



## **PUBLIC DISCLOSURE**

July 05, 2016

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

Resource Bank, National Association  
Charter Number: 5815  
555 Bethany Road, DeKalb, IL 60115

Office of the Comptroller of the Currency  
Chicago - Schaumburg Field Office  
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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- The loan-to-deposit ratio is reasonable.
- A majority of the bank's loans were originated in the bank's assessment area (AA).
- Lending to borrowers of different income levels and business of different sizes is reasonable. The bank's distribution of loans in its AA among low- and moderate-income geographies reflects reasonable dispersion.
- The bank's community development (CD) performance demonstrates adequate responsiveness to the CD needs of its AA through CD loans, investments, and services.

## **SCOPE OF EXAMINATION**

This Community Reinvestment Act (CRA) evaluation assesses the performance of Resource Bank, National Association ("RBNA" or "bank") in meeting the credit needs of its community. The evaluation covers the period from June 10, 2013 to July 5, 2016.

We used the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Bank procedures to complete our assessment. These procedures include a lending test and a CD test used to assess performance under the CRA. The lending test assesses the bank's record of meeting the credit needs of its AA through lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

The lending test analyzed the bank's primary loan products, consisting of small business loans and home mortgage products (including home purchases and refinances) from January 1, 2014 through December 31, 2015. The CD test covered qualified CD loans, investments, and services from February 1, 2013, the end of the CD test at the prior evaluation, through May 31, 2016. No affiliate or subsidiary activity was considered in this review.

To evaluate the bank's loan volume, we calculated an average quarterly loan-to-deposit ratio since the previous evaluation (from June 30, 2013 to March 31, 2016).

We used Federal Deposit Insurance Corporation (FDIC) annual deposit information to determine the bank's deposit market share and deposit market ranking within its AA. The most recent deposit market share information was dated June 30, 2015.

Prior to this evaluation, examiners validated the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2014 and 2015 using a sample of 60 loans. No material errors were noted for the HMDA loan data. As such, we used all HMDA-reportable data for analysis of home loan products (purchase, improvement, and refinance). Additionally, examiners used a random sample of small business loans from bank reports to evaluate small business lending performance. We included all HMDA loans and a sample of 25 small business loans originated in 2014 and 2015.

We also reviewed the bank's loans, investments, and services from a list of bank-provided CD activities covering February 1, 2013 through May 31, 2016 to assess whether they met the regulatory definitions to be considered qualified as CD.

We did not include home improvement lending in our analysis as the bank did not originate a large enough volume of home improvement loans to conduct a meaningful analysis. The bank originated only four home improvement loans during the evaluation period.

## **DESCRIPTION OF INSTITUTION**

RBNA is a \$409 million intrastate financial institution in DeKalb, IL, that is a wholly owned subsidiary of Resource Bancshares, Inc (RBI). RBI is a one-bank holding company headquartered in DeKalb, Illinois. RBNA does not have any other affiliates. There have been no changes to corporate structure or mergers or acquisitions during the evaluation period.

In addition to the facility at the headquarters location, the bank operates eight full-service retail offices in DeKalb County and one full-service retail office in Kane County. The bank's headquarters and one branch are located in DeKalb, IL. The remaining DeKalb County branches are located in the towns of Malta, Hinckley, Cortland, Genoa, Shabbona, Somonauk, and Sycamore. The Kane County branch was opened within the past 12 months and is located in Hampshire, IL.

RBNA offers many traditional community banking products and services, including investment and trust services. The bank remains primarily a commercial lender with significant portfolios of residential and agricultural loans. As of March 31, 2016, the loan portfolio represented 59.7 percent of total assets.

As of March 31, 2016, the bank's loan portfolio totaled \$244 million and consists of commercial loans (41.18 percent), residential real estate (30.71 percent), agricultural (24.90 percent), consumer (1.08 percent), and other loans (1.49 percent). Please refer to the table below for the composition of the loan portfolio.

<b>RBNA's Loans by Category</b>	<b>\$ (000s)</b>	<b>Percent</b>
Commercial (including commercial real estate, multifamily, and non-residential construction loans)	\$102,128	41.81%
1-4 Family Residential Loans (including residential construction loans)	\$75,013	30.71%
Agricultural (including farmland loans)	\$60,815	24.90%
Consumer Loans	\$2,648	1.08%
Other Loans	\$3,642	1.49%
<b>Total Gross Loans</b>	<b>\$244,246</b>	<b>100.00%</b>

Source: Call Report as of March 31, 2016 (Schedule RC-C Part I – Loans and Leases)

The bank received a Satisfactory rating at the last CRA evaluation dated June 10, 2013. There are no legal or financial impediments limiting the bank's ability to meet the credit needs of the AA.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank has one AA located within the Chicago-Joliet-Naperville Metropolitan Statistical Area (MSA) in the Elgin Metropolitan Division (MD). The AA consists of all 22 census tracts (CTs) in DeKalb County and one CT in Kane County, added in October of 2015 pursuant to the opening of the Kane County branch. The AA is reasonable based on the size and financial capacity of the bank and meets the requirements of the regulation. The AA does not arbitrarily exclude any low- or moderate-income geographies.

