

# **PUBLIC DISCLOSURE**

April 25, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Crossroads Bank  
1205 North Cass St  
Wabash, Indiana 46992-1027  
Docket #: 04175**

**Office of Thrift Supervision  
Central Region  
1 South Wacker Drive  
Chicago, Illinois 60606**

**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.



## Office of Thrift Supervision

Department of the Treasury

Central Region

One South Wacker Drive, Suite 2000, Chicago, IL 60606

Telephone: (312) 917-5000 \* Fax: (312) 917-5001 \* Website: [www.ots.treas.gov](http://www.ots.treas.gov)

June 2, 2011

Board of Directors  
Crossroads Bank  
1205 North Cass St  
Wabash, Indiana 46992-1027

Board Members:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 25, 2011. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), your institution must make this evaluation and your institution's CRA rating available to the public.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution. Please acknowledge receipt of this evaluation by signing the attached Board signature page and retaining a copy of the acknowledgment.

Sincerely,

Georgia A. Chisolm  
Assistant Director

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**Signatures of Directors**

We, the undersigned directors, have personally reviewed the contents of this Community Reinvestment Act Performance Evaluation.

<b>Signature</b>	<b>Date</b>
_____ J. Stanley Myers, Chairman	_____
_____ Roger K. Cromer, President	_____
_____ Daniel H. Ford	_____
_____ Thomas L. Frank	_____
_____ Scott E. Givens	_____
_____ Joseph W. McSpadden	_____
_____ Robert M. Pearson	_____
_____ John N. Phillipsen	_____
_____ Ronald D. Reynolds	_____

Note: This form should remain attached to the report of examination and remain in the institution's file for review during subsequent examinations. The signature of committee members will suffice only if the committee includes outside directors and the full board passed a resolution delegating the review to such committee.

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## **General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions 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 CRA performance of Crossroads Bank (Crossroads or Institution). The Office of Thrift Supervision (OTS) prepared the evaluation as of April 25, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

## **Institution**

### **Overall Rating**

#### **INSTITUTION'S CRA RATING: Satisfactory**

#### **The Lending Test: Satisfactory**

#### **The Community Development Test: Satisfactory**

Crossroads demonstrated an overall satisfactory record of serving the credit and community development needs of its communities.

Crossroads maintains a reasonable loan-to deposit ratio and generates a reasonable level of one- to four-family residential loans, a substantial majority of which are located within its assessment area (AA). Crossroads was a leader in granting loans to low-and moderate-income borrowers, and to small-sized businesses.

Crossroads provided an adequate level of community development loans, qualified investments, and community development services, which were reasonably responsive to the credit and community development needs in the bank's AA.

### **Scope of Examination**

This evaluation was conducted using the intermediate small institution CRA performance standards. This includes lending and community development tests, with each carrying equal weight in the final rating. The lending test consists of an evaluation of the loan-to-deposit ratio, the concentration of loans made within the AA, the distribution of loans amongst borrowers of different incomes and geographies, and the record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its AA. The community development test consists of an evaluation of the number and amount of community development loans, the number and amount of qualified investments, the extent to which the savings association provides community development services; and, the savings association's responsiveness through such activities to community development needs.

This evaluation covered the period since the preceding CRA Public Evaluation, dated January 1, 2008, through March 31, 2011. Loans subject to the Home Mortgage Disclosure Act (HMDA) reporting and small business and small farm loans/leases were considered for the entire years of 2008 through 2010. HMDA information was obtained from loan application registers (LARs). The LARs provided information including location and borrower income for residential mortgage loans granted during this period. The data for the HMDA peer group is for loan origination activity during 2008 and 2009 (the most recent data available) and includes financial institutions with

***Institution (continued)***

deposits insured by the Federal Deposit Insurance Corporation (FDIC) that reported lending activity within the AA. Management provided the information evaluated for purposes of the community development test and the small business/farm lending information. Crossroads did not request that its consumer loans be considered. Loan to deposit data was obtained from quarterly financial reports submitted to OTS by the institution.

