



## **PUBLIC DISCLOSURE**

August 24, 1998

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

**First National Bank of Lincolnwood  
Charter Number: 14752**

**6401 North Lincoln Avenue  
Lincolnwood, Illinois 60645**

**Comptroller of the Currency  
Chicago-North Field Office  
85 W. Algonquin, Suite 340  
Arlington Heights, Illinois 60005**

**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 the 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 Lincolnwood** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of August 24, 1998. 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 record of meeting community credit needs.*

Small Institution Assessment Criteria	<b>First National Bank of Lincolnwood</b> (Performance Levels)		
Performance	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio			X
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints		X	

## **DESCRIPTION OF INSTITUTION**

First National Bank of Lincolnwood (FNBL) is a community bank headquartered in Lincolnwood, Illinois. FNBL has one subsidiary, Lincolnwood National Safe Deposit Company. The bank is 85.99% owned by The First Lincolnwood Corporation (FLC), a one bank holding company. The city of Lincolnwood is a northeast suburban community located in Cook County, and adjacent to the northern boundary of the city of Chicago. The bank has two limited-service branch offices. One branch is located in Lincolnwood and the other one is located in the city of Chicago. There have been no branch openings or closings during this assessment period. As of June 30, 1998, the bank had total assets of \$207.6 million. The bank's asset mix is 55% investments, 39% loans, 4% other assets and 2% cash equivalents. The loan portfolio mix is 96% real estate, 3% consumer and 1% commercial loans.

FNBL offers a variety of products including, real estate mortgages and consumer and commercial loans. Residential mortgage originations are available (both fixed or adjustable rates) for home purchase, construction and refinance purposes. Consumer loans are available to finance automobiles and for home equity purposes. Personal loans are also available when secured by savings accounts, Certificates of Deposit or with the assignment of Stocks and Bonds. Commercial loans are made directly to small businesses for various business purposes.

## **DESCRIPTION OF THE ASSESSMENT AREA**

FNBL defined its assessment area to include 702 contiguous census tracts. The assessment area includes 635 census tracts in Cook County, thirty-two census tracts in DuPage County and thirty-five in Lake County Illinois. The assessment area includes whole census tracts and covers forty-five local communities starting East from Lake Michigan, West to Route 53, North to Route 60 and South to Madison Street (Chicago), West on Madison Street to Mannheim Road, North on Mannheim Road to St. Charles Road, West on St. Charles Road to Route 53. All 702 census tracts are in the Chicago 1600 Metropolitan Statistical Area (MSA). The assessment area does not arbitrarily exclude low- or moderate-income census tracts. There are 103 low income, 157 moderate income, 236 middle income, and 196 upper income census tracts. The weighted average of family income for the assessment area is \$42,758 according to 1990 census data. Median family income, which is updated annually by the Department of Housing and Urban Development, is \$59,500 for 1997.

Within the assessment area, 20% of families are low income (income less than 50% of the census tract median income) and 17% are moderate income (income is 50-80% of the census tract median income). There are 2.8 million individuals, 687,194 families and 1.1 million households within the assessment area. There are 1.2 million housing units, 50% of which are owner-occupied. The median housing value is \$158,880.

The bank's assessment area ranges from suburban communities to the north and west, to urban communities south of the bank's main office location. The area is densely populated. The racial/ethnic makeup of the community is 67% white, 14% Hispanic and 13% black.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Loan-To-Deposit Ratio

The bank has a modest level of loans in relation to its level of deposits. Over the last five calendar quarters, the bank's loan-to-deposit ratio averaged 43%. This ratio is lower than seven local peer banks whose five quarter average is 68%. It is also lower than the national peer group whose five quarter average is 69%. The loan-to-deposit ratio is an indicator of the financial institution's willingness to reinvest deposits in the form of loans into the community. FNBL's lending philosophy is to extend loans to any credit worthy borrower. However, the bank's conservative loan structure, coupled with strong competition from financial intermediaries (including large regional mortgage companies, regional banking institutions and insurance companies), have hindered loan originations over the last year.

### Lending to Borrowers of Different Income Levels

FNBL's lending activity exhibits a reasonable record of lending to borrowers of different income levels and to businesses of different sizes. More weight is given to non-HMDA reportable lending (i.e. home equity lines of credit) and to business lending because of their volume. The bank originated 148 non-HMDA reportable loans, and 165 business loans in 1997 and year-to-date 1998, versus 53 HMDA loans during the same period. Five percent of home equity lines of credit were granted in low- and moderate-income census tracts in 1997 and year-to-date 1998.