According to the 2010 Census data, the AA's population is 118,795. There are 27,496 families in the AA, of which 1,401 are low-income (5.10 percent), and 2,950 are moderate-income (10.73 percent). Families below the poverty level total 6.98 percent of AA families. The FFIEC calculates the 2015 weighted average median family income for this area to be \$75,400.

The 2010 US Census data shows that there are 46,020 housing units within the AA. Of these, 62.36 percent are owner occupied, 31.78 percent are renter occupied, and 5.85 percent are vacant units. The weighted average median housing value in the AA is \$206,989.

The local economic conditions are considered slow but improving. As of March 2016, the unemployment rates for the counties in the AA were 6.55 percent (DeKalb County) and 6.9 percent (Kane County) as compared to the State of Illinois unemployment rate of 6.8 percent. The AA's local economy is primarily comprised of service businesses (43.98 percent of businesses) and retail trade (13.68 percent of businesses). The majority of the businesses in the AA are small businesses. Approximately 90 percent of businesses in the AA have less than 50 employees with 71.42 percent of businesses having only one to four employees.

There is significant competition for deposits in the bank's AA (DeKalb and Kane Counties), which is led by larger institutions such as JPMorgan Chase, BMO Harris Bank, and Fifth Third Bank. These banks hold 13.47 percent, 7.32 percent, and 6.55 percent of the deposit market share, respectively. RBNA ranks 11<sup>th</sup>, out of 40 banks, in total deposit market share, holding 2.83 percent of area deposits.

We conducted one community contact (from the City of Genoa) within the bank's AA during this evaluation. The contact stated that in the past two quarters, there has been an upswing in small business activity as the economy improves. Vacant buildings in downtown Genoa are now being put to new use. Additionally, the City has seen an uptick in new commercial construction. There is demand for more small business lending to assist with the current growth trend. While large businesses have the relationships in place to utilize credit, smaller firms have somewhat struggled to get financing.

According to the community contact, local banks have performed fairly well, but could be more aggressive in small business lending. Most feasible projects are able to obtain financing, but some deals have required legwork/contact from the City to match borrowers with funding. Opportunities for banks exist through the City of Genoa's low interest rate small business lending program that pairs with local financial institutions to provide financing. The City is looking for additional banks to pair with as the primary lender, while the City would provide the smaller subsidized piece.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

RBNA has demonstrated satisfactory performance in meeting the credit needs of its AA.

**The loan-to-deposit (LTD) ratio is reasonable. A majority of the bank's loan activity is inside its AA. The bank's borrower and geographic distribution reflects reasonable penetration. The geographic distribution reflects reasonable dispersion.**

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

RBNA's quarterly average LTD ratio is reasonable given the credit needs of the AA, market conditions, and the bank's size and financial condition. The bank's quarterly average LTD ratio, from June 30, 2013 to March 31, 2016, was 68.33 percent. The bank's peer group consisted of seven institutions, with asset size ranging from \$165 million to \$811 million, located within DeKalb and Kane Counties. The LTD ratio for the peer group ranged from 57.9 percent to 103.31percent. RBNA's LTD is ranked sixth of seven peer banks in the AA. The bank's LTD is reasonable when considering the strong competition in its market, which limits lending opportunities. RBNA competes with large national and regional banks in its market that have a larger market presence and capacity to lend such as JP Morgan Chase, BMO Harris, and Fifth Third Bank. These three national lenders alone operate 51 banking offices in the AA and hold a

combined 27.34 percent of local deposits, while Resource operates just 9 local offices and holds 2.83 percent of local deposits.

### Lending in Assessment Area

RBNA originated a majority of its lending within its AA during the evaluation period. We included all HMDA loans and a sample of 25 small business loans originated in 2014 and 2015. Based on the loans reviewed, 70.91 percent of the number of loans and 58.09 percent of the dollar amount of RBNA's loans are located inside the AA. Please refer to Table 2 for further details.

