

## **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 **Hinsdale Bank & Trust Company, Hinsdale, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **December 9, 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.

Hinsdale Bank & Trust Company is emerging as a competitive lender within its assessment area. The bank's loan-to-deposit ratio, which averaged 62.96% over the most recent six quarters, is consistent with peer and evidences this effort. Approximately 62% of loans in the bank's portfolio were made within the bank's assessment area. The bank's portfolio of loans is reasonably distributed among applicants of different income levels and compares reasonably with area demographics. There is no evidence of prohibited discriminatory lending practices or policies intended to discourage individuals from applying for loans offered by the bank. No CRA-related complaints were received by the bank since the previous examination.

The following table indicates the performance level of **Hinsdale Bank & Trust Company, Hinsdale, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	HINSDALE BANK & TRUST COMPANY 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- and moderate-income geographies located within the assessment area		
Response to Complaints	No CRA-related complaints were received.		

**DESCRIPTION OF INSTITUTION**

As of September 30, 1996, Hinsdale Bank & Trust Company had total assets of \$145 million, an increase of 118% since the previous examination. Hinsdale Bank & Trust Company is a wholly-owned subsidiary of Hinsdale Bancorp, Incorporated, Hinsdale, Illinois. The bank, which is primarily a community lender, offers commercial, real estate and consumer loan services. Loan and deposit services are provided through the bank's main office in Hinsdale and one branch office in Clarendon Hills, Illinois. Competition for deposit and credit services within the assessment area is derived from the following institutions: Midwest Bank of Hinsdale; Hinsdale, Oak Brook, and Willowbrook branches of The First National Bank of Chicago; Harris Bank of Hinsdale; Oak Brook Bank; Hinsdale Federal Bank for Savings; Hinsdale branch of Bell Federal Bank; Hinsbrook Bank and Trust; Willowbrook branch of Standard Federal Bank for Savings; Bank of Elmhurst; and the Willowbrook branch of Bank One, Chicago NA.

**DESCRIPTION OF BANK'S ASSESSMENT AREA**

Hinsdale Bank & Trust Company operates in the southeastern portion of DuPage County. The bank's main office is located in Hinsdale, Illinois, approximately 20 miles southwest of downtown Chicago. The bank also operates a full-service branch office in Clarendon Hills which is located adjacent to and west of Hinsdale. The bank defines its assessment area as Census Tracts 8446, 8447, 8451, 8452, 8453, and 8454, all located within Du Page County and the Chicago Metropolitan Statistical Area (MSA) 1600. According to 1990 census information, the bank's assessment area has a population of 38,077. The median family income for the MSA is \$42,758; however, the median family income for the assessment area is \$69,255. The majority of families in the assessment area are considered upper-income, as illustrated in the following chart which shows the distribution of families, by income level, for the MSA and the assessment area:

MEDIAN FAMILY INCOME	LOW-INCOME FAMILIES	MODERATE-INCOME FAMILIES	MIDDLE-INCOME FAMILIES	UPPER-INCOME FAMILIES
MSA - \$42,758	19.8%	17.4%	24.0%	38.8%
Assessment Area - \$69,255	7.4%	9.3%	16.4%	66.9%

The housing information for the assessment area is as follows:

HOUSING DATA	ASSESSMENT AREA	PERCENT OF TOTAL UNITS
Owner-Occupied Units	11,536	79.80%
Total Rental Units	2,300	15.90%
Vacant Units	627	4.30%
<b>Total Housing Units</b>	<b>14,463</b>	<b>100.00</b>

The preceding chart shows that the residential housing in the assessment area is approximately 80% owner-occupied. Hinsdale is considered a “bedroom” community, with many residents commuting to nearby suburbs and Chicago for employment, primarily in the medical, legal, and financial industries. The Village of Hinsdale is completely built up and highly populated. According to community representatives, the population is aging and economic growth stems primarily from the availability of land and several new employers in the area. Housing improvement is predominately limited to the acquisition of older smaller units, which are then demolished and replaced with larger units. The most significant employer in the area is Hinsdale Hospital which employs approximately 2,400. Significant manufacturing employers within and surrounding the bank’s assessment area are exhibited in the following chart.

COMPANY NAME:	CITY:	EMPLOYEES AT LOCATION:	PRODUCT DESCRIPTION:
Rockwell Telecommunications, Inc.	Darien	1,000	Telephone Communication Equipment
Molex Inc.	Lisle	800	Plastic Molds
Maple Chase Co.	Downers Grove	700	Smoke Detectors, Door Chimes
Keebler Co.	Elmhurst	700	Crackers & Biscuits
Pepperidge Farm, Inc.	Downers Grove	600	Bread, Rolls, & Stuffing
Rockwell Graphic Systems, Inc.	Westmont	600	Newspaper presses
The Morey Corp.	Downers Grove	500	Electronic Equipment
M & M/Mars Inc.-Burr Ridge	Burr Ridge	450	Ice Cream Bars

The preceding shows a well diversified economic base which is also supported with a strong retail section. According to the Illinois Department of Employment Securities, the October 1996 unemployment figures for DuPage County, the Chicago PMSA, and the State of Illinois, were 3.1%, 4.6% and 4.7%, respectively.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

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

**Loan-To-Deposit Ratio Analysis**

The bank’s quarterly loan-to-deposit ratio since the previous examination averaged 62.96%. According to the Uniform Bank Performance Report (UBPR) dated September 30, 1996, the bank’s loan-to-deposit ratio is consistent with the peers’ average loan-to-deposit of 66.93%. The following chart represents a comparison of the bank with local competitors as of September 30, 1996:

