



## **PUBLIC DISCLOSURE**

May 4, 1998

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Aurora National Bank  
Charter Number: 14161  
2 South Broadway  
Aurora, Illinois 60507**

**Office of the Comptroller of the Currency  
Chicago South Field Office  
7600 County Line Road, #3  
Burr Ridge, Illinois 60521**

**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 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 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 Community Reinvestment Act (CRA) performance of **Aurora National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 4, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated: “**Satisfactory record of meeting credit needs**”. This rating is primarily based on the bank’s record of lending to low- and moderate-income individuals and in low- and moderate-income geographies. Please refer to the Conclusions with Respect to Performance Criteria for more details.

## DESCRIPTION OF INSTITUTION

Aurora National Bank (ANB) is located in Aurora, Illinois which is approximately 45 miles west of Chicago. Besides ANB’s main office, the bank has two full service branches located in Aurora. In addition, the bank has three loan production offices in DuPage County.

ANB is 100% owned by Greatbanc, Inc. which is located in Aurora, Illinois. Greatbanc, Inc. is a multi-bank holding company which owns all of the outstanding stock of the First National Bank of Chicago Heights, and Great Bank, N.A. (formerly known as Evanston Bank, N.A). The holding company also has majority ownership in Great Bank Algonquin. Great Bank Algonquin is the only State chartered institution. In addition, the holding company also owns Greatbanc Trust Company and Greatbanc Operations.

The asset size of ANB as of March 31, 1998 is \$108 million. Loans represent 67% of the total assets. A breakdown of the loan portfolio is as follows: 46% residential real estate, 35% commercial loans, and 19% loans to consumers. These percentages are based on outstanding dollar amounts as of March 31, 1998.

ANB offers a variety of traditional loan products such as residential real estate loans, home improvement loans, home equity loans and lines of credit, consumer loans, automobile loans, indirect auto and home improvement loans, commercial and commercial real estate loans, small

business loans, Small Business Administration (SBA) loans, and government guaranteed loans for students. In addition, the bank has special loan programs for qualified applicants such as the “First Time Homebuyers” and the “Great Start” program. ANB also acquires several types of loans on an indirect basis, such as home improvement, auto, leases, and piano loans. You may refer to the bank’s public file for more details.

Management of ANB changed their business strategy in late 1995 and early 1996. Their strategy was to become a niche retail mortgage entity. To follow this strategy, management developed a new mortgage division of the bank known as Aurora National Bank Financial Services (ANBFS). The mortgage division opened in October of 1996. ANBFS primarily generates nonconforming mortgages and home equities. Nonconforming mortgage loans are those that do not meet the standards of eligibility for purchase or securitization by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association. The loan amount, the loan-to-value ratio, the term, or some other aspect of the loan does not conform to the agencies’ standards. Generally, nonconforming loans are considered nontraditional mortgages. Nonconforming mortgages generated through the mortgage division are sold to the investors market. Equity loans and lines of credit are either sold or retained in ANB’s loan portfolio. ANBFS also originates home improvement loans from third party sales finance companies. Most of the customers of the sales finance companies are contractors who do business in Cook County. For this reason, management decided to expand their assessment area to include loan activity in Cook County. In 1998, ANBFS expanded their expertise in conforming mortgages.

Each year, ANB is required to report and submit its mortgage activity, specifically data regarding home purchase, home improvement, and refinance loans pursuant to the Home Mortgage Disclosure Act (HMDA). This data is then prepared into various reports for individual financial institutions for each metropolitan statistical area (MSA) to show lending patterns by location, age of housing stock, income level, sex, and racial characteristics. Information required under HMDA was used to determine whether ANB is helping to meet the housing needs of the assessment area. However, the accuracy of the 1997 HMDA data is questionable. Based on verification and sampling of the bank’s HMDA data, we noted a 45% error rate in the files reviewed or a total of 60 errors which occurred with the 1997 record entries. The HMDA data for 1996 and 1998 is considered more reliable. The 1997 HMDA error rate did not materially alter our CRA evaluation as the errors did not impact the geographic distribution analysis since census tract information was correct. In addition, while purposes were not always accurate (for example, purchases were reflected as refi's and vice versa), the loans were still HMDA loans and our analysis looked at all HMDA loans in aggregate. The other data field with the most errors was gross annual income. It did not appear from our review that a significant volume of individuals would be jumping from one income bracket to another (for example, originally listed as low and were actually moderate, etc). Thus, the income distribution analysis would not be materially impacted.

