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Comptroller of the Currency  
Administrator of National Banks

**LARGE BANK**

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**PUBLIC DISCLOSURE**

**January 12, 1998**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**TCF National Bank Illinois  
Charter Number 23254  
800 Burr Ridge Parkway  
Burr Ridge, Illinois 60521**

**Supervisory Agency: Office of the Comptroller of the Currency  
Midwestern District  
2345 Grand Boulevard, Suite 700  
Kansas City, Missouri 64108**

**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.

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## GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

**Assessment Area (AA)** - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA.

**Block Numbering Area (BNA)** - Small statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census committees have not established census tracts. State agencies and the Census Bureau delineated BNAs for the 1990 census using guidelines similar to those for the delineation of census tracts. BNAs do not cross county boundaries.

**Census Tract (CT)** - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development Purpose** is defined as affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that meet size and revenue standards defined by the CRA regulation; and activities that vitalize or stabilize low- and moderate-income geographies.

**Community Development Loan** - A loan which must have as its *primary* purpose community development. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses or farms, except for multi-family rental housing loans, which can be reported under both categories.

**Community Development Service** - A service that must have community development as its *primary* purpose and be related to the provisions of financial services.

**Demographic Characteristic** - A statistical representation of people, housing, geographical areas or other measurable factors with regard to size, density, distribution, or other measurable characteristics.

**Family** - A family consists of a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. All persons in a household who are related to the householder are regarded as members of his or her family.

**Geography** - A census tract or a block numbering area as defined by the United States Census Bureau.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g. made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and

home improvement loans, conventional home purchase and home improvement loans, refinancing of home purchase home improvement loans, and loans for the purchase of multi-family (5 or more units) dwellings.

**Household** - A household includes all the persons who occupy a housing unit. A household can contain only one family for purposes of Census tabulations. Not all households contain families because a household may be made up a group of unrelated persons or one person living alone.

**Income Levels** - These relate to individuals, families, households, or the CTs in a MSA.

**Low** = An income level that is less than 50% of the median income.

**Moderate** = An income level that is at least 50% and less than 80% of the median income.

**LMI** = An income level that is less than 80% of the median income.

**Middle** = An income level that is at least 80% and less than 120% of the median income.

**Upper** = An income level that is 120% or more of the median income.

**Large Financial Institution** - A financial institution with total assets of \$250 million or more or an institution of an size that is an affiliate of a bank holding company with \$1 billion or more in banking and thrift assets.

**Market Share** - The average of all reporting lenders for a specific loan type - HMDA, small business or small farm in a MSA.

**Median Family Income (MFI)** - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimate inflation factor.

**Metropolitan Statistical Area (MSA)** - An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally MSAs consist of one or more whole counties that have a high degree of interaction.

**Consolidated Metropolitan Statistical Area (CMSA)** - An MSA that has been subdivided into PMSAs is redesignated as a CMSA by the Federal Office of Management and Budget.

**Primary Metropolitan Statistical Area (PMSA)** - An MSA with a population of one million or more may be subdivided into component areas. These areas called PMSAs consist of one or more counties that demonstrate, based on specific standards, strong internal economic and social links separate from its ties to other portions of the MSA.

**Poverty Level** - An income level that is less than 30% of the median income.

**Qualified Investment** - A lawful investment that has as its *primary* purpose community development.

**Small Business or Small Farm** - A business or farm that has \$1,000,000 or less in gross annual revenues.

**Small Loan to a Business or Farm** - A loan of \$1,000,000 or less to a business of any size or a loan of \$500,000 or less to a farm of any size, consistent with definitions in the instructions for preparation of the Consolidated Report of Condition and Income.

**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 CRA performance of **TCF National Bank Illinois, Burr Ridge, Illinois (TCF)**, prepared by the **Office of the Comptroller of the Currency (OCC)** as of **January 12, 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 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.

**Institution’s CRA Rating:** This institution is rated **“Outstanding Record of Meeting Community Credit Needs.”**

The following table indicates the performance level of TCF with respect to the lending, investment, and service tests

<b>TCF National Bank Illinois Performance Tests</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding		<b>X</b>	<b>X</b>
High Satisfactory	<b>X</b>		
Low Satisfactory			
Needs To Improve			
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

We rated TCF **“Outstanding”** because TCF:

- C Made an excellent volume of qualifying investments into programs or organizations that provide affordable housing. TCF also made a substantial volume of qualifying grants into organizations that support or promote housing programs, create or maintain jobs, stabilize neighborhoods, or otherwise provide benefit to low- and moderate-income people. Investments and grants totaled \$5,218,526, which was a significant volume relative to the bank’s size.

- C Demonstrated a strong community development service presence for its size. TCF offers a wide variety of banking services through its existing branch network. Bank officers and employees have played important roles in spearheading housing rehabilitation efforts in some blighted Chicago neighborhoods. TCF has very convenient banking hours and an extensive ATM network. TCF has shown pro-active initiatives to provide needed education on finance and basic banking and to provide housing-related counseling and banking-related seminars in Spanish.
- C Responded well to the credit needs of residential home buyers and home owners. The bank's retail emphasis focused primarily on residential real estate. A secondary focus is consumer lending. Because of this, TCF made very limited number of small business and community development loans.
  - C The bank's volume of HMDA loans is good and the distribution shows excellent penetration to low- and moderate-income borrowers. For example, in the Chicago MSA during 1996, TCF made 14% of its HMDA loans to low-income borrowers and 27% to moderate-income borrowers. This compares favorably to the ratios of all lenders in the Chicago MSA, which averaged 8% and 21%, respectively. It also compares favorably to the demographic information for the MSA, which shows 20% of the families are low-income and 17% are moderate-income.
  - C The geographic distribution of the bank's HMDA loans is also very favorable compared to other lenders and population demographics. For example, in the Chicago MSA during 1996, TCF made 6% of its HMDA loans in low-income CTs and 21% in moderate-income CTs. Comparable ratios for all other lenders in the MSA were 4% and 12%. Available demographic information for the MSA shows that 3% of owner occupied housing in the MSA is in low-income CTs and 13% is in moderate-income CTs.
  - C The bank's consumer loan originations to low- and moderate-income borrowers are satisfactory. In the Chicago MSA during 1996, 34% of the bank's consumer lending was to LMI borrowers. For the first nine months of 1997, this ratio had increase to 38%. Demographic information shows that 39% of the households in the MSA are low- or moderate-income.
  - C The distribution of consumer loans within low- and moderate-income census tracts is, however, poor. While 27% of the households in the Chicago MSA are located in low- or moderate-income CTs, the bank extended only 15% and 16% of its consumer loans in those CTs during 1996 and the first nine months of 1997, respectively.

