



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

April 2, 1997

Community Reinvestment Act Performance Evaluation

**THE Rock Island Bank, N.A.
Charter Number 22940**

**3120 Middle Road
Bettendorf, Iowa 52722-3438**

**Office of the Comptroller of the Currency
Rockford Duty Station
5804 Elaine Drive
Rockford, Illinois 61108**

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 CRA performance of **THE Rock Island Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 2, 1997**. 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 the 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 CFR Part 25.

Institution's CRA Rating in the Davenport-Moline-Rock Island Metropolitan Statistical Area: This institution is rated **Outstanding**.

Overall, the bank is meeting the credit needs of the assessment area. Lending activity is high and lending throughout the area is excellent, particularly in low- or moderate-income areas. The bank contributes to economic development and makes significant use of housing assistance programs. Delivery systems are accessible to all portions of the community.

The following chart summarizes the performance level of **THE Rock Island Bank, N.A.** in the Davenport-Moline-Rock Island Metropolitan Statistical Area with respect to the lending, investment, and service tests.

Performance Levels	THE Rock Island Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High satisfactory		X	X
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.

The date of the last CRA examination was December 13, 1993, when the Federal Reserve

Bank of Chicago rated the bank “Satisfactory Record of Meeting Community Credit Needs.”

Description of Institution

Bank Profile

THE Rock Island Bank, N.A. (TRIB), is a \$423 million bank headquartered in Bettendorf, Iowa. TRIB is wholly owned by Financial Services Corporation of the Midwest, a one bank holding company. TRIB has six office locations in Rock Island and East Moline, IL, and Bettendorf, IA. One automated teller machine (ATM) is located at each of five office locations and one is located at Blackhawk College. TRIB is one of the larger financial institutions when compared to others in the surrounding area. They offer traditional deposit services and a wide variety of flexible lending products.

There are no current impediments which would hamper TRIB’s ability to meet the credit needs of its community. On December 31, 1996, TRIB had total equity capital of \$34,538,000, net income of \$4,510,000, \$282,641,000 in outstanding loans, and a loan-to-deposit ratio of 81%. Loans make up 67% of total assets. The loan portfolio consists of the following types of loans:

Table 1 Loan Portfolio Distribution December 31, 1996		
Type of Loans:	\$ (000's)	% of Total Loans
Commercial & Industrial	\$87,419	31%
Residential Real Estate	\$66,679	24%
Commercial Real Estate	\$65,338	23%
Consumer	\$29,840	11%
Construction & Development	\$27,414	10%
Lease Financing Receivables	\$5,449	2%
Agriculture	\$502	0%
Total	\$282,641	100%

Source: Consolidated Report of Condition and Income - December 31, 1996.

Community Profile

Description of the Davenport-Moline-Rock Island Metropolitan Statistical Area (MSA):

The bank's assessment area consists of a large portion of the Davenport-Moline-Rock Island Multi-State MSA (MSA 1960), located along the Illinois and Iowa state line. MSA 1960 consists of 42 census tracts in Rock Island County and 2 census tracts in Henry County in Illinois, and 36 census tracts in Scott County in Iowa. Larger cities in MSA 1960 are Rock Island, Moline and East Moline in Illinois, and Bettendorf and Davenport in Iowa. Access between the two states is limited. The Mississippi River, along the IL and IA state line, is a major barrier between the two states.

MSA 1960 has a population of 288,107 per 1990 census data. The 1990 MSA median family income is \$34,082. Table 2 contains demographic information for MSA 1960:

Income Level:	Total Population	% of Total	# of Families	% of Total	# of Census Tracts	% of Total	# of Owner-Occupied Units	% of Owner-Occupied Units
Low Income	10,124	3%	15,704	20%	7	9%	1,280	2%
Moderate Income	45,806	16%	13,320	17%	18	22%	9,367	13%
Middle Income	177,704	62%	17,594	23%	41	51%	48,214	64%
Upper Income	54,473	19%	30,496	40%	14	18%	15,960	21%
Total	288,107	100%	77,114	100%	80	100%	74,821	100%

Source: 1990 Census Data.

