

## **Public Disclosure**

October 25, 1999

### **Community Reinvestment Act Performance Evaluation**

**COVEST BANC, NATIONAL ASSOCIATION  
Charter No. 23418**

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**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.**

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## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Limited-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## 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 **CoVest Banc, National Association** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 25, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than by individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. 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 major factors that support this rating include:

- C The distribution of loans to borrowers of different income levels is very good.
- C The bank's responsiveness to community credit needs is very good.
- .
- C The geographic distribution of all loans is adequate.
- C The level of qualified investments is good in response to community needs.
- C Delivery systems make products and services reasonably accessible to geographies and individuals of different income levels.

The following chart indicates the performance level of **CoVest Banc, National Association** with respect to the lending, investment, and service tests.

Performance Levels	CoVest Banc National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## **Description of Institution**

CoVest Banc, National Association (CBNA), an intrastate bank, is a wholly owned subsidiary of CoVest Bancshares, Incorporated (CBI), a \$549 million one-bank holding company. CBI became a bank holding company effective August 1, 1997, when CBNA completed its conversion from a federal savings association to a national bank. CBI is a publicly owned company. CBNA has one subsidiary, CoVest Investments, Inc., which engages in the business of selling annuities, insurance products and complete brokerage services. The subsidiary's activities do not significantly influence the bank's capacity to lend or invest in the bank's assessment area.

CBNA's head office is located in the western suburb of DesPlaines, in Cook County, Illinois. Originally named First Federal for Savings, it was first chartered as a savings and loan association in 1934. Effective August 1997, the bank converted from a savings association to a national bank and changed its name to CoVest Banc, National Association.

CBNA established its first branch office in Arlington Heights, Illinois, through acquisition, in March 1994. On March 2, 1995, the bank opened another full-service branch office in Schaumburg, Illinois. On February 11, 1998, the bank opened a Mortgage Center in McHenry, Illinois. The center concentrates on mortgage loan originations and sales.

Bank locations are supplemented by 3 attached automatic teller machines (ATMs). Other alternative delivery systems include automated telephone banking in which customers can access loan and deposit information 24 hours a day.

Before 1996, the bank had historically originated first mortgage home loans for its portfolio, secured by residential properties located in its primary market area. However, since that time, CBNA began a major balance sheet restructuring project. CBNA now provides a full range of retail and commercial bank products. The bank now focuses on commercial related lending in an effort to grow and function more as a traditional commercial banking institution. In November 1998, the bank sold its credit card loan portfolio. The bank does not focus on agricultural lending.

The bank's Mortgage Center provides a full array of first mortgage products for which it acts as a loan originator and placer. All loans are sold on a service-released basis to other financial institutions, for which CBNA receives a fee and has no additional rights.

This evaluation considered CBNA's performance since the last examination, dated February 5, 1996, at which the bank received a Satisfactory rating. The current evaluation reflects lending performance from January 1, 1997 thru December 31, 1998. The investment and service test performances are evaluated from March 1, 1996 thru July 1, 1999.

There are no current impediments that would hamper CBNA's ability to meet the credit needs of its communities. For the six months ending June 30, 1999, CBNA had a net income of \$2 million. The bank had total assets of \$540 million and the loan-to-deposit ratio was 108%. The Tier 1 Capital ratio and Return on Average Assets were 7.9% and .75%, respectively. Loans represented 73% of total assets. The loan portfolio was comprised of residential real estate loans (59%), commercial and commercial real estate loans (30%), commercial leases (6%) and consumer (5%) loans.

## DESCRIPTION OF ASSESSMENT AREA

CBNA's assessment area includes the entire Chicago Metropolitan Statistical Area (MSA). The counties contained within this MSA include all of Cook, DuPage, DeKalb, Grundy, Kane, Kendall, Lake, McHenry, and Will counties. This assessment area encompasses 1,776 census tracts, of which 280 are low-income, 374 are moderate-income, 685 are middle-income, and 407 are upper-income. This assessment area includes all of the City of Chicago.

Overall economic conditions for the assessment area are good. Unemployment for the area was 4.1% in September 1999, which is slightly lower than the national average of 4.2%. The employment base is diversified with numerous employment opportunities. Thirty-nine Fortune 500 companies are located within the state of Illinois, approximately 34 of which have headquarters within the bank's assessment area.

The following table displays significant demographic information regarding CBNA's assessment area.

