

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 **Villa Park Trust & Savings Bank, Villa Park, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **April 24, 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's loan portfolio revealed that real estate, consumer and small business loans were distributed throughout the assessment area. The distribution of the bank's loan portfolio, with respect to borrower income and the loan-to-deposit ratio, is considered reasonable based upon the bank's size, as well as demand and competition within the assessment area. Review of bank policies, procedures, loans and denied credit applications revealed no evidence of prohibited discriminatory credit practices since the previous examination. Since the previous examination, no complaints were received regarding the institution's CRA performance.

The following table indicates the performance level of **Villa Park Trust and Savings Bank, Villa Park, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	VILLA PARK TRUST AND SAVINGS 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		X	
Response to Complaints	No complaints were received since the previous examination		

DESCRIPTION OF INSTITUTION

Villa Park Trust and Savings Bank, with \$119 million in total assets as of March 31, 1996, is an affiliate of Edville Bankcorp, a one-bank holding company. In addition to its main office, the bank operates branch facilities in Villa Park and Lombard. The bank offers consumer real estate (95% loan-to-value with PMI), installment, single-payment, open-end home equity, overdraft, and commercial loans (including SBA). The bank also offers Veterans Administration (VA) and Federal Housing Administration (FHA) loans; however, the bank has not made any VA or FHA loans, as more borrowers choose loans with PMI for low down payment amounts. Management indicated that SBA loans have decreased also (one SBA loan for \$20,000 has been made since the previous examination), as some potential SBA borrowers have opted to participate in a low-interest rate business loan program offered by the bank and the Village of Villa Park.

Real estate loans makeup the largest portion of the bank's loan portfolio (approximately 58%), followed by open-end revolving home equity (approximately 19%). Prior to 1994, the bank maintained approximately three million dollars of student loans in its portfolio, but lost these loans as the federal government became involved in the operation of the guaranteed student loan programs. The bank generally promotes economic growth consistent with its size, financial capacity, location, and local demand. There are no legal or regulatory impediments that would prevent the bank from meeting its CRA obligations.

The bank's primary competitors include: Bank of Illinois in DuPage, Old Kent Bank- Elmhurst, West Suburban Bank in Lombard, and branch offices of St. Paul Federal Savings Bank in Addison, Villa Park and Lombard.

DESCRIPTION OF ASSESSMENT AREA

The assessment area of Villa Park Trust and Savings Bank is comprised of whole census tracts which fall within the political boundaries of Addison, Elmhurst, Lombard, Villa Park, and portions of Glendale Heights and Glen Ellyn in DuPage County. The assessment area encompasses 33 census tracts in the Chicago Metropolitan Statistical Area (MSA). Based upon 1990 census information, 186,497 people reside in the assessment area, which has a median family income of \$52,687 (higher than the Chicago MSA median family income of \$42,758). The majority of census tracts in the assessment area (18) are designated as high-income tracts, averaging over 120% of the MSA median family income, with the remaining census tracts designated as middle-income. Census tracts 8417.02 and 8432 are the lowest income census tracts in the bank's assessment area at 98.9% and 99.3% of the MSA median. Census information for the assessment area also indicated that 4,076 families (8.0%) were classified as low-income, and 7,305 families (14.4%) were classified as moderate-income. There are no minority census tracts within the assessment area. Demographically, Whites constituted 169,351 or 90.8%, Blacks 1,928 or 1.0%, individuals of Hispanic descent 6,351 or 3.7%, Asians 7,996 or 4.3%, and American Indian 189 or 0.10% of the assessment area's population.

The service industry, followed by retail and manufacturing, forms the base of DuPage County's economy. Census information indicates approximately 180,730 individuals were employed in the service industry in 1993, 153,361 individuals were employed in retail, and 70,316 individuals in

manufacturing. Illinois Department of Employment projections for DuPage County suggest an increase of 10 to 20% in the number of individuals employed in the retail and service industries, and a slight decrease in the manufacturing employment base (one percent) by the year 2005.

Based upon DuPage County Planning Department information, College of DuPage, employing 2,523, Elmhurst Memorial Hospital Inc., employing 2,429, and General Electric Company (Lombard) employing 1,106, are among the largest employers within the assessment area. December, 1995 12-month unemployment averages revealed the following unemployment rates for the communities within the assessment area: Addison - 6.0%, Elmhurst - 2.7%, Glen Ellyn - 3.3%, Glendale Heights - 3.9%, Lombard - 4.0%, Villa Park - 3.8%. With the exception of Addison, unemployment rates throughout the assessment area were well below the State of Illinois (5.1%), and Chicago MSA's average of 4.8% over the same time period.

