



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 29, 2007

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

Hometown National Bank  
Charter Number: 2503

260 Bucklin Street  
La Salle, IL 61301

Office of the Comptroller of the Currency

Chicago North  
85 West Algonquin Road Arlington Place, 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.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The following are the primary factors supporting this rating.

- The bank's loan-to-deposit ratio is satisfactory given its size, financial condition, and assessment area credit needs.
- A majority of bank's loans by number (65%) and by dollar amount (74%) are made within the bank's assessment area.
- The borrower distribution of loans reflects excellent penetration among individuals at different income levels and businesses of different sizes.
- Geographic distribution is reasonable.
- There have been no Community Reinvestment Act consumer complaints against the bank.

## **SCOPE OF EXAMINATION**

The Community Reinvestment Act (CRA) examination included an analysis of commercial loans and home mortgages that originated or were purchased from January 1, 2005 through September 30, 2007. The commercial loans sampled consisted of all loan types including commercial real estate with originating balances of \$1 million or less. The home mortgages sampled included 1<sup>st</sup> and 2<sup>nd</sup> liens, home equity, and installment loans with the purpose of purchase, refinance, or home improvements.

## **DESCRIPTION OF INSTITUTION**

Hometown National Bank (HNB) is a community bank located in LaSalle, Illinois with approximately \$154 million in assets as of September 30, 2007. HNB is a wholly owned subsidiary of LaSalle Bancorp, Inc., a one bank holding company, also headquartered in LaSalle, Illinois and as of December 31, 2006 had total assets of \$150 million.

HNB has three bank locations. Since the last CRA examination, the bank relocated its main office in LaSalle, Illinois from Marquette Street to a new building on Bucklin Street and opened a new branch in Joliet, Illinois. The third branch is located in Peru, Illinois. All bank offices provide full banking services and have deposit-taking Automated Teller Machines (ATMs). Drive-up capabilities are available at all bank offices except at the Joliet location. The main office and branches are all located within the assessment area. The bank's primary focus is commercial lending concentrating on growth in the Joliet market area.

As of September 31, 2007, HNB had approximately \$109 million in outstanding loans with net loans to average assets of 69%. Total deposits are \$134 million and represent 86% of average assets. Tier 1 capital was reported at \$13 million. The gross loan portfolio consists of the

following;

<b>Loan Mix</b>	<b>Dollar Amt (000's)</b>	<b>% of Average Gross Loans</b>
Commercial Loans (includes Comm RE)	74,051	67.75
Residential Real Estate Loans (1 <sup>st</sup> & 2 <sup>nd</sup> liens, Home Equity Lines of Credit)	29,779	27.25
Consumer Loans (auto, credit cards, I/L, misc)	3,345	3.06
AG Loans (real estate & farm production)	2,119	1.94
<b>Gross Loans &amp; Leases</b>	<b>109,294</b>	<b>100.00</b>

There are no legal, financial, or other factors that would hinder the bank's ability to help meet the credit needs in its assessment area. HNB received a "Satisfactory" rating at its prior CRA examination performed on February 3, 2003.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area (AA) is located in northern Illinois and consists of two areas, a small portion in Will County in the Chicago-Naperville-Joliet Metropolitan Division (MD) (16974) and a section of LaSalle County in a non-Metropolitan Statistical Area (MSA). The bank's entire AA contains 41 census tracts, a change since the last CRA exam, when the AA included only 7 census tracts in LaSalle County. Of the 41 census tracts in the AA, 1 (2%) is low-income, 12 (29%) are moderate-income, 22 (54%) are middle-income, and 6 (15%) are upper-income census tracts. It also contains all 3 of the bank's branches, as well as the majority of the bank's deposit and loan activity. Although the two AAs are not adjacent to one another, each is contiguous and contains whole census tracts. The bank's entire AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The Department of Housing and Urban Development (HUD) estimates median family incomes for the year 2007 for HNB's AA to be \$66,439. There are 53,754 families in the AA, of which 18% are considered low-income, 20% are moderate-income, 26% are middle-income, and 36% are upper-income families.

With the softening of the real estate market, local housing demand has slowed. The 2000 US census bureau data reports there are 79,879 housing units in the bank's AA. Of these, 70% are owner-occupied units, 25% are rental-occupied units, and 5% are vacant housing units.

The local economy is stable. Based on 2007 business geodemographic data for the bank's AA, leading industries include services businesses (36%), retail trade (17%), construction (10%), and Finance, Insurance, & Real Estate (7%). Major employers in the AA include Illinois Valley Community College, Illinois Valley Community Hospital, Walmart Distribution Center, and several factories; Metokote, Eakas, and Unityte Corporations.

Competition within the AA is strong. Including HNB, there are 30 financial institutions serving the bank's entire market area. First Midwest Bank has the highest deposits, holding 23% of the deposit market share. HNB holds approximately 4% of the market shares of deposits, ranking

sixth in its entire AA.

