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Comptroller of the Currency  
Administrator of National Banks

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Central District  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, Illinois 60605

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

June 19, 1997

Northern Trust Bank of Arizona, N.A.  
Charter Number: 17949

2398 E. Camelback Road, Suite 400  
Phoenix, Arizona 85016

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| <p><b>NOTE:</b> 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.</p> |
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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Northern Trust Bank of Arizona, 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 June 19, 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 five 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 bank is rated: Outstanding  
Record of Meeting Community Credit needs:

### Executive Summary

Northern Trust Bank of Arizona, N.A. (Northern Trust) is committed to community reinvestment activities. Even with its strong trust orientation, investing in its community is an important part of the bank's overall strategic plan. The bank realizes that its location and upper income affiliation deter low- to moderate-income individuals. They overcome this obstacle by establishing relationships with organizations and individuals through whom they can reach low- to moderate-income individuals and neighborhoods. By investing resources in sound programs and innovative partnerships, Northern Trust makes a positive difference in the communities it serves. The bank's dedication to improve the quality of life in its communities is manifested in many ways - through innovative lending programs, investments that promote community development, educational seminars, and staff involvement in community groups. The bank's leadership in several projects has enabled the projects to reach completion and attract additional lenders.

### Community Profile

Northern Trust defines its delineated communities as Metro Phoenix (Phoenix, Scottsdale, Paradise Valley, Mesa, Tempe, Guadalupe, Sun City, Sun City West, El Mirage, Surprise, Glendale, Luke Air Force Base, Peoria, and Youngtown) and Metro Tucson (Tucson incorporated and unincorporated). The combined delineated communities contain 511 census tracts.

Arizona's total population of about four million is concentrated in these two cities - Phoenix with 60% and Tucson with 17% of the state's population. Eight of Arizona's ten largest cities are located in these metropolitan areas. The state's population continues to increase as people move into the state from places such as California and the Midwest.

The financial service markets in Phoenix and Tucson are highly competitive. Four large, multi-state banking institutions dominate the retail market with extensive branch networks. Mortgage companies and savings banks control the mortgage market, holding 89% of the market share in Phoenix and 85% of the market in Tucson.

### Metro Phoenix

Phoenix, the capital of Arizona, is located in Maricopa County. It comprises the largest Metropolitan Statistical Area (MSA) in the state (#6200). The 1990 census showed the population of the Phoenix/Mesa MSA at 2.2 million. The Department of Housing and Urban Development (HUD) reports median family income of the MSA at \$47,500 for 1997. According to the Arizona Department of

Economic Security, people primarily work in the service sector, trade, and manufacturing. The 1990 census reported the median housing value at \$80,000. According to an Arizona State University analysis, median housing prices have increased to \$97,500 as of fourth quarter 1996.

The bank's Metro Phoenix Delineated community contains 409 census tracts in the Phoenix/Mesa MSA with 117 of the tracts designated low- to moderate-income. Four tracts are designated zero income (ie. hospitals and/or commercial areas) and have limited lending opportunity. The 1990 census showed the population of this area at 1.9 million. Thirteen percent of the population is over age 65. Low- to moderate-income families comprise 37% of the population; middle comprise 23%, and high comprise 40%. Owner occupied housing totals 454,000 units or 53% of total housing.

#### Metro Tucson

Tucson MSA has an estimated population of 667,000. The HUD reports median family income of the MSA at \$40,100 for 1997. According to the Arizona Department of Economic Security, the services and miscellaneous sector, followed by trade and government, are the leading employers in Pima County. The 1990 census reported median housing value at \$66,700. According to an Arizona State University analysis, average housing prices have increased significantly to \$127,534 for all homes and \$101,000 for previously owned homes.

The bank's Tucson community contains 102 census tracts, of which 38 are designated low- to moderate-income. According to the 1990 census, the population of this area totals about 601,000. Thirteen percent of the population is over age 65. Low- to moderate-income families comprise 37.4% of population; middle comprise 22.3%; and high comprise 40.3%. Owner occupied units total 138,705 or 51% of total housing units.

