

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 **Cole Taylor Bank, Chicago, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **November 12, 1996**. The examination review period covered a period of 18 months which ended September 30, 1996. Management chose to have the bank's CRA performance evaluated using the new CRA regulation which will be mandatory for all large banks effective as of July 1, 1997. 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 Outstanding.

The bank's lending performance is excellent. The high concentration of loans within the assessment area, the strong record of lending to businesses of different revenues and the extensive community development lending efforts evidence this performance. The distribution of loans within the assessment area and lending to borrower's of different incomes was reasonable. The bank is responsive to the credit needs of low-income residents and areas, and uses innovative and flexible lending practices.

The level of qualified community development investments and grants, and the bank's responsiveness to credit and community development needs is highly satisfactory. The bank demonstrates innovativeness and used complex investments to support community development initiatives.

Banking services are accessible to essentially all portions of the bank's assessment area. No offices were closed and a new full-service office was opened in a minority census tract. The bank provides an excellent level of community development services and services available at the different offices do not vary in a way that inconvenience any portions of the assessment area.

The following table indicates the performance level of **Cole Taylor Bank, Chicago, Illinois** with respect to the lending, investment and service tests. Based on the component test ratings for large banks, the assigned composite rating is Outstanding.

LARGE INSTITUTION PERFORMANCE CRITERIA	COLE TAYLOR BANK PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF COLE TAYLOR BANK-S ASSESSMENT AREA

During the examination review period (April, 1995 to September, 1996), the bank changed its assessment area. From April, 1995 to August, 1996, the assessment area consisted of all of Cook County, and small portions of DuPage and Lake Counties. On August 7, 1996, the bank expanded its assessment area to include all of Cook, DuPage, and Lake Counties; this change was reviewed and approved by the bank-s board of directors on September 19, 1996. The change had the effect of adding an additional 419 census tracts to the assessment area, which now consists of 1,565 in the Chicago Metropolitan Statistical Area (MSA).

The bank-s three-county assessment area has a slightly higher proportion of low- and moderate-income tracts than does the nine-county MSA; the breakdown of assessment area census tracts, by income level, compared to MSA census tracts is as follows:

	<u>ASSESSMENT AREA</u>		<u>MSA</u>	
Low/mod income	626	40.0%	661	37.7%
Middle-income	556	35.5%	685	39.0%
Upper-income	360	23.0%	409	23.3%
Not Classified	<u>23</u>	<u>1.5%</u>	<u>0</u>	<u>0.0%</u>
Total	1,565	100%	1,755	100%

The assessment area has a population of 6,403,151 persons and the following racial breakout: White - 4,053,712 (63.3%) and minority - 2,349,439 (36.7%). The minority breakout is as follows: Black - 1,351,838 (21.1%); Hispanic - 747,479 (11.7%); Asian - 234,347 (3.7%); American Indian - 10,659 (0.2%); and other - 5,116 (0.1%).

The assessment area closely resembles the MSA in terms of family income distribution. There are 1,601,957 families in the assessment area, of which 20.8% are low-income; 17.4% are moderate-income; 23.3% are middle-income; and 38.5% are upper-income. The median family income for the assessment area is \$42,263. In comparison, there are 1,864,244 families in the MSA, of which 19.8% are low-income; 17.4% are moderate-income; 24.0% are middle-income; and 38.8% are upper-income. The median family income for the MSA is \$42,758.

According to the Illinois Department of Employment Security, unemployment labor statistics for the assessment area, State of Illinois and Chicago Primary Metropolitan Statistical Area (PMSA) are as follows:

Area	August 1996	August 1995
Illinois	5.3%	5.2%
Cook County	5.7%	5.8%
DuPage County	3.5%	3.5%
Lake County	4.0%	3.8%
Chicago PMSA	5.1%	5.1%

From August, 1995 to August, 1996, unemployment increased slightly in Lake County and the State, decreased in Cook County; and remained stable in DuPage County and the PMSA.

There are 40 Fortune 500 Companies located in the State of Illinois; 35 are located in the assessment area, of which 17 are headquartered in Chicago. The following is a listing of major companies located in the assessment area:

Company	Location	1995 Revenues (\$millions)
Sears Roebuck	Hoffman Estates	35,181
Amoco	Chicago	27,665
Motorola	Schaumburg	27,037
Allstate	Northbrook	22,793
Sara Lee	Chicago	17,719
UAL	Elk Grove Township	14,943
Ameritech	Chicago	13,427
WMX Technologies	Oak Brook	10,979
First Chicago NBD Corporation	Chicago	10,681
Walgreen	Deerfield	10,395
Abbott Laboratories	Abbott Park	10,012
McDonalds	Oak Brook	9,794
Baxter International	Deerfield	9,730
Stone Container	Chicago	7,351
Unicom	Chicago	6,910
R.R. Donnelly & Sons	Chicago	6,511
Quaker Oats	Chicago	6,365
Navistar International	Chicago	6,342
Household International	Prospect Heights	5,144
Inland Steel Industries	Chicago	4,781
FMC	Chicago	4,566
Illinois Tool Works	Glenview	4,152

Company	Location	1995 Revenues (\$millions)
Premark International	Deerfield	3,573
AON	Chicago	3,465
Morton International	Chicago	3,354
W.W. Grainger	Skokie	3,276
Servicemaster	Downers Grove	3,202
Brunswick	Lake Forest	3,076
Whitman	Rolling Meadows	2,946
Tribune	Chicago	2,863
Dean Foods	Franklin Park	2,630
USG	Chicago	2,444
Cotter	Chicago	2,437
Ace Hardware	Oak Brook	2,436
General Instruments	Chicago	2,432

Source: FORTUNE (April 29, 1996)

There were 2,497,653 housing units within the assessment area, of which 1,379,750 (55.2%) are owner-occupied units, 953,048 (38.2%) are rental units and 164,855 (6.6%) are vacant units. The median housing value is \$112,088, the median housing age is 43 years, and the median gross rent is \$494.

