
Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

August 11, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Harris Bank Barrington, N. A.
Charter Number: 11283**

**201 South Grove Avenue
Barrington, Illinois 60010**

**Office of the Comptroller of the Currency
Arlington Place II, Suite 340
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Arlington Heights, Illinois 60005**

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, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency, when examining financial institutions subject to its supervision, to use its authority 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 the examination's conclusion, 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 Harris Bank Barrington, N.A., prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of August 11, 1998. The agency evaluates performance in assessment area(s), as they are 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. The agency rates the CRA performance of an institution consistent with the provisions set forth in "Appendix A" to 12 C.F.R. part 25.

This evaluation covers the period from January 1, 1996 to June 30, 1998. The prior CRA evaluation, dated February 15, 1996, rated this institution "Outstanding Record of Meeting Community Credit Needs."

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute and implementing regulation that require the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Community Development - Affordable housing (including multi-family rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses or farms, except for multi-family rental housing loans, which can be reported under both categories.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSA's consist of one or more counties, including large population centers and

nearby communities that have a high degree of interaction.

Census Tract (CT) - A small, locally defined statistical area. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in an MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Individual income that is less than 50% of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Moderate-Income - Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Middle-Income - Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Upper-Income - Individual income that is 120% or more of the area median income, or a median family income that is 120% or more, in the case of a geography.

Small Business Loans - Loans for business purposes with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans to farms with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory Record of Meeting Community Credit Needs."

The major factors supporting the institution's rating are as follows:

- The overall distribution of lending to borrowers of different income levels reflects satisfactory penetration of low- and moderate income-borrowers. Harris Bank Barrington, N.A. made 9% and 11% of its loans to low- and moderate-income borrowers, respectively. Additionally, 58% of the small business loans were to businesses with annual revenues of less than \$1 million.
- Overall lending levels reflect good responsiveness to assessment area credit needs. Harris Bank Barrington, N.A. made 2,912 HMDA, small business, consumer, and community development loans in its assessment area for more than \$236 million. Affiliate lending contributed another 324 loans for \$291,484,000.
- A high percentage of the bank's loans are made in the assessment area. More than 75% of the number of loans were extended within the assessment area.
- The bank's delivery systems are reasonably accessible to all portions of the assessment area. Services are reasonably tailored to the convenience and needs of the assessment area.
- The bank's investment performance is adequate. Between Harris Bank Barrington, N.A. and its affiliate, \$447,992 was invested in local community development organizations.

The following table indicates the performance level of Harris Bank Barrington, N.A. with respect to the lending, investment, and service tests.

Performance Levels	Harris Bank Barrington, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service test in the overall rating.

DESCRIPTION OF INSTITUTION:

Bank Profile:

Harris Bank Barrington, National Association (HB Barrington) is an \$833 million bank whose main office is located in Barrington, Illinois. The bank primarily serves the communities of Barrington, Crystal Lake, Algonquin, Buffalo Grove, Palatine, Woodstock, and Hoffman Estates. The bank is headquartered in a well established, high income community. The economic base for the entire assessment area is stable with most business growth occurring in the western portion of the assessment area. The assessment area contains a good mix of individuals who work for local employers and those who commute downtown to the City of Chicago. While there are several major employers in the area, there is not one predominant entity. Unemployment rates in the assessment area are lower than the national average. The institution has a total of eight offices and 12 automatic teller machines (ATM's). The main office and four other branch offices are located in Barrington, Illinois. There is one branch in each Algonquin, Buffalo Grove, and Crystal Lake.

HB Barrington is wholly owned by Harris Bankcorp, Inc. located in Chicago, Illinois. Harris Bankcorp, Inc. is a subsidiary of the Bankmont Financial Corporation, which is wholly owned by the Bank of Montreal in Toronto, Canada. Bankmont Financial Corporation also owns Harris Bankmont, Inc. These two (2) holding companies are generally referred to as the Harris bank group. This organization includes the Harris Trust and Savings Bank (HTSB) in downtown Chicago and 25 separately chartered community banks with more than 140 branches throughout the Chicagoland area. It is one of the largest community bank networks in the Midwest. HTSB is ranked the fourth largest bank in Chicago.

