

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 operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Community Bank of Elmhurst, Elmhurst, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 19, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated **Satisfactory**.

The bank promotes economic revitalization and growth, consistent with its size, financial capacity, location and current economic conditions. The bank's efforts are primarily accomplished through the origination of real estate, consumer, small business and commercial loans. These efforts are evidenced through an adequate loan-to-deposit ratio. The bank originates the majority of its loans within its assessment area, and lending is reasonably distributed both geographically and to borrowers of different income levels. Management has developed adequate policies, procedures, and training programs to avoid discriminatory or other illegal credit practices in its lending activities. There was no evidence of prohibited discriminatory lending practices or policies intended to discourage loan applications. In addition, no complaints were received by the institution regarding its CRA performance, since the previous examination.

The following table indicates the performance level of **Community Bank of Elmhurst, Elmhurst, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	COMMUNITY BANK OF ELMHURST PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	There are no low- or moderate-income census tracts or BNAs in the assessment area.		
Response to Complaints	No complaints have been received since previous examination.		

DESCRIPTION OF INSTITUTION

The Community Bank of Elmhurst, with total assets of \$50 million as of June 30, 1996, is a subsidiary of Community Bancshares of Elmhurst, a one-bank holding company located in Elmhurst, Illinois. The bank operates its only office in Elmhurst. The premises includes a drive-up facility and an automated teller machine (ATM). The bank offers deposit services, and retail and commercial loans. There are no factors limiting the bank's ability to meet the credit needs of its assessments area. The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, product offerings, and current economic conditions and does not face any legal constraints that would impede its CRA activities.

The bank's primary business focus is retail banking, with real estate loans, mainly consisting of 1-4 family residential loans, being the predominant loan product. The bank's three main products, according to the June 30, 1996 Consolidated Report of Condition, are 1-4 family residential real estate loans, commercial and industrial purpose loans, and home equity lines of credit, which comprise 34.6%, 30.5% and 14.1%, respectively, of the bank's loan portfolio.

The bank's main competitors in Elmhurst are Suburban Bank and Trust, Firststar Bank, Old Kent, LaSalle Talman, St. Paul Federal Savings Bank, Bank of Elmhurst and Oak Brook Bank, located in Oak Brook.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's main office is located in Elmhurst, approximately 20 miles west of Chicago. The assessment area is defined as 23 census tracts, #8406, #8407.98, and #8428 through #8446. The assessment area is located in Du Page County, in the Chicago Metropolitan Statistical Area (MSA). These census tracts encompass the municipalities of Elmhurst, Oak Brook, Oakbrook Terrace, Villa Park, Lombard and a small portion of Downers Grove. The bank opened in May of 1993 and designated its assessment area to contain seven census tracts, of which none were low- or moderate-income, or minority census tracts, as identified by the U.S. Census Bureau. In February of 1996, the bank changed its assessment area to encompass 23 census tracts, of which none are identified as low- or moderate-income, or minority.

According to 1990 U.S. census data, the population of the assessment area is 132,617. Minorities comprise 8.5% of the total population. The adjusted median family income for the assessment area is \$53,891, while the median family incomes for the MSA and the State of Illinois are \$42,758 and \$38,664, respectively. The total number of families in the assessment area is 36,121, which consists of 2,707 (7.5%) low-income families and 4,999 (13.8%) moderate-income families. The housing stock in the assessment area consists of 51,313 housing units, of which, 38,301 or 74.6% are owner-occupied and 11,059 or 21.6% are rental units. The median housing value and age are \$125,344 and 27 years.

The area's employment, and economic growth and development, based on the U.S. Department of

Labor statistics, is primarily reliant on retail and wholesale trades, and the service industry. The total established employment is 531,148, of which retail and wholesale trades account for 27.1% and the service industries account for 32.2% of established employment. According to the Illinois Department of Labor, the May, 1996 unemployment rates for DuPage County and the State of Illinois were 3.3% and 5.1%, while the May, 1995 unemployment rates were 3.4% and 5.1%, respectively.

