

Small Bank

## **PUBLIC DISCLOSURE**

May 24, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Brookfield  
Charter # 14993**

**9136 Washington Avenue  
Brookfield, Illinois 60513**

**Office of the Comptroller of the Currency  
Chicago-South Field Office  
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 Brookfield** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 24, 1999. 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 Record of Meeting Community Credit Needs.** This rating is based on the following conclusions:

The bank's loan-to-deposit ratio is more than reasonable. The lending distribution of borrowers reflect excellent penetration among individuals of different incomes and businesses of various sizes.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Brookfield (FNBB) is located in the Village of Brookfield, Illinois which is about 15 miles southwest of Chicago. FNBB is wholly owned by First Brookfield, Inc., a one bank holding company. The bank has only one office with a 24 hour Automatic Teller Machine stationed in the lobby.

FNBB total assets were \$114.2 million and \$116.2 million as of December 31, 1998, and March 31, 1999, respectively. Gross loans comprise 75% of the bank's total assets. The loan portfolio is 92% real estate including commercial real estate, 6% commercial loans and 2% installment loans. Residential real estate accounts for the substantial majority of the real estate loans. In 1997 the bank began offering home equity loans to meet credit needs. Home equity loans comprise about 6% of the real estate total.

The bank offers a variety of loan products which include: conventional mortgage products with 5-30 years fixed rates, and 5 year balloons; home refinance; home improvement; home equity lines and fixed rate loans; commercial loans, and student loans offered through the Illinois Designated Account Purchase Program.

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's performance "Satisfactory" at the last CRA evaluation dated March 18, 1996.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

FNBB's assessment area (AA) consists of the five census tracts in the Village of Brookfield. Brookfield is part of the Chicago Metropolitan Statistical Area (MSA 1600). The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The median family income of MSA 1600 is \$59,500. All five census tracts are middle-income census tracts. While there are no low- or moderate-income tracts in the AA, low- and moderate-income families comprise 13.92% and 17.10% of the families in the AA, respectively. The AA is comprised of 5,246 families.

This area has a relatively low population density with large vacant parcels of land and green space belonging to the Brookfield Zoo and the Park District. Total population in the AA is 18,876.

The AA is a bedroom community for Chicago and is predominately residential. The local economic conditions are good and stable. It has a combination of white and blue-collar workers. The area is landlocked with no vacant land for new development. There are only a few large industries.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREA- Continued**

The assessment area is predominately owner occupied units (73%). However, rental and multifamily units represent 25% and 7%, respectively. The price range for a home in the assessment is \$149-\$200 thousand dollars. Unemployment in the AA is only 2%.

Many financial institutions serve the AA. According to 1997 Home Mortgage Disclosure Act (HMDA) information, 188 financial institutions originated real estate mortgages in the bank's AA. Some of the institutions are branches of large regional and money center banks. There are no banks in the AA that are of similar size to FNBB. FNBB is the smallest bank in its AA. There are other financial institutions surrounding the bank in near-by communities such as LaGrange.

We considered comments from the community in assessing the bank's CRA performance. We contacted real estate agents and local government officials. Our contacts indicated that the community's credit needs are small business loans and home purchase and refinance loans. In order to improve economic development efforts in the Village of Brookfield, a group of business owners, community leaders, elected officials and interested persons worked together to create a new non-profit organization, the Brookfield Revitalization Corporation (BERC). The main goal is economic revitalization through the Main Street Program. Bank employees are involved with BERC. In addition, the real estate market in Brookfield is strong with residents buying their second or third home, and in some cases leaving Brookfield altogether. Bank management has confirmed that small business loans and residential loan are credit needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### *< Lending to Borrowers of Different Incomes and Businesses of Different Sizes*

The distribution of mortgage loans compares very favorably to the income level characteristics of the bank's assessment area. Table #1 details FNBB's distribution of loans to individuals by borrower's income level. Of the HMDA loans made between January 1997 and March 29, 1999, 13 % were made to low- income borrowers and 23% were made to moderate- income borrowers. This level is excellent given the AA consists of about 14 % and 17% of low- and moderate-income families, respectively. These people are more difficult to identify given they reside within middle income census tracts. This distribution is also very good because the average home cost in Brookfield represents about four times a person's income. The income for low-income families represents 50% (\$29,750) of the median family income for the MSA. FNBB leads its market in loans originated to low- income borrowers (25% market share), and is third in loans to moderate- income borrowers (7% market share). This is based on 1997 Aggregate Loan Data.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA-CONTINUED:**

