



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 04, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

South Central Bank, National Association
Charter Number 24430

525 West Roosevelt Road
Chicago, IL 60607-0000

Office of the Comptroller of the Currency

ADC-CHICAGO (8308) Field Office
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.**

South Central Bank, National Association (SCB) has satisfactory performance in meeting the credit needs of the community. The major factors that support SCB's overall rating include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans originated during the sampling period were outside the bank's assessment area when comparing by number; however, by loan amount, a majority of loans are inside the assessment area.
- The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes in the assessment area.
- The distribution of loans reflects excellent dispersion in geographies of different income levels within the assessment area.
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within its assessment area during this evaluation period.

SCOPE OF EXAMINATION

SCB was evaluated under the Small Bank examination procedures, which consist of a lending test that evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The evaluation period is from December 21, 2004 to January 4, 2012. To evaluate the bank's lending performance, we utilized home mortgage loans and small business loans originated (no loan purchases) during 2010 and 2011. There is no 2012 data included due to the early examination date within the year.

The bank reports home mortgage lending data under the requirements of the Home Mortgage Disclosure Act (HMDA). We tested a sample of the bank's HMDA data reported during the sampling period and found it was reliable. This data was used in our home mortgage lending analysis. Although the bank makes small business loans it is not a small business loan reporter.

DESCRIPTION OF INSTITUTION

SCB's headquarters is located in Chicago, Illinois. SCB is a wholly owned subsidiary of First Business Bancorp Company, a one bank holding company. The bank's main office is located in the south loop in the Chicago Neighborhood of "Near West Side". Additionally SCB has four full service branches in Chicago, two of which have drive up facilities. Two of the four branch offices are located in the Chicago Neighborhood of Bridgeport, one is located in the Armour Square Neighborhood (Chinatown) and one in the Near West Side Neighborhood.

SCB has total assets of \$238 million as of September 30, 2011. The loan portfolio represents 56 percent of total assets. The table below illustrates the loan portfolio composition.

Table 1 - Balance Sheet Composition as of September 30, 2011		
Loan Category	\$000s	Percent
Home Mortgage Loans	\$83,922	63.11
Business Loans	\$40,195	30.23
Consumer Loans	\$8,849	6.66
Total	\$132,966	100.00

SCB is one of the most significant providers of home improvement financing through the HUD/FHA Title 1 Home Improvement Loan program. These loans are originated in 14 Midwestern states. In addition to Title 1 lending, SCB is also an active provider of SBA loans in the Chicago metropolitan area and has a preferred SBA lender designation.

The bank's primary home mortgage loan products would be Title 1 home improvement lending, by number; however, home refinance lending is much larger by dollar amount. In 2010 and 2011 SCB originated 1,871 loans totaling \$108.6 million. These originations included 1,521 (81.29 percent) home improvement loans totaling \$22.9 million (21.09 percent) and 250 refinance loans (13.36 percent) totaling \$65.7 million (60.5 percent).

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in the bank's assessment areas. There has been no change in the bank's corporate structure since the last CRA examination. The last CRA evaluation, dated December 20, 2004, indicated SCB had an "Outstanding" record of meeting community credit needs.

DESCRIPTION OF ASSESSMENT AREA

SCB's assessment area consists of nine adjacent counties in the Chicago metropolitan area: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry and Will Counties. All of the counties except Lake are part of the Chicago-Naperville-Joliet Metropolitan District (MD). Lake County is part of the Lake County-Kenosha County IL-WI MD. The bank added the counties of DeKalb, Grundy and Kendall since the last examination and the current assessment area meets regulatory requirements.

Based on 2000 census data, the assessment area has 1,875 census tracts, including 240 low-income (12.80 percent); 461 moderate-income (24.59 percent); 665 middle-income (35.46 percent); 492 (26.24 percent) upper-income; and 17 census tracts (0.91 percent) with no income level classification assigned.

According to the 2000 Census Bureau data, the assessment area has a population of 8.2 million which includes 3.0 million households and 2.0 million families. There are 3.1 million housing units of which 1.9 million, or 61.30, percent are owner-occupied housing units (OOHU's). The percentage of 1-4 family units in comparison to all housing units in the assessment area is 72.26 percent; however multifamily units are significant, totaling 26.85 percent and vacant units total 5.14 percent. Also important is the 9.67 percent of households that are below poverty level. The updated median family income in the assessment area is \$75,876 and the median housing value is \$177,789.

Unemployment has been at historically high levels during the last several years in the assessment

area. Bureau of Labor Statistics data indicates the following unemployment rates for September 2011; Chicago MD 10.1 percent; Chicago-Naperville-Joliet MSA 10.5 percent; Cook County 10.4 percent; the State of Illinois 9.5 percent.

