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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**October 4, 2004**

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

**Downers Grove National Bank  
Charter Number 14748**

**5140 Main Street  
Downers Grove, Illinois 60515**

**Office of the Comptroller of the Currency  
ADC - Chicago South Field Office  
7600 County Line Road, Suite 3  
Burr Ridge, Illinois 60527**

**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.

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## **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 CRA performance of **Downers Grove National Bank (DGNB)** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of October 4, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation covers the period since January 4, 1999, the date of the last CRA examination when the bank was rated "**Satisfactory Record of Meeting Community Credit Needs.**"

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

Downers Grove National Bank demonstrates a willingness to assess the credit needs of the community and is committed to meeting those needs.

- The bank's loan to deposit ratio is more than reasonable.
- The bank's lending activity in the Assessment Area (AA) is reasonable.
- The bank's record of extending credit to individuals of different income levels and businesses of different sizes in the AA is Satisfactory.
- The bank did not receive any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

## **DESCRIPTION OF INSTITUTION**

DGNB is located in the Village of Downers Grove, Illinois, approximately 25 miles west of the city of Chicago. The bank operates four locations, the main office, one branch in Downers Grove, one branch in Westmont, Illinois, and the fourth branch in Woodridge, Illinois. The bank also operates 10 automated teller machines (ATM). All of the bank's offices are full-service facilities and offer a full range of traditional banking products.

The bank has total assets of \$225 million as of June 30, 2004 and is a wholly owned subsidiary of DG Bancorp, Inc., a one-bank holding company. The loan portfolio represents 81 percent of total assets. The table below illustrates the composition of the loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>Percent</b>
Residential Real Estate Loans	\$ 62,351	34.08%
Commercial and Commercial Real Estate Loans	\$ 81,028	44.29%
Construction and Development Loans	\$36,697	20.06%
Individual Loans	\$ 2,692	1.47%
Other	\$ 197	0.10%
<b>Total</b>	<b>\$182,965</b>	<b>100%</b>

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 evaluation.

## **DESCRIPTION OF ASSESSMENT AREA**

DGNB's assessment area (AA) encompasses the entire county of DuPage, which is part of the Chicago Metropolitan Statistical area (MSA 1600). The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Census 2000 changed the boundaries and income levels of many existing geographies, and created some new geographies. These changes were effective January 1, 2003. The evaluation period included loans originated from January 1, 1999 through December 31, 2002, using 1990 census data. Loans originated from January 1, 2003 through December 31, 2003 were analyzed using 2000 census data. The results of these analyses were combined to obtain an overall rating.

The total population of the AA is 904,161 based on 2000 census data. Per the 1990 census data, the total population of the AA was 781,666. The current AA, based on 2000 census data, consists of 147 geographies. The AA is comprised of one moderate-income (1 percent), fifty-two, (35 percent) middle-income, and 94 (64 percent) upper-income geographies. Per the 1990 census data, there were 116 geographies in the bank's AA. These consisted of 40 (34 percent) middle-income, and 76 (66 percent) upper-income geographies. There were no low- income geographies within the bank's AA during either census period.

The median annual family income in the bank's AA, based on 2000 census data, is \$68,700, compared to \$75,400 for 1990. This is an 8.89 percent decrease from 1990 census data. This decrease is attributed to different methods used to arrive at median annual family income during the two census periods. The 1990 census data used an estimated figure, and the 2000 census data uses actual figures, causing what appears to be a declining trend in median annual family income. Per the 2000 census, 76 percent of the housing in the AA is 1-4 family units with 74 percent owner-occupied. The median home value, based on 2000 census data, was \$201,853. This is a 39 percent increase from the 1990 census where median home values were \$145,552.

Major employers in the area include Good Samaritan Hospital, DuPage Medical Group, Magnatrol and many small businesses in the immediate area. The local economy is stable. The 2003 unadjusted seasonal unemployment rate for DuPage County was 5.2 percent. This is below the 2003 State of Illinois unemployment rate of 6.1 percent and the 2003 national unemployment rate average of 6.0 percent.

