



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 28, 2013

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of La Grange  
Charter Number 13941

620 West Burlington La Grange, IL 60525

Office of the Comptroller of the Currency

2001 Butterfield Road Suite 400, Downers Grove, IL 60515

**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 major factors supporting the rating for the First National Bank of LaGrange (FNBL) are as follows:

- FNBL's distribution of loans reflects a reasonable penetration among individuals of different income levels given the bank's product offerings, assessment area (AA) demographics, and current economic conditions.
- A majority of the loans originated by FNBL are to customers within its AAs.
- FNBL demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.
- FNBL's quarterly average loan-to-deposit ratio of 52 percent, over the evaluation period, is reasonable given the bank's size, financial condition, and AA credit needs.

## **Scope of Examination**

We evaluated FNBL using the Intermediate Small Bank (ISB) procedures. Previously, FNBL was evaluated as a Small Bank; however, the bank's total asset size met the threshold of an ISB during the previous two calendar year-ends. The ISB procedures include two tests, a lending test and a community development test. The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. The community development test evaluates a bank's community development lending, qualified investments, and community development services activities. We evaluated FNBL's performance under both tests to derive the overall Community Reinvestment Act (CRA) rating for the bank.

The evaluation period for this CRA examination covers loans originated or purchased from January 1, 2010 through December 31, 2012. We also reviewed FNBL's community development activities since the last evaluation, March 1, 2010, to the start of this evaluation, January 28, 2013. Conclusions regarding the bank's lending performance for 2010 and 2011 are based on loans originated or purchased from January 1, 2010 through December 31, 2011, using 2000 Census data. Conclusions regarding FNBL's lending performance during 2012 are based on loans originated or purchased from January 1, 2012 through December 31, 2012, using 2010 Census data.

FNBL has one AA generating a majority of the bank's loans and deposits, and will receive a full scope review. No affiliate activities were included in our analysis of the bank's CRA performance during this evaluation.

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). We conducted a data integrity review of the HMDA data by comparing information from FNBL's loan application registers to loan files. We found the HMDA data was reliable and used it to assess FNBL's performance in this evaluation.

## **Description of Institution**

FNBL is a community bank headquartered in LaGrange, Illinois, approximately 15 miles west of Chicago, Illinois. As of December 31, 2012, FNBL reported total assets of \$336 million. FNBL is wholly owned by F.N.B.C. of LaGrange, Incorporated, a two-bank holding company located in LaGrange, Illinois. FNBL's affiliate is the State Bank of Illinois, located in West Chicago, Illinois. FNBL's affiliates do not negatively affect the bank's ability to meet the credit needs of the community.

FNBL is an intrastate financial institution with offices serving portions of Cook and DuPage Counties. FNBL has three banking offices and five cash dispensing automated teller machines (ATM) located in LaGrange, Western Springs, and LaGrange Park, Illinois. The main office, located in LaGrange, and the Western Springs office offer a full range of traditional banking products. The LaGrange Park banking office is located in an assisted living facility and provides limited banking services to the residents.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AA. There has been no change in the bank's corporate structure since the last CRA evaluation. At the last CRA evaluation, dated March 1, 2010, FNBL received a "Satisfactory" record of meeting community credit needs.

FNBL's business strategy is to provide a full range of traditional banking services to individuals and businesses, including personal, commercial, retail, and Internet banking, while providing high quality customer service. FNBL's primary lending product is residential real estate loans. This lending category accounts for eighty-seven percent of the number of all loan originations during the evaluation period and represents eighty-nine percent of the outstanding loan balances as of December 31, 2012. Therefore, this lending product was used for the lending test in this evaluation. Commercial lending accounts for ten percent of all loan originations and ten percent of the outstanding loan balances as of December 31, 2012. Consumer lending is not FNBL's primary loan product, accounting for only one percent of all loan originations during the evaluation period.

## **Description of Assessment Area**

FNBL has one AA encompassing 34 geographies, all located in the Chicago-Joliet-Naperville, IL Metropolitan Statistical Area (MSA). FNBL's banking offices are located

in Cook and DuPage Counties, which are contiguous counties located in the same MSA. The bank's AA has not changed since the last evaluation. The AA is consistent with the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The AA consists of 20 (59 percent) upper- income census tracts and 14 (41 percent) middle-income census tracts. There are no low- or moderate-income geographies in the AA. According to the 2010 Census data, five percent of the households in the AA are below the poverty level and the unemployment rate is nine percent.

FNBL's AA is located in a competitive environment. According to the Federal Deposit Insurance Corporation's June 30, 2012 Deposit Market Share Report, FNBL ranks 67 out of 162 financial institutions in Cook and Dupage Counties with a deposit market share of 0.12 percent.

We conducted one community contact interview with a local government official in the LaGrange area during this evaluation. Our contact stated the economic conditions in the area are stabilizing, and in some instances are starting to improve. Credit needs in the community are still focused on small business needs as tear-downs and rebuilds are completed along the Burlington tracks.

