

PUBLIC DISCLOSURE

November 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Damen National Bank
Charter Number 23233**

**200 West Higgins Road
Schaumburg, Illinois**

**Office of the Comptroller of the Currency
Arlington Place II, Suite 340
85 West Algonquin Road
Arlington Heights, Illinois 60005**

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

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency, when examining financial institutions subject to its supervision, to use its authority 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 the examination's conclusion, 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 **Damen National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 30, 1998. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 C.F.R. part 25.

This evaluation covers the period from January 1, 1996 to November 30, 1998. The Office of Thrift Supervision performed the prior CRA evaluation. The evaluation, dated January 22, 1996, rated this institution "Satisfactory Record of Meeting Community Credit Needs."

INSTITUTION'S CRA RATING:

This institution is rated "**Satisfactory Record of Meeting Community Credit Needs**".

The bank's overall rating is based on their lending performance during the evaluation period. Lending performance is evaluated by analyzing the average loan-to-deposit ratio, the volume of lending in the assessment area, the distribution of lending to borrowers of different income levels and to businesses of different sizes, and the distribution of lending among various geographies within the assessment area. In addition, the bank's level of compliance with the Fair Lending laws and regulations is considered.

The major factors supporting a **Satisfactory** rating are as follows:

The distribution of home mortgage loans among borrowers of different income levels is very good.

The bank's lending in low- and moderate-income census tracts is good.

Damen's average loan-to-deposit ratio is good given the assessment area's credit needs.

A high percentage of the bank's loans are made in the assessment area.

The bank is in compliance with the substantive provisions of the Fair Lending laws and regulations.

DESCRIPTION OF INSTITUTION

Damen National Bank (Damen) is a nationally chartered bank, which was formerly a stock-owned thrift. Damen has total assets of approximately \$223 million. The bank's main office is located in Schaumburg, Illinois. The bank has two other full service branches that are located on the south side of the city of Chicago. One branch is located at 5100 South Damen Avenue in Chicago, and the other is located at 5750 West 87th Street in Burbank, Illinois. The bank opened two automatic teller machines (ATM's) at its Schaumburg and Burbank locations since the last CRA evaluation.

Damen Financial Corporation, a one-bank holding company, owns Damen National Bank. The bank has been in existence since 1916.

The bank's lending activity is primarily home mortgage related, though commercial loan products are offered. This is primarily due to them being a former thrift institution. As a national bank, Damen currently offers conventional fixed-rate mortgage loans (first mortgages, junior mortgages, and refinance loans), Federal Housing Authority (FHA) Title I home improvement loans, share loans, home equity lines of credit, and commercial loans. Commercial lending is a new line of business for the bank; therefore, the volume of lending in this area is limited. The loan mix indicates that approximately 98% of the loan portfolio are for real estate purposes. One-to-four family residential loans account for 82% of average gross loans of which 3% are home equity loans. Commercial real estate loans, including multi-family loans, represent 16%. Commercial loans and loans to individuals only account for 2% of average gross loans. The bank's primary business focus remains to serve its local community by originating and servicing residential mortgage loans and provide basic banking services.

The institution is capable of meeting the community's credit needs based on its financial condition, size, and product offerings. There are no major constraints or legal impediments that would impact the bank's ability to fulfill the spirit of CRA.

DESCRIPTION OF ASSESSMENT AREA

Damen's assessment area consists of two separate assessment areas: Chicago/Burbank and Schaumburg. During the prior CRA evaluation, the bank had three assessment areas. Management of the bank decided to expand and combine its area around the Damen Avenue branch in Chicago and the Burbank branch to make one contiguous area.

Both the Chicago/Burbank and Schaumburg assessment areas (Combined Area) are within Metropolitan Statistical Area (MSA) 1600. The median family income for MSA 1600 is \$42,758. In total, the bank's combined assessment area consists of 250 census tracts. Of the 250 census tracts, 62 (25%) are low-, 68 (27%) are moderate-, 92 (37%) are middle-, and 25 (10%) are upper-income. There are 3 census tracts (1%) which do not have an income classification assigned to them.