In addition to HMDA loans, information maintained by ANB management on small business loans<sup>1</sup> and consumer loans was considered to determine the bank's efforts of meeting the credit needs of their area. Small farm loans were not evaluated since they are not a major component of the lending portfolio.

There are no legal or financial factors which impede the bank's ability to help meet the credit needs of its assessment area. As a note, loan information for this evaluation was considered between January 1, 1996 through March 31, 1998.

## **DESCRIPTION OF AURORA NATIONAL BANK'S ASSESSMENT AREA**

ANB's assessment area consists of 678 census tracts within Kane, Kendall, DuPage, and portions of Will and Cook Counties. All of the previous mentioned counties are within MSA 1600. The assessment area includes the bank's main office, branches, automated teller machines, as well as the surrounding geographies where ANB has originated or purchased a substantial portion of its loans. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The economy in the Aurora area has remained stable over the past several years. Since the inception of river boat gambling, the downtown Aurora area has somewhat benefited from increased customer traffic which sparked the opening of new restaurants, specialty stores, and retail shops. However, downtown businesses have struggled with some closing due to a lack of customer interest and lost business to the new restaurants and shops opening within the casino complex. The east-west tollway corridor, located on the north side of Aurora, continues to expand. The business community is not concentrated in a single industry. The area is characterized by medium to large office buildings, light industrial, and scientific research facilities.

The median family income of the bank's assessment area is \$55,800. Four various income levels are based upon the median family income, which are titled low<sup>2</sup>-, moderate<sup>3</sup>-, middle<sup>4</sup>-, and

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<sup>1</sup>Small Business loan means a loan with original amounts of \$1 million or less.

<sup>2</sup>Low-income means an income that is less than 50% of the median family income.

<sup>3</sup>Moderate-income means an income between 50 and 80% of the median family income.

<sup>4</sup>Middle-income means an income between 80 and 120% of the median family income.

upper<sup>5</sup>-income. These income levels are footnoted below and will be used throughout this evaluation. Based on the median family income level, 1% and 10% of the total census tracts in the assessment area are designated as low- and moderate-income, respectively. The total number of families living in the assessment area are 921,851 of which 1% and 7% of the families are classified as low- and moderate-income, respectively.

Other income characteristics of the assessment area are as follows:

<b>Aurora National Bank Census Tract Characteristics Table 1</b>				
Census Tract Income Level	# of Census Tracts	% of Total Census Tracts	# of Families	% of Families by Income Level
Low-Income	10	1%	7,262	1%
Moderate-Income	65	10%	64,648	7%
Middle-Income	364	54%	493,317	54%
Upper-Income	231	34%	356,588	39%
*N/A	8	1%	0	0%
<b>Total</b>	<b>678</b>	<b>100%</b>	<b>921,815</b>	<b>100%</b>

Source: 1990 U.S. Census Bureau data

\*N/A= 8 census tracts in the assessment area were not classified by income level during the 1990 Census.

Many financial institutions serve the assessment area. According to 1996 HMDA information, there were 798 financial institutions who originated real estate mortgages in the bank's assessment area. Some of the institutions located in the assessment area are branches of large regional and money center banks. There are few banks in the assessment area that are of similar asset size or who have the same business strategy as ANB.

Comments from the local community were used to assess the bank's efforts to help meet the credit needs of the area. In general, members of the community indicated that affordable real estate loans are the greatest need at this particular time.

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<sup>5</sup>Upper-income means an income that is 120% or more of the median family income.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

- **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

*ANB’s overall distribution of HMDA and consumer loans among borrowers of different income levels and to businesses of different sizes is good.*

ANB’s mortgage lending to low- and moderate-income persons is good in relation to the percentage of low- and moderate-income persons in the assessment area as conveyed in Tables 1 and 2. As shown below, 18% of the bank’s HMDA loans were to low-income individuals and 30% were to moderate-income individuals. This compares favorably to the percentage of low- and moderate-income families which is 1% and 7%, respectively.

