



## **PUBLIC DISCLOSURE**

February 10, 2015

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Lemont National Bank  
Charter Number 11715

1201 State Street  
Lemont, IL 60439

Office of the Comptroller of the Currency

2001 Butterfield Road  
Suite 400  
Downers Grove, IL 60515

**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 Substantial Noncompliance**

The bank's lending reflects very poor responsiveness in helping to meet the credit needs of its assessment area (AA). The major factors that support The Lemont National Bank's (LNB) overall CRA rating include:

- The bank's loan-to-deposit (LTD) ratio is unreasonable and reflects a very poor level of lending. This ratio is substantively lower than all similarly situated lenders in the area and indicates the bank is not lending at a reasonable level given the opportunities in the AA.
- The bank's lending activity in its AA needs improvement. The majority of loans originated during the evaluation period were made within the bank's AA, but the low level of lending activity indicates a lack of commitment to address the credit needs of the community.
- Given the demographics of the AA, the distribution of loans to borrowers reflects very poor penetration among individuals of different income levels. LNB did not originate any loans in the AA to low- or moderate-income borrowers.
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

**SCOPE OF EXAMINATION**

This CRA Performance Evaluation is an assessment of LNB's ability to help meet the credit needs of its community. We evaluated LNB's performance using the small bank examination procedures, which consist of a lending test that evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The data was tested and found to be reliable; therefore, it was used in our lending analysis.

To evaluate LNB's lending performance, we used HMDA loan data from January 1, 2012, through December 31, 2014. The bank originated 16 HMDA reportable residential real estate loans totaling approximately \$2,690 million during this period. The lending test is based on LNB's primary loan product, residential real estate loans. This lending category accounts for the majority of all loan originations during the evaluation period, which is reflective of LNB's lending strategy since the last CRA examination. The table on the following page illustrates the composition of loan originations made from January 1, 2012, through December 31, 2014.

Loan Originations by Loan Type from January 1, 2012 through December 31, 2014				
Loan Category	\$ (000)	%	#	%
Commercial Loans	165	4	1	3%
Residential Loans	4,213	94	29	83%
Consumer Loans	92	2	5	14%
<b>Total Originations</b>	<b>4,470</b>	<b>100%</b>	<b>35</b>	<b>100%</b>

Source: Bank Records from January 1, 2012, through December 31, 2014

LNB's primary loan product is residential real estate loans. From January 1, 2012, through December 31, 2013, LNB originated seven home mortgage loans in the AA, while peer loan data indicates that more than 4,500 home mortgage loan products were originated within LNB's AA. LNB originated an additional three home mortgage loans in the AA in 2014, but this data was not available for peer. **While the bank's deposit market share is low at 0.02 percent, the lending market share is 0 percent, indicating a lack of meeting the credit needs of the AA.**

## DESCRIPTION OF INSTITUTION

LNB is a nationally chartered bank located in the village of Lemont, Illinois, approximately 30 miles southwest of the City of Chicago. LNB is a wholly owned subsidiary of Lemont Bancorp Inc., a \$59 million, one-bank holding company also located in Lemont, Illinois. LNB's primary business is to provide household banking services, including residential real estate lending and deposit related banking services to its customers. The bank's primary product offering is loans secured by one-to four-family dwellings, and to a lesser extent providing installment loans and loans secured by commercial real estate.

During the evaluation period, the bank operated six locations consisting of the main office and five branches. The main office is located in Lemont, Illinois. There are also three branches in Lemont and two branches in Homer Glen, Illinois. The Homer Glen offices are located in assisted-living centers and provide limited banking services to the residents. LNB owns and operates three non-deposit taking automated teller machines, also in Lemont. As of December 31, 2014, LNB reported total assets of \$59 million, total deposits of \$54 million, and total loans of \$7.7 million. Total loans represent 13 percent of total assets.