## DESCRIPTION OF THE INSTITUTION

TCF National Bank Illinois (TCF) is an intrastate bank that had average assets of \$900 million through the evaluation period. Its main office is located in Burr Ridge, Illinois - a suburban area west of Chicago. In September 1997, TCF acquired the former Standard Federal Bank for Savings. With this acquisition, TCF's total assets increased to \$3.5 billion. We did not, however, include any Standard Federal lending activity, investments, services, or financial information in the scope of this evaluation because the acquisition occurred at the end of the evaluation period. TCF is a wholly-owned subsidiary of TCF Financial Corporation, a multi-bank holding company located in Minneapolis, Minnesota. TCF Financial Corporation has \$10 billion in total assets and has separately chartered banks located in Minnesota, Wisconsin, Michigan, Illinois, and Colorado. Other affiliates include mortgage banking, consumer financial services, commercial leasing, title insurance, and annuity/mutual fund sales companies.

Until April 1997, TCF had been a thrift savings institution. As such, its primary mission had focused on residential mortgage loans and consumer loans. TCF has had longstanding contact with housing agencies in the greater Chicago area to foster real estate loan programs. It has consistently offered home buyer seminars and loan counseling services. TCF's retail focus has continued with its conversion to a national bank charter through its efforts to expand its retail presence. Not including the recent acquisition, TCF operated 271 ATMs, which made it the third largest ATM network in the greater Chicago area. For the evaluation, we considered TCF's performance in 29 branch locations in the Chicago area and five branches in the Rockford assessment area. Serving commercial customers has not historically been a focus of the bank, although the bank now plans to expand its commercial banking program with an emphasis on small to medium-sized businesses.

Although not included in our analysis because it occurred after our cut-off date for evaluation, in January 1998, TCF acquired 76 branches and 178 ATMs in the Chicago area's largest grocery store chain (Jewel-Osco stores). With this acquisition, TCF made a commitment to open another 86 branches over the next few years in these grocery stores. This will greatly supplement TCF's traditional offices, existing supermarket branches, and extensive ATM network.

TCF offers full-service retail and commercial banking services. As of June 30, 1997, the bank's loan portfolio consisted of 80% one-to-four family residential real estate, 11% commercial and commercial real estate, eight percent consumer, and one percent other loans. The loan portfolio became even more heavily weighted toward real estate loans with the Standard Federal acquisition. Following the acquisition, TCF's loan portfolio was 91% one-to-four family residential real estate, five percent loans to individuals, three percent commercial and commercial real estate, one percent other.

TCF has the financial capacity to assist the community with its credit needs. For year-end 1996, the bank recorded a return on average assets of approximately 1.30%. As of June 30, 1997, the bank's return on average assets was 1.63%. There are no known legal or financial constraints which would impede the bank from its CRA efforts. TCF's prior Performance Evaluation was dated April 15, 1996, and the rating was "Outstanding Record of Meeting Community Credit Needs."

## DESCRIPTION OF THE ASSESSMENT AREA

TCF has four assessment areas, Rockford (MSA # 6880), Grundy (MSA # 1600), DeKalb (MSA # 1600), and the greater Chicago area (MSA # 1600). For our analysis purposes, we combined Grundy, DeKalb, and Chicago into one assessment area because these areas are adjacent, all located within the same PMSA, and have comparable demographic characteristics. The Rockford assessment area includes Boone and Winnebago counties. The Grundy-DeKalb-Chicago assessment area includes Grundy, DeKalb, Cook, Dupage, Lake, McHenry, Kane, and Will Counties in MSA # 1600.

Each assessment area includes whole counties, does not arbitrarily exclude any low- or moderate-income areas, and includes all geographies that have banking offices and deposit-taking ATMs.

The following table provides demographic characteristics on TCF's Chicago assessment area. The information was obtained from 1990 census data. Updated annual income information for 1997 was provided by the department of Housing and Urban Development (HUD). Other information was obtained from Dun & Bradstreet and from the Bureau of Labor Statistics.

ASSESSMENT AREA PROFILE: MSA # 1600 Chicago, IL						
DEMOGRAPHIC CHARACTERISTICS	#	Low	Moderate	Middle	Upper	NA
Population	7,371,445					
Census Tracts in AA	1,768	16%	21%	38%	23%	2%
Income Level of Families in AA (9% below poverty)	1,853,445	20%	17%	24%	39%	--
Families Living in CT Category	1,853,445	8%	18%	44%	30%	--
Income Level of Households in AA (10% below poverty)	2,653,886	23%	16%	21%	40%	--
Households Living in CT Category	2,653,886	9%	18%	44%	29%	--
Owner-Occupied Housing (% of # in CT)	1,618,761	3%	13%	48%	36%	--
Businesses (% of # in CT)	255,056	6%	13%	41%	39%	1%
Median Housing Value = \$123,499						
Median Family Income = \$42,758						
HUD Adjusted Median Family Income for 1997 = \$55,780						
Unemployment Rate = 4% in 1997						

Data Source: 1990 Census Data - U.S. Bureau of the Census; Dun & Bradstreet; Bureau of Labor Statistics  
 NA = No income designation.