A borrower distribution analysis of consumer loans was performed. The analysis was based on a 20% sample of total consumer loans originated between January 1996 and March 31, 1998. Based on the sample, ANB originated a very large percentage (71%) of their consumer loans to low- and moderate-income individuals. This demonstrates strong performance considering that 8% of the population in ANB’s assessment area are low- and moderate-income persons.

<p style="text-align: center;"><b>Aurora National Bank</b>  <b>Lending to Borrowers of Different Incomes</b>  <b>HMDA Loans and Consumer Loans</b>  <b>Table 2</b></p>								
Applicant Income Level	HMDA				Consumer			
	#	%	\$000's	%	#	%	\$000's	%
Low	80	18%	1,995	12%	23	41%	83	20%
Moderate	131	30%	3,355	21%	17	30%	116	29%
Middle	124	29%	4,964	31%	9	16%	91	22%
Upper	83	19%	5,372	33%	6	11%	42	10%
N/A*	17	4%	370	2%	1	2%	75	19%
Total	435	100%	16,056	100%	56	100%	407	100%

Source: 1996, 1997, & 1998 HMDA Loan Application Registers, and bank generated reports.  
N/A\*=Income of borrower was not available.

The bank’s lending to businesses of different sizes is good. As shown in Table 3, 57% of ANB’s business loans have origination amounts of less than \$100,000. This indicates that ANB is making small dollar loans to the businesses inside their assessment area. In addition, a sample of 20% of ANB’s business loans was used to determine the bank’s performance in

lending to very small businesses. The sample revealed that a very large portion (approximately 94%) of ANB's loans are to businesses with gross annual revenues less than \$1 million.

Aurora National Bank Lending to Businesses of Different Sizes Table 3				
Origination Amount	#	%	\$000's	%
\$0 to \$100,000	50	57%	2,012	12%
\$100,00 to \$250,000	18	20%	3,426	20%
\$250,00 to \$500,000	13	15%	4,969	30%
\$500,000 to \$1,000,000	7	8%	6,395	38%
Total	88	100%	16,802	100%

Source: Bank generated reports

- **Geographic Distribution of Loans**

*The dispersion of ANB's loans in the assessment area is satisfactory in relation to the demographics of the defined area.*

Table 4 displays the geographic distribution of the bank's home mortgage loans. Specifically, it shows that the percentage of loans originated in low- and moderate-income tracts exceeds the percentage of census tracts which are designated as low- and moderate-income. And, the table also shows that the opportunity to make home loans in the low- and moderate-income census tracts in the assessment area is relatively low, yet the bank managed to penetrate these areas with home loans. For instance, ANB originated 126 or 29% of its HMDA loans in moderate-income census tracts. Their lending performance in the moderate-tracts is considered very good in comparison to 10% of the census tracts in the assessment area being classified as moderate-income and only 5% of the owner occupied units are in the moderate-income areas.

<b>Aurora National Bank Geographic Distribution HMDA Loans Table 4</b>						
Census Tract Income Level	#	%	\$000's	%	Distribution of Census Tracts	Distribution of Owner Occupied Units
Low	15	3%	522	3%	1%	0%
Moderate	126	29%	3,205	20%	10%	5%
Middle	224	51%	7,715	48%	54%	53%
Upper	70	16%	4,614	29%	34%	42%
N/A*	0	0%	0	0%	1%	0%
<b>Total</b>	<b>435</b>	<b>100%</b>	<b>16,056</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: 1996, 1997, and 1st quarter 1998 HMDA Loan Application Registers.

\*N/A=There are 8 census tracts that are not classified by income-level.

ANB's geographic distribution of consumer loans in the low- and moderate-income census tracts, particularly 26% in the moderate-income areas, is good. The level of lending in these areas compares favorably to the percentage of census tracts and families in the low- and moderate-income areas as exhibited earlier in Table 1.

