

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 **Foxdale Bank, South Elgin, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **November 18, 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 **Needs to Improve**.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's loan-to-deposit ratio meets the standards for satisfactory performance. There has been significant growth in the consumer loan portfolio; however, the distribution of loans does not meet the standards for satisfactory performance. An analysis of the bank's primary lending activities revealed that only a small percentage of loans originated over the past six months (9.39%) is within the assessment area. The bank's direct lending activities account for 24.86% of all lending activity and only 37.78% of those loans are in the assessment area. The distribution of loans to borrowers of different income levels within its assessment area meets the standards for satisfactory performance; however, a small percentage of the bank's loan volume is in the area. A substantial majority of loans sampled outside of the assessment are to low- and moderate-income borrowers and to small businesses. There are no low- or moderate-income geographies within the assessment area and no formal CRA-related complaints were received regarding the bank's performance. The bank's performance under fair lending laws and regulations is in need of substantial improvement. Substantive violations of Regulation B were noted during the examination which have had a negative impact on the bank's CRA performance. Bank management has taken action to address the violations, and to eliminate the violative procedures.

The following table indicates the performance level of **Foxdale Bank, South Elgin, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FOXDALE BANK 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 in the bank's assessment area.		
Response to Complaints	No CRA-related complaints have been received since the inception of this bank.		

DESCRIPTION OF INSTITUTION

Foxdale Bank, with assets of \$35,547,000 as of September 30, 1996, is located in South Elgin, Kane County, Illinois. The bank has been in operation since June of 1995, and is the sole subsidiary of Foxdale Bancorporation, Inc., located in South Elgin, Illinois. The bank's only office is temporarily located in leased office space; the permanent facility will be located approximately one block away from the present location. Lobby hours are 8:00 am to 5:00 pm Monday through Thursday; 8:00 am to 6:00 pm on Friday; and 8:00 am to 12:00 pm on Saturday. The bank offers automated teller machine (ATM) services, but does not currently own an ATM. The permanent facility will be completed in the Spring of 1997, and it will have both a drive-up and an ATM.

The bank offers a wide range of consumer products including real estate, installment, single-payment, and home equity, overdraft protection and other personal lines of credit. A significant percentage of the bank's loan portfolio is indirect automobile loans and the majority of these loans are made outside of the bank's assessment area.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The assessment area is located in MSA 1600, and is comprised of four contiguous census tracts (8518.01, 8518.02, 8519.02 and 8521.00) within Kane County, Illinois. The majority of the assessment area is the Village of South Elgin, and according to the Northeastern Illinois Planning Commission, the population of the Village of South Elgin has experienced growth. According to the 1990 census, the population in South Elgin was 7,474; however, a special census, commissioned by the Village of South Elgin in 1994, showed the population to be 10,658. There are a number of 1-4 family housing developments in various stages of completion within the assessment area. The bank's largest competitors in the assessment area are First Community Bank and Union National Bank, both located in Elgin. Other local banking competitors include Elgin Federal Financial Center SB, The Elgin State Bank, First Federal of Elgin FSA, The First National Bank of Elgin, and Home Federal Savings and Loan of Elgin. Also, branches of Amcore Bank NA (Rockford), American National Bank and Trust Company (Chicago), two branches of Bank One, Chicago NA (Evanston), a branch of Elgin Federal Financial Center SB, four branches of First National Bank of Chicago (Chicago), a branch of Home Federal Savings and Loan of Elgin, three branches of Old Kent (Elmhurst), and a branch of St. Paul Federal Bank for Savings (Chicago),

In addition to banks, Brethren Employees Credit Union, Corporate America Federal Credit Union, Elgin City Employees Credit Union, Kane County Teachers Credit Union, Matsushita Employees Credit Union, Safety-Kleen Corporation Federal Credit Union, and Valley Bell Credit Union compete for area residents' business.

LOAN-TO-DEPOSIT RATIO

A review of the bank's September 30, 1996 Consolidated Report of Condition revealed a net loan-to-deposit ratio of 88.45%. Over the past six quarters (since the bank opened for business on June 26, 1995), the loan-to-deposit ratio averaged 60.40%, ranging from 10.14% to 88.45%. The following chart compares Foxdale Bank's ratio with that of its primary local competition.

Financial Institution	06/95	09/95	12/95	03/96	06/96	09/96	Average
Foxdale Bank, South Elgin, IL	10.14	60.49	54.74	66.71	81.85	88.45	60.40%
First Community Bank, Elgin, IL	57.05	67.90	67.64	69.09	64.70	64.31	65.12%
Union National Bank, Elgin, IL	77.49	71.48	65.75	72.98	74.47	69.61	71.96%

The bank's average loan-to-deposit ratio is below that of its local competition; however, the most recent two quarters exceed the ratios of the primary competitors.

