



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 19, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Illinois
Charter Number 14512**

3256 Ridge Road, Lansing, Illinois 60438

Office of the Comptroller of the Currency

7600 County Line Road, Suite 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 of Illinois (FNB of Illinois) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of September 19, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY.**

FNB of Illinois originates loans to consumers and businesses of all income levels. The bank's loan-to-deposit ratio is reasonable. The bank extends a majority of loans within its assessment areas.

DESCRIPTION OF INSTITUTION

FNB of Illinois is a subsidiary of First Lansing Bancorp, Inc, a one bank holding company. It is affiliated through common ownership with two other community banks located in Crystal Lake, Illinois and Hammond, Indiana. FNB of Illinois is located in Lansing, Illinois. Lansing is located 25 miles south of the city of Chicago, along the state's border with Indiana. The bank has two full service locations in Lansing, one full service location in Lynwood, Illinois, and one full service location in Joliet, Illinois. All locations have automated teller machines which can be accessed 24 hours a day.

FNB of Illinois totaled \$280 million in assets as of March 31, 1997. Gross loans comprise 42.29% of total assets. The loan portfolio is 37% residential real estate, 10% commercial real estate, 40% commercial, 9% consumer, and 4% construction and development loans.

The bank offers numerous loan products which include: home purchase and refinance mortgages with terms up to 80% loan to value for fixed rate mortgages with a 20 year amortization and 5 year balloon mortgages with a 30 year amortization; home improvement loans; home equity lines of credit; consumer loans; and commercial loans. The bank refers applicants to an affiliate bank for fixed rate mortgages greater than 20 years in term and up to 97% loan to value.

No financial or legal impediments exist that would impact the bank's ability to meet the credit needs of its community. The Comptroller of the Currency rated the bank "Satisfactory" at the bank's last CRA examination, dated November 22, 1994.

DESCRIPTION OF ASSESSMENT AREAS

FNB of Illinois has designated two assessment areas. Assessment area A contains the bank's two Lansing branches and the Lynwood branch. The bank established assessment area B upon opening its Joliet facility in June 1995.

Assessment Area A:

Assessment area A consists of nine census tracts which comprise the cities of Lansing and Lynwood. These census tracts are located in Cook County and the Chicago Metropolitan Statistical Area (MSA). The median family income of the assessment area is \$42,785. The assessment area consists of eight middle-income and one upper-income census tracts. However, low- and moderate-income families represent 13.78% and 21.63% of the population of the assessment area, respectively. Total population of assessment area A is 43,741.

The local economy is stable and is predominantly retail businesses with some light industry. The largest employers are Silverline, a manufacturer of doors and windows that employs approximately 400 people; Cub Foods, a retail grocery store that employs 200 people; and Land O' Frost, a meat packaging company that employs 170 people. Many residents in the assessment

area commute to the city of Chicago for employment. The unemployment rate in the assessment area is stable at 2%.

Many financial institutions serve the assessment area. According to 1996 Home Mortgage Disclosure Act (HMDA) information, 223 financial institutions originated real estate mortgages in assessment area A. Some of the banks located in the area are branches of larger regional and money center banks. Several community banks of similar size to FNB of Illinois serve the area, two of which are headquartered in Lansing.

We considered comments from the community in assessing the bank's CRA performance. We contacted a local housing organization. Our contact indicated that the community's credit needs include flexible mortgage programs, home improvement loans, and small business loans. The bank has identified similar credit needs. There are 16,619 total housing units. Housing units are 75% owner occupied, 21% rental, and 3% vacant. The average age of the housing stock in the assessment area is 31 years.

Assessment Area B:

Assessment area B includes ten census tracts in the northwest portion of the city of Joliet. These census tracts are located in Will County and the Chicago MSA. The median family income of assessment area B is \$42,894. The assessment area consists of eight middle-income and two upper-income census tracts. However, low- and moderate-income families represent 14.07% and 19.71% of the population of the assessment area, respectively. Total population of the assessment area B is 48,696.

The local economy is improving. In recent years it has been more stagnant. The Joliet area has been able to attract more businesses. The unemployment rate in the assessment area has been declining and is presently 2%. The assessment area contains retail businesses and some light industry. The largest employers in the area are city government, the Caterpillar Corporation, and two local hospitals. Many residents commute to the city of Chicago for employment.

Competition from other financial institutions is strong. A large local bank headquartered in Joliet and branches of several regional financial institutions have served the assessment area for many years. During 1996, 218 institutions extended HMDA mortgage loans in assessment area B.