The loan portfolio mix was as follows:

<b>Loan Portfolio Summary by Loan Type December 31, 2014</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Loans	\$161	2.09%
Construction & Land Development	\$0	0%
Residential Loans	\$7,472	97.14%
*Consumer & Other	\$59	0.77%
<b>Total Loans</b>	<b>\$7,692</b>	<b>100%</b>

*Source: December 31, 2014, Call Report. \*Consumer and Other Loans represent less than 1 percent of the loan portfolio.*

There are no financial constraints, legal impediments, or any other factors that would hinder the bank's ability to provide credit within the AA. As of December 31, 2014, LNB's tier 1 capital was \$3.2 million, representing 5.59 percent of average assets. However, LNB's liquid assets totaled \$43.2 million, which represents 73 percent of total assets and increases the bank's capacity to lend. The bank's last CRA rating was "Needs to Improve," as detailed in the small bank performance evaluation dated April 23, 2012.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

LNB is an intrastate financial institution with offices serving portions of Cook, DuPage, and Will Counties. All of the counties are contiguous and located in the Chicago-Naperville-Arlington Heights, IL Metropolitan Statistical Area (MSA). This MSA was renamed effective January 1, 2014, as a result of geographic boundary revisions from the Office of Management and Budget (OMB). Prior to this change, the bank's AA was located in the Chicago- Joliet- Naperville, IL-IN-WI MSA. Since the prior evaluation, the bank changed their AA to include four additional geographies, increasing the AA from 10 to 14 geographies. LNB's AA is comprised of 14 (3 middle-income and 11 upper-income) geographies. There are no low- or moderate-income geographies in the AA. The AA is consistent with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. Of the 21,710 housing units in the AA, 89 percent are owner-occupied one- to four-family residences and 11 percent were multi-family rental units. According to the Federal Deposit Insurance Corporation (FDIC), Deposit Market Share Report, LNB has a 0.02 percent share of total deposits in the MSA market area as of June 30, 2014. The table on the following page provides basic demographic information based on the income level of geographies and families within the AA.

Demographic Information for Full Scope Area: Lemont NB Chicago AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	14	0.00	0.00	21.43	78.57	0.00
Population by Geography	59,913	0.00	0.00	24.23	75.77	0.00
Owner-Occupied Housing by Geography	18,248	0.00	0.00	21.60	78.40	0.00
Business by Geography	5,600	0.00	0.00	16.70	83.30	0.00
Farms by Geography	113	0.00	0.00	15.93	84.07	0.00
Family Distribution by Income Level	16,306	10.54	12.73	18.85	57.88	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,794	0.00	0.00	36.85	63.15	0.00
Median Family Income (MFI)			72,196		Median Housing Value	385,940
FFIEC Est. MSA/Metropolitan Division (MD) Median Family Income for 2012			77,300		Unemployment Rate 2012	9.20%
FFIEC Est. MSA/MD Median Family Income for 2013			73,400		Unemployment Rate 2013	8.8%
FFIEC Est. MSA/MD Median Family Income for 2014			76,300		Unemployment Rate 2014	5.40%
Households Below Poverty Level			2.75%			

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census and 2012, 2013, and 2014 FFIEC MFI

As part of this CRA examination, we referred to two community contacts to help ascertain the credit needs of LNB’s AA. The community contacts noted that there are several opportunities to participate in community activities, including lending for one- to four-family residential housing and small-dollar loans to local small businesses. The contacts indicated that most of the local banks are responsive to meeting the credit needs of the community. Both contacts also stated that current economic conditions and unemployment had a negative impact on the local economy, but the area was not as severely impacted as other communities in the area. One contact stated that the City of Lemont has approved the development of the largest one- to four-family residential housing development in the Chicago-land area. This is anticipated to positively boost the local economy and promote job growth. According to the Bureau of Labor Statistics, the 2014 unemployment rate for the MSA improved significantly to 5.4 percent, compared to the 2012 rate of 9.2 percent. The seasonally adjusted state unemployment rate for 2014 is 5.4 percent.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LENDING TEST**

The bank’s performance under the Lending Test is rated Substantial Noncompliance. LNB’s LTD ratio is unreasonable and continues to be significantly lower than the bank’s local competitors and similarly situated institutions. Home mortgage loan originations during the evaluation period are well below that of other lenders in the AA, including the LNB’s local competitors, and were not commensurate with LNB’s resources and capabilities. The majority of loans originated during the evaluation period were made

within the bank's AA, but the low level of lending activity, when compared to loan originations throughout the AA, indicates lending opportunities that LNB has not actively pursued. Lending levels to low or moderate-income borrowers do not meet the standards for satisfactory performance.

Given the limited size of our sample, we also analyzed the bank's AA lending performance compared to their deposit market share. Over 4,500 home mortgage loan products were originated within the bank's AA during this same time period, indicating a demand for loans. Of these originations, 14 percent were to low- and moderate-income borrowers. According to the 2013 Peer Mortgage Data, there were 205 financial institutions in the AA that originated home mortgage loans during the evaluation period. LNB does not hold a percentage of loan market share in the AA and has 0.02 percent deposit market share.

