

Chicago West Field Office  
85 West Algonquin Road  
Suite 340  
Arlington Heights, Illinois 60005

## **PUBLIC DISCLOSURE**

January 26, 1999

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

**National Bank of Commerce  
Charter Number 18356**

**5500 St. Charles Road  
Berkeley, Illinois**

**Office of the Comptroller of the Currency  
Arlington Place II, Suite 340  
85 West Algonquin Road  
Arlington Heights, Illinois 60005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency, when examining financial institutions subject to its supervision, to use its authority 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 the examination's conclusion, 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 **National Bank of Commerce (NBC)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 26, 1999. 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 C.F.R. part 25.

The last evaluation dated April 19, 1996, rated this institution "Satisfactory Record of Meeting Community Credit Needs."

### **INSTITUTION'S CRA RATING:**

This institution is rated "**Satisfactory Record of Meeting Community Credit Needs**".

The bank's overall rating is based on their lending performance during the evaluation period. Lending performance is evaluated by analyzing the average loan-to-deposit ratio, the volume of lending in the assessment area, the distribution of lending to borrowers of different income levels and to businesses of different sizes, and the distribution of lending among various geographies within the assessment area. In addition, the bank's level of compliance with the Fair Lending laws and regulations is considered. We also considered the bank's involvement with community development loans and services.

The major factors supporting a **satisfactory** rating are:

- The bank's distribution of borrowers reflects excellent penetration among individuals of all income levels. Fourteen percent of the community consists of low-income families. However, the bank has originated home mortgage in amounts that substantially exceed this population. Specifically, home loans originated to low-income applicants were 23% by number and 33% by dollar. This is especially noteworthy as 5% of the population lives below poverty level.
- The average loan-to-deposit ratio is reasonable. Although the ratio is lower than peers, NBC ranked 4th out of 226 institutions in their assessment area for home loan

originations. The lower ratio is reflective of the bank's willingness to make loans in smaller denominations as evidenced by the average size home loan of \$19 thousand.

- A majority of the bank's loans are originated in the assessment area.
- The bank is in compliance with the substantive provisions of the Fair Lending laws and regulations.
- There have been no CRA complaints against the bank.
- The bank's qualified community development loans and services enhance their performance under the CRA.

## **DESCRIPTION OF INSTITUTION**

National Bank of Commerce (NBC) is a nationally chartered bank headquartered in Berkeley, IL. The bank has no branches and is wholly owned by Commerce Bancorp, Inc., a one-bank holding company.

As of December 31, 1998, NBC had approximately \$153 million in total assets. Asset mix consists of 62% investments, 30% loans, 6% cash equivalents, 1% fixed assets, and 1% in other assets. The bank's loan portfolio equaled \$47 million with 51% in commercial credit, 44% in home mortgage loans, and 5% in consumer credit. There are no known legal or financial impediments that would hamper the bank's performance under the Community Reinvestment Act (CRA).

The bank was last examined under CRA April 19, 1996 and received a "Satisfactory record of meeting community credit needs".

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

NBC's AA consists of 7 census tracts that are all within Metropolitan Statistical Area (MSA) 1600. These census tracts consist of the Village of Berkeley, the Village of Bellwood and the Town of Hillside. The median family income for MSA 1600 is \$42,758. All of the bank's 7 census tracts are middle-income. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude and low-or moderate-income geographies.

Although there are no low and moderate-income census tracts within the bank's AA, there are low and moderate-income families living within the AA. Specifically, 14% of the families are low-income (individuals with income that is less than 50% of the area median income) and 20% are moderate-income (individual income that is at least 50% and less than 80% of the area median income). The median family income for the AA is \$43,437, which is based on information calculated by the Department of Housing and Urban Development

(HUD), and is updated annually.

Using the 1990 census date, the bank's AA has 34,658 individuals and 9,263 families. There are 12,048 housing units, 78% of which are owner occupied. The median housing value is \$84,208. The housing stock averages 43 years. As such, the bank and local community representatives have identified home improvement loans as a primary credit need.

As noted during our last review, the area is considered a bedroom community. There are no major employers in the AA and no significant commercial activity in the recent past. As such, a review of small business lending was not performed.

### CONCLUSIONS ABOUT LENDING PERFORMANCE

- Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio beginning from June 30, 1996 is 47.7%. This ratio has increased from 37.6% calculated for the April 19, 1996 Public Evaluation. As of September 30, 1998, the loan-to-deposit ratio was 47.6% as compared to national peers of 69.6%. Although this number is lower than peers, NBC makes loans in small dollar amounts. This is evidenced by NBC's market share. The bank is rated 4<sup>th</sup> out of 226 institutions in their AA for home loan originations with the average size loan being \$19M.