According to American Banker, the Harris organization is the 38th largest banking organization in the U.S. The assets of all the community banks within the Harris bank group amount to roughly \$6.5 billion with HTSB adding another approximate \$14 billion in total assets. The Bank of Montreal has assets of approximately \$208 billion Canadian and ranks as one of the 10 largest banks in North America. Harris Bank's commitment to community banking is founded on the belief that local, independent banks, allowed to appoint their own management team and board of directors have the insight to best serve their respective communities.

During fourth quarter of 1997 through the first quarter of 1998, the Harris bank group strategically decided to consolidate the permanent financing mortgage business of all 26 banks into one operation housed at HTSB. Consequently, during the first quarter of 1998 HB Barrington discontinued originating home mortgage loans. All home mortgage applications taken at the individual Harris bank locations are referred to and processed by one of HTSB's Regional Operations Centers (ROC's). Home mortgage applications that are denied by the ROC may be overridden and reported on the respective bank's books. For the purpose of the CRA evaluations, HTSB's mortgage loans were allocated to the individual banks based on where the application originated and in which bank's assessment area the loan was located. Loans allocated to HB Barrington from the ROC are reflected in the tables as "affiliate loans."

Total loans account for 75% of HB Barrington's average assets, as of June 30, 1998. The loan to deposit ratio is 81%, a slight increase from 79% at year-end 1997. The loan mix reflects a significant amount of

consumer loans. Loans to individuals account for 50% of average gross loans. One-to-four (1-4) family residential loans account for 20% of average gross loans, of which 9% are home equity loans. Commercial real estate loans account for another 18%, with 12% commercial and industrial loans rounding out the portfolio.

A unique characteristic of HB Barrington is its shared management, duplicate assessment area and close proximity to its affiliate, Suburban Bank Barrington. Essentially the two institutions are managed as one bank. In order to avoid competition between the banks for certain loan products, management chose to concentrate certain types of lending in each bank. Both banks continue to take consumer loan applications and make small business loans. However, HB Barrington makes all large commercial loans (those where the lending relationship is more than \$1 million) and Small Business Administration (SBA) loans. All residential construction loans are made at Suburban Bank Barrington. Due to these guidelines, both the HMDA and small business loan numbers are affected.

The institution is capable of meeting the community's credit needs based on its financial condition and size and product offerings. There are no major constraints or legal impediments which would impact the bank's ability to fulfill the spirit of CRA.

Assessment Area Profile:

HB Barrington operates in one assessment area. This area consists of 75 census tracts. The main communities included in this area are Barrington, Crystal Lake, Algonquin, Buffalo Grove, Palatine, Carpentersville, Wauconda, Woodstock, and Hoffman Estates. According to 1990 census information, the community does not include any low- and moderate-income census tracts. Twenty-five (33%) of the census tracts are middle-income and 49 (65%) of the census tracts are upper-income. The remaining tract is not designated by income level. HB Barrington's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas.

The 1998 HUD adjusted median family income for the area is \$59,500. The total population of this area is 453,456 people in 122,382 families. Of this total, there are 9,310 (8%) low-, 14,881 (12%) moderate-, 28,925 (24%) middle-, and 69,262 (56%) upper-income families in the area. The population within this area is distributed with 36% of the families in middle-, and 64% in upper-income tracts. Although there is a low level of low- and moderate-income families in this assessment area, there are several smaller areas within the bank's assessment area that have a significant percentage (greater than 30%) of low- and moderate-income families. Some of these areas are within Carpentersville, Wauconda, Woodstock, Hoffman Estates, and Palatine.

There are 167,556 housing units in the area. The large majority of housing is owner-occupied units (72%). Only 23% of the housing units are occupied rental units. The median housing cost is \$154,960 with the average age of housing approximately 25 years old. Overall, the cost of housing within the area is high in relation to the entire Chicago MSA where the median housing cost is only \$89,700. However, a number of cities/villages have: (1) significant percentages of low-and moderate-income families, (2)

significant owner occupancy, and (3) median housing values that are significantly lower than the overall median housing cost. These cities/villages or portions thereof reflect a range of median housing values as low as \$75,000 in Carpentersville and \$109,000 in Hoffman Estates. Thus, affordable housing opportunities exist in these communities.

