



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

June 10, 2013

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

**Central FS & LA of Chicago  
Charter Number: 700529**

**1601 W. Belmont Avenue  
Chicago, IL 60657-3044**

**Chicago Field Office  
Two Century Centre  
1700 E. Golf Rd., Suite 800  
Schaumburg, Illinois 60173**

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Outstanding**

- The loan-to-deposit ratio is more than reasonable given the bank's size and financial condition.
- A majority of loans originated are inside the bank's assessment area (AA).
- The bank's geographic distribution performance is excellent.

**SCOPE OF EXAMINATION**

We assessed Central FS & LA of Chicago's (Central) Community Reinvestment Act (CRA) performance using full-scope Small Bank CRA examination procedures. Under the Small Bank CRA examination procedures, the primary evaluation is made under the lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The loan review period for the lending analysis for this examination is January 1, 2010 through December 31, 2012. We reviewed Central's Home Mortgage Disclosure Act (HMDA) reportable residential loan originations and purchases.

To perform our analysis the bank provided their HMDA Loan Application Register (LAR) for 2010, 2011, and 2012. We reviewed a sample of HMDA loan data and determined that the bank's HMDA data was accurately collected, maintained and reported in accordance with the HMDA regulation and therefore, deemed reliable.

We used reported Federal Deposit Insurance Corporation (FDIC) annual deposit information to determine the bank's deposit market share and market presence within its AA. The most recent deposit market share information is as of June 30, 2012.

The CRA evaluation period covers two different sets of census information (year 2000 census data for the 2010 and 2011 loan data and the year 2010-census data for the 2012 loan data). We will show our analysis using both sets of data when discussing the bank's performance under the lending test.

Using HMDA and census data, we generated several AA demographic reports to compare to the bank's originated or purchased HMDA 2010-2011 and 2012 lending. Additionally, we reviewed the aggregate HMDA comparative lending data for origination activity within the assessment area for 2010-2011. Aggregate HMDA data for 2012 was not yet available during the course of our examination. The volume of lending in 2010 and 2011 was greater than the volume of lending in 2012 thus the 2010 and 2011 lending performance was given more weight in reaching our conclusions. It is also noted that borrower distribution analysis is limited due to the high percentage of loans made to non-natural persons or for multi-family properties, instances where income is not reported.

## **DESCRIPTION OF INSTITUTION**

Central is a federally chartered mutual thrift, which operates a main office and two branch offices on the north side of the city of Chicago. As of December 31, 2012, the institution reported total assets of \$96 million. The bank's main office and one branch office are located in the Lakeview area of Chicago in upper- income census tracts. The institution's Lincoln-Grace branch is located in the North Center neighborhood and is also located in an upper- income census tract.

Central offers a wide array of deposit and loan products. Loan products include residential and commercial mortgage loans, home improvement loans, and automobile loans. The Bank's primary focus is residential mortgage lending. The bank's loan portfolio as of December 31, 2012, totaled \$76.5 million. One to four family real estate mortgages comprise 30 percent of the loan portfolio, while multi-family residential loans made up 43 percent of the portfolio. Deposit products include checking accounts, savings accounts, money market accounts, and certificates of deposit.

Central has the financial capacity to assist in meeting the credit needs of its AA. Other than strong competition around the Chicago land area, there are no legal, financial, or other circumstances impeding the bank's ability to help meet the credit needs of its AA. Central's strategic plan focuses on residential mortgage loans and multi-family real estate loans in their AA, and avoids competing with larger banks.

The last performance evaluation under the CRA was dated May 14, 2007. The bank was evaluated by the Office of Thrift Supervision and received an overall rating of "Outstanding".

## **DESCRIPTION OF ASSESSMENT AREA**

Central has delineated their AA as a portion of Cook County within the Chicago-Joliet-Naperville, IL Metropolitan Division. The Bank's AA is bounded by Peterson Ave to the north, to the south by Chicago Ave, to the east by Lake Michigan, and to the west by Pulaski Rd.

According to the 2000 census data, Central's AA consisted of 208 census tracts. According to the 2010 census data, the bank's AA now consists of 216 census tracts. Considering the bank's size, operational strategies, and office locations, the delineated AA meets the requirements of the CRA regulation, does not arbitrarily exclude any low- or moderate-income areas, and does not reflect illegal discrimination.