DESCRIPTION OF INSTITUTION

The bank, with total assets of \$1.8 billion on September 30, 1996, is a subsidiary of Cole Taylor Financial Group, Inc., a bank holding company. The corporate office is located in Wheeling, Illinois and the bank has 10 full-service offices. Five offices are located in Chicago and there is one office each located in Skokie, Wheeling, Burbank, Lombard and Broadview (opened since the previous examination); three offices are located in low-income and minority census tracts, and two other offices are located in minority census tracts.

The bank operates 22 automated teller machines (ATMs) (six in low-income areas, one in a moderate-income area, and 15 in middle-income areas); eight of the 22 ATMs are not located on bank premises.

A sample of the bank's main competitors (all located in Illinois) are: The First National Bank of Chicago (Chicago); First of America Illinois (Bannockburn); Citibank, FSB (Chicago); First Midwest Bank, NA (Moline); Firststar Bank Illinois (Chicago); Old Kent Bank (Elmhurst); and Bank One, Chicago, N.A. (Evanston).

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (ECOA) and Fair Housing Act. Substantive violations of the Home Mortgage Disclosure Act (HMDA) were noted.

LENDING TEST

The bank's loan portfolio was reviewed to evaluate the bank's lending volume, geographic distribution of loans, the distribution of lending by borrower characteristics, community development lending and the use of innovative and flexible lending practices.

Lending Volume

Review of the bank's September 30, 1996 Consolidated Report of Condition revealed a net loan-to-deposit ratio of 86.3% and a net loan-to-asset ratio of 68.1%. The distribution, by loan type, was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (\$000)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	165,056	12.89
Secured by Farmland	528	.04
Revolving open-end (1-4)	86,799	6.78
Residential (1-4)	253,098	19.76
Commercial	167,629	13.09
Multi-family	29,067	2.27
CONSUMER		
Open-end Credit	9,741	.76
All Other	133,855	10.45
COMMERCIAL AND INDUSTRIAL	415,696	32.46
AGRICULTURAL	19	.001
STATE AND POLITICAL OBLIGATION	5,244	.41
OTHER	13,960	1.09

A comparison of the bank's loan distribution with information contained in the previous report of

examination (data as of December 31, 1994), revealed that significant changes occurred in the composition of the loan portfolio. In the real estate loan category, construction loans increased by 75.2%, revolving open-end loans increased by 58.5% and multi-family loans increased by 35.8%. Additionally, commercial and industrial loans increased, and open-end credit increased by 1,113.1%. Overall, total loans increased by approximately \$179.3 million or 16.3%.

Management stated that the increase in lending was planned and part of the bank's lending strategy.

The bank's loan-to-deposit ratio (LTD) for the seven quarters that ended September 30, 1996 averaged 86.54%. According to the December 31, 1995 and September 30, 1996 call reports, the bank and a sample of its local competitors' LTD ratios are as follows:

Institution	Total Assets as of September 30, 1996 (\$000)	LTD as of September 30, 1996 (%)	LTD as of December 31, 1995 (%)
Cole Taylor Bank	1,845,474	86.28	87.05
Bank One Chicago	1,770,409	118.75	111.02
Old Kent Bank	2,160,162	67.91	59.52
Firststar Bank Illinois	2,830,794	64.59	65.96

According to the September 30, 1996 Uniform Bank Performance Report (UBPR), the bank's loan portfolio compared to peer is illustrated in the following chart:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	11.84	
1 - 4 Family Residential	28.27	2.81
Home Equity	6.05	23.58
Other Real Estate	15.71	2.78
Farmland	.02	18.97
Multi-family	2.45	.23
Commercial	13.25	1.45
TOTAL REAL ESTATE LOANS	55.82	16.10
		50.79
LOANS TO INDIVIDUALS	11.36	18.11
CREDIT CARD LOANS	.66	1.32
COMMERCIAL & INDUSTRIAL LOANS	30.99	18.68

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
AGRICULTURAL LOANS	.03	.17
MUNICIPAL LOANS	.43	.64
OTHER LOANS*	1.05	.88
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO
86.28	80.84

As the preceding charts illustrate, the bank's net LTD ratio was approximately 5 percentage points higher than peer. By loan product, real estate loans were 5% higher, commercial and industrial loans were 12.3% higher, and loans to individuals were 6.8% lower than peer. Management stated that the composition of the loan portfolio represents the commercial orientation of the bank.