We contacted a local housing organization in connection with assessing the bank's CRA performance. This contact indicated that the community's credit needs include flexible mortgage programs, home improvement loans, and small business loans. Bank management has identified similar credit needs. The assessment area contains 19,783 total housing units. Housing units are 68% owner occupied, 25% rental, and 6% vacant. The average age of the housing stock in the assessment area is 35 years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

► **The bank originates loans to individual borrowers and businesses of all income levels.**

The distribution of mortgage loans approximates the income level characteristics of the bank's two assessment areas. In Assessment Area A during 1996, the bank extended 18.5% and 29.6% of its Home Mortgage Disclosure Act (HMDA) reportable mortgage loans to low- and moderate-income borrowers, respectively. These figures are 6.1% and 24.2% for the first half of 1997.

In Assessment Area B during 1996, the bank extended 9.5% and 14.3% of HMDA mortgage loans to low- and moderate-income borrowers, respectively. During the first six months of 1997 the bank has extended no HMDA mortgage loans to low-income borrowers and 33.3% to moderate-income borrowers. The following tables contain information on the bank's HMDA loans by borrower income level for each of the assessment areas.

**Analysis of Mortgage Lending to Individuals of Different Income Levels
in Assessment Area A**

Gross Income Levels	1/1/97 - 6/30/97		1996	
	# of Loans %	\$ of Loans (000s) %	# of Loans %	\$ of Loans (000s) %
Low	2 6.1%	80 3.9%	15 18.5%	442 9.0%
Moderate	8 24.2%	466 22.8%	24 29.6%	875 17.8%
Middle	9 27.3%	479 23.5%	22 27.2%	1,194 24.3%
Upper	14 42.4%	1,015 49.8%	13 16.0%	955 19.4%
Not Available	0 0.0%	0 0.0%	7 8.7%	1,449 29.5%
Total	33 100.0%	2,040 100.0%	81 100.0%	4,915 100.0%

Source for all tables in this Performance Evaluation: 1997 HMDA Loan Application Register (LAR) and 1996 HMDA Disclosure Statement

**Analysis of Mortgage Lending to Individuals of Different Income Levels
in Assessment Area B**

Gross Income Levels	1/1/97 - 6/30/97		1996	
	# of Loans %	\$ of Loans (000s) %	# of Loans %	\$ of Loans (000s) %
Low	0 0.0%	0 0.0%	2 9.5%	70 4.9%
Moderate	2 33.3%	109 21.8%	3 14.3%	106 7.4%
Middle	3 50.0%	258 51.7%	9 42.9%	660 45.9%
Upper	1 16.7%	132 26.5%	6 28.6%	578 40.2%
Not Available	0 0.0%	0 0.0%	1 4.7%	25 1.6%
Total	6 100.0%	499 100.0%	21 100.0%	1,439 100.0%

The bank's small business lending activities are satisfactory. On January 1, 1997, the bank began collecting information on small business lending. We tested this report for accuracy. Eleven of the twelve loans within assessment area A were accurately reported as an origination. Applying this error rate to the entire report, the bank originated 50 loans to small businesses in assessment area A (small businesses defined as businesses with gross annual revenues of less than \$1MM). The bank extended 116 loans to small businesses in assessment area A during 1996. Based on our sample of 1997 and 1996 loans to small businesses, 80% were less than \$100M in loan amount, 20% were \$100-250M in loan amount, and none were greater than \$250M in loan amount.

The bank collects information on outstanding loans from the Joliet facility. Two of the seven commercial loans extended in assessment area B since the Joliet facility opened were to small businesses. Both of these loans were less than \$100M in loan amount.

Bank Consolidated Reports of Condition include information on commercial and commercial real estate loans. As of June 30, 1997, these loans represent approximately 50% of the bank's loan portfolio. Also, on this date 61% of the dollar amount of commercial and commercial real estate loans are to small businesses.

► **The bank's loan-to-deposit ratio is reasonable.**

The loan-to-deposit ratio averaged 46.20% since the last CRA examination. The bank's loan-to-deposit ratio of 50.08% as of March 31, 1997 compares reasonably with four other local financial

institutions of a similar asset size which have loan to deposit ratios of 13%, 54%, 59%, and 72%. During 1995 FNB of Illinois purchased \$26MM in deposits which significantly decreased its loan-to-deposit ratio. The bank's loan-to-deposit ratio has steadily increased since that time.

► **The bank conducts a majority of their lending in their assessment areas.**

Our analysis of the bank's lending activity focused on HMDA information for 1996 and the first six months of 1997. HMDA reportable mortgage loans represent approximately 37% of the bank's total loan portfolio. During 1996 and year to date 1997, the bank extended 50.36% of the number of HMDA mortgage loans within its two assessment areas.