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

LNB's LTD ratio is unreasonable. The volume of loan originations is very low considering the financial and personnel resources of LNB, coupled with the lending opportunities available in the AA. This determination is supported by the bank's quarterly average LTD ratio of 14.81 percent for the quarters starting March 31, 2012, through December 31, 2014. During the evaluation period, LNB's LTD ratio ranged from 16.38 percent (March 2012) to 13.60 percent (September 2013). The average LTD ratio of similarly situated banks within the AA for the same period was 64.47 percent. These financial institutions are also small community banks located in Cook, DuPage, and Will Counties with total assets ranging from \$37 million to \$164 million.

We also reviewed the bank's loan growth as a part of the performance context. The bank has experienced a decline in loans every year since January 1, 2012. While economic conditions have contributed to an industry-wide slowdown in lending, LNB's loan growth has ranked well below their peer group throughout this time period. According to the Consolidated Reports of Condition and Income, total loans decreased from \$9.4 million at December 31, 2011, to \$7.7 million at December 31, 2014.

### **Lending in Assessment Area**

A majority of the number (63 percent), and 50 percent of the dollar amount, of home mortgage loans were originated within the bank's AA. LNB's record of lending within its AA needs to improve. To determine the bank's in/out ratio, we typically select a minimum sample of 20 loans from the bank's primary loan product. However, due to LNB's low level of lending during the evaluation period, we reviewed all the home mortgage loan originations, which were a total of 16 loans, to determine the bank's lending performance in its AA.

The following table details the bank's lending within the AA by number of loan originations and dollar volume as reported on the bank's HMDA loan application register from January 1, 2012, through December 31, 2014.

Loans Originated January 1, 2012 through December 31, 2014										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$0	%	\$0	%	
Residential Real Estate Purchase	0	0%	1	6%	1	\$ -	0%	\$ 268	10%	\$ 268
Residential Real Estate Refinance	6	38%	4	25%	10	\$ 1,195	44%	\$ 1,022	38%	\$ 2,217
Home Improvement	4	25%	1	6%	5	\$ 155	6%	\$ 50	2%	\$ 205
Totals	10	63%	6	38%	16	\$ 1,350	50%	\$ 1,340	50%	\$ 2,690

Source: Bank submitted HMDA LAR January 1, 2012, through December 31, 2014.

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

LNB’s borrower distribution of residential real estate loans reflects very poor penetration among borrowers of different income levels.

The bank did not make any home mortgage loans (home purchase, home improvement, or home mortgage refinance) to low- or moderate-income individuals during the evaluation period. The bank’s AA is comprised of approximately 11 percent low-income families and 13 percent moderate-income families residing in the bank’s middle- and upper- income geographies. Of the 10 loans LNB originated in the AA, two were to middle-income borrowers and eight were to upper-income borrowers. According to the 2013 Peer Mortgage Data, of the 1,780 mortgage loan products originated in the AA during 2013, approximately 26 percent were made to low- and moderate-income borrowers. The 2012 Peer Mortgage Data shows approximately 18 percent of the 1,812 mortgage loan products were made to low-and moderate-income borrowers.

The following data relates to activity from January 1, 2012, through December 31, 2013.

Borrower Distribution of Residential Real Estate Loans January 1, 2012 through December 31, 2013								
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	10.74	0	12.77	0	19.02	0	57.47	0
Home Improvement	10.74	0	12.77	0	19.02	50.00	57.47	50.00
Home Refinance	10.74	0	12.77	0	19.02	20.00	57.47	80.00

Source: Data reported under 2012 and 2013 HMDA; 2010 U.S. Census data \*as a percentage of loans with borrower income information available.

The following data relates to activity from January 1, 2014, through December 31, 2014.

<b>Borrower Distribution of Residential Real Estate Loans January 1, 2014 through December 31, 2014</b>								
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	10.54	0	12.73	0	18.85	0	57.88	0
Home Improvement	10.54	0	12.73	0	18.85	0	57.88	100
Home Refinance	10.54	0	12.73	0	18.85	0	57.88	100

*Source: Data reported under 2014 HMDA; 2010 U.S. Census data \*as a percentage of loans with borrower income information available.*

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of home mortgage loans would not be meaningful. The bank does not have any low- or moderate-income geographies in its AA.

### **Responses to Complaints**

LNB did not receive any consumer complaints related to its CRA performance during this evaluation period.

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

Pursuant to 12 CFR 25.28(c) in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance.

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