



**WHOLESALE**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 5, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CORUS Bank, N.A.  
Charter Number: 23005**

**3959 North Lincoln Avenue  
Chicago, Illinois 60613**

**Office of the Comptroller of the Currency  
Chicago-North Field Office  
85 West Algonquin Road, Suite 340  
Arlington Heights, Illinois 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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## Overall Community Reinvestment Act (CRA) Rating

**Institution's CRA Rating:** This institution is rated **“Outstanding.”**

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development lending, community development services, and qualified investments.
- The bank demonstrates occasional use of innovative and complex community development loans and community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs.

## Description of Institution

CORUS Bank, N.A. (Corus) is a \$3.2 billion intrastate bank headquartered in Chicago, Illinois, and is a wholly owned subsidiary of CORUS Bankshares, Inc. CORUS Bankshares, Inc. is a \$3.3 billion one-bank holding company located in Chicago, Illinois.

Corus received its designation as a wholesale bank from the OCC on August 9, 2002. The bank's business strategy focuses primarily on commercial real estate and construction lending, concentrating in apartment and condominium buildings, office buildings, and hotels. Corus discontinued its residential real estate lending business in September 2001. However, the bank will occasionally make such a loan on an accommodation basis only. The bank continues to hold and service pre-existing loans until paid off. Corus is also the largest provider of banking services to the currency exchange industry in the Chicagoland area.

Refer to Table 1 for an overview of Corus' financial information. As of September 30, 2003, the bank had total loans of \$2.2 billion, with \$2.6 billion in total deposits.

**Table 1: Financial Information (000s)**

	Year-end 2000	Year-end 2001	Year-end 2002	Most Recent Quarter-end 09/30/2003	Average for Evaluation Period
<b>Tier 1 Capital</b>	\$256,367	\$348,795	\$382,915	\$492,937	\$370,254
<b>Total Income</b>	\$255,545	\$204,018	\$166,368	\$172,084*	\$199,504
<b>Net Operating Income</b>	\$99,498	\$74,464	\$70,794	\$78,979*	\$80,934
<b>Total Assets</b>	\$2,448,518	\$2,505,021	\$2,475,447	\$3,175,555	\$2,651,135

Source: Consolidated Report of Condition and Income and bank reported data. \*Annualized data reported.

The bank delivers banking services through 11 banking center locations and 33 automated teller machines within its one assessment area (AA) of Cook County, Illinois. Two of the banking centers are located in Calumet City, six are located in Chicago, and one each is located in Niles, River Forest and Wheeling. Within its AA, Corus' deposit market share is 1.45 percent.

There are no legal, financial, or other impediments that would prevent the bank from meeting the credit needs of its AA. While the bank receives intense competition for community development loans, qualified investments, and community development services from large interstate and regional banks, it is capable of meeting the needs of its AA in a manner consistent with its resources and business strategy.

## **Scope of the Evaluation**

### **Evaluation Period/Activities Evaluated**

In evaluating Corus' performance under the CRA, we reviewed the level and nature of qualified investments, community development lending, and community development services since its prior examination. We reviewed community development lending activities from January 1, 2000 through December 31, 2003. We reviewed qualified investments and community development services from March 7, 2000 through December 31, 2003. At the prior examination dated March 6, 2000, which was completed using large retail bank procedures, we rated the bank "Satisfactory."

If a bank has adequately addressed the needs of its AA, the OCC will also consider community development activities that benefit areas outside of the bank's AA in the evaluation of its performance. Corus has adequately addressed the needs of its AA and, therefore, we considered community development loans located outside of its AA.

### **Data Integrity**

Prior to this evaluation, we verified information on Corus' qualified investments, community development loans, and community development services to ensure the activities met the regulatory criteria. We considered in this evaluation only those community development activities that met the regulatory definition for community development.

## Description of Assessment Areas

Corus' one AA of Cook County, Illinois consists of the entire county and is part of the Chicago MA (#16980). Cook County is a densely populated urban area comprised of 154 municipalities, which includes the City of Chicago. The area consists of 1,343 census tracts. The bank's AA meets the requirements of the CRA regulation and does not arbitrarily exclude low-and moderate-income geographies.

Refer to Table 2 for key demographic data. Cook County has a population of 5.4 million in 2000, of which 2.9 million live in the City of Chicago. This reflects an increase of approximately 5 percent from 1990. The 2003 estimated median family income for the AA is \$68,700. Owner-occupied housing units comprise 54 percent of the total housing units within the AA. Low- and moderate-income geographies contain 4 percent and 22 percent of the owner-occupied housing units, respectively. Over 12 percent of the households in the AA are below the poverty level.

**Table 2: Cook County AA Description**

	Number	Low	Moderate	Middle	Upper
<b>Geographies</b>	1,344	18%	30%	32%	19%
<b>Families</b>	1,278,745	26%*	19%*	21%*	34%*
<b>Businesses</b>	237,036	5%**	19%**	38%**	38%**

Source: Demographic Data - 2000 U.S. Census, Dun & Bradstreet Data.

Percentages may not add to 100% due to rounding or geographies with no income designation.

