



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 12, 2004**

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

**First National Bank of LaGrange  
Charter Number 13941**

**60 West Burlington Avenue  
LaGrange, Illinois 60525**

**Comptroller of the Currency  
ADC – Chicago-South Field Office  
7600 Country Line Road, Suite 3  
Burr Ridge, IL 60527**

**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 CRA performance of **First National Bank of LaGrange (FNB LaGrange)** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of July 12, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation covers the period since April 27, 1998, the date of the last CRA examination when the bank was rated "**Outstanding Record of Meeting Community Credit Needs.**"

## INSTITUTION'S CRA RATING

**INSTITUTION'S OVERALL CRA RATING:** This institution is rated: **Outstanding.**

The major factors that support FNB LaGrange's overall rating include:

- The bank's loan to deposit ratio is reasonable.
- The bank's lending activity in the AA is reasonable.
- The bank's record of extending credit to individual's of different income levels is reasonable.
- Community development loans, investments, and services have significantly enhanced the bank's CRA performance during this evaluation period.
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within their AA during this evaluation period.

## DESCRIPTION OF INSTITUTION

FNB LaGrange is headquartered in LaGrange, Illinois, approximately 15 miles west of Chicago, Illinois. F.N.B.C. of LaGrange, Inc. (F.N.B.C.) wholly owns FNB LaGrange. F.N.B.C. is located and headquartered in LaGrange, Illinois. FNB LaGrange does have one state charter affiliate, State Bank of Illinois located in West Chicago, Illinois.

The bank operates one full service office and two branch offices. The main office, located in LaGrange, has a drive-up facility, and two automated teller machines (ATMs). The two branch offices are located in Western Springs, Illinois and LaGrange Park, Illinois. Both branch locations have ATM services. The bank's main office and the Western Springs branch are full-service facilities and offer a full range of traditional banking products. The LaGrange Park branch offers limited depository services.

The bank has total assets of \$195 million as of March 31, 2004. The loan portfolio represents 64 percent of total assets. The table below illustrates the composition of the loan portfolio. As of year-end 2003, the bank had annual asset growth of 8 percent and loan growth of 8 percent.

<b>Loan Category</b>	<b>\$(000)</b>	<b>Percent</b>
<b>Residential Loans</b>	\$ 94,712	74.11%
<b>Commercial Loans</b>	\$ 29,836	23.35%
<b>Individual Loans</b>	\$ 2,477	1.94%
<b>Other</b>	\$ 776	0.61%
<b>Total</b>	<b>\$127,801</b>	<b>100%</b>

Significant competition exists in the bank's market area. Many of the bank's competitors are large regional institutions, credit card banks, and mortgage brokers; thus, competition for lending opportunities is strong. The bank is primarily a residential real estate lender.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in the bank's assessment areas. There has been no change in the bank's corporate structure since the last CRA examination.

## DESCRIPTION OF ASSESSMENT AREA

FNB LaGrange has one assessment area (AA) that comprises a small portion of the Chicago metropolitan area (MA) 1600. The AA consists primarily of LaGrange, LaGrange Park, Lyons, Hinsdale, Hodgkins, Countryside, Western Springs, and Willowbrook. This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Census 2000 changed the boundaries and income levels of many existing geographies, and created some new geographies. These changes were effective January 1, 2003. The evaluation period included loans originated from January 1, 1999 through December 31, 2002, using 1990 census data. Loans originated from January 1, 2003 through December 31, 2003 were analyzed using 2000 census data. The results of these analyses were combined to obtain an overall rating.

The total population of the AA is 148,452 based on 2000 census data. Per the 1990 census data the total population of the AA was 140,606. The current AA, based on 2000 census data, consists of 31 geographies. Eleven (35 percent) are middle-income and 20 (65 percent) are upper-income geographies. There are no low- or moderate – income geographies in the bank’s AA. Per the 1990 census data, there were twenty-nine geographies in the bank’s AA. These consisted of one (3 percent) moderate-income, 10 (34 percent) middle-income, and 18 (62 percent) upper-income geographies. There were no low- income geographies within the bank’s AA during either census period.

