



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

July 19, 2012

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

Illinois-Service FS&LA  
Charter Number 703395

4619 S. King Drive  
Chicago, IL 60653-4107

Office of the Comptroller of the Currency

1700 East Golf Road  
Suite 800  
Schaumburg, IL 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 Satisfactory.**

The major factors supporting this rating include:

- A majority of the loans are originated inside the bank's assessment area.
- Illinois-Service's residential lending to low- and moderate-income borrowers is reasonable.
- The bank's geographic distribution of residential lending in low- and moderate-income census tracts is excellent.

**SCOPE OF EXAMINATION**

We evaluated Illinois-Service's record of meeting the credit needs of the community, consistent with the provisions set forth in the Community Reinvestment Act (CRA). In order to determine the bank's lending performance, we selected primary products based on loans originated or purchased from January 1, 2009 to December 31, 2011. On average, residential mortgages comprised 97 percent of the loan portfolio. We conducted testing of the collected and reported Home Mortgage Disclosure Act information. We found the information to be accurate and used it for this evaluation.

We used Call Report information to determine the bank's quarterly loan-to-deposit ratio, and annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to determine the bank's deposit market share and market presence within its assessment area (AA). The most recent deposit information is as of June 30, 2011.

**DESCRIPTION OF INSTITUTION**

Illinois-Service is a \$149 million federally-chartered institution serving the Southside of Chicago, IL. The bank's main office is located in the Grand Boulevard community. The bank also operates one full-service branch located in the Chatham community. Each office is open six days a week and offers extended hours for drive-up customers. Customers also have access to 24-hour automated teller machines (ATM) at each location.

As of March 31, 2012, the bank had net loans of \$60 million, representing 40 percent of total assets and 55 percent of total deposits. The loan portfolio is comprised of residential real estate mortgages (77 percent), commercial loans (21 percent), and consumer loans (2 percent).

Illinois-Service's business strategy is to offer traditional products and services through an array of deposit and loan products. The bank has continued its tradition of serving the local residents and setting themselves apart from competitors by offering

personalized customer service. The bank's primary focus is home mortgage lending for 1-4 family residential dwellings, along with multi-family loans in the local market.

The institution has a long standing designation as a Community Development Financial Institution (CDFI). The goal for institutions designated as CDFI is to provide financial services to distressed communities, such as the Southside of Chicago, IL. Illinois-Service is one of three Chicago based CDFIs. The bank has also been awarded the Bank Enterprise Award (BEA) for the past 3 years. BEA recognizes depository institutions for serving economically distressed communities by providing affordable home mortgages, affordable housing development loans, and commercial real estate loans.

Illinois-Service Federal Savings and Loan Association (Illinois-Service) is a committed community lender. This commitment is demonstrated by their designation as a Community Development Financial Institution.

On July 18, 2011, Illinois-Service received a \$1.5 million Financial Assistance (FA) award of permanent capital from the US Department of Treasury CDFI Fund. The 393 applications requesting nearly \$466 million in FA award funds came from organizations in 40 states and the District of Columbia. The CDFI Fund made 155 awards totaling over \$142 million. Illinois-Service was one of the two depository institutions/holding companies to receive this award. Illinois-Service also participates in an affordable housing program administered by the Illinois League of Financial Institutions and funded by the Federal Home Loan Bank. The program provides grants to low-income homebuyers who need assistance in meeting the down payment and closing costs associated with obtaining a home mortgage loan.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its AA. Illinois-Service received a Satisfactory rating on its last CRA evaluation dated June 18, 2007.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Illinois-Service's AA consists of a portion of Cook County located within the Chicago-Naperville-Joliet Metropolitan Division (Chicago MD) of the Chicago Metropolitan Statistical Area (MSA). The AA consists of 208 contiguous census tracts within Cook County. The area is comprised of 92 low-income tracts, 75 moderate-income tracts, 34 middle-income tracts, and 5 upper-income tracts. It includes census tracts where the bank's branches are located and the surrounding census tracts that the bank can reasonably service. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

The unemployment rate in Cook County was 9.3 percent as of March 31, 2012, compared to the Illinois average of 9.4 percent. Based on 2000 census data, 25.34 percent of households within the AA live below the poverty level.

Per the 2000 census, the total population of the AA was 580,560, the median household income was \$30,325, and there were 134,505 families. Of these families, 45 percent were low-income, 20 percent were moderate-income, 17 percent were middle-income, and 18 percent were upper-income. The HUD updated median family income for 2011 was \$76,200.

The 2000 Census data shows that there were 238,835 housing units within this AA. Of these, 34 percent were owner-occupied, 54 percent were rentals, and 12 percent were vacant. The median housing value in the AA was \$115,700.