Community members contacted during the examination stated that the assessment area's economy is strong, although most communities have extremely limited options for expansion. In neighboring Elmhurst, many existing structures have been torn down to be replaced by upscale housing subdivisions. Based upon information published in Living in Greater Chicago, the following are the average year-end 1995 single family home prices for communities in the assessment area:

<u>Community</u>	<u>Average 1985 Value</u>	<u>Average 1995 Value</u>
Addison	\$84,607	\$172,107
Elmhurst	\$80,830	\$812,910
Glen Ellyn	\$94,240	\$218,536
Glendale Heights	\$72,303	\$130,756
Lombard	\$74,347	\$143,941
Villa Park	\$70,128	\$132,889

Community contacts also indicated that vacancy rates throughout the assessment area were low, and that ~~for~~ ^{for sale} properties spend little time on the market. Census data indicates that the majority of the assessment area housing stock (76%) is one-to-four family, with a median age of 28 years.

Since the previous examination, the bank has revised its assessment area to consist of contiguous political subdivisions, which contains all geographies where it has offices, or deposit-taking ATM's. The revised assessment area consists of whole census tracts, and does not arbitrarily exclude any low-income or moderate-income areas that the bank could reasonably be expected to serve.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Review of the examination sample of loans and denied applications, 1994 and 1995 Home Mortgage Disclosure Act (HMDA) data and 1996 Loan Application Register (LAR) revealed no

discriminatory lending practices or policies intended to discourage applicants. The bank 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

A review of the bank's Consolidated Reports of Condition for the six quarters since the previous examination revealed an average loan-to-deposit ratio of 39.1%. The following chart illustrates the growth in the loan portfolio since the previous examination:

Dec.-94	Mar.-95	Jun.-95	Sept.-95	Dec.-95	Mar.-96
31.2%	32.9%	36.4%	39.6%	44.6%	49.8%

The December 31, 1995 Uniform Bank Performance Report (UBPR) revealed that the bank's loan-to-deposit ratio is below peer level (44.05 vs 68.29 for peer), but is improving. The bank's loan-to-deposit ratio has increased steadily from 27.3% noted in the November, 1994 Report of Examination, to 49.8% as of March, 1996. Additionally, review of the bank's internal statement of condition indicated that the loan-to-deposit ratio improved to 54.7% as of April 30, 1996. Discussions with management and community contacts indicated that much of the growth in the bank's loan portfolio can be attributed to increased outreach efforts by the bank.

Review of the bank's March 31, 1996 report of condition revealed the following distribution by loan type:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	0.00	0.00
Home Equity	10,659	19.50
Residential (1-4)	31,416	57.50
Commercial	2,269	4.20
Agricultural	0.00	0.00
Multi-family	0.00	0.00
CONSUMER		
Open-end Credit	989	1.80
All Other	4,837	8.90
COMMERCIAL AND INDUSTRIAL	4,139	7.60
AGRICULTURAL	0.00	0.00
STATE AND POLITICAL OBLIGATIONS	218	0.40
OTHER	37	0.10

Review of the bank's loan portfolio revealed the bank's lending is concentrated in real estate loans. Home equity and 1-4 family residential housing loans comprised approximately 77% of the loan portfolio. The following chart depicts the distribution of the bank's loan portfolio with respect to peer, based upon the December 31, 1995 UBPR:

--	--	--

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	0.00	4.57
1 - 4 Family Residential	69.73	28.86
Home Equity	21.29	2.23
Other Real Estate	5.52	26.04
Farmland	0.00	0.46
Multi-family	0.00	1.47
Commercial	5.52	22.28
TOTAL REAL ESTATE LOANS	75.25	65.12
LOANS TO INDIVIDUALS	16.23	11.50
CREDIT CARD LOANS	2.67	0.48
COMMERCIAL & INDUSTRIAL LOANS	7.82	16.55
AGRICULTURAL LOANS	0.00	0.23
MUNICIPAL LOANS	0.62	0.25
OTHER LOANS*	0.07	0.26
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

UBPR analysis revealed the bank is well above peer with respect to real estate lending (75.25 for bank, vs 65.12 for peer). The level of the bank's commercial/industrial lending and commercial real estate lending is below peer; however, this reflects the bank's size and the makeup of the assessment area. The bank's size limits its ability to serve credit needs of large and mid-size companies; additionally, community representatives indicated that competition for loans and deposits is high within the assessment area.