Analysis of loans made since the previous examination showed the following level of lending within the assessment area:

Loan Type	Total Number of Loans Sampled	Number within Assessment Area	Percent of Total
Consumer Real Estate	2,881	2,590	89.9
Consumer	7,397	6,946	93.9
Commercial	1,617	1,497	92.6
Total	11,895	11,033	92.8

Geographic Distribution

As the preceding chart illustrates, a high percentage (92.8%) of loans sampled were made within the assessment area. Approximately \$645 million or 91% of loan dollars were extended within the assessment area.

Forty percent of the census tracts in the assessment area are either low- or moderate- income; 23% of the bank's consumer real estate, consumer, and commercial loans originated since the previous examination were made in low- or moderate-income census tracts. Approximately 9.7% of real estate, 12.5% of consumer, and 21% of commercial loan dollars were extended in low- or moderate-income tracts. Fifty-nine percent of the census tracts in the bank's assessment area are

middle- or upper-income; 77% of the bank's consumer real estate, consumer and commercial loans since the previous examination were made in these tracts. The distribution of loan originations made during the examination review period is illustrated in the following table:

Income Classification of Census Tract	Number of Real Estate Loans	Percent of Total Real Estate Loans	Number of Consumer Loans	Percent of Total Consumer Loans	Number of Commercial Loans	Percent of Total Commercial Loans
Low-Income	combined with moderate-income	combined with moderate-income	622	8.4	127	8.3
Moderate-Income	459*	16.7*	1,183	16.0	252	16.4
Middle-Income	1,279	46.6	3,452	46.7	504	32.8
Upper-Income	983	35.8	1,908	25.8	622	40.5
Not Classified	25	0.9	232	3.1	31	2.0
Total	2,746	100	7,397	100	1,536	100

*Real estate loans are classified as both low- and moderate-income for HMDA purposes. The table represents that the bank originated a total of 459 real estate loans in either low- or moderate-income census tracts.

As shown in the following chart, during the 21-month period ending September 30, 1996 (this period includes all of 1995 and 9 months in 1996), low- and moderate-income census tracts were penetrated by real estate, consumer and commercial loans. The chart also shows that the number of low- and moderate-income tracts with no loan activity doubled between 1995 and 1996.

Year	Low/Moderate Income Census Tracts With No Loan Activity (%)	% of Low/Moderate Income Census Tracts With Lending Activity		
		Real Estate Loans	Consumer Loans	Commercial Loans
1995	24	31.3	65.8	19.6
1/1/96 thru 9/30/96	48	22.0	32.4	11.3

Although it is not shown in the chart, analysis shows that the number of middle- or upper-income tracts with no loan activity similarly increased, slightly more than doubling from 1995 to 1996, from 11% to 24% of these tracts. Management stated that lending gaps in the assessment area, resulted primarily because of increased competition and lack of opportunity to make loans.

Review of detailed lending data against maps of the assessment area showed that loans made in 1995 and 1996 were distributed evenly throughout the assessment area. While certain tracts had no lending activity, almost every Chicago neighborhood and suburban community had some lending activity.

Borrower Characteristics

The bank's performance in lending to borrowers of different incomes was analyzed in the context of family income distribution in the assessment area: 20.8% low-income; 17.4% moderate-income; 23.3% middle-income; and 38.5% upper-income families. The following chart shows the distribution of the 2,820 real estate loans the bank made since the previous examination.

Low- or Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Not Classified	Total
682	806	1,216	116	2,820
24.2%	28.6%	43.1%	4.1%	100%

As shown in the preceding chart, 24.2% of the real estate loans were made to low- or moderate-income borrowers. Given the difficulty of making housing loans to families below the poverty level in the fairly high-cost Chicago market, an adjusted income analysis was also performed. This analysis indicated that the percentage of low- and moderate-income families in the assessment area that are above poverty level is 28.9%.

The distribution (based on loan dollar volume) among borrowers of different incomes of the approximately \$304 million in real estate loans made during the examination review period is as follows: low- and moderate-income borrowers - 13.8%; middle-income borrowers - 24.3%; upper-income borrowers - 58.3%; and not classified - 3.6%.

The bank collected consumer loan applicant income information for the period May 1996 through September 1996. The distribution of consumer loans (home equity, credit cards, other secured and unsecured) is detailed in the following table:

Applicant Income Level	Number of Loans	Percent of Total	Dollar Amount	Percent of Total
Low-Income	94	6	1,591,665	3
Moderate-Income	143	10	2,980,502	6
Middle-Income	202	13	5,997,544	12
Upper-Income	311	20	19,911,371	40

Not Available	771	51	19,597,857	39
Total	1,521	100	50,078,939	100

Approximately 16% of the total number of loans and 9% of the dollar volume of these loans were made to low- and moderate-income applicants.

The bank's small business lending is illustrated in the three tables and narrative that follow. The following table illustrates the bank's small business loan activity (loans of \$1 million or less) since the previous examination:

DISTRIBUTION OF BUSINESS LOANS BY LOAN AMOUNT							
\$100,000 or less		Greater than \$100,000 to \$250,000		Greater than \$250,000 and less than \$1 million		Total	
Number	Balance	Number	Balance	Number	Balance	Number	Balance
967	41,172,087	352	59,124,520	298	154,542,044	1,617	254,838,651
59.8%	16.2%	21.8%	23.2%	18.4%	60.6%	100%	100%

The following table illustrates small business loans made since the previous examination to businesses with annual revenues of less than \$1 million:

DISTRIBUTION OF LOANS BY BUSINESS REVENUE							
\$100,000 or less		Greater than \$100,000 to \$250,000		Greater than \$250,000 and less than \$1 million		Total	
Number	Balance	Number	Balance	Number	Balance	Number	Balance
490	21,519,315	144	22,816,002	69	29,689,931	703	74,025,248
69.7%	29.1%	20.5%	30.8%	9.8%	40.1%	100%	100%

Approximately 43.5% of small business (businesses with less than \$5 million in annual gross revenues) loans made since the previous examination were originated to businesses with annual gross revenues of less than \$1 million (this activity is not reflected in the previous chart).

