

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Northern Trust Bank of Texas, N.A., prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of April 30, 1997. 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.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating

Based on the findings presented below, this institution is rated:

Satisfactory Record of Meeting Community Credit Needs.

COMMUNITY AND BANK PROFILES

Community Profile

Northern Trust Bank of Texas, N.A. (NTBT) headquarters is located in Dallas, Texas. The bank delineates its local community as a one mile radius around the main building and the other banking offices with the exception of the Tanglewood/Memorial and Bent Tree offices. The Tanglewood/Memorial offices cover two locations and the service areas overlap. As a result, the delineation is a 1 ½ mile radius circle from the Tanglewood (Bering) office. The bank established the Bent Tree office in March, 1997. The delineated community contains segments of Collin, Dallas, and Denton counties, which is a radius of approximately five miles. The following chart outlines basic demographic information for each of the bank's delineated communities:

Location	Population	*Median Family Income	Total Census Tracts	Number of Low and Moderate Income Census Tracts
Downtown Dallas	13,553	\$18,660	12	6
Park Cities	30,992	\$81,790	8	1
Downtown Houston	29,676	\$16,624	13	10
Bent Tree	451,000	\$59,207	96	2
River Oaks	37,127	\$73,781	11	1
Tanglewood/Memorial	62,543	\$78,511	16	3
Dallas County	1,852,810	\$38,918	415	173
Harris County	2,818,199	\$36,912	582	252

* Median income was generated by the bank based on the average of the median income reported by the Census Bureau for the census tracts in the delineated communities.

The local area is a mix of commercial office complexes, municipalities, and retail stores. Most residential neighborhoods are located outside of the bank's delineated communities. The service area is quite diverse with over half of the census tracts designated as high income areas and the

balance in low- and moderate-income areas. Real estate and small business lending were identified as credit needs in the communities.

Bank Profile

The NTBT is a wholly owned subsidiary of the Northern Trust Corporation. Northern Trust Corporation is a \$21.6 billion, multi-bank holding company with banking and trust operations in Arizona, California, Florida, Illinois, and Texas. The Northern Trust Corporation acquired NTBT in June, 1989. The Park Cities branch opened in June, 1990. The Northern Trust Corporation acquired the Bent Tree National Bank and merged into the NTBT in March, 1997. Houston acquisitions have been Heritage Trust Company, which was authorized in October, 1990. The River Oaks location opened in 1993 and Tanglewood Bank was acquired in 1995.

As of March 31, 1997, total assets of the NTBT equaled \$532.1 million, with total loans of \$393.8 million. The bank manages over \$2 billion in trust assets. The bank has three offices and three ATMs in Dallas County, and four offices and three ATMs in Harris County. The downtown Dallas and Houston offices are located in low to moderate-income areas.

The loan to deposit ratio approximates 102%. The bank's loan portfolio consists of approximately \$73 million (19%) commercial loans; \$27 million (7%) commercial real estate; \$249 million (63%) in residential real estate loans; and \$44 million consumer and other loans. The bank's target market segments are wealthy individuals and low- and moderate-income residents inside the delineated community. Service to low- and moderate-income individuals is not limited to the delineated community.

In response to identified community credit needs, the bank is focused on its residential real estate lending. While management and the board recognize that small business loans are also an identified credit need, a limited array of commercial and business loans are available. These loans are primarily in the area of financing for professional practices. Management and the board have decided that any products not offered by the NTBT will be referred to other lenders. Overall, the bank's business plan is to be a provider of highly personalized services. The bank continually identifies new contacts in its efforts to address community credit needs. Through these and other programs described throughout this public evaluation, the bank has demonstrated its ability to creatively address the community's revitalization and growth consistent with its size, financial condition, location and current local economic conditions.

There are no known financial or legal impediments that impair the bank's CRA performance. The bank has been active in developing and offering special loan programs to address the needs of its delineated community. This is evidenced by the residential real estate mortgage products developed in response to community 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.

- **The NTBT uses a proactive approach to ascertain the credit needs of individuals and businesses throughout its delineated communities.**

The bank uses a combination of an officer call program, formal market research, demographic analysis of the delineated community, and input from senior management and members of the Board of Directors.

The bank's ongoing ascertainment efforts include an aggressive officer call program for its business development. In addition, the seven lenders in Dallas and the eight lenders in Houston make calls on groups and individuals active in providing or improving financial or housing services to the local community.

In addition to the bank's call program, and market surveys, the bank also performs a demographic analysis of its delineated community. This analysis evaluates the race, income, economic and demographic characteristics of the population in relation to the bank's customer base.