#### **Bank Profile**

The Northern Trust Company of Arizona was established in 1974 as a trust and investment services subsidiary of Northern Trust Corporation, a Chicago-based multi-bank holding company. On November 26, 1986, Northern Trust Corporation acquired The Phoenix National Bank, merged it with The Northern Trust Company of Arizona, and changed the name to Northern Trust Bank of Arizona, N.A. The bank has six full service offices located in the Biltmore area of Phoenix, Mesa, Scottsdale, Sun City, Sun City West, and Tucson. An additional facility is located in the Royal Oaks Life Care Center in Sun City. This facility is open only two days a week as an accommodation to the bank's clients using the care center.

Northern Trust is primarily a trust bank. For the year ended December 31, 1996, trust assets under administration totaled \$2.59 billion. Trust revenues represented 57.5% of the bank's revenue. As a trust bank, Northern Trust's core strategy is to seek clients who present significant potential and need for trust services. Loan and deposit products are tailored to these clients. Offices are located in upscale financial centers and retirement areas to be close to the trust client base and referral sources. The bank does not attempt to compete on the basis of retail banking products and convenience. They compete on the basis of personal service. The bank has 156 employees; 51% provide trust services. The bank has only 11 loan officers.

As of March 31, 1997, total assets equaled \$414 million, with total loans of \$345 million. The bank's loan portfolio consists of 78% real estate loans, 18% commercial loans, and 4% consumer and other loans. The loan-to-deposit ratio approximates 95%.

### **Reasonableness of Delineated Community**

The bank's delineated community is reasonable. The bank expanded its delineated community from 164 census tracts to 511 census tracts as of April 1997. The new area includes all of the cities with branches as well as the communities in between the branches. It does not arbitrarily exclude any low-to moderate-income tracts.

#### **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.

- **Northern Trust actively ascertains the community credit needs through community group relationships, direct calling and neighborhood "blitzing."**

The bank maintains an ongoing, meaningful program of direct calling and board membership in a wide variety of community groups and government agencies. These groups include Capitol Mall Association, City of El Mirage, Community Housing Resources, Housing for Mesa, Neighborhood Housing Services, Administration of Resources and Choices, Urban Coalition West, Maricopa Habitat for Humanity, Tucson Urban League, and other city housing programs. The bank's direct involvement with these groups has enabled them to identify community needs and develop products to meet these needs.

The bank also obtains information through Board level participation in the Local Initiatives Support Corporation (LISC) and the Arizona Multi-bank Community Development Corporation (AMBCDC). These two organizations work with community groups in the area, making them aware of the community needs. LISC focuses on housing and inner city development, and AMBCDC focuses on small business and multifamily projects. Involvement in these groups provides insight into community needs and provides opportunities to participate in projects that do not fit the mission of LISC or AMBCDC.

Bank employees obtain a direct understanding of the community needs through Realtor "Blitzes." Loan officers and the bank's CRA officer drive through neighborhoods. They observe and record areas of community development, single family and multi-unit properties, and the extent of commercial and industrial development. They identify prospective credit and advertising needs. They record specific residential properties for sale, Realtor names, and telephone numbers. They then contact the Realtors individually or through Realtor breakfasts. These relationships provide input into the community's credit needs, and they provide loan referrals. In 1996, the bank focused its 'Blitzes' on Sun City West and the East Valley in an effort to assess the community credit needs in their newest areas.

From these efforts, the bank identified the following needs for housing applicants:

- Higher qualifying debt ratios than standard
- Eliminate private mortgage insurance
- Lower down payments (i.e., 3-5%)
- Flexibility in raising/verifying down payments (i.e., 'cash under the pillow', grants, gift money, seller contribution)
- Consider repaired credit and alternate sources of credit (i.e., rent and utility payments)
- Count government assistance income
- Expand efforts beyond first time home buyers
- Waive fees
- No charge checking
- Home inspections to ensure the homes are in good repair
- Assistance in completing the application, including bilingual and loan closing assistance
- Reverse mortgages to cover living expenses of the low income elderly

To address these needs, the bank developed two products: the First Time Home Buyer Program and the Neighborhood Affordable Loan Program. (Refer to Assessment Factor I for further detail).