According to the June 30, 1996 call report, small business lending represented 59.4% of the bank's total commercial lending activity; the distribution of the bank's small business loan portfolio, by loan amount, is as follows:

Category	Number	Amount (\$000)
Less than or equal to \$100,000	1,307	34,899
Greater than \$100,000 through \$250,000	242	29,027
Greater than \$250,000 through \$1 million	479	183,194
Total	2,028	247,120

Community Development Lending

Since the previous examination, the bank originated 28 community development loans totaling \$18.04 million. Community development loans, originated prior to the examination review period, had a total outstanding balance of \$16,124,081 as of September 30, 1996. The following table illustrates a sample of credits that were made since January 1995:

Name of Organization	Commitment Amount	Purpose of Loan
Cyrus Development Group, Ltd	\$3,000,000	Construct 59 housing units on scattered sites in Chicago.
Chicago Equity Fund (CEF)	\$1,700,000	Provide bridge financing for investor pay-ins to the CEF.
Illinois Facilities Fund (IFF)	\$1,000,000	Provide source of funding for IFF loans to not-for-profit agencies for acquisition, renovation, refinancing and bridge financing of capital assets. This is a 10% pro-rata participation agented by Bank of America Illinois.
D2 Realty Inc.	\$975,000	Construction loan to rehabilitate a dilapidated apartment building in Woodlawn and convert the property into 25 condominium units.
RRG Development	\$100,000	Line of credit to cover soft costs associated with predevelopment expenses for this affordable housing company.
Winthrop Partners	\$922,000	Fund acquisition of a 93-unit apartment building for low-income housing.
C&P Land Partnership	\$600,000	Construction loan to build quick oil change facility on vacant land.
Thomas DiPiazza	\$200,000	To construct 30 unit residential building.
Apostolic Church of God	\$123,750	Purchase video equipment.
Aunt Martha's Youth Services Center, Inc.	\$2,300,000	Fund cash flow and working capital needs.
Alivio Medical Center, Inc.	\$340,000	Fund renovations; 86% of the clientele is below

	poverty level.
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Innovative or Flexible Lending Practices

A sample of innovative and/or flexible programs or practices in which the bank participated during the examination review period to meet the credit needs of low- and moderate-income individuals and geographies are as follows:

\$ Lending standards for the home equity product were expanded to include a 100% loan-to-value requirement; 509 loans totaling \$11.5 million were originated.

\$ A credit card secured by savings was developed; 1,139 loans totaling \$577,473 were originated.

\$ The bank implemented a micro lending initiative targeted to businesses with sales under \$1 million by using a credit scoring process that emphasized the borrowers' personal credit history; 84 accounts totaling \$7.1 million were opened.

\$ The bank became a certified Federal Housing Administration (FHA) lender, resulting in faster processing of mortgage applications; during the nine months which ended September 30, 1996, 163 loans totaling \$18.3 million were originated. This lending represents significant improvement from the bank's prior performance relating to FHA lending.

\$ In March 1995, an unlimited commitment was made to Logan Square Neighborhood Association to fund loans for Teachers and local school personnel. This program was implemented at the request of the community to encourage teachers to live in Logan Square; however, demand has been low and no loans have been originated to date.

\$ In October 1996, the bank received a bank enterprise award from the Federal Department of the Treasury for making \$1,050,000 in loans to two CDFIs (Community Development Financial Institutions), the IFF (Illinois Facilities Fund) and CCLF (Chicago Community Loan Fund). These loans demonstrate the bank's responsiveness to the credit needs of two of Chicago's recently designated CDFIs.

\$ In June 1995, a \$2.5 million commitment was made to Back of the Yards Neighborhood Council to provide end mortgage financing for low-income applicants. This program was also implemented as a result of requests from the community; however, few referrals have resulted from the program and no loans have been originated to date. The bank has initiated a new program through Neighborhood Housing Services to serve this community; the bank's involvement in the program start-up is described under the **Investment Test** section of this report.

CONCLUSION

The bank's lending performance is considered outstanding. During the examination review period, overall lending increased, and the bank's loan-to-deposit ratio exceeded that of its peers and generally that of its local competitors. Lending to businesses of different revenues and community development lending was excellent and the bank made extensive use of innovative and flexible lending practices. Real estate lending to borrowers of different incomes was very good; however, consumer lending to borrowers of different incomes was low. The bank's penetration of loans in low- and moderate-income census tracts was satisfactory. Almost all loans were originated within the assessment area and the distribution of loans throughout the assessment area, including low- and moderate-income portions, was excellent.

INVESTMENT TEST

The bank's investment portfolio, donations and special programs that foster community development were reviewed. Qualified investments or grants were reviewed for innovativeness, responsiveness to credit and community development needs and the degree to which these investments are not routinely provided by private investors.