The median annual family income in the bank’s AA, based on 2000 census data, is \$69 thousand, compared to \$75 thousand for 1990. This is a 9 percent decrease from 1990 census data. This decrease is attributed to different methods used to arrive at median annual family income during the two census periods. The 1990 census data used an estimated figure, and the 2000 census data uses actual figures, causing what appears to be a declining trend in median annual family income. Per the 2000 census eighty-one percent of the housing in the AA is 1-4 family units with 78 percent owner-occupied. The median home value, based on 2000 census data, was approximately \$255 thousand. This is a 48 percent increase from the 1990 census where median home values were approximately \$172 thousand.

Major employers in the area include LaGrange Memorial Hospital, General Electric –Locomotive Division and many small businesses in the immediate area. The local economy is stable. The 2003 unadjusted seasonal unemployment rate for the AA was 6.3 percent. This is slightly below the 2003 State of Illinois unemployment rate of 6.7 percent and slightly above the 2003 national unemployment rate average of 6.0 percent.

We contacted a local community official. The contact indicated that the performance of local financial institutions has ranged from good to excellent with FNB LaGrange clearly in the excellent category. The credit and financial service needs are very diverse with the local community and range from the simplest to the most sophisticated needs for services and products. The local financial institutions are meeting the needs of the local community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The bank’s average loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs. As of December 31, 2003, FNB LaGrange’s quarterly average loan-to-deposit ratio for the period from June 30, 1998 to December 31, 2003 was 67 percent. The most recent loan-to-deposit ratio (March 2004) of 70 percent represents an upward trend since our last evaluation. Banks of various sizes in the AA range from an average of 64 percent to 70 percent in the loan-to-deposit ratio. FNB LaGrange is similarly situated in relationship to banks of comparable asset size within the AA.

The bank’s loan-to-deposit ratio does not include approximately \$110 million of loans sold to the secondary market between 1999-2003. In addition to the secondary market sales, the bank sold \$12 million of home mortgage loans to their affiliate, State Bank of Illinois and maintains the services for that portfolio. The bank originates, sells to the secondary market, and retains servicing of all the

home mortgage loans sold. The bank's decision to sell loans on the secondary market frees up capital allowing additional resources for lending and increases credit available to their assessment area.

### Lending in Assessment Area

FNB LaGrange's primary loan types are home mortgage (refinance and home purchase) and commercial loans. These loan types constitute a significant volume of the bank's lending mix. Residential loans comprise 74 percent of FNB LaGrange's entire portfolio and have historically been FNB LaGrange's primary loan product. The commercial loan portfolio comprises 23 percent of the bank's total loan portfolio.

FNB LaGrange's lending within the AA is satisfactory. Loans inside FNB LaGrange's AA represent over 55 percent of the number of loans sampled and 59 percent of the dollar amount. As part of our evaluation we performed a data integrity review. We found HMDA data to be accurate. CRA data was not reviewed for integrity because the bank is not subject to reporting this information. As a result we were able to rely on the bank's data and make an appropriate and accurate assessment of the bank's performance under the CRA. The following table details the bank's lending within the AA by the number of loans originated and dollar volume since its last CRA evaluation.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>Home Purchase*</b>	98	39.52%	150	60.48%	248	\$20,608	42.46%	\$27,923	57.54%	\$48,531
<b>Home Refinance*</b>	357	60.30%	235	39.70%	592	\$73,929	64.76%	\$40,225	35.24%	\$114,154
<b>Home Improve*</b>	52	62.65%	31	37.35%	83	\$ 2,553	65.65%	\$1,326	34.10%	\$3,889
<b>Total HMDA*</b>	507	54.93%	416	45.07%	923	\$97,090	58.29%	\$69,474	41.71%	\$166,564
<b>Small Business **</b>	23	57.5%	17	42.5%	40	\$6,380	78.55%	\$1,742	21.45%	\$8,122
<b>TOTAL</b>	530	55.04%	433	44.96%	963	\$103,470	59.23%	\$71,216	40.77%	\$174,686

\* Represents loans originated between January 1, 1999 and December 31, 2003 as reported under the Home Mortgage Disclosure Act.