Assessment Area Demographic Profile

DEMOGRAPHIC CHARACTERISTICS	#	LOW-INCOME	MODERATE-INCOME	MIDDLE-INCOME	UPPER-INCOME
Census Tracts or BNA's	1,776	15%	21%	39%	23%
Population	7,410 858	10%	20%	42%	28%
Families by Income Level	1,864 224	20%	17%	24%	39%
Owner Occupied Housing Units by Income Level	1,628,992	3%	12%	49%	36%
Businesses by Income Level	266 222	5%	12%	41%	41%
Farms by Income Level	5,749	1%	4%	60%	35%
1990 Median Family Income = \$42,758 1998 HUD Adjusted Median Family Income = \$59,500					

Source: 1990 U.S. Census, Dun & Bradstreet

While the assessment area encompasses most of the bank's lending and investment activity, the areas immediately surrounding the bank's branches and comprising a significant percentage of CBNA's deposit base, are more reflective of the bank's true service area. Approximately 77% of the bank's deposit balances are either in DesPlaines or the surrounding area. While 95% of the bank's lending activity originate within this smaller assessment area, a substantial amount of lending originated within the effective lending territory (77%). Considering the vast size of the assessment area, the area described as the effective lending territory presents a more realistic picture of the area that is reasonable for CBNA to serve. **As such, the analysis of HMDA, small business and consumer loans within the Lending Test of this Report is based on this effective lending territory versus the bank's defined assessment area, as described below. The analysis of community development lending and investments include activity from the entire assessment area.**

### Description of Effective Lending Territory

We have determined the effective lending territory to be comprised of the northern portion of the political

subdivision of Cook County and all of DuPage, McHenry, and Lake Counties. Each of these political subdivisions represents portions of the Chicago Metropolitan Statistical Area (MSA 1600). This effective lending territory represents 485 census tracts and is comprised of the township of DesPlaines and municipalities surrounding this town. Townships closest to the bank's main office in DesPlaines include: Park Ridge, Niles, Mount Prospect, and Morton Grove. This effective lending territory includes census tracts where the bank has branches and where a substantial portion of the bank's loans has been originated.

Overall economic conditions for the effective lending territory are good and stable. In September 1999, unemployment for Cook County excluding the City of Chicago was 3.2%. DuPage, Lake and McHenry Counties were very low, each ranging from 2.7% to 2.8%. All were lower than the national average of 4.2%. The employment base is diversified with numerous employment opportunities.

The overall effective lending territory is primarily suburban. The area is generally stable, prosperous, and is experiencing fairly constant growth. However, the portion of the effective lending territory that relates to Suburban North Cook County (excluding the City of Chicago and Southern Suburban Cook County) is somewhat different in terms of its demographic make-up of the population and the nature of housing stock. Also, all of the bank's moderate-income census tracts are located in Cook County.

Forty-five percent of the owner occupied housing units within the effective lending territory is in Cook County. The housing stock within Cook County is slightly older than the rest of the effective lending territory. The median year built for housing units for the DuPage, Lake and McHenry Counties range from 1966 to 1970. In Suburban North Cook County, the median year built for housing units was 1963.

All of the low- and moderate-income census tracts are located within Suburban North Cook County (42%) and Lake County. However, most of the low- and moderate-income families are located in Suburban North Cook County. Forty-six percent of the low-income families and 46% of the moderate-income families are located in this county.

The highest concentration of small businesses, within the effective lending territory, is located within Suburban North Cook County. Forty-four percent of the businesses with revenues less than \$1 million are located within this county.

The overall average housing cost is high, at \$164,811. The cost of housing impacts the ability for low- and moderate-income families to purchase a home. For example, the average cost of housing is approximately 5 times the income level of low-income families (\$29,700). The cost of housing is approximately 3 times the income level for moderate-income families (\$47,500).

### **Similarly Situated Banks and Competition**

CBNA's principal business activities are highly competitive. The bank competes actively with other financial service providers offering a wide array of financial products and services. Competitors include other national and state banks, savings banks, savings and loan associations, finance companies, insurance

companies, and various nonfinancial intermediaries.

There are no similarly situated banks within the effective lending territory. This partly contributed to CBNA's recent change in organizational structure and the market the bank serves. However, we identified independent banks within the effective lending territory that were between \$450MM and \$650MM with a significant residential lending focus. Nine banks fit into this category. Many of these banks do not serve the same market due to the distance from the bank's main office.