### **Community Contacts**

We contacted a local community official. The contact indicated that the performance of local financial institutions has ranged from good to excellent with DGNB standing out as a local leader. The credit and financial service needs are very diverse within the local community and range from the simplest to the most sophisticated needs for services and products. The local financial institutions are meeting the needs of the local community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation period covers activity from January 1999 through December 2003. Overall, Downers Grove National Bank meets the community credit needs in a manner commensurate with its size, resources, and capabilities. All home purchase loans, home improvement loans, and refinancing of mortgage loans were analyzed using data from the bank's submitted Home Mortgage Disclosure Act (HMDA) statements from 1999, 2000, 2001, 2002, and 2003.

Mortgage loans were chosen for the evaluation because they are a large majority of the bank's loan portfolio.

### **Loan-to-Deposit Ratio**

The bank's loan to deposit (LTD) ratio is more than reasonable. DGNB's LTD has been trending upward since our last evaluation. The bank's LTD ratio as of June 30, 2004 is 93 percent. DGNB's quarterly average LTD ratio for the period from December 31, 1999 through December 31, 2003 is 79 percent. This is an increase from the 73 percent quarterly average LTD ratio during the previous performance evaluation period. Banks of similar asset size in the AA range from an average of 66 percent to 77 percent LTD ratio.

The bank's LTD ratio does not include approximately \$81 million of loans sold to the secondary market between 1999-2003. The bank originates and sells to the secondary market the majority of its home mortgage loans. The bank's decision to sell loans on the secondary market frees up capital allowing additional resources for lending and increases credit available to their assessment area.

### **Lending in Assessment Area**

DGNB's primary loan types are home mortgage (home purchase, refinance, and home improvement), commercial and commercial real estate. These loan types constitute a significant volume of the bank's lending mix. Residential loans comprise 34 percent of the bank's portfolio, and commercial and commercial real estate comprise 44 percent.

Lending in the AA is satisfactory. A majority (76 percent) of home mortgage loans originated or purchased by DGNB over the evaluation period are within the bank's AA. The following table

details the bank's lending within the AA by number of loan originations and dollar volume since its last CRA evaluation.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>Home Purchase*</b>	40	60%	27	40%	100%	10,052	64%	5,631	36%	15,683
<b>Home Refinance*</b>	140	75%	46	25%	100%	24,944	75%	8,274	25%	33,218
<b>Home Improve*</b>	125	86%	21	14%	100%	3,110	84%	586	16%	3,696
<b>Total Residential Real Estate*</b>	305	76%	94	24%	100%	38,106	72%	14,491	28%	52,597
<b>Small Business **</b>	16	80%	4	20%	100%	3,230	92%	289	8%	3,519
<b>TOTAL Loans</b>										

\* Represents loans originated between January 1, 1999 and December 31, 2003 as reported under the Home Mortgage Disclosure Act.

\*\* DGNB is not a small business reporter, therefore; the analysis performed on the portfolio is based solely on the sample size of 20.

### Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

Overall, the bank's lending to borrowers of different income levels is satisfactory. In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level (2% percent using 1990 census and 3% percent using 2000 census), and the unemployment rate for DuPage County (5.2 percent). The average median housing cost for 1990 census was \$145,552 and in the 2000 census, it increased to \$201,853. The poverty level, the unemployment rate, and the increased cost of housing are barriers that may have a negative affect on home ownership.

Significant competition exists in the bank's market area. Many of the bank's competitors are large regional and national institutions; thus, competition for lending opportunities is strong. There are 75 banks in the DuPage County area where the bank's AA is located. DGNB rank's 63rd out of the 75 banks with a 0.89 percent deposit market share.