Qualified Investment Activity

The bank continues to participate with organizations that are major providers of affordable housing and other community development services in the greater Chicago area. In addition, the bank was a significant partner in developing and implementing a new, innovative approach to small business lending in Chicago's Empowerment Zones. The following chart illustrates various organizations with which the bank is involved along with the amount of the bank's total commitment and the outstanding amount since the previous examination.

NAME OF ORGANIZATION	COMMITMENT AMOUNT	OUTSTANDING AMOUNT	PURPOSE OF INVESTMENT/ BANK-S ACTIVITY
Chicago Equity Fund (CEF)	\$250,000 annually	\$277,907 (*)	This real estate investment fund finances housing projects in the Chicago land area. This investment allows the bank to earn returns through low-income housing tax credits. The bank also does bridge financing for CEF.
Neighborhood Housing Service (NHS)	\$500,000	\$213,997	The bank's activity includes an investment in the Chicago Family Housing Fund (CFHF) Program, which makes a pool of funds available for affordable acquisition/rehab financing and construction assistance in Chicago neighborhoods.
NHS	\$29,167	\$0 (no capital call)	The bank took the lead in establishing

NAME OF ORGANIZATION	COMMITMENT AMOUNT	OUTSTANDING AMOUNT	PURPOSE OF INVESTMENT/ BANK'S ACTIVITY
Back of the Yards Neighborhood Council (BOTYNC)		made during exam period)	this office and also participated with six community banks in a \$200,000 revolving loan fund for affordable home improvement loans.
Central Woodlawn Limited Partnership II Renaissance LLC General	\$250,000	\$0	This investment helps fund the project to rehab a number of buildings in central Woodlawn for low-income families.
Nonprofit Financial Center	\$50,000	\$0	This is a two year investment for the purpose of funding the banker's loan pool that provides funding to nonprofit organizations who provide housing for low- and moderate-income individuals or areas.
Thresholds	\$60,000	\$0	This is a nonprofit social service agency for the mentally ill. This investment is an unsecured demand loan to be used for an affordable housing program subsidy through the Federal Home Loan Bank.
Shorebank Advisory Services (SAS)	\$4,396	\$0	As a member of the Chicago Clearinghouse Assoc. CRA Subcommittee, the bank contributed to hiring SAS as a consultant to further the design of the small business A One Stop Capital Shop [®] for Chicago's Empowerment Zones.
CANDO (Chicago Association of Neighborhood Development Organizations)	\$1,024	\$0	As a member of the Chicago Clearinghouse Assoc. CRA Subcommittee, the bank contributed to hiring CANDO as a consultant to design the Business Assistance Center, the technical assistance and referral network arm of the A One Stop [®] discussed previously.
The AIP [®] (Investment Partnership)	2 rounds, \$50,000 each; \$50,000 paid	\$50,000 for second round	Commitment to capitalize, as one of the 8 Clearinghouse banks involved in the A One Stop [®] (see above), the IP which is a non-bank loan fund to serve emerging business firms in Empowerment Zones.
BAC (Business Assistance Center)	\$3,400 (annual commitment)	approx. \$3,400 annually - indefinite commitment	Bank's commitment to assist the BAC with overhead expenses so that it can function effectively as a partner with the IP (all part of the A One Stop [®] plan).
TOTAL	\$1,197,987	\$545,304	

(*) Total paid into equity fund since 1991.

The preceding list represents the bank's qualified community development investments based on the September 30, 1996 Enterprise Banking Report. The bank also listed a limited partner equity investment in 100 shares of Class AA Common Stock for Neighborhood Reinvestment Resources in October 1992. This investment totaled \$102,000 and was charged off subsequent to the previous examination.

Innovativeness and Complexity

Seven of the bank's ten qualified investments are considered innovative. The innovative nature of these investments is as follows:

- 1) The bank took the leadership role in working with NHS to establish the NHS Back of the Yards office and Neighborhood Council (BOYNC). With this initiative, NHS joined the efforts to help improve loan generation originally targeted by the bank's Back of the Yards mortgage loan program (discussed in the **Lending Test** section of this report). In addition to the provision of extensive planning and coordination assistance, the bank pledged an annual grant of \$25,000 for 5 years to help defray NHS office operating expenses, as well as its funding of the loan pool (discussed under the **Lending Test** section of this report).
- 2) The bank's investment in the Central Woodlawn Limited Partnership, noted previously, represents a complex investment. This is primarily due to the time and effort involved. This is an investment limited partnership whose objective is to acquire and rehab low- and moderate-income multi-family rental buildings in the Central Woodlawn community. Cole Taylor is one of five bank partners that have committed to provide land financing and operating funds. In addition, the bank assisted in the processing of an affordable housing program subsidy fund application through the Federal Home Loan Bank. This application was approved and those funds assisted the organization with additional project funding.
- 3) The bank's investment with the Thresholds organization is considered complex, due to the time and effort involved. This organization is the nation's largest psychosocial service agency serving homeless mentally ill mothers and their children. Cole Taylor's long-term relationship includes processing an affordable housing program subsidy fund application through the Federal Home Loan Bank. This application was approved to fund the **Mother's Project**, which involved the acquisition and rehabbing of a 10-unit building to house mentally ill mothers and their children.
- 4) The bank's participation in the Chicago Clearinghouse Association CRA Subcommittee contract with Shorebank Advisory Services is an innovative investment. It is a new and creative approach to small business development in the City of Chicago's new Empowerment Zones. The specific nature of this investment is described in the preceding chart.

