



Comptroller of the Currency
Administrator of National Banks

Midwestern District
2345 Grand Boulevard, Suite 700
Kansas City, Missouri 64108

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

May 16, 1997

**Norwest Bank Illinois, National Association
Charter Number 22636
200 East Main Street
Galesburg, Illinois 61401**

<p>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, conclusions, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>
--

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Norwest Bank Illinois, National Association, Galesburg, Illinois** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 16, 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 LMI 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, Norwest Bank Illinois, National Association (Norwest) has a **Satisfactory Record of Meeting Community Credit Needs**.

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record Satisfactory because:

- Norwest, in conjunction with its mortgage lending affiliate, Norwest Mortgage, Inc. (NMI), has undertaken efforts to address a significant portion of identified credit needs in Norwest's community through the origination of housing-related loans, consumer loans, and loans to small businesses and small farms.
- NMI actively participates in government-related lending programs for housing within Norwest's delineated community.
- The geographic distribution of lending by Norwest and NMI combined (Norwest/NMI) demonstrates a reasonable penetration of all segments of the bank's community, including low- and moderate-income (LMI) areas and applicants.
- Norwest participates in community development and redevelopment programs within its delineated community.

Bank Profile

Norwest is a wholly-owned subsidiary of Norwest Corporation, a multi-bank holding company headquartered in Minneapolis, Minnesota. Norwest Corporation had total assets of \$80 billion as of December 31, 1996.

Norwest operates a total of four full-service banking offices in the cities of Galesburg, Peoria, and Canton. Norwest is a business and consumer oriented bank with \$265 million in assets, \$94 million in loans, and \$304 million in deposits as of December 31, 1996. As of the same date, the loan portfolio mix was 51% real estate, 24% commercial, 20% consumer, 4% agricultural, and 1% other. In addition, 93% of Norwest's deposits consist of traditional core deposits.

Norwest affiliates provide lending and other services throughout the bank's delineated community. NMI originates most of the purchase money and refinance residential real estate

loans for Norwest. Other affiliates provide student and credit card loans, as well as investment services.

Community Profiles

Norwest has designated its delineated community as the Illinois counties of Knox, Peoria, and Fulton. The credit needs within the delineation are housing loans for lower income families and loans to small businesses and farms. The bank has also identified the need for financial education within the delineation. Based on 1990 census data, the population of Norwest's combined delineation was approximately 277,300. The delineation contains 82 Census Tracts (CTs) and Block Numbering Areas (BNAs), of which 23, or 28%, are designated as LMI. The following is demographic information on the counties that comprise the bank's delineated community.

Knox County

Knox County includes the city of Galesburg. Based on 1990 census data, the population of the county approximates 56,400. Minorities comprise 8% of the population, including approximately 5% Black. The county consists of 16 CTs, of which 3, or 19%, are designated as LMI. HUD's 1996 Median Family Income for the non-Metropolitan Statistical Areas of Illinois is \$29,694.

Peoria County

Peoria County includes the city of Peoria and comprises a portion of the Peoria-Pekin, Illinois Metropolitan Statistical Area (MSA). Based on 1990 census data, the population of the county was approximately 182,800. Minorities comprise 16% of the population, including 14% Black. The county consists of 54 CTs of which 18, or 33%, are designated as LMI. HUD's 1996 Median Family Income for the MSA is \$36,406.

Fulton County

Fulton County includes the city of Canton. Based on 1990 census data, the population of the county was approximately 38,100. Minorities comprise 3% of the population, including 2% Black. The community contains 12 BNAs of which 2, or 17%, are designated as LMI. HUD's 1996 Median Family Income for the non-MSAs of Illinois is \$29,694.

Reasonableness of Delineated Community

Norwest's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The delineation includes areas surrounding branch locations and contains approximately 83% of the bank's 1996 HMDA loan originations and 72% of its total consumer portfolio of loans and

lines of credit. These ratios are based only on those loans for which Norwest determined the location of the associated property or borrower.

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.

- **Management maintains ongoing, meaningful contact with a wide range of individuals and groups representing various community interests.**

Norwest has developed a process that incorporates direct contact with individuals representing housing services, small businesses and community development and government agencies. Often, bank employees are members of, or serve on, governing boards and committees of these organizations. This allows the bank to receive ongoing information on community credit needs.

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 and senior management have developed an effective program to meet the credit needs of the bank's community.**

Norwest uses the Community Reinvestment Act Community Marketing Initiative (CMI) planning process. This process provides the framework for determining community credit needs and developing the bank's response to those needs. The plan is monitored quarterly, updated annually, and incorporates information such as demographic data, ascertainment efforts, marketing strategies, and lending goals. A CMI plan is prepared for each market in order to respond to any special local needs.