According to the business demographic data for the entire area, the distribution of businesses shows that middle- and upper-income tracts have 36% and 64% of the businesses, respectively. The distribution of small businesses (those with gross annual revenue less than \$1 million) generally mirrors the total business distribution. Sixty-seven percent (67%) of the businesses in the assessment area have gross revenues less than \$1 million, 11% greater than \$1 million, with the remaining businesses income unknown.

Based on 1990 census data, there are 484 farms in this area. Since that time, however, the area has experienced tremendous growth with housing development projects replacing many of the farms. It is reasonable that HB Barrington would not have many, if any, small farm loans.

Substantial employment is available in the HB Barrington assessment area. This area has experienced tremendous retail growth. Some of the largest employers in this area include Siemens, GE Capital, and Sears Roebuck. Unemployment in this area is extremely low.

Competition in the assessment area is strong. There are several mortgage companies and large banks, including branches of multi billion dollar financial institutions located in the area. Competition varies depending on branch location. In certain portions of the assessment area, HB Barrington's assessment area overlaps with two other Harris affiliate banks. Some of the more significant competition includes branches of First National Bank of Chicago (\$62 billion in total assets) which has a strong presence throughout the assessment area. Also, Barrington Bank and Trust, (\$99 million in total assets) has a strong market presence in the Barrington area. The bank does not have any similarly situated banks.

We utilized nine (9) community contacts performed by other examiners and us during this review. The types of organizations included housing, economic development, and social service organizations. The contacts indicated that overwhelmingly the main credit need in the area was affordable housing. Due to the high income demographics of a significant segment of the assessment area, external contacts expressed a concern over the lack of availability of affordable housing. However, contacts reflect that there are many organizations and lending programs available to assist low-to moderate-income families with down payment, closing costs, home ownership counseling and reduced financing.

During the examination, we received two letters from the Woodstock Institute regarding the performance of the Harris banks under the Community Reinvestment Act. These comments were considered during our evaluation.

CONCLUSIONS ABOUT PERFORMANCE TESTS

Overall lending performance is adequate. Community development involvement with respect to the investment and service tests is reasonable in relationship to existing opportunities. Therefore, the bank's overall performance with CRA is supported as Satisfactory.

Scope:

Our analysis included full exam procedures for the assessment area. We reviewed small business, small farm, consumer, HMDA (home purchase, home improvement, and home refinance), and community development loans. Small farm lending was not significant in relation to the overall lending level. Therefore, the analysis of small farm lending is combined with the small business lending. Affiliate lending included in this review consisted of mortgage loans made by Harris Trust & Savings Bank during the first two quarters of 1998 that were allocated to HB Barrington. The review of investments included a review of the investment portfolio and an analysis of the grants and donations provided to community service organizations. Our evaluation of services included analyzing the availability and effectiveness of the bank's branch/ATM network for delivering retail banking services. We analyzed the effect of the changes in branch locations since the previous CRA examination. We also considered the extent and innovativeness of its community development services in meeting the credit needs of the assessment area.

Under the CRA regulation, data collection is optional for consumer loans, and there are no reporting requirements. HB Barrington provided data on its consumer loans during 1997 and through June 30, 1998. Loan data was not available for 1996; however, discussions with management indicate that their level of lending in 1996 would be similar to activity in 1997 and year-to-date 1998.

Data Integrity:

In order to determine the accuracy of data presented by the bank, we verified a sample of the HMDA, consumer, and small business loans. We reviewed HMDA reportable transactions to ensure the purpose, actions taken, race, gender, applicant income, and loan size were accurately included on the Loan Application Register (LAR). Our assessment of consumer loans included verification of the loan amount, income of the borrower, and location. A similar review was performed on small business loan files to ensure the loan amount, revenue category, and location were reported accurately. We also reviewed the loan the bank was reporting as community development. This loan met the definition of community development and was correctly included in the data. We reviewed all the grants and donations the bank made from January 1, 1996 through June 30, 1998. With assistance from bank personnel, we determined which organizations met the definition of community development and only included those under the investment test. Our review of these files noted only minor clerical errors with the HMDA-LAR and CRA Data Listing Report both substantially correct.

