



## **PUBLIC DISCLOSURE**

June 10, 2013

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

Diamond Bank, FSB  
Charter Number 703627

1051 Perimeter Drive  
Schaumburg, IL 60173-1303

Office of the Comptroller of the Currency

400 7th Street S.W.  
Washington, DC 20219

**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 following are the primary factors supporting this rating.

- The bank's loan-to-deposit ratio is excellent.
- A majority of the bank's loans originated are within its assessment area (AA).
- Geographic and borrower distribution meets performance standards.

**SCOPE OF EXAMINATION**

We evaluated Diamond Bank's (DB or bank) Community Reinvestment Act (CRA) performance using the Small Bank CRA examination procedures, which assess the bank's record of meeting the credit needs of its AA through its lending activities. The lending test for DB covers loans originated or purchased from January 1, 2010 through December 31, 2012.

The primary loan products for DB are residential mortgage loans. We used the bank's Home Mortgage Disclosure Act (HMDA) loan data to evaluate residential real estate lending. The bank's aggregate HMDA reporting for the evaluation period reflects only nine home improvement loans originated or purchased in the bank's AA. Due to this small number, we did not consider the borrower or geographic distribution of home improvement loans in our analysis. The volume of home refinance loans significantly exceeded the volume of home purchase loans; therefore, we placed more weight on home refinance loans. We validated all data used in this public evaluation and deemed the data reliable.

We used Federal Deposit Insurance Corporation (FDIC) annual deposit information to determine the bank's deposit market share and market presence within its AA. The most recent deposit market share information is as of June 30, 2012.

The CRA evaluation period for this assessment is April 29, 2008 to June 10, 2013. The CRA evaluation period covers two different sets of census information: 2000 census results for the 2010 and 2011 data, and 2010 census results for the 2012 data. Where applicable, our analysis uses both sets of data when discussing the bank's performance.

The demographics for the bank's AA remained relatively unchanged between census data years. Our lending analysis consisted of a review of all the bank's HMDA-reported loans for the years 2010-2011 compared to the 2011 aggregate lending data and 2000 census demographics. The bank's 2012 lending data was compared to the 2010 census demographics as well as the 2011 aggregate lending data. The 2012 aggregate lending data was not yet available. The volume of lending in 2010 and 2011 was

greater than the volume of lending in 2012; thus, we gave the 2010-2011 lending performance more weight in reaching our overall conclusions and performance rating.

## DESCRIPTION OF INSTITUTION

DB is a federally chartered stock thrift and is wholly owned by Diamond Bancorp, Inc., incorporated in 1994. Diamond Mortgage was a residential lending division of DB that historically originated most of the HMDA-reportable loans for DB. The bank eliminated the division in 2011. DB has approximately \$174 million in assets as of March 31, 2013.

DB has four offices in Illinois. The main office is in Schaumburg and the three branches are located in Elmhurst, Skokie, and Lincoln Park. All bank offices provide full banking services and include deposit-taking Automated Teller Machines (ATMs) and drive-up capabilities. There are no off-site ATMs. Since the last CRA examination, the bank's AA increased significantly from 278 census tracts (CTs) to 736 CTs as of year-end 2012, mainly due to incorporating new branch locations. DB opened the Elmhurst and Schaumburg offices after the last CRA examination.

As of March 31, 2013, DB had approximately \$130 million in gross loans and leases. The bank's primary loan type is residential real estate loans as shown in the chart below. Total deposits are approximately \$144 million. The bank reported Tier 1 capital at \$8.9 million.

<b>Loan Products</b>	<b>% of Outstanding Dollars</b>
<b>Residential Real Estate Loans</b>	<b>46.50%</b>
<b>Commercial Real Estate Loans</b>	<b>37.29%</b>
<b>Commercial/Industrial and Construction/Development</b>	<b>15.77%</b>
<b>Other</b>	<b>0.44%</b>

*Source: Call Report data as of March 31, 2013*

Other than operating under a formal Cease and Desist Order, we did not identify any legal, financial, or other factors that would encumber the bank's ability to help meet the credit needs in its AA. At the last CRA examination dated April 28, 2008, DB received a "Satisfactory" rating from the Office of Thrift Supervision.

## DESCRIPTION OF ASSESSMENT AREA

The bank's AA includes a small portion of the eight-county Chicago-Joliet-Naperville, IL Metropolitan Division (MD 16974); the AA contains the northern parts of Cook and DuPage Counties.

Based on the 2000 U.S. Census, DB's AA has 678 CTs within Cook County and DuPage County. This AA includes 60 low-income CTs (9 percent), 158 moderate-income CTs (23 percent), 233 middle-income CTs (34 percent), 225 upper-income CTs (33 percent), and two CTs where income is not applicable (less than 1 percent). Per the 2000 census, the average median family income (MFI) for the AA was \$60,166. The Department of Housing and Urban Development (HUD) updates the average MFI each year. For 2010, the HUD-updated MFI is \$74,700; for 2011, it is \$76,200. The 2000 U.S. Census data estimates there are 728,587 families and 1.238 million housing units in DB's AA. Approximately 55 percent of the housing units are owner-occupied, 41 percent are rental-occupied, and four percent are vacant.

