



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**February 03, 2003**

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

**La Salle National Bank  
Charter Number 2503**

**105 Marquette Street  
La Salle, IL 61301**

**Comptroller of the Currency  
Chicago West Field Office  
85 West Algonquin Road, Suite 340  
Arlington Heights, IL 60005**

**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.**

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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 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 La Salle National Bank, La Salle, Illinois, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 3, 2003. The agency rates the Community Reinvestment Act 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.**

The major factors that support La Salle National Bank's rating include:

- The loan to deposit ratio is reasonable.
- The bank makes a majority of its loans in its assessment area.
- The bank's distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank's geographic distribution of loans to businesses is excellent. The geographic distribution of loans to individuals is reasonable.

## DESCRIPTION OF INSTITUTION

La Salle National Bank (La Salle N B) is a \$129 million intrastate financial institution headquartered in La Salle, Illinois. La Salle N B is a subsidiary of La Salle Bancorp, Inc., a one-bank holding company also headquartered in La Salle, Illinois. The main office is located in downtown La Salle with one full service office in Peru, Illinois. Each facility has an automated teller machine (ATM). As of September 30, 2002, La Salle N B had approximately \$72 million in outstanding loans and a net loan-to-deposit ratio of 63 percent.

Since our last CRA examination, the bank closed its Marquette Road branch located in Peru, IL. This branch was located in an upper-income Block Numbering Area (BNA). This office was consolidated into the Venture Drive Branch, also located in Peru, IL. The decision to consolidate the offices was based on profitability. In addition, the Venture Drive branch is less than two miles from the Marquette branch.

The bank also closed two ATMs. One ATM was at the Dixie Truck Stop located in Peru, Illinois, in a middle-income BNA. The other was at the SBK Amoco Service Station in Oglesby, IL. This was located in an upper-income BNA. Both ATMs were closed during 2000 as they were not profitable.

The bank's gross loan portfolio consisted of the following\*:

Loan Category	\$(000s)	Percent
Agriculture Loans	\$ 863	1.23
Commercial Loans	\$17,680	25.27
Commercial Real Estate Loans	\$26,306	37.60
Consumer Loans	\$5,059	7.23
Residential Real Estate Loans	\$20,054	28.67
<b>Total Gross Loans</b>	<b>\$69,962</b>	<b>100.00</b>

\* From the 12/31/02 call report.

In 1997 there was a change of ownership. Prior to 1997, the bank's focus was on consumer loans. When ownership changed, a strategic business decision was made to focus on commercial loans with a particular emphasis on small business loans.

The last public evaluation was dated January 15, 1998. The bank received a "satisfactory" rating.

There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank has one assessment area, which is comprised of seven Block Numbering Areas (BNAs). The assessment area includes the western and central sections of La Salle County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The total population of the assessment area is 25,923 based on 1990 census data. The assessment area contains seven geographies, with no low-income, one moderate-income (14.29 percent), five middle-income (71.43 percent), and one upper-income (14.29 percent). The 1990 median family income of the assessment area is \$32,600 and the 2000 HUD adjusted median family income is \$46,700. The assessment area contains 17.65 percent, 17.68 percent, 22.28 percent and 42.39 percent of low-, moderate-, middle- and upper-income families, respectively. Eighty nine percent of the housing in the assessment area are 1-4 family units with 70 percent owner-occupied. The median home value is \$45,131.

As of December 2002, the unemployment rate for La Salle County was 8.8 percent as compared to the state of Illinois average rate of 6.3 percent. Major local employers are J.C. Whitney and Company, Sauer-Danfoss Corporation, and Carus Chemical Company.

The bank's primary competition consists of national and state chartered financial institutions, savings and loan associations and credit unions. According to the Federal Deposit Insurance Corporation database, as of June 30, 2002, twenty-two banks and savings associations operate sixty-one locations in La Salle County with deposits totaling \$2 billion. La Salle N B deposits totaled \$114 million.

We conducted one community contact interview during our evaluation. Our contact was with a local chamber of commerce and economic development group. This contact stated that the area could benefit from the building of affordable housing. The contact felt that local institutions would be supportive of such endeavors.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation of the bank's lending performance is based upon the review of its residential real estate and commercial loans, as these are the bank's primary lending products. To review these loans, we took a sample of twenty loans of each type made during 2001 and 2002.

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

The bank's loan-to-deposit (LTD) ratio is reasonable. The quarterly average LTD ratio since the last evaluation is 60.32 percent. The quarterly average LTD ratio of peer banks during the same period ranged from 66 percent to 77 percent, with an average ratio of 69 percent. The peer bank group consisted of small community banks located in the bank's assessment area.