Community representatives stated that the population of the area is aging and that higher income individuals are moving into the area. Housing prices in Elmhurst are rising, resulting to younger home buyers being priced out of the market. The community representatives indicated that financial institutions in the area are doing a satisfactory job in meeting the community's credit needs.

The bank's assessment area meets the requirements of the regulation in that it consists of one or more continuous political subdivisions, contains all geographies where it has an office, and consists of only whole census tracts. Additionally, the assessment area does not arbitrarily exclude any low- or moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The institution is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

Loan-to-deposit Ratio

An analysis of the bank's Consolidated Reports of Condition over the past seven quarters, beginning December 31, 1994, revealed an average loan-to-deposit ratio of 68.6%. According to the Uniform Bank Performance Report (UBPR) dated June 30, 1996, the bank's average loan-to-deposit (LTD) ratio was consistent with the peer group's loan-to-deposit ratio of 64.5%. The bank's loan-to-deposit ratio is considered adequate, given the bank's size, financial condition, and assessment area credit needs, and meets the standards for a satisfactory performance.

Lending in Assessment Area

The examination loan sample was reviewed regarding the level of lending activity within the assessment area. The following table summarizes the geographic distribution of the loan sample:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Real Estate Mortgage	10	5	50
Home Equity Lines of	10	9	90

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Credit			
Installment	10	5	50
Single Payment	10	8	80
Overdraft Protection	10	8	80
Commercial/ Agriculture	10	3	30
Total Approved	60	38	63.3

As the preceding chart illustrates, 63.3% of the loans were made within the bank's assessment area. Additionally, an analysis of all loans made between January 1, 1996 and June 30, 1996, using the current assessment area, revealed that 62.8% (93 of 148) of the loans were made within the bank's assessment area.

The bank's 1995 and 1994 HMDA data was also reviewed to determine the level of lending within the assessment area. The 1995 and 1994 HMDA data, using the bank's former assessment area (comprised of seven census tracts), revealed that 45.5% and 47.4%, respectively, of HMDA loans were made within the assessment area. Further analysis, using the bank's current assessment area (comprised of 23 census tracts), revealed that 65.2% of 1995 HMDA loans were made within the assessment area.

Review of the examination loan sample, loans originated from January 1, 1996 to June 30, 1996, and the 1995 and 1994 HMDA data, reveal that a majority of the bank's lending activity is conducted within the assessment area, indicating that the bank meets the standards for a satisfactory performance.

Lending to Borrowers of Different Incomes

The examination loan sample, the bank's loan portfolio, 1995 and 1994 HMDA data and information provided by management were reviewed to assess the bank's performance in lending to borrowers different income levels and businesses of different sizes.

A review of the examination loan sample regarding lending activity based upon borrower income classifications (when borrower income information was available) revealed that 40.9% (18 of 44) of the loans were made to low- or moderate-income borrowers.

A review of the bank's 1995 and 1994 HMDA data revealed that lending activity to low- or moderate-income individuals comprised an adequate portion of the bank's overall mortgage lending. Of the bank's 1995 and 1994 HMDA-reportable loans, 3 of 30 (10.0%) in 1995 and 4 of

18 (22.2%) in 1994 were made to low- or moderate-income individuals.

An analysis, which includes the bank's two primary loan products, home equity lines of credit and consumer installment loans (the CRA Sample), was performed on loans originated from January 1, 1996 to June 30, 1996. This analysis demonstrated that, of the 53 loans reviewed, two (3.8%) were to low-income individuals and five (9.4%) were to moderate-income individuals.

According to the bank's analysis for the period beginning July 1, 1995 and ending June 30, 1996, of the total 111 commercial loans (originations and renewals), 73 (65.8%) were to businesses with revenues under \$1 million.

The examination loan sample, HMDA data and the bank's analysis revealed that the distribution of lending to individuals and businesses of different incomes is consistent with the market's demographics and is considered reasonable.

Geographic Distribution of Loans

The bank's entire assessment area is located in the Chicago MSA, consists of 23 census tracts, and is comprised of only middle- or upper-income census tracts. Because there are no low- or moderate-income geographies within the assessment area, in which lending could be analyzed, this criterion is not rated.

Response to Substantiated Complaints

No CRA-related complaints were received since the previous examination.