- Lending to Borrowers of Different Income Levels

The distribution of home mortgage loans to families of different income levels is excellent and is outlined in the table below. The bank ranked first in the its community for loans to low-income applicants, and ninth for loans to moderate-income applicants.

<b>Geographic Distribution of Lending of Home Mortgage Loans January 1997- December 1998</b>					
Income Level	# Of Loans	% of Total	\$000's of Loans	% of Total	% of families by income level
Low-Income	20	23%	\$579	33%	14%
Moderate-Income	18	20%	\$430	24%	20%
Middle-Income	20	23%	\$210	12%	29%
Upper-Income	19	21%	\$357	20%	37%
NA	12	13%	\$200	11%	0%

Total	89	100%	\$1,776	100%	100%
-------	----	------	---------	------	------

Source: HMDA LAR: 1997 and 1998  
1990 Census Data

- Lending in the AA

A majority of loans have been originated inside the AA.

During 1997 and 1998, the bank originated 89 home mortgage loans in their community. This represents 52% of the total home mortgage loans originated. The dollar amount of home mortgage lending in the community is much lower representing only 27% of total loans outstanding. This is representative of the bank's willingness to make smaller loans.

The bank and local community representatives noted home improvement loans as a community credit need. During 1997 and 1998, the bank originated 62 home improvement loans in their AA. This represents 57% of home improvement loans originated by number, and 35% by dollar.

For the past three years, the bank has offered low cost home improvement loans during April-June. These loans are for \$1000 to be paid over one year at 4% interest.

- Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful as there are no low-or moderate-income census tracts in the bank's AA.

- Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the Antidiscrimination laws and regulations were identified in the course of the evaluation.

- Community Reinvestment Act Complaints

No complaints have been received relating to the Community Reinvestment Act.

- Community Development Loans

The bank's community development loans positively contribute to their CRA performance as described below.

- The bank belongs to the West Cook Community Development Corporation (WCCDC). Their mission is to expand economic development opportunities in the West Suburban Cook County area. One of the tools used to accomplish this objective is the Micro Loan Program. WCCDC obtains loan pool contributions up to \$25M from participating banks. Micro Loans are usually in the amount of \$2M-\$50M to small and emerging businesses in the communities who are not likely to receive a loan from a conventional lending source due to their size, age, etc. of the business. The bank has granted WCCDC a \$25M loan at one percent under the prime rate. To date, approximately \$12,300 is outstanding.
- Through WCCDC, the bank has committed \$50 thousand to an Age in Place loan program. This program is available to seniors 60 years or older (or to persons with disabilities) to aid home accessibility. Loans are priced at one percent over prime, with a \$25 application fee that is refunded at closing. WCCDC receives the applications and then places the loan with the bank nearest the applicant. To date, the bank has received no applications.
- WCCDC recently (January 1999) approved a Façade Improvement Loan Program. This program is intended to provide affordable financing to businesses in downtown and commercial retail centers for structural and cosmetic improvements to store facades. The bank has committed \$50 thousand to this program.
- The bank also lends to the Proviso Council on Aging; a non-profit organization located in Bellwood that strives to improve and promote the welfare of older people. This includes transportation, meals, social services and health care. In October 1988, the bank extended the Council a \$50M line of credit for operating expenses. In addition, during December 1997, the bank lent the Council an additional \$188 thousand to purchase a property in Forest Park to be used as an adult day care center.
- Additionally, the bank provides the Village of Bellwood an annual \$1 million line of credit. The village uses these funds to purchase abandoned property from HUD with the intention of rehabilitation and sale. Proceeds from the sale pay down the line and any profits are reinvested in the program. Currently, the line has funded the purchase of 12 abandoned properties for \$940 thousand. Nine of these homes have been sold and one needed to be demolished.
- Community Development Services

The services that the bank provides are reasonable as outlined below.

- The bank has one location with an ATM machine. The bank also offers free 24-hour bank-by-phone service.
- NBC offers free checking to senior citizens (age 62 or over) and to college students. In addition, a low cost checking account is available which requires no minimum balance, \$.20 per check paid, and a \$3.00 monthly maintenance fee.
- The bank also participates in a Bank at School program. The goal is to encourage children to save, learn about savings account, and improve their financial awareness. The bank provides the minimum amount of \$5.00 to open the account. The intention of the program was to aid low and moderate-income families. However; as this information is confidential, this program is offered to all children regardless of their family income.
- During 1997 and 1998, a bank officer participated on the loan review committee of WCCDC.
- A bank officer sits on the board of the chamber of commerce for the three villages in the bank's AA. This officer arranged a year 2000 seminar for businesses in the community to discuss the potential effect of the date change.
- In 1998, the bank sponsored a seminar at Triton College for members of the community to discuss a wide range of financial topics. This included Illinois Women's Financial Banking, investing for women, how to apply for a job, explanation of social security benefits, Medicare benefits, and banking technology.