There are 120,448 housing units. Of this volume, 63% are owner-occupied, 31% are rental and 6% are vacant housing units. The median housing value is \$45,100 with a median year built of 1954.

The area's local economy is stable. At December 31, 1996, the unemployment rate for the four city area was 4.7%. The service industry is the largest industry in MSA 1960, followed by retail trade and manufacturing. Major employers are: the Rock Island Arsenal, a federal munitions depot and manufacturing facility employing 7,800; Deere & Company, a farm equipment manufacturer employing 7,500; ALCOA, a aluminum-steel manufacturer employing about 3,000; and, the Genesis Medical Center employing 2,900. A majority of businesses in the area are small businesses. Approximately 94% of businesses have less than 50 employees, 5% have 50 to 499 employees and 1% have 500 or more employees.

There are numerous financial institutions in MSA 1960. There are also several branches of multi-national banks headquartered elsewhere in Illinois, Iowa, or United States.

The greatest credit need is affordable housing for low- or moderate-income individuals. Another credit need is financing for small- and medium-size businesses. These needs were identified through numerous community contacts with business, housing, economic development and government representatives conducted by the three banking regulatory agencies in the past 24 months. Four community contacts were conducted during this examination. Two were with housing and neighborhood organizations, and two were with economic development organizations.

Conclusions with Respect to Performance Tests

LENDING TEST

Overall, TRIB's lending levels reflect an excellent responsiveness in meeting the credit needs of MSA 1960. The geographic distribution of the bank's lending is excellent, and lending to borrowers of different income levels is reasonable. The level of community development loans is high. TRIB makes use of flexible lending products to address the housing needs of low-income borrowers.

Lending Activity

TRIB's lending volume is high. As of December 31, 1996, the loan-to-deposit ratio was 81%. The average ratio of other financial institutions in MSA 1960 is 55%, while the average ratio of other similarly situated financial institutions on a nationwide basis is 75%.

The loan portfolio has grown significantly in the past two years, 19% and 16%, in 1995 and 1996, respectively. TRIB originates a wide variety of consumer, business, and residential loans including purchase money, refinance, home improvement, multi-family, home equity and other home loans using various housing assistance programs. TRIB also originates many business loans structured to meet the needs of the borrower.

A substantial majority of TRIB's loans are within MSA 1960 as shown in Table 3:

Type of Loans:	All Loans Originated		Loans Originated within MSA 1960			
	#	\$ (000's)	#	% of Type Originated	\$ (000's)	% of Type Originated
Residential	1,110	\$59,749	915	82%	\$47,880	80%
Home Equity	454	\$9,703	390	86%	\$8,290	85%
Other Home	60	\$2,494	40	67%	\$1,696	68%
Small Business	597	\$56,143	442	74%	\$43,505	77%
Small Farm	7	\$133	5	71%	\$108	81%
Secured Lines of Credit	132	\$16,988	126	95%	\$15,764	93%
Total	2,360	\$145,210	1,918	81%	\$117,243	81%

Source: 1996 Home Mortgage Disclosure Act (HMDA) - Loan Application Register (LAR).
1996 and Year-to-Date 1997 Small Business/Small Farm Data Collection Register.

Geographic Distribution

Overall, the geographic distribution of residential and business loans reflect an excellent distribution in MSA 1960.

Residential Loans - Table 4 details the volume of residential, home equity and other home loans originated in MSA 1960:

Table 4 Loans By Income Level of Census Tract January 1, 1996 through February 28, 1997									
Income Level of Census Tract	Residential		Home Equity		Other Home		Total		Owner- Occupied units in MSA 1960
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#
	%	%	%	%	%	%	%	%	%
Low Income	20	\$552	10	\$192	0	\$0	30	\$744	1,280
	2%	1%	3%	2%	0%	0%	2%	1%	2%
Moderate Income	147	\$4,244	80	\$1,787	7	\$212	234	\$6,243	9,367
	16%	9%	21%	21%	18%	13%	17%	11%	13%
Middle Income	551	\$26,917	220	\$4,593	30	\$1,364	801	\$32,874	48,214
	60%	56%	56%	55%	75%	80%	60%	57%	64%
Upper Income	197	\$16,167	80	\$1,758	3	\$120	280	\$18,045	15,960
	22%	34%	21%	21%	8%	7%	21%	31%	21%
Total	915	\$47,880	390	\$8,330	40	\$1,696	1,345	\$57,906	74,821
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: 1996 HMDA - LAR.
1996 and Year-to-Date 1997 Small Business/Small Farm Data Collection Register.