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 purpose of the Community Reinvestment Act.

- **The Board of Directors play an active role in the formulation and implementation of its CRA policies and plans.**

The Board has adopted a formal CRA program, described in the CRA policy. The bank also has a CRA action plan and CRA statement, which are updated at least annually. The action plan outlines specific goals and measurable objectives. These are reviewed bi-monthly at CRA Oversight Committee meetings and reported to the Board. Additionally, the CRA officer prepares a self-assessment annually and presents this to the Board for review.

Board members are personally involved in activities that target neighborhood revitalization, affordable housing, and small business development. They are involved in groups such as but not limited to Arizona Multi-bank Community Development Corporation, Maricopa Industrial Development Authority, Urban Coalition West, and Scottsdale Redevelopment Board.

Annual CRA training for existing and new staff is directed and actively supported by Northern Trust's Board. All staff, including senior management, receive training and are tested annually on their CRA compliance knowledge. Staff are informed of the Bank's EARN (Employee Account Referral Network) incentive program, which rewards referrals of loans in low- to moderate-income census tracts within the community. Internal audits are conducted regularly to ensure compliance with the technical aspects of CRA.

## 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.

- **Northern Trust has implemented a marketing program designed to inform all segments of the community of the products and services of the bank.**

The bank develops a CRA Marketing Plan each year. It discusses specific initiatives to be used to market bank products. Initiatives include community group activities, direct mailings, and Realtor 'Blitzes.' The bank has also encouraged loan applicants through presentations and seminars. Throughout the year, bank officers present seminars on banking and credit-related issues.

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.

- **Northern Trust affirmatively addresses a substantial portion of the community credit needs.**

The bank offers a full range of financial products and credit programs to its entire service area. These include traditional credit types such as automobile loans, business loans, conventional mortgage loans, home equity lines and loans, and other secured and unsecured consumer loans. A majority of the bank's loans are within its delineated community.

**Total Loans Inside and Outside of the bank's delineated community:**

| 12/31/96           | Total Loans (\$000) | % In Area  | \$ In Area (000) | % Out of Area | \$ Outside Area (000) |
|--------------------|---------------------|------------|------------------|---------------|-----------------------|
| Commercial         | \$ 70,729           | 80%        | \$ 56,893        | 20%           | \$13,836              |
| Instalment         | 16,836              | 82%        | 13,753           | 18%           | 3,083                 |
| Mortgages          | 235,384             | 88%        | 206,641          | 12%           | 28,743                |
| <u>Home Equity</u> | <u>9,850</u>        | <u>92%</u> | <u>9,078</u>     | <u>8%</u>     | <u>772</u>            |
| <b>Total</b>       | <b>332,799</b>      | <b>86%</b> | <b>286,365</b>   | <b>14%</b>    | <b>\$46,434</b>       |

Small Business loans comprise a significant portion of the commercial loan originations. The bank originated 122 small business loans in 1996, which comprise 77% of the total number of commercial loans originated. Ninety-seven percent are within the bank's delineated community, and 27% are in low- to moderate-income tracts.

Small business loan originations increased from 1995 to 1996. Results for 1997 are expected to meet or exceed 1996 levels.

| Small Business Loan Size | 1995 (#/\$ 000) | 1996 (#/\$ 000) | 1997-4 months (#/\$ 000) |
|--------------------------|-----------------|-----------------|--------------------------|
| Less than \$100M         | -----           | 67/ \$3,126     | 25/ \$1,154              |
| \$100M to \$250M         | -----           | 25/ \$4,547     | 9/ \$1,629               |
| \$250M to \$1MM          | -----           | 30/ \$15,222    | 6/ \$3,107               |

|                            |              |               |             |
|----------------------------|--------------|---------------|-------------|
| <b>Total</b>               |              | 122/ \$22,895 | 40/ \$5,890 |
| <b>Revenues &gt; \$1MM</b> | 62/ \$8,013M | 76/ \$11,948  | 28/ \$3,504 |

Note: In 1995, the bank tracked only small business loans of businesses of less than \$1MM.