\*\* FNB LaGrange is not a small business reporter, therefore; the geographic distribution analysis performed on the commercial portion of the portfolio is based solely on the sample size.

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

The bank's lending to borrowers of different income levels is satisfactory.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level, the unemployment rate for Cook County (7.3 percent) and for DuPage County (5.2 percent) and the high cost of housing. The average median housing cost for 1990 census was \$172 thousand and in the 2000 census it increased to \$255 thousand. The poverty level, the unemployment rate and high cost of housing are barriers that may have a negative

affect on home ownership. However, the bank exhibits a strong commitment to working with low- and moderate-income borrowers whose borrowing needs do not fit into any special lending programs. The bank has recently worked with three borrowers who do not fit into any special lending programs that totaled \$322 thousand.

**HMDA Loan Originations (January 1, 1999 – December 31, 2002)**

The borrower distribution of home purchase loans is satisfactory. Home purchase loans made to low-income borrowers are below the percentage of low-income families within the AA. Home purchase loans made to moderate-income borrowers are also below the percentage of moderate income-families within the AA. Opportunity to make home purchase loans to low- and moderate-income borrowers is limited due to the poverty level, high unemployment and high housing cost.

The borrower distribution of home improvement loans is excellent. Home improvement loans made to low-income borrowers exceeds the percentage of low-income families within the AA. Home improvement loans made to moderate-income borrowers significantly exceed the percentage of moderate-income families within the AA.

The borrower distribution of home refinance loans is satisfactory. Home refinance loans made to low-income borrowers are below the percentage of low-income families within the AA. Home refinance loans made to moderate-income borrowers is near the percentage of moderate-income families within the AA. Opportunity to make home refinance loans to low- and moderate-income borrowers is limited due to the poverty level, high unemployment and the high housing cost.

<b>Table 2a – Borrower Distribution of Residential Real Estate Loans (1999 – 2002)</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
Home Purchase*	9.21	2.78	12.18	11.11	21.98	13.89	56.64	72.22
Home Improvement*	9.21	9.52	12.18	16.67	21.98	19.05	56.64	54.76
Home Refinance*	9.21	6.49	12.18	9.73	21.98	16.22	56.64	67.57

\*Represents loans originated between January 1, 1999 and December 31, 2002 as reported under the Home Mortgage Disclosure Act.

**HMDA Loan Originations (2003)**

The borrower distribution of home purchase loans is satisfactory. The bank did not make any home purchase loans to low-income borrowers. Opportunity to make home purchase loans to low income borrowers is limited (poverty level is 3 percent), and the average median housing cost using 2000 census is \$255 thousand, therefore limiting opportunities for low income borrowers for home ownership. Home purchase loans made to moderate-income borrowers greatly exceed the percentage of moderate income-families within the AA.

The borrower distribution of home improvement loans is satisfactory. Home improvement loans made to low- income borrowers exceed the percentage of low- income families within the AA. The bank did not make any home improvement loans to moderate- income borrowers.

The borrower distribution of home refinance loans is adequate. Home refinance loans made to low-income and moderate-income borrowers are below the percentage of low-income and moderate-income families within the AA. Three percent of low- income borrowers are below poverty level. Unemployment and cost of housing is high.

<b>Table 2b – Borrower Distribution of Residential Real Estate Loans (2003)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase*	10.64	0.00	13.04	16.00	18.49	28.00	57.83	56.00
Home Improvement*	10.64	12.50	13.04	0.00	18.49	12.50	57.83	75.00
Home Refinance*	10.64	5.42	13.04	7.23	18.49	16.27	57.83	71.08

\* Represents loans originated in 2003 as reported under the Home Mortgage Disclosure Act.

### **Small Loans to Businesses**

The bank’s lending to small businesses with revenues of \$1 million or less is satisfactory. Our review included a sample of 20 loans inside the bank’s AA between January 1, 1999 and December 31, 2002 and 20 loans inside the bank’s AA that originated in 2003.