As of the 2010 U.S. Census, this AA has 736 CTs: 65 CTs are low-income (9 percent), 157 CTs are moderate-income (21 percent), 246 CTs are middle-income (33 percent), 267 CTs are upper-income (36 percent), and 1 CT has no income category defined (less than 1 percent). Per the 2010 census, the average MFI for the AA is \$72,747. For 2012, the HUD-updated MFI is \$77,300. The 2010 census estimates 702,626 families reside within the AA, which has 1.292 million housing units. These housing units are 55 percent owner-occupied, 36 percent rental-occupied, and nine percent vacant.

The bank's AA meets the requirements of the CRA. The area consists of whole geographies, an area that the bank can reasonably assist in meeting credit needs, and the bank did not arbitrarily exclude low- or moderate-income geographies.

As part of the review, we conducted interviews with two community contacts. Discussion with both community contacts indicated a stable and improving local economy. One contact described abundant opportunities for involvement from financial institutions and noted a lack of involvement from community banks for loan pools that fund mortgage originations in low- to moderate-income areas. This contact also stated that such banks often provide grants for the operating costs of the non-profit organization. Another contact described local involvement from financial institutions in first homebuyer and small business programs as good but that there was always room for improvement.

Competition within the AA is strong. There are 162 financial institutions within Cook and DuPage Counties. Four large banks hold over 50% of deposit market share in these counties; DB ranks 95<sup>th</sup> with 0.06 percent of the deposit market share.

As of March 2013, the unemployment rate for Cook County (9.7 percent) is higher than both the nation's unemployment rate of 7.6 percent and the State of Illinois rate of 9.4 percent. The unemployment rate for DuPage County (7.6 percent) is lower than the State of Illinois rate and the same as the national unemployment rate.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Diamond Bank has demonstrated a **SATISFACTORY** performance in meeting the credit needs of its AA.

### Loan-to-Deposit Ratio

DB's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The bank's quarterly average LTD ratio based on 20 consecutive quarters (from June 30, 2008 through March 31, 2013) is 105.36 percent. DB's quarterly average LTD ranks first when compared to 28 peer banks operating in the AA. The quarterly average peer LTD ratio is 76.95 percent over the last 20 quarters, with average LTD ratios for the peer banks ranging from 45.45 to 103.14 percent. DB's quarterly LTD ratio ranges from 89 to 126 percent. As of March 31, 2013, DB's LTD ratio is 89.97 percent. Total assets as of March 31, 2013 for the peer group range from \$106 million to \$238 million, while DB's total assets are \$174 million.

### Lending in Assessment Area

DB originates a majority of its loans within its AA. Given the reported HMDA data for the years 2010 through 2012, 51.76 percent by number and 52.68 percent by dollar volume of loans were made to borrowers within the AA. Table 1 summarizes the results from our analysis.

<b>Table 1: Lending in Diamond Bank, FSB AA</b>										
Loan Type	In Assessment Areas				Out of Assessment Areas				Totals	
	#	% of #	\$ (000s)	% of \$	#	% of #	\$\$ (000s)	% of \$	#	\$(000s)
<b>Lending in 2010 and 2011</b>										
Home Purchase	131	51.17%	39,461	52.74%	125	48.83%	35,356	47.26%	256	74,817
Home Refinancing	564	51.46%	181,317	52.17%	532	48.54%	166,248	47.83%	1,096	347,565
Home Improvement	1	100.00%	147	100.00%	0	0.00%	0	0.00%	1	147
<b>TOTAL</b>	<b>696</b>	<b>51.44%</b>	<b>220,925</b>	<b>52.29%</b>	<b>657</b>	<b>48.56%</b>	<b>201,604</b>	<b>47.71%</b>	<b>1,353</b>	<b>422,529</b>
<b>Lending in 2012</b>										
Home Purchase	10	50.00%	681	60.11%	10	50.00%	452	39.89%	20	1,133
Home Refinancing	36	60.00%	6,001	70.51%	24	40.00%	2,510	29.49%	60	8,511
Home Improvement	8	50.00%	121	80.67%	8	50.00%	29	19.33%	16	150
<b>TOTAL</b>	<b>54</b>	<b>56.25%</b>	<b>6,803</b>	<b>69.46%</b>	<b>42</b>	<b>43.75%</b>	<b>2,991</b>	<b>30.54%</b>	<b>96</b>	<b>9,794</b>
<b>Grand Total</b>	<b>750</b>	<b>51.76</b>	<b>227,728</b>	<b>52.68</b>	<b>699</b>	<b>48.24</b>	<b>204,595</b>	<b>47.32</b>	<b>1,449</b>	<b>432,323</b>

Source: data reported under HMDA for the years 2010, 2011, and 2012; U.S. Census data from 2000 and 2010.