In 1996 and the first quarter 1997, the bank renewed an additional 28 small business loans totaling \$4.6 million.

The bank has gone beyond offering conventional mortgage loans. To meet the needs of low- to moderate-income individuals and census tracts, the bank developed its own flexible mortgage products - First Time Home Buyer and Neighborhood Affordable Mortgage. The First Time Home Buyer program is targeted at first time home buyers but allows applicants to exceed 80% of median family income up to \$45,000. The Neighborhood Affordable Mortgage product is designed especially for people of low- to moderate-income or census tracts. It requires a smaller down payment and can be used for purchasing or refinancing a home. Both have lower costs and more lenient underwriting standards than conventional loan products. The bank assists people in the underwriting process through counseling and allowing alternative credit information. The following table presents a synopsis of these programs.

| <b>Affordable Housing Products Features</b>              | <b>First Time Home Buyer's Club</b>  | <b>Neighborhood Affordable Mortgage</b>   |
|--|--|---|
| Location of home   | Within the bank's delineated community   | Within the bank's delineated community  |
| Maximum annual income or census tract income requirement | \$45,000   | Tract or individual has less than 80% of HUD median family income for the MSA   |
| Low down payment/ High loan-to-value                     | 95% of the lesser of appraised value or purchase price   | 97% of the lesser of appraised value or purchase price  |
| Maximum loan amount                                      | None   | None  |
| Higher qualifying debt/income ratios                     | 36%/42%  | 36%/42%   |
| Low cost   | No documentation or application fee, free home inspection and 50% off appraisal, no monthly charge for checking account. | No documentation or application fee, free home inspection and 50% off appraisal, no monthly charge for checking account |
| Maximum Maturity   | 30 years   | 30 years  |
| Private Mortgage Insurance                               | Not Required   | Not Required  |

The bank participates in many community housing programs, using these products to assist low- to moderate-income people in obtaining affordable mortgages for

which they can qualify. The bank's participation in these programs has steadily increased to a level significant for the bank's size and resources as shown by the table on the next page.

| <b>Affordable Loan Products</b>   | <b>1995<br/>(#/ \$000)</b> | <b>1996<br/>(#/ \$000)</b> | <b>1997-4 months<br/>(#/ \$000)</b> |
|-----------------------------------|----------------------------|----------------------------|-------------------------------------|
| First Time Home Buyer             | 5/ \$218                   | 7/ \$566                   | 2/ \$154                            |
| Neighborhood Mortgage Loans       | 5/ \$246                   | 20/ \$1,141                | 8/ \$519                            |
| City of El Mirage                 | 0/ \$0                     | 3/ \$161                   | 1/ \$68                             |
| Community Housing Resources       | 0/ \$0                     | 4/ \$224                   | 2/ \$140                            |
| Housing for Mesa                  | 6/ \$314                   | 5/ \$347                   | 2/ \$75                             |
| Reverse Equity Mortgages          | 1/ \$100                   | 6/ \$395                   | 1/ \$38                             |
| Urban Coalition West              | 1/ \$62                    | 2/ \$92                    | 1/ \$78                             |
| <b>Total Affordable Mortgages</b> | <b>18/ \$940</b>           | <b>47/ \$2,926</b>         | <b>17/ \$1,072</b>                  |

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

- **The bank demonstrates a willingness to sponsor and participate in government insured, guaranteed, and subsidized loan programs.**

Northern Trust Bank does not directly offer any government-sponsored loan programs for housing or small business. However, management has made arrangements to refer applicants for these loans to approved underwriters. All FHA/VA loan applications will be processed, underwritten, and approved by Concord Mortgage. Northern Trust also committed \$250,000 to Concord Mortgage to purchase government-guaranteed loans in its community. However, there have been no referrals or requests for FHA/VA financing. The bank will refer SBA loans to Bank of Commerce. The bank did not have any SBA loan referrals or requests. Finally, Northern Trust provides access to government-guaranteed student aid funding through the Federal Family Education Loan Program (FFELP). The bank makes available education loan guides and applications for Federal Stafford Loans and Federal Plus Loans.