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.

- **The Board and senior management have implemented a sound marketing program designed to reach all segments of Norwest's delineated community.**

Management annually develops a marketing plan designed to promote various products and services throughout the bank's community. Advertising, directed by Norwest corporate marketing staff, focuses on broad-based general media including television, radio, and major newspapers. Bank-wide direct mail, brochures, and product point-of-sale information are also produced.

Managing officers initiate local marketing efforts. Working with the bank's marketing unit, they develop a customized marketing plan designed for their local market which includes newspapers, direct mail, and participation in community events. This allows each market to tailor its marketing efforts to its community.

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.

- **Norwest/NMI have undertaken efforts to address a significant portion of identified credit needs in Norwest's community through the origination of housing-related loans, consumer loans, and loans to small businesses and small farms.**

Norwest offers and originates a comprehensive array of loan products to meet community credit needs. Loan types include loans for housing, consumer, small business, and small farm needs.

The following chart details the volumes of Norwest/NMI's conventional purchase money, refinance, and home improvement real estate-related loans during both 1994 and 1995 in Norwest's delineated community:

1994 HMDA Lending					1995 HMDA Lending			
	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share
Norwest/NMI	166	3%	\$7,281	3%	379	7%	\$16,557	6%
Market Leader	1,617	32%	\$58,681	26%	1,541	27%	\$51,589	20%

In 1994, Norwest/NMI ranked seventh in its delineated community in terms of both numbers and dollars of conventional HMDA loan originations. In 1995, Norwest/NMI ranked fourth and fifth in terms of numbers and dollars, respectively. During 1996, Norwest/NMI originated 555 conventional HMDA loans totaling \$23,278,000. Information on 1996 market share volumes is not yet available.

Average loan size for Norwest during 1995 and 1996 was \$21,000 and \$17,000, respectively. Average loan size for NMI for 1995 and 1996 was \$57,000 and \$61,000, respectively. During 1996, 83% of all Norwest conventional real estate related loans were extended to applicants living within Norwest's delineated community.

NMI offers affordable home purchase loans through various Federal National Mortgage Association (FNMA) programs. The programs allow down payments of as low as three percent and higher debt ratios. The volumes of these loans are a part of the above HMDA loan information.

Norwest also originates direct and indirect consumer installment loans and lines of credit. Per year-end 1995 bank-prepared reports, Norwest has outstanding loan and line balances totaling \$26.3 million to persons living within Norwest's delineated community. This total represents 69% of all consumer loans and lines of credit. These bank-prepared figures include the outstanding balances of home improvement loans, which are included above in the discussion of HMDA lending. During fiscal year 1995, Norwest originated 1,565 new direct and indirect non-real estate related consumer installment loans and lines of credit totaling \$12.9 million.

Norwest also makes loans to small businesses and small farms. Norwest tracks small business and small farm originations by using the Consolidated Report of Condition definitions. As of June 30, 1996, Report of Condition information shows that Norwest had \$16.6 million outstanding, or 465 loans, to small businesses and \$5.4 million, or 203 loans, to small farms. By number, 81% of the small business and small farm loans originated in amounts of \$100,000 or less. Currently, the bank does not have a method to determine what portion of these loans have been extended to applicants within Norwest's delineated community.

Norwest Bank South Dakota, National Association extends conventional student loans on behalf of Norwest.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms. Government-related loan programs for housing include those sponsored by the Federal Housing Authority (FHA), the Department of Veteran's Affairs (VA), and the Farmers Home Administration (FMHA) for purchase money and refinance purposes.

- **NMI actively participates in government-related lending programs for housing within Norwest's delineated community.**

NMI was the market leader in originating government-related real estate loans in both 1994 and 1995. During 1994, NMI originated \$4.8 million or 98 loans to applicants living within Norwest's delineated community. This volume represents 39% of the market in terms of number of loans and 46% in terms of dollars. The closest competitor held 11% of the market by number of loans and 12% by dollar volume. During 1995, NMI originated \$7.9 million or 163 loans within the delineated community. This volume represents 51% of the market in terms of both numbers and dollars of loans. The closest competitor held 9% of the market share by number of loans and 12% by dollar volume. NMI originated \$8.8 million or 169 loans within the delineated community during 1996. Information on 1996 market share volumes is not yet available.