<b>Aurora National Bank Geographic Distribution Consumer Loans Table 5</b>				
Census Tract Income Level	#	%	\$000's	%
Low	17	4%	283	3%
Moderate	126	26%	953	12%
Middle	233	48%	3,633	45%
Upper	106	22%	3,275	40%
N/A*	0	0%	0	0%
<b>Total</b>	<b>482</b>	<b>100%</b>	<b>8,174</b>	<b>100%</b>

Source: Bank generated reports.\*N/A=There are 8 census tracts that are not classified by income-level.

ANB's lending to small businesses in the low- and moderate-income census tracts is favorable. A comparison of loans originated in the low- and moderate-income areas to the distribution of businesses and census tracts is provided in Table 6. The table displays that approximately 25% of ANB's small business loans were originated in low- and moderate-income areas while only 7% of the businesses are located there and only 11% of the census tracts in the bank's assessment area are classified as such.

Aurora National Bank Geographic Distribution Small Business Table 6							
Census Tract Income Level	Small Business				Distribution of Businesses		Distribution of Census Tracts
	#	%	\$000's	%	#	%	
Low	15	17%	1,278	8%	1,100	1%	1%
Moderate	7	8%	232	1%	7,248	6%	10%
Middle	40	45%	9,571	57%	67,297	54%	54%
Upper	26	30%	5,721	34%	49,094	39%	34%
N/A*	0	0%	0	0%	90	0%	1%
Total	88	100%	16,802	100%	124,829	100%	100%

Source: 1990 U.S. Census Data, Dun and Bradstreet, and Bank generated reports.

\*N/A=There are 8 census tracts that are not classified by income-level; although, businesses do operate in those areas.

- **Loan to Deposit Ratio**

*ANB's loan-to-deposit ratio is reasonable in light of information from the performance context including, the bank's capacity to lend, their business strategy, demographic and economic factors as explained in the "Description of Assessment Area", and the lending opportunities available in ANB's assessment area.*

The last CRA review was performed as of December 20, 1995. The average quarterly loan to deposit ratio since that time through the first quarter of 1998 is 76.24%. This ratio is calculated by dividing the bank's net loans by its total deposits. You may refer to the bank's public file for additional support.

- **Lending in the Assessment Area**

*The percentage of ANB’s home mortgage, small business, and consumer loans inside the bank’s assessment area is reasonable.*

Using HMDA data and other reports generated by management of ANB, an analysis of the extent of lending inside and outside of the assessment area was performed. Based on this information, 44% of the number and 60% of the dollar amount of loans are in the assessment area. The percentage of loans inside is considered reasonable based on the business strategy of the bank, the location of ANB’s branches, the volume of third party/indirect loans, and the bank’s loan activity through ANBFS as explained in the “Description of Institution” section of this evaluation. However, as noted in Table 7, the bank’s analysis did not include auto indirect loans, purchased auto indirect loans, and other purchased secured personal loans. Based on discussions with bank management and further analysis, excluding these loan types from the consumer portfolio does not materially impact the overall level of loans inside the assessment area.

<b>Aurora National Bank Loans Inside the Assessment Area Table 7</b>						
Type of Loan	# Inside	# Outside	% Inside	\$000's Inside	\$000's Outside	% of \$000's Inside
HMDA	435	1,156	27%	\$16,056	\$22,016	42%
Small Business	88	16	85%	\$16,802	\$2,118	89%
Consumer*	482	123	80%	\$8,174	\$3,080	73%
<b>Total Loans</b>	<b>1,005</b>	<b>1,295</b>	<b>44%</b>	<b>\$41,032</b>	<b>\$27,214</b>	<b>60%</b>

Source: 1996, 1997, and 1st quarter 1998 HMDA Loan Application Register, Bank generated reports.

\* Consumer Loans does not include indirect auto loans. The number and dollar amount of these loans was not available.

- **Responses to Complaints**

*There were no complaints about the bank’s performance in helping to meet the credit needs of its assessment area.*

**Compliance with Anti-Discrimination Laws:**

ANB is in compliance with the substantive provisions of the anti-discrimination laws and regulations. The bank's policies, procedures, and training programs with respect to the fair lending regulations are effective. The bank, however, is in violation of the HMDA due to the high number of errors with the 1997 data as stated in the "Description of the Institution" section of this evaluation.