The flexible loan products offered by the bank, and the partnerships with municipalities and nonprofit organizations, provide the bank opportunities to meet the community's credit needs.

### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES.

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

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

The bank's commitment to extending credit is evidenced by its high loan-to-deposit ratio of 95%. For loans and deposits within the delineated community, the bank's ratio totals 100%.

Loans are disbursed throughout the community. The bank's April 30, 1997 loan distribution reports show penetration of total outstanding loans as follows:

| LMI Tracts Penetrated | Total LMI Tracts | Mid/High Tracts Penetrated | Total Mid/High Tracts | Total Tracts Penetrated | Total Tracts |
|-----------------------|------------------|----------------------------|-----------------------|-------------------------|--------------|
| 80 (52%)              | 155              | 240 (68%)                  | 352                   | 320 (63%)               | 511*         |

\*Percentages are based on 507 tracts because four tracts are income n/a on HMDA/LAR.

The bank has penetrated over 50% of low- to moderate-income tracts and 63% of its delineated tracts. This penetration is significant given the recent expansion of the bank's delineated area from 164 to 511 census tracts and the intense competition from regional and multinational banks in the market.

#### **HMDA/LAR Analysis**

An analysis of the HMDA/LAR reports further supports the bank's positive level of penetration. The bank originated 418 mortgage loans in 1996 and first quarter 1997. Three hundred sixty or 86% of these loans are located in the bank's delineated community. These loans were well disbursed, penetrating 143 of the bank's 511 census tracts. The bank had increases in the number of mortgage loans originated to low- to moderate-income individuals and census tracts within the delineated community as shown in the table below.

| Dates    | # Mortgage Loans Originated | # & % of Loans to LMI Individuals | # & % of Loans in LMI tracts |
|----------|-----------------------------|-----------------------------------|------------------------------|
| 12/31/95 | 130                         | 10 (7.6%)                         | 11 (8.5%)                    |
| 12/31/96 | 284                         | 26 (9.2%)                         | 20 (7.0%)                    |
| 3/31/97  | 76                          | 12 (15.8%)                        | 7 (9.2%)                     |

These increases are especially impressive given that this is a difficult market to penetrate. Mortgage companies and four large banks dominate 95% of the market in Phoenix and 98% of the market in Tucson. Northern Trust controls only 0.2% of the market share in Phoenix and .53% of the market share in Tucson.

Additionally, housing opportunities are more limited in the low- to moderate-income census tracts. Owner occupied housing comprises only 25% of housing in low-income census tracts and 37% in moderate-income census tracts. In middle-income census tracts, owner occupied housing comprises 56% of housing. In upper-income census tracts, it comprises 67% of the housing.

#### **Small Business Loan Analysis**

The bank's analysis of small business loan distribution also shows a strong commitment to low- to moderate-income tracts. The bank had 118 small business loan originations within the delineated community in 1996. Thirty-one or 27% of these loans were originated in low- to moderate-income census tracts. In the first four months of 1997, 9 or 25% of the 36 small business loans originated are in low- to moderate-income tracts in the community.

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

- **The bank has a satisfactory record of opening and closing offices and of providing services at offices.**

Branch opening and closing policies have been reviewed and adopted by the bank's Board of Directors. These policies mandate specific types of research, documentation, and impact studies before branches are opened or closed. The bank opened two offices in 1996, Sun City West and East Valley, to serve the growing population in these areas of the valley. The bank did not close any offices in 1996 or 1997.