## **Conclusions with Respect to Performance Criteria**

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

FNBL's quarterly average loan-to-deposit ratio (LTD) is reasonable and meets the standard for satisfactory performance. The average quarterly LTD ratio from January 1, 2010 through December 31, 2012 is 52 percent. The LTD ratio has been relatively stable during the evaluation period, with a high of 55 percent to the current ratio 50 percent. Related lending activities include the sale of loans to the secondary market. When factoring this activity, the bank's quarterly LTD averages increase to 70 percent. The average quarterly LTD ratio during the review period for 14 similarly situated banks was 70 percent. These financial institutions are also community banks located in Cook and DuPage Counties. These institutions have total assets ranging from \$275 million to \$387 million.

### **Lending in Assessment Area**

A majority of the loans originated by FNBL are to customers within its AA. FNBL's lending to customers within the AA for all loan types is satisfactory.

Lending inside the AA by number is 56 percent and 57 percent by dollar amount. The following table details the bank's lending within the AA based on the number of loan originations and dollar volume during the evaluation period.

**Table 1: 2010- 2011- 2012 Loans Originated within the Assessment Area**

| Loan Type        | Number of Loans |    |         |    |       | Dollars of Loans |    |         |    |                  |
|------------------|-----------------|----|---------|----|-------|------------------|----|---------|----|------------------|
|                  | Inside          |    | Outside |    | Total | Inside           |    | Outside |    | Total<br>\$(000) |
|                  | #               | %  | #       | %  |       | \$(000)          | %  | \$(000) | %  |                  |
| Home Purchase    | 18              | 47 | 20      | 53 | 100   | 12,999           | 48 | 13,810  | 52 | 26,809           |
| Refinance        | 103             | 55 | 83      | 45 | 100   | 73,806           | 58 | 53,514  | 42 | 127,320          |
| Home Improvement | 13              | 87 | 2       | 13 | 100   | 2,350            | 67 | 1,152   | 33 | 3,502            |
| Totals           | 134             | 56 | 105     | 44 | 239   | 89,155           | 57 | 68,476  | 43 | 157,631          |

Source: HMDA LAR for loans originated in 2010, 2011, and 2012.

## LENDING TEST

FNBL's performance under the lending test is rated Satisfactory.

### Lending to Borrowers of Different Incomes

FNBL's loan distribution to borrowers of different income levels shows reasonable penetration of the AA. There are limited opportunities to make loans in the AA considering the median housing value, a high unemployment rate, and a moderate level of households that are below the poverty level, making it difficult for low- and moderate-income individuals to obtain home mortgage loans. However, the bank exhibits a strong commitment to working with low- and moderate-income borrowers whose borrowing needs do not fit into any special lending programs. According to the 2010 Peer Data Loan Market Share report, FNBL ranks 13<sup>th</sup> out of 56 lenders in the AA who extended home mortgage loans to low- and moderate-income individuals.

### Borrower Distribution Residential Real Estate Loans 2010 - 2011

Home purchase loans made to moderate-income borrowers (7 percent) is below the percentage of moderate-income families (13 percent) in the AA. Home refinance loans made to low-income (4 percent) and moderate-income borrowers (6 percent) is below the percentage of low-income families (10 percent) and moderate-income families (13 percent) within the AA. FNBL did not extend any home improvements loans to low- or moderate-income individuals during 2010 – 2011. There were no home purchase loans made to low-income borrowers during 2010 – 2011.

According to the 2000 Census data, the median home value was \$255 thousand in the AA. The Housing and Urban Development (HUD) adjusted median family income for 2011 is \$76 thousand. There are limited opportunities to make loans in these geographies considering the median housing value, an unemployment rate of over ten percent and four percent of the households that are below the poverty level.

The following table shows the distribution of home mortgage loans among borrowers of different income levels in the AA.

| <b>Table 2: 2010 – 2011 Borrower Distribution of Residential Real Estate Loans in FNBL’s 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   | 10.35            | 0                    | 12.77            | 6.67                 | 18.17            | 16.67                | 58.71            | 76.67                |
| Home Improvement  | 10.35            | 0                    | 12.77            | 0                    | 18.17            | 9.09                 | 58.71            | 90.91                |
| Home Refinance  | 10.35            | 3.68                 | 12.77            | 6.13                 | 18.17            | 14.72                | 58.71            | 75.76                |

*Source: Data reported under 2010 and 2011 HMDA; 2000 U.S. Census data \*as a percentage of loans with borrower income information available.*

### **Borrower Distribution Residential Real Estate Loans 2012**

Home improvement loans made to low-income borrowers (8 percent) is below the percentage of low-income families (11 percent) within the AA. Home improvement loans made to moderate-income borrowers (15 percent) well exceeds the percentage of moderate-income families (13 percent) within the AA. There were no home purchase loans or refinance loans made to low-income borrowers during 2012.

