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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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## **PUBLIC DISCLOSURE**

**December 17, 1999**

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

**Crystal Lake Bank & Trust Company, N.A.  
Charter Number 23574**

**70 N. Willaims Street  
Crystal Lake, Illinois 60014**

**Comptroller of the Currency  
Arlington Place II, Suite 340  
85 West Algonquin Road  
Arlington Heights, IL 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 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 **Crystal Lake Bank & Trust Company, N.A.**, as prepared by **The Office of the Comptroller of the Currency (OCC)**, the bank's supervisory agency. This evaluation considers the bank's performance as of **December, 1999**. The OCC rates the CRA performance of the bank consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**CRA RATING:** This institution is rated "**Satisfactory**".

The key factors which support a Satisfactory rating are as follows:

- The distribution of loans to borrowers of different income levels and to businesses of different sizes meets the standards and is representative of the demographics.
- The bank's average loan to deposit ratio meets the standards and is comparable to peer.
- A majority of the bank's loans are in the assessment area.

## DESCRIPTION OF INSTITUTION

Crystal Bank & Trust Company, N.A. ("Crystal Lake Bank") was established in December 1997. The bank moved to its present main office location at 70 N. Williams Street, Crystal Lake, Illinois on September 28, 1998. Crystal Lake is located approximately 51 miles northwest of Chicago, Illinois in McHenry County. In 1999, Crystal Lake Bank also opened two more branches located at 1000 McHenry Avenue and 27 N. Main Street, both in Crystal Lake, Illinois.

As of September 30, 1999, the bank had total assets of \$83 million and reported a net loss of \$254 thousand. In comparison, for years ended December 31, 1998 and 1997, the bank reported net losses of \$659 thousand and \$15 thousand respectively.

Crystal Lake Bank provides a full range of services and credit products including mortgage loans, home improvement loans, home equity loans, automobile and vehicle loans and commercial loans. Loans represent the largest component of the bank's asset base at 69%. At September 30, 1999, gross loans and leases totaled \$58 million comprised of \$24 million or 41% real estate, \$16 million or 28% installment loans and \$18 million or 31% commercial loans. Since its establishment, the bank has experienced rapid loan growth in real estate and individual loan categories.

As of September 30, 1999, total deposits approximated \$71 million. Deposit growth is fueled mainly by rapid growth in time and money market deposits.

Crystal Lake Bank is capable of helping to meet the community credit needs based on its size and product offering and fulfils the spirit of CRA.

## DESCRIPTION OF ASSESSMENT AREA

The bank has defined its local community in geographic terms which coincide with its primary service area. This area is approximately 144 square miles in size and is made up of 11 census tracts comprising the City of Crystal Lake and the adjacent areas within approximately four miles of the bank's main office. The assessment area is contained in the Chicago MSA (MSA 1600). The assessment area does not arbitrarily exclude low- and moderate- income areas and is in compliance with the regulatory requirements.

<b>Crystal Lake Bank Demographic Characteristics</b>		
<b>Income Level of Census Tract</b>	<b>Count</b>	<b>% of Total</b>
Low-Income	0	0
Moderate-Income	0	0
Middle-Income	7	36
Upper-Income	4	64
<b>TOTAL</b>	<b>11</b>	<b>100</b>

Source: 1990 U.S. Census Information

The Department of Housing and Urban Development (HUD) adjusts the median family income each year. In 1999, the median family income for the Chicago MSA was adjusted to \$63,800. The annual HUD data is used to determine borrower income levels under CRA. Based on this income figure, 7% of the families in the assessment area are classified as low-income, 13% are moderate-income, 28% are middle-income, and 52% are upper-income.

There are over 27,000 housing units in the assessment area. Of this, 80% are owner occupied units, 17% are rental occupied units, and about 3% are vacant housing units. The median housing value is \$126,873 and the average monthly gross rent is \$599.

The local economy of the assessment area is stable. The unemployment labor rate is 2%. The industries within this area primarily consist of Services and Retail Trade. Based on information provided by Dun and Bradstreet Business Demographic reports, there are 4,416 businesses operating in the bank's total assessment area. Of these, 74% have sales less than \$1 million, 11% have sales greater than \$1 million, and 16% of the businesses did not report annual sales.

Agriculture is a very small trade within the assessment area. There are 171 farms representing 4% of the total businesses in the assessment area. For this reason, small farm lending was not evaluated.