The city of Chicago is the third largest in the United States. It is a transportation hub and is a major economic force in the Midwestern section of the country. The area has a broad economic base with no single dominating industry. Major industries include finance, manufacturing, information technology, health care, retail, and the arts. Chicago contains many corporate headquarters and has an important wholesale market. The Chicago Board of Trade and the Chicago Mercantile Exchange are among the largest commodities markets in the world. Banking competition remains intense and fragmented. The city has several large nationally based banks including such giants as Banc One, Citicorp, U.S. Bank, and Bank of America. These banks have not, however, been able to generate significant market share against the home town presence of First Chicago NBD, Corp. which has an 18% deposit market share. The area has hundreds of smaller competitor banks, thrifts, and credit unions. Wealth is concentrated in the suburban areas lying north and west of the city of Chicago. The city itself has a significant percentage of low- and moderate-income census tracts (37%) with pockets of poverty.

The assessment area includes the city of Chicago and suburban areas. We considered information from 28 community contacts made in the city of Chicago and five contacts made in the suburban Chicago area. These contacts were with nonprofit organizations, government agencies, and individuals and were made within the last two years by the OCC and other regulatory agencies. The contacts provided background information on the economy in their respective areas, the condition of housing, the types of housing and small business loans available, the availability of financial services, and the responsiveness of banks within the various areas. The most commonly cited need involved financial counseling for residents, especially targeted toward potential first-time home buyers. Another identified need involves job creation and small business loan programs, coupled with technical assistance for small business owners. Because of the vast need for rehabilitation and renovation of the older housing stock prevalent in Chicago, more availability of home improvement or home equity loans would be beneficial.

The city of Rockford is located approximately 90 miles northwest of downtown Chicago. The city of Rockford is the second largest in the state. The assessment area has a population of 283,719 based on 1990 census information. Rockford has some large manufacturers including such big employers as Chrysler Corporation, Sunstrand, and Warn Electric. But the majority of local commerce consists of small businesses. The area is considered a major retail center for northwestern Illinois and southern Wisconsin. The housing and construction markets are strong. Banking competition is strong and several large Chicago-based banks have moved into the Rockford trade area.

## **SCOPE OF EXAMINATION**

The OCC examined TCF using the lending, investment, and service tests for large financial institutions pursuant to the revised CRA regulation. These tests assess the bank's record of helping to meet community credit needs. We analyzed the bank's: mortgage, small business, consumer, and community development loans; the number and types of qualified investments; branch distribution and accessibility; and retail and community development services. Although we reviewed the bank's small business lending activity, this is not a significant product line for the bank and it did not impact our rating decision. During the last two years, TCF made only thirteen small loans to businesses totaling \$2.1 million. As a result, we have not presented further analysis regarding the bank's small business lending activity. The

bank did not originate small loans to farms during the evaluation period. The current evaluation period includes 199 through September 1997.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

TCF's lending activity shows good responsiveness to the credit needs in its assessment area. Although TCF is in a highly competitive market, it has demonstrated that it is able to reach lower income borrowers, especially for mortgage related products. We based our rating decision primarily on the bank's performance for HMDA-related products. At the bank's request, we also considered four out of five categories of the bank's consumer loan products. For both HMDA and consumer loans, we evaluated the distribution of loans to borrowers of different income levels and within census tracts of different income levels.

Tables on the following pages illustrate the information that TCF provided for our analysis. The tables show the distribution of loans to borrowers of different income levels as well as within the census tracts of different income levels within the assessment area.

### Lending Activity

### HMDA LOANS

TCF's lending volumes show good responsiveness to housing-related credit needs in the assessment area. Although TCF has a very small market share (see Table 4), the bank's share of loans to low- and moderate-income borrowers is very favorable compared to population statistics within the assessment area. Aggregate HMDA information from 1996 shows that 849 lenders originated HMDA-reportable loans. TCF ranked 52 overall in the number of HMDA loans reported. The top lender in this market garnered only a 3.9% market share. In addition, a significant majority of TCF's loans (98% in 1996 and 97% in 1997) were made within the assessment area. Community contacts indicated that there is a need for more first-time home buyer programs and that with the aging housing stock in the Chicago area more home improvement loan programs are needed. While home improvement loans total nine percent of all of TCF's HMDA-reportable loans in the assessment area, the clear majority of TCF's reported loans were for the refinance of one-to-four family homes. TCF personnel commented that it is bank policy to report HMDA data by the category in which the majority of the proceeds are used. Bank personnel said that refinance loans often include funds that the homeowner used for home improvement purposes but that the bank only tracks the loan according to how most of the funds are used.

Table 1 shows the number and dollar amount of HMDA-reportable loans TCF made in the Chicago MSA in calendar year 1996 and through September 1997.

Table 1

HMDA PRODUCT	1996		January - September 1997	
	Number	\$ (000's)	Number	\$ (000's)
Home Purchase	49	4,202	46	4,362
Refinance	1,063	86,157	762	64,529
Home Improvement	118	3,072	73	1,717
Multi-family	7	1,956	9	4,422
<b>TOTAL</b>	<b>1,237</b>	<b>95,387</b>	<b>890</b>	<b>75,030</b>

Data Source: Bank Records

## CONSUMER LOANS

The volume of consumer loans is good based on the small size of the bank and its competitive environment. Over the evaluation period, 66% of all originations were consumer loans. A substantial majority (95% in both 1996 and 1997) of all consumer loans were made within the assessment area. However, it should be noted that because lenders are not required to report this type of lending data, we do not have comparable data to determine how significant the volume are relative to all consumer loans originated in the assessment area. Table 2 shows the number and dollar amount of four categories of consumer loans TCF elected to have considered that were made in the Chicago assessment area.