FNBL grants a significant volume of loans to businesses of different sizes. Table# 1 represents business loans originated in the assessment area. A significant majority of commercial loans are made in amounts under \$100,000.

**Table #1**

1997 & 1998 Data	Number & Dollar Amount of Loans			
	Loan Amount Categories	Total #	% of Tot. #	Total \$ (000s)
0-99,999	149	90%	3,139	47.6%
100,000-249,999	14	9%	2,051	31.2%
250,000 & Up	2	1%	1,395	21.2%
Totals	165	100%	6,585	100%

Market share data for 1996 HMDA activity, as illustrated in **Table #2**, reflects only modest lending to low- and moderate- income borrowers. The bank is considerably below other lenders within the assessment area. We compared seven similarly situated banks operating within the assessment area to FNBL. The bank ranked number seven among the group for loan originations to low- and moderate-income borrowers.

Table #2 illustrates 1996 HMDA reportable originations to borrowers by applicant income. Seven similarly situated banks, who operate within the assessment area, were used for the peer comparison. Market information was not available for 1997.

**Table #2**

	<b># Loans Orig. By Bank</b>	<b># Loans Orig. By Peer</b>	<b><i>FNBL Share of Peer Market</i></b>	<b>\$ Loans Orig. By Bank (000)</b>	<b>\$ Loans Orig. By Peer (000)</b>	<b><i>FNBL Share of Peer Market</i></b>
<b>Low Income</b>	5	98	5.1%	152	6,482	2.3%
<b>Moderate Income</b>	8	151	5.2%	418	12,578	3.3%
<b>Middle Income</b>	23	213	10.8%	1,777	20,988	8.5%
<b>Upper Income</b>	51	328	15.5%	7,937	51,305	15.5%
<b>Total</b>	87	790	10.7%	10,284	91,353	11.25%

Source: 1996 HMDA

There are 605,916 low- and moderate-income households within the assessment area. Of these households, almost 20,000 HMDA reportable loans were originated to low- and moderate-income borrowers in 1996. We conclude that opportunities exist for the bank to generate HMDA reportable loans for low- and moderate- income borrowers within the assessment area.

FNBL's HMDA reportable lending activity declined between 1996 and 1997. Thirty loans were originated in 1997, compared to 87 loans for 1996. All loans originated in 1997 were in middle and upper income census tracts. Seven originations were to low- and moderate- income borrowers, which represents a decrease from the thirteen originations to low -and moderate-income borrowers in 1996.

**Lending in the Assessment Area**

A significant majority of the bank's loans are originated to borrowers within the assessment area. The following tables (3-1 and 3-2) illustrate 1997 and year-to-date 1998 loans made within the assessment area compared to all loans made during the time period.

Table 3-1 - 1997 Loans Originated Within the Assessment Area

	# Loans Within Assessment Area	% of Total Loans Made	\$ Loans Within Assessment Area (000)	% of Total Loans Made
Home Equity	102	87%	9,553	90%
*Real Estate	44	92%	6,022	89%
Commercial	136	92%	5,532	89%

Table 3-2 Year-to-date (June 30 1998) Loans Originated Within the Assessment Area

	# Loans Within Assessment Area	% of Total Loans Made	\$ Loans Within Assessment Area (000)	% of Total Loans Made
Home Equity	26	84%	2,458	81%
*Real Estate	52	91%	12,240	95%
Commercial	27	90%	1,544	98%

\*Includes multifamily units

Source: 1997 & 1998 Bank Prepared Reports

**Geographic Distribution of Loans**

The overall geographic distribution of home mortgage, home equity and business loans within the assessment area is reasonable. While HMDA reportable loans were made primarily in middle and upper income census tracts, we noted that 5% of the home equity loans were made in low-and moderate-income census tracts. Also, forty-one percent of 1997 and year-to-date 1998 loan originations were commercial loans which are reasonably dispersed throughout the assessment area.

**Compliance With Antidiscrimination Laws**

No violations of the substantive provisions of the Antidiscrimination laws and regulations were identified during this evaluation.

**Community Reinvestment Act Complaints**

No complaints have been received relating to the Community Reinvestment Act.