



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

October 18, 1996

**Harris Bank Elk Grove, N.A.
Charter Number: 15916**

**500 E. Devon Avenue
Elk Grove Village, IL 60007**

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the Harris Bank Elk Grove, N.A., prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agent.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of October 18, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

BACKGROUND INFORMATION

Bank Profile:

Harris Bank Elk Grove, N.A. (HBEG) is a subsidiary of Harris Bankmont (HB). HB and its subsidiaries together with Harris Bankcorp and its subsidiaries, including Harris Trust and Savings Bank (HTSB), Chicago, are owned by Bankmont Financial Corp. which is owned by the Bank of Montreal located in Toronto, Ontario, Canada. HBEG is one of 26 community banks throughout the Chicago suburbs, known collectively as the “Harris Banks”. The Harris organization has approximately \$21 billion in consolidated assets and ranks as one of the largest community bank networks in Chicago.

Basic financial data for HBEG is:

	12-31-94 \$(000s)	12-31-95 \$(000s)	8-31-96 \$(000s)
Total Assets	90,030	106,356	105,283
Total Loans	34,767	50,317	61,115
Total Deposits	81,320	98,562	96,830
Loan/Deposit Ratio	43%	51%	63%

The bank’s loan portfolio is comprised of 56% commercial loans; 36% real estate mortgages and home equity loans; and 8% consumer credit. The substantial loan growth has resulted primarily from large loan pools purchased from affiliates. Since August, 1995 the bank has purchased \$23 million in loans: \$13 million in real estate mortgages and \$10 million in home equity loans.

The bank operates two full service offices, one is located in Elk Grove Village and the other is in neighboring Roselle.

Community Profile:

HBEG’s delineated community consists of 14 contiguous census tracts surrounding the bank’s two offices. The bank’s community is located immediately west of Chicago O’Hare Airport and consists of a mix of large industrial centers and residential subdivisions. There is little undeveloped land available in the local area. Approximately 9,000 businesses are located in the area, while total population equals 91,000.

One census tract is designated moderate income (7%); 5 census tracts are middle income (36%); and the remaining 8 census tracts are upper income (57%). There are no minority census tracts within the bank’s delineated area.

Seventy-six percent of the 35,000 housing units within the bank’s assessment area are owner occupied, and 22% are multi-family units. The median age of housing is 24 years old, and the median housing value ranges from \$104,900 to \$157,000.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Evaluation Period: This report covers the HBEG performance under the CRA since the last public evaluation performed as of August 5, 1993.

Institution's Rating: Based on the findings presented below, this institution is rated:

Satisfactory record of meeting community credit needs.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **HBEG actively ascertains community credit needs through on-going contact with community members and organizations; and is responsive to identified credit needs.**

The bank uses several techniques to ascertain community credit needs: officer calling programs; Community Advisory Board; customer surveys; and participation in local business, civic, and housing organizations.

HBEG also analyzes demographic data covering their assessment area. This information is considered in ascertaining community credit needs and product development.

Through the bank's efforts the following credit needs have been identified:

- ▶ Re-establishing poor credit histories and/or establishing a credit history.
- ▶ Home improvement loans.
- ▶ Traditional consumer credit.
- ▶ Student loans.
- ▶ Wide range of business loans.

In response to these needs the bank developed the following programs and products:

- ▶ The "Credit Builder Loan" for establishing a credit history.
- ▶ A "Secured Credit Card" is available for establishing or re-establishing credit.
- ▶ Several new "Home Equity Products" have been introduced to address the need for home improvement loans.
- ▶ Many consumer and student loan options are available directly from HBEG or from affiliates.
- ▶ The bank's small business loan program has been expanded to include "Small Business Lending Rate Initiative" and additional Small Business Administration (SBA) products.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board of Directors and senior management are actively involved in the oversight of the bank's CRA performance.**

The entire Board sits on the bank's CRA Committee which meets quarterly. A formal CRA Plan has been established that outlines goals and objectives against which CRA performance is measured. A formal self-assessment is prepared annually. The Board keeps abreast of the bank's CRA efforts throughout the year through interim reports and presentations made by the CRA Officer.