Branches are reasonably accessible to all segments of the community. Business hours for all offices other than Royal Oaks are 8:30 a.m. to 4:00 p.m., Monday through Friday. Royal Oaks is open Tuesdays and Thursdays 9:30 a.m. to 2:00 p.m. as an accommodation to customers using the health care facility. In addition, officers have met with Housing for Mesa and other loan applicants after hours to provide input and close loans. Hours and services are reviewed on an ongoing basis. The bank also offers postage-paid "Bank by Mail" envelopes as a service to its clients. Use of Automatic Teller Machines is offered at no charge to the clients. Automated Telephone Banking Service provides banking account information on a 24-hour basis.

#### 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 bank affirmatively solicits applications from all segments of the community.**

The Board of Directors and management have developed and implemented policies, procedures, oversight committees, and comprehensive training programs to prevent pre-screening. The bank's fair lending policy and procedures help ensure equal, objective, and non-biased treatment to all actual and potential loan applicants. The bank's management team also provides assistance to all applicants throughout the loan qualification process.

Northern Trust has several means in place to check loan applications to ensure that they have been treated in a fair manner:

- ▶ All declined loan applications are given a second review by the Senior Lender and Loan Declination Review Committee.
- ▶ The bank annually compares minority declines to majority approvals to test fairness and detect disparate treatment.
- ▶ To ensure consistent underwriting of residential mortgage loans, the bank uses a summary information sheet and tracks exceptions to policy.

- ▶ The bank informed all appraisers about discriminatory practices. They revised the Appraisal Review Sheet to ensure that discriminatory terminology is not used in the appraisals.

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

- **We found no evidence of discriminatory practices.**

Our fair lending review focused on Purchase and Refinance Mortgage Applications. We reviewed all minority mortgage denials in 1996 and first quarter 1997 against 33 White approvals. The bank had only 9 minority credit denials: seven Females, one Black, and one Hispanic. We found no violations of fair lending laws and regulations and no other reason for supervisory concern.

## V. COMMUNITY DEVELOPMENT

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

- ▶ **The bank actively participates and takes a leadership role in community development programs.**

Northern Trust's strong awareness of community development and redevelopment opportunities is fostered through the bank's ongoing ascertainment program. The bank actively seeks and participates in housing and small business projects, especially those that meet the needs of low- to moderate-income individuals and areas.

The bank made five community development loans, totaling \$6 million in 1996 and first quarter 1997. These loans provided funds for the following purposes:

- ▶ Build a Walgreens, serving low- to moderate-income individuals.
- ▶ Refinance a mobile home park for low- to moderate-income individuals.
- ▶ Acquire a strip shopping center and supermarket that cater to the low income population.
- ▶ Provide working capital for a student apartment project.
- ▶ Refinance two apartment complexes in low- to moderate-income tracts in Tucson.

The bank also provided funding for many local community and redevelopment organizations in the form of loans, investments and grants. In 1996, the bank committed \$1.6 million and funded \$1 million in loans to community groups. Of this total, \$400,000 supported Maricopa Habitat for Humanity and the remainder enabled the community groups to provide mortgage loans to low- to moderate-income borrowers (Refer to Assessment Factor I for a listing of Affordable Mortgages the bank has made through community groups).

In 1997, the bank committed \$2.1 million in loans. From January through April, the bank funded \$75,000 to two borrowers through Housing for Mesa. In addition, \$1 million of these funds have been earmarked for the bank's partnership with Neighborhood Housing Services of Phoenix. The program will

create first-time home ownership opportunities for 75 to 80 low- to moderate-income families in specific redevelopment areas of Phoenix.

The bank also holds over \$4.4 million in local investments as follows:

- ▶ \$1.8 million in municipal bonds supporting local school districts in low- to moderate-income tracts;
- ▶ \$2.4 million in tax credit purchases from SunAmerica Affordable Housing Partners for low income housing in Phoenix through the bank's holding company.
- ▶ \$99,000 certificate of deposit in Chicanos Por La Causa Credit Union;
- ▶ \$16,000 investment in Local Initiatives Support Coalition; and
- ▶ \$50,000 investment in Arizona Multi-bank Community Development Corporation.