LENDING TEST

Major Conclusions:

- HB Barrington's lending levels reflect adequate responsiveness to assessment area credit needs.
- The bank's distribution of lending to borrowers reflects good penetration among retail customers of different income levels. Lending to business customers of different sizes, given the product lines offered by the bank, is adequate.
- A high percentage of the bank's loans are inside the assessment area.

Lending Activity

HB Barrington extended a significant amount of credit in the assessment area. As reflected in Table I, "Volume of Loan Originations Inside the Assessment Area," the bank made 2,912 loans totaling \$236,968,000 in their assessment area during the evaluation period. HB Barrington's largest volume product by number of loans made in the evaluation period is its consumer lending at 1,311 loans for \$37,574,000. HMDA lending is very close behind at 935 loans for \$110,072,000. By dollar amount, HMDA lending is the largest volume. HB Barrington made three community development loans in its assessment area during this evaluation period. It is reasonable that HB Barrington did not make any small farm loans during the evaluation period since there are a small number of farms in the assessment area. The significant reduction in HMDA lending for 1998 is due to the centralization of mortgage financing by the Harris bank group, as explained in the "Bank Profile" section of this evaluation. HMDA loans from affiliates added 324 loans for an additional \$54,516,000.

HB Barrington's adequate responsiveness to assessment area credit needs is further supported by their market rank for HMDA lending. During 1997, HB Barrington's overall market share of 1.38% for HMDA lending resulted in a market rank of 15th out of 573 institutions, placing the bank in the top 3% of all HMDA reporters in the assessment area.

Table I - Volume of Loan Originations Inside the Assessment Area

Type of Loan	YTD 6/98		1997		1996		Total YTD 6/98, 1997 & 1996 Combined	
	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)
Home Purchase	16	\$2,805	178	\$31,484	148	\$24,730	342	\$59,019
Home Improvement	41	\$829	189	\$5,224	101	\$3,008	331	\$9,061
Refinance	39	\$7,511	125	\$21,993	98	\$12,488	262	\$41,992
Total HMDA	96	\$11,145	492	\$58,701	347	\$40,226	935	\$110,072
Small Business	119	\$19,972	284	\$29,052	260	\$39,998	663	\$89,022
Consumer	402	\$12,468	909	\$25,106	N/A	N/A	1,311	\$37,574
Community Development	1	\$100	1	\$100	1	\$100	3	\$300
Total Bank Loans	618	\$43,685	1,686	\$112,959	608	\$80,324	2,912	\$236,968
Affiliate Loans	324	\$54,516	0	\$0	0	\$0	324	\$54,516
Total Loans	942	\$98,201	1,686	\$112,959	608	\$80,324	3,236	\$291,484

Source: HMDA-LAR, CRA Data Listing Report, and Internal Bank Reports. The bank did not collect 1996 consumer data.

Assessment Area Concentration

A high percentage of loans made by HB Barrington are concentrated inside the bank's assessment area. As illustrated in Table II, "Loans Inside the Assessment Area vs. Total Loans," HB Barrington made 75% of the number, and 73% of the dollar volume of mortgage, small business, and consumer loans inside its assessment area.

The high concentration of HMDA lending inside HB Barrington's assessment area is a good indicator of their distinct focus on meeting the housing needs of the local community. From January 1996 through June 1998, the bank originated 1,217 HMDA reportable loans, representing \$144,432,000. Seventy-seven percent (77%) of the number of HMDA loans originated, representing 935 loans, were within the bank's assessment area. HB Barrington's HMDA lending by product type also indicates a high percentage of lending inside the assessment area. More than 73% of HB Barrington's home purchase and refinance loan originations were inside its assessment area. In addition, HB Barrington's home improvement loan originations reflect a higher concentration within the assessment area, at 85%. See

Table II, “Loans Inside the Assessment Area vs. Total Loans,” for more details.

HB Barrington’s commitment to meeting its assessment area’s credit needs is further demonstrated by the volume of small business loans in their assessment area. A substantial majority of HB Barrington’s small business loans are inside the assessment area. From January 1996 through June 1998, HB Barrington originated 995 small business loans, amounting to \$134,073,000. Sixty-seven percent (67%), or 663 of those loans, were inside the bank’s assessment area.

