment
Transilwrap Manufacturing Co. - Richmond (A division of Transilwrap Inc. Chicago, IL)	175	Plastic Sheets and Films
Spartech Plastics - Richmond	139	Laminated Plastic Plate and Sheet
Schuller International, Inc. - Richmond	136	Mineral Wool
Wayne Dairy Products, Inc. - Richmond	125	Dairy Products
Richmond Baking Co. - Richmond	100	Butternut Cookines and Crackers
Mid-Continent Paper Converters - Richmond	100	Paper Conversion
Alumax Door Products, Inc. - Richmond	100	Insulated Steel Doors
Carpenter Manufacturing, Inc. - Richmond	100	School Bus chassis
Elder - Davis, Inc. - Richmond	100	Burial and Cremation Caskets

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provision of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. The examination did not reveal any evidence of prohibited discriminatory policies, procedures or practices that would discourage applicants.

### Loan-to-Deposit Ratio

The following charts illustrate the composition of the bank's loan portfolio and the bank's performance compared to its peer group. A review of the bank's June 30, 1996 consolidated Report of Condition revealed a loan-to-deposit ratio of 88.57%. The distribution by loan type was as follows:

LOAN TYPE	DOLLAR AMOUNT	PERCENT OF TOTAL LOANS
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	OUTSTANDING (000's)	
REAL ESTATE		
Construction	438	0.70
Residential (1-4)	20,692	31.00
Open-end Home Equity	2,268	3.40
Commercial	5,724	8.60
Agricultural	1,192	1.80
Multi-family	0.0	0.00
CONSUMER		
Open-end Credit	683	1.00
All Other	8,119	12.20
COMMERCIAL AND INDUSTRIAL	26,951	40.40
AGRICULTURAL	489	0.70
STATE AND POLITICAL		
OBLIGATIONS	203	0.30
OTHER	8	0.01

The bank's loan distribution as of June 30, 1996 was compared to September 30, 1994 loan distribution contained in the previous report of examination. This comparison revealed that the loan-to-deposit ratio increased by 4.41% from 84.16% to 88.57%. There was a significant increase in the bank's residential and commercial real estate lending which increased 208% (\$6,718,000 to \$20,692,000) and 164% (\$2,170,000 to \$5,724,000), respectively. Overall, total loans increased by 27,172,000 or 146%, since the previous examination.

An analysis of the bank's Consolidated Reports of Condition throughout the six quarters in the review period disclosed an average loan-to-deposit ratio of 87.87%. This ratio is considered more than reasonable given the institution's size, financial condition and assessment area credit needs. A review of the of the June 30, 1996 Uniform Bank Performance Report (UBPR) indicate that the bank's loan-to-deposit ratio exceeds the peer group by 17%. The bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	0.58	1.69
1 - 4 Family Residential	32.97	31.00
Home Equity	3.62	0.26
Other Real Estate	10.15	21.25
Farmland	1.82	5.51
Multi-family	0.00	0.49
Commercial	8.33	12.01
TOTAL REAL ESTATE LOANS	43.70	57.50
LOANS TO INDIVIDUALS	12.96	15.32
CREDIT CARD LOANS	1.04	0.31
COMMERCIAL & INDUSTRIAL LOANS	41.34	13.48
AGRICULTURAL LOANS	0.70	6.57
MUNICIPAL LOANS	0.24	0.38
OTHER LOANS*	0.01	0.15
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

As the preceding chart illustrates, the bank's commercial and industrial lending is significantly above the peer group level at 41.34% versus 13.48%. The bank's agricultural lending is below the peer group level at 0.70% versus 6.57%. Management attributes the low level of agricultural lending to the bank's inability to compete with the products and pricing structure of a local office of the Farmer Home Administration (FmHA). Although below peer, total real estate loans increased by 13.47% since the previous examination.

### Lending in Assessment Area

A sample of loans was reviewed regarding lending activity within the bank's assessment area. An analysis of the examination loan sample revealed the following distribution.