Central's 208 census tracts in 2010-2011 had a population of 776,664 total persons, with 341,329 households and 153,010 families. The area held 363,927 housing units,

of these units 31.6 percent were categorized as owner-occupied. Multifamily units and rental units represented 56.3 percent and 62.1 percent of the total housing units, respectively. Central's 216 census tracts in 2012 have a population of 717,978 total persons, with 330,549 households and 139,883 families. The area holds 370,823 housing units. Of these units, 37.3 percent were categorized as owner occupied. Multifamily units and rental units represented 55.1 percent and 51.8 percent of the total housing units, respectively.

See the tables below for demographic information on the bank's AA. It is noted that approximately 14 percent (2010-2011) and 15 percent (2012) of the households within the bank's AA are below the poverty level.

2010-2011 Assessment Area Demographic Information								
Income Category	%Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	31.52	26	9.00	4.94	10.35	9.97	190,209	44
Moderate	18.54	73	39.00	35.44	40.47	44.73	185,196	45
Middle	17.87	43	18.00	17.91	18.38	19.60	255,235	44
Upper	32.06	66	34.00	41.71	30.79	25.70	302,045	36
NA	0.00	0	0.00	0.00	0.00	0.00	0	0
<b>Total # or \$</b>	<b>100.00</b>	<b>208</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>238,134</b>	<b>42</b>

2012 Assessment Area Demographic Information								
Income Category	%Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	27.67	25	10.00	5.93	11.95	8.91	306,411	43
Moderate	14.64	48	22.00	19.49	23.49	26.58	312,699	47
Middle	14.91	53	25.00	25.28	26.19	27.14	362,875	44
Upper	42.79	90	43.00	49.30	38.36	37.38	474,458	36
NA	0.00	0	0.00	0.00	0.00	0.00	0	0
<b>Total # or \$</b>	<b>100.00</b>	<b>216</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>394,079</b>	<b>41</b>

Within the bank's AA, which includes a portion of the Chicago's north side, competition for potential applicants is very strong. According to the Federal Deposit Insurance Corporation's Deposit Market Share Report, as of June 30, 2012, Central had a deposit market share of 0.03 percent. This placed the bank at 116 out of 147 financial institutions within Cook County. The AA is dominated by larger banks such as JP Morgan Chase and BMO Harris Bank, which top the list and hold the only double-digit market share percentages.

During our evaluation, we contacted individuals from two local chambers of commerce. One contact describes her local community as affluent. She feels that the community is saturated with financial institutions and credit needs are being met for the members of

the community. Our contact went on to say that, she feels that financial institutions are currently participating in the community and are viewed positively by members of the community. Additionally, our contact described the performance of local financial institutions as strong, specifically community banks who have served the community for many years. Our second contact described her community as highly educated. She believes banks can always look for new ways to improve residential and small business markets. However, she also believes the credit needs of the community are currently being met. Lastly, she feels the community thinks highly of community banks, which are more involved in community events than the larger banks in the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Central's has demonstrated an Outstanding performance in meeting the credit needs of its AA. The loan-to-deposit ratio (LTD) is more than reasonable and a majority of the bank's loan activities are inside its AA. Additionally, the bank's geographic distribution indicates excellent distribution.

### Loan-to-Deposit Ratio

Central's quarterly average LTD ratio is more than reasonable. We compared Central's LTD to a peer base of 34 other federal savings associations in the Cook County area with less than \$150 million in total assets. Central's quarterly LTD ratio for our evaluation period of June 30, 2007 through December 31, 2012 averaged 115.79 percent. This ratio is well above the peer quarterly average LTD ratio of 77.06 percent. As of December 31, 2012, the bank's LTD ratio was 99.15 percent. This is well above its peer's average of 68.99 percent for the same quarter.

### Lending in Assessment Area

A majority of the bank's lending is inside the AA. According to the 2010-2011 data, Central reported 32 HMDA loans. Of the 32 loans, 19, or approximately 59 percent, of the HMDA reportable loans were originated or purchased within the bank's AA. According to the 2012 data, Central reported 17 HMDA loans. Of the 17 loans, 10, or approximately 59 percent, of the HMDA reportable loans were originated or purchased within the bank's AA. Table 1 below shows the combined data covering the evaluation period.

Loan Type	Number of Loans				Total	Dollars of Loans (000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	29	59.18	20	40.82	49	9,454	68.08	4,432	31.92	13,886

Source: HMDA Loans reported for 2010, 2011, 2012.

## Lending to Borrowers of Different Incomes

Only 52 percent of the bank's HMDA loans originated or purchased inside the bank's AA had reported income. The other loans were made to non-natural persons, were for multi-family residences, or were purchased loans for which the bank elected not to report income. In addition to the bank's minimal loan activity, we also considered other factors such as the increase in households living in poverty, the decrease in wages and high unemployment rates, the increase in vacant housing units, and the increase in persons living in group quarters. Each of these factors limits the bank's real estate lending opportunities in the AA.