### **Will County AA**

The Will County AA is comprised of 34 of the 82 census tracts in the county and is located in the Western portion of the county bounded by Grundy and Kendall Counties on the West, and Will County on the North, East, and South. Of the 34 census tracts in the AA, 1 (3%) is low-income, 11 (32%) are moderate-income, 17 (50%) are middle-income, and 5 (15%) are upper-income census tracts. The Joliet, Illinois branch and 1 ATM are located in this AA.

The 2007 HUD median family income estimate for the Chicago-Naperville-Joliet MSA is \$69,700. There are 46,845 families in the AA, of which 19 % are considered low-income, 20% are moderate-income, 26% are middle-income, and 35% are upper-income families.

Housing units in the Will County AA total 68,241. Of these, 71% are owner-occupied units, 24% are rental-occupied units, and 5% are vacant housing units.

Leading industries in the Will County AA are services businesses (36%), retail trade (16%), construction (11%), and finance, Insurance & Real Estate (7%). The unemployment rate for the county as of September 2007 was 4.5%, lower than both the nation's unemployment rate of 4.7% and the State of Illinois rate of 5.1%.

In the Will County AA, there are 24 financial institutions serving the community. HNB is ranked eighteenth holding less than one percent of the market share of deposits. Three large institutions hold 50% of the market share of deposits with First Midwest Bank having the largest market share, holding 23% of the deposits. Fifteen of the banks in the AA hold 1% or less of the deposit market share.

### **LaSalle County AA**

The LaSalle County AA contains 7 out of the 27 census tracts in the county and is located in the Western portion of the county bordering Putnam and Bureau Counties on the West, and Will County on the North, East, and South. Of the 7 census tracts in the bank's AA, 0 (0%) are low-income, 1 (14%) is moderate-income, 5 (72%) are middle-income and 1 (14%) is upper-income census tracts. Two of the bank's offices, the main office in LaSalle, Illinois and the Peru, Illinois branch, and 2 ATMs are located in this AA.

The 2007 HUD median family income estimates for the LaSalle County AA is \$50,600. There are 6,909 families in the AA, of which 17 % are considered low-income, 18% are moderate-income, 22% are middle-income, and 43% are upper-income families.

The 2000 US census bureau data reports there are 11,638 housing units in the LaSalle County AA. Of these, 67% are owner-occupied units, 26% are rental-occupied units, and 7% are vacant housing units.

Based on 2007 business geodemographic data for the AA, industry industries are services businesses (34%), retail trade (21%), and finance, insurance, & real estate (7%). The unemployment rate for the county as of September 2007 was 5.3% higher than both the nation's unemployment rate of 4.7% and the State of Illinois rate of 5.1%.

Of the 10 financial institutions serving the LaSalle County AA, HNB holds 15% of the deposit share, ranking third in the AA. Eureka Savings Bank has the largest deposit base at 27%.

We conducted two community contacts one from each of the Will County and LaSalle AAs. Both contacts indicated that local banks do a good job of meeting community needs. They also stated that local banks can meet the needs of the community by providing residential home mortgages for low- and moderate-income individuals.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-deposit ratio

HNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average loan-to-deposit ratio is 62% and is based on data from 21 consecutive quarters that range from September 30, 2002 through September 30th, 2007. When compared to 4 peer banks ranging in ratios from 62%-81%, HNB ranks last. Over the last 7 quarters HNB's loan-to-deposit ratio has increased to 74%. This compares favorably to peers during this time frame with peer performance ranging from 66% to 85%. The reasons for the lower loan-to-deposit ratio include strong competition in the bank's AA with 30 institutions competing for loan activity. Since the last CRA examination, the bank changed its business strategy to grow the loan portfolio.

### Loans in Assessment Area

HNB originates the majority of its loans to borrowers inside its AA. Our analysis was performed by analyzing a total of 40 loans including 20 home mortgages and 20 commercial loans that originated during the evaluation period (the years of 2005, 2006, and September 30, 2007).

The bank's record of lending within its AA is reasonable. Approximately 65% by total number and 74% by total dollar volume of loans were made to borrowers located within the bank's AA.

TOTAL LOANS REVIEWED										
Loan Type	In Assessment Areas				Out of Assessment Areas				Totals	
	#	% of #	\$\$ (000s)	% of \$\$	#	% of #	\$\$ (000s)	% of \$\$	#	\$
Home Mortgages	13	65.00%	1,665	71.21%	7	35.00%	673	28.79%	20	2,338
Commercial Loans	13	65.00%	3,419	75.47%	7	35.00%	1,111	24.53%	20	4,530
<b>GRAND TOTAL</b>	<b>26</b>	<b>65.00%</b>	<b>5,084</b>	<b>74.02%</b>	<b>14</b>	<b>35.00%</b>	<b>1,784</b>	<b>25.98%</b>	<b>40</b>	<b>6,868</b>

Source: Bank records-loans originated in 2005, 2006 & 2007 (verified by examiners)

- (1) Represents home purchase, refinance, home improvement, 1<sup>st</sup> liens, 2<sup>nd</sup> liens, and home equity loans.
- (2) Represents all commercial loan types including real estate.

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

Borrower distribution is excellent, with the bank meeting the community needs of making loans to borrowers at all income levels. Below highlights the findings for each of the lending areas reviewed.

