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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

June 17, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Seaway National Bank of Chicago  
Charter Number 15459**

**645 East 87th Street  
Chicago, Illinois 60619**

**Office of the Comptroller of the Currency  
Chicago South Duty Station  
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 **Seaway National Bank of Chicago (SNB)** prepared by **the Office of the Comptroller of the Currency** the institution's supervisory agency, as of June 17, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- The bank's geographic distribution of loans demonstrates reasonable penetration with 63% of its Home Mortgage Disclosure Act (HMDA) reportable loans in low- and moderate-income census tracts.
- Lending to borrowers of different incomes and businesses of different sizes is good. SNB made 61% of its HMDA reportable loans to low- and moderate-income borrowers.
- The majority of SNB's lending is within their assessment area. From January 1, 1995 through March 31, 1997, the bank extended 54% of the HMDA reportable loans within its assessment area.

## **DESCRIPTION OF INSTITUTION**

Seaway National Bank of Chicago (SNB) is a \$248 million institution located in the Chatham neighborhood on the south side of the city of Chicago, Illinois. The bank has four full-service locations and one stand alone drive-up facility. Two branches and the stand alone drive-up facility are in Chatham (along 87th Street within approximately two miles). One of the full-service branches is in University Park with the other location in the Roseland neighborhood of the city of Chicago. SNB also operates nine Automated Teller Machines (ATM's).

Both loans and investments are significant bank assets accounting for 42% and 49% of total assets, respectively, on March 31, 1997. The loan mix is mostly 1- 4 family residential, which accounts for 28% of total loans. The remainder of the loan portfolio consists of 28% commercial, 24% commercial real estate, 7% municipal, 5% multi-family real estate, and 4% loans to individuals.

The bank is 100% owned by Seaway Bancshares, Inc., which had total assets of \$246 million on December 31, 1996. The bank is one of the largest minority-owned institutions in the country. In July 1996, SNB purchased the University Park branch of the Bridgeview State Bank.

There are no financial or legal impediments to prevent SNB from helping to meet the credit needs in its assessment area. The bank received a "Satisfactory record of meeting community credit needs" in the last public disclosure dated April 14, 1994.

## **DESCRIPTION OF ASSESSMENT AREAS**

The bank has designated two separate assessment areas within the Chicago Metropolitan Statistical Area (MSA). One of the assessment areas (Assessment Area 1) consists of 118 census tracts in the city of Chicago. The area consists of entire census tracts but is generally bounded by 63rd Street to the north, 127th Street to the south, Ashland Avenue to the west, and Burnham Avenue to the east. The other assessment area (Assessment Area 2) consists of three census tracts in University Park in Will County (census tracts 8836.01, 8836.02, and 8838.04). The three census tracts in Will County are a result of the bank purchasing an existing financial institution and converting it into a branch location. Both assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Based on the 1990 median family income of \$42,758, Assessment Area 1 consists of 27 (23%) low-, 59 (50%) moderate-, and 31 (26%) middle-income census tracts.

There are no upper-income census tracts in the area and one tract has no income level. The population in this assessment area is 38% low-, 21% moderate-, 21% middle-, and 21% upper-income families using the HUD adjusted 1996 median family income of \$55,800. Major employers are Ryerson Steel, Chicago Board of Education, Soft Sheen, Ivax, and Jays Potato Chip Company. Unemployment for Cook County for the month of April was 5.1%. Competition in this area is intense and comes from some very large institutions and small banks and thrifts. There are 13 other lenders with branches in SNB's assessment area and 263 lenders who made mortgage related loans in the area in 1995. Housing in this assessment area varies by location. The west and northwest sections of the assessment area include multi-family housing; however, the remainder of the area is primarily single-family residences.

Using the same median family income figures as stated above, all three of the tracts in Assessment Area 2 are middle-income census tracts. The population in this assessment area is 19% low-, 22% moderate-, 28% middle-, and 31% upper-income families. Major employers are the Village of University Park and Governors State University. Unemployment for Will County for the month of April was 4.7%. There are no other financial institutions with a branch in University Park; however, First United Bank does have a branch in nearby Crete.

During the examination we made two contacts with representatives of the local community. These individuals represented community organizations focused on business development and housing. Major credit needs identified by our community contacts were focused on both small business loans and education related to obtaining small business loans. The contacts indicated the major barrier to many small business owners obtaining loans is their lack of understanding of what documentation the bank needs to provide funding. They also indicated that many small business owners are financing their business needs through credit card debt since it is easier to obtain.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

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

SNB's lending shows a reasonable distribution of loans by borrower income level. Of total Home Mortgage Disclosure Act (HMDA) reportable loans from January 1, 1995 through March 31, 1997, SNB made 61% of these loans to borrowers with low- or moderate-incomes. This level of lending to low- and moderate-income borrowers approximates the distribution of these individuals in the population. Table 1 illustrates SNB's HMDA reportable loans by income level of the borrower.

