



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 22, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Downers Grove National Bank
Charter Number 14748**

**5140 Main Street
Downers Grove, Illinois 60515**

**Office of the Comptroller of the Currency
Chicago Southwest Duty Station
7600 County Line Road, Suite 3
Burr Ridge, Illinois 60517**

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 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 Community Reinvestment Act (CRA) performance of **Downers Grove National** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 22, 1996. The evaluation covers the period from October 1994 through August 1996. However, primary emphasis is on activities occurring during calendar year 1995 through 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The bank's loan-to-deposit ratio is satisfactory and compares favorably with the local peer group average. At June 30, 1996 the loan-to-deposit ratio is 74.73%. The majority of the bank's loans are made within the assessment area. There are no low- and moderate- income census tracts in the bank's assessment area. However, the bank originates loans to borrowers of all income levels and to small businesses.

The following table indicates the performance level of Downers Grove National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>DOWNERS GROVE NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not rated since the entire assessment area is middle and upper income.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Downers Grove National Bank (DGNB) is a wholly-owned subsidiary of DG Bancorp, Inc., a one bank holding company. The bank has three offices with drive-up facilities. The offices in Westmont and on Main Street and Curtiss Avenue in Downers Grove provide complete banking services. The branch in Downers Grove on Forest Avenue and Warren Street is a deposit taking facility. In addition, the bank operates 4 automated teller machines (ATM).

DGNB's assets at March 31, 1996 totaled \$164 million. The total assets were composed of 62% loans, 25% investments, 5% federal funds sold, and 8% nonearning assets. The bank offers a variety of lending products for the community, that include home purchase, home improvement, consumer, and commercial loans. At March 31, 1996, the loan portfolio composition was 72 % real estate, 21% commercial, and 7% consumer. Most of the bank's commercial loans are small business loans, since they were originated at less than \$1 million. Per the Call Report dated June 30, 1996, 56% of the outstanding small business loans had balances of \$100,000 or less. The bank also sold approximately \$3 million and \$4 million of mortgage loans on the secondary market in 1995 and 1996 respectively. No impediments exist that would impact the bank's ability to help meet the credit needs of the community. The institution's prior CRA rating was "Satisfactory" as detailed in the Performance Evaluation dated September 23, 1994.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is legal and does not arbitrarily exclude any low- or moderate-income geographies. The assessment area is located in the southeast corner of DuPage County and includes the townships of Milton, Lisle, York, and Downers Grove. It is part of the Chicago Metropolitan Statistical Area (MSA). There are 73 census tracts in the assessment area, but none of these are low- and moderate- income geographies. The Department of Housing and Urban Development MSA Median Family Income in 1996 is \$54,100. The total population of the assessment area per the 1990 Census is 475,213. The populations of Downers Grove and Westmont are 49,998 and 22,785 respectively.

The condition of the local economy is good. The area has only a 2% unemployment rate. A large portion of the population is employed in Chicago. However, there is a significant level of business activity within the community which provides a strong tax base. According to the Regional Employment and Income Series for 1993 (the latest year for which information is available), the industries with the largest number of employees in the county are service, retail trade, and manufacturing. Our community contacts indicated that these industries continue to be the leading employers in 1996. Some of the major employers in the area are Spiegel, Inc. (corporate headquarters), John M. Smyth Co., ServiceMaster and Maple Chase Co. (manufacturer of smoke detectors) .

We considered comments from the community in assessing the bank's CRA performance. Our contacts included a local government official and a member of the chamber of commerce. They consider DGNB to be one of the most active financial institutions in the local area.

They feel that DGNB helps to meet the credit needs of the community with its residential mortgage and small business loan products. However, at present, they feel that the credit needs of the local community are minimal.