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 provides a strong level of oversight in activities related to the bank's performance with respect to the CRA.**

The bank operates with a layered committee network. Northern Trust Corporation has a Corporate CRA Policy Committee and Fair Lending Policy Committee, which meets monthly. The committees are responsible for assisting all Northern Trust Corporation bank's CRA efforts. The committees address CRA related issues from a legal and regulatory standpoint. The bank's CRA /Compliance Officer is a participating member of all the aforementioned committees. Participation on the committee ensures that the bank receives first hand direction on corporate wide issues concerning CRA.

On the bank level, the CRA/Fair Lending Committee consists of the CRA/Compliance Officer as chairman and designated board members and senior lending managers. The committee meets three times a year with informal monthly meetings with private bankers in Dallas and Houston.

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.

- **The NTBT targets its marketing programs, including its low income housing loan programs, to reach selected markets.**

The bank's extensive officer calling program is the primary focus of its marketing program. The bank has supplemented its call program with specific marketing campaigns on the special housing loan programs designed for low- and moderate-income customers. These loan programs are described in detail under Assessment Factor I.

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 addresses a portion of its community's identified credit needs through traditional and more flexible, non-traditional residential mortgage products**

Special loans programs developed by the NTBT include the following:

FIRST-TIME HOME BUYER'S CLUB

The NTBT established the First-Time Home Buyer's Club in 1992 to help low- and moderate-income individuals purchase their first home. To qualify for this mortgage loan product the buyer must not have owned a home for the last three years; the combined household income must not exceed \$40,000; and the home must be located in Texas. The maximum loan amount is \$90,000 and the maximum loan to value ratio is 95%. All or part of the down payment may be a gift. The NTBT's private bankers work with the buyer to determine the price range of a home they can afford, and if necessary, the best method of saving for the new home. The loans feature a fixed rate for 30 years with no application fees and no points.

Low and moderate-income individuals and areas have been receptive to the First Time Home Buyer mortgage product. As of December 31, 1996, the bank made 97 loans totaling \$4.6 million. The table on the following page summarizes the activity the bank has experienced with this special loan program since 1993:

FIRST-TIME HOME BUYER LOANS MADE BY NTBT		
YEAR	NUMBER	AMOUNT \$000
1993	19	922
1994	31	1,508
1995	22	1,006
1996	20	1,137

BANKING ON HABITAT I

In 1992, the NTBT pioneered development of a financing program, named Banking on Habitat, in partnership with Dallas Area Habitat for Humanity (Habitat). The bank extends construction financing to Habitat and subsequently extends the permanent financing to the respective homeowner at 0% interest. The NTBT's permanent financing is effected by purchasing the 0% mortgage note. Habitat endorses the note to the bank with recourse. The decision to forego interest, which received regulatory approval, was based on the premise of viewing the foregone interest as an annual contribution to Habitat. The program has been packaged and successfully marketed to other financial institutions in Dallas as well to other Habitat affiliates. The bank's officers have been active in the marketing of the program to other financial institutions.

BANKING ON HABITAT II

In late 1993, the NTBT developed a modified version of the Banking on Habitat I program, named Banking on Habitat II. The modification is the buy down of the principal balance of each mortgage by one or more cash (or in-kind) donors. The amount of the bank's financing is reduced. In addition, the stream of payments made by the homeowner provides a yield on the NTBT's invested amount. Banking on Habitat I and Banking on Habitat II programs have been packaged and marketed to other financial institutions in the Dallas area and to other Habitat chapters.

In 1996, the bank made 12 Habitat loans for a total of \$329,000 and 11 loans for \$265,000. Residential real estate related loans made up 63% of the bank's loans as of March 31, 1997. The bank provides financing for organizations that build homes for low and moderate-income areas and individuals. The NTBT provides a revolving line of credit of \$100,000 for the Community Housing Fund (Dallas/Houston). The Community Housing Fund is the largest low income builder in the state of Texas. One of the bank's goals was to increase the number of loans in its delineated communities.

The number of Home Mortgage Disclosure Act (HMDA) applications received and loans

originated within the bank's delineated communities increased in 1996 when compared to 1995. The following table represents applications and originations for the bank's HMDA reportable loans:

HMDA LOAN ANALYSIS						
LOAN TYPE	#	%	\$ 000's	#	%	\$ 000's
	1995		1995	1996		1996
TOTAL HMDA Applications	302	100%	\$79,895	300	100%	\$115,481
Applications within the bank's delineated communities	113	37%	\$39,517	120	40%	\$65,129
Total HMDA Originations	248	100%	\$62,202	255	100%	\$98,326
Originations within the bank's delineated communities	95	38%	\$33,491	103	40%	\$56,730

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

- **The NTBT is not a participant in governmentally-insured, guaranteed, or subsidized loan programs.**

The bank has participated in programs where grants are available for down payments on residential real estate loans for low income individuals or families. It has processed loans with government subsidies from the city of Dallas and the city of Houston. The bank determined that its own special mortgage loan products (described in Assessment Factor I) better serve its customers as the document process is streamlined and the loan processing time is shorter than available government real estate loan programs.