Table #1:HMDA Loans to Borrowers of Different Income Levels

| Income Levels | Loans<br>1997-1999 YTD |     |         |     | % of families in AA |
|---------------|------------------------|-----|---------|-----|---------------------|
|               | #                      | %   | \$(000) | %   | %                   |
| Low           | 19                     | 13  | 1,144   | 9   | 13.92               |
| Moderate      | 34                     | 23  | 2,780   | 21  | 17.10               |
| Middle        | 40                     | 26  | 2,908   | 22  | 32.48               |
| Upper         | 58                     | 38  | 6,547   | 48  | 36.50               |
| Totals        | 151                    | 100 | 13,379  | 100 | 100                 |

Note: the total does not include the 9 loans without an income designation.  
Source: 1997-1999 HMDA LAR

The bank's record of making loans to small businesses is also excellent and compares very favorably to the demographics of the assessment area. Small businesses comprise about 83% of the assessment area. Table #2 indicates the distribution of loans to small businesses (gross revenues under \$1 million) within the assessment area. Ninety-three percent of the commercial loans made were to businesses with revenues less than \$1 million. Table #3 depicts that the majority of those loan amounts (86%) were for amounts less than \$100 thousand. Our analysis is based on a sample of 30 commercial loans originated by the bank from 1997-1999 YTD.

We also reviewed internal bank reports to determine if our sample was representative of the commercial loans the bank originates. Our sample was representative of the bank's commercial portfolio.

Table #2: Loans to businesses of different sizes

| 1997-1999 YTD     | Loans Within Assessment Area |            |         |            |
|-------------------|------------------------------|------------|---------|------------|
| GROSS REVENUES    | #                            | % of total | \$(000) | % of total |
| Under \$1,000,000 | 13                           | 93         | 703     | 88         |
| Over \$1,000,000  | 1                            | 7          | 100     | 12         |
| Totals            | 14                           | 100        | 803     | 100        |

Source: Business loan sample (30 credit files)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA CONTINUED:**

Table # 3: Small loans to businesses of different sizes within AA

| 1997-1999 YTD     | Commercial Loans in the AA |           |         |           |
|-------------------|----------------------------|-----------|---------|-----------|
| LOAN AMOUNTS      | #                          | %of total | \$(000) | %of total |
| \$ 0-99,999       | 12                         | 86        | 453     | 56        |
| \$100,000-250,000 | 1                          | 7         | 100     | 12        |
| Over \$250,000    | 1                          | 7         | 250     | 32        |
| Totals            | 14                         | 100       | 803     | 100       |

Source: same as above

< Lending in the Assessment Area

A majority of FNBB's lending is not within its assessment area. As indicated by Table #4, only 39% of the HMDA and 47% of the commercial loans are within the bank's AA. Our analysis is based on HMDA loans originated by the bank from 1997 through March 1999, and our sample of 30 commercial loans for the same time period. This level of lending within the assessment area, although it is less than a majority, is reasonable given the bank's size and market share. Based on 1997 HMDA information, the bank ranked second (6.73% market share) out of 188 lenders for mortgages originated in the assessment area. In addition, due to the characteristics of the AA, opportunities to make new loans are limited given the sizeable land unoccupied by people and no space available for new development. Management has indicated that the majority of the loans outside the assessment area are to local borrowers (Brookfield residents) with multiple real estate properties and multiple loans reportable on HMDA. An analysis of the loans made outside of the bank's assessment area did not reveal any one location that received a sizeable penetration.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA-CONTINUED:

Table #4: Lending in the Assessment Area

| LOAN TYPE  | Loans Within Assessment Area |                 |         |                 | Total Loans |         |
|------------|------------------------------|-----------------|---------|-----------------|-------------|---------|
|            | #                            | %of loans in AA | \$(000) | %of loans in AA | #           | \$(000) |
| Commercial | 14                           | 47              | 803     | 35              | 30          | 2,326   |
| (HMDA)     | 160                          | 39              | 14,516  | 30              | 413         | 48,076  |
| Total      | 174                          | 39              | 15,319  | 30              | 443         | 50,402  |

Source: commercial loan sample and HMDA-LAR

### < Loan to Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the bank's size and assessment area characteristics. The average loan-to-deposit ratio is 73%. This ratio was calculated by taking the average of the thirteen quarter-end figures since the bank's last CRA evaluation. As of March 31, 1999, FNBB's loan-to-deposit was 81%. The trend has been positive and increasing since March 1996. FNBB's loan-to-deposit ratio exceeds national peer groups that averaged a loan-to-deposit ratio of 65% for the same thirteen quarters. The loan to deposit ratio for peer banks as of March 31, 1999 was only 67%.

### < Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful since there are no low- or moderate-income census tracts in the bank's assessment area.

### < Responses to Complaints

No complaints have been received relating to the Community Reinvestment Act.

### < Compliance with Anti-Discrimination Laws

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified in the course of the evaluation.