The following investments, also discussed in the chart, are considered innovative

investments for small business development in the Empowerment Zones:

- 5) CANDO contract with the bank and other Chicago Clearinghouse CRA Subcommittee members;
- 6) The capitalization of the IP by the bank and its partners in the Chicago Clearinghouse; and
- 7) The annual grant for operating expenses to the BAC by the bank and its partners in the Chicago Clearinghouse.

Degree to Which Investments Are Not Provided by Private Investors

The bank provides a satisfactory level of investment in the form of grants, which support the ongoing operating expenses of community nonprofit organizations in its assessment area. Operating grants, which are essential to the ongoing viability of these organizations, are not routinely available from private investors. The nonprofit organizations listed below promote economic development, provide community services and affordable housing, and engage in activities that revitalize or stabilize low- and moderate-income areas and residents. The following chart illustrates some of the continuing investment efforts since the previous examination.

Name of Organization	Amount of Grant/Donation	Purpose/Type of Organization
NHS and Back of the Yards Neighborhood Council	\$29,732	Addresses various social, housing and financial needs of residents and businesses in local area.
CANDO	\$2,000	Coalition of neighborhood economic development organizations promoting retail and industrial development.
Greater North Pulaski Development and Neighborhood Associations	\$6,965	Western Chicago based organizations which assist with development, industrial retention and financial needs in the area.
Woodlawn East Community and Neighborhood Development Associations	\$3,600	Housing advocates for senior and low- and moderate-income residents.
West Loop and West Side Planning and Development	\$6,300	Involved in economic development and revitalization of the area.
Other Affordable Housing and/or Low- or Moderate-Income Neighborhood Organizations	\$21,000	Promotes affordable housing and economic development for low- and moderate-income individuals or

Name of Organization	Amount of Grant/Donation	Purpose/Type of Organization
		areas.
Midwest Community Council/ Revolving Loan Fund	\$13,000	Support activities essential to sustain economic development of low- and moderate-income individuals.
Other Community Service Organizations	\$57,670	Organizations that provide community services for low- and moderate-income individuals or areas.
TOTAL	\$140,267	

The preceding total represents the major grants/donations given to organizations in amounts of \$2,000 or more. The remaining grants/donations were small amounts given to various park and school districts, and small business organizations which qualify as community development-related services. According to the bank’s investment report as of September 30, 1996, the bank’s total grants/donations to support organizations which promote economic development or activities that revitalize or stabilize low- and moderate-income areas, serve housing and development needs and provide community services for low- and moderate-income individuals was \$180,351.

Responsiveness to Available Opportunities

The bank exhibits excellent responsiveness to credit and community development. The bank supports a number of nonprofit community-based organizations through its investment program. On two occasions when the bank’s program did not result in loans, the bank was very aggressive in identifying program flaws, and worked with Chicago NHS in a leadership role to design and fund a major new NHS program. The bank has also taken a leadership role in helping to design and implement a major multi-faceted program which will benefit small and emerging businesses in Chicago’s new federally-designated Empowerment Zones.

CONCLUSION

The bank’s investment performance is considered highly satisfactory. The bank has taken leadership positions in the development of complex, innovative and flexible investment opportunities in a number of instances. Each of the bank’s investments demonstrates

responsiveness to credit and community development needs. While the bank’s performance under the Investment Test is outstanding in the City of Chicago neighborhoods, the bank has not taken adequate advantage of investment opportunities in the suburban portions of its assessment area.

SERVICE TEST

Cole Taylor’s system for delivering retail banking and community development services was reviewed. The services provided by the bank were reviewed for range and accessibility, innovativeness and responsiveness, and alternative systems used for delivering those services. In addition, the distribution of the bank’s branches, record of opening and closing branch offices and community development service activity were reviewed.

Retail Banking Services

According to the bank’s CRA Statement, Cole Taylor Bank is committed to providing quality service, and to meeting the banking needs of individuals and businesses throughout its assessment area, including low- and moderate-income areas. Cole Taylor is a full-service bank with branches and ATMs located throughout three counties (Cook County, home to the City of Chicago and the most populous county, and the suburban counties of DuPage and Lake) in the Chicago area. The bank provides loans to consumers, organizations, businesses and government entities in accordance with uniform nondiscriminatory standards. In addition, the bank offers checking and interest bearing accounts as well as cash management, international, trust and investment services to its local community.

