



PUBLIC DISCLOSURE

July 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number: 13373
101 Dixie Highway
Chicago Heights, Illinois 60411**

**Office of the Comptroller of the Currency
Chicago South Field Office
7600 County Line Road, #3
Burr Ridge, Illinois 60521**

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 Community Reinvestment Act (CRA) performance of **First National Bank (FNB)**, Chicago Heights, Illinois, prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 6, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. The bank's prior CRA rating was "Satisfactory" as detailed in the Performance Evaluation dated June 24, 1996.*

INSTITUTION'S CRA RATING: This institution is rated: "**Satisfactory record of meeting credit needs**". A Satisfactory rating is primarily based on FNB's good distribution of loans to low- and moderate-income borrowers, as well as to businesses of different sizes. Secondary points that support the bank's rating are the geographic distribution of loans, reasonable loan-to-deposit ratio, and a majority of the loans are inside their assessment area.

DESCRIPTION OF INSTITUTION

FNB is a \$213 million dollar institution with its main office located in Chicago Heights, Illinois. The city of Chicago Heights is approximately 25 miles south of Chicago. Besides FNB's main office, it has full service branches located in Olympia Fields and Frankfort, Illinois. The Frankfort branch opened in August 1997.

FNB is 100% owned by Greatbanc, Incorporated which is located in Aurora, Illinois. Greatbanc, Incorporated is a multi-bank holding company which also owns all of the outstanding stock of the Aurora National Bank and Great Bank, N.A. The holding company also has majority ownership in Great Bank Algonquin. In addition, the holding company owns Greatbanc Trust Company and Greatbanc Operations.

The bank offers a wide variety of loan products, including residential real estate, consumer, and commercial loans. In addition, FNB offers government guaranteed programs such as FHA (Federal Housing Administration) and SBA (Small Business Administration) loans. FNB continues to offer the "Great Start" loan which helps individuals with no credit history establish a record of credit performance and the "First-Time Homebuyers" loan program.

Loans represent 66% of FNB's total assets. The loan mix as a percent of total loans is as follows: 43% commercial, 39% loans to consumers, 10% home equity lines, and 6% residential real estate. These percentages are based on outstanding dollar amounts as of the end of June 1998. As shown, the bank's focus is commercial lending. But, residential real estate and installment/retail loans, including home equity lines of credit are offered. For this analysis, we evaluated small business, mortgage, and installment loans originated between June 1996 through June 1998 inside FNB's assessment area. As a side, we noted that the largest percentage of the installment portfolio consists of martial arts loans and indirect auto loans. The martial arts portfolio is part of FNB's niche business strategy. The loans in this portfolio are provided by the martial arts schools to students across the country. The martial arts organization underwrites the loans subject to credit approval guidelines established by FNB. Due to the business relationship and location of these loans, they were not considered for CRA purposes. In addition, indirect auto loans which are purchased from their affiliate, Great Bank Algonquin, were not considered in this evaluation. Management does not maintain data on these types of loans since they only purchase them and do not originate them.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of 30 census tracts within the southern portion of Cook County and eastern half of Will County. These 30 census tracts reach communities that are part of Chicago Heights, Lynwood, Matteson, County Club Hills, Hazel Crest, Mokena, Tinley Park, Ford Heights, Homewood, Olympia Fields, Flossmoor, Park Forest, Steger, Sauk Village, Glenwood, and Frankfort. FNB's assessment area is within the Chicago Metropolitan Statistical Area (MSA) 1600.

Each census tract in the bank's assessment area is classified by income based on the 1990 MSA median family income of \$42,758. Based on this amount, one tract within FNB's assessment area is considered a low-income area and five tracts are considered moderate-income areas. As shown in Table 1, this represents 20% of the total census tracts in the bank's assessment area. The assessment area includes FNB's main office, branches, automated teller machines, as well as the surrounding geographies where the bank originated or purchased a substantial portion of its loans. The assessment area meets the regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The total population of FNB's assessment area is 131,223. There are 34,902 families and 43,548 total households living in the assessment area. The 1998 median family income is \$59,500. Based on this level, approximately 17% of the families living in the bank's assessment area have an income that is less than 50% of the 1998 median family income and are classified as low-income. An additional 17% of the families have an income of at least 50% and less than 80% of the median family income and are classified as moderate-income. See Table 1 for details.