The bank's distribution, by loan type, as of September 30, 1996 was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING	PERCENT OF TOTAL LOANS
REAL ESTATE	3,173,000	10.99
Construction	586,000	2.03
Residential (1-4)	424,000	1.47
Commercial	2,163,000	7.49
CONSUMER	8,777,000	30.40
Open-end Credit	1,636,000	5.67
All Other	7,141,000	24.73
COMMERCIAL AND INDUSTRIAL	16,758,000	58.03
AGRICULTURAL	64,000	0.22
OTHER	107,000	0.37

Review of the bank's loan distribution, based on the September 30, 1995 and September 30, 1996 Consolidated Reports of Condition, indicates that the composition of the loan portfolio has shifted. The September 30, 1996 Consolidated Report of Condition shows a portfolio with considerable consumer loan growth as a percentage of the portfolio (9.71% in 1995 to 32.02% in 1996). Overall, total loans increased by \$25,346,000 or 717.41% during the 12-month period. This growth, which is typical of a new bank, is a result of the bank purchasing new and used automobile loans from automobile dealerships, and commercial leases.

According to the Uniform Bank Performance Report (UBPR) dated September 30, 1996, the

bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	2.17	3.11
1 - 4 Family Residential	8.54	27.58
Home Equity	6.31	0.47
Other Real Estate	8.57	20.65
Farmland	0.00	1.39
Multi-family	0.00	0.75
Commercial	8.57	14.51
TOTAL REAL ESTATE LOANS	19.29	58.08
LOANS TO INDIVIDUALS	17.98	12.94
CREDIT CARD LOANS	0.26	0.14
COMMERCIAL & INDUSTRIAL LOANS	62.39	16.51
AGRICULTURAL LOANS	0.08	1.91
MUNICIPAL LOANS	0.00	0.03
OTHER LOANS*	0.25	0.11
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

Compared to its peer group, Foxdale Bank's loan portfolio has a significantly higher concentration of commercial loans and a significantly lower concentration of real estate secured loans. This portfolio mix is affected by the bank's purchasing of commercial leases; for a new banking institution, this practice is used to foster growth and investment of deposited funds.

Overall, the bank's loan-to-deposit ratio meets the standards for satisfactory performance; it is reflective of a financial institution in a growth mode and shows significant growth in the consumer loan portfolio over the past 12 months.

LENDING IN THE ASSESSMENT AREA

An analysis of the examination loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL LOANS SAMPLED	NUMBER OF LOANS WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Indirect Installment Loans - Auto	116	0	0
Indirect Commercial Leases	20	0	0
Direct Installment Loans	20	8	40.00%
Real Estate Loans	7	1	14.29%
Home Equity Lines of Credit	7	3	42.86%
Overdraft Lines of Credit	11	5	45.45%
All Lending Activity	181	17	9.39%
Direct Lending Activity	45	17	37.78%

As the preceding chart illustrates, the majority of the bank's loans are not made within its assessment area. An analysis of the bank's direct lending activities reveals that it accounts for 24.86% of all lending activity with only 37.78% of the direct lending activity in the assessment area. According to community representatives, opportunities exist for small business loans, and commercial and residential real estate loans due to the high population growth and development in the assessment area. Because of Kane County's land management plan to keep the county at a 50% level of agricultural use, agricultural lending opportunities will remain.

It is recognized that the bank is attempting to build its loan portfolio; however, with less than 10% of its lending in the assessment area, the bank does not meet the standards for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following table shows the distribution of direct loans to borrowers of different income levels within the assessment area, and compares those loans to local income demographics.

LOAN TYPE	NUMBER OF LOANS	LOW INCOME	MODERATE INCOME	MIDDLE INCOME	UPPER INCOME
Direct Installment Loans	8	3	1	0	4
Real Estate Loans	1	0	0	0	1
Home Equity Lines of Credit	3	0	0	0	0
Overdraft Lines of Credit	5	0	1	2	2
LOANS MADE WITHIN ASSESSMENT AREA	17	3 / 17.65%	2 / 11.76%	2 / 11.76%	7 / 41.18%
ASSESSMENT AREA INCOME LEVELS		9.7%	13.2%	24.8%	52.3%

(*Borrower income information not available)

The bank's distribution of loans to low- and moderate-income borrowers within the assessment area meets standards for satisfactory performance. Although the preceding loan distribution generally reflects the individual income demographics of the assessment area, the loans reflect only 24.86% of the bank's total loan activity. An additional sample of 96 indirect auto loans that were originated outside of the assessment area was analyzed. The results indicate that the bank has originated 72.34% or 68 of 94 loans with income information to low- or moderate-income borrowers. According to the June 30, 1996 Consolidated Report of Condition, the bank has originated or purchased 196 commercial and industrial loans totaling \$14,681,000 to small businesses.

The bank's record of lending to borrowers of different income levels and small businesses is satisfactory despite the fact that a majority of these loans were originated outside of the assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

There are no low-income or moderate-income census tracts within the Foxdale Bank's assessment area.

RESPONSE TO COMPLAINTS

No formal CRA-related complaints have been received by the Federal Reserve Bank of Chicago or by Foxdale Bank, as of the date of this examination.

