
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 **NAB Bank, Chicago, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of February 12, 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 generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. The geographic distribution of loans demonstrates a reasonable penetration of all segments of the bank's assessment areas. The bank made the majority of its loans within its assessment areas. The loan-to-deposit ratio is considered more than reasonable, and the dispersion of loans among the different income levels is reasonable. The bank's assessment areas meets the definition and purpose of the CRA, and does not arbitrarily exclude any low-income or moderate-income areas or residents that it would reasonably be expected to serve.

The following table indicates the performance level of NAB Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	(NAME OF FINANCIAL INSTITUTION) 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		X	
Response to Complaints	No complaints were received since the previous examination previous examination sin		

DESCRIPTION OF INSTITUTION

NAB Bank (formerly New Asia Bank), has \$86.8 million in assets as of December 31, 1995. The bank's main office and operations departments are currently located at 222 West Cermak Road in Chicago's Chinatown. The bank has two branch offices; one on North Broadway in Chicago's Uptown neighborhood and the other office, opened in September 1994, in Darien, Illinois. Bank officers and staff are mostly of Chinese or Vietnamese descent, and have multi-lingual Asian language skills.

The bank offers deposit services, and consumer, commercial, and real estate loan services at the three locations. Primary banking competition for the main office is provided by Lakeside Bank and a branch of the St. Paul Federal Bank for Savings. Primary competition for the Uptown office is provided by Uptown National Bank of Chicago and Bank of Chicago/Lakeshore, and competition for the Darien office is provided by branches of Hinsbrook Bank and Trust, Republic Bank of Chicago and West Suburban Bank of Darien.

Currently, there are no legal impediments which would constrain the bank's CRA performance. The bank's primary business focus is the origination of real estate, consumer and small business loans.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

The bank has designated separate assessment areas for its main office (Chinatown) and the two branch offices (Uptown and Darien). The Chinatown and Uptown offices are located in Cook County and the Darien office is located in DuPage County. All three assessment areas are rectangularly shaped and are within the Chicago Metropolitan Statistical Area (MSA).

The Chinatown and Uptown assessment areas exhibit many similar housing, economic, and demographic characteristics. The Uptown assessment area is part of an area that is considered to be one of Chicago's most ethnically diverse neighborhoods, with substantial Vietnamese, Nigerian and Hispanic populations. The housing stock in both assessment areas consist of a mix of high-rise and small apartment buildings. Businesses are comprised of a mixture of light manufacturing and retail concerns, with concentration in retail/restaurant businesses. Credit demands in these two assessment areas consist primarily of refinancing, home improvement, and business loans. Community contacts indicated a need for business loans. The examination revealed the bank has made many types of loan products available to its assessment areas, including Federal Housing Administration (FHA) loans which are originated on behalf of Home Family Mortgage Corporation (HFMC), Elmhurst, Illinois.

The assessment area containing the Darien office is defined as Downers Grove Township. The following communities are included in this assessment area; Downers Grove, Westmont, Clarendon Hills, Hinsdale, Willowbrook, Woodridge, Burr Ridge and Willow Springs. Residents of these communities are employed at Argonne National Laboratory (5,591 employees) or

commute to jobs in Oak Brook, Lombard, and Chicago. The area is currently experiencing an increase in the demand for purchase money mortgage loans as a result of plans to extend the North West Tollway (I-355) to Interstate 80 (I-80). This has resulted in housing growth occurring in the unincorporated areas south of Interstate 55.

According to 1990 U.S. census data, the three assessment areas have a combined population of 423,621 consisting of; Whites 219,064 or 51.71%, Blacks 84,700 or 20.00%, Asian 36,863 or 8.70%, Hispanic 81,197 or 19.20%, and all other minorities are 1,797 or .40%. A total of 125 census tracts are included in the three assessment areas and are classified as; low-income, 46 or 36.80%, moderate-income, 38 or 30.40%, middle-income, 19 or 15.20%, and upper-income, 22 or 17.60%. The assessment areas have a combined total of 185,200 housing units of which 62,207 or 33.60% are owner occupied and 103,792 or 56.00% are rental units. The median housing value is \$150,227, and the median age of the assessment areas= housing stock is 39 years, low-income census tracts the median age is 53 years and in moderate-income census tracts the median age is 54 years. The bank's assessment areas meet the definition and purpose of the CRA, and do not reflect illegal discrimination or exclude any low-income or moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

Loan-to-Deposit Ratio Analysis

An analysis of the bank's Consolidated Reports of Condition throughout the seven quarter review period revealed an average loan-to-deposit ratio of 85.25%. This ratio is considered to exceed standards for satisfactory performance and demonstrates the bank's willingness to provide for the credit needs of its assessment areas. According to management, the bank's loan-to-deposit ratio has historically been high. This ratio is further enhanced by the bank's high volume of loans sold on the secondary market, which was approximately \$3.8 million since the previous examination.