HB Barrington also originates a substantial majority of its consumer loans within its assessment area. From January 1997 through June 1998, HB Barrington originated 1,653 consumer loans, amounting to \$44,681,000. Seventy-nine percent (79%) of the number and 84% of the dollar volume were inside the bank’s assessment area. These percentages indicate a good commitment by the bank to its local community’s credit needs.

**Table II - Loans Inside the Assessment Area vs. Total Loans
From January 1996 through June 1998**

Type of Loan	Total Loans		Loans Inside Assessment Area			
	#	\$ (in 000's)	#	% of #	\$ (in 000's)	% of \$
Home Purchase	470	\$76,148	342	73%	\$59,019	78%
Home Improvement	388	\$10,491	331	85%	\$9,061	86%
Refinance	359	\$57,793	262	73%	\$41,992	73%
Total HMDA Loans	1,217	\$144,432	935	77%	\$110,072	76%
Small Business	995	\$134,073	663	67%	\$89,022	66%
Consumer	1,653	\$44,681	1,311	79%	\$37,574	84%
Community Development	3	\$300	3	100%	\$300	100%
Total Loans	3,868	\$323,486	2,912	75%	\$236,968	73%

Source: Bank reports, HMDA-LAR, and CRA Data Listing reports for 1998, 1997 and 1996. Consumer loans do not include 1996 data, as it was not available.

Geographic Distribution of Loans Within the Assessment Area

Since the assessment area does not include any low- or moderate-income census tracts, a geographic distribution of loans would not be meaningful. Therefore, we gave more weight to the distribution of loans to borrowers of different incomes and businesses of different sizes.

Distribution by Borrowers' Income Inside the Assessment Area

The distribution of loans to borrowers of different income levels reflects good penetration among retail customers of different income levels, given the product lines offered by the institution. Lending to businesses of different sizes is considered good.

HB Barrington's market share of HMDA loans is good at 1.93% for low-income borrowers and adequate at 1.10% for moderate-income borrowers. The bank is ranked 10th of all lenders in loans to low-income borrowers within its assessment area. HB Barrington's market share is higher for low-income borrowers than the market share is for both middle- and upper-income borrowers, as illustrated in Table III, "Market Share and Market Rank - HMDA Loans - Distribution by Borrower's Income Level."

Table III - Market Share (MS) and Market Rank (MR) - HMDA Loans Distribution by Borrower's Income Level										
Type of Loan	Income Level of Borrower									
	Low income		Moderate income		Middle income		Upper income		All Borrowers	
	MS	MR	MS	MR	MS	MR	MS	MR	MS	MR
Home Purchase	1.06%	22	1.56%	13	1.71%	13	2.11%	11	1.86%	12
Home Improvement	4.12%	5	6.81%	2	6.30%	2	8.94%	1	7.82%	1
Refinance	0.78%	27	0.36%	66	1.06%	23	1.54%	16	1.26%	17
Total HMDA Loans*	1.93%	10	1.10%	21	1.24%	19	1.67%	11	1.38%	15

Source: Aggregate HMDA Data for 1997

*Excludes Multi-family loans

The distribution of loans made by HB Barrington based on borrower characteristics during the evaluation period is good. The bank and its affiliates made 9% of their total home mortgage and consumer loans to low-income individuals. In addition, 11% of HB Barrington's loans were made to moderate-income individuals. Considering the borrower characteristics and population living in the assessment area, this level of lending is good. The make up of the assessment area shows 8% low-, 12% moderate-, 24% middle- and 56% upper-income families in the area.

HB Barrington's loan distribution shows that 3% of HMDA loans were made to low-income individuals, and 10% were made to moderate-income borrowers. Considering that 3% of the households in the assessment area are living below the poverty level, the opportunity to extend home mortgage credit to low-income borrowers is slightly reduced. These households would have a limited ability to assume debt obligations. The bank's performance is lower than the relative opportunity to extend home mortgage

credit to low-income borrowers, however, the overall high cost of housing makes it difficult for low-income borrowers to purchase a house. Therefore, the lower level of HB Barrington's home mortgage lending to low-income borrowers is considered reasonable. See Table IV, "Distribution by Borrower's Income Level Inside the Assessment Area from January 1996 through June 1998" for more details.