Table 2

CONSUMER LOAN TYPE	1996		January - September 1997	
	Number	\$(000's)	Number	\$(000's)
Home Equity & Other RE Secured	1,561	63,706	1,104	40,249
Motor Vehicle	53	544	35	341
Other Secured	295	3,008	208	2,623
Other Unsecured	513	4,498	312	3,413
<b>TOTAL CONSUMER LENDING</b>	<b>2,422</b>	<b>71,756</b>	<b>1,659</b>	<b>46,626</b>

Data Source: Bank Records

**Distribution of Loans by Borrower Profile**

**HMDA LOANS**

TCF has excellent penetration of loans to low- and moderate-income borrowers for HMDA-related products. In particular, TCF outperforms the proportion of loans all other lenders made to both low- and moderate-income families. In terms of demographics, TCF's lending was at or above the proportion of moderate-income families in the assessment area. Its lending was generally below the proportion of low-income families except for home purchase loans in 1996 and home improvement loans in 1997.

Table 3 on the next page shows the percentages of HMDA originations among borrowers of different income levels compared to the population demographics of the Chicago MSA and compared to the percentage of loans made to borrowers of different income levels by all lenders. We analyzed the information based on the number of HMDA loans rather than the dollar volume because it more clearly depicts the number of borrowers who have benefitted from these types of loans. We also analyzed the data based on the realization that nine percent of all families within the assessment area live below the poverty level. Families with income below the poverty level are less likely to qualify for loans of this type because of more limited financial capacity to repay the loans.

Table 3

Income Category & HMDA Product	1996		January - September 1997	Percent of Families in Income Category (9% of all families are below the poverty level)
	All Lenders (% of number)	TCF (% of number)	TCF (% of number)	
<b>LOW-INCOME BORROWERS</b>				<b>20%</b>
<i>Home Purchase</i>	6%	22%	15%	
<i>Refinance</i>	8%	14%	10%	
<i>Home Improvement</i>	12%	13%	23%	
<b>MODERATE-INCOME BORROWERS</b>				<b>17%</b>
<i>Home Purchase</i>	22%	29%	44%	
<i>Refinance</i>	19%	28%	28%	
<i>Home Improvement</i>	21%	24%	22%	
<b>MIDDLE-INCOME BORROWERS</b>				<b>24%</b>
<i>Home Purchase</i>	30%	33%	26%	
<i>Refinance</i>	28%	32%	34%	
<i>Home Improvement</i>	29%	36%	25%	
<b>UPPER-INCOME BORROWERS</b>				<b>39%</b>
<i>Home Purchase</i>	39%	16%	15%	
<i>Refinance</i>	40%	26%	28%	
<i>Home Improvement</i>	37%	27%	27%	
<b>BORROWERS WITH UNKNOWN INCOME</b>				<b>--</b>
<i>Home Purchase</i>	3%	0%	0%	
<i>Refinance</i>	5%	<1%	<1%	
<i>Home Improvement</i>	1%	0%	3%	

Data Sources: FFIEC 1996 Aggregate HMDA Data, 1990 Census Data-U.S. Bureau of the Census, and Bank Records

HMDA aggregation reports from 1996 illustrate the highly competitive nature of the Chicago assessment area. Base on this information and comparing TCF's overall rank out of the numerous lenders originating HMDA loans within market, TCF's performance is strong despite how small the market share percentages appear. For home purchase loans, the top lender generated only a 6% market share. TCF ranks in the top third of 732 lenders reporting home purchase loans in the assessment area. For refinance loans, the top lender has only a 4.8% market share. TCF's overall rank is seventeenth out of 693 lenders for this type of loan. For home improvement loans, the top lender has 6% market share. TCF's rank for home improvement loans is 56 out of 435 lenders.



Table 4 shows TCF's market shares among borrowers of different income levels compared to the bank's overall market share for the various HMDA loan categories. The table shows that the bank's strongest category is in refinancing loans. In all loan categories, the market shares to low- and moderate-income borrowers exceed the bank's overall market shares for the various categories.

Table 4

HMDA Product & Income Category	1996
<b>HOME PURCHASE</b>	<b>Overall Market Share = 0.04%</b>
<i>Low-Income Borrowers</i>	0.14%
<i>Moderate-Income Borrowers</i>	0.05%
<i>Middle-Income Borrowers</i>	0.04%
<i>Upper-Income Borrowers</i>	0.02%
<i>Borrowers with Unknown Income</i>	--
<b>REFINANCE</b>	<b>Overall Market Share = 1.12%</b>
<i>Low-Income Borrowers</i>	1.90%
<i>Moderate-Income Borrowers</i>	1.66%
<i>Middle-Income Borrowers</i>	1.28%
<i>Upper-Income Borrowers</i>	0.71%
<i>Borrowers with Unknown Income</i>	0.13%
<b>HOME IMPROVEMENT</b>	<b>Overall Market Share = 0.36%</b>
<i>Low-Income Borrowers</i>	0.40%
<i>Moderate-Income Borrowers</i>	0.40%
<i>Middle-Income Borrowers</i>	0.44%
<i>Upper-Income Borrowers</i>	0.27%
<i>Borrowers with Unknown Income</i>	--

Data Source: FFIEC 1996 Aggregate HMDA Data

## CONSUMER LOANS

Table 5 shows the distribution of consumer loans for the Chicago assessment area among borrowers of different income levels compared to the percentage of households at that income level. The percentage of households below the poverty level is 10%. The table shows that the bank successfully reached moderate-income households. In this income category, the bank's percentage of loans is well above the percentage of households in the assessment area. The volume of loans made to low-income households is considerably less than the percentage of households. We use households rather than families for this type of loan because it more clearly depicts the number of people who could benefit from this type of loan. Note that the percentage of loans made to LMI borrowers has increased from 1996 to 1997 while loans to middle- and upper-income borrowers have decreased slightly. Also note that because banks are not required to collect consumer loans for CRA purposes, there is no available aggregate information on other lenders to put TCF's volume of consumer lending into perspective.