### **Small Loans to Businesses Originated (January 1, 1999 – December 31, 2002)**

Borrower distribution of small loans to businesses is excellent based on the sample size of twenty loans. FNB LaGrange’s small loans to businesses with revenues of \$1 million or less, (75 percent) is well above the percentage of small businesses (59 percent which represents 7,155 businesses) in the AA.

<b>Borrower Distribution of Loans to Businesses by Loan Size (1999-2002)</b>				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	4	20.00%	\$266,909	10.47%
\$100,001 - \$250,000	7	35.00%	\$846,270	33.20%
\$250,001 - \$500,000	4	20.00%	\$376,284	14.76%
\$500,001 - \$1,000,000	0	0	0	0
Over \$1,000,000	5	25.00%	\$1,059,632	41.57%

### **Small Loans to Businesses Originated (2003)**

Borrower distribution of small loans to businesses is satisfactory based on the sample size of twenty

loans. FNB LaGrange’s small loans to businesses with revenues of \$1 million or less, (45 percent) is below the percentage of small businesses (73 percent which represents 8,577 businesses) in the AA. Competition from large credit card banks and large regional banks is strong thus limiting opportunities for FNB LaGrange to make loans to small businesses.

<b>Borrower Distribution of Loans to Businesses by Loan Size (2003)</b>				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	1	5.00%	\$13,100	.17%
\$100,001 - \$250,000	4	20.00%	\$508,786	6.42%
\$250,001 - \$500,000	3	15.00%	\$296,452	3.74%
\$500,001 - \$1,000,000	1	5.00%	\$40,00	.50%
Over \$1,000,000	11	55.00%	\$7,069,708	89.17%

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans is not meaningful as there are no low-, and only one moderate- income geography in the bank’s AA for data analyzed using the 1990 census. The moderate-income geography for the 1990 census represents only 3 percent of the total geographies inside the bank’s AA. Changes in the 2000 census data show that there are no low- or moderate-income geographies in the bank’s AA.

Our consideration of the bank’s performance under the Investment Test, Community Development Services and Community Development Loans significantly contributed to the overall assigned CRA rating.

### **Investment Test**

FNB LaGrange’s qualified investments and donations have enhanced their performance under CRA. The bank made three investments totaling approximately \$550 thousand in municipal school bonds that are to benefit a school district where 66 percent of the student body are from low-income families within the bank’s AA. The bank has also made donations totaling \$38 thousand to various organizations that promote community development, housing development, health care and shelter for low-or moderate-income individuals within the bank’s AA.

### **Community Development Services**

FNB LaGrange’s qualifying community development services have enhanced their performance under CRA. The bank provides financial expertise to eight community development organizations. Bank employees and senior management actively participate as board or committee members providing financial expertise to organizations that provide community development services targeted to low- and moderate-income individuals. One organization provides transitional housing for homeless individuals. The bank executive who serves on the finance committee for this organization provides assistance with budgeting and fund raising. Another organization provides assistance to the mentally and physically disabled that are primarily low-income individuals; the bank officer serves as treasurer of this organization.

## **Community Development Loans**

FNB LaGrange's qualifying community development loans have enhanced their performance under CRA. During the evaluation period, FNB LaGrange has had five community development loans totaling approximately \$3.5 million. For example, FNB LaGrange was the lead financial institution that extended funds toward a city-targeted project to bring small businesses to the area; the building structure is housing over 60 percent of new small businesses. The bank has also extended loans to a local community development corporation (CDC) that provides an alternative source of capital for entrepreneurs wishing to start a new business or expand an existing small business in West Suburban Cook County. FNB LaGrange also provided loans to an organization that provides affordable housing for low-and moderate-income individuals. Another organization the bank provided funding to is primarily serving mentally and physically disabled low-and moderate-income individuals to provide community integrated living arrangements.

## **Responses to Complaints**

FNB LaGrange has no outstanding complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

## **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.