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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

October 2, 1997

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Suburban National Bank  
Charter Number 14470**

**150 S. Fifth Avenue  
Maywood, IL 60153**

**Office of the Comptroller of the Currency  
Chicago-North Field Office  
Arlington Place II, Suite 340  
85 West Algonquin Road  
Arlington Heights, IL 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 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 **First Suburban National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 2, 1997. 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: **Needs to Improve Record of Meeting Community Credit Needs.** This rating is based on the following conclusions:

- ◆ Management is unaware of the community's credit needs.
- ◆ The bank has purchased or originated a low volume of loans within its assessment area.
- ◆ The bank has purchased or originated a low volume of loans to low- or moderate-income borrowers.
- ◆ The bank has purchased or originated loans in only 25% of the low- or moderate-income tracts within the assessment area.

## DESCRIPTION OF INSTITUTION

First Suburban National Bank is a \$121 million bank with its main office in Maywood, Illinois. The bank operates an additional four full-service branches serving Maywood, Broadview, Alsip and Glendale Heights. The bank is wholly-owned by a one-bank holding company, First Suburban Bancorp, Inc.

Net loans and leases totaled 50% of assets as of March 31, 1997. The loan to deposit ratio is 55%. The loan portfolio is characterized by residential real estate (49%), commercial and commercial real estate (28%) and consumer loans (23%). The bank offers several loan products which include: automobile loans, commercial loans, home improvement loans, refinance and purchase mortgages, home equity loans, and student loans. The bank does not offer flexible or innovative loan products. The only home purchase loans offered are five-year balloon mortgages, and ten-year and fifteen-year conventional mortgages. Advertising of loan products is limited to home equity lines of credit.

No financial or legal impediments exist that would impact the bank’s ability to help meet the credit needs of the community. The Comptroller of the Currency rated the Bank’s CRA performance under the previous regulation as “Satisfactory” as of March 7, 1994.

**DESCRIPTION OF THE BANK’S ASSESSMENT AREA**

The bank’s designated assessment area (AA) was expanded for our analysis because it did not meet the technical requirements of the regulation; specifically, a substantial portion of loans were not within the AA. Our analysis and the conclusions presented in this Performance Evaluation are based on the expanded AA.

The expanded AA consists of 410 census tracts located in Cook and DuPage counties. The entire AA is located in the Chicago MSA. Larger cities within the bank’s AA include Palatine, Arlington Heights, Northbrook, Elk Grove Village, Schaumburg, Oak Park, Oak Lawn, Orland Park and Cicero. The 1996 HUD adjusted median family income of the assessment area totaled \$47,156. Total population is 2,087,285 and the approximate unemployment rate is 2%. The number of low and moderate-income families totals 157,388 or 28% of the 557,047 families in the AA. The following chart summarizes the demographic characteristics of the AA:

<b>Tract Characteristic</b>	<b>Number of Tracts</b>	<b>% total Tracts</b>	<b># Housing units</b>
Low-income	4	1%	4,360
Moderate-income	36	9%	60,877
Middle-income	222	55%	451,908
Upper-income	145	35%	279,955
NA*	3	1%	4
<b>Total</b>	<b>410</b>	<b>100%</b>	<b>797,104</b>

\*Tract may be small or not include any residents.

The local economy is generally stable. Predominant businesses include retail trade with some light industry. Major employers in the bank’s AA include United Parcel Service, Motorola,

AC Nielsen, numerous hospitals, and other service industries. In addition to these large companies, there are more than 108,000 small businesses with less than fifty employees. Competition is strong; numerous branches of multinational and regional banks, credit unions, as well as brokerage and investment companies are located in the AA.

We considered comments from the community in assessing the bank's CRA performance. We contacted local economic development and community development organizations. Our contacts indicated that credit needs in the assessment area consist of small business loans, housing rehabilitation and affordable mortgage loans. These contacts indicated local banks are not aware of the community needs and are unwilling to make small business loans which may not qualify for Small Business Administration guarantees. The organizations stated most local banks do not initiate contact with the groups. One group also stated that the local banks do not seem to be aware of affordable housing programs, particularly in DuPage County.

Discussions with management disclosed the fact that bank officers have not met or spoken with individuals or groups to discuss community needs. This lack of commitment to determining the credit needs of the community has contributed to a low volume of loan originations in the bank's AA, as discussed in the following sections.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The numbers in the following chart reflect the low number and dollar volume of HMDA related loans made to low- and moderate-income individuals. By percentages, it appears the bank is making loans to low-and moderate-income borrowers proportionate with the demographic composition of its AA. However, it is important to note that the bank made only 18 loans totaling \$399,000 to low- and moderate-income families when there are nearly 160,000 of these families in the bank's assessment area. Further, 1996 market share data indicates approximately 22,000 loans were made to low-and moderate-income borrowers in the bank's assessment area. The bank's portion of this lending activity (18 loans) is nominal.