Median family income for the Indiana nonmetropolitan areas, and the Fort Wayne, IN Metropolitan Statistical Area (MSA) was utilized to determine borrower income categories. Pursuant to CRA definitions, income is considered low if it is less than 50 percent of median family income for the MSA, moderate if it is 50 percent to less than 80 percent, middle if it is 80 percent to less than 120 percent, and upper if it is 120 percent or more.

**Description of Institution**

Crossroads Bank is a federally chartered stock savings bank located in Wabash, Indiana, wholly-owned by FFW Corporation. The bank operates as a community lender in north-central Indiana, making primarily single-family mortgage loans and loans to area businesses. Crossroads reported total assets of \$325.5 million as of December 31, 2010. Crossroads currently operates out of five full-service offices locations in three Indiana counties, including its home office in Wabash County, Indiana. Since the preceding evaluation, Crossroads did not open or close any branch offices. Crossroads offers a variety of credit and deposit products and services to consumers and businesses, commensurate with similar community oriented institutions.

As of December 31, 2010, the total loan portfolio equaled \$215.6 million. The table below illustrates the dollar amount, percentage to total loans, and percentage to total assets of each loan category. The asset mix is consistent with the business plan, concentrating on residential lending and small business lending.

<b>Loan Category</b>	<b>Amount (\$000’s)</b>	<b>Percent of Total Loans</b>	<b>Percent of Total Assets</b>
Residential Mortgage	<b>\$90,172</b>	41.8%	27.7%
Nonresidential Mortgage	<b>\$39,994</b>	18.6%	12.3%
Commercial Nonmortgage	<b>\$46,754</b>	21.7%	14.3%
Consumer	<b>\$38,697</b>	17.9%	11.9%
<b>Total</b>	<b>\$215,617</b>	100.0%	66.2%

Crossroads received a “Satisfactory” rating on its prior evaluation dated January 22, 2008. There are no financial or legal restrictions which would inhibit the institution’s ability to satisfy its community reinvestment obligations.

**Institution (continued)**

**Description of Assessment Area**

Crossroads includes three counties in its AA, all of which are contiguous and located in north-central portion of Indiana. They include Wabash, Whitley, and Kosciusko Counties. Whitley County is included in the Fort Wayne, Indiana MSA. The other two counties are located outside of any MSA. The overall AA did not change during the review period.

Unemployment rates have been high in all three counties throughout the review period, along with the national economic downturn. Unemployment rates<sup>a</sup> in December 2010 were: United States, 9.6 percent; State of Indiana, 10.2 percent; Wabash County, 11.1 percent; Whitley County, 10.5 percent; and Kosciusko County, 10.3 percent.

There are two full-service offices in Wabash County, two in Whitley County, and one in Kosciusko County. The AA contains 32 middle-income, and two upper-income census tracts. As of the 2000 census, the AA had a population of 139,724; it includes numerous small rural communities. The HUD-estimated median family incomes for the nonmetropolitan portions of Indiana for the years 2008, 2009 and 2010 are \$53,200, \$55,500, and \$55,300, respectively.

The following table provides information regarding the number and percentage of families by income level in the AA as of the 2000 census.

Family Demographics in Assessment Area		
Income Level of Family	Number of Families	Percentage of Families
Low-income	5,189	13.5%
Moderate-income	7,319	19.1%
Middle-income	10,339	26.9%
Upper-income	15,530	40.5%
Total	38,377	100.0%

The 2000 census data disclosed that of the 38,377 families and 52,295 households in the AA, 12,508 or 32.6 percent of families were low- and moderate-income. Additionally 3,333 households (6.4 percent) had incomes below the poverty level and 14,043 households (26.9 percent) received social security.

Additionally, total owner-occupied housing units represent 70.3 percent of the 58,767 housing units in the AA. Rental occupied housing units represent 18.5 percent of total units. The weighted average of median housing value was \$90,972 and the weighted average of median year built was 1965.