Central's distribution of lending among borrowers of different income levels in its AA is reasonable. See Tables 2 and 3 below for details. We compared the percentage of loans originated or purchased by Central to the percentages of aggregate HMDA reported loans for FDIC insured financial institutions (2010-2011) and to the percentage of families in the different income levels in the bank's AA (2012).

<b>Borrower Income Level</b>	<b>Central Number of Loans</b>	<b>Central Percentage of Loans</b>	<b>HMDA Peer Group Distribution Percentage</b>	<b>Family Distribution Percentage</b>
Low-Income	0	0.00%	2.93%	31.52%
Moderate-Income	1	10.00%	10.56%	18.54%
Middle-Income	2	20.00%	20.80%	17.87%
Upper-Income	7	70.00%	65.72%	32.06%
Income NA	0	0.00%	-----	-----
Totals	10	100.00%	100.00%	100%

Even though Central did not make any HMDA loans to low-income borrowers in 2010 and 2011, the bank's performance is near the aggregate HMDA lending to low-income borrowers. The percentage of loans to moderate-income borrowers was excellent as the bank's percentage met the percentage of aggregate lending to moderate-income borrowers within the bank's AA.

<b>Borrower Income Level</b>	<b>Central Number of Loans</b>	<b>Central Percentage of Loans</b>	<b>HMDA Peer Group Distribution Percentage</b>	<b>Family Distribution Percentage</b>
Low-Income	0	0.00%	----	27.67%

Moderate-Income	1	20.00%	----	14.64%
Middle-Income	0	0.00%	----	14.91%
Upper-Income	4	80.00%	----	42.79%
Income NA	0	0.00%	-----	-----
Totals	5	100.00%	----	100%

Source: HMDA data 2010-2012, aggregate HMDA data (2010-2011), and U.S. Census Data (2000 & 2010).

In 2012, the bank did not make or purchase any loans to low-income borrowers. This level of lending does not meet standards of satisfactory performance. However, the percentage of loans originated or purchased to moderate-income borrowers exceeded the percentage of moderate-income families in the bank's AA.

### Geographic Distribution of Loans

Central's distribution of loans in its AA among low- and moderate-income geographies is excellent. Tables 4 and 5 below details the number and percentage of Central's reported loans according to the income level of the census tracts within their AA. The table compares those loans to the percentages of aggregate HMDA reported loans for FDIC insured financial institutions (2010-2011) and to the percentage of owner-occupied housing units (OOHU) within their AA (2012).

<b>Census Tract Income Level</b>	<b>Central Number of Loans</b>	<b>Central Percentage of Loans</b>	<b>HMDA Peer Group Distribution Percentage</b>	<b>OOHU Distribution Percentage</b>
Low-Income	2	10.53%	6.08%	4.94%
Moderate-Income	6	31.58%	30.31%	35.44%
Middle-Income	5	26.32%	19.85%	17.91%
Upper-Income	6	31.58%	43.75%	41.71%
Totals	19	100.00%	100.00%	100.00%

Overall, the bank's lending performance for 2010-2011 indicated excellent geographic distribution. For 2010-2011, the bank's percentage of number of loans made in low- and moderate-income geographies was significantly above industry aggregate HMDA lending.

<b>Census Tract Income Level</b>	<b>Central Number of Loans</b>	<b>Central Percentage of Loans</b>	<b>HMDA Peer Group Distribution Percentage</b>	<b>OOHU Distribution Percentage</b>
Low-Income	1	10.00%	----	5.93%
Moderate-Income	1	10.00%	----	19.49%
Middle-Income	4	40.00%	----	25.28%
Upper-Income	4	40.00%	----	49.30%
Totals	10	100.00%	----	100.00%

Source: HMDA data 2010-2012, aggregate HMDA data (2010-2011), and U.S. Census Data (2000 & 2010).

Overall, geographic performance in 2012 is reasonable. In 2012, the percentage of number of loans made by the bank in low-income census tracts significantly exceeded the percentage of owner-occupied housing units in the low-income census tracts in the bank's AA. The percentage of loans originated or purchased in moderate-income census tracts is lower than the percentage of owner occupied housing units in moderate-income census tracts in the bank's AA.

### **Responses to Complaints**

Central did not receive any written comments or complaints regarding its CRA performance during our evaluation period. The Office of Thrift Supervision or the OCC has not received any CRA related comments or complaints during the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.