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

This CRA evaluation covers two different sets of demographic data: 2000 census data for the 2010-2011 review period and 2010 census data for the 2012 review period. We compiled the results of each of our analyses to determine the overall rating for this portion of the lending test.

Overall, home mortgage lending reflects reasonable penetration to low- and moderate-income borrowers.

For 2010 and 2011, DB's penetration in home purchase and home refinance lending to both low- and moderate-income borrowers in the AA is poor. The bank's lending percentages are below the 2011 aggregate peer and below the percentage of low- and moderate-income families in the AA. However, considering the percentage of families living below the poverty rate (7.6 percent), the bank's penetration to low-income borrowers is deemed reasonable.

DB has excellent distribution for home refinance loans to low-income borrowers in 2012, as the percentage of loans originated to low-income borrowers exceeds the 2011 aggregate peer data as well as the percentage of low-income families in the bank's AA. DB's distribution of home refinance loans to moderate-income borrowers is reasonable as the percentage of loans originated exceeds the 2011 aggregate lending data and is near the percentage of moderate-income families in the AA.

DB did not originate any home purchase loans in 2012 to either low- or moderate-income borrowers. Because only 10 home purchase loans were made in the AA in 2012, little weight was placed on this category. See Table 2 for details.

<b>Table 2: Borrower Distribution of Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of loans	% of AA Families	% of # of loans	% of AA Families	% of # of loans	% of AA Families	% of # of loans
<b>2010 – 2011 Data (2000 U.S. Census)</b>								
Home Purchase	20.04	3.10	17.39	6.98	21.38	24.03	41.19	65.89
<i>Peer*</i>		8.54		21.60		23.01		46.85
Home Refinance	20.04	0.19	17.39	5.26	21.38	13.53	41.19	81.02
<i>Peer*</i>		5.10		11.39		20.63		62.88
<b>2012 Data (2010 U.S. Census)</b>								
Home Purchase	22.17	0.00	16.40	0.00	18.42	0.00	43.01	100.00
Home Refinance	22.17	28.57	16.40	14.29	18.42	23.81	43.01	33.33

Source: reported HMDA data for years 2010, 2011, and 2012; U.S. Census (2000 and 2010 data).

\* Based on 2011 Peer Mortgage Data (USPR).

**Geographic Distribution**

The geographic distribution of lending in low- and moderate-income geographies is reasonable.

DB has excellent distribution of home purchase and home refinance loans originated in low-income CTs for both the 2010-2011 and the 2012 time periods. For both home purchase and home refinance loans, DB’s percentage of loans originated in low-income geographies exceeded the aggregate lending percentage as well as the percentage of owner-occupied housing units in the low-income CTs.

Home purchase lending in moderate-income geographies for 2010-2011 is reasonable as the percentage of home purchase loans originated in moderate-income CTs is near the percentage of aggregate lending in these CTs and also near the percentage of owner-occupied housing units in these geographies. The bank’s home refinance lending in moderate-income geographies for 2010-2011 exceeds the percentage of aggregate lending in moderate-income CTs and is near the percentage of owner-occupied housing units in the moderate-income CTs in the AA. The bank did not originate or purchase any home purchase loans during 2012 in the moderate-income CTs. Home refinance lending in the moderate-income geographies for 2012 is lower than the percentage of owner-occupied housing units in these CTs. See Table 3 below for details.

<b>Table 3: Geographic Distribution of Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
<b>2010 – 2011</b>								
Loan Type	% of owner occupied	% of # of loans	% of owner occupied	% of # of loans	% of owner occupied	% of # of loans	% of owner occupied	% of # of loans
Home Purchase	1.80	3.88	13.58	11.63	43.01	22.48	41.61	62.02
<i>Peer*</i>		2.87		15.14		36.48		45.51
Home Refinance	1.80	3.24	13.58	12.23	43.01	18.88	41.61	65.65
<i>Peer*</i>		1.88		11.32		30.84		55.96
<b>2012</b>								
Loan Type	% of owner occupied	% of # of loans	% of owner occupied	% of # of loans	% of owner occupied	% of # of loans	% of owner occupied	% of # of loans
Home Purchase	2.89	90.00	16.04	0.00	37.69	0.00	43.38	10.00
Home Refinance	2.89	9.09	16.04	3.03	37.69	6.06	43.38	81.82

Source: reported HMDA data for years 2010 and 2011; 2000 U.S. Census data

Source: reported HMDA data for the year 2011; 2010 U.S. Census data

\* Based on 2011 Peer Mortgage Data (USPR).

**Responses to Complaints**

DB did not receive any written complaints relating to its performance in helping to meet the credit needs within its AA during this evaluation period. The Office of Thrift

Supervision and the OCC did not receive any CRA-related comments or complaints during the evaluation period.

**Fair Lending Review 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, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

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