The bank's assessment area is a highly competitive environment, as there are 231 banks reporting deposit taking branch offices as of June 30, 2011. SCB's deposits at that time of \$174.9 million ranked 123rd with a 0.06 percent market share. Within Cook County (where all SCB branches are located) the bank's market share is 0.09 percent, ranking it 79th of 153 institutions.

The OCC conducted two community contacts to assess credit needs and economic conditions within the assessment area. One contact's organization fosters job creation for small businesses and the contact indicated that credit is not readily available to small business, and that banks are reluctant to extend lines of credit putting a significant drag on growth. Another contact whose organization promotes community reinvestment and economic development in lower-income communities indicated that the foreclosure crisis has had a significantly adverse impact in Chicago and there are multiple needs including: small, short term unsecured consumer credit for emergency needs; support for foreclosure intervention programs and homebuyer education; affordable, accessible deposit accounts for those trying to re-enter the banking mainstream; and loans or investments to Community Development Financial Institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and assessment area credit needs.

The bank's LTD ratio for the 27 quarters ended March 31, 2005 through September 30, 2011 averaged 77.68 percent. The bank's ratio at September 30, 2011 was 75.56 percent. Generally, the ratio increased from a low on March 31, 2005, of 66.32 percent to a peak of 91.31 percent on September 30, 2008 and since that time the ratio gradually dropped to its current level. A review of five similarly situated financial institutions (similar locations and size) indicated a LTD ratio range in 2011 of 61.62 percent to 99.97 percent, indicating the bank's ratio is reasonable in comparison to others similar institutions.

Lending in Assessment Area

A majority of loans originated during the sampling period were outside the bank's AA when comparing by number. This was primarily because of performance within the home improvement loan portfolio. As previously noted, home improvement loans account for approximately 80% of all home mortgage loan originations, by number. Therefore, performance within that portfolio has a greater impact on performance criteria conclusions. By dollar volume, SCB originated a majority of lending inside the assessment area. Furthermore, a substantial majority of originated home purchase loans, home refinance loans, and small business loans (by both number and amount) were located inside the assessment area. Overall, SCB's lending within the assessment area is reasonable.

Lending inside the assessment area by number is 32.68 percent; however, by dollar amount the

inside ratio is 72.25 percent. The reason for the large difference in ratios is SCB's substantial home improvement lending (mostly Title 1 loans) outside of the assessment area. Only 18.41 percent (280 of 1,521) of the bank's home improvement loans by number (and 17.52 percent by amount) are located inside the assessment area. However, home improvement loans are very small in size in comparison to the bank's home purchase and refinance loans, most of which are located inside the assessment area. Consequently the home improvement loan impact by dollar amount to the in/out ratio is much less significant than by number.

The following table details the bank's lending within the assessment area by the number and dollar amount of loans originated during the evaluation period:

Table 2 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total %	Inside		Outside		Total %
	#	%	#	%		\$	%	\$	%	
Home Purchase*	94	94.00	6	6.00	100.00	17,902	89.39	2,125	10.61	100.00
Home Improvement*	280	18.41	1,241	81.59	100.00	3,997	17.52	18,812	82.48	100.00
Home Refinance*	224	89.60	26	10.40	100.00	55,902	85.03	9,844	14.97	100.00
Home Mortgage*	598	31.96	1,273	68.04	100.00	77,801	71.65	30,781	28.35	100.00
Small Business**	20	100.00	0	0.00	100.00	2,358	100.00	0	0.00	100.00
TOTAL Loans	618	32.68	1,273	67.32	100.00	80,159	72.25	30,781	27.75	100.00

* Represents loans originated between January 1, 2010 and December 31, 2011 as reported on the bank's HMDA/LAR.

**SCB is not a small business loan reporter. Loan data is based solely from a sample size of 20 loans.

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

The distribution of loans reflects reasonable penetration among borrowers of differing income levels and businesses of different sizes given the performance context of the institution.

Home Mortgage Loan Originations

The borrower distribution of home purchase loans is excellent. Although home purchase loans made to low-income borrowers are well below the percentage of low-income families within the assessment area, loans made to moderate-income borrowers are well above the percentage of moderate-income-families within the assessment area. When combined, SCB's 45.05 percent ratio is significantly above the 38.11 percent assessment area family demographics.

The borrower distribution of home improvement loans is reasonable. Home improvement loans made to low-income borrowers are well below the percentage of low-income families within the assessment area, but loans to moderate-income borrowers are above the percentage of moderate-income families within the area. Combined, SCB's ratio of 32.73 percent is slightly below the 38.11 percent assessment area family demographics.

The borrower distribution of home refinance loans is poor. Home refinance loans made to low-

income borrowers are significantly below the percentage of low-income families within the assessment area. In addition, refinance loans made to moderate-income borrowers are just below the percentage of moderate-income families within the area. When combined, SCB's ratio of 17.07 percent is well below the 38.11 percent assessment area family demographics. Income restraints on the low-income segment of the assessment area make it difficult for them to purchase residential housing, and they more often rent their residences compared to more affluent groups.

