



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 29, 2010**

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

**Western Springs National Bank & Trust  
Charter Number #15346**

**4456 Wolf Road  
Western Springs, Illinois 60558**

**Office of the Comptroller of the Currency  
Chicago North Field Office  
1700 E. Golf Road, Suite 800  
Schaumburg, Illinois 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 Community Reinvestment Act (CRA) RATING: This institution is rated Satisfactory**

The major factors supporting Western Spring National Bank's (WSNB's) rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area's credit needs.
- A majority of loans are in the bank's assessment area.
- A majority of the loans to businesses are small loans and the overall distribution of loans to businesses of different sizes and borrowers of different incomes is reasonable.

### **SCOPE OF EXAMINATION**

This examination was completed using *Small Bank Performance Evaluation Procedures*. The examination covered the time period from January 1, 2007 through December 31, 2009. Based on the business strategy of the bank and the percentage based on number and dollar amount of loans originated, it was determined that commercial lending was the bank's primary loan category. While business lending received more weight in reaching our overall conclusions, we did analyze residential lending as well. The bank has defined their assessment area to include portions of Dupage and Cook counties, both of which are in the Chicago-Naperville-Joliet Metropolitan Division.

### **DESCRIPTION OF INSTITUTION**

WSNB is a federally chartered bank located in the village of Western Springs. Western Springs is a bedroom community located approximately 20 miles southwest of Chicago, Illinois. The bank is 99 percent owned by Western Springs Bancorp, Inc., a one-bank holding company. WSNB has two full-service banking facilities, one located in Western Springs at 4456 Wolf Road and the other in Countryside at 6575 Joliet Road. Both branch locations provide walk-up and drive-up automated teller machine (ATM) facilities to customers. There are no other ATM facilities.

WSNB's Total Assets were \$233 million at December 31, 2009. The bank reported \$180 million in outstanding loans and a net loan-to-deposit ratio of 82 percent. Tier 1 Capital was reported at \$15.6 million. The bank's primary lending strategy is to be a commercial lender. Other than Home Equity Lines of Credit, residential and consumer loans are made primarily on an accommodation basis to its commercial customers.

Analysis of the composition of the loan portfolio at December 31, 2009 shows that \$102 million were reported on the Bank's Call Report as commercial loans, \$71 million were reported as residential real estate-secured loans, and \$6 million were considered consumer and other loans.

Although 40% of the bank's lending is reported as residential real estate loans, an analysis of the loans in the Call Report showed that only 23% of the closed-end loans secured by residential real estate are for consumer purposes. This is supported by the small number of loans reported on the bank's Home Mortgage Data Analysis (HMDA) (10 for 2009 and 43 for the three year review period). The major type of residential loan extended by the bank to consumers is home equity lines of credit (HELOCs), which are not reflected on the HMDA LAR. Consequently, HELOCs were the only residential loan type considered in this assessment of the bank's CRA performance.

Although the bank was placed under a Consent Order with the Office of the Comptroller of the Currency effective November 19, 2009, the Consent Order does not contain any permanent restrictions that hinder WSNB from meeting the credit needs of its community. While there is a temporary restriction on the origination of new commercial real estate loans; the restrictions are to be lifted when the bank's Board of Directors has adopted a concentration policy and limits and has received a determination of no objection from the Assistant Deputy Comptroller. There are no other restraints that will hinder WSNB from meeting its credit needs of its community. The last CRA examination dated November 3, 2003, rated the bank's CRA performance as "*Satisfactory.*"

## **DESCRIPTION OF ASSESSMENT AREA**

WSNB has one CRA assessment area consisting of 66 geographies in Dupage and Cook Counties. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. The assessment area includes no low- or moderate-income census tracts, 25 middle-income census tracts, and 41 upper-income census tracts. Municipalities in the assessment area include all, or portions of the villages of Riverside, North Riverside, Forest Park, Broadview, Westchester, LaGrange Park, Brookfield, LaGrange, Lyons, Hodgkins, Countryside, Indian Head Park, Western Springs, Hinsdale, Burr Ridge, Downers Grove, Darien, Willowbrook, Clarendon Hills, Westmont, Oakbrook, and Oakbrook Terrace.

Competition among financial institutions in the assessment area is strong. WSNB competes with several local and large national and regional banks that are well established in Western Springs and surrounding areas including, among others, Harris Bank, JP Morgan Chase Bank, National City Bank, Hinsdale Bank & Trust, and FNB LaGrange. According to the Federal Deposit Insurance Corporation's June 30, 2009 deposit market share report for Cook County, WSNB ranks 88<sup>th</sup> out of 174 financial institutions, with a .10 percent market share.