As illustrated in Table 4, TRIB's overall residential lending is excellent when compared to the characteristics of MSA 1960, particularly the volume originated in low- or moderate-income areas. The Other Home loans were originated under the Illinois Housing Development Authority loan program and not reported under the HMDA-LAR.

Business Loans - TRIB originates a high volume of business loans throughout MSA 1960:

Table 5 Loans By Income Level of Census Tract January 1, 1996 through February 28, 1997							
Income Level of Census Tract:	Small Business		Small Farm		Secured Lines of Credit		Census Tracts in the MSA 1960
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#
	%	%	%	%	%	%	%
Low Income	51	\$3,314	0	\$0	3	\$314	7
	11%	8%	0%	0%	2%	3%	9%
Moderate Income	100	\$9,538	0	\$0	13	\$1,189	18
	23%	22%	0%	0%	10%	8%	23%
Middle Income	198	\$21,169	5	\$108	48	\$5,411	41
	45%	48%	100%	100%	38%	34%	51%
Upper Income	93	\$9,484	0	\$0	62	\$8,850	14
	21%	22%	0%	0%	49%	56%	18%
Total	442	\$43,505	5	\$108	126	\$15,764	80
	100%	100%	100%	100%	100%	100%	100%

Source: 1996 and Year-to-Date 1997 Small Business/Small Farm Data Collection Register.

Table 5 shows TRIB’s business lending volume is significant and is in proportion to the characteristics of MSA 1960. The volume of loans in low- or moderate-income census tracts is excellent. The bank does not specialize in agriculture and has a nominal amount of farm loans. The secured lines of credit are to businesses consisting of unfunded commitments.

Distribution by Borrower Income

Overall, lending to borrowers of different incomes is reasonable.

Residential Loans - Tables 6, 7 and 8 compare the volume of loans made to borrowers of different income levels to the percentage of families living within MSA 1960:

Table 6					
Residential Loans					
January 1, 1996 through December 31, 1996					
Borrower Income as a % of MSA Median Family Income:	#	\$ (000's)	% of Total		% of Families in MSA 1960
			#	\$ (000's)	
Low Income	79	\$1,829	9%	4%	20%
Moderate Income	178	\$5,955	19%	12%	17%
Middle Income	244	\$10,383	27%	22%	23%
Upper Income	375	\$27,340	41%	57%	40%
N/A	39	\$2,373	4%	5%	N/A
Total	915	\$47,880	100%	100%	100%

Source: 1996 HMDA LAR.

N/A - Income information not available.

Residential Loans: TRIB lends to borrowers of all income levels in proportion to the characteristics of MSA 1960, with the exception of low-income borrowers. Low-income borrowers are homeowners at a lower rate than those at other income levels.

Table 7					
Home Equity Loans					
January 1, 1996 through February 28, 1997					
Borrower Income as a % of MSA Median Family Income:	#	\$ (000's)	% of Total		% of Families in MSA 1960
			#	\$ (000's)	
Low Income	30	\$540	8%	6%	20%
Moderate Income	81	\$1,573	21%	19%	17%
Middle Income	87	\$1,619	22%	20%	23%
Upper Income	180	\$4,392	46%	53%	40%
N/A	12	\$206	3%	2%	N/A
Total	390	\$8,330	100%	100%	100%

Source: 1996 and Year-to-Date 1997 Small Business/Small Farm Data Collection Register.

N/A - Income information not available.