### Residential Real Estate Loan Originations (January 1, 1999 – December 31, 2002)

The borrower distribution of home purchase loans is poor. The bank did not make any home purchase loans to low-income borrowers during the assessment period. Home purchase loans made to moderate-income borrowers is below the percentage of moderate income-families within the AA. Opportunity to make home purchase loans to low and moderate-income borrowers is limited due to the poverty level and the average median housing cost, therefore limiting opportunities for low and moderate-income borrowers to obtain home ownership.

The borrower distribution of home improvement loans is excellent. Home improvement loans made to low-income borrowers exceed the percentage of low-income families within the AA. Home improvement loans made to moderate-income borrowers greatly exceed the percentage of moderate-

income families within the AA.

The borrower distribution of home refinance loans is excellent. Home refinance loans made to low-income borrowers exceed the percentage of low-income families within the AA. Home refinance loans made to moderate-income borrowers greatly exceeds the percentage of moderate-income families within the AA.

<b>Table 2a – Borrower Distribution of Residential Real Estate Loans (1999 – 2002)</b>								
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*	7.22%	0.00%	12.58%	6.67%	24.43%	20.00%	55.77%	73.33%
Home Improvement*	7.22%	9.68%	12.58%	17.20%	24.43%	37.63%	55.77%	35.48%
Home Refinance*	7.22%	7.89%	12.58%	15.79%	24.43%	13.16%	55.77%	63.16%

\*Represents loans originated between January 1, 1999 and December 31, 2002 as reported under the Home Mortgage Disclosure Act.

### **Residential Real Estate Loan Originations (January 1, 2003 – December 31, 2003)**

The borrower distribution of home purchase loans is good. Home purchase loans made to low-income borrowers exceeds the percentage of low-income families within the AA. Home purchase loans made to moderate-income borrowers is near the percentage of moderate income-families within the AA.

The borrower distribution of home improvement loans is excellent. Home improvement loans made to both low-income and moderate-income borrowers greatly exceed the percentage of low-income families within the AA.

The borrower distribution of home refinance loans is good. Home refinance loans made to low-income borrowers is near the percentage of low-income families within the AA. Home refinance loans made to moderate-income borrowers greatly exceed the percentage of moderate-income families within the AA.

**Table 2b – Borrower Distribution of Residential Real Estate Loans (2003)**

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*	9.62%	11.11%	12.99%	11.11%	22.04%	0.00%	55.35%	77.78%
Home Improvement*	9.62%	13.33%	12.99%	20.00%	22.04%	23.33%	55.35%	43.33%
Home Refinance*	9.62%	8.16%	12.99%	17.35%	22.04%	27.55%	55.35%	46.94%

\*Represents loans originated between January 1, 2003 and December 31, 2003 as reported under the Home Mortgage Disclosure Act.

### Small Loans to Businesses

The bank's lending to small businesses with revenues of \$1 million or less is satisfactory. Our review included a sample of 20 loans inside the bank's AA between January 1, 1999 and December 31, 2003.

Borrower distribution of small loans to businesses is satisfactory based on the sample size of twenty loans. DGNB's small loans to businesses with revenues of \$1 million or less, (50 percent) is near the percentage of small businesses (60.70 percent which represents 35,171 businesses) in the AA. Competition for small business loans in the bank's AA is strong. There are 181 financial institutions originating small business loans in the bank's AA, the majority of which are large credit card and regional banks.

Borrower Distribution of Loans to Businesses by Loan Size (1999-2003)				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	9	45%	369,217	11.43%
\$100,001 - \$250,000	7	35%	1,093,228	33.84%
\$250,001 - \$500,000	2	10%	592,651	18.35%
\$500,001 - \$1,000,000	2	10%	1,175,000	36.38%

### Geographic Distribution of Loans

The bank has no low and only one moderate-income geography in the AA; therefore, a geographic analysis would not be meaningful.

### **Responses to Complaints**

The bank did not receive any consumer complaints since our last evaluation.

### **Fair Lending or Other Illegal Credit Practices Review**

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