During 1995, Norwest Bank Iowa, National Association obtained and distributed an Affordable Housing Program Grant from the Federal Home Loan Bank of Des Moines. The purpose of the grant was to provide down payment and/or closing cost assistance to LMI home buyers. During 1996, NMI distributed grants totaling \$9,716 to six LMI home buyers in Norwest's delineated community. NMI also originated conventional home purchase loans to the six grant recipients.

In addition to traditional business banking, Norwest offers loans through the Small Business Administration (SBA). During 1995, Norwest originated four loans totaling \$185,000 through the SBA's LowDoc Program. Although Norwest continues to offer the loans, it did not originate any SBA-related loans during 1996.

Norwest Bank South Dakota, National Association continues to originate student loans through the government guaranteed Stafford loan program on behalf of Norwest.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

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

- **The geographic distribution of Norwest/NMI's lending demonstrates a reasonable penetration of all segments of the bank's community, including LMI areas and applicants.**

The following chart shows Norwest/NMI volumes along with those of the market leaders:

Lending to LMI CTs

	1994 HMDA Lending				1995 HMDA Lending			
	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share
Norwest/NMI	54	6%	\$1,701	7%	83	8%	\$2,968	11%
Market Leader by Numbers of Loans	280	30%	\$3,784	17%	246	24%	\$3,142	12%
Market Leader by Dollars of Loans	144	15%	\$5,111	22%	159	15%	\$5,003	19%

During both 1994 and 1995, Norwest/NMI ranked fifth and fourth in terms of numbers and dollars, respectively, of HMDA loan originations in LMI CTs. During 1996, Norwest/NMI originated 87 HMDA loans totaling \$2,584,000 in LMI CTs. Information on 1996 market share volumes is not yet available.

The following chart shows the volume of Norwest/NMI HMDA loan originations to LMI applicants in Norwest's delineated community:

Lending to LMI Applicants

	1994 HMDA Lending				1995 HMDA Lending			
	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share
Norwest/NMI	144	9%	\$5,447	11%	208	11%	\$7,189	14%
Market Leader by Numbers of Loans	397	24%	\$6,679	14%	437	23%	\$7,052	14%
Market Leader by Dollars of Loans	301	18%	\$10,043	21%	290	16%	\$8,963	17%

During 1994, Norwest/NMI ranked fourth in terms of both numbers and dollars of HMDA loan originations to LMI applicants. During 1995, Norwest/NMI ranked third and second for such originations in terms of numbers and dollars, respectively. During 1996, Norwest/NMI originated 215 HMDA loans totaling \$6,589,000 to LMI applicants. Information on 1996 market share volumes is not yet available.

Norwest and NMI lending to LMI individuals is commensurate with other income groups:

HMDA Lending as % of Total Number of Loan Originations

Income Level of Applicant	NMI Lending				Norwest Lending			
	1995 Lending Volume	1995 Lending Percent	1996 Lending Volume	1996 Lending Percent	1995 Lending Volume	1995 Lending Percent	1996 Lending Volume	1996 Lending Percent
LMI	160	40%	149	31%	48	34%	66	28%
Middle Income	128	32%	148	30%	29	21%	71	30%
Upper Income	111	27%	127	26%	61	44%	94	39%
Income Not Avail.	4	1%	61	13%	1	1%	8	3%

Middle Income represents applicants with income 80% - 120% of median income.

Upper Income represents applicants with income greater than 120% of median income.

In addition to HMDA data, bank-generated reports of all other direct and indirect loans and lines of credit originated in 1995 show a reasonable distribution of lending originations throughout Norwest's delineated community. During 1995, 19% of all non-HMDA consumer loans and lines

of credit were extended to borrowers living in LMI CTs/BNAs. This is commensurate with the volume of deposit accounts opened by customers living in LMI CTs/BNAs, which was 20%.

Norwest originates a significant portion of its loans within its community. Based on 1996 HMDA information, Norwest originated 83% of its HMDA reportable loans within the bank's delineated community. According to bank reports, 72% of all outstanding direct and indirect consumer loans and lines of credit originated within Norwest's delineated community. Those ratios are based only on those loans for which Norwest determined the location of the associated property or borrower.

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

- **Norwest's offices are accessible to all segments of its community. Bank management regularly reviews business hours and services to ensure they meet the customers' needs.**

As of December 31, 1996, Norwest operated four full service banking offices within its delineated community. One of those offices is in a LMI geography. Certain offices have trust departments and are staffed with NMI personnel. In addition, certain offices offer investment services through an affiliated company.

Bank management regularly reviews service delivery and branch hours to ensure hours meet local needs. The bank also offers 24-hour toll-free phone service for conducting deposit transactions, making limited credit transactions, and receiving account information. Refer to the Norwest Fee and Information Schedule for specific information on branch locations and hours.

