



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Wheaton
Charter Number 16584**

1151 East Butterfield Road, Wheaton, Illinois 60187

Office of the Comptroller of the Currency

7600 County Line Road, Suite 3, Burr Ridge, Illinois 60521

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 Community Reinvestment Act (CRA) performance of the First National Bank of Wheaton (FNB Wheaton) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of December 12, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

FNB Wheaton extends loans to consumers and businesses of all income levels. The bank's loan-to-deposit ratio is reasonable. The geographic distribution of loans throughout the assessment area is also reasonable. The bank originates a majority of loans within its assessment area.

DESCRIPTION OF INSTITUTION

FNB Wheaton is a subsidiary of Illinois State Bancorp, a two bank holding company. The bank is based in Wheaton, Illinois, a suburb approximately 35 miles west of the city of Chicago. The bank has a full service location in Wheaton and a full service branch in northwest Chicago. The Chicago branch opened on June 30, 1997. Both locations include a drive-up facility and an automated teller machine.

FNB Wheaton totaled \$48 million in assets as of June 30, 1997. Net loans comprise 70.27% of total assets. The loan portfolio is 38% commercial real estate, 36% commercial, 21% residential real estate, and 5% consumer loans.

The bank offers numerous loan products including commercial, commercial real estate, consumer, home improvement, home equity lines of credit, and three and five year balloon home purchase and refinance loans with 15-25 year amortizations. However, the bank's lending efforts are largely concentrated on small business loans with recent emphasis also on retail loans. FNB Wheaton processes adjustable rate and long-term fixed rate mortgages for loans it brokers to mortgage companies. During 1996 and through September 30, 1997, the bank brokered 14 residential mortgages totaling over \$2 million. This results in the bank's mortgage lending activity appearing lower.

No financial or legal impediments exist that would impact the bank's ability to meet the credit needs of its community. The Comptroller of the Currency rated the bank "Satisfactory" at the bank's last CRA examination, dated November 4, 1994.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of 156 census tracts which comprise most of the county of DuPage and the northwest portion of Cook County. These census tracts are located in the Chicago Metropolitan Statistical Area (MSA). The assessment area includes all or a portion of the following communities: Wheaton, Glen Ellyn, Naperville, Oak Brook, Winfield, Bartlett, Hanover Park, Roselle, Carol Stream, Glendale Heights, Addison, Lombard, Villa Park, Elmhurst, Itasca, Wood Dale, Bensenville, Elk Grove Village, Des Plaines, Park Ridge, Niles, Morton Grove, Rosemont, Schiller Park, Norridge, Harwood Heights, and the far northwest portion of the city of Chicago (south to Irving Park Road and east to Cicero Avenue). The assessment area is legal and does not arbitrarily exclude low- or moderate-income geographies.

The median family income of the assessment area is \$52,153. The assessment area consists of two (1.3%) moderate-income, 80 middle-income (51.3%), and 74 (47.4%) upper-income census tracts. There are no low-income census tracts in the assessment area. However, low- and moderate-income families represent 9.4% and 14.8% of the population of the assessment area, respectively. Total population of the assessment area is 877,040. The average age of the housing stock in the assessment area is 34 years. Housing units are 71% owner occupied, 26% rental, and

3% vacant.

The local economy is stable and is predominantly retail businesses with some industry. The largest employers are the McDonalds Corporation, Lucent Technologies, AT&T, and Resurrection Hospital. Many residents in the assessment area commute to the city of Chicago for employment. The unemployment rate in the assessment area is stable at 2%.

Many financial institutions serve the assessment area. According to 1996 Home Mortgage Disclosure Act (HMDA) information, 607 financial institutions originated real estate mortgages in the bank's assessment area. Many of the banks located in the assessment area are branches of larger regional and money center banks. Five other banks are based near the bank's locations.