<b>Table 2 - Lending in the Assessment Area</b>										
<b>Type of Loan</b>	<b>Number of Loans</b>					<b>Dollar Volume of Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>\$</b>
Home Purchase	80	68.97	36	31.03	116	8,893	57.68	6,524	42.32	15,417
Home Refinance	86	67.19	43	33.59	128	10,575	50.31	10,444	49.69	21,019
Home Improvement	4	66.67	2	33.33	6	64	63.37	37	36.63	101
Small Business	25	100.00	0	0.00	25	4,034	100.00	0	0.00	4,034
<b>Total</b>	<b>195</b>	<b>70.91</b>	<b>81</b>	<b>29.45</b>	<b>275</b>	<b>23,566</b>	<b>58.09</b>	<b>17,005</b>	<b>41.91</b>	<b>40,571</b>

Source: HMDA Data (2014 & 2015) and sample of 25 Small Business Loans (verified by examiners)

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

**The bank's distribution of lending among borrowers of different income levels and businesses of different sizes reflects reasonable penetration.**

#### Residential Lending

The distribution of home mortgage loans to borrowers of low- and moderate-income levels within the AA reflects reasonable penetration.

Our analysis of borrower distribution took into consideration the percentage of families living below the poverty level. Generally, homeownership is not a viable option for these families and affordable home purchase opportunities are limited.

For home purchase loans, the bank's overall borrower distribution is reasonable. Borrower distribution to low-income borrowers is reasonable as the percentage of bank loans made to low-income borrowers is lower than the percentage of low-income families. However, the bank's home purchase lending to moderate-income borrowers is excellent as the percentage of bank loans made to moderate-income borrowers exceeds the percentage of moderate-income families.

For refinancing loans, the bank’s overall borrower distribution is reasonable. Borrower distribution to low-income borrowers is poor as the percentage of bank loans made to low-income borrowers is below the percentage of low-income families. However, the bank’s refinancing lending to moderate-income borrowers is reasonable as the percentage of bank loans made to moderate-income borrowers is near the percentage of moderate-income families in the AA. Please refer to Table 3A for further details.

<b>Table 3A - 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 Purchase	19.59	14.49	19.91	20.29	24.57	24.64	35.92	40.58
Home Refinance	19.59	7.89	19.91	17.11	24.57	31.58	35.92	43.42

Source: HMDA Data (2014 & 2015) and U.S. Census Data (2010)

Small Business Loans

The bank’s distribution of loans to small businesses reflects excellent penetration among businesses of different sizes.

RBNA’s distribution of loans to small businesses with revenues less than or equal to \$1 million reflects excellent performance as the percentage of small business loans to businesses with revenues of less than \$1 million exceeds the percentage of businesses located in the AA with revenues of less than \$1 million. Twenty-four of the 25 loans in our sample had revenue below \$1 million (one loan did not have reported revenue).

Please refer to Table 3B for further details.

<b>Table 3B - Borrower Distribution of Loans to Businesses in the AA</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	77.27	5.04	17.70	100.00
% of Bank Loans in AA by #	96.00	0.00	4.00	100.00

Source: HMDA Data (2014 & 2015) and sample of 25 Small Business Loans

**Geographic Distribution of Loans**

**The bank’s distribution of loans in its AA among low- and moderate-income geographies reflects reasonable dispersion.**

There were no unexplained lending gaps noted in the bank’s AA.

Residential Lending

RNBA’s distribution of home mortgage loans in the AA among low- and moderate-income CTs reflects reasonable dispersion.

For home purchase loans, the bank’s geographic distribution in both low- and moderate-income CTs is excellent as the percentage of bank loans originated in low- and moderate-income CTs exceeded the percentage of owner-occupied housing units (OOHUs) in these CTs.

For home refinance loans, the bank’s geographic distribution in low-income CTs is poor as the bank did not originate loans in low-income CTs. Declining home values and intense competition limit lending opportunities in low-income CTs. The low-income CTs in the AA are centered on downtown DeKalb and property values have been slow to recover, leaving some borrowers underwater and making refinancing difficult. Vacant and renter occupied housing units significantly outweigh the population of OOHUs in low-income CTs. Vacant housing units total 27.52 percent and renter occupied housing units total 32.61 percent, while OOHUs are just 1.56 percent of total housing units in low-income CTs. The bank’s geographic distribution in moderate-income CTs is excellent as the percentage of bank loans originated in moderate-income CTs exceeded the percentage of owner-occupied housing units (OOHUs) in these CTs. Refer to Table 4A for further details.

<b>Table 4A - 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 Purchase	1.56	3.75	10.23	15.00	88.2	81.25	0.00	0.00
Home Refinance	1.56	0.00	10.23	11.63	88.2	88.37	0.00	0.00

Source: HMDA Data (2014 & 2015) and U.S. Census Data (2010)

Small Business Lending

RNBA’s distribution of small business loans in the AA among low- and moderate-income CTs reflects reasonable dispersion.