While the NTBT is not a small business loan lender, they have originated small loans to businesses. In 1996, the bank originated 76 small business loans totaling \$2.16 million. Forty-six or 62% of the small business loans originated at an amount less than \$100,000. Also, forty-one or 54% of these loans are inside the bank's assessment area. The bank addresses small business loan needs by referring requests to organizations that specialize in small business lending. It provides financial support and loan officers serve on the loan committees for organizations that assist with small business development.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **The NTBT's delineated communities are reasonable.**

The bank currently conducts business from seven offices. Three of the offices are in Dallas County and four offices are in Harris County. All offices and deposit taking ATMs are included in the bank's delineated service area. The areas consist of whole geographies and do not arbitrarily exclude any low or moderate- income areas.

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

- **The NTBT's geographic distribution of credit extensions and applications demonstrates a reasonable penetration throughout the delineated community.**

Based on the 1990 Census Bureau data, the bank has some challenges in serving its delineated community. Of the seven delineated communities, two are centered in downtown metropolitan locations. The bank serves the people who live within their delineated communities, as well as, people who work in these areas. A review of the geographic distribution demonstrates a reasonable penetration throughout the bank's delineated communities.

Annually, the bank does a full analysis of its HMDA data to review total applications and declination ratios by race and income level categories. The bank's analysis disclosed that the number of applications received from low and moderate-income census tracts has increased since 1994.

Low and Moderate Income Census Tracts			
Year	Number of Applications	Number of Originations	Number of Denials
1994	30	27	2
1995	31	24	5
1996	35	31	3

In addition, during 1996 the bank made 19 loans totaling \$3.15 million to low and moderate-income individuals not living in low and moderate-income areas. The 1996 HMDA data also disclosed that the bank received approximately 11% of all applications from low and moderate-income applicants.

Assessment Factor G - The institution's record of opening and closing offices and providing

services at offices.

- **The NTBT has a satisfactory record of opening and closing offices.**

The bank operates three offices and three ATMs in Dallas County, and four offices and three ATMs in Harris County. The downtown Dallas and downtown Houston locations are in low and moderate-income areas. The offices are reasonably accessible to the respective communities. All locations provide full service.

Banking hours range from 7:30 am to 6:00 pm. The later hours are at the motor bank facilities. The hours are reasonable and accommodating to the general public. The bank has not closed any offices.

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).

- **The NTBT does not engage in any practices to discourage applicants for the types of credit offered.**

The bank has adequate policies and training programs supporting non-discrimination. The NTBT accepts credit applications from all segments of the community. The bank continues its efforts to increase participation from low and moderate-income areas in the bank's service area.

The bank conducts a second review of all loans prior to being officially denied. Annually, the bank conducts a comparative analysis of denied and approved loan files to identify any discriminatory practices. In 1996, a consultant conducted a "mystery shopper" survey at the bank to identify any discriminatory practices. In all of these analyses, no discriminatory practices were noted.

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

- **We did not note illegal discrimination or other illegal credit practices.**

Our fair lending review focused on residential home purchase loans underwritten from January 1, 1996 through December 31, 1996. We reviewed 75 conventional home purchase mortgages. The mortgage loan applications consisted of 17 minority applicants and 58 non-minority applicants. We compared terms and conditions of the loans. We found the NTBT to be in substantial compliance with the provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

V. COMMUNITY DEVELOPMENT

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

- **The NTBT actively participates in community development and redevelopment opportunities within its delineated service areas.**

Through its on-going ascertainment efforts, the bank is kept apprised of development and redevelopment programs and projects in its delineated community. For 1995 and 1996, the bank participated in five First-Time Home Buyer seminars in Dallas and six seminars in Houston. The majority of these seminars were in Spanish.

The NTBT works with various community groups and organizations by providing technical and financial assistance, direct loans and permanent mortgage financing.

Technical Assistance

Dallas Area Habitat for Humanity (DAHfH)

The DAHfH is a nonprofit builder of affordable housing. The bank provided innovative technical assistance to develop and implement Banking on Habitat I (0% interest loans) and Habitat II (blended interest rate loans) programs, which provide permanent financing. These programs are being introduced to the Habitat in Houston as well as being promoted nationwide. One of the bank's loan officers is the treasurer of the organization's Board of Directors and the bank's Chief Banking Officer is on the Advisory Board.