HB Barrington's consumer lending to low- and moderate-income families is good. As Table IV reflects, 8% and 11% of the number of consumer loans were originated to low- and moderate-income borrowers, respectively. This level of performance is comparable to the relative opportunity based on the demographics of the assessment area. There are 8% low- and 12% moderate-income families living within the assessment area.

**Table IV - Distribution by Borrower's Income Level
Inside the Assessment Area
From January 1996 through June 1998**

Type of Loan	Income Level of Borrower							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	9	3%	39	11%	72	21%	215	63%
Home Improvement	10	3%	37	11%	73	22%	205	62%
Refinance	9	3%	19	7%	54	21%	173	66%
Total HMDA Loans*	28	3%	95	10%	199	21%	593	63%
Total Consumer Loans**	103	8%	142	11%	239	18%	677	52%
Total Bank Loans	131	6%	237	11%	438	20%	1,270	57%
Affiliate Loans	13	4%	44	14%	79	24%	188	58%
Grand Total Loans	144	6%	281	11%	517	20%	1,458	57%

Source: HB Barrington's HMDA-LAR for 1998, 1997 and 1996.

*Excludes Multi-family loans

** The borrower's income for 11% of the consumer loans could not be identified. Percentages may not add to 100 due to loans for which the borrower's income was not available.

As reflected in Table V, "Distribution of Small Business Originations From January 1996 through June 1998 Inside the Assessment Area By Loan Size and Business Revenues," HB Barrington's origination of small business loans reflects an adequate distribution. A substantial majority of the loans (70%) were for amounts of less than \$100 thousand. In addition, 58% of HB Barrington's small business loans were made to businesses with revenues less than \$1 million. This level of performance is considered adequate given the distribution in the size of businesses in the assessment area. As mentioned in the "Bank Profile" section of this evaluation, the larger commercial loans (generally relationships greater than \$1 million) are

concentrated at HB Barrington. Therefore, it is understandable that a larger portion of HB Barrington's lending would be to businesses with revenues greater than \$1 million.

**Table V - Distribution of Small Business Originations From January 1996 through June 1998
Inside the Assessment Area By Loan Size and Business Revenues**

Loan Size				Annual Revenues			
	less than \$100,000	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Total Loans	< \$1 Million	> \$1 Million	Unknown
Number	464	104	94	662	382	253	27
% of #	70%	16%	14%	100%	58%	38%	4%
Dollars (in 000's)	\$16,964	\$18,838	\$53,182	\$88,984	\$42,183	\$44,690	\$2,111
% of \$	19%	21%	60%	100%	47%	50%	3%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:				Revenues <\$1 Million			67%
				Revenues > \$1 Million			11%
				Revenues Unknown			22%

Source: HB Barrington's CRA Data Listing reports for 1998, 1997 and 1996.

Community Development Lending

HB Barrington has provided a very limited amount of community development lending in its assessment area. HB Barrington annually provides a \$100,000 line of credit to "The Blair House," a nonprofit organization that provides housing for autistic low- and moderate-income individuals. This line of credit, to provide multi-family housing, has never been drawn, but the bank has fully committed to provide this source of funding for the organization.

Product Innovation and Flexibility

HB Barrington is generally responsive to credit needs by offering several flexible loan products. Through the standard product offerings, the Harris bank group offers flexible residential mortgage loan products, as well as small business loan products which serve assessment area credit needs. Each of these flexible loan products help low- and moderate-income individuals obtain credit which they might not have access to under the bank's normal underwriting standards. Examples of these products/programs are given below:

- Illinois Housing Development Authority (IHDA) - This program is designed to assist low- and moderate-income persons with affordable housing financing. The program also targets first-time home buyers and provides reduced interest rates. The funds from this program can be used for a variety of single and multi-family initiatives. HB Barrington has not originated any loans under this program during our evaluation period.
- Community Home buyer Products (CHP) - There are three CHP programs offered at HB Barrington and its affiliates. These programs offer assistance to low- and moderate-income persons with home ownership. Designed by Fannie Mae's underwriting guidelines, these programs are targeted toward borrowers whose income is not greater than 100% of the median family income. Private mortgage insurance and home ownership counseling are required. More lenient underwriting criteria are applied, including higher debt ratios. Specifics of the programs are outlined below:
 - ▶ Standard 3/2 CHP Fixed Rate Loan - This product requires a minimum of 3% down payment from applicants' own funds, with an additional 2% gift, grant, or unsecured loan from a qualifying entity.
 - ▶ Adjustable Rate CHP Loan - This product provides a 1% yearly cap, a 5% lifetime cap, and is priced at 2% above the 1-year Treasury Bill index.
 - ▶ CHP 97 Fixed Rate Loan - This product requires a minimum of 3% down payment from applicants' own funds.