**Home Mortgages:**

The distribution of home mortgages to borrowers of various income levels is excellent.

**Will County AA**

Lending to borrowers of various income levels is excellent, exceeding or meeting demographics to low and moderate-income individuals.

**LaSalle County AA**

The bank makes fewer home mortgages to low-income individuals as compared to demographics. When noting that 10% of the households in the AA live below poverty level making it difficult to qualify for a loan, the distribution is good. Extension of home mortgages to moderate-income individuals by number is excellent, exceeding community demographics.

<b>Borrower Distribution of Home Mortgages</b>						
Borrower Income Levels	Will County			LaSalle County		
	#	% of #	% of families in AA	#	% of #	% of families in AA
Low	5	25	18.41	2	10	16.79
Moderate	4	20	20.20	4	20	17.73
Middle	3	15	26.26	0	0	21.78
Upper	8	40	35.13	14	70	43.70
Total	20	100	100.00	20	100	100.00

Source: Bank records-loans originated in 2005, 2006 & 2007 (verified by examiners)

**Business Loans:**

Distribution of loans to businesses of various income levels is excellent. In Will County, the bank's lending both by number and dollar volume is excellent, exceeding community demographics. Distribution of commercial loans in LaSalle County is also excellent, far exceeding business demographics by number. It does fall short when comparing by dollar volume.

Borrower Distribution of Commercial Loans										
Gross Annual Revenue	Will County-Chicago-Naperville-Joliet MSA					LaSalle County-Non-MSA				
	#	% of #	\$ (000's)	% of \$ (000's)	Business Data	#	% of #	\$ (000's)	% of \$ (000's)	Business Data
<= \$1 million	17	85.00%	5,234	88.01%	67.95%	15	75.00%	1,275	48.65%	61.47%
> \$1 million	3	15.00%	713	11.99%	5.40%	5	25.00%	1,346	51.35%	6.14%
Revenue unavailable	-	0.00%	-	0.00%	26.65%	-	0.00%	-	0.00%	32.39%
<b>Total</b>	<b>20</b>	<b>100.00%</b>	<b>5,947</b>	<b>100.00%</b>	<b>100.00%</b>	<b>20</b>	<b>100.00%</b>	<b>2,621</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Bank records-loans originated in 2005, 2006 & 2007 (verified by examiners)

## Geographic distribution

Lending in low- and moderate-income geographies is reasonable.

## Home Mortgages

Geographic distribution for home mortgages is satisfactory. A review of LaSalle County's geographic distribution of home mortgages is not meaningful. There are no low-income geographies. In the one moderate-income geography, there are only 508 owner occupied housing units.

## Will County AA

The bank's lending to individuals in various income-level geographies is excellent. The bank's lending in the moderate-income geographies meets the demographics. With approximately 50% of the households living below the poverty level in moderate-income tracts, making their ability to obtain loans limited, distribution is excellent. In the one low-income geography, the bank did not extend any home mortgages. However, with only 320 owner-occupied housing units in the geography, extension of home mortgages in this area is difficult.

Geographic Distribution of Home Mortgages			
Will County			
Tract Income Level	#	% of #	% of owner occupied
Low	0	0	.67
Moderate	3	15	16.41
Middle	11	55	54.33
Upper	6	30	28.59
Total	20	100%	100%

## **Commercial Loans**

Lending to small businesses in various income geographies is satisfactory.

### **Will County AA**

The bank's lending in moderate-income geographies both by number and dollar volume falls short of demographic data. The only branch in this AA recently opened in the first quarter of 2006, and over 75% of the small businesses in the AA are located in the middle- and upper-income geographies. Geographic distribution analysis in the one low-income tracts is not meaningful as it only contains 43 small businesses..

### **LaSalle County AA**

The bank does an excellent job lending to small businesses in the moderate-income geographies, exceeding demographics both by number and dollar volume. The LaSalle County AA has no low-income tracts.

<b>Geographic Distribution of Commercial Loans</b>										
<b>Tract Income Level</b>	<b>Will County-Chicago-Naperville-Joliet MSA</b>					<b>LaSalle County-Non-MSA</b>				
	<b>#</b>	<b>% of #</b>	<b>\$ (000's)</b>	<b>% of \$ (000's)</b>	<b>% of Business</b>	<b>#</b>	<b>% of #</b>	<b>\$ (000's)</b>	<b>% of \$ (000's)</b>	<b>% of Business</b>
Low	-	0.00%	-	0.00%	0.63%	-	0.00%	-	0.00%	0.00%
Moderate	3	15.00%	910	15.30%	24.66%	8	40.00%	664	25.33%	16.12%
Middle	10	50.00%	2,839	47.74%	48.12%	8	40.00%	1,166	44.49%	62.17%
Upper	7	35.00%	2,198	36.96%	26.59%	4	20.00%	791	30.18%	21.71%
<b>Total</b>	<b>20</b>	<b>100.00%</b>	<b>5,947</b>	<b>100.00%</b>	<b>100.00%</b>	<b>20</b>	<b>100.00%</b>	<b>2,621</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Bank records (verified by examiners) and U.S. Census Data (2000)

## **Responses to Complaints**

HNB has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

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

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