Table 5

CONSUMER LOAN DISTRIBUTION BY INCOME LEVEL OF BORROWER						
CONSUMER LOANS	TIME PERIOD	Low-Income % of #	Moderate-Income % of #	Middle-Income % of #	Upper-Income % of #	Unknown-Income % of #
	1996	12%	22%	32%	33%	1%
	January - September 1997	14%	24%	29%	32%	1%
% of Households at Income Level		23%	16%	21%	40%	--

Data Source: Bank Records

***Distribution of Loans by Geography***

**HMDA LOANS**

TCF was successful in generating housing-related loans within low- and moderate-income census tracts. The level of lending within these tracts is excellent. Table 6 shows the portfolio percentages TCF realized compared to the percentage of loans made by all lenders in each type of geography. It also provides perspective on the bank's performance by showing the percentage of owner-occupied housing in each type of geography. For all HMDA loan products, the bank's percentage of loans exceeded the percentage of owner-occupied housing for all types of geographies except upper-income.

In low-income CTs, TCF outperformed all other lenders. The percentage of home purchase loans for both 1996 and 1997 was higher than the percentage of families living in the low-income CTs. Also note that only three percent of housing in these CTs is owner-occupied. By proportion, the bank's volume of lending is considerably greater than the volume of owner-occupied housing.

In moderate-income CTs, the percentage of loans was greater than the percentage of owner-occupied housing and, except for 1997 home purchase loans, was greater than the percentage of families living in these CTs.

Table 6

Income Category & HMDA Product in Percentages	1996		January - September 1997	Percent of Families Living in CT	Percent of Owner-Occupied Housing
	All Lenders	TCF	TCF		
<b>LOW-INCOME CTs</b>				<b>8%</b>	<b>3%</b>
<i>Home Purchase</i>	2%	10%	15%		
<i>Refinance</i>	4%	5%	6%		
<i>Home Improvement</i>	6%	7%	14%		
<i>Multi-family</i>	14%	0%	22%		
<b>MODERATE-INCOME CTs</b>				<b>18%</b>	<b>13%</b>
<i>Home Purchase</i>	10%	21%	13%		
<i>Refinance</i>	13%	21%	20%		
<i>Home Improvement</i>	16%	24%	20%		
<i>Multi-family</i>	33%	0%	0%		
<b>MIDDLE-INCOME CTs</b>				<b>44%</b>	<b>48%</b>
<i>Home Purchase</i>	46%	63%	61%		
<i>Refinance</i>	44%	56%	53%		
<i>Home Improvement</i>	47%	50%	48%		
<i>Multi-family</i>	40%	86%	67%		
<b>UPPER-INCOME CTs</b>				<b>30%</b>	<b>36%</b>
<i>Home Purchase</i>	42%	6%	11%		
<i>Refinance</i>	39%	18%	21%		
<i>Home Improvement</i>	31%	19%	18%		
<i>Multi-family</i>	13%	14%	11%		

Data Source: FFIEC 1996 Aggregate HMDA Data

As shown previously on Table 4 and discussed in the associated narrative, TCF operates in a very competitive market. Because of this, no one bank dominates the home lending arena and TCF's overall market share percentages appear small. But, TCF has been successful in generating HMDA related loans within the low- and moderate-income geographies. Table 7 illustrates market share comparisons based on the geography of the loan. For each product type TCF's percentage of loans in low- and moderate-income geographies exceeds its overall market share for that product type.

Table 7

HMDA Product & Income Category	1996
<b>HOME PURCHASE</b>	<b>Overall Market Share = 0.04%</b>
<i>Low-Income CTs</i>	0.17%
<i>Moderate-Income CTs</i>	0.08%
<i>Middle-Income CTs</i>	0.06%
<i>Upper-Income CTs</i>	0.01%
<i>No Income reported CTs</i>	0%
<b>REFINANCE</b>	<b>Overall Market Share = 1.12%</b>
<i>Low-Income CTs</i>	1.51%
<i>Moderate-Income CTs</i>	1.76%
<i>Middle-Income CTs</i>	1.41%
<i>Upper-Income CTs</i>	0.53%
<i>No Income reported CTs</i>	0%
<b>HOME IMPROVEMENT</b>	<b>Overall Market Share = 0.36%</b>
<i>Low-Income CTs</i>	0.44%
<i>Moderate-Income CTs</i>	0.52%
<i>Middle-Income CTs</i>	0.38%
<i>Upper-Income CTs</i>	0.23%
<i>No Income reported CTs</i>	0%

Data Source: FFIEC 1996 Aggregate HMDA Data

We reviewed the geographic distribution of the bank’s HMDA lending and identified no conspicuous gaps in the lending patterns that would indicate the bank is avoiding lending in certain geographies.

## CONSUMER LOANS

TCF has poor penetration within low- and moderate-income census tracts for its consumer loans. The percentage of loans made in low-income CTs is considerably less than the percentage of households within this type of CT (for 1996 this is 3% compared to 9%, respectively). The percentage of loans made in moderate-income CTs is equal to 67% of the percentage of households in that type of CT. This is also less than satisfactory.