### **Credit Needs and Opportunities**

We determined that there were no unmet credit needs for the City of DesPlaines, the area where the bank generates over half of its deposits. However, due to the size and location of the bank's effective lending territory, credit and community development needs are numerous and varied. Significant credit needs include affordable housing (low down payment loans, down payment assistance and rehabilitation), consumer, and small business loans (working capital, and microloans to maintain economic viability). These needs were identified through several community contacts with housing, economic and government representatives contacted by banking regulatory agencies in the past 24 months. We performed one community contact during the examination.

Opportunities for qualified investments, community development loans, and community development services exist within the bank's effective lending territory. These opportunities include investment in Community Development Corporations (CDCs), Small Business Administration loan programs (Microlending Demonstration Program and 504 Program), credit counseling agencies, small business development centers and non-profit organizations that provide social services to low- and moderate-income individuals.

# Conclusions with Respect to Overall Performance Tests

## LENDING TEST

The lending test is the most influential consideration in evaluating the bank's CRA performance. Consideration is given to CBNA's origination of credit within its effective lending territory; the extension of credit to low- and moderate-income areas within the effective lending territory; the level of credit provided to low- and moderate-income borrowers; small loans to businesses; and credit provided for community development. Per CBNA's request, consumer data was reviewed. The bank does not originate farm loans. More weight is placed on the borrower characteristics section since most of the bank's low- and moderate-income census tracts are not close to the bank's branches. Based on CBNA's size and resources, our review found that its lending activity demonstrates:

- C very good responsiveness to credit needs in its effective lending territory;
- C a substantial majority of loans made within the effective lending territory;
- C adequate level of loans to low- and moderate-income census tracts within the effective lending territory;
- C very good distribution of loans among borrowers of different income levels;
- C an excellent number of community development loans that benefit the assessment area; and
- C good use of flexible credit products.

### Performance Criteria:

#### **Lending Activity**

CBNA's lending activity reflects very good responsiveness to effective lending territory credit needs. As of June 30, 1999, the loan-to-deposit ratio was 108%. This ratio is significantly higher than other peer banks, which average 76%. Peer banks include all banks within North Suburban Cook, DuPage, Lake, and McHenry Counties with total assets between \$450 million to \$650 million, and have a residential loan base of at least 30%. Nine banks fit into this custom peer group. The bank's average loan-to-deposit ratio, for two years, is slightly lower, at 104%. The high loan-to-deposit ratio is attributed to the bank's previous organizational structure as a savings and loan association.

Although CBNA originates a wide variety of loans, its previous organizational structure was focused towards residential lending. Fifty-nine percent of the loan portfolio is residential real estate related.

The bank has been a very active home mortgage lender. Aggregate market data for 1998 HMDA activity revealed that 271,254 HMDA loans were originated within the bank's effective lending territory, with CBNA originating 681 of HMDA reportable loans. The market share data revealed that leaders are several multinational and regional bank financial institutions. The five financial institutions reflecting the highest market share within the effective lending territory include: Norwest Mortgage with 6% market share, Countrywide Home Loans Mortgage Company with 4% market share, First Chicago NBD Mortgage Company, Chase Manhattan Mortgage Company, Inc., and Standard Federal Bank, each with 3% market

share.

Of the total HMDA reportable loans, 42% were home purchase, 56% were refinances and 2% were multi-family. CBNA's overall market share was .25%. The bank ranked 81<sup>st</sup> out of 817 reporters within the effective lending territory in 1998, the most current year for which HMDA market share data is available.

This ranking places CBNA market share within the top quartile and the bank was 2<sup>nd</sup> when compared to peer banks within its effective lending territory.

The bank only originated 59 small loans to businesses in 1997 and 1998. Fifty-nine percent or 35 of these small loans to businesses were within the effective lending territory. Based on the 1997 Small Business Aggregate data published by the FFIEC, CBNA ranked 108 out of 304 lenders. The statistics are skewed toward reporters, such as American Express, who issue a large number of business credit cards, which are considered small business loans for reporting purposes.

The bank originated 1,515 consumer loans in 1997 and 1998. Sixty-four percent of the number is automobile loans.

#### **Assessment Area Concentration**

The substantial majority of CBNA's loans were made within its assessment area. Ninety-one percent, 98%, and 97%, respectively, of HMDA, small loans to businesses, and consumer loans were originated within the bank's assessment area. Seventy-four percent, 59%, and 82%, respectively, of HMDA, small loans to businesses, and consumer loans were originated within the bank's effective lending territory. See **Tables 1 and 14** for the number and dollar amount of loans originated within the bank's assessment area.