**First National Bank
Demographic Characteristics
Table 1**

Income Level	# of Census Tracts	% of Total Census Tracts	# of Families	% of Families by Income Level	# of Housing Units	% Owner Occupied
Low	1	3%	5,873	17%	1,128	1%
Moderate	5	17%	6,067	17%	6,478	9%
Middle	14	47%	8,891	26%	22,630	50%
Upper	10	33%	14,069	40%	15,316	40%
Total	30	100%	34,902	100%	45,552	100%

Source: 1990 U.S. Census Bureau data

The local economy in general terms is stable. There are approximately 4,000 businesses located in FNB's assessment area. Among the 4,000, 75% of the businesses have sales less than or equal to \$1 million. A majority of the businesses have an employee base of 1-4 persons. The business community is not concentrated in a single industry. The area is characterized primarily by service-related businesses followed by retail trade and construction related businesses. Several large manufacturing firms are located in the assessment area which include Ford Motor, Calumet Steel, Rhone-Polance, United Globe Nippon, and Thrall Car. The assessment area consists of 45,552 housing units. Of these units, approximately 74% are owner occupied, 22% are rental occupied, and the remaining 4% are vacant. Table 1 details the percentage of owner-occupied units within each type of census tract. The median housing value is \$80,552 and the average age of the housing stock is approximately 36 years.

Many financial institutions serve the assessment area. According to 1996 HMDA information, there were 353 financial institutions who originated or purchased real estate mortgages in the bank's assessment area. Some of the institutions located in the assessment area are branches of large regional and money center banks.

Comments from the local community were used to assess the bank's efforts to help meet the credit needs of the area. In general, members of the community indicated that affordable housing, flexible mortgage products, as well as access to capital and small business financing are the greatest credit needs at this particular time. Several of the community contacts praised FNB for their involvement in community development and small business lending projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

- **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

FNB’s overall distribution of mortgage and consumer loans among borrowers of different income levels and to businesses of different sizes is very good.

FNB’s mortgage lending to low- and moderate-income persons is very good in relation to the percentage of low- and moderate-income persons in the assessment area as conveyed in Tables 1 and 2. As shown below, 30% of the bank’s HMDA mortgage loans (Home Mortgage Disclosure Act) were to low-income individuals and 24% were to moderate-income individuals. This compares favorably to the percentage of low- and moderate-income families which is 17% each.

A borrower distribution analysis of consumer loans was also performed. The analysis was based on a sample of consumer loans originated between May 1996 and April 1998. Based on the sample, FNB originated a very large percentage (66%) of their consumer loans to low- and moderate-income individuals. This again demonstrates strong performance considering that 34% of the population in FNB’s assessment area are low- and moderate-income persons.

First National Bank Lending to Borrowers of Different Incomes HMDA Loans & Consumer Loans Table 2								
Applicant Income Level	HMDA				Consumer			
	#	%	\$000's	%	#	%	\$000's	%
Low	21	30%	256	11%	29	37%	181	16%
Moderate	17	24%	460	21%	23	29%	197	17%
Middle	14	20%	483	22%	11	14%	315	27%
Upper	17	24%	744	34%	13	17%	433	38%
N/A*	2	2%	273	12%	2	3%	20	2%
Total	71	100%	2,216	100%	78	100%	1,146	100%

Source: 1996, 1997, & year-to-date 1998 HMDA Loan Application Registers, and bank generated reports.
N/A*=Income of the borrower was not available.

The bank’s lending to businesses of different sizes was analyzed using a sample of 26 loans originated between May 1996 through June 1998. Table 3 shows that slightly over half or

54% of FNB’s business loans have origination amounts of less than \$100,000. This indicates that FNB is making small dollar loans to businesses. In addition, the sample business loans were used to determine the bank’s performance in lending to very small businesses based on revenue size. The sample revealed that approximately 65% of FNB’s loans are to businesses with gross annual revenues less than \$1 million. This reflects good performance in lending to businesses of different sizes, primarily to small businesses.

First National Bank Lending to Businesses of Different Sizes Table 3				
Origination Amount	#	%	\$000's	%
\$0 to \$100,000	14	54%	400	8%
\$100,00 to \$250,000	6	23%	1,098	22%
\$250,00 to \$500,000	3	12%	1,138	22%
\$500,000 to \$1,000,000	2	8%	1,262	25%
More than \$1,000,000	1	3%	1,139	23%
TOTAL	26	100%	5,037	100%
Revenues <= \$1 Million	17	65%	1,008	20%
Revenues > \$1 Million	9	35%	4,029	80%
TOTAL	26	100%	5,037	100%

Source: Bank generated reports

- **Geographic Distribution of Loans**

The dispersion of FNB’s mortgage, consumer, and business loans in the assessment area is satisfactory in relation to the demographics of the defined area.

Table 4 displays the geographic distribution of the bank’s home mortgage loans. Specifically, it shows that FNB originated 32% of its mortgage loans in the moderate-income census tracts within the assessment area; however, FNB did not originate any mortgage loans in low-income areas. Further, the table shows the opportunity to make home loans in the low- and moderate-income census tracts in the assessment area. In the low-income areas, the opportunity is relatively low as only 1% of the housing units are owner-occupied. This helps explain why FNB did not penetrate the low-income tract with mortgage loans. In the moderate-income tracts the opportunity is greater at 9% and the bank penetrated these areas with 32% of its mortgage loans.