Since 1995, Norwest has purchased a bank, closed a branch, and sold two branches to other financial institutions. During February 1996, Norwest increased its presence in Canton through the purchase of the Canton State Bank. During January 1997, Norwest closed its branch in the upper-income Hilltop area of Peoria. Finally, during May 1996, Norwest sold its Galva branch in Henry County and its Abingdon branch in Knox County to other financial institutions.

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).

- **We found no practices intended to discourage applicants for any type of credit listed on the bank's CRA Statement.**

The bank solicits applications from all portions of its community, including LMI areas. Corporate policies set forth basic fair lending requirements. All loan-related employees receive regular, comprehensive training on fair lending regulations. The bank has an independent second review program for all potential HMDA reportable denials.

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

- **The bank meets the substantive provisions of antidiscrimination laws and regulations.**

We did not identify any instances in which Norwest denied credit to similarly situated applicants based on the applicant's gender. We performed a comparative analysis of direct and indirect auto loan applications to determine whether applicants with comparable qualifications received similar treatment. The sample included 28 denied female applications and 103 approved male applications originated between January 1, 1995 and October 31, 1995.

V. COMMUNITY DEVELOPMENT

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

- **Norwest participates in community development and redevelopment programs within its delineated community.**

Examples of community development and redevelopment involvement by Norwest in 1995 and 1996 include the following:

- Origination of a \$1,600,000 loan for the construction of a 64-unit apartment complex in Galesburg. All of the renters were expected to have incomes of 60 percent or less of the area median income.
- Origination of a \$15,000 line of credit to the Galesburg area Habitat for Humanity. The line of credit was used to construct affordable housing for LMI individuals.

- Contribution of \$50,000 for the creation of the Educational Technology Center in Galesburg. The Center is located in a moderate income area in Galesburg.
- Annually contributing \$1,000 to Christmas In April, an organization which refurbishes homes for low-income residents of Galesburg.
- Contribution of \$10,000 to the United Way of Knox County, Inc., an organization which primarily provides child care, health, educational, and social services to LMI people.
- Origination of two loans totaling \$20,000 to University East Group, a nonprofit organization which is involved in providing affordable housing in LMI areas of Peoria. The organization acquires and refurbishes homes to sell to LMI individuals.
- Investment of \$15,000 in the Fulton County CDC. The primary goal of the CDC is to assist in economic revitalization through loans to small businesses within the county.

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.

- **Norwest's efforts to meet community credit needs are consistent with its size and resources.**

Norwest has sufficient resources to meet the credit needs of its community. The bank also has access to additional resources through its Norwest affiliates, including NMI and Norwest Investment Services, Inc. Norwest has demonstrated its willingness to support the development and implementation of programs and products to meet community growth and redevelopment needs. No other legal impediments or factors limit the bank's efforts.

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

- **Norwest has participated in other activities which help meet the credit needs of its community.**

Bank personnel contribute their financial expertise to several organizations which have community development goals. The involvement of bank personnel includes:

Norwest Bank Illinois, National Association

- Serving as secretary to the Financial Institution CRA Council in Peoria. The Council's focus is education of first time LMI home buyers and linking those home buyers with available closing cost assistance programs.
- Playing a key role in establishing and marketing the Galesburg 2000 bank consortium. The consortium was designed to bolster economic development by attracting new businesses to the city.
- Serving on the Knox-Galesburg Economic Development Council. The mission of the Council is to identify and address the key issues related to improved economic development, particularly housing.
- Chairing the Galesburg Downtown Council's Property Improvement Task Force. The Task Force provides grants to business owners to improve the appearance of downtown buildings.

The bank has also sponsored home ownership training sessions and has provided financial assistance to organizations that support the needs of LMI people.

ADDITIONAL INFORMATION

Examination Profile

The scope of our examination consisted of an analysis of the bank's 1994, 1995, and 1996 CRA performance. We reviewed information prepared by bank management and obtained through contacts with community groups and government offices.

Home Mortgage Disclosure Act

Federal law requires Norwest to gather home loan data for the MSA Norwest serves. Individuals may obtain this information from the following office:

Peoria-Pekin, IL # 6120:

Michael Brillhart
Director of Planning
Tri-Cty. RPC
E. Peoria Professional Building
100 N. Main St., Suite 301
E. Peoria, IL 61611-2533
(309)694-9330

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for the supervision of this bank. If you should have comments regarding this bank's performance under the CRA or questions regarding the Act, contact the OCC Midwestern District Office, 2345 Grand Boulevard, Suite 700, Kansas City, Missouri 64108.