HB Barrington funded four loans under this program, totaling \$505,000.

- Freddie Mac Fixed Rate Residential Mortgage Program - This loan program requires a 5% down payment with a total debt ratio of no more than 36%. There are no income limitations and private mortgage insurance is required for all loans that have greater than an 80% loan-to-value. Twenty-eight (28) loans were funded under this program in 1997, totaling \$3,830,000.
- 80/10/10 Mortgage Product - The product allows applicants to purchase or refinance a single family home, condominium, townhouse, two-unit primary residence, or single family second home with only 10% down or equity and no private mortgage insurance coverage. The transaction

includes an 80% first mortgage and 10% home equity loan. This is a new product within the Harris bank group; thus, HB Barrington has not originated any loans under this program.

- 100% Home Equity Loan - This product allows individuals with little equity in their residence to borrow against their investment. HB Barrington did not have activity information readily available for the number or dollar amount of loans made under this program.
- Harris Bank ALT 97 Program - This program was just implemented in August 1998. Although this program is not specifically targeted toward low- and moderate-income persons, it is a desirable product because it requires as little as a 3% down payment, with a total debt ratio of no more than 36%. No home buyer education is required. Private mortgage insurance is only required up to 18% of the property value. However, the borrowers must not have flawed credit. Due to the recent implementation of this product, HB Barrington has not made any loans under this program.
- Small Business Lending Rate (SBLR) - This program is designed to help small businesses grow and expand, and is available to businesses borrowing less than \$500,000. Qualified borrowers receive a rate index of one-half percent ($\frac{1}{2}\%$) below the Wall Street Journal prime rate. Information on the number and dollar amount of loans made under this program was not readily available.

The Harris bank group's central processing facility for guaranteed student loans is Harris Bank Aurora, N.A.. FHA and VA loan requests are referred to HTSB. In addition, requests for Reverse Mortgage loans are referred to HB Barrington's affiliate, Harris Bank Winnetka, N.A..

Compliance with Anti-Discrimination Laws

HB Barrington has a satisfactory record of complying with the antidiscrimination laws (ECOA, FHA, and HMDA). No violations of the substantive provisions of the antidiscrimination laws and regulations were discovered during this examination.

INVESTMENT TEST

Major Conclusions:

- The institution has an adequate level of qualified community development investments. Its responsiveness to credit and community economic development needs is reasonable, given the amount of opportunity for community development in the bank's assessment area, as well as its size and resources.

As part of corporate centralization, the majority of the Harris bank group's community development

lending and investing activities are conducted by HTSB. The community development department of HTSB made several investments in the Chicago Equity Fund. This organization is a limited partnership which purchases Low-Income Housing Tax Credits (LIHTC's) to assist in funding housing projects in the Chicagoland area. Since the minimum amount of investment is one share, which cost's \$500,000, HTSB allocated its investment in this organization to each of the community banks in the organization based on their relative asset size. HB Barrington received a \$141,050 share of this investment.

From January 1996 through June 1998, HB Barrington made donations to organizations which provide community development services within its assessment area. A total of eight community development organizations received grants amounting to \$306,942 during the evaluation period. The grants were primarily in the form of in kind gifts. Two (2) community development organizations received the use of space in the HB Barrington bank locations at reduced rent rates or free. The value of the use of the space was approximated at \$235,000 for an economic development corporation and \$55,200 for a homeless shelter. The remainder was cash grants given to organizations that provide shelter and food for the homeless, technical assistance to small businesses, and provide other community development services for low- and moderate-income individuals.