Home Equity Loans: The loan volume to moderate-income borrowers is good when compared to the characteristics of MSA 1960. The volume to low-income borrowers is low because such borrowers apply for these loans at a lower rate than those at other income levels.

Table 8 Other Home Loans January 1, 1996 through February 28, 1997					
Borrower Income as a % of MSA Median Family Income:	#	\$ (000's)	% of Total		% of Families in MSA 1960
			#	\$ (000's)	
Low Income	10	\$338	25%	20%	20%
Moderate Income	17	\$734	43%	43%	17%
Middle Income	13	\$624	33%	37%	23%
Upper Income	0	\$0	0%	0%	40%
Total	40	\$1,696	100%	100%	100%

Source: 1996 and Year-to-Date 1997 Small Business/Small Farm Data Collection Register.

Other Home Loans: These are home loans originated under the Illinois Housing Development Authority loan program and not reported under the HMDA-LAR. Table 8 shows the bank originated a high volume of loans to low- and moderate-income borrowers.

Small Business Loans - TRIB's lending to small businesses is reasonable. Table 9 shows the volume of small business loans, and the volume of loans to small businesses (annual revenues of less than \$1 million):

Table 9 Business Loans by Size and to Small Businesses January 1, 1996 through February 28, 1997				
Loan Size:	#	\$ (000's)	% of Total	
			#	\$
Less than \$100,000	340	\$11,441	77%	26%
\$100,001 - \$250,000	53	\$8,790	12%	20%
Greater than \$250,000	49	\$23,274	11%	53%
Total Loans	442	\$43,505	100%	100%
Total Loans to Businesses with Annual Revenues of Less than \$1 Million	365	\$28,825		
As a % of Total Loans	83%	66%		

Source: 1996 and Year-to-Date 1997 Small Business/Small Farm Data Collection Register.

Table 9 reflects a majority of business loans are small loans made to small businesses. Seventy-seven percent of the number and twenty-six percent of the dollar volume of business loans are in amounts of less than \$100,000. The table also shows a majority of loans are to businesses with annual revenues of less than \$1 million. These results confirm that TRIB is meeting the credit needs of small

businesses.

Table 10 shows other types of business loans originated:

Table 10 Secured Lines of Credit and Farm Loans by Loan Size and to Small Businesses January 1, 1996 through February 28, 1997								
Loan Size:	Secured Lines of Credit				Farm Loans			
	#	\$ (000's)	% of Total		#	\$ (000's)	% of Total	
			#	\$ (000's)			#	\$ (000's)
Less than \$100,000	70	\$3,302	56%	21%	5	\$108	100%	100%
\$100,001 - \$250,000	48	\$8,277	38%	52%	0	\$0	0%	0%
Greater than \$250,000	8	\$4,185	6%	27%	0	\$0	0%	0%
Total Loans	126	\$15,764	100%	100%	5	\$108	100%	100%
Total Loans to Businesses with Annual Revenues of Less than \$1 Million	72	\$6,307			5	\$108		
As a % of Total Loans	57%	40%			100%	100%		

Source: 1996 and Year-to-Date 1997 Small Business/Small Farm Data Collection Register.

Table 10 shows that over one-half of the number of secured lines of credit were made in amounts of less than \$100,000. Similar results are shown for loans made to small businesses. TRIB does not specialize in agriculture and has a nominal amount of farm loans.

Community Development Loans

The bank originated 5 multi-family loans totaling \$392,000. Of the five, four are located in low- or moderate-income census tracts. The fifth is located across the street from a low-income census tract and primarily houses low- or moderate-income individuals.

TRIB originated four loans totaling \$167,650 to the Rock Island Economic Growth Corporation for the purpose of rehabilitating four housing structures which will subsequently be resold or rented to low-income persons.