#### **Geographic Distribution**

Overall, CBNA's geographic distribution of home mortgage loans and small loans to businesses, within the effective lending territory, is reasonable given the effective lending territory characteristics. The geographic distribution of consumer loans is adequate given the effective lending territory characteristics. The dispersion of lending within the effective lending territory is acceptable considering the bank's size, resources, and location of branches.

#### **Home Mortgage Loans**

The analysis included a comparison of the bank's level of home purchase, home improvement, and home mortgage refinance loans to the corresponding percentage of owner-occupied housing units by type of geography. The bank only reported one home improvement loan on its HMDA LAR. All loans for possible home improvement purposes are originated as a home equity product and are not specifically identified by purpose. The bank did not originate any home purchase, home improvement, or refinance loans within its low-income census tracts. None of the owner occupied units within the effective lending territory are located in these low-income census tracts. CBNA originated 1% of home purchase and 1% of refinance loans within moderate-income census tracts. This percentage of lending is reasonable since only two percent of the owner occupied units are located within moderate-income census tracts. All of the low-income census tracts are located within Lake County where the bank does not have a branch. The lack of a physical presence, as well as steep competition from other financial institutions, makes it difficult for the

bank to penetrate this area.

### Small Business Loans

The analysis compares the bank's level of small loans to businesses with the proportionate number of businesses operating in the type of geography. CBNA's distribution of small loans (less than \$1 million) is reasonable when compared to the percentage distribution of businesses throughout the geographies. There are very few businesses located within the low-income census tracts and only 3% of the businesses are located in moderate-income geographies. CBNA did not originate any loans within the moderate-income geographies. However, the bank only recently began to aggressively offer commercial loans within the last 2 years because of the bank's previous organizational structure. The bank's overall market share for small loans to businesses is low, at .06%. The market share reflected in low- and moderate-income geographies is distorted since it reflects lending activity within the City of Chicago and South Suburban Cook County, which is outside of the bank's effective lending territory.

### Consumer Loans

This analysis compares the bank's level of consumer loans with the population by type of geography. The bank's performance is weak since its percentage of loans originated in low- and moderate-income census tracts (less than 1% combined) is significantly less than the percentage of the population within these census tracts (.19% and 4.39%, respectively). However, the bank does not have branches that are within any of the low- or moderate-income census tracts. Only 3 of the moderate-income census tracts are within close proximity to the branches.

The lending gap analysis determines the dispersion of lending of all product types throughout the effective lending territory. When all product types are considered, conspicuous gaps were identified within most of the low- and moderate-income census tracts. Only 3 of the 24 low- and moderate-income census tracts had any lending activity. However, the 3 moderate-income census tracts with lending activity are those closest to (within 5 miles ) the bank's branches. Contiguous low- or moderate-income geographies with low or no penetration are located in Maywood in Cook County and Waukegan and Chicago Heights within Lake County. However, the bank does not have lending activity in those middle and upper-income census tracts adjacent to these areas. This dispersion of all loans is acceptable considering the bank does not have branches located in the low- and moderate-income areas. Further, the bank only recently began focusing on commercial lending within the last 2 years. Competition in these areas is steep, since lenders with significant market share represent large regional banks and mortgage companies.

### **Borrower Characteristics**

We evaluated loans by borrower characteristics to determine the extent that CBNA provides loans to low- and moderate-income borrowers and small businesses. This analysis revealed that the distribution of CBNA's home mortgages to low- and moderate-income borrowers is very good when compared to the income distribution of the effective lending territory's families. The analysis also revealed that a limited number of small loans are provided to businesses with revenues less than \$1 million. However, CBNA extends a substantial number of very small loans. Consumer lending to low- and moderate-income borrowers is excellent.

### Home Mortgages

This analysis compares CBNA's home purchase, home improvement, and home mortgage refinance lending to borrowers of different income levels to the proportionate number of families in each income level. The bank does not track its originations of home improvement loans since most of these loans are originated through the bank's home equity loan program which is a more desirable product. The percentage of home mortgage loans to low-income borrowers are good when compared to the percentage of low-income families in the effective lending territory. CBNA originated 7% of home purchase and 3% of refinance loans to low-income individuals. Nine percent of all families are low-income. As reflected in the *Description of the Assessment Area*, the housing cost within the effective lending territory, in relation to the income level of low-income individuals, impairs the low-income individual's ability to afford a home. CBNA's market share for low-income borrowers compares favorably to the overall market share. The bank's market share for home purchase and refinancings to low-income borrowers is comparable to its overall market share.