Table 8 shows the distribution of consumer loans among the income levels of the geography in which the loan is located compared to the percentage of households at any income level that live in that geography. We use the number of households in the various census tracts in our analysis of consumer loans because it more accurately reflects the number of individuals who would benefit from this type of credit. (In other tables throughout this evaluation, our analyses and conclusions were based on loans made to families of different income levels or within geographies of different income categories.) Note that the percentage of all households below the poverty level is 10%. People with income below the poverty level are less likely to qualify for credit under standard underwriting criteria.

Table 8

CONSUMER LOAN DISTRIBUTION BY INCOME LEVEL OF GEOGRAPHY					
CONSUMER LOANS	TIME PERIOD	Low-Income % of #	Moderate-Income % of #	Middle-Income % of #	Upper-Income % of #
	1996	3%	12%	55%	30%
	January - September 1997	4%	12%	57%	27%
% of Households Living in CT		9%	18%	44%	29%

Data Source: Bank Records

**Community Development Lending**

TCF made two community development loans on the same development project. The project is a senior citizen housing complex with 102 units. Sixty-one units are targeted at senior citizens whose incomes are at or below 60% median family income. The remaining units are targeted at those below 50% of median family income. Total funds committed are \$1.5 million or 2.1% of the bank’s Tier I capital.

**Flexible Loan Programs**

TCF offers several flexible loan programs that help LMI individuals obtain lower cost mortgage financing. In one program, two loans closed in 1997 totaling \$151,600. Under this program, the bank subsidizes the borrowers’ mortgage payments through a discount on market rates. The discounted portion is paid as a contribution to the mortgage company. The subsidies come from TCF’s annual contribution budget and will continue over the life of the loans. TCF also uses local city and state programs to facilitate home buyer programs. These include reduced down payments and below market interest rates. Under a city bond program, TCF originated 16 loans totaling \$3 million. Under a state of Illinois program, TCF originated 19 loans totaling approximately \$1.3 million.

Under the bank’s SURE program (Second Underwriting Review and Evaluation committee), TCF approved 26 real estate loans totaling \$1.7 million. Typically, these involve loans that were made to more marginally qualified applicants who would be denied credit under standard underwriting criteria.

## INVESTMENT TEST

TCF made a substantial volume of qualified investments during the evaluation period, especially considering the bank's size and limited market presence in its assessment areas. Qualified investments must meet a community development purpose as defined within the regulation. Please refer to the *Glossary of Terms* for this definition.

During the evaluation period, TCF made 42 investments or grants totaling \$5,218,526 which equals 7.29% of the bank's Tier I capital. We based the capital figures on June 30, 1997 financial information because this was the quarter-end prior to the acquisition of Standard Federal Bank for Savings in September 1997. Using financial information prior to the acquisition is more reflective of TCF National Bank Illinois' performance throughout the evaluation period. We included investments and grants made during the evaluation period, as well as investments made during prior periods that remained outstanding.

TCF's investments and grants were made to housing, health, and social service organizations. They provided home ownership counseling, assisted educational facilities that serve LMI and at-risk youth, provided emergency food and shelter, and assisted with the creation of new jobs. Except for two grants totaling \$3,500 made in the Rockford assessment area, all were made in the greater Chicago assessment area.

The following are descriptions of four large investments.

- C TCF has a \$2 million commitment to an organization that specializes in multi-family affordable housing. TCF currently has \$1,006,252 outstanding in the organization's loan pool. The organization is considered a leader in the Chicago area for its rehabilitation-revitalization neighborhood lending. Its loan pool has grown to \$378 million with nearly half that amount available for new programs. It has approved 568 loans for \$322 million and provided affordable housing for over 67,000 residents.
- C TCF has a \$1.8 million commitment to an organization that operates loan pools to assist LMI in the purchase or rehabilitation of homes. TCF's current outstanding portion is \$1,124,101. TCF has participated in several loan pools since 1993. In addition to the direct investment, TCF made grants to this organization totaling \$37,803 during this evaluation period. These grants helped cover servicing fees associated with administration of the funds, and provide one-on-one financial counseling to prospective home buyers. This project relates directly to a key need in the bank's assessment area - the rehabilitation of older housing.
- C TCF is one of five equity partners in a senior citizen housing project that has been targeted toward low- and moderate-income seniors. TCF's participation is 24.75%. We considered \$794,000 in low-income housing tax credits. We did not consider the remaining \$225,000 in this evaluation as it will be paid between the years 2001 and 2004. This housing complex consists of 102 units. Sixty-one units are earmarked for residents with less than 60% of median family income; the other forty-one units have been reserved for residents with income below 50% median family income. The project also contains 15,000 square feet of commercial space and is expected to include medical facilities and retail space. TCF has also made qualifying community development loans on this project that include a one-third participation on the first mortgage and an outstanding stand-by letter of credit to guarantee

repayment on the City of Chicago’s construction loan. These have been considered under the lending test. TCF is also a participant with two other financial institutions in a reserve pool that has been established in the event that there are litigation costs involving the acquisition of the property. This reserve pool would cover any gaps between budgeted cost of land acquisition and any additional payments required because of court settlements.

C TCF holds a 24.75% equity investment in a sixty-unit senior citizen housing complex. All rental units are designed for low- and moderate-income seniors. The bank purchased \$845,000 in low-income housing tax credits in 1991. We included the current book value of \$275,000 in Table 9. TCF’s commitment to this project includes a future purchase of another \$275,000 of low-income housing tax credits in 1999. In addition to the financial commitment, an officer of the bank provides ongoing technical assistance to the partnership regarding the operations of the project. This is considered under the service test.

The following table illustrates the types of investments and grants that the bank has made throughout the evaluation period.