First National Bank Geographic Distribution - HMDA Loans Table 4						
Census Tract Income Level	#	%	\$000's	%	Distribution of Census Tracts	Distribution of Owner Occupied Units
Low	0	0%	0	0%	3%	1%
Moderate	23	32%	334	15%	17%	9%
Middle	29	41%	722	33%	47%	50%
Upper	18	25%	1,157	52%	33%	40%
N/A*	1	2%	3	0%	0%	0%
Total	71	100%	2,216	100%	100%	100%

Source: 1996, 1997, and year-to-date 1998 HMDA Loan Application Registers

*N/A=The location of this loan was not obtained.

FNB's geographic distribution of consumer loans in the low- and moderate-income census tracts is good. An analysis of consumer loans originated between January 1996 and April 1998 was performed by management. The analysis concluded that 3% of the bank's consumer loans were originated in low-income areas while 25% were to moderate-income tracts. The consumer lending levels in these areas compare favorably to the percentage of census tracts that are low- and moderate-income areas as exhibited in previous tables.

First National Bank Geographic Distribution - Consumer Loans Table 5				
Census Tract Income Level	#	%	\$000's	%
Low	12	3%	28	0%
Moderate	104	25%	986	18%
Middle	186	45%	2,467	45%
Upper	112	27%	2,010	37%
Total	414	100%	5,491	100%

Source: Bank generated reports.

FNB's lending to small businesses in the low- and moderate-income census tracts is very favorable. An analysis of business loans originated between January 1996 and April 1998 in the

low- and moderate-income areas was also performed by management. The distribution of loans compared to the percentage of businesses and census tracts is provided in Table 6. The table displays that approximately 36% of FNB's small business loans were originated in low- and moderate-income areas while only 17% of the businesses are located there and only 20% of the census tracts in the bank's assessment area are classified as such.

First National Bank Geographic Distribution - Business Loans Table 6							
Census Tract Income Level	Business Loans				Distribution of Businesses		Distribution of Census Tracts
	#	%	\$000's	%	#	%	
Low	8	4%	398	3%	90	2%	3%
Moderate	60	32%	3,130	22%	603	15%	17%
Middle	47	25%	4,029	28%	1,524	39%	47%
Upper	70	39%	6,833	47%	1,733	44%	33%
Total	185	100%	14,390	100%	3,950	100%	100%

Source: 1990 U.S. Census Data, Dun and Bradstreet, and Bank generated reports.

- **Loan to Deposit Ratio**

FNB's loan-to-deposit ratio is reasonable in light of information from the performance context including, the bank's capacity to lend, their business strategy, demographic and economic factors as explained in the "Description of Assessment Area", and the lending opportunities available in FNB's assessment area.

The last CRA review was performed as of June 24, 1996. The average quarterly loan to deposit ratio since that time through the first quarter of 1998 is 71.36%. This ratio is calculated by dividing the bank's net loans by its total deposits. Additional information is provided in FNB's public file.

- **Lending in the Assessment Area**

A majority of FNB's mortgage, business, and consumer loans are inside their assessment area which is reasonable based on the bank's strategy and location.

Using HMDA data and other internal reports, management performed an analysis of the extent of lending inside and outside of their assessment area. Based on management's analysis, 59% of the number and 43% of the dollar amount of their commercial, mortgage, and consumer loans are within the assessment area. Overall, the analysis is reasonable; however, it is slightly overstated as it includes loan activity between January 1996 and April 1996 which was considered in the prior CRA evaluation. In addition, the analysis does not include consumer loans relating to martial arts or indirect auto loans as indicated in the "Description of Institution" section of this evaluation. A very large portion of these loans are located outside of the bank's assessment area and as a result would lower the percentage of loans within their area. Commercial lease activity was also not considered by FNB in their analysis of loans inside vs. outside the assessment area. This does not materially impact the bank's lending activity by number or dollar volume.

- **Responses to Complaints**

There were no complaints about the bank's performance in helping to meet the credit needs of its assessment area.

Compliance with Anti-Discrimination Laws:

In conjunction with this CRA evaluation, a review of the bank's compliance with the Fair Lending laws and regulations was performed. Based on the nature of the FNB's loan portfolio, a sample of home improvement applications from July 1997 through July 1998 was tested. Race/ national origin was the prohibited basis tested. This sample was used to determine if potential discrimination occurred in the underwriting process and/or in loan terms. All loans denied and approved for the purpose of home improvement were reviewed. Findings and conclusions of the Fair Lending review are as follows:

- FNB is in compliance with the substantive provisions of the Fair Lending laws.
- Loan terms for prohibited basis groups were not less favorable than for any other group.
- Differences in interest rates, discount points, or maturities of approved applicants were based on legitimate nondiscriminatory reasons.