Home mortgage loans to moderate-income borrowers are excellent when compared to the percentage of moderate-income families in the effective lending territory. CBNA originated 29% of home purchase and 18% of refinance loans to moderate-income individuals. Fourteen percent of all families are moderate-income. CBNA's market share for moderate-income borrowers is excellent when compared to the overall market share. The bank's market share for home purchase and refinancings to moderate-income borrowers exceeds the bank's overall market share.

### Small Business Lending

This analysis illustrates the distribution of small business loans in the effective lending territory. Our analyses revealed that 57% of CBNA's small loans to businesses were to businesses with gross revenues of \$1 million or less. This performance is reasonable when compared to the percentage (69%) of businesses with gross revenues of \$1 million or less and the aggregate market's percentage of 53%. Forty-eight percent of all small loans to businesses were originated for amounts of \$100,000 or less for an average loan size of \$172,000. As explained in the *Lending Activity* section of this report, the bank has only recently begun to aggressively offer commercial loans due to its change in organizational structure.

### Consumer Lending

This analysis compares CBNA's consumer lending to borrowers of different income levels to the proportionate population in each income level. The bank's performance is excellent given the percentage of the population that are low-income (9%) and moderate-income (14%). The bank originated 18% of bank loans to low-income borrowers and 23% to moderate-income borrowers.

### **Community Development Lending**

CBNA extended a significant number of community development loans during the evaluation period. Thirty multi-family residences, totaling \$15,034,550, were financed within low- and moderate-income census tracts. All of the loans are within the bank's assessment area.

### **Innovative or Flexible Lending Practices**

CBNA makes good use of flexible loan programs. These programs have been instrumental in providing affordable lending for consumer purposes and small business development.

- **CoVest Home Equity Line of Credit:** This home equity loan allows a 10-year term and no up-front costs and no annual fee for the first year. The customer may chose between fixed or variable interest rates and with only interest-only payments required. There are no points and no closing costs. Maximum loan-to-value is 100% and debt-to-income ratios of up to 44% are allowed. CBNA extended 436 of these loans in 1997 and 1998.
- **CoVest Banc Community Investment Program and Affordable Housing Program:** These are 2 affordable housing loan products with very similar characteristics. The products apply to single-family, owner occupied residences located within the Chicagoland PMSA 1600. The interest rates are discounted and no points are charged. Other closing costs are minimal. Borrowers are required to pay only 3% down and are required to complete the Home Buyer Counseling Program. Private Mortgage Insurance is required. Underwriting is relaxed with maximum debt-to-income ratios of up to 65% allowed, depending on credit bureau score. CBNA originated 107 loans under these programs during 1997 and 1998.

## INVESTMENT TEST

In its investing activities, CBNA exhibits good responsiveness to credit and community development needs. This conclusion is based on the needs and opportunities within the area identified through community contacts and the bank's size and financial capacity. Due to the bank's presence within a large metropolitan area, many investment opportunities are available to assist needs within the communities in which the bank serves. Specific needs and opportunities are discussed within the *Description of Assessment Area* section of this report.

The bank provides investments in its communities through an investment security. This investment is detailed as follows:

- In June 1999, the bank purchased an investment in a FHA Section 8 housing project loan for displaced families, that is administered by the Illinois Housing Development Authority. The purchase price of the investment is \$1,288,745, due to mature September 2030. The housing project is located in a low-income area of the City of Chicago, which is within the bank's assessment area.

Additional donations and grants were provided to organizations with a primary purpose of community development. CBNA contributed to 2 different community development organizations, totaling \$30,000 during the evaluation period.

## SERVICE TEST

CBNA serves the needs of its community through various service-oriented activities. This conclusion is based on the following:

- C CBNA employs various delivery systems that make products and services reasonably accessible to individuals of different income levels.
- C Branch offices are reasonably accessible to geographies and individuals of different income levels within the assessment area considering the bank's size and resources. Branch hours are reasonable.
- C CBNA provides adequate community development services.

### Retail Banking Services

CBNA has 3 offices (including the main office). The main office is located in the City of DesPlaines. The branches are located in Arlington Heights and Schaumburg, Illinois. **Table 13** depicts the census tracts and income levels of the population served by the 3 branch offices.