Table 9

QUALIFIED INVESTMENTS - MSA # 1600 Chicago, IL		
Investment Type	# of Investments	\$ (000's) of Investments
<i>Affordable Housing</i>		
Direct Investment	7	5,048
Grant/Contribution	15	85
<i>Economic Development</i>		
Direct Investment	0	0
Grant/Contribution	6	7
<i>Low/Mod Individuals</i>		
Direct Investment	0	0
Grant/Contribution	9	62
<i>Revitalize/Stabilize</i>		
Direct Investment	0	0
Grant/Contribution	3	13
<b>TOTAL INVESTMENTS</b>	<b>40</b>	<b>5,215</b>

**SERVICE TEST**

TCF has demonstrated a commitment to providing retail and community development services within its assessment areas. Many of the bank’s officers and employees serve on various committees and organizations that promote affordable housing and job creation. TCF provides an exceptional level of community development services for its s TCF banking services are primarily traditional, but many target the needs of low- and moderate-income individuals a small businesses. TCF’s banking services, through its branch locations and extensive ATM network, are readily accessible throughout the bank’s assessment area.

**Retail Banking Services:**

TCF emphasizes customer convenience. TCF serves its assessment area primarily through 34 branch offices, of whi 29 are located in the Chicago MSA. Business hours allow very convenient access. All TCF branch offices or accompanying drive-up facilities stay open past 5:00 PM on weekdays and at least half-days Saturday to allow for banking outside of typical work hours. In addition, ten of eleven in-store offices (located inside Cub Foods) are open seven days a week. For customers wanting access to banking services remotely or otherwise unable to visit a branch access is easily available through a network of 271 TCF ATMs (total ATMs found in the two assessment areas prior the significant expansion that occurred in early 1998 with the addition of the branches and ATMs located in the Jewe Osco stores). Many of TCF’s ATMs include a deposit-taking feature, although TCF did not have data regarding whether this feature is available throughout its assessment areas. Transactions are free at TCF-owned ATMs with m checking products. TCF’s deposit products are accessible to individuals of varying financial capacity, including the LMI.

The distribution of branches among geographies of different income levels is reasonable. Twenty-one percent of the bank’s branches are in low- and moderate-income census tracts and 26% of the families in the assessment area live i those census tracts.

No branch offices were closed since TCF’s last CRA examination and one was opened. The branch that opened is in a moderate-income census tract in DeKalb serving primarily the students of Northern Illinois University.

The following table summarizes TCF’s branch and ATM distribution in the Chicago assessment area.

**Table 10**

SERVICE TEST: MSA # 1600											
SERVICE TYPE	# Within MSA	Low CTs (% of families in CT = 8%)		Moderate CTs (% of families in CT = 18%)		Middle CTs (% of families in CT = 44%)		Upper CTs (% of families in CT = 30%)		Income NA CTs	
		#	%	#	%	#	%	#	%	#	%
<b>Bank Offices</b>	29	1	4%	5	17%	14	48%	9	31%	0	--

SERVICE TEST:						MSA # 1600					
Bank ATMs	239	14	5%	33	13%	105	40%	83	32%	4	2%

NOTE: 20 (8%) additional ATMs are located within this assessment area but could not be geocoded and are not included in the above table.

***Community Development Services:***

Given its resources during the evaluation period, TCF provides a very high level of community development service throughout its assessment area. Community development services must have a primary purpose of community development and relate to the provision of financial services. The bank regularly provides services which meet this definition. In several instances, TCF was one of the primary organizers or assisted with critical tasks in the development of the project. Primary services include LMI housing development through grant facilitation, an extensive bank at school program, educational seminars and extensive banking literature in Spanish, and technical assistance to many community organizations serving the housing, economic, and other social services needs of low- and moderate income individuals.

The following are examples of community development services provided by TCF and its employees. Most of the bank's community development services benefit the Chicago MSA. Bank staff are, however, active on the boards of several Rockford community organizations focused on affordable housing and other activities assisting LMI home owners. TCF:

- C Facilitated the development and completed funding for nearly 150 LMI housing units through efforts in obtaining affordable housing grants for five different housing organizations. Through TCF's actions, another 1,700 LMI housing units will be funded through these grants and subsidies. In addition to serving as the conduit between the borrower and the non-profit sponsor of the program, TCF assisted with overall administration, wrote some of the initial applications to the Federal Home Loan Bank for the funds, and has assisted with pre-qualifying the individual home purchasers.
- C Was involved in the revitalization of a 55-acre site in a low-income, blighted neighborhood four miles west of downtown Chicago that will turn once commercial property into a mixed residential and commercial community. TCF is one of the original partners involved in the planning and development stage, including recognition of energy saving features. The site will eventually include approximately 600 new housing units and new commercial and industrial buildings. Commercial tenants in this new neighborhood, as a condition of occupancy, are also expected to hire a certain percentage of the local residents. This development is in the early stages but following groundbreaking, TCF plans to provide mortgage loans to individual home buyers. This revitalization project relates directly to a key housing need in TCF's assessment area.
- C Participated in a revitalization program of a target area that will rehabilitate 76 single family homes. TCF is one of six lenders that have been approved by the Chicago Housing Authority for this project. The area has a median family income of 42%. Individual homes are not rehabilitated until the Chicago Housing Authority knows that it is a pre-approved borrower. On behalf of the housing authority, TCF is involved in counseling and pre-qualifying potential home buyers and provides first mortgage loans to those approved. This is another of TCF's projects that relates to the strong need for housing rehabilitation.