\* Represents families by income level. \*\* Represents businesses by income level of geography.

Banking competition is intense. As of June 30, 2003, there were 202 banks with a total of 1,248 offices in the AA. Together, the two largest banks captured 39 percent of the deposit market share. Corus' deposits in the AA totaled \$2.25 billion, which equated to a 1.45 percent deposit market share.

As of November 2003, the unemployment rate for the AA totaled 6.9 percent, compared to the state unemployment rate of 6.7 percent and the national unemployment rate of 5.9 percent. Major industries include services (43 percent) and retail trade (16 percent).

In order to ascertain credit and community development needs and opportunities in the AA, we reviewed information from various sources. These sources included: community contact interviews made by the OCC, data on opportunities, organizations, and communities compiled by the OCC's community affairs division, and executive summaries and plans prepared by nonprofit organizations devoted to community development.

Unmet credit and community development needs exist in the AA. One primary need is for affordable housing for low- and moderate-income individuals. This includes conventional home purchase loans and programs to refinance predatory home mortgage loans. There is also a primary need for activities that promote economic development by financing small businesses. Examples of such activities include small business loans between \$25 thousand and \$250 thousand, small business education programs, planning and management assistance to small businesses, and support to organizations that invest equity-like capital in small businesses. There are also needs for activities

that revitalize and stabilize low- and moderate-income geographies and community services for low- and moderate-income individuals. A high level of opportunities are available to make loans to, invest in, and provide services to various projects, programs, and organizations that have a community development purpose. However, because of the large number of banks in the AA, competition for community development loans, qualified investments, and community development services is also high.

## Conclusions About Performance

### Summary

Corus' overall level of qualified investments, community development lending, and community development services is high. The bank made over \$6 million in qualified investments, originated and purchased community development loans totaling \$153 million, and provided community development services to 16 community development organizations, projects and programs.

Corus makes occasional use of innovative and complex community development loans and community development services. The bank has one innovative and one complex community development lending activity in its AA. Consideration was given to other loan data in the analysis, which consisted of an innovative letter of credit. In addition, we identified one community development lending activity outside its AA that was both innovative and complex. The bank also has one innovative and one complex community development service in its AA. The bank had no innovative or complex qualified investments.

Corus shows excellent responsiveness to credit and community development needs. Pervasive community needs include affordable housing for low- and moderate-income individuals and activities that promote economic development by financing small businesses. A substantial portion of the bank's qualified investments, community development loans, and community development services address these most pressing needs.

### Qualified Investments

Refer to Tables 3 and 4 for the facts and data used to evaluate the bank's level of qualified investments.

**Table 3: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	\$5,250
<b>Originated Grants</b>	\$371
<b>Prior-Period Investments that Remain Outstanding</b>	\$481
<b>Total Qualified Investments</b>	\$6,102
<b>Unfunded Commitments*</b>	\$0

\* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

**Table 4: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	2%
<b>Total Investments/Average Total Income</b>	3%

Corus has an adequate level of qualified investments that show an excellent responsiveness to the primary need for affordable housing in the AA. Eighty-six percent of the total qualified investments consist of mortgage-backed securities that are secured by pools of mortgage loans. All loans in the mortgage pools were made to low- and moderate-income families residing in the AA. The remaining qualified investments consist of grants to community development organizations that primarily provide educational and social services to low- and moderate-income individuals. None of the qualified investments have innovative or complex characteristics.

**Community Development Lending**

Refer to Table 5 for the facts and data used to evaluate the bank’s level of community development lending.

**Table 5: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	15%	26%	41%
<b>Total CD Lending/Average Total Income</b>	28%	48%	77%

Corus has a high level of community development loans that show an excellent responsiveness to credit and community development needs in its AA. Community development loans originated and purchased within the AA total \$57 million. Approximately 70 percent of the loans address the primary need for affordable housing. Another 16 percent of the loans address the need for community services, including health, childcare, educational, and social services that benefit low- and moderate-income individuals. The remaining 14 percent address the need for activities that revitalize and stabilize low- and moderate-income geographies. In addition, we considered \$96 million of community development loans Corus made outside of the bank’s AA.

Corus makes use of innovative and complex community development loans in the AA, as well as outside the AA. The following are descriptions of the bank’s complex and innovative loans:

- In a complex transaction inside the bank’s AA, the bank originated and subsequently refinanced two loans to a nonprofit social service organization. The loans totaled \$2.25 million and were for predevelopment costs and working capital needs. The bank also originated an increase of \$250 thousand for additional predevelopment costs. The total project cost was \$25 million, for which funding was supported by two other financial institutions and federal and City grants. The organization provides services such as job placement, short-term living accommodations, food, counseling and rehabilitation services to poor and homeless persons within the City of Chicago. The transaction is considered complex because of the multiple financing sources involved. The bank’s fee was significantly lower than it would normally charge. Also, Corus’ representative on the Board was instrumental in developing and arranging financing for the new facility.