Based upon the review of the bank's loan portfolio, and assessment area economic conditions, the bank meets the standard for satisfactory performance under this category.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's HMDA data, and the examination loan sample was reviewed to assess the distribution of the bank's loans among borrowers and businesses of different incomes/sizes. The bank approved thirteen of twenty-two applications received from moderate-income applicants, (identified as applicants earning less than \$34,206), and five of fifteen applications from low-income applicants (applicants earning less than \$21,379). Together, low- and moderate- income applicants comprised approximately 19% of the approved loan sample (18 of 94 loans). Generally, the bank generated and approved applications from low- or moderate-income individuals consistent with the demographic makeup of the assessment area, where approximately 22% of the population is designated as low- or moderate-income. Relative to small business lending, ten of fourteen business loans were made to businesses with gross annual revenues under one million dollars. The bank's June call reports for 1994 and 1995 revealed the following

number of loans to small businesses and small farms:

	<u>June, 1994</u>	<u>June, 1995</u>
Loans secured by nonfarm/ nonresidential properties	16	17
Commercial and industrial	156	194

Community representatives contacted during the examination also cited the bank for its leadership role in the Villa Park Low-Interest Loan Program. Under the program, the bank and Harris Bank - Oakbrook Terrace committed \$500,000 for loans to new and existing businesses to finance operations/improvements; interest rates on these loans are one percent below prime. In slightly less than four years of operation, the bank has made \$800,000 in loans to approximately 27 area businesses (community contacts indicated that the bank has made the majority of the loans under the program).

Review of the bank’s 1994 and 1995 HMDA data, and 1996 LAR revealed that the bank approved 61 of 65 (94%) of the applications it received from low- and moderate-income applicants in 1994, and 43 of 47 (91%) applications received from low- and moderate-income applicants in 1995; low- and moderate-income applicants comprised 46% of the bank’s total HMDA-related applications in 1994, and decreased to 32% in 1995. Despite the decrease in the percentage of applications received from low- and moderate-income consumers from 1994 to 1995, the bank received a high volume of applications from low- and moderate-income consumers relative to the low- and moderate-income population in the assessment area. Additionally, the origination rates for low- and moderate-income applicants for 1994 and 1995 mirrored the bank’s overall origination rates for those years. In 1994, the bank approved 163 of 170 applications, resulting in a 96% origination rate; in 1995, 190 of 205 applications were approved, resulting in a 93% origination rate.

With respect to minority lending, the bank approved the eight applications it received from minority applicants in 1994, 10 of 13 applications from minorities received in 1995 and all five applications received from minorities in 1996. Applications from minorities included a representative mix of Asian, American Indian and Hispanic applicants. The bank has not received any mortgage applications from Black applicants for the years reviewed. This was determined to be reflective of the limited number of Blacks within the assessment area (Blacks comprise approximately 1% of the population within the assessment area).

Analysis of the examination loan sample, 1994, 1995 and 1996 HMDA data, and the bank’s record of lending to small businesses, suggests reasonable distribution of loans to borrowers and businesses of different income levels and sizes.

Geographic Distribution of Loans

The bank's geographic loan distribution analysis, 1994 and 1995 HMDA geographic distribution, and the geographic distribution of the examination loan sample were reviewed.

Review of the loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Single Payment	10	6	60
Installment	20	15	75
Real Estate	20	12	60
Home Equity	20	17	85
Overdraft Protection	10	6	60
Commercial	14	12	86
Rejected Applications	45	32	71

Approximately 72% (68 of 94 approved applications) of the examination sample of approved applications were within the assessment area, 71% of total applications sampled (100 of 139 total applications) were within the assessment area. Loans were made in 22 of the 33 census tracts in the assessment area; the largest concentration of loans was in census tract 8432 (19 loans) and census tract 8437 (13 loans).

The bank's geographic loan distribution analysis was based on the 1995 loan portfolio. The bank's analysis revealed that in 1995, the majority of loan activity was in census tract 8438 (90 of 1,014 total loans), followed by census tracts 8436 and 8432; these census tracts surround the bank's main office. The analysis suggests reasonable penetration throughout the assessment area, with census tracts 8403.01 and 8403.02 as the only census tracts without consumer or commercial loan activity for 1995 (these tracts are both over 100% of the MSA median income). The bank's 1995 analysis also indicated that 77% (780 of 1,014 loans) of the loan portfolio are loans are secured by property located within the assessment area.

Review of the bank's 1994 and 1995 HMDA data revealed that approximately 83% of the bank's originations (135 of 163 total originations) were within the assessment area in 1994. In 1995, 74% of the bank's originations (140 of 190 total originations) were within the assessment area. The bank's 1995 HMDA data also reflects reasonable loan penetration throughout the assessment area, as the bank originated loans in 26 of the 33 census tracts in the assessment area. The majority of 1995 HMDA-reportable loans were concentrated in census tracts 8436 (21 loans), 8438 (13 loans), 8432 (12 loans), and 8431 (12 loans).

Based upon review of the bank's loan distribution analysis, HMDA data, and the geographic distribution of the examination loan sample, the geographic distribution of the bank's loans and its performance in this category are considered satisfactory.

Response to Complaints

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