Adequate policies and procedures have been developed and implemented by the bank. Several measures, both internal and external, are used to ensure technical compliance is maintained.

The bank's CRA Officer and CRA Assistant attend outside seminars to remain cognizant of changes and issues in the regulation. The bank provides CRA training at least annually to all customer contact personnel, as well as senior management and the Board of Directors. Training programs also include fair lending issues and have been expanded to include a participatory diversity program.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **HBEG's marketing program is effective in reaching all segments of the delineated community.**

The bank employs several different methods of marketing to promote their credit products and services throughout their delineated assessment area. These methods include local and regional newspapers, direct mail campaigns, statement stuffers, officer calling programs, booklets and brochures, and the bank's newsletter. The bank has already achieved their calling and letter goals for 1996. The bank's officer calling program has yielded more than 55% of the calls made in 1996 to the bank's delineated service area. More than 88% of the letter campaigns have been targeted within the delineated community.

In addition, the bank hosts local cable television programs "Money, Finance, and You" and "Strictly Business". The programs include credit related topics.

Management routinely provides assistance to credit applicants. Assistance is also provided by bank personnel via participation in and sponsoring local housing and business credit seminars, fairs and expositions.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **The bank's mortgage and small business lending within its community is reasonable.**

A review of the bank's Home Mortgage Disclosure Act (HMDA) Statement for 1995 reflected that of the 67 loans originated 37 or 55% were located within the bank's delineated community. Through September, 1996 51 loans or 43% of the HMDA loans originated were in the bank's designated assessment area.

Other loan activity for 1996 (year to date August, 1996) reflects the following:

- ▶ Commercial loans: 84 loans originated, 42 or 50% within the delineated service area.
- ▶ Instalment loans: 287 loans originated, 64 or 22% within the delineated service area.

This level of activity is considered reasonable based on the bank's community context. The lower level of consumer loans being within the area can be attributed to a couple of factors: the bank's bank at work program targeted to employees of businesses located in the large industrial parks surrounding the bank, and indirect automobile relationships established that have clients outside the bank's delineated community.

Bank analysis reflected that approximately 60% of the commercial loans made in 1995 were to businesses with less than \$1 million in gross annual revenue.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **HBEG demonstrates a willingness to sponsor and participate in governmentally-insured loan programs for housing and small businesses.**

HBEG works closely with their affiliate HTSB, a Certified Lender for Small Business Administration (SBA). As of August, 1996 the bank has 8 SBA loans outstanding for \$737,642. All of these loans have originated since the previous CRA evaluation.

The bank offers internal mortgage loan options (i.e. First Time Home Buyers Program) that are competitive with current government programs.

The bank's level of participation with government loan programs is reasonable considering the bank's community and variety of direct loan programs developed and offered by HBEG and affiliates.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **The community delineated by Harris Bank Elk Grove, N.A. is reasonable and does not arbitrarily exclude any low- and moderate-income areas.**

Management defined the delineated service area through an analysis of the bank’s effective lending territory. Management follows a formal process for measuring, reviewing, and monitoring the level of loan penetration throughout the delineated community. The analysis consists of a review of all major credit products offered by the bank. Annually, the Board of Directors reviews this information to validate the reasonableness of the delineated community.

Assessment Factor E - The geographic distribution of the institution’s credit extensions, credit applications, and credit denials.

- **The bank’s geographic distribution of credit extensions and applications demonstrates a strong penetration throughout the delineated community.**

Lending activity for HBEG reflects reasonable penetration in the bank’s delineated community. The following table shows the number of tracts within the bank’s delineated service area penetrated by loan type:

Loan Type	Number of Census Tracts Penetrated: Whole Portfolio	Percent of Total	Number of Census Tracts Penetrated: Loans Made Year to Date August, 1996	Percent of Total
Commercial	14	100.0	12	85.7
Instalment	12	85.7	9	64.3
Home Equity Loans	13	92.9	10	71.4
Home Equity Lines of Credit	9	64.3	3	21.4
Real Estate Mortgages	9	64.3	6	42.9

Management uses tables and color coded census tract maps of the assessment and surrounding areas to demonstrate the level of geographic distribution and penetration of each credit product. The results of these analyses are used in the evaluation of the bank’s CRA performance and determination of the bank’s delineated community.