Distribution of Branches Among Geographies

Cole Taylor Bank redefined its assessment area effective August 1996. The current assessment area includes all of Cook, Lake and DuPage Counties. The bank has 10 offices located throughout the assessment area. The following chart illustrates the bank’s branch locations and the income levels of communities in which they are located:

BRANCH LOCATION	COUNTY/CENSUS TRACT	INCOME LEVEL
1542 W. 47th St., Chgo	Cook/6105.00*	Middle-Income
1965 N. Milwaukee Ave., Chgo	Cook/2223.00*	Low-Income
7601 S. Cicero Ave., Chgo	Cook/6505.00	Middle-Income
850 W. Jackson Blvd., Chgo	Cook/2818.00*	Low-Income
824 E. 63rd St., Chgo	Cook/4204.00*	Low-Income
4000 Broadview Village, Broadview	Cook/8179.00*	Middle-Income
5501 79th St., Burbank	Cook/8211.02	Middle-Income
4400 Oakton St., Skokie	Cook/8074.00	Middle-Income
350 E. Dundee Rd., Wheeling	Cook/8024.02	Middle-Income

BRANCH LOCATION	COUNTY/CENSUS TRACT	INCOME LEVEL
1 Yorktown Ctr., Lombard	DuPage/8443.01	Middle-Income

* indicates minority census tract

No branches are located within the Lake County area; however one of the Cook County branches is very close to the Lake County border. It should be noted that three of the branches within the Cook County area are located in low-income census tracts.

The lobby hours for the 47th Street, 63rd Street, North Milwaukee Avenue, South Cicero Avenue, Burbank, Lombard, Skokie and Wheeling branches are Monday through Thursday 8:30am to 5:00pm, Friday 8:30am to 6:00pm, and Saturday 8:30am to 1:00pm. These offices, with the exception of the 63rd Street location, also have drive-up service from 7:00am to 6:00pm Monday through Thursday, 7:00am to 7:00pm on Friday, and 7:00am to 1:00pm on Saturday. The Lombard Office also has walk-up service available during drive-up hours. The West Jackson Boulevard office has lobby and drive-up hours Monday through Thursday 8:00am to 5:00pm, and Friday 8:00am to 5:30pm. The bank's newest branch, located in Broadview, has lobby hours Monday through Thursday 9:00am to 5:00pm, Friday 9:00am to 7:00pm, and Saturday 9:00am to 3:00pm. The drive-up hours are Monday through Thursday 7:30am to 7:00pm, Friday 7:30am to 8:00pm, and Saturday 7:30am to 3:00pm. Management stated that the longer hours at this location were established to meet the needs of retail customers and employees from the shopping center in which the branch is located.

Because there are no branches in the recently added Lake County portion of the assessment area, some banking services may be deemed as inaccessible to this portion of the assessment area, which includes low- and moderate-income individuals and geographies.

Record of Opening and Closing Offices

The record of opening and closing of branches has benefitted the accessibility to products and services, particularly to low- and moderate-income geographies and/or low- and moderate-income individuals. Since the previous examination, the bank has not closed any branch offices. One branch office was opened since the previous examination (December 28, 1995) and is located at 4000 Broadview Village Square, Broadview, Illinois. This is a full- service banking office with drive-up facilities, including two drive-up ATMs and one lobby ATM. This area is considered middle-income and minority.

Alternative Systems for Delivering Retail Banking Services

In an effort to make banking services accessible to essentially all portions of the assessment area, the bank has established full-service ATMs throughout the assessment area. ATM locations and

the income levels of the communities in which they are located are listed in the following chart:

ATM LOCATION (#, if more than one)	CENSUS TRACT/ LOCATION or AREA	INCOME LEVEL
850 W. Jackson Blvd., Chgo	2818.00/West Chicago	Low-Income
7601 S. Cicero Ave., Chgo (3 ATMs)	6505.00/South Chicago	Middle-Income
4400 Oakton St., Skokie	8074.00/Skokie	Middle-Income
9400 S. Western Ave., Chgo	8216.00/Evergreen Park	Middle-Income
10260 S. Harlem Ave., Bridgeview	8237.03/Bridgeview	Moderate-Income
1542 W. 47th St., Chgo	6105.00/South Chicago (Back of the Yards)	Middle-Income
6330 S. Stony Island Ave., Chgo	4211.00/South Chicago	Low-Income
1 Yorktown Center, Lombard	8443.01/Lombard	Middle-Income
201 Yorktown Center, Lombard	8443.01/Lombard	Middle-Income
203 Yorktown Center, Lombard	8443.01/Lombard	Middle-Income
4000 Broadview Village, Broadview (3 ATMs)	8179.00/Broadview	Middle-Income
350 E. Dundee Rd., Wheeling	8024.02/Wheeling	Middle-Income
1455 Lake Cook Rd., Wheeling	8024.01/Wheeling	Middle-Income
1965 N. Milwaukee Ave., Chgo (3 ATMs)	2223.00/West Chicago	Low-Income
5501 79th St., Burbank	8211.02/Burbank	Middle-Income
824 E. 63rd St., Chgo	4204.00/South Chicago	Low-Income

Additionally, the bank provides account information and banking services through a phone center which provides access to a customer service representative and an automated program called Phone Express. Customer service representatives can be reached during banking

hours, and Phone Express can be accessed 24 hours a day with a touch tone telephone. Phone Center services are available in both English and Spanish; in addition, Polish-speaking customers are accommodated through transfer to the bank's Main Chicago office.

The bank held **AFamily Fairs@** at each of its branches in 1996. Some of the activities included

demonstrations by bank personnel on the use of ATMs, financial counseling on retirement accounts, home refinancing products, and small business lending.

The bank publishes three newsletters/magazines for its customers; one of which, the quarterly **The Neighbors Magazine**, contains articles and information on loan products and financial services that address the needs/concerns of low- and moderate-income families and small businesses. This magazine is hand delivered to 100,000 households and 20,000 small businesses located within three miles of each branch office.