In evaluating the borrower distribution of home mortgage loans we considered the significant number of households that live below the poverty level, which, using 2000 census data, was 9.67 percent. Unemployment is also a significant factor with the monthly unemployment rates for the Chicago MD ranging from 8.6 percent to 10.2 percent during 2011. The poverty level and the unemployment rates are barriers that have a significantly negative effect on home ownership and credit-worthiness.

Table 3 – Borrower Distribution of Home Mortgage Loans (2010 – 2011)*								
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*	20.54	9.89	17.57	35.16	22.09	28.57	39.80	26.37
Home Improvement*	20.54	10.07	17.57	22.66	22.09	34.89	39.80	32.37
Home Refinance*	20.54	1.90	17.57	15.17	22.09	25.12	39.80	57.82

*Represents loans originated between January 1, 2010 and December 31, 2011 as reported on the bank's HMDA/LAR.

**This ratio reflects an adjustment to eliminate the 3.01% of loans where borrower income was not available.

Business Loan Originations

Borrower distribution of small business loans is reasonable based on the sample size of twenty loans. SCB's loans to businesses with revenues of \$1 million or less is well below the percentage of loans made to businesses reporting revenues under \$1 million in the assessment area. Competition for small business loans in the bank's assessment area is very strong with 191 lenders reporting an originated or purchased small business loan in 2010. A review of the market share leaders for small business reporters in 2010 indicates the great majority are financial institutions that are much larger than SCB.

Table 3A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total Percent
% of AA Businesses	65.33	4.23	30.44	100.00
% of Bank Loans in AA by #	20.00	75.00	5.00	100.00
% of Bank Loans in AA by \$	17.68	73.84	8.48	100.00

*SCB is not a small business loan reporter. Loan data is from a sample size of 20 loans.

Geographic Distribution of Loans

The distribution of loans reflects excellent dispersion in geographies of different income levels within the bank's AA.

Home Mortgage Loan Originations

The geographic distribution of home mortgage loans is excellent.

The geographic distribution of home purchase loans is excellent. The number of SCB loans made in the low-income census tracts of the assessment area greatly exceeds the percentage of owner-occupied units in those tracts. Also, SCB's distribution of loans made in moderate-income tracts significantly exceeds the percentage of owner-occupied units in those tracts. Combined, the percentage of SCB's home purchase loans made in low- and moderate-income tracts of 26.60 percent is well above the owner-occupied housing unit demographics of 17.61 percent.

Geographic distribution of home improvement loans is excellent. Home improvement loans made in low-income census tracts greatly exceeds the percentage of owner-occupied units in those tracts. Additionally, distribution in moderate-income census tracts greatly exceeds the percentage of owner occupied units in those tracts. Combined, the percentage of SCB's home improvement loans of 49.64 percent greatly exceeds the owner-occupied housing unit demographics of 17.61 percent.

Geographic distribution of home refinance loans is reasonable. Home refinance loans made in low-income census tracts is near the percentage of owner-occupied units in those geographies. Distribution of loans made in the moderate-income tracts is slightly below the percentage of owner occupied units in those tracts. Combined the percentage of SCB's home refinance loans of 15.18 percent is slightly below the 17.61 percent owner-occupied housing unit demographic ratio.

Table 4 - Geographic Distribution of Home Mortgage Loans in the Bank's AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	OOHU's	SCB	OOHU's	SCB	OOHU's	SCB	OOHU's	SCB
Home Purchase	2.47	4.26	15.14	22.34	44.49	40.43	37.91	32.98
Home Improvement	2.47	7.14	15.14	42.5	44.49	39.29	37.91	11.07
Home Refinance	2.47	2.23	15.14	12.95	44.49	35.71	37.91	49.11

*Represents loans originated between January 1, 2010 and December 31, 2011 as reported on SCB's HMDA/LAR.

Business Loan Originations (January 1, 2010 – December 31, 2011)

The geographic distribution of business loans is excellent. The percentage of small business loans made in the low-income census tracts greatly exceeds the percentage of businesses in those tracts. The percentage of small business loans made in moderate-income tracts also greatly exceeds the percentage of businesses in those tracts. Combined, the 45.0 percent of small business loans made in low- and moderate-income tracts is substantially above the 16.7 percent of businesses in those tracts.

Table 4A - Geographic Distribution of Loans to Businesses in the Bank's AA								
Census Tract Inc	Low		Moderate		Middle		Upper	
Loan Type	% AA Biz	SCB	% AA Biz	SCB	% AA Biz	SCB	% AA Biz	SCB
Small Business	3.24	10.00	13.50	35.00	37.95	30.00	45.31	25.00

Responses to Complaints

SCB has not received any complaints about its performance in helping to meet the credit needs of its AA during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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