<sup>a</sup> Data Source: U.S. Bureau of Labor Statistics. Unemployment rates for the U.S. and Indiana are seasonally adjusted. 2010 unemployment rates are preliminary and are not seasonally adjusted.

### ***Institution (continued)***

According to 2008 HMDA aggregate data there were 112 FDIC insured HMDA-reporting lenders that made loans in the AA, and in 2009 there were 108. Crossroads ranked second both years among these lenders in number of originations, with 9.8 percent of market share in 2008, and 12.8 percent of market share in 2009.

Twenty-one FDIC insured financial institutions serve the AA with full-service banking offices. Collectively, as of June 30, 2010, these institutions operated 68 offices and held \$2.2 billion in deposits. Crossroads had five of the offices and ranked second overall in amount of deposits with \$279.9 million, and 12.5 percent of market share.

### **Conclusions With Respect To Performance Tests**

#### **LENDING TEST**

The intermediate small lending test considers the loan-to-deposit ratio, the percentage of loans made within the AA, lending levels to low-and moderate-income borrowers, and lending levels in low-and moderate-income census tracts. Since Crossroads' AA does not contain any low- or moderate-income census tracts, this aspect of the evaluation was not included.

#### **Loan-to Deposit Ratio**

The loan-to-deposit (LTD) ratio is an indicator of the reasonableness of an institution's lending levels relative to its lending capacity. A higher number is indicative of more lending and favorable for CRA purposes. An LTD of 100 percent would represent that as of the calculation date, an institution funded all deposits into loans.

Crossroads maintained a quarterly average 87.3 percent loan-to-deposit ratio during the 36-month period ending December 31, 2010. Crossroads' loan-to-deposit ratio declined during the period, ranging from a high of 95.1 percent on March 31, 2008 to a low of 76.1 percent on December 31, 2010. The ratio has been steadily declining during throughout the period. The decline is attributed to the adverse economic conditions that resulted lower loan demand and successes in obtaining large municipal and business deposit accounts during the review period.

As a percentage of its assets, Crossroads originates a reasonable volume of mortgage loans. As a percentage of total assets, for years ended 2008, 2009 and 2010, Crossroads ranked in the 40<sup>th</sup>, 69<sup>th</sup>, and 55<sup>th</sup> percentile respectively, compared to the peer group<sup>b</sup> mortgage loan volumes.

Crossroads' loan-to-deposit ratio and the volume of residential loan originations is reasonable.

<sup>b</sup> This peer group includes 154 OTS regulated institutions with assets between \$300 million and \$1 billion.

***Institution (continued)***

**Lending in the Assessment Area**

Crossroads' lending-related activities were reviewed to determine the degree to which lending was concentrated inside the AA. Conclusions about lending performance were mainly based on data obtained from HMDA reports on the total 1,285 home mortgage loans granted from January 1, 2008 through December 31, 2010. Of these, 1,120 were granted in the AA. HMDA reportable loans granted in the AA totaled approximately \$119 million of the approximately \$139 million of total HMDA loans. This is a substantial majority of the total number of residential loans granted during the review period, representing 87.2 percent of the total number of loans and 85.6 percent of the total amount of loans. The table below illustrates the loans granted in and outside of the AA by year.

<b>HMDA Loans In and Out of Assessment Area</b>					
<b>Calendar Year</b>	<b>In Assessment Area</b>		<b>Outside Assessment Area</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
<b>2008</b>	277	80.8%	66	19.2%	343
<b>2009</b>	511	89.5%	60	10.5%	571
<b>2010</b>	332	89.5%	39	10.5%	371
<b>Total</b>	1,120	<b>87.2%</b>	165	12.8%	1,285
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>
<b>2008</b>	\$25,992	74.1%	\$9,105	25.9%	\$35,097
<b>2009</b>	\$56,590	88.9%	\$7,053	11.1%	\$63,643
<b>2010</b>	\$36,389	90.5%	\$3,799	9.5%	\$40,188
<b>Total</b>	\$118,971	<b>85.6%</b>	\$19,957	14.4%	\$138,928

Additionally, Crossroads granted a substantial majority of small business<sup>c</sup> loans within the AA. Information about these loans was obtained from internal records for loans originated from January 1, 2008 through December 31, 2010. Crossroads originated 630 small business loans totaling \$81.7 million during this period. Of these, 577 loans (or 91.6 percent) in the amount of \$72.3 million (or 88.6 percent) were made within the AA.