Assessment Factor G - The institution’s record of opening and closing offices and providing services at offices.

- **HBEG is readily accessible to all segments of their delineated community.**

The bank has two full service office facilities. No offices have been closed. Hours of operation are reasonable and accommodating to the general public. Combined with the offices of the HB affiliates, customers have access to approximately 150 banking facilities throughout the Chicago Area.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **No evidence of any discriminatory practices intended to discourage prospective credit applicants was detected.**

HBEG encourages applications from all segments of their delineated community. The bank denied only 3 HMDA reportable loans in 1995. During 1995, HBEG originated 67 loans HMDA loans, and had 2 withdrawn loans. In 1995 the bank received HMDA applications from 8 of their 14 delineated census tracts. Through September, 1996, the bank has originated 120 HMDA loans, denied only 8 loans, and has had 2 withdrawn. HMDA applications have been received from 9 of the 14 delineated census tracts year to date September, 1996. Within the denials for 1995 and year to date, September, 1996, only one denial was to a minority applicant.

The bank has written policies and procedures adequately addressing fair lending issues. Effective on-going fair lending and diversity training efforts are extended to all bank personnel. Proposed loan denials are reviewed weekly by the bank's loan committee to determine if there are any alternative action plans possible for the applicant. This second review process helps ensure fair treatment and equitable levels of assistance are extended to all customers.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **The bank is in compliance with the provisions of fair lending laws and regulations. No illegal credit practices were found.**

HBEG's compliance with the provisions of the Equal Credit Opportunity Act and the Fair Housing Act is strong. No violations of fair lending laws or regulations were noted.

During this examination we reviewed a sample of denied credit files from 1996. We found sufficient documentation supporting these credit decisions. In addition, we reviewed a sample of loans made in the past year to ensure all applicants received comparable treatment. No exceptions were noted during this review.

The bank conducts internal testing for discriminatory practices. No adverse results have been detected.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **HBEG is aware of and participates in available community development projects.**

HBEG invests in municipal bonds that support economic community development. The bank's municipal investment portfolio totals approximately \$14 million, of which approximately \$8 million or 57% are local investments.

HBEG actively seeks out opportunities to participate in community development programs. Community organizations that the bank works with include:

ORGANIZATION	PURPOSE	BANK PARTICIPATION
Northwest Housing Partnership	Agency works to provide affordable housing in the local area.	The bank has made several monetary contributions to the agency to assist with affordable housing efforts.
The WINGS Program	Organization serves women and children who have become homeless and come from domestic violence situations.	The bank has contributed to fundraising events and the proceeds go primarily to provide housing and job skills training for their clients.
Village of Elk Grove Industrial Revitalization Commission	Organization planning on revitalizing the Elk Grove Industrial Park.	Bank officer is a commission member, in this capacity the bank is in a position to participate as plans move forward.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **HBEG is a community bank with sufficient managerial and technical resources to help meet the credit needs of its service area.**

There are no known financial or legal impediments that would impair the bank's CRA performance. Refer to the Community and Bank Profiles for additional details.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **HBEG offers a wide variety of financial services that help meet the needs of its delineated service area.**

Bank personnel are actively involved in local community organizations. During 1996 employees have extended over 600 hours to 25 different entities. In addition, the bank has made 85 monetary contributions totaling \$12,588.

ADDITIONAL INFORMATION

Home Mortgage Disclosure Act Aggregation Tables can be obtained from:

Harold Washington Library
400 South State Street, 5 South
Chicago, Illinois 60605
(312) 747-4500

Contact: Roberta Palen