There are many financial institutions serving the bank's assessment area. According to the Home Mortgage Disclosure Act (HMDA) information as of year-end 1994 (the latest year for which information is available), there were a total of 220 institutions that accepted applications in the township of Downers Grove, which is just a portion of the assessment area. DGNB rated in the top 10% of these institutions which included mortgage companies, savings and loans, and finance companies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

- **The bank's loan-to-deposit ratio is satisfactory.**

The average loan-to-deposit ratio for the past seven quarters (since the last exam) is 68.33%. The ratio increased from 67.88% at December 31, 1994 to 74.73% at June 30, 1996. The bank's loan-to-deposit ratio exceeds the ratio of peer banks in DuPage County with total assets of less than \$250 million. At March 31, 1996, the ratio for the bank was 67.46%, while that of the peer group was 61.06%.

- **The bank conducts a majority of their lending within their assessment area.**

We assessed the bank's lending performance through a review of residential mortgage and small business loans. DGNB has significant holdings in each of these categories. The Home Mortgage Disclosure Act (HMDA) data for 1995 and year-to-date 1996 facilitated our analysis of residential mortgage activity. We analyzed small business loan activity from November 1994 through August 1996 by selecting a sample of twenty loans. Our sample included mostly 1996 activity.

DGNB originates most of their loans within the assessment area. The percentage of the bank's mortgage loans originated within their assessment area were 69% and 67%, by number and dollar volume respectively. The composition of real estate mortgage loan originations by type is 39% home purchase, 12 % home improvement, and 49% refinance. Additionally, 80% of the number and 76% of the dollar volume of small business loans were originated within the assessment area.

Management performed a loan distribution analysis by census tract, on the outstanding balance of its entire loan portfolio in May 1996. Per their analysis, 66% of the number of loans in the bank's portfolio were originated within the assessment area.

- **The bank originates loans to borrowers of different income levels and businesses of different sizes within the assessment area.**

DGNB originates loans to borrowers of all income levels as indicated by the information in *Exhibit A*. 15% of the mortgage loans were made to low- and moderate-income individuals. This is considered reasonable since there are no low- and moderate-income census tracts in the bank's assessment area. Furthermore, the bank originates loans to businesses of different sizes, as indicated by *Exhibit B*. 38% of the loans to small businesses were extended to borrowers with gross revenues of less than \$250,000.

EXHIBIT A

Analysis of Lending to Borrowers of Different Income Levels - Mortgage Loans

Gross Income Levels:	# of Loans	% of Total	\$ of Loans	% of Total
Low- and Moderate-	14	15%	1,122,000	11%
Middle	27	29%	2,150,000	20%
Upper	53	56%	7,270,000	69%
Total	94	100%	10,542,000	100%

EXHIBIT B

Analysis of Lending to Businesses of Different Sizes - Small Business Loans

Gross Revenue Levels:	# of Loans	% of Total	\$ of Loans	% of Total
Less than \$100 thousand	3	19%	69,999	18%
\$100 - \$250 thousand	3	19%	72,222	18%
\$250 thousand - 1 million	10	62%	256,269	64%
Total	16	100%	398,490	100%

Source: Mortgage Loan information obtained from the 1995 and 1996 HMDA LAR (Home Mortgage Disclosure Act Loan Application Register).
 Small Business Loan information obtained from Commercial Loan Trial dated August 13, 1995. Out of the 20 loans sampled, 16 were within the assessment area.
 Analysis performed by the Comptroller of the Currency.

- **An analysis of the geographic distribution of loans has not been performed at this examination.**

An analysis of the geographic distribution of loans is not meaningful since the assessment area is composed primarily of upper income geographies. There are 73 census tracts in the assessment area, of which 70 are upper income and 3 are middle income.

- **The bank is in compliance with antidiscrimination laws and regulations.**

No violations of the substantive provisions of the antidiscrimination laws and regulations (Equal Credit Opportunity Act, Fair Housing Act, and Home Mortgage Disclosure Act) were identified during this examination. We conducted an analysis of all home purchase loan applications for the six month period ending June 1996. We tested for discrimination in loan terms on the basis of race, applicant gender, and marital status. We found no evidence of disparate interest rates, application fees, or loan maturities. Furthermore, we found that the underwriting standards were consistently applied in all cases.