As shown in **Table 13**, two of the bank's offices are located in upper income census tracts and one is located in a middle-income census tract. Only a small percentage of the population within the assessment area (5%) is located in low- or moderate-income geographies. However, our analysis reveal that within the immediate surrounding area of the DesPlaines branch, some low- and moderate-income families are served.

Products and services are consistent for all bank locations. CBNA's hours are tailored to the needs of the surrounding area. Hours of operation are consistent throughout the assessment area. All branches maintain Saturday hours. Additionally, all branches have drive-up facilities which offer extended hours.

The bank maintains 4 ATM machines. The bank subscribes to the Cash Station network that enables customers to transact banking through a large number of ATM machines throughout the assessment area and nationwide.

### Alternative Delivery Systems

CBNA's alternative delivery systems make services more accessible. These programs enhance the overall delivery of products to the market as a whole. In addition to the ATM network, these systems include an automated telephone banking system known as CoVest Direct Telephone Banking. Customers can obtain loan and deposit information 24 hours a day via a toll-free number. Customer initiated transactions may include account balance inquiries, funds transfers, loan payments and rate information. Loan originators accept applications over the telephone. As part of the bank's service to the multi-ethnic communities it serves, bank employees utilize a foreign language directory in order to provide assistance to non-English speaking customers. Bank personnel speak 9 different languages. This allows the bank to provide better customer service as it gives the bank the ability to have a translator join in on conversations with customers.

CBNA offers two deposit products that provide access to affordable financial services for persons who

are low-or moderate income. The bank offers a Free Checking account, which features no minimum balance requirement, no monthly maintenance fee, and unlimited check writing privileges. The Bank also makes available a Savings account with a low minimum balance requirement of \$200.

We did not place significant weight on the alternative delivery systems when drawing our CRA performance conclusions because no data were available to determine the effectiveness of delivering retail banking services to low- and moderate-income census tracts and to low- and moderate-income individuals.

### **Community Development Services**

CBNA has been actively involved in the following community development services:

- C A member of senior management serves on the board of directors and as treasurer of Self-Help Closet and Pantry of DesPlaines. This mission of this nonprofit organization is to provide food, clothing, and household items to needy low-income families in the City of Des Plaines.
- C An officer serves on the board of directors of the United Way of DesPlaines. This local chapter of United Way allocates funds to 21 health and human service agencies in northwest suburban Chicago. The beneficiaries of these services are predominantly low- and moderate-income individuals and families.
- C An officer serves as the Bank's representative in the Welfare to Work Partnership, a national, nonpartisan, not-for-profit organization designed to encourage and assist private sector businesses with hiring people on public assistance. CBNA is a "Business Partner" member of the Welfare to Work Partnership. As a member, the Bank participates in a network of businesses and service providers, which serves as a clearinghouse for posting job openings with local service providers, as well as locating and recruiting work-ready welfare recipients.
- C An officer is President of DesPlaines Chapter of the Society of Mexican-American Citizens of Illinois. While sharing his financial expertise, the officer works closely with the City of DesPlaines on two projects. The first project involves a plan whereby the City would help provide funding to low- and moderate-income persons for improvements to existing housing stock in the City of DesPlaines. The second project involves working with the City to obtain a state grant for down payment funds for low- and moderate-income persons buying in the City of DesPlaines.

## **FAIR LENDING REVIEW**

We performed a fair lending review of home mortgage refinance loans by reviewing denied and approved applications for the last 6 months of 1998. Applications were compared on the basis of race. The sample consisted of comparing denied applications for the prohibited basis group to the approved applications for the control group. We found no evidence of discrimination.

## Appendix A: Scope of Examination

<b>Time Period Reviewed</b>	<b>Lending Test:</b> January 1, 1997 to December 31, 1998 <b>Service &amp; Investment:</b> March 1, 1996 to July 1, 1999	
<b>Financial Institution</b>		<b>Products Reviewed</b>
<b>CoVest Banc National Association DesPlaines, Illinois</b>		HMDA, Small Business, Community Development Loans and Consumer Loans 1997 & 1998
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Chicago, IL MSA	On-site	

## Appendix B: Tables of Performance Data

### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in

each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.

**Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.

**Table 9. Borrower Distribution of Refinance Loans** - See Table 7.

**Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each

MSA/AA.

**Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.