Based on the number of loans, the bank originated 53.6% and 49.3% of its HMDA loans within assessment area A for 1996 and 1997, respectively. As available land in Lansing and Lynwood is decreasing, local residential developers and contractors are operating increasingly in northwest Indiana. The following table demonstrates the bank's mortgage lending within assessment area A.

Analysis of Mortgage Lending Within the Assessment Area A

Loan Product	1/1/97 - 6/30/97		1996	
	# of Loans in AA	\$ of Loans in AA (000s)	# of Loans in AA	\$ of Loans in AA (000s)
Purchase	6	374	5	364
Home Improvement	14	306	35	543
Refinance	12	1,190	38	2,868
Multifamily	1	170	3	1,140
Total Loans	33	2,040	81	4,915
% in AA	49.3%	50.1%	53.6%	52.6%

Based on 1996 HMDA information for assessment area A, FNB of Illinois is first with a 4.62% market share for all HMDA loans and a 16.06% market share for home improvement loans. The bank's HMDA mortgage activity in assessment area A exceeds many larger regional banks and mortgage companies.

The bank extended 51.2% and 28.6% of HMDA loans within assessment area B during 1996 and 1997, respectively. The table below depicts the bank's mortgage lending within assessment area B:

Analysis of Mortgage Lending Within the Assessment Area B

Loan Product	1/1/97 - 6/30/97		1996	
	# of Loans in AA	\$ of Loans in AA (000s)	# of Loans in AA	\$ of Loans in AA (000s)
Purchase	2	201	14	1,084
Home Improvement	0	0	1	7
Refinance	4	298	6	348
Multifamily	0	0	0	0
Total Loans % in AA	6 28.6%	499 31.0%	21 51.2%	1,439 48.8%

Based on 1996 HMDA information for assessment area B, FNB of Illinois is 28th with a 0.82% market share for all HMDA loans and 33rd with a 0.32% market share for home improvement loans. The bank's lower market share in assessment area B is reasonable given that the bank opened its Joliet branch in June of 1995 and is a relatively new financial institution in the Joliet area, as indicated in the Description of Assessment Areas section of this Performance Evaluation.

We reviewed a judgmental sample of 1996 and 1997 commercial loans to determine the extent of the bank's commercial lending within the assessment areas. For 1997 we sampled loans from the bank's small business loan report that were located in the bank's assessment area A. One of the 13 loans we sampled had an incorrect census tract and was not located in the assessment area. Using this error rate, 38% of the bank's commercial loans under \$1MM in loan amount during 1997 were extended within assessment area A. In 1996, 57% of the commercial loans we sampled that were generated from assessment area A branches were extended within assessment area A.

Based on dollar amount and number of commercial loans, the bank has extended 79% and 26% of commercial loans to businesses within assessment area B. Although by number of loans this figure is not a majority, by dollar amount the percentage of commercial loans within assessment area B is high. A large portion of the commercial loans within assessment area B are to a residential developer who also develops housing within assessment area B.

FNB of Illinois is involved with community development organizations and has extended loans to or in connection with these organizations. The bank extended a \$100M mortgage loan to the Lansing Association for Retarded Citizens (LARC) for a commercial office and learning center. LARC is a non-profit corporation that provides jobs and housing for mentally handicapped adults. Housing is subsidized by the State of Illinois and residents are classified as low- and moderate-

income.

The bank also participates in the Joliet Homestead Program which seeks to provide affordable housing for low- and moderate-income first time home buyers. The bank has extended one mortgage loan for \$69M in assessment area B through this program.

FNB of Illinois is a member of the Southland Community Development Corporation (SCDC). SCDC is a consortium of 23 south Chicago and south suburban lenders that provides gap financing for housing and economic development projects which are determined by a municipality to be critical to redevelopment plans. The bank committed \$50M towards the organization's loan pool. SCDC has extended one loan since the bank's last CRA examination. The bank's share totals \$7M.

- ▶ **An analysis of the geographic distribution of loans is not meaningful since there are no low- or moderate-income census tracts in the bank's two assessment areas.**

- ▶ **The bank is in compliance with antidiscrimination laws and regulations.**

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations during this examination. We tested a sample of home purchase loans for evidence of discrimination on the basis of race and gender. Control group (white and male applicants) approvals were compared with prohibited basis (black, hispanic, and female applicants) denials. We also compared loan approvals for discrimination in loan terms. We found no evidence of discrimination.