Crossroads grants a substantial majority of loans within its AA.

**Lending to Borrowers of Different Incomes**

An analysis was conducted to determine the reasonableness of the distribution of HMDA loans made to borrowers of different incomes within the AA. The ratio and volume of loans made to low- and moderate-income residential borrowers received the greatest emphasis in the borrower income analysis. Overall, Crossroads' record of lending to low- and moderate-income individuals and in making smaller sized businesses loans is considered good.

<sup>c</sup> Business purpose loans to businesses in the amount of \$1 million or less.

***Institution (continued)***

The following table presents the distribution of Crossroads’ HMDA loans by borrower income compared to the percentage of families in those income categories, and to 2008 and 2009 aggregate HMDA lending performance for the AA. The percentage of families represents lending opportunities in the AA, and the aggregate HMDA peer percentages represent lending opportunities realized by HMDA reporting lenders in the AA.

<b>Borrower Income Distribution of Residential Loans in Assessment Area</b>				
<b>Income Level of Borrower</b>	<b>Crossroads Number of Loans</b>	<b>Crossroads Percentage of Loans</b>	<b>Percentage of Families</b>	<b>HMDA 2008 and 2009 Aggregate Percentage</b>
<b>Low-Income</b>	113	10.9%	13.5%	9.3%
<b>Moderate-Income</b>	220	23.0%	19.1%	21.6%
<b>Middle-Income</b>	334	28.9%	26.9%	26.5%
<b>Upper-Income</b>	419	37.2%	40.5%	42.6%
<b>Total</b>	1,086	100.00%	100.0%	100.0%

*Note: There were 34 loans reported with income not available.*

Crossroads’ percentage of lending to low- and moderate-income borrowers exceeded both HMDA reporting lenders and the percentage of low- and moderate-income families in the AA. Crossroads made 33.9 percent of HMDA loans to low- and moderate-income borrowers, while the HMDA aggregate percentages total 30.9 percent and the percentage of low- and moderate- income families living in the AA was 32.6 percent. Furthermore, Crossroads ranked first in market share based on the number of loans made to low- and moderate-income borrowers in the AA with 9.11 percent and 7.13 percent in 2008 and 2009, respectively. This performance is deemed reasonable, particularly when taking into consideration the 6.4 percent of households living below the poverty line.

**Small Business Lending**

As part of the Borrower Income analysis, examiners reviewed the distribution of small business loans by original loan amount and by the ratio of loans to small businesses (businesses with gross annual revenues less than or equal to \$1 million). This analysis carried somewhat less weight in the analysis than HMDA loans considering the lower loan volume. Information about these loans for the period January 1, 2008 through December 31, 2010 was obtained from internal records.

The table below presents the comparison of Crossroads’ distribution of small business loan volume in the AA by number and percentage of loans, to other lenders in the AA that reported 2008 and 2009 CRA disclosure data. This is the most recent CRA disclosure data available.

***Institution (continued)***

<b>Original Loan Amount</b>	<b>Crossroads Number of Loans 2008 through 2010</b>	<b>Crossroads Percentage of Loans 2008 through 2010</b>	<b>Peer Group Percentage of Loans 2008 and 2009</b>
≤ \$100,000	398	69.0%	84.7%
> \$100,000 but ≤ \$250,000	108	18.7%	8.7%
> \$250,000	71	12.3%	6.6%
<b>Totals</b>	<b>577</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Loans to Businesses with Gross Annual Revenues ≤ \$1 Million</b>		<b>72.4%</b>	<b>41.9%</b>

A substantial majority of Crossroads loans were granted to small businesses with gross annual revenues less than or equal to \$1 million, which demonstrates a willingness to meet local credit needs. Although the institution made a smaller percentage of its loans in amounts less than or equal to \$100,000 than peer, it made a significantly higher ratio of its loans to lower-revenue businesses than the peer group. Furthermore, based on its business strategy, it is likely that a larger percentage of Crossroads’ small business loans are secured by real estate than peers who are likely originating a large percentage of loans secured by collateral other than real estate. Real estate secured loans are frequently in higher amounts than those with other types of security. Thus, the small business lending record demonstrates overall reasonable performance under this factor.