The bank’s geographic distribution of small business loans in low-income CTs is excellent as the percentage of bank loans originated in low-income CTs exceeds the percentage of business located in these CTs. The bank’s geographic distribution of small business loans in moderate-income CTs is poor as the percentage of bank loans originated in moderate-income CTs is below the percentage of business located in these CTs. Please refer to Table 4B for further details.

Table 4B – Geographic Distribution of Loans to Businesses in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	4.85	8.00	15.38	8.00	81.18	84.00	0.00	0.00

Source: U.S. Census Data (2010) and sample of 25 Small Business Loans

**Responses to Complaints**

RBNA has not received any written comments or complaints regarding its performance in its efforts to help meet the credit needs of its AA during the evaluation period. The OCC has not received any written complaints, comments, or inquiries concerning RBNA and its efforts to comply with the spirit and intent of the CRA.

**COMMUNITY DEVELOPMENT TEST**

RNBA’s performance under the Community Development Test is rated Satisfactory.

**Number and Amount of Community Development Loans**

RBNA demonstrates adequate responsiveness to CD needs within its AA through CD loans. The bank originated 16 loans that meet the definition of CD in CRA. These loans totaled approximately \$3.6 million. Five of these loans, totaling \$1.9 million, were made under the SBA economic development 504 loan program and created or retained more than 10 jobs primarily for low- and moderate-income (LMI) individuals. The bank also extended eight conventional loans totaling nearly \$1.3 million to small businesses that created or retained a significant number of jobs for LMI individuals. In addition, several of RBNA’s CD loans were to businesses in areas designated by state and local government for redevelopment, such as Illinois Enterprise Zones, which enhanced the

economic development impact of the loans. RBNA also originated CD loans to a social service agency that targets its services to LMI persons in DeKalb County.

### **The Number and Amount of Qualified Investments**

The number and amount of qualified investments is adequate. RBNA made 47 qualified investments during the evaluation period totaling approximately \$2.4 million. Included in the investments are 30 donations totaling approximately \$15,000 to 14 nonprofit organizations that serve primarily LMI beneficiaries. Forty percent of the number of RBNA's donations were made to economic development organizations throughout DeKalb County, several of which target revitalization areas where RBNA originated CD loans. Also included in RBNA's qualified investments are 17 bonds totaling \$2.3 million issued by the local school district. More than 50 percent of the students in the district qualify for the free and reduced cost lunch program.

### **Extent to Which the Bank Provides Community Development Services**

RBNA provides an adequate level of qualified services and has a positive impact on community needs, benefiting its AA.

RBNA provided an adequate level of CD services during the evaluation period. During the evaluation period, nine RBNA employees provided CD services to 10 different organizations that provide services that benefit the AA. Most of RBNA's CD services were provided to economic development organizations throughout DeKalb County, though a significant number of the services were provided to social service agencies serving the needs of LMI persons in the AA.

RBNA's offices and services are accessible to individuals of different income levels in its AAs. RBNA provides substantially the same services during substantially similar hours at all of its 10 branches. Services and hours at the bank's branches do not vary by geography nor in a way that would inconvenience low- and moderate-income individuals. Drive-up services are not available at one branch and ATM access is available at eight of the 10 branches. None of the aforementioned branches with limited services are located in low- or moderate-income CTs. One of RBNA's 10 branches is located in a moderate-income CT and none are located in low-income CTs. RBNA provides telephone and internet banking services, and beginning in 2015, RBNA began offering mobile banking via a free smart phone application, making financial services more readily accessible to LMI persons.

### **Responsiveness to Community Development Needs**

A review of information from community contact interviews, the Consolidated Plan of the City of DeKalb, and census data compiled by a regional social services organization and a national affordable housing organization reflect that primary credit and CD needs in DeKalb County are economic development, affordable housing, financial education,

and financing for beginning farmers. Organizations and opportunities are available in the AA to help meet all of these needs.

It is notable that RBNA provided either CD loans or qualified investments or CD services to a high proportion of the social service agencies that the City of DeKalb prioritized in its HUD Consolidated Plan. In addition to the CD lending, investment and services activities discussed above, RNBA is an authorized SBA Express lender, which provides expedited access to flexible loan terms. RBNA also provides an office for the Service Corps of Retired Executives program, which provides business planning, counseling and mentoring for prospective entrepreneurs and existing business owners at no cost. During the evaluation period, RBNA initiated two flexible lending programs – one for new farmers and another for short-term consumer borrowing – that, while not targeted to LMI populations, do demonstrate responsiveness to the credit needs of the bank’s AA. Also notable in terms of responsiveness, but not targeted to LMI persons or areas, RBNA provides well-equipped community meeting rooms at four branches.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

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