One community contact was made during this examination with a member of a local grass roots organization. The interviewee stated that although Western Springs and the surrounding areas are more affluent than other areas, they have been affected by the current downturn in the

economy as evidenced by some residential foreclosures and a drop in home values. The small retailers in the area have also been affected to some degree depending on the product or service offered as individuals are spending less money on nonessentials.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This CRA evaluation period covers bank activity from January 1, 2007 through December 31, 2009. The loan-to-deposit ratio, lending performance factors, consumer complaints, and compliance with applicable fair lending laws and regulations were considered for the entire evaluation period.

### Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area's credit needs. WSNB's loan-to-deposit ratio since the last CRA examination has dropped from a high of 102.24% to 81.53% at year end 2009; however the ratio has remained higher than the peer group. The bank's average loan-to-deposit ratio for the time period of January 1, 2004 through December 31, 2009 was 93.95%. The quarterly average loan-to-deposit ratio for other similarly-situated financial institutions located within the assessment area was 85.15%, with individual institutions ranging from 80.94% to 87.6%.

### Lending in Assessment area

WSNB's record of lending for the review period shows that the majority of the bank's loans are made inside its assessment area. We randomly sampled 60 commercial and 30 HELOCs originated between January 1, 2007 and December 31, 2009. Of the loans sampled, 60 loans totaling \$8,995M or 58% were made within the bank's assessment area. This represents 67% based on the number of loans. Table 1 details the bank's lending within its assessment area by the number of loans sampled and dollar volume of loans sampled.

<b>Table 1 – Lending in WSNB Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars 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>%</b>	<b>\$</b>	<b>%</b>	
<b>Commercial</b>	38	63.3	22	36.7	60	6,618	55.7	5,260	44.3	11,878
<b>HELOCs</b>	22	73.3	8	26.7	30	2,377	66.3	1,209	33.7	3,586
<b>Total</b>	<b>60</b>	<b>66.7</b>	<b>30</b>	<b>33.3</b>	<b>90</b>	<b>8,995</b>	<b>58.2</b>	<b>6,469</b>	<b>41.8</b>	<b>15,464</b>

Source: Loan Sample

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

Bank lending shows reasonable penetration to borrowers of different incomes and to businesses of different sizes. Given the bank's focus on commercial lending, more weight was given to the performance for business lending.

## Business Loans:

Lending to businesses with gross annual revenues of \$ 1 million or less is reasonable. The percentage of WSNB originations during the review period to businesses with revenues of \$1 million or less is just slightly less than the percentage of businesses of this size within the assessment area whether based on number of loans or by dollar amount, as illustrated in Table 2A.

<b>Table 2A – Borrower Distribution of Loans to Businesses in WSNB Assessment Area</b>				
<b>Business Revenues</b>	<b>≤ \$1,000,000</b>	<b>≥ \$1,000,000</b>	<b>Unavailable /Unknown</b>	<b>Total</b>
<b>% of Assessment Area Businesses</b>	73.3	7.3	19.4	100%
<b>% of Bank Loans in Assessment Area by #</b>	70.3	21.6	8.1	100%
<b>% of Bank Loans in Assessment Area by \$</b>	72.4	22.6	5.0	100%

Source: Loan Sample and CRA Wiz demographic reports

The distribution of loans to businesses by loan size is good. Ninety five percent of the bank’s business loans in their assessment are \$500,000 or less and 54 percent are \$100,000 or less. See Table 2B below.

<b>Table 2B – Borrower Distribution of Loans to Businesses by Loan Size in WSNB Assessment Area</b>		
<b>Loan Size (000’s)</b>	<b>Number of Loans</b>	<b>Percent of Number</b>
<b>\$0-\$100,000</b>	21	55.3
<b>\$100,001-\$250,000</b>	9	23.7
<b>\$250,001-\$500,000</b>	6	15.8
<b>Over \$500,000</b>	2	5.2

Source: Loan Sample

## Residential Loans

The bank’s record of lending during the review period shows reasonable penetration to low- or moderate-income individuals in the WSNB assessment area. Although the bank’s lending to moderate-income borrowers is less than the percentage of moderate-income families, lending to low- income borrowers greatly exceeds the percentage of low-income families. See Table 2C below.

<b>Table 2C –Borrower Distribution of Consumer Loans in WSNB Assessment Area</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA</b>	<b>% of Number of Loan</b>
<b>HELOCs</b>	10.9	23.1	13.8	7.7	20.3	15.4	55.0	53.8

Source: CRAWIZ for family income data and loan sample for bank data.

### **Geographic Distribution of Loans**

Analysis of the bank's lending distribution by geography would not be meaningful as there are no low- or moderate-income census tracts within the assessment area.

### **RESPONSES TO COMPLAINTS**

WSNB has not received any written comments or complaints regarding its performance in its efforts to help meet the credit needs of their delineated assessment area during the evaluation period.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

We found no evidence of illegal discrimination or other illegal credit practices.