According to the 2010 Census data, the median home value in the AA was \$436 thousand. There are limited opportunities to make loans in these geographies considering the median housing value, an unemployment rate of nine percent and five percent of the households that are below the poverty level.

The following table shows the distribution of home mortgage loans among borrowers of different income levels in the AA.

| <b>Table 3: 2012 Borrower Distribution of Residential Real Estate Loans in FNBL’s 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    | 10.94            | 0                    | 12.82            | 11.76                | 17.40            | 0                    | 58.84            | 88.24                |
| Home Improvement | 10.94            | 7.69                 | 12.82            | 15.38                | 17.40            | 7.69                 | 58.84            | 69.23                |
| Home Refinance   | 10.94            | 0                    | 12.82            | 7.29                 | 17.40            | 10.42                | 58.84            | 82.29                |

*Source: Data reported under 2012 HMDA; 2010 U.S. Census data \*as a percentage of loans with borrower income information available.*

### **Geographic Distribution of Loans**

There are no low- or moderate-income geographies in the AA; therefore, an analysis would not be meaningful.

### **COMMUNITY DEVELOPMENT TEST**

FNBL's performance under the community development test is rated Satisfactory.

FNBL's community development performance demonstrates adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services.

### **Number and Amount of Community Development Loans**

FNBL has fifteen qualifying loans totaling \$5 million originated during the evaluation period. The bank has the following qualifying loans:

- FNBL renewed three mortgage loans totaling \$1.1 million to purchase multi-family unit apartment buildings for housing low- and moderate-income (LMI) families. The majority of the units are below the HUD Median family income.
- FNBL renewed two operating lines of credit for \$1.1 million to a not-for-profit advocacy center which provides services, jobs, and housing for LMI individuals. The center provides services and assistance to adults with disabilities through vocational, education, social, paid work training, living supports, and community employment. The center's services also include providing assistance to at risk children and their families who have experienced domestic violence, abuse, or addiction. A majority of the residents are low-income individuals that depend on aid from the State of Illinois.
- FNBL originated \$2.4 million in mortgage loans used to purchase multi-family unit apartment buildings for housing LMI families.

- FNBL originated a \$199 thousand loan to a not-for-profit social service agency which provides housing for the physically and mentally challenged, primarily LMI individuals.
- FNBL originated a \$250 thousand operating line of credit to an education center that provides support and advocacy to schools, students, educators and parents through alternative education and school improvement services targeted to at risk children in the area.

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

The number and amount of qualified community development (CD) investments during the evaluation period is adequate. FNBL made \$2.8 million in qualified investments during the evaluation period. These investments include:

- \$1.9 million in a local senior housing complex designated to LMI individuals; and,
- \$912 thousand in a regional investment that meets the CD definition.

FNBL made \$42 thousand in cash contributions and donations to CD organizations assisting LMI individuals and families in and surrounding the AA. Some of the notable qualifying grants and donations are as follows:

- \$17,500 to a not-for-profit agency that provides counseling, crisis support, and housing services to LMI individuals.
- \$6,350 to an organization that provides support and services for victims of domestic violence primarily targeted to LMI individuals.
- \$5,320 to a not-for-profit agency that provides educational and development programs targeted to LMI school children and their families.
- \$2,500 to a not-for-profit organization that provides services to children and adults with disabilities or special needs, primarily LMI individuals.

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

Delivery systems are reasonably accessible to individuals of different income levels. FNBL operates three banking offices, and five cash dispensing ATM's in the AA. The main office, located in LaGrange, and the Western Springs office offer a full range of traditional banking products. The LaGrange Park office is located in an assisted living facility and provides limited banking services to the residents. There are no low- or moderate-income geographies in the AA. Extended hours are available at the LaGrange and Western Springs locations. All offices except the LaGrange Park

location are open on Saturdays, and all drive-up locations are open longer on weekdays and on Saturdays. FNBL's loan and deposit products are available at the main office and the Western Springs branch locations.

FNBL offers a satisfactory level of community development services based on the capacity of the bank, and the need and availability of opportunities in the AA. For instance, FNBL provided the following:

- \$184 thousand to the Illinois Housing Development Authority (IHDA) Hardest Hit Homeowner Loan Program.

This state government program is designed to assist homeowners who have experienced an income reduction due to unemployment or substantial underemployment. The state sets maximum assistance guidelines for people to qualify for the program.

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

FNBL continues to be responsive to the needs of the community. The bank works with the City and County governments, businesses, and organizations in and surrounding their AA on loan projects. The officers and employees of the bank are heavily involved in a large number of community service organizations, especially the Helping Hand Foundation (housing services and assistance).

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

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

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

### **Responses to Complaints**

FNBL did not receive any consumer complaints about its record of lending within the community.