Competition among financial institutions in the bank's AA is strong. Illinois-Service competes with several large, regional, and community banks that are well established throughout the community. According to the Federal Deposit Insurance Corporation's June 30, 2011 Deposit Market Share Report, Illinois-Service has a deposit market share of 0.67% and ranks 104th out of 153 financial institutions within Cook County.

During the evaluation, we contacted a local organization to better understand the credit needs and economic conditions of the bank's AA. The community contact made during this evaluation is involved with various public service efforts with an emphasis on serving African Americans in the community. Overall, the local economic condition of the bank's AA remains distressed with high unemployment and record setting foreclosure rates. Lending needs in the bank's AA include residential housing loans and loan modification programs.

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

The bank's performance under the Lending Test is Satisfactory.

### **Loan-to-Deposit Ratio**

Illinois-Service's net loan-to-deposit (LTD) ratio is less than reasonable. The bank's LTD ratio averaged 51 percent over the 21 quarters since the last CRA examination. The bank's LTD ratio compares poorly with other financial institutions of similar size and location. Illinois-Service ranks fifth among a total of five similarly situated banks. The average LTD ratios for the other four banks over the same 21 quarters ranged from 76 percent to 107 percent.

Although the bank's LTD is less than reasonable, this is mitigated by the fact that the current depressed real estate market, coupled with strong competition, has resulted in limited residential mortgage lending opportunities. The bank's AA has been significantly impacted by the recession. The decline in market values has resulted in many homeowners owing more on their existing mortgages than the current value of their home thus making selling or refinancing very difficult. In addition, high unemployment rates in the AA have led to record setting foreclosures and low loan demand in the local market.

## Lending in Assessment Area

Illinois-Service originates a majority of its home loans to borrowers inside its AA. Loans originated to individuals within the bank's AAs totaled 62 percent by number and 61 percent by dollar volume. The following table details the bank's lending within its AAs during the evaluation period:

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	31	46.27	36	53.73	67	3,208	45.09	3,906	54.91	7,114
Refinance	58	74.36	20	25.64	78	6,900	72.89	2,566	27.11	9,466
Home Improvement	4	80.00	1	20.00	5	246	75.46	80	24.54	326
Totals	93	62.00	57	38.00	150	10,354	61.24	6,552	38.76	16,906

Source: HMDA Data

## Lending to Borrowers of Different Incomes

The overall borrower distribution of Illinois-Service's home loans reflects reasonable penetration among individuals of different income levels. The distribution of home loans to moderate-income borrowers is excellent. While lending to low-income borrowers is significantly lower than the demographic comparative, this is mitigated by the fact that lending opportunities to low-income borrowers are limited given the high level of households living below the poverty level and high unemployment rates within the AA. This lack of lending opportunities within the AA is further evidenced by the bank's distribution of home loans when compared to other HMDA lenders as discussed below. The following table shows the distribution of home loans among borrowers of different income levels:

<b>Borrower Distribution of Residential Real Estate Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Loans	44.72	12.35	20.27	20.99	16.79	32.09	18.22	34.57

Source: HMDA Data and 2000 U.S. Census Data (Income data not reported = 12.90%)

Illinois-Service’s distribution of home loans reflects reasonable penetration compared to other HMDA lenders. Lending to both low-income and moderate-income families is in-line with all other HMDA lenders. The following table shows the distribution of home loans compared to other HMDA lenders:

<b>Borrower Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans
Home Loans	15.01	12.35	26.78	20.99	31.80	32.09	26.36	34.57

Source: HMDA Data & 2000 U.S. Census Data (Income data not reported = 12.90%)

**Geographic Distribution of Loans**

The geographic distribution of loans in the AA reflects excellent dispersion throughout census tracts of different income levels. Lending in low-income census tracts is excellent as it substantially exceeds the demographic comparative. Lending in moderate-income census tracts is good as the percentage of bank loans is near the demographic comparative. The following table shows the distribution of home loan products among census tracts of different income levels:

<b>Geographic Distribution of Residential Real Estate Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	20.05	38.71	51.25	45.16	27.05	16.13	1.65	0.00

Source: HMDA Data & 2000 U.S. Census Data

The geographic distribution of home loans reflects excellent dispersion compared to other HMDA lenders. Lending in low-income census tracts within the AA exceeds lending of all other HMDA lenders. Lending in moderate-income census tracts within the AA is in-line with all other HMDA lenders. The following table shows the geographic distribution of home loans compared to other HMDA lenders:

<b>Geographic Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans
Home Loans	29.26	38.71	46.82	45.16	22.17	16.13	1.75	0.00

Source: HMDA Data & 2000 U.S. Census Data

**Responses to Complaints**

The bank did not receive any 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, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any AA by an affiliate whose loans have been considered as part of the or FSA’s lending performance.

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