- C Played a leadership role with a neighborhood organization that develops housing for LMI individuals in a LMI neighborhood. A bank employee has helped the organization acquire non-profit status, is chairman of the fund raising committee, and helped the organization develop a strategic plan. The homes represented the first new residential construction in the neighborhood in thirty years. The organization has budgeted money to construct another ten new homes through year-end 1998.
- C Developed a home buying seminar in Spanish and allowed the Spanish Coalition for Housing (a HUD-certified housing counseling agency) to use it in counseling programs targeted at low- and moderate-income Hispanics. TCF has worked with other agencies as well in providing home buyer seminars and credit counseling services, primarily for first-time home buyers who had low or moderate incomes.
- C Conducted a seminar on basic banking at an ACORN-sponsored bank fair in 1997. The seminar was conducted in Spanish to reach the target audience, the majority of whom had low or moderate incomes.
- C Provided the Bank at School Program to nine schools located in low- or moderate-income census tracts.
- C Provided technical assistance, marketing, and product development and served as directors or in other volunteer capacities to approximately fourteen community organizations. The goals of these varied organizations include affordable housing, small business development, home ownership counseling, and neighborhood revitalization.

### **FAIR LENDING REVIEW**

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified during our review. We reviewed the underwriting decisions the bank made during the first half of 1997 and focused on the race of the applicants. The applications were for both home improvement and residential refinance loans.

**APPENDIX**

**Metropolitan Statistical Area - MSA 6880**

TCF National Bank Illinois' performance within the Rockford MSA # 6880 is generally consistent with the bank's performance within the Chicago assessment area. We placed lesser emphasis on the bank's performance within this assessment area because more of the bank's resources are devoted to its Chicago assessment area.

The following table shows the demographic characteristics of TCF's Rockford assessment area.

**Table 11**

ASSESSMENT AREA PROFILE: MSA # 6880						
DEMOGRAPHIC CHARACTERISTICS	#	Low	Moderate	Middle	Upper	NA
Population	283,719					
Census Tracts in AA	73	8%	23%	50%	19%	0
Income Level of Families in AA (7% below poverty)	77,755	18%	18%	26%	38%	--
Families Living in CT Category	77,755	4%	18%	54%	24%	--
Income Levels of Households in AA (9% below poverty)	107,759	23%	16%	21%	40%	--
Households Living in CT Category	107,759	5%	20%	54%	21%	--
Owner-Occupied Housing (% of # in CT)	73,730	2%	17%	55%	26%	--
Businesses (% of # in CT)	10,569	10%	16%	53%	21%	--
Median Housing Value = \$60,085						
Median Family Income = \$37,078						
HUD Adjusted Median Family Income for 1997 = \$47,100						
Unemployment Rate = 3% in 1997						

Data Source: 1990 Census Data - U. S. Bureau of the Census; Dun & Bradstreet; Bureau of Labor Statistics

NA = No income designation.

**LENDING TEST**

The overall lending performance of the bank within this assessment area is reasonable considering its small presence and the strong level of competition from other lenders. Table 12 shows that the bank has achieved satisfactory penetration to moderate-income borrowers and within moderate-income geographies. The majority of all loans, however, appears to be more concentrated toward middle-income borrowers and within middle-income census tracts. The distribution of loans to low-income borrowers and within low-income census tracts does not approach population demographics (see Table 11 for the percentage of families and households).

The following table summarizes the lending performance in the Rockford assessment area.

Table 12

LENDING TEST: MSA # 6880							
LOAN TYPE	#	\$ (000's)		Low % of # of loans	Moderate % of # of loans	Middle % of # of loans	Upper % of # of loans
HMDA Products	226	12,216	CT	1%	22%	61%	16%
			B*	11%	23%	30%	33%
Consumer Loans	461	11,170	CT	1%	15%	55%	29%
			B*	12%	21%	30%	34%
Small Loans to Businesses	0	0	CT	--	--	--	--
Community Development	0	0					
<b>TOTAL LENDING</b>	<b>687</b>	<b>23,386</b>					

Data Source: Bank Records (1996 and January through September 1997)

CT = Income level of census tracts. B = Income level of borrower.

\* Row does not equal 100% because 3% of the borrowers did not report income.

## INVESTMENTS

The bank made an adequate level of qualified investments in the Rockford assessment area. It made one grant of \$50,000 to an organization that provides food to low- and moderate-income families in the assessment area. It made another grant of \$3,000 to an organization that promotes LMI homeownership through rehabilitation of substandard and abandoned houses. In addition, the bank's \$1,749,000 investment in mortgage-backed securities described under the Chicago assessment area may have benefitted the Rockford assessment area as well.

## SERVICES

### Retail Services:

TCF's retail banking services and business hours do not vary materially between the Chicago MSA and the Rockford MSA. The distribution of branches among geographies of different income levels in the Rockford MSA is also reasonable. Rockford accounts for 15% of TCF's branches within the state.

The following table shows TCF’s branch and ATM distribution for the Rockford MSA. Approximately 62% of LM families live in middle- or upper-income census tracts.

Table 13

		SERVICE TEST:		MSA # 6880						
SERVICE TYPE	# Within MSA	% of Total in State	Low CTs (% of families in CT = 8%)		Moderate CTs (% of families in CT = 18%)		Middle CTs (% of families in CT = 54%)		Upper CTs (% of families in CT = 24%)	
			#	%	#	%	#	%	#	%
Bank Offices	5	15%	1	20%	0	0%	4	80%	0	0%
Bank ATMs	12	4%	2	17%	0	0%	8	66%	2	17%

**Community Development Services:**

TCF provides a reasonable level of its community development services within the Rockford assessment area. Although the majority of TCF’s community development services benefit the Chicago assessment area, the lesser provision of community development services is reasonable considering TCF’s much smaller presence in the Rockford assessment area. Bank officers serve on the boards of three organizations that provide home buyer counseling or work for affordable housing.