Lending in Assessment Areas

Based on information obtained from the bank's 1994 Home Mortgage Disclosure Act (HMDA) statement, the bank's lending performance inside its assessment areas has improved. The HMDA data revealed that in 1993 the bank accepted 48.35% (44 of 91) of its applications from within its assessment areas, and in 1994 this percentage had increased to 68.37% (67 of 98). The examination loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL ASSESSMENT AREAS	PERCENT OF TOTAL
Real Estate	10	2	20.0
Single Payment	1	1	100.0
Credit Cards	10	9	90.0
Instalment (Direct)	10	7	70.0
Commercial	10	5	50.0
Total Approved Loans	41	24	58.5

As the preceding chart illustrates, 58.5% of approved loans were within the bank’s assessment areas. The large percent of loans outside the assessment areas is primarily attributable to a significant number of borrowers who work within but live outside the bank’s assessment areas and the high level of competition the bank faces. The review of the 1994 HMDA data and the examination loan sample indicate that although performance can be improved, the bank conducts a majority of its lending-related activities, including originating a majority of its loans, within the bank’s assessment areas.

Lending Analysis Based Upon Borrower Income and Size of Business

A review of the bank’s 1994 HMDA data revealed that a substantial portion of the bank’s loans were to low-income or moderate-income individuals. The bank originated a total of 67 HMDA reportable loans in 1994. Over 79% (53) of the bank’s HMDA reportable loans were made to low-income or moderate-income individuals, as compared to 29.70% (2,714) of the HMDA reportable loans made to similar individuals by all other lenders in the bank’s assessment areas. It was noted that low-income or moderate-income individuals represent 56.54% of the population in the bank’s assessment areas. An analysis of the examination sample of approved borrowers revealed the following:

LOAN TYPE	LOW-INCOME \$000's/Number	MODERATE-INCOME \$000's/Number	MIDDLE-INCOME \$000's/Number	UPPER-INCOME \$000's/Number
Real Estate	\$47,400/3	\$74,400/2	\$166,080/3	\$216,996/2
Installment (direct)	\$81,024/5	\$98,652/3	\$51,996/1	\$63,600/1
Single Payment	0	\$36,000/1	0	0
Credit Cards	\$91,032/5	\$69,600/2	\$96,996/2	\$64,800/1

Total Originations	\$219,456/13	\$278,652/8	\$315,072/6	\$345,396/4
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As the preceding chart indicates, the majority of the loans from the sample were originated to low-income (13 loans/41.94%) and moderate-income (8 loans/25.81%) borrowers. The majority of the dollar volume was originated to middle-income (\$315,072/27.20%) and upper-income (\$345,396/29.81%) borrowers. The sample indicates reasonable lending distribution among the various income segments in the bank’s assessment areas.

A sample of approved commercial loans was reviewed. The sample indicated that a substantial majority of the bank’s commercial lending activity was to businesses with annual revenues less than \$200,000, which is consistent with the bank’s assessment areas= need for this type of loan product.

The review of the bank’s approved applications revealed a reasonable distribution of lending activity among individuals of different income levels, it is particularly noteworthy among low-income or moderate-income individuals, and businesses of different sizes. The review did not reveal any discriminatory acts or practices.

Geographic Distribution of Loans

Although 125 whole census tracts (geographies) are included in the bank’s three assessment areas, only 120 geographies were used to analyze the bank’s geographic distribution of 1994 HMDA data. This was due to the fact that five geographies, in the Chinatown assessment area, have no population or housing units. According to the HMDA data, the 120 geographies are designated as either low-income (41/ 34.17%) or moderate-income (79/65.83%).

The 1994 HMDA data revealed that the bank reported activity in only 24 (20%) of the 120 geographies, 62 low-income or moderate-income geographies did not show any activity. The absence of lending activity in these geographies is explained by the following; a high concentration of rental units, 56.0% of the 185,200 housing units in the assessment areas are rental units, and 12 geographies in the Chinatown and Uptown assessment areas consist of large portions of the Lake Michigan shore line (beach areas), with Meigs Field, a local airport, located in one of these geographies. The Argonne National Laboratory occupies one of the geographies in the Darien assessment area, and another geography includes two golf courses, Village Green of Woodridge and Carriage Green Country Club.

The HMDA data indicates that 79.10% (53 of 67) of the bank’s originations were in low-income or moderate-income geographies while the aggregate’s percentages was 29.70%. The bank exceeds the market aggregate when comparing loan origination rates. In 1994, the bank originated 100.0% of the HMDA reportable loan applications, while the aggregate’s origination rate was 71.23% in low-income or moderate-income geographies.

Considering size, financial capacity, demographics and credit needs, the geographic distribution of the bank's lending activity reflects a reasonable distribution throughout the assessment areas.

Response to Substantiated Complaints

No complaints were received by the bank regarding its CRA performance since the previous examination.