Recent community contacts were reviewed as part of this evaluation. The contacts indicated that local credit needs include small business lending and affordable housing. Affordable housing need stems from the minimal availability of this type of housing within the Crystal Lake area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

- Crystal Lake Bank has a satisfactory distribution of loans to borrowers of different income levels and to businesses of different sizes.

An analysis of the sample of the bank's installment, real estate and home equity loan portfolio revealed that the bank made 3% of those loans to low-income borrowers, 26% to moderate-, 30% to middle- and 41% to upper-income borrowers. Lending to low-income borrowers compares negatively to the demographics which disclose 7% of the families within the AA are low-income. Lending to moderate-income borrowers is excellent when compared to the demographics, which indicate that 13% of the families within the AA are moderate-income. Further analysis indicated that the bank was very active in providing installment loans to low- and moderate- income borrowers. In fact 8% and 42% of installment loans were made to low- and moderate- income borrowers respectively. (See Table below for details on lending levels.) This installment lending compares favorably with the demographics of the assessment area, which indicates that 7% of the families are low-income and 13% are moderate-income.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS								
Borrowers	Mortgage Loans		Instalment Loans		Home Equity LOC		Totals	
	#	%	#	%	#	%	#	%
Low-Income	0	0	1	8	0	0	1	3
Mod-Income	3	21	5	42	2	15	10	26
Mid-Income	5	36	2	17	5	39	12	30
Upper-Income	6	43	4	33	6	46	16	41
Totals	14	100	12	100	13	100	36	100

Source: 1998 and 1999 Mortgage, Instalment and Lines of Credit Loan Originations Inside the Bank's AA.

A review of the bank's commercial loan portfolio was also considered during this evaluation period. A total of 20 loans were sampled. Based on this sample, a significant majority or 86% of the loans had gross annual revenues under \$1 million. About 14% of the commercial loans had over \$1 million in revenues. Comparing this to the business demographic information for the assessment area, the bank's small business lending is favorable. Analysis of commercial loans within the assessment area revealed that the commercial loans at origination for less than \$100,000 totaled seven or 47%, loans greater than \$100,00 but less than \$250,000 totaled six or 40%, and loans originated in amounts greater than \$250,000 computed to two or 13%. This signifies that the bank is making small loans to small businesses within its AA. (See the table on the next page for details.)

<b>LENDING TO SMALL BUSINESSES</b>											
Loans to Businesses with Revenues less than \$1million		Loans to Businesses with Revenues greater than \$1million		Loan Origination Amounts						Total Small Business Loans	
				<\$100,000		\$100,00 to \$250,000		>\$250,000			
#	%	%	%	#	%	#	%	#	%	#	%
12	86	2	14	7	47	6	40	2	13	15	100

Source: 1998 and 1999 Commercial Loan Originations Inside the Bank's AA.

## **LOAN TO DEPOSIT RATIO**

- The loan to deposit ratio is reasonable and is comparable to peer group banks.

The bank's average loan to deposit (LTD) ratio is adequate. As of September 30, 1999 the LTD was 81% versus peer ratio of 71%. For the last eight quarters the bank's LTD has averaged 69% and is slightly below peer, which averaged 72%. The bank's LTD is distorted due to the fact that at the bank's first quarter end the bank was only two years old, and its LTD was 8%.

## **LENDING IN THE ASSESSMENT AREA**

- The bank is originating a majority of loans in its AA and is reasonable.

To determine the bank's level of lending in the assessment area, we reviewed a sample of installment, home equity, and commercial loans made during the evaluation period. In addition, we reviewed all residential real estate loans made during the evaluation period.

Based on this information, the bank is making more than a majority of its loans in the assessment area. Overall, 63% of total loans sampled originated within the assessment area. In fact 60% of installment, 65% of home equity, 52% of real estate and 75% of commercial loans were made within the assessment area.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

Since there are no low- or moderate- income areas within the assessment area, the analysis would not be meaningful. Therefore, it was not performed.

## **RESPONSE TO COMPLAINTS**

No complaints regarding the Community Reinvestment Act were received.

## **COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS**

To determine compliance with the fair lending laws and regulations, a sample of three-year and five-year home purchase loans was performed. The review consisted of comparing rates, terms, and conditions offered to female, single applicants compared to male single applicants. Based on this comparison,

there is no evidence of disparate treatment and the bank is in satisfactory compliance with the fair lending laws and regulations with respect to rates, terms and conditions on home purchase loans of three- and five-year maturities.