There are 338,323 housing units in the combined assessment area. The majority of housing is owner occupied units (60%). A large percentage of the owner occupied units (75%) are in middle- and upper-income census tracts. Only 7% of the owner occupied units are in the low- and 18% are in moderate-income census tracts. Thirty-five percent (35%) of the total housing units are occupied rental units. The housing vacancy is at 6%. The

median housing cost is \$86,607 with the average age of housing at approximately 42 years old.

The population of the combined assessment areas is 956,381. There are 234,837 families and 318,121 households. Based on the total number of families and 1998 median family income, 24% are low-, 20% are moderate-, 25% are middle-, and 31% are upper-income families.

The main industries in the assessment areas are Service and Retail Trade. The unemployment rate for the two assessment areas combined is approximately 4%. The unemployment rate is slightly lower than the rate for the State, which is at 5.5%.

Competition within the assessment area is very strong. Based on 1997 aggregate HMDA (Home Mortgage Disclosure Act) data, there are more than 560 financial institutions serving approximately the same assessment areas. Several of these institutions are large mortgage companies, international banks, money centers, as well as branches of multi-billion dollar financial institutions.

Chicago/Burbank:

The Chicago/Burbank assessment area consists of 206 census tracts immediately surrounding the bank's branch locations. All of the low- and moderate-income census tracts within the bank's combined assessment area are within this area. There are 62 low- and 68 moderate-income census tracts. There are 75 middle- and upper-income tracts. A majority of the population resides in this area. Two census tracts (1%) were not classified in the U.S. Census data. The population of this area is 706,331 and there are 169,134 families. The median family income of the Chicago/Burbank area is \$32,400, which is \$27,000 lower than the MSA median family income. The percentage of low- and moderate-income families in this assessment area is slightly higher than the combined assessment area. There are 52,199 (31%) low- and 37,840 (22%) moderate-income families in the area. There are 41,169 (24%) middle-, and 37,926 (22%) upper-income families. Employment for this area is consistent with the combined assessment areas.

Schaumburg:

The Schaumburg assessment area consists of census tracts surrounding the bank's main office. There are 44 census tracts, 19 are middle-, 24 are upper-income, and one is classified as NA. There are 250,050 persons living in this area and 65,703 families. The median family income of this area is \$54,425, which is relatively close to the MSA median family income. The percentage of low- and moderate-income families is modest in this area. There are 8% low-, 13% moderate-, 26% middle-, and 53% upper-income families. Employment is heavily centered in the Services area.

We considered information from the community in assessing the bank's CRA performance and to assist in determining the credit needs of the community. The types of organizations included economic development, local government, and grassroots/social service organizations. The community contacts indicated the main credit needs in the area were affordable housing and small business loans. The bank offers home mortgage loans and is beginning to offer more commercial and small business loans to assist in meeting the community credit needs.

CONCLUSIONS ABOUT LENDING PERFORMANCE

Overall lending performance is good. Each of the performance criteria described on page 3 was analyzed and conclusions are supported in this evaluation. The evaluation focused on the bank's HMDA lending, as this is the bank's primary business strategy.

Record of Lending to Borrowers of Different Income Levels

The distribution of home mortgage loans to families of different income levels is very good. As stated earlier, 24% of the families living in the bank's combined assessment areas are low-income, and an additional 20% are considered moderate-income families. The following table shows that Damen National Bank originates loans to families of different income levels in reasonable proportion to the area's income characteristics. In particular, the bank's lending to low-income families is good considering that 12% of the households in the combined assessment area are living below poverty level. These households, in general, would have a limited ability to assume debt obligations and the bank would have less opportunity to extend home mortgage related credit to these households.