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Direct Installment	20	20	100%
Single Payment	10	8	80%
Commercial	20	16	80%
Real Estate	19	13	68%
Home Equity - Closed End	10	8	80%
Home Equity-Open End	10	7	70%
Credit Cards	10	9	90%
Overdraft Protection	11	11	100%
Total Loans	110	92	84%

As the preceding chart illustrates, 84% of the loans were within the assessment area. The examination loan sample supports the fact that a substantial majority of the bank's loan activity is within the assessment area. Based upon this review and the information provided by management, the bank exceeds the standards for satisfactory performance in in this criterion.

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

SAMPLE LOAN TYPE	LOW INCOME \$000's/Number	MODERATE INCOME \$000's/Number	MIDDLE INCOME \$000's/Number	UPPER INCOME \$000's/Number
Direct Installment	\$7,001 / 1	\$8,512 / 2	\$49,446 / 6	\$181,030 / 11
Single Payment	\$0 / 0	\$6,500 / 2	\$10,413 / 2	\$63,507 / 6
Real Estate	\$0 / 0	\$41,000 / 2	\$285,625 / 7	\$699,255 / 10
Home Equity - Closed End	\$0 / 0	\$10,050 / 1	\$32,946 / 3	\$96,112 / 6
Home Equity-Open End	\$0 / 0	\$14,950 / 2	\$10,000 / 1	\$73,450 / 7
Overdraft Protection	\$0 / 0	\$1,000 / 2	\$500 / 1	\$6,000 / 8
Credit Cards	\$0 / 0	\$6,200 / 2	\$6,000 / 2	\$21,000 / 6
<b>TOTAL LOANS</b>	<b>\$7,001 / 1</b>	<b>\$88,212 / 13</b>	<b>\$394,930 / 22</b>	<b>\$1,140,354 / 54</b>
<b>AVERAGE LOAN AMOUNT</b>	<b>*N/A</b>	<b>\$6,786</b>	<b>\$17,951</b>	<b>\$21,118</b>

\*Sample size is too small to analyze.

As illustrated in the preceding chart, of the 90 approved consumer applications sampled, 54 or 60% were to upper-income applicants, 22 or 24% were to middle-income applicants, 13 or 14% were to moderate-income applicants and 1 or 1% was to a low-income applicant. Further, of the total loans originated, 70% (\$1,140,354 of \$1,630,497) were to upper-income individuals, 24% (\$394,930 of \$1,630,497) to middle-income, 5.4% to moderate-income and 0.4% to low-income. Fifty nine percent of the sampled real estate and home equity loans (23 of 39) were made to upper-income applicants, 11 or 28% to middle-income and 1.3% to moderate-income applicants.

A sample of commercial loan activity was also reviewed. The sample indicated that the majority of the bank's commercial lending is to businesses with annual sales less than \$500,000. The lending activity is consistent with the types of businesses located in the bank's assessment area.

A review of the bank's June 30, 1996 Consolidated Report of Condition revealed the following loan distribution to small businesses:

<b>LOAN ORIGINATION CATEGORY (000's)</b>	<b>NUMBER OF LOANS</b>	<b>DOLLAR AMOUNT OUTSTANDING</b>	<b>% OF TOTAL</b>
SMALL BUSINESS			
\$100 OR LESS	288	\$8,850	47.13%
\$100 - \$250	26	\$3,509	18.69%
\$250 - \$1 MILLION	20	\$6,419	34.18%
TOTAL	306	\$18,778	100%

The preceding chart illustrates that 94.12 % of the total number of small business loans had origination amounts of \$100,000 or less. With the loan size used as a proxy, the chart further indicates that the total loans outstanding are proportionately distributed to businesses of different sizes.

In addition to the previously discussed lending activity, the bank participates in programs which benefit low- or moderate- income families. The following chart summarizes the bank's activity in the government-sponsored loan programs.

PROGRAM	OUTSTANDING		SINCE PREVIOUS EXAMINATION	
	NUMBER	DOLLAR AMOUNT	NUMBER	AMOUNT
Federal Housing Administration	7	\$228,668	2	\$79,200
Farmers Home Administration	12	\$509,852	5	\$231,140
Veterans Administration	60	\$3,368,133	49	\$2,860,976
Small Business Administration	11	\$592,152	4	\$200,000
Indiana Housing Finance Authority	28	\$884,884	30	\$694,216
SBA 504 Program	2	\$1,356,064	2	\$1,380,320

Since the previous examination, the total government loan portfolio increased 54% (78 to 120) in the number of loans outstanding, and \$3,290,753 or 111% (\$3,649,000 to \$6,939,753) in dollar amount. Bank management attributes the portfolio growth to increased participation with Veterans Administration, Small Business Administration and the Indiana Housing Finance Authority.