The trend of poor penetration among low-and moderate-income individuals continues in 1997. Of the twenty-five HMDA loans originated to date, only three were to low- or moderate-income borrowers

Home Mortgage Loan Origination Borrower Income Level Distribution										
Income level of borrowers	Home Purchase		Home Improvement		Refinance		Total			
	# of loans	\$000's of loans	# of loans	\$000's of loans	# of loans	\$000's of loans	# of loans	% of Total	\$000's of loans	% of Total
Low-income	1	50	8	113	0	0	9	18	163	5
Moderate-income	2	58	6	75	1	103	9	18	236	7
Middle-income	6	397	6	237	3	532	15	29	1,166	37
Upper-income	8	851	2	105	7	628	17	33	1,584	50
NA	0	0	1	4	0	0	1	2	4	< 1
Total	17	1,356	23	534	11	1,263	51	100	3,153	100

Source: 1996 HMDA LAR

### Analysis of Loans made to Small Businesses

We sampled small business loans (loans with origination amounts of less than \$1,000,000) which were representative of the overall lending activity in the commercial portfolio. The sample consisted of 33 loans originated in 1996 and 1997 of which 24 (73%) were made to small businesses and 9 (27%) to large businesses. (Small businesses are defined as those with \$1,000,000 or less in annual gross revenues.) Extrapolating the percentage to the total 226 business loans originated during this period, an estimated 165 loans were to small businesses. The following chart shows that the bank is making medium-sized loans (\$100,000 - \$250,000) to small businesses. Based on our community contacts, local businesses need small-dollar loans (under \$100,000) and have had to go outside the community to obtain funds. The chart also displays the fact that the bank has made only 14 loans to small businesses within its AA during the past 18 months. Once again, extrapolating the sample to the total 165 loans to small businesses, an estimated 70 such loans were made in its assessment area. This is considered low when compared with the approximately 108,000 small companies in the bank's assessment area. (See Assessment Area section for details.)

**Small Business Loan Distribution by Loan Size, January 1996 through June 1997**

<b>Loan Size</b>	<b>Number of Loans</b>	<b>Percent</b>	<b>Dollar Amount of Loans</b>	<b>Percent</b>
\$0- \$99,999	5	36	\$262,882	12
\$100,000- \$249,999	6	43	\$828,800	36
\$250,000+	3	21	\$1,202,000	52
<b>Total</b>	14	100%	\$2,293,682	100%

The chart includes only loans made in AA.

**Geographic Distribution of Loans**

The geographic distribution of loans reflects a poor dispersion throughout the assessment area. There are a total of forty low- or moderate-income tracts in the bank's assessment area, of which 30 tracts or 75% had no HMDA or small business lending activity in 1996. At year-end 1996, 100% of the low-income tracts and 71% of the 36 moderate-income tracts had no lending activity.

The bank's lending penetration in low- or moderate-income tracts is low. An analysis of the sixty-five loans (51 HMDA and 14 small business) originated in the bank's assessment area during 1996 discloses that ten loans, or 15% were made in low- or moderate-income tracts. Although this compares favorably with the tract distribution of the assessment area, it is misleading due to the low level of loans originated. A review of 1996 market data indicates that approximately 5,600 loans were originated by all lenders in the low- or moderate-income tracts of the bank's AA. The bank made less than 1% of the loans originated in these tracts.

Year-to-date 1997, the bank has originated twenty-five HMDA loans through June, six loans or 24% are in low- or moderate-income census tracts.

**First Suburban Home Mortgage Loan Activity  
Geographic Distribution**

Purpose	Low-income tract		Moderate-income tract		Middle-income tract		Upper-income tract		Total	
	#	Amount % of Total	#	Amount % of Total	#	Amount % of Total	#	Amount % of Total	#	Amount % of Total
Home Purchase	0	\$0	0	\$0	9	\$853	8	\$503	17	\$1,356
	0	0	0	0	18	27	16	16	33	43
Home Improvement	0	\$0	2	\$ 25	20	\$ 499	1	\$10	23	\$534
	0	0	4	1	39	16	2	1	45	18
Refinancing	0	\$0	4	\$ 447	6	\$645	1	\$171	11	\$1,263
	0	0	8	14	12	20	2	5	22	39
Total	0	\$0	6	\$472	35	\$1,997	10	\$684	51	\$3,153
	0	0	12	15	69	63	20	22	100	100

Source: 1996 HMDA-LAR  
Amount in thousands

**Lending in the Assessment Area**

The bank conducts a majority of their lending within their assessment area. Of the HMDA reportable loans First Suburban NB originated in 1996, 77% were within its assessment area. Based on our sample, 42% of business loans were made within the assessment area.

**Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is less than reasonable. The loan-to-deposit ratio averaged 53% from January 1995 to March 1997. As of March 31, 1997, the ratio was 55% and trending downwards. This is significantly below the 71% average loan-to-deposit ratio for similarly situated institutions (banks with similar asset size, similar number of branches, asset and loan portfolio composition in similar type locations). There are no factors (such as sale of loans in the secondary market) which might distort the loan-to-deposit ratio or mitigate the bank's low level of lending activity. The fact that approximately 94,000 HMDA reportable loans were generated within the bank's assessment area during 1996 displays the fact that a need for credit exists.

**Responses to Complaints**

The bank has received no CRA related complaints since the last examination.

**Compliance with Anti-Discrimination Laws:**

The bank is in compliance with the substantive provisions of the fair lending laws. We tested a sample of home improvement loans to determine if credit standards were consistently applied and if rates and terms offered were similar for different borrowers. We found no evidence of discrimination.