Lending to Borrowers of Different Income Levels						
Home Mortgage Loans – Combined Assessment Areas						
January 1996 – November 1998						
Income Level	# of Loans	% of Total	\$000's of Loans	% of Total	% of Families by Income Level	
Low-Income	67	14%	\$3,979	10%	24%	
Moderate-Income	151	33%	\$11,424	28%	20%	
Middle-Income	138	30%	\$12,154	30%	25%	
Upper-Income	66	14%	\$6,916	17%	31%	
NA	40	9%	\$6,356	15%	NA	
Total	462	100%	\$40,829	100%	100%	

Source: HMDA LAR: 1996, 1997, and year-to-date 1998
1990 U.S. Census Data

The bank's lending to low- and moderate-income borrowers in the Chicago/Burbank assessment area is consistent with the overall record of lending for the combined assessment area. Damen originated 431 loans in the Chicago/Burbank assessment area. Of these, 212 or 49% were to low- and moderate-income borrowers. The bank's lending to low- and moderate-income families in the Chicago/Burbank assessment area is good considering that 15% of the households are living below the poverty level. Low-income families in this assessment area would be making less than \$29,750 annually while the median housing value of the Chicago/Burbank assessment area is \$67,336. This is 2.2 times the income of those considered low-income, which tends to limit opportunities to make home mortgage loans in this area.

In the Schaumburg assessment area, the bank originated 19% of its HMDA loans to low- and moderate-income borrowers. This level of lending is still considered reasonable since only 21% of the families living in that area are in the low- and moderate-income range.

The 40 loans stated in the NA category primarily represent multi-family loans. Further analysis of multi-family loans shows that a vast majority (approximately 86%) had origination amounts less than \$250,000. This is an indicator of Damen's responsiveness in making credit to borrowers of different sizes in relation to the size of the loan.

Geographic Distribution

The bank has a good geographic distribution of home mortgage loans given its assessment areas. As stated in the section, Description of Assessment Area, there are 62 low-income census tracts and 68 moderate-income census tracts. All of the low- and moderate-income census tracts are in the Chicago/Burbank assessment area. Therefore, a geographic analysis of Damen's home mortgage lending in the Chicago/Burbank assessment area was more meaningful than the combined assessment area or the Schaumburg area only.

The analysis of the Chicago/Burbank area revealed that the number and dollar volume of lending in low- and moderate-income areas is in good proportion to the demographic characteristics. The following table supports this conclusion.

Geographic Distribution of Lending						
Home Mortgage Loans – Chicago/Burbank Assessment Area						
January 1996 – November 1998						
Income Level	# of Loans	% of Total	\$000's of Loans	% of Total	% of Owner Occupied Units by Income Level	
Low-Income	35	8%	\$2,797	7%	11%	
Moderate-Income	185	43%	\$14,976	39%	26%	
Middle-Income	210	49%	\$20,042	53%	62%	
Upper-Income	1	<1%	\$120	1%	1%	
Total	431	100%	\$37,935	100%	100%	

Source: HMDA LAR: 1996, 1997, and year-to-date 1998
1990 U.S. Census Data

Loan-to-Deposit

Damen's loan-to-deposit ratio is good given the bank's size, financial condition, and highly competitive environment. The average loan-to-deposit ratio between January 1, 1996 and September 30, 1998 was approximately 79%. Over this time period, Damen's ratio has steadily increased from 71% to as high as 93%. This ratio compares favorably to institutions of similar size (national peer), as well as to competitors in the same market area. The loan-to-deposit ratio indicates the bank's responsiveness to help meet the credit needs of its assessment area.

Lending in the Assessment Areas

A majority of Damen's lending is within its assessment areas. An analysis of the bank's home mortgage lending between January 1996 and November 1998 was performed. The analysis revealed that Damen originated a total of 643 HMDA reportable loans. Of these, 462 were originated within the assessment area. This equates to 72%. In addition, 65% of the dollar volume of loans were originated within the assessment areas. Management of the bank conducted a similar analysis of their home mortgage loans in 1996 and 1997 by separate assessment areas. Their analysis shows that, on average, Damen is reasonably making loans inside the Chicago/Burbank and Schaumburg assessment area.

Compliance with Fair Lending Laws and Regulations

Damen National Bank is in compliance with the substantive provisions of the Fair Lending laws and regulations. There is no evidence of practices that discourage individuals from applying for credit. Credit applications are solicited from all segments of the assessment areas.

The bank did not receive any CRA-related complaints during this evaluation period.