Since the previous examination, the bank originated an additional \$1,000,000 loan to Stonegate Apartments in Phase III of a 38-unit affordable housing project through the Department of Housing and Urban Development's Section 42 program. This is an increase of 233% (\$300,000 to \$1,000,000). The total loans outstanding are \$297,050 and \$824,245, respectively.

The distribution of lending reflects a moderate penetration among individuals of different income levels and a strong penetration to businesses of different sizes.

### Geographic Distribution of Loans

The bank's assessment area is comprised of 19 census tracts: one is a low-income tract, three are moderate-income tracts, 11 are middle-income tracts and four are upper-income tracts. Three census tracts 003, 002 and a portion of 001 are part of a designated Enterprise Zone within the City of Richmond. The Enterprise Zone was created help revitalize a distressed community through economic incentives for commercial and industrial development. A review of the examination loan sample revealed the following loan activity:

Income Tract	Census Tract	Family Population	Percent Of Total (Population)	Number of Loans	Total Loan Amount	Percent Total Number of Loans	Percent Total of Loan Amount
MID	001 BR	226	1.14	2	\$43,900	2.25	1.79
<b>MOD</b>	<b>002</b>	<b>969</b>	<b>4.90</b>	<b>0</b>	<b>\$0.000</b>	<b>0.00</b>	<b>0.00</b>
<b>LOW</b>	<b>003</b>	<b>282</b>	<b>1.43</b>	<b>0</b>	<b>\$0.000</b>	<b>0.00</b>	<b>0.00</b>
HIGH	004	1,098	5.55	3	\$73,900	3.37	3.01
<b>MOD</b>	<b>005</b>	<b>1,069</b>	<b>5.40</b>	<b>4</b>	<b>\$29,600</b>	<b>4.49</b>	<b>1.20</b>
MID	006	492	2.49	5	\$440,600	5.62	17.93
HIGH	007	1,930	9.75	12	\$726,700	13.48	29.57
MID	008	1,057	5.34	5	\$167,400	5.62	6.81
<b>MOD</b>	<b>009</b>	<b>1,681</b>	<b>8.50</b>	<b>4</b>	<b>\$83,300</b>	<b>4.49</b>	<b>3.39</b>
MID	010	1,580	7.98	5	\$114,100	5.62	4.64
HIGH	011 BR	1,564	7.91	5	\$132,800	5.62	5.40
MID	101	893	4.51	3	\$65,600	3.37	2.6
MID	102	909	4.59	5	\$30,500	5.62	1.24
MID	103	1,026	5.19	1	\$3,000	1.13	0.12
MID	104	972	4.91	5	\$195,700	5.62	7.96
MID	105	585	2.96	5	\$28,100	5.62	1.14
MID	106 BR	1,440	7.28	12	\$124,700	13.48	5.08
HIGH	107	1,119	5.66	9	\$116,100	10.11	4.73
MID	108	893	4.51	4	\$81,500	4.49	3.32
<b>TOTAL</b>		<b>19,785</b>	<b>100.00</b>	<b>89</b>	<b>2,457,500</b>	<b>100.00</b>	<b>100.00</b>

As the preceding chart illustrates, the majority of the bank's loans are in middle-income (58.44%) and upper-income (32.58%) census tracts; moderate-income tracts had 8.98% of the total loan activity, with no activity in one moderate-income and the only low-income census tract. Further review of internal bank documents revealed that the bank originated four loans since January 1, 1996 totaling \$116,042 [two residential mortgages (\$89,600); one commercial mortgage (\$25,150); one consumer loan (\$1,292)] within the Empowerment Zone. This represents 59.25% (\$116,042 of \$195,856) of total loans originated in the Empowerment Zone since the previous report of examination.

The examination loan findings indicate that the geographic distribution of the bank's loans is reasonable.

### Response to Substantiated Complaints

There were no complaints received by the institution since the previous examination.

