



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

February 3, 1997

**Harris Bank Glencoe-Northbrook, N.A.
Charter Number: 14583**

**333 Park Avenue
Glencoe, Illinois 60022**

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Harris Bank Glencoe-Northbrook, N.A., prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agent.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of February 3, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated:

Satisfactory record of meeting community credit needs.

Background Information:

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **Harris Bank Glencoe-Northbrook, N.A. (HBGN) is able to meet the credit needs of its community, consistent with its size and resources.**

There are no known financial or legal impediments that would impair the bank's CRA performance.

Bank Profile:

HBGN is a subsidiary of Harris Bankcorp (HB) which is located in Chicago, Illinois. HB is also the holding company for the lead bank, Harris Trust and Savings Bank, Chicago (HTSB). Twenty-six other community banks throughout the Chicago suburbs are affiliates in the Harris system. HB is owned by Bankmont Financial Corp., which is owned by the Bank of Montreal located in Toronto, Ontario, Canada. The Harris organization has \$20 billion in consolidated assets and ranks as one of the top five banking groups in Chicago.

Basic financial data for HBGN is:

	12-31-96 (000's)	12-31-95 (000's)
Total Assets	361,985	308,256
Net Loans	258,744	209,129
Total Deposits	324,447	283,015
Loan/Deposit Ratio	80%	74%

The bank's loan portfolio is comprised of 55% commercial loans; 32% real estate mortgages and home equity loans; and 13% consumer credit. The loan growth, of 24%, has resulted primarily from large home equity loan pools purchased from affiliates. During 1996, the bank purchased approximately \$35 million in these loans.

The bank operates three full service offices. One location is in Glencoe and the other two are in neighboring Northbrook.

Community Profile:

The bank is located 20 miles north of downtown Chicago in the affluent North Shore area. The bank's service area encompasses approximately a six-mile radius of the bank. The bank's delineated community comprises residential communities with some retail and specialty businesses that cater to area residents. Many residents commute into larger metropolitan (Chicago) and other local office complexes to work (Northbrook).

HBGN's delineated community consists of twenty-three contiguous census tracts surrounding the bank's main office and branch locations. This area includes all of the villages of Deerfield, Glencoe, Highland Park and Highwood, Northbrook, Northfield, Bannockburn and the former military base at Fort Sheridan. These census tracts incorporate parts of Lake and Cook counties.

The 1990 census data reflects the population within the bank's delineation as 105,705. The racial mix shows 92% White, 4% Asian/Pacific Islander, 3% Hispanic Origin, and 1% Black.

The 1996 median income for the delineated service area is \$81,365. This compares very favorably to the updated 1996 MSA median income of \$54,100. Twenty-one (91%) census tracts within the bank's delineation are upper income and two (9%) census tracts are middle income. The family income levels within the delineated community are; 6% low income, 7% moderate income, 13% middle income and 74% upper income.

Eighty-one percent of the 38,637 housing units are owner occupied with a median housing value of \$265,700. The median age of the housing stock is thirty-seven years.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **HBGN has effectively and actively ascertained the credit needs of its community.**

Activities conducted by the bank to ascertain community credit needs are extensive. A primary component of the bank’s needs assessment is direct contact with public and private community organizations. The targeted organizations include those that concentrate on housing, economic development issues, and small businesses.

The following reflects the credit needs identified through ascertainment efforts, and the response of HBGN:

ASCERTAINMENT EFFORTS	
Identified Credit Need	Bank Response
Lending opportunities for low-and moderate-income individuals or those with credit problems	Extended the secured credit card
Below market rate loans to religious and charitable organizations	Developed and extended below market rate loans to religious and charitable organizations
Redevelopment of downtown Glencoe business district	Developed and extended below market rate loans to redevelop downtown property or to existing merchants

The bank receives and analyzes demographic data from the Census Bureau, annually. This information is considered in their needs assessment and product development.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board of Directors provides active policy oversight of all CRA activities.**

HBGN Board of Directors and senior management are very active in all CRA efforts. The board delegates substantial responsibility for carrying out the CRA Program and the CRA

Plan to the Board of Directors CRA Committee. In addition, the board has appointed a CRA Officer to carry out its CRA Policy.