We considered comments from the community in assessing the bank's CRA performance. We contacted a local chamber of commerce and aldermanic aide and reviewed recent contacts made within the assessment area during other CRA evaluations. The contacts indicated that the community's credit needs include small business, home improvement, flexible mortgage, and automobile loans. The bank has identified similar credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

► **The bank originates loans to individual borrowers and businesses of all income levels.**

The distribution of HMDA reportable mortgage and installment loans approximates the income level characteristics of the bank's assessment area and indicates an improving trend. Our analysis of the bank's lending activity focused on 1996 and year to date 1997 originations (through September 30, 1997). We reviewed all residential mortgage loans and sampled 35 installment loans extended within the assessment area during 1997 and 1996. During this time, the bank extended 6.0% and 22.0% of the mortgage and installment loans to low- and moderate-income borrowers, respectively. Lending to low-income borrowers is relatively stable from 1996 to 1997 while lending to moderate-income borrowers demonstrates improvement from 1996 to 1997. The following table contains information on the bank's mortgage and installment loans by borrower income level.

ANALYSIS OF LENDING TO INDIVIDUALS OF DIFFERENT INCOME LEVELS

Gross Income Levels	Year to Date 1997				1996				1997 and 1996 Mortgage & Installment	
	Mortgage		Installment		Mortgage		Installment		# Loans %	\$ (000s) %
	# Loans %	\$ (000s) %	# Loans %	\$ (000s) %	# Loans %	\$ (000s) %	# Loans %	\$ (000s) %		
Low	0 0.0%	0 0.0%	1 6.3%	100 36.4%	1 14.3%	47 4.2%	1 5.3%	7 1.6%	3 6.0%	154 5.6%
Moderate	2 25.0%	178 18.9%	6 37.5%	102 37.0%	1 14.3%	85 7.6%	2 10.5%	8 2.0%	11 22.0%	373 13.7%
Middle	2 25.0%	109 11.6%	6 37.5%	24 8.6%	1 14.3%	15 1.3%	5 26.3%	101 25.0%	14 28.0%	249 9.1%
Upper	3 37.5%	504 53.6%	3 18.7%	49 18.0%	2 28.6%	410 36.7%	11 57.9%	288 71.4%	19 38.0%	1,251 45.7%
Not Available	1 12.5%	150 15.9%			2 28.6%	559 50.1%			3 6.0%	709 25.9%
Total	8 100.0%	941 100.0%	16 100.0%	275 100.0%	7 100.0%	1,116 100.0%	19 100.0%	404 100.0%	50 100.0%	2,736 100.0%

Source: 1997 and 1996 HMDA-Loan Application Registers (LARs), installment loan sample

Lending to small businesses is a demonstrated area of strength for the bank. Small businesses are defined as businesses with gross annual revenues of less than \$1 million. Commercial loans represent approximately 74% of the bank's loan portfolio. We sampled 29 commercial loans originated by the bank within the assessment area during 1996 and 1997. During 1997 and 1996, the bank extended 70.6% and 72.7% of commercial loans sampled to small businesses, respectively. In applying these results to the bank's new loan reports for commercial loans, 97 of the 138 commercial loans originated in 1997 were to small businesses. In 1996, 104 of the 143 commercial loans extended were to small businesses. Of the loans to small businesses, a majority are less than \$100M in loan amount. These small loans are an identified credit need within the assessment area. The following tables illustrate the bank's strong level of lending to small businesses during this time period.

**1997 COMMERCIAL LOANS SAMPLED
WITHIN THE ASSESSMENT AREA**

BUSINESS SIZE (GROSS ANNUAL REVENUES)	LOAN AMOUNTS						TOTAL	
	< \$100M		\$100-250M		>\$250M			
	# of Loans	%	# of Loans	%	# of Loans	%	# of Loans	%
\$1 MILLION OR LESS	11	84.6%	0	0.0%	1	33.3%	12	70.6%
GREATER THAN \$1 MILLION	2	15.4%	2	100.0%	2	66.7%	6	29.4%
TOTAL	13	100.0%	2	100.0%	3	100.0%	18	100.0%

**1996 COMMERCIAL LOANS SAMPLED
WITHIN THE ASSESSMENT AREA**

BUSINESS SIZE (GROSS ANNUAL REVENUES)	LOAN AMOUNTS						TOTAL	
	< \$100M		\$100-250M		>\$250M			
	# of Loans	%	# of Loans	%	# of Loans	%	# of Loans	%
\$1 MILLION OR LESS	5	62.5%	3	100.0%	0	n/a	8	72.7%
GREATER THAN \$1 MILLION	3	37.5%	0	0.0%	0	n/a	3	27.3%
TOTAL	8	100.0%	3	100.0%	0	n/a	11	100.0%

Source for above two tables: Commercial loan sample

► **The bank's loan-to-deposit ratio is reasonable.**

The loan-to-deposit ratio averaged 70.56% since the last CRA examination. The ratio has significantly increased over the last year. This average loan-to-deposit ratio reasonably compares with the average ratios of three other local financial institutions over the same time period which were 48.42%, 51.96%, and 80.09%.