HINSDALE BANK & TRUST COMPANY MAJOR COMPETITORS				
BANK NAME	OFFICE LOCATIONS	ASSETS (\$000S)	LOAN-TO- DEPOSIT RATIO	SERVICES OFFERED
Midwest Bank of Hinsdale	Hinsdale	129,436	63.37	Full
The First National Bank of Chicago (formerly Bank of Hinsdale)	Hinsdale Oakbrook Willowbrook (branches of Chicago)	49,956,726 (Total)	69.20	Full
Harris Bank of Hinsdale, National Association	Hinsdale Burr Ridge	456,819	66.03	Full
Oak Brook Bank	Oak Brook Burr Ridge	772,311	63.84	Full
Hinsbrook Bank and Trust	Willowbrook	95,975	61.13	Full
Bank of Elmhurst	Elmhurst	140,407	65.31	Full

The bank’s average loan-to-deposit ratio is consistent with its local competition. Considering the bank’s capacity to lend, and demographic, economic and lending opportunities present in the assessment area, the bank’s average loan-to-deposit ratio meets the standards for satisfactory performance.

**Lending in Assessment Area**

The bank conducts a quarterly analysis of its progress under the CRA. This analysis includes a geo-coding breakdown of the bank’s deposits and loans (not including indirect automobile loans) to determine its performance within the assessment area. For the quarter ending September 30,

1996, 63.1% of the bank’s deposits and 62.07% of the bank’s loans were received from and made within the assessment area. This performance was analyzed in conjunction with the level of lending within the assessment area of selected loan products over the most recent six months. The following chart illustrates the geographic distribution of the samples:

LOAN TYPE	TOTAL LOANS SAMPLED	LOANS MADE WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL LOANS SAMPLED MADE WITHIN THE ASSESSMENT AREA
	Number/Dollars	Number and Dollars	Number and Dollars
Home Equity	89/\$6,295,750	53/\$3,870,000	59.55%/ 61.47%
Direct Installment	64/\$1,077,675	15/\$520,104	23.43%/48.26%

The preceding chart shows that a substantial number of loans, by number and dollar amount, are extended within the community. According to management, the distribution continues to be affected by its recent entry in the financial market and a highly competitive local lending market.

The bank’s performance under this criterion meets the standards for satisfactory performance. The bank’s performance was also supported by community representatives, who indicated that area credit needs were being met, and that local banks’ lending efforts within the community are proactive and responsive to the community’s needs.

**Lending Analysis Based Upon Borrower Income and Size of Business**

To review the bank’s performance under this criterion, lending (for two selected loan products) over the most recent six months was analyzed by borrower income in comparison to the MSA median family income. Also, a three-year trend of the bank’s commercial/business loans in the portfolio was reviewed. The following chart illustrates the distribution of 88 home equity loans and 57 direct instalment loans, by number of loans and percentage of total loans, for each income category:

LOAN TYPE	LOW-INCOME	MODERATE-INCOME	MIDDLE-INCOME	UPPER-INCOME
Home Equity	3	4	11	70
Direct Instalment	7	8	11	31
Totals	10 (6.9%)	12 (8.3%)	22 (15.2%)	101 (69.6%)

The preceding chart shows a reasonable distribution among the income segments when categorized according to the MSA median family income. As stated in the “Description of the Assessment Area” the median family income for bank’s assessment area is significantly higher than that of the MSA. The distribution of loans among the different borrower income levels, given the demographics of the assessment area, meets the standards for satisfactory performance.

The following chart shows the bank's portfolio of commercial/business loans as of the June 30 Statements of Condition for the three preceding years:

LOAN AMOUNT	JUNE 1996 # AND \$		JUNE 1995 # AND \$		JUNE 1994 # AND \$	
<b>NONFARM, NONRESIDENTIAL REAL ESTATE SECURED LOANS</b>						
\$100,000 or Less	5	385	5	309	-0-	-0-
\$100,000 - \$250,000	3	629	3	369	-0-	-0-
\$250,000 - \$1MM	11	6,474	6	3,242	-0-	-0-
<b>TOTALS</b>	<b>19</b>	<b>7,488</b>	<b>14</b>	<b>3,920</b>	<b>-0-</b>	<b>-0-</b>
<b>COMMERCIAL AND INDUSTRIAL LOANS</b>						
\$100,000 or Less	49	1,667	28	915	12	508
\$100,000 - \$250,000	15	2,129	7	761	3	555
\$250,000 - \$1MM	9	4,571	2	670	3	1,259
<b>TOTALS</b>	<b>73</b>	<b>8,367</b>	<b>37</b>	<b>2,346</b>	<b>18</b>	<b>2,322</b>

The preceding chart shows a reasonable distribution of commercial/business loans of different sizes, as well as a substantial growth trend in the portfolio. Additionally, a review of 15 business loans made recently showed that loan amounts ranged between \$15,000 and \$500 million (a participation loan), indicating the bank's willingness to make small dollar as well as large dollar amount business loans. The bank's performance shows that lending activity includes all income categories of the community and meets the standards for satisfactory performance.

### **Geographic Distribution of Loans**

Because there are no designated low- or moderate-income geographies located within the assessment area in which lending activity could be analyzed, this criterion is not rated.

### **Response to Substantiated Complaints**

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