Flexible Lending Products

TRIB uses many lending products including flexible lending products and programs to address the credit needs of businesses and the housing credit needs of low- or moderate-income individuals. The volume of these loans were previously included in the loan tables shown above. The products or programs are as follows:

- Federal Home Loan Mortgage Corporation's Freddie Mac Affordable Gold program;

- Fannie Mae Community Home-Buyers program;
- Federal Home Administration;
- Veteran's Administration;
- Illinois Housing Development Authority;
- Small Business Administration;
- Programs offered in conjunction with the State of Illinois; and,
- Programs offered in conjunction with the cities of Rock Island, Moline, East Moline, Bettendorf and Davenport.

TRIB, in partnership with Project Now, used a Home-Buyers Assistance Program to help low-income borrowers become homeowners. Eleven loans totaling \$17,307 were made at a low 3% interest rate. Project Now is a not-for-profit community action agency designed to provide low-income borrowers assistance in purchasing a home.

INVESTMENT TEST

TRIB has a significant amount of qualified investments in MSA 1960. Qualified investments totaled \$382,546. TRIB uses a variety of complex qualified investments relating to housing assistance.

TRIB made an equity investment of \$10,000 in the Quad City Development Finance Corporation organized to stimulate economic development which will result in the creation and retention of jobs for low- to moderate-income residents, the establishment of new and expansion of existing small businesses, and the enhancement of the tax base. The equity investment will develop and sell or rent commercial industrial property to small businesses.

TRIB contributed \$25,000 for the building of the Quad City Botanical Center. This is part of the City of Rock Island's Downtown 2000 project to revitalize downtown. The building will be located in a moderate-income area.

TRIB made ten grants and donations totaling \$87,875, to organizations whose missions include community development. These organizations included the Development Association of Rock Island - \$40,000, Rock Island Economic Growth Corporation - \$2,500, The Mark of the Quad Cities - \$40,000, Redeem East Moline - \$5,000, and Rejuvenate Davenport - \$375.

Contributions totaling \$6,450 were made for the Kahl Education Center and the Quad Cities Sports Center. These two facilities are part of the efforts by several economic development organizations to revitalize a moderate-income area in downtown Davenport.

TRIB makes high use of grants available through various housing assistance programs. The grants are primarily for individuals who need financial assistance in becoming homeowners. Forty-five grants totaling \$248,221 were used as follows:

- ▶ Illinois Housing Development Authority - This program is for properties located in Rock Island, Henry, and Mercer Counties in IL. The total grant package is \$420,000. Grants may be used for down payment, closing and rehabilitation costs. TRIB originated 5 loans using \$97,373 in grant money.
- ▶ Illinois League of Financial Institution - The program is available for properties located in the state of Illinois. Grants of \$4,000 are available based on income and family size. TRIB originated 30 loans using \$89,300 in grant money.
- ▶ City of Rock Island - The Small Rental Property Program - Rental Rehab II is available for owners of rental properties whose tenants must be of low income. TRIB originated one loan using \$24,998 in grant money.
- ▶ Federal Home Loan Bank of Chicago's Affordable Housing Program - The program is available for properties located in Rock Island County, IL. The total grant package is \$50,000. Grants of \$5,000 each may be used for down payment, closing and rehabilitation costs. TRIB originated 3 loans using \$15,000 in grant money.
- ▶ Rock Island Economic Growth Corporation - The Lease-to-Purchase program provided grant money for use towards closing costs and down payment assistance. TRIB originated one loan using \$14,000 in grant money.
- ▶ Davenport Dream Home Loan Program - This program is for use in targeted areas of Davenport, IA. The program offers grants up to \$2,200 for down payment requirements. A gift of \$300 is available for closing costs. TRIB originated 2 loans using \$4,550 in grant money.
- ▶ Illinois Housing Development Authority First Time Home-Buyers Program - TRIB originated three loans using \$3,000 in grant money.

TRIB made donations totaling \$2,000, to five organizations who provide credit counseling to individuals and businesses. Those organizations included Access Center, Credit Counselors, and the Greater Collection of the Quad Cities. TRIB made two donations, totaling \$3,000, to two not-for-profit organizations whose missions include supporting, acquiring and/or rehabilitating homes for use as affordable housing by low- or moderate-income individuals. These organizations included Neighborhood Housing and Project NOW.