Table 1: Borrower Income Level Distribution  
HMDA Reportable Loans  
January 1, 1995 through March 31, 1997

Borrowers' Income Level	Assessment Area 1		Assessment Area 2		Total- Combined Areas		
	Number of Loans	Dollar Amount of Loans (in 000's)	Number of Loans	Dollar Amount of Loans (in 000's)	Number of Loans	Percent of Number of Loans	Dollar Amount of Loans (in 000's)
Low	79	1,250	1	2	80	34%	1,252
Moderate	62	2,493	0	0	62	27%	2,493
Middle	31	1,143	3	202	34	15%	1,345
Upper	30	1,297	0	0	30	13%	1,297
Unknown	9	1,218	16	513	25	11%	1,731
Total	211	7,401	20	717	231	100%	8,118

Source: Bank prepared HMDA reports

NOTE: Since SNB purchased a branch of Bridgeview State Bank during 1996, the numbers for Assessment Area 2 are for July 1996 through March 31, 1997 only. However, the numbers include 37 existing loans for \$1,431,634 purchased from the Bridgeview State Bank.

In Assessment Area 2, SNB only received one application from a moderate-income individual and three applications from upper-income individuals. Therefore, it is reasonable that they did not make any loans to individuals in these income categories in that area.

Since SNB does not track lending by business size, lending to businesses of different sizes was evaluated based on loan size. SNB has made numerous loans to businesses for small dollar amounts. A significant majority of SNB's small loans are for amounts below \$250,000. Table #2 shows SNB's lending to businesses by dollar amount of the loan.

Table 2: Small Business Loan Distribution by Loan Size  
June 30, 1994 through May 31, 1997

Loan Size	Number of Loans	Dollar Amount of Loans	Percent of Number of Loans	Percent of Dollar Amount of Loans
\$0 - 99,999	104	3,283,437	90%	64%
\$100,000 - 249,999	10	1,525,287	9%	30%
\$250,000 - 999,999	1	300,000	1%	6%
Total	115	5,108,724	100%	100%

Source: Bank prepared business loan reports

### **Geographic Distribution of Loans:**

The geographic distribution of SNB's loans shows reasonable penetration throughout the community. The level of lending in the different income-level census tracts is reasonable in relation to the distribution of such tracts in the assessment area.

Since all three tracts in Assessment Area 2 are middle-income census tracts, a geographic distribution analysis of this area would not be meaningful. Therefore, the analysis of this factor is based on Assessment Area 1 only. Table 3 illustrates the distribution of HMDA reportable loans in the different income-level census tracts in the assessment area.

Table 3: Geographic Distribution - Income Level of Census Tracts  
HMDA Reportable Loans  
January 1, 1995 through March 31, 1997

Census Tract Income Level	Number of Loans	Percent of Number of Loans	Dollar Amount of Loans (in 000's)	Percent of Dollar Amount of Loans
Low	20	9%	627	8%
Moderate	113	54%	4,435	60%
Middle	78	37%	2,339	32%
Upper	0	0%	0	0%
Total	211	100%	7,401	100%

Source: Bank prepared HMDA reports

SNB's small business lending shows a reasonable penetration in different income-level census tracts. Sixty-three percent (63%) of the number of small dollar loans made from June 30, 1994 through May 31, 1997 were in low- or moderate-income census tracts. Table 4 shows the distribution of these loans by income level designation of the census tract.

Table 4: Geographic Distribution - Income Level of Census Tracts  
Small Business Loans  
June 30, 1994 through May 31, 1997

Census Tract Income Level	Number of Loans	Dollar Amount of Loans (in 000's)	Percent of Number of Loans	Percent of Dollar Amount of Loans
Low	17	884	29%	35%
Moderate	20	862	34%	35%
Middle	22	743	37%	30%
Upper	0	0	0%	0%
Total	59	2,489	100%	100%

Source: Bank prepared business loan reports

**Lending in Assessment Area:**

A majority of SNB's lending is within their assessment area. During calendar years 1995 and 1996, and year-to-date through March 31, 1997, SNB made a total of 430 HMDA reportable loans. Two hundred thirty-one (231) of these loans, which amounts to 54%, were within the bank's assessment area. Based on the dollar amount of these same loans, SNB extended 36% of the dollars within its assessment area. However, these figures are somewhat distorted by the fact SNB purchased approximately 80 HMDA reportable loans for more than \$7 million in 1996. Excluding these loans, the number of loans in the assessment area increased to 61% and the dollar amount improved to 52%.

The bank's lending to small businesses shows 59 of 117 loans or 50% of the number of loans in its assessment area. Dollar amounts of loans show \$2,489,000 of \$5,108,724 or 49% in the assessment area.

**Loan to Deposit Ratio:**

The bank's loan-to-deposit ratio is reasonable at 49% on March 31, 1997. The loan-to-deposit ratio has averaged 40% for the previous 12 quarters. This ratio has shown a steady increase from 30% on June 30, 1994 to 53% on December 31, 1996. However, we noted a slight decrease in early 1997. Similarly situated institutions' loan-to-deposit ratios ranged from 44% to 50% on March 31, 1997. Similarly situated institutions consist of banks in the assessment area with similar asset size.

**Responses to Complaints:**

The bank has not received any consumer complaints related to community reinvestment since the last examination.

**Compliance with Anti-discrimination Laws:**

The bank is in compliance with the substantive provisions of the fair lending laws.