► **The bank's geographic distribution of credit extensions demonstrates a reasonable penetration throughout the assessment area.**

The bank's assessment area contains no low-income census tracts and just two moderate-income census tracts. These two moderate-income tracts offer less lending opportunities than other tracts in the assessment area due to limited housing units and low populations. The first census tract consists primarily of Reed Mental Health Center and Wright College. The second census tract is predominantly an industrial area adjacent to O'Hare International Airport where many large corporations such as United Airlines have facilities. The bank has extended six commercial loans totaling \$843M to two borrowers in the second census tract since the last CRA examination. One of the borrowers is a small business and one of the four loans to this borrower is a Small Business Administration (SBA) loan.

This level of lending reflects the limited retail lending opportunities and is also compensated by the bank's penetration among low- and moderate-income individuals and small businesses throughout the assessment area.

► **The bank conducts a majority of their lending in their assessment area.**

We reviewed all HMDA mortgage loans extended and sampled 56 commercial and 62 installment loans originated during 1996 and 1997. Based on the number of loans, the bank originated 50.0% and 50.6% of the loans we sampled within the assessment area for 1997 and 1996, respectively. The bank's largest business focus, commercial loans, indicates an improving trend in the level of lending within the assessment area. The following table demonstrates the bank's lending within its assessment area.

YEAR TO DATE 1997 ORIGINATIONS

LOAN TYPE	WITHIN ASSESSMENT AREA		OUTSIDE ASSESSMENT AREA		TOTAL	
	NUMBER %	\$ AMT (000S) %	NUMBER %	\$ AMT (000S) %	NUMBER %	\$ AMT (000S) %
MORTGAGE	8 36.4%	941 41.5%	14 63.6%	1,326 58.5%	22 100.0%	2,267 100.0%
COMMERCIAL	18 60.0%	2,424 71.6%	12 40.0%	961 28.4%	30 100.0%	3,385 100.0%
INSTALLMENT	13 50.0%	130 33.1%	13 50.0%	263 66.9%	26 100.0%	393 100.0%
TOTAL LOANS	39 50.0%	3,495 57.8%	39 50.0%	2,550 42.2%	78 100.0%	6,045 100.0%

1996 ORIGINATIONS

LOAN TYPE	WITHIN ASSESSMENT AREA	OUTSIDE ASSESSMENT AREA	TOTAL
-----------	------------------------	-------------------------	-------

	NUMBER %	\$ AMT (000S) %	NUMBER %	\$ AMT (000S) %	NUMBER %	\$ AMT (000S) %
MORTGAGE	7 41.2%	1,116 30.3%	10 58.8%	2,571 69.7%	17 100.0%	3,687 100.0%
COMMERCIAL	11 42.3%	713 46.9%	15 57.7%	807 53.1%	26 100.0%	1,520 100.0%
INSTALLMENT	22 61.1%	470 65.7%	14 38.9%	245 34.3%	36 100.0%	715 100.0%
TOTAL LOANS	40 50.6%	2,299 38.8%	39 49.4%	3,623 61.2%	79 100.0%	5,922 100.0%

Source for the previous two tables: 1997 and 1996 HMDA-LARs and installment and commercial loan sample

The bank had established a niche in loans extended for City of Chicago taxi cab medallions, nearly all of which are outside of the bank's assessment area. As a result, the percentage of loans within the assessment area is lower. Bank management performed an analysis of all outstanding loans as of September 30, 1997. Without considering the specialized lending activity of taxi cab medallion loans, the bank extended 54% of the dollar amount and 48% of the number of outstanding loans within its assessment area.

- ▶ **The bank has not received any CRA related complaints.**

- ▶ **The bank is in compliance with antidiscrimination laws and regulations.**

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations during this examination. We tested all home purchase loan applications received during 1996 and 1997 for evidence of discrimination on the basis of race, gender, age, and marital status. We found no evidence of discrimination.