Overall, Crossroads’ record of lending to low- and moderate-income borrowers and to small businesses is reasonable.

**Response to Consumer Complaints**

Crossroads received no consumer complaints regarding its CRA performance during the review period.

**COMMUNITY DEVELOPMENT TEST**

Crossroads’ community development activities represent an adequate level of responsiveness to community credit needs in its assessment area. The institution provided an excellent level of community development services, as well as an adequate level of community development investments and loans.

**Community Development Lending**

Crossroads originated one loan in the amount of \$70,000 to remodel an apartment building that offers subsidized housing to low- and moderate income individuals and families.

### ***Institution (continued)***

Crossroads provided a \$25,000 operating line of credit to their local Wabash County Habitat for Humanity chapter.

### **Community Development Services**

Crossroads obtained four down payment grants from the Federal Home Loan Bank of Indianapolis (FHLBI) Home Ownership Program (HOP), to enable low- and moderate-income borrowers qualify to purchase a home. Assisting customers in obtaining these grants and processing the accompanying loans, requires a significant time commitment. These grants totaled \$20,460 during the review period.

Crossroads obtained one rehabilitation loan in the amount of \$10,000 from the FHLBI Neighborhood Impact Program to enable a moderate-income borrower to rehabilitate their home. Similar to the HOP, assisting the customer with obtaining these loans required a significant commitment of time.

A bank officer serves as chairman of the finance committee for Community Action of Northeast Indiana, an area charity that provides numerous services to less fortunate members of the community including educational programs, energy assistance, and child care.

A bank officer serves as a board member and as chairman of the finance committee of Passages, Inc., which assists approximately 120 adults with intellectual disabilities, providing work opportunities, social interaction opportunities, and living facilities.

A bank officer serves on the finance committee of the Whitley County Community Foundation which provides grants and an annual full-tuition scholarship on a needs basis.

A bank officer co-founded and serves as treasurer of a local annual chili cook-off that distributes funds raised to charities serving low- and moderate-income AA residents.

A bank officer recently began raising funds for Habitat for Humanity (Whitley County) home building projects.

A bank officer serves on the finance committee the Community Foundation of Wabash County, which supports a local scholarship fund that distributes needs-based scholarships.

Crossroads has actively attempted to assist struggling borrowers with loan modifications to assist them in avoiding foreclosure, which requires a considerable time commitment and normally requires concessions on loan terms. This included participation with the HAMP program and the bank's own

### ***Institution (continued)***

modification program for portfolio loans. During the review period Crossroads modified 28 loans totaling \$3.3 million, with very limited repeat delinquency.

### **Community Development Investments**

Crossroads made a significant financial commitment (in the amount of \$750,000) to the Great Lakes Capital Fund, a certified community development financial institution (CDFI) and syndicator of low-income housing tax credits for the purpose of financing affordable housing. During the review period Crossroads funded \$245,000 in two draws towards this commitment. Although the fund does not serve Crossroads' AA exclusively, it serves a state-wide or regional area within which the institution's assessment area is located.

In addition, Crossroads provided \$90,225 in direct grants to various organizations in the AA that assist low-and moderate-income individuals. These included grants to support a residential facility providing a wide range of services to troubled youth, food pantries, Habitat for Humanity, and to various other organizations that assist needy individuals.

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

No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified through the evaluation of compliance with consumer laws and regulations during the most recent comprehensive examination.

## **CRA Rating Definitions**

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.