In addition to loans and investments, the bank provided over \$35,000 in grants in 1996 and 1997 and has budgeted an additional \$10,000 for the remainder of 1997. By funding these community development organizations, the bank is enabling these groups to meet many community needs. These organizations provide micro business loans, low- to moderate-income housing opportunities, credit counseling, and community redevelopment.

The bank has partnered with local community groups and taken a leadership role in several redevelopment projects:

Capitol Mall - The bank spent two years working through complex financial arrangements with the city of Phoenix and Capitol Mall to initiate rehabilitation of the Capitol Mall Woodland Historic District. The bank made the first rehabilitation loan in this area, a 30-year affordable mortgage loan on a historic home.

Fifth Avenue Neighborhood in El Mirage - This community provides homes for low- to moderate-income families, many of whom are migrant workers. Northern Trust financed the infrastructure for this community. They also provided Maricopa Habitat for Humanity funds to construct homes. Northern Trust became the first bank to approve a loan for new home construction in this project. Home buying seminars and Spanish language assistance are key elements of Northern Trust's participation in this program. Northern Trust has invested time and funds, providing financial leadership in this community.

Housing for Mesa (HFM) - HFM is a private, nonprofit housing development corporation formed to create and preserve affordable housing for low to moderate-income families in Mesa. The bank has shown strong support for this group by sitting on the Board, assisting in the Spanish translation of HFM's brochure, providing home counseling, and financing many of the home loans. Northern Trust stepped in as the first lender and has since financed 22 homes since 1990. By partnering with HFM, the bank has enabled many low-income families to own their own homes.

East Lake Neighborhood Association - Although Urban Coalition has had difficulty moving forward in the rehabilitation of this low-income neighborhood, the bank continues to provide financial leadership to the project. The bank provides guidance on the project. Since 1993, the bank financed seven homes, including two in 1996 and one in 1997. The bank committed to finance two more homes in 1997.

Reverse Equity Mortgage Program - This program provides reverse equity mortgages at a low cost to low-income elderly, who are unable to support their daily living expenses. Because these loans carry greater risk than

conventional reverse equity mortgages, they are not saleable in the secondary market.

In 1996, this program lost its position within Catholic Social Services and founded the Administration of Resources and Choices (ARC), a new nonprofit organization. The bank through its involvement on both the Phoenix and Tucson boards provided leadership in the establishment of this new organization. The bank made six reverse equity loans in 1996 and one thus far in 1997. Northern Trust is one of only a few banks that support this organization.

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.

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

The bank has the financial capacity to continue to provide funds to meet the credit needs of its communities. They are able to provide direct loans and participate in community loan projects and programs through loans, investments, and grants. There are no factors, such as size, financial condition, legal impediments, or local conditions, which affect the Bank's ability to meet various community credit needs.

As shown in the previous assessment factors, the bank has used its resources to take a leadership role in development projects that foster economic revitalization and growth in their communities. The bank has established strong working relationships with local community groups, representing both private and public interests.

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

- **Northern Trust provides trust services to the community, and personnel actively participate in many community organizations in the area.**

The Trust Administration and Trust Investment Divisions provide trustee and investment services for many civic and charitable organizations in the community, as well as for individual, municipalities, and businesses. In addition, Northern Trust offers Economy Checking, a low-cost account service, with waived average balance requirements and unlimited ATM use, designed for the needs of low- to moderate-income individuals.

Many employees volunteer their personal time toward bettering the community. Northern Trust's senior management and staff sit on 120 Arizona not-for-profit boards, contributing over 350 hours per month. Northern Trust's staff have been involved in fund-raising for cultural, educational, human service, and civic endeavors.

The bank has established partnerships with Camelback High School and Thomas A. Edison Elementary School. These schools serve low- to moderate-income families. Northern Trust associates provide career counseling and tutoring through a work intern and mentoring program with Camelback High School. The bank provides an overview of credit, credit products, the application process, credit bureaus, and checking accounts. The bank purchased for the school a

computer program called Choices and Decisions that covers financial planning, budgeting, managing credit, comparative shopping and general banking services. The bank donated computers to the elementary school, sponsored Junior Achievement, and participated in the school's Principal for a day program.