The board adopts the CRA plan and the CRA Statement, annually. The Board CRA Committee specifically oversees CRA activities. The committee meets quarterly to assess the bank's progress in meeting the goals of the CRA Plan and CRA Policy. The committee does an annual review of the self-assessment.

The bank's CRA officer is responsible for the establishment of a meaningful ascertainment program. HBGN's CRA officer ensures that the bank is meeting the technical requirements of the Act. This includes ensuring all employees receive training to understand CRA requirements.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **HBGN effectively markets and advertises its credit programs throughout all segments of the bank's community.**

HBGN's marketing program is principally coordinated through the HB network. Advertisements are made in various local papers that have circulation throughout the bank's delineated community. Specific loan advertising campaigns held during 1996 included mortgage lending, the secured credit card and small business lending. Specific marketing initiatives done by HBGN since the January 3, 1995 evaluation includes promotion of the new branch in Northbrook and its community bank status.

The bank also has an active officer calling program. In 1996, approximately 65% of the calls were within the delineated community.

Management provides technical assistance via participation in and sponsoring of local housing fairs and credit seminars.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **HBGN has undertaken efforts to address a reasonable portion of the identified community credit needs.**

As noted within the Bank Profile section of this evaluation, the ratio of HBGN's loan-to-deposits was 80% as of December 31, 1996. The average quarterly loan-to-deposit ratio since the last public evaluation equals 75%. This ratio is in line with its peer banks.

Analysis of the bank's loan originations for the major loan types as of December 31, 1996 follows:

ORIGINATIONS OF VARIOUS LOAN PRODUCTS				
LOAN TYPE	1996		1995	
	Number	Dollar (000's)	Number	Dollar (000's)
HMDA Loans:	163	28,965	142	34,611
Within Delineation	44%	54%	49%	39%
Consumer Loans:	322	21,546	220	17,144
Within Delineation	52%	46%	50%	50%
Commercial Loans:	600	63,000	not available	not available
Within Delineation	50%	50%	not available	not available

Note: The amounts reflected within the commercial loan columns are estimates.

Activity reflected in the above chart is considered reasonable based on the bank's community context. However, the Glencoe community is very stable with many high income persons without significant borrowing needs. This impairs lending opportunities within the bank's delineated community.

For the year ending December 31, 1996, HBGN's small business loan originations were approximately \$9 million and represented 150 accounts. These loans are to businesses with annual revenues of \$1 million or less. Approximately 50% of these originations were within the bank's delineated community. Also, these small business loan originations comprised 25% of the number of loans within the commercial loan portfolio.

HBGN introduced one new product since the last public evaluation. The bank began offering the secured credit card during the last quarter of 1995 to make credit available to low- and moderate-income persons or for those individuals with credit problems. In light of the community's profile, response to the new product has been reasonable, as the bank has granted 15 loans.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.

- **HBGN displays a willingness to sponsor and participate in governmentally-insured loan programs for housing and small businesses.**

HBGN works closely with their affiliate HTSB, a Certified Lender for Small Business Administration (SBA). The bank has not originated any of these loans since the OCC’s last evaluation. However, the bank’s own commercial products are meeting the needs of the customers within its community.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **The community delineated by HBGN is reasonable and does not arbitrarily exclude any low- and moderate-income areas.**

Management defined the delineated service area through a formal analysis of the bank’s effective lending territory. The analysis consists of a review of all major credit products offered by the bank. HBGN’s expanded its assessment area in 1996 to include whole census tracts that were part of the communities previously used to define their delineated community. Annually, the Board of Directors reviews and approves the bank’s assessment area.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