La Salle N B's LTD ratio is lower than peers. Prior to 1997, the bank's main lending focus was on consumer lending. As such, the bank was making smaller loans. Since 1997, the bank focus shifted

to commercial lending and the dollar value of loans increased. To illustrate, at September 30, 1997, the bank's loan-to-deposit ratio was 43 percent. As of September 30, 2002, the bank's LTD ratio increased to 63 percent.

### **Lending in Assessment Area**

La Salle N B's lending in its assessment area is reasonable. A majority of the bank's loans are originated in its assessment area. The following table details the bank's lending within the assessment area by number of loan originations and dollar volume. This is based on a sample of twenty commercial loans and twenty real estate loans made during 2001 and 2002.

<b>Loans Originated in Assessment Area</b>						
<b>Loan Type</b>	<b># in ASSESS-MENT AREA</b>	<b>\$ in ASSESS-MENT AREA</b>	<b>Total #</b>	<b>Total \$</b>	<b>Percent # in ASSESS-MENT AREA</b>	<b>Percent \$ in ASSESS-MENT AREA</b>
		000 omitted		000 omitted		
<b>Business/Commercial</b>	11	\$593	20	\$2,628	55%	22.56%
<b>Real Estate Mortgages</b>	12	\$1,075	20	\$1,661	60%	64.72%

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

#### **Real Estate Mortgages**

We sampled twenty loans, eighteen home purchase and two refinance, made during 2001 and 2002 to determine the extent of the bank's loans to borrowers of different income levels in its assessment area. La Salle N B's lending performance to borrowers of all income levels is reasonable.

The following table reflects the number and dollar of mortgage loans by borrower income within the assessment area as determined by our sample.

<b>Borrower Characteristics by Income</b>	<b># of Loans</b>	<b>Percent of Total</b>	<b>\$(000) of Loans</b>	<b>Percent of Total</b>	<b>Percent of Families by Income</b>
Low-Income	0	0%	0	0	17.65%
Moderate-Income	4	20%	\$ 203	12.63%	17.68%
Middle-Income	7	35%	\$ 504	31.34%	22.28%
Upper-Income	9	45%	\$ 901	56.03%	42.39%
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>\$1,608</b>	<b>100%</b>	<b>100%</b>

As noted in the table, La Salle N B did not originate any home purchase loans to low-income families. We gave consideration to the high poverty level (12 percent) within the assessment area and the impact this has on the ability to afford a home. La Salle county's unemployment rate is high at 8.8 percent as compared to the state of Illinois at 6.3 percent.

The bank did an excellent job of lending to moderate-income borrowers. The table above indicates that the bank extended 20 percent of its loans to moderate-income borrowers. Seventeen percent of the families in the assessment area are moderate-income.

**Commercial Loan Originations:**

La Salle N B is doing a reasonable job of lending to businesses of different sizes. The following table reflects the number and dollar amount of business loans by revenues based on the sample of twenty commercial loans in the bank’s assessment area. There were two loans totaling \$229,245 that did not have gross revenue information available.

Lending to Businesses of Different Sizes								
Revenue Ranges	\$1 Million or Less				Greater than \$1 Million			
	#	percent	\$ (000s)	percent	#	percent	\$ (000s)	Percent
<b>Total</b>	11	55.00	474	24.46	7	35.00	1,234	63.73

In the bank’s assessment area, 82 percent of the businesses generate revenues less than one million dollars. La Salle N B’s loans to these small businesses are 55 percent as noted in the table above. The bank only recently began emphasizing commercial lending. Their recent strategic change combined with significant competition in the area made it difficult for the bank to have a more significant market share.

**Geographic Distribution of Loans**

There is no low-income Block Numbering Area (BNA) in La Salle N B’s assessment area. There is one moderate-income BNA. Within this BNA, our sample showed that there were no real estate loans granted.

Our sample consisted of eighteen home purchase and two refinance loans. Only 8 percent of the owner occupied units in the bank’s assessment area are located within this BNA. In addition, there were 53 lenders that made 117 home mortgage related transactions in this BNA during 2001. Competition for these loans is very strong from small community banks as well as large regional institutions and mortgage companies. The opportunity for La Salle N B to make home loans in this BNA is difficult.

Nineteen percent of all the small businesses in the assessment area are in this one moderate-income BNA. The bank granted six commercial loans or 30 percent of our sample taken in this area, significantly exceeding the level of small businesses represented by this BNA. Total dollars extended in this BNA was \$102,000 or 5 percent of the total dollars extended in its assessment area.

**Responses to Complaints**

La Salle N B has not received any written complaints about its performance in helping to meet the credit needs within its assessment area during this evaluation period.

## **Fair Lending Review**

We performed an analysis of the most recent public comments and consumer complaint information, according to the OCC's risk-based fair lending approach. Our review did not identify any fair lending issues or concerns.