SERVICE TEST

TRIB's delivery systems are accessible to all areas of MSA 1960. Alternative delivery systems are readily available to the bank's customers. TRIB provides an adequate level of community development services.

Accessibility of Delivery Systems

Table 11 displays TRIB's current distribution of delivery systems:

Table 11 Distribution of Delivery Systems				
Income Level of Census Tract:	# of Branches	% of Total	Distribution of Census Tracts in MSA 1960	Distribution of Population in MSA 1960
Low Income	1	17%	9%	3%
Moderate Income	1	17%	22%	16%
Middle Income	3	49%	51%	62%
Upper Income	1	17%	18%	19%
Total	6	100%	100%	100%

Source: TRIB's Internal Records.

Table 11 shows TRIB's delivery systems are accessible to essentially all portions of MSA 1960 including low- or moderate-income areas.

Two new offices were opened in 1995, one in a middle-income census tract in East Moline and one in an upper-income census tract in Bettendorf. These openings have improved the accessibility of delivery systems to these areas. The East Moline office also serves a moderate-income census tract, adjacent to the new office.

Several offices are full service. Deposit services are offered at all office locations. Residential and consumer loans are available at three and four office locations, respectively, one of which is located in a low-income census tract. Commercial loans are offered at two office locations, one of which is located in a low-income census tract. One office is located in the Friendship Manor building which offers only deposit services. It is open in the afternoon, two days a week, and primarily serves the senior citizens living in the building.

Alternative Delivery Systems

TRIB maintains six proprietary ATMs. Of the six, one is located in a low-income census tract, another is located in a moderate-income census tract, and a third, is in a location that primarily serves low-income individuals.

TRIB offers telephone banking. Bank customers may speak with a customer service representative to transfer funds between deposit accounts.

TRIB has a bank-at-work program. The Account checking account, for employees of companies who also maintain a business relationship with TRIB, has no minimum balance

requirement.

TRIB has a home page on the world wide web. Anyone can access the bank's web site which provides information on financial services and loan programs. Applications are also available for persons who want to apply for a loan or open a deposit account.

The bank has a toll free (800) number for the convenience of out-of-area customers.

Community Development Services

A low-cost Non-Personal Convenience Checking Account is available for businesses with low transaction volume. The monthly maintenance fee is waived if transactions do not exceed 18 paid checks and 36 deposit items per month.

TRIB offers a Community Service Checking Account for not-for-profit organizations. Transaction activity fees are waived on this account.

TRIB offers a low cost Personal Checking Account. The minimum opening balance is \$100 and a maintenance fee is assessed if the average balance falls under established limits. The \$5 maintenance fee is waived for full-time students age 25 or under, and for individuals age 59 or older.

The Kids Cash Club is offered to persons under the age of 15. It is a passbook savings account geared to encourage the development of good savings habits. There is a minimum opening balance of \$25 and no maintenance fees.

TRIB offers a Telecommunication Device for the Deaf (TDD) for use by hearing-impaired customers.

TRIB offers an online computer service to its business customers. The service, called Treasury Connection/The Management Information Link, allows access to deposit account information, transfer of funds among accounts, issuance of stop payments, and account and transaction inquiries.

One mortgage loan employee is actively and regularly involved with Project Now in conducting home ownership seminars. This employee assisted with nine seminars held in the past 16 months.

Six bank employees are active in organizations whose missions are to assist in economic development or provide housing financial assistance and other financial services to low-income individuals. These organizations include the Development Association of Rock Island, Quad Cities Development, Quad Cities Credit Association, Small Business Development Council, Neighborhood Housing Services, the Financial Institutions

Community Reinvestment Group - Bi-State Group, Quad Cities Housing Cluster, and the Rock Island Economic Growth.

TRIB can obtain assistance for bilingual home applicants from employees at Project Now.

FAIR LENDING REVIEW

A fair lending examination was performed to determine if the bank engaged in illegal discriminatory practices. No violations of substantive provisions of antidiscrimination laws and regulations were identified. TRIB's lending policies, procedures and training programs have been effective.