Southern Dallas Development Corp. (SDDC)

Southern Dallas Development Fund (SDDF)

Dallas Business Finance Corp. (DBFC)

The SDDC is a nonprofit community development corporation (CDC) sponsored by the City of Dallas for the purpose of promoting industrial development and employment in South Dallas. Loans granted by SDDC are generally in the range of \$100,000 to \$300,000.

The SDDF is a related, for profit bank CDC with lending/investment activities that generally range from \$25,000 to \$100,000. The NTBT is one of the founding shareholders of the SDDF.

The DBFC is a certified development company which administers a Small Business Administration (SBA) Section 504 loan program. It also administers the SDDC's "micro-loan" program for areas outside of South Dallas. The SBA Section 504 loans go up to \$750,000. The "micro-loans" go up to \$25,000.

A bank officer is currently on the DBFC's Loan Committee. The bank only provides technical

assistance. It is not involved in commercial or industrial lending.

Black State Employees of Association of Texas (BSEAT), Dallas, Texas.

The BSEAT is an organization supporting the equal treatment of African-Americans in the community. The NTBT has a \$470,000 commitment to BSEAT CDC Inc. to acquire land to develop a shopping center in South Dallas, will service the surrounding low to moderate-income area.

Center for Nonprofit Management (CNM), Dallas, Texas.

The CNM provides training classes, financial assistance and meeting space to 501(c)(3) nonprofit groups. Other services include the Loan Center, which provides funding for working capital, equipment, etc. up to \$40,000. The bank's Compliance/CRA Officer is a Loan Analyst for the Loan Center and another officer is on the committee in 1996.

Family Gateway, Dallas, Texas

This organization provides low income housing to families in need. An NTBT officer is on the Finance Committee. The bank has also conducted a First Time Home Buyer seminar for this organization.

St. Philips Neighborhood Development Corporation (SPNDC), Dallas, Texas.

The SPNDC is a nonprofit corporation committed to neighborhood improvement in the St. Philips neighborhood, which is a low income area. The population in the neighborhood is almost entirely African American. The NTBT fostered a relationship between SPNDC and Dallas Area Habitat for Humanity for future housing projects in the St. Philips Neighborhood. The bank's Compliance/CRA Officer is Treasurer of the St. Philip's NDC Board and another officer is Treasurer of the St Philip's School and Community Center Board.

The NTBT provides assistance to other organizations and individuals through Housing Crisis Center, Interfaith Housing Coalition, CDC Association of Greater Houston, Freedmen's Town Association, Gulfton Area Neighborhood Organization and area realtors to acquaint them with the bank's mortgage loan products.

Sources for Mortgage Loans

Oak Cliff Development Corporation (OCDC), Dallas, Texas.

The OCDC is nonprofit organization focusing on the redevelopment of Oak Cliff, in South Dallas. The staff provides mortgage counseling to their clients. Their efforts include the reversal of deterioration in available housing, and the construction of new affordable homes for resale to low- and moderate-income individuals. OCDC seeks interim financing for the renovation/construction of homes as well as permanent financing for the home buyer.

Housing Corporation of Greater Houston (HCGH)

The HCGH is a private nonprofit organization dedicated to improving housing conditions and conserving neighborhoods. Since its establishment in 1968, the HCGH has assisted directly in the construction and rehabilitation of over 3,200 homes for lower income residents of Houston. One of the bank's trust officers is on the Board.

Greater Houston Urban Redevelopment Corporation

It brings in developers to assist in the redevelopment in northeast Houston Area.

Advocates for Housing, Houston, Texas

This group is devoted to traditional and non-standard mortgage financing for low- to - moderate income people. The membership is made up of lenders, developers, city personnel, and special interest groups. An NTBT officer is on the organization's Finance Committee.

Community Housing Fund (CHF), Dallas, Texas

The CHF is the leading low income home builder in the state of Texas. The bank provides the permanent take-out financing on new homes that are built in the Dallas area. These efforts are serving low income home buyers predominantly in Hispanic and African American communities. The CHF also has a \$100,000 revolving line of credit with the bank.

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.

- **The NTBT has sufficient managerial and technical resources to help meet the credit needs of its service area.**

Refer to Community and Bank Profiles for further details.

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

- **NTBT has engaged in other meaningful activities that benefit the community.**

The bank has sponsored and presented educational seminars. The bank has participated and sponsored First Time Home Buyer Seminars at the following organizations:

Credit Counseling of Houston, which provides counseling to individuals and assist with First Time Home Buyer, general banking and English as a Second Language seminars.

Family Gateway, which provides low-income housing to families in need.

Fifth Ward CDC, which is one of the first affordable housing building organizations in Houston.

Houston Housing Authority, which is a City of Houston agency working to convert low and moderate-income renters into homeowners.

ADDITIONAL INFORMATION

None.