- **The bank’s geographic distribution of credit extensions and applications demonstrates a strong penetration throughout the delineated community.**

Lending activity for HBGN reflects good penetration in the bank’s delineated community. The following table shows the number of tracts within the bank’s delineated service area penetrated by loan type:

Loan Type	Number of Census Tracts Penetrated*	% of Total Census Tracts*
Consumer Loan 1996 Originations	19	82.6
Home Equity Loans 1996 Originations	19	82.6
Small Commercial Loans 1996 Originations	21	91.3
1995 HMDA Originations	18	78.3
1996 HMDA Originations	17	73.9

*Within the bank’s delineated community.

Management uses geographic analysis by major product line to assess their level of lending performance within their delineated community. This analysis is also used to assess the reasonableness of the bank's delineation.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **HBGN is readily accessible to all segments of their delineated community.**

The bank has a main office and two full service branches. No banking offices have been closed. Hours of operation are reasonable and accommodating to the general public. Combined with the office of the HB affiliates, customers have access to approximately 150 banking facilities throughout the Chicago Area.

The bank has a good Branch Opening, Closing, and Consolidation Policy.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **There was no evidence of any discriminatory practices intended to discourage prospective credit applicants.**

The bank solicits credit applications from all segments of its community. The bank's fair lending policy statement that formalizes its philosophy and mission for ensuring equal, objective, and non-biased treatment is provided, consistently, to all actual and potential loan applicants. HBGN extends effective ongoing fair lending and diversity training efforts to all bank personnel.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **HBGN is in substantial compliance with all provisions of anti-discrimination laws and regulations. There is no evidence of discriminatory or other illegal credit practices.**

HBGN's compliance with the provisions of the Equal Credit Opportunity Act and the Fair Housing Act is strong.

During this evaluation, we tested consumer loan applicants to ensure that they were all evaluated equitably and fairly. Unsuccessful female applicants were compared with successful male applicants to determine if the females were treated equitably. Also, we reviewed successful male and female applicants to detect if any loan terms for the prohibited basis group were less favorable. We did not detect any indications of discrimination or disparate treatment.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **HBGN takes a proactive approach to participating in development and redevelopment programs located within its delineated service area.**

HBGN’s awareness of community development and redevelopment opportunities is maintained through the bank’s ongoing ascertainment program. Opportunities to participate in community development and redevelopment are limited due to the overall general affluent nature of the bank’s community. The following is a list of some community development efforts, their purpose, and a description of the bank’s participation:

ORGANIZATION	PURPOSE	BANK PARTICIPATION
WillPower, Inc.	Establishes local community-based programs for housing and support services to adults with functional mental disabilities.	Originated 3 loans totaling \$935,000 since the last examination. A rate concession was granted.
Wienecke Court, LLC	Redevelopment of downtown Glencoe. Building was vacant and run down.	Originated \$1,400,000 construction loan in June 1995.
Center on Mental Health and Deafness	Provides housing to hearing impaired students with behavioral disorders. Fifty percent of residents are wards of the state.	Originated 2 loans totaling \$269,000.

The above efforts demonstrate the bank’s desire to be active throughout its community regarding community development and redevelopment programs. HBGN’s community involvement is good relative to the bank’s market share, financial condition, and local economic environment.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **HBGN offers a variety of financial services that help meet the needs of its delineated service area.**

The bank makes charitable contributions throughout the year. In 1995 and 1996, the bank’s CRA related contributions were \$46,000 and \$13,500, respectively.

In response to ascertained needs, HBGN originates below market rate loans to local religious organizations. Since the last evaluation, the bank originated six loans, totaling \$4,127,000. HBGN also provides donations and financial assistance to these organizations.

ADDITIONAL INFORMATION

Home Mortgage Disclosure Act Aggregation Tables can be obtained from:

Harold Washington Library
400 South State Street, 5 South
Chicago, Illinois 60605
(312) 747-4500