- Corus initiated its participation in a City of Chicago program designed to stimulate affordable housing throughout the city. Five financial institutions share commitments totaling \$100 million in letters of credit. Corus provided a \$20 million letter of credit toward this project. The purpose of the letter of credit is to provide credit enhancement for City of Chicago Housing Revenue Bonds. Bonds will be issued to finance the construction of affordable housing on City owned land. The project is considered innovative due to the creative way the project and financing was put together. The Department of Housing matches developers with land clusters to develop market rate housing and mixed income housing. City proceeds from project developments will be dedicated for affordable housing purposes. While unfunded loan commitments are not reflected in Table 5, we considered the innovative qualities of this letter of credit in our evaluation.
  
- In an innovative transaction inside the bank’s AA, Corus committed \$100 thousand to an affordable housing organization that serves primarily low- and moderate-income individuals. The funds were used to start up the organization’s “Normal Pilot Program”. This program funds loans for individuals who are victims of predatory lending. This is the first program in the country to combine public education, legal counseling and capital for loans in a comprehensive effort to aid families hurt by predatory practices and foreclosures resulting from unsuitable loans. A bank officer provided expertise in determining which loans to fund. Corus originated 35 loans totaling \$87 thousand under this program.
  
- In an innovative and complex transaction outside of the bank’s AA, the bank originated one loan totaling \$72 million to finance a mixed-use project located in a low-income section of Los Angeles (Hollywood), California. The five-story mixed-use property will consist of 300 for-rent apartment units, retail space, a parking structure, and project signage. This project will provide affordable housing for low- or moderate-income individuals and will also revitalize and stabilize a low-income area. The transaction required significant customization due to its mixed-use nature. It also required analysis of residential, retail, and signage components, and the ability to meet a tight time frame. Corus was able to meet these challenges by closing on the transaction approximately one month from receiving the signed application and without involving a participant.

**Community Development Services**

Refer to Table 6 for the facts and data used to evaluate the bank’s level of community development services.

**Table 6: Community Development Service**

	<b>Number of Organizations, Projects and/or Programs</b>
Bank provided leadership and technical assistance on financial matters to affordable housing organizations, projects, and programs.	7
Bank provided technical assistance on financial matters to organizations, projects, and programs that promote revitalization of low- and moderate-income areas and to organizations that promote economic development by financing small businesses.	5
Bank provided leadership and technical assistance on financial matters to organizations, projects, and programs that provide social services to primarily low- and moderate-income individuals.	2
Bank provided technical assistance on financial matters to organizations in support of job-training programs for low- and moderate-income individuals.	2

In relationship to its size and resources, Corus has a high level of community development services that show excellent responsiveness to credit and community development needs within its AA. Bank officers provide technical assistance on financial matters to community development organizations, projects, and programs. They often serve as members of boards of directors and participate on various committees. The services provided by the bank largely address the primary needs of affordable housing and activities that promote economic development by financing small businesses. Other services address the need for community services, particularly educational and social services that benefit low- and moderate-income individuals.

Corus makes use of innovative and complex community development services within its AA. The following are descriptions of the bank’s complex or innovative services:

- A bank director and a bank officer both serve on the board of a social service agency for the homeless in the City of Chicago. This service is considered complex because these two individuals have been instrumental in developing and arranging financing for a new facility in a low- and moderate-income area. The board of the organization worked in conjunction with the City of Chicago on this \$25 million relocation project. This single room occupancy (SRO) residence will house 120 men and 25 single parent families. It will provide a daycare facility and job training. Individuals will be able to obtain their GEDs, and there are nine clinical psychologists available to assist individuals. Construction will begin in 2004. Corus also provided the organization with an interim loan.
- A bank officer spearheaded Corus’ “banking for the homeless” program. This innovative program allows homeless persons to open savings accounts at the bank without requiring a minimum balance or the payment of fees. Four social service agencies within the AA participate

in this program. Residents of SRO facilities run by these agencies are taught how to manage their accounts and how to benefit from saving. From 2000 through 2003, the bank opened savings accounts for over 260 of the SRO residents. Corus is the only bank in Chicago that offers this type of program.

### **Fair Lending Review**

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

## 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.

**Affiliate** – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** – A geographic area that consists generally of one or more **Metropolitan Areas (MA)** (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking automated teller machines.

**Benefit to Assessment Area** – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Block Numbering Area (BNA)** – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

**Census Tract (CT)** – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD)** – Affordable 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 (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

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

**Geography** – A Census Tract or a Block Numbering Area delineated by the United States Bureau of the Census in the most recent decennial census.

**Median Family Income (MFI)** – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the midpoint, with half of the families' income above and half below. (See the four categories of median income below.)

- Low Income – An income level that is less than 50 percent of the MFI.
- Moderate Income – An income level that is at least 50 percent and less than 80 percent of the MFI.
- Middle Income – An income level that is at least 80 percent and less than 120 percent of the MFI.
- Upper Income – An income level that is 120 percent or more of the MFI.

**Metropolitan Area (MA)** – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

**Qualified Investment** – A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Tier 1 Capital** – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Total Assets** – Total bank assets as listed in the Consolidated Report of Condition and Income.

**Total Income** – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

**Wholesale Institution** – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.