SERVICE TEST

Major Conclusions:

- HB Barrington's delivery systems are reasonably accessible to essentially all portions of the assessment area, and provide the services and products needed by the community.
- The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems. HB Barrington has opened one branch office during this evaluation period. This office is located in an upper-income census tract in Algonquin, Illinois. The bank has not closed any branches during this evaluation period.
- Services, including business hours, are reasonably tailored to the convenience and needs of the assessment area, including low- and moderate-income individuals. Products offerings are standardized and made available in all locations.
- The institution provides an adequate level of community development services, when considering the opportunities that exist within the assessment area.

Retail Services

HB Barrington makes its retail services reasonably accessible to all individuals in their assessment area through its branch distribution. HB Barrington operates eight full service branches throughout this assessment area. The main office is located in downtown Barrington, Illinois. Four (4) other branches

are located in the township of Barrington. The remaining three branches are located in Algonquin, Buffalo Grove and Crystal Lake. The bank has extended banking hours through its walk-up and drive-through facilities.

All of the bank's branches are located within upper-income tracts. According to the 1990 Census Bureau, 10 (13%) of the bank's census tracts have more than a 30% concentration of low- and moderate-income individuals. None of the bank's branches are located within these census tracts. However, the new branch opened during this evaluation period is in close proximity to some census tracts with a significant percentage of low- and moderate-income individuals. In addition, other Harris bank affiliates have branches in some of these census tracts.

The bank maintains 12 full service automated teller machines (ATM's). Five (5) of the ATM's are at off-site locations, with the other seven at branch locations. The distribution of the ATM's shows that one (8%) of the machines is in a middle-income census tract, with the remaining 11 (92%) ATM's in upper-income census tracts.

In conjunction with the Illinois Department of Public Aid, the Harris bank group participates in the "Illinois Link" Electronic Benefit Transfers (EBT) program. This system allows individuals to access their public aid benefits through Cash Station ATM's. The program provides aid recipients with a low cost alternative to currency exchange transactions. The Harris group joined this program in March 1997. It is estimated that more than 150,000 households in the Chicago area have the "Illinois Link" EBT cards. The Harris bank group is doing at least 4,000 "Illinois Link" transactions each month.

HB Barrington offers other alternative delivery services such as 24-hour telephone banking including a bill payment feature, loan-by-phone, personal computer banking, and bank-by-mail services. HB Barrington's customers also have access to 128 other ATM's and a customer service Client Contact Center through its affiliation with the Harris bank group. The Client Contact Center provides a centralized customer service facility in addition to a centralized sales function which refers customers to a local Harris Bank for loans and other services. In addition, the Client Contact Center is multilingual.

The bank's service hours, including lobby hours and walk-up hours are 8:30 a.m. to 5:00 p.m. Monday through Thursday, and 8:30 a.m. to 6:00 p.m. on Fridays. The drive-up hours are 7:00 a.m. to 6:00 p.m. Monday through Thursday, and 7:00 a.m. to 7:30 p.m. on Fridays. All offices are open from 8:30 a.m. to 12:30 p.m. on Saturdays, with the drive-up opening one hour earlier. ATM's are available 24 hours daily. There are no differences in the types of services available at the different locations.

Community Development Services

Employees of HB Barrington have an adequate level of interaction with organizations which provide community development related loans and services to the assessment area. These organizations address the housing needs of the low-income residents of this area, as well as small business needs and financial counseling. We received generally positive comments about the involvement of HB Barrington during

our community contacts. Some examples of activities and the types of organizations with which the bank and its employees are affiliated follow:

- Bank officers and employees provide financial counseling and assistance to numerous organizations in the assessment area, including advice to prospective and existing small business owners.
- A commercial lender is on the Board of an organization which provides food and shelter for the homeless. As a board member, he provides financial advice to the organization.
- A loan officer from HB Barrington is on a loan committee for a local organization which provides small business financing through a micro-loan pool.
- An employee of HB Barrington is an active officer and board member for a local organization which provides meals and counseling to low- and moderate-income senior citizens. He provides financial advice to this organization.
- The bank provides annual small business seminars in conjunction with two local colleges.
- Save for America - This is a standard bank-at-school program. The program provides training for children in elementary school. The program allows the children to establish a deposit account with the Harris bank and make deposits at school. HB Barrington contributes the first dollar to each account. There are currently four schools participating in this program, with approximately 385 accounts opened and account balances of approximately \$63,000.