In the recently added Lake County portion of the assessment area, which includes low- and moderate-income individuals and geographies, the bank has no ATM service.

COMMUNITY DEVELOPMENT SERVICES

The bank provides community development services to several organizations through a number of targeted programs, employee involvement, technical assistance and counseling activities.

Community Development Service Activity

The bank continues to support the community through numerous development services which include workshops and seminars. Examples of community development services are listed below.

Bank at School Program

Cole Taylor Bank has active relationships with four Chicago Public Schools which includes visits to the schools to accept children's deposits, and educational training on savings and financial services. The bank has 716 **bank at school** accounts.

NHS Back of the Yards Neighborhood Office

As discussed in the **Investment Test** section of this report, the bank led the efforts to establish this office in October 1995, and provided further service and technical assistance by chairing the fund raising and lending committees. Employees of the bank serve on the organization's board of directors. The purpose of this NHS office is to implement the NHS three-part partnership program between neighborhood residents, local government, and local financial institutions to create neighborhood stability and safety, primarily through increased home ownership opportunities for the area's low- and moderate-income residents.

Investment Partnership and Business Assistance Center - Chicago Empowerment Zones

As discussed in the **Investment Test** section of this report, the bank took the lead in planning and providing technical assistance in conjunction with consultants hired by the group to design and implement these two important programs which provide financial support to small and emerging businesses in Chicago's federally-designated Empowerment Zones.

Public Officials Luncheons

Cole Taylor Bank maintains an active role with public officials serving the community areas in which the bank has ten branch offices. This involvement includes sponsoring, during 1995 and 1996, ~~A~~Public Officials Luncheons@ with Village (suburban) and Ward (City of Chicago) officials to provide information on the banking and community reinvestment services available to them by the bank.

Workshops/Seminars

The bank has held several workshops and seminars since the previous examination that educate, inform and assist local residents of various credit and deposit products, including home mortgages and small business loans. The following is a list of some of the workshops and seminars conducted by the bank since the previous examination.

Workshop/Seminar	Number of events/Location	Residents Attending
NHS Home ownership Seminars	16/Downtown Chicago	960
Technical Assistance Workshop for Small Businesses	11/Downtown Chicago and West and South Sides	4,841
Home ownership/First-time Homebuyers/Affordable Housing Seminars	16/DuPage County, Logan Square, Woodlawn, Cicero , Skokie, Lombard, Broadview and Chicago Branch offices	3,915
Lending and other Financial Needs	12/Englewood, West and South Chicago, Wheeling, DuPage County and Wrightwood Community	695

In addition to the preceding list of activities, the bank's directors, officers and staff contribute their time to numerous organizations throughout the assessment area, including some that operate in low- and moderate-income areas. Several of those organizations, along with those bank employees which participated are listed in the following chart.

Organization	Bank Staff	Location/Purpose of organization	Services Rendered
Chicago Commons	Bank Officer	Chicago/Provides social services to elderly and low-income individuals	Board of Directors
West Town Community Bankers	Bank Officer	Chicago/Promotes economic development and housing for low- and	Education, Economic Development and Housing subcommittee member

Organization	Bank Staff	Location/Purpose of organization	Services Rendered
		moderate-income families	
Mayor's Office and City Treasurer's Housing Committees	Bank Officer	Chicago/Committees formed to address gaps in home lending, redevelopment and FNMA underwriting issues	Committee member
Back of the Yards Neighborhood Council	Bank Directors and Bank Officer	Chicago/Part of NHS to assist in restoring the strength and vitality of Chicago neighborhoods	Social Action Committee members and Treasurer of Business Association
DuPage Home Ownership Center	Bank Officer	DuPage County/ Developed housing loan program that assists low-income families to buy first home	Home Ownership and Financial Counselor Services
Evanston Business Investment Center	Bank Officer	Evanston/Encourages the formation and growth of entrepreneurial business	Loan Review Committee
Logan Square Neighborhood Association	Bank representatives	Northwest Chicago/ Address concerns; education, affordable housing and crime affecting community	Participate in Housing and Economic Development Committees
Midwest Community Council	Bank Officer	Chicago Westside/ Offers community programs; employment, health services, economic development and education	Loan Fund Committee member
Thresholds	Bank Officer	Chicago Area/Services provided to homeless mentally ill mothers	Board of Directors

Innovativeness and Responsiveness

The bank is highly responsive to credit and community development service needs. The following services are considered to be innovative and responsive to ascertained community development needs:

Clearing House Association CRA Subcommittee

As discussed in the **Investment Test** section of this report, the CRA officer represents the bank on Clearing House Association subcommittee. At the request of the City of Chicago, the subcommittee began to study the concept of a **One Stop Capital Shop** to be located within the City of Chicago Empowerment Zones. This study and program implementation required extensive human resources and, to date, Cole Taylor Bank has dedicated approximately 200 man hours to this continuing investment.

Family Fairs

See the discussion of Family Fairs above.

Neighborhood Magazine

See the discussion of **The Neighborhood Magazine** above.

Range and Accessibility of Services Provided to Geographies

All office locations are full-service branches, and offer services to meet the needs of the assessment area, including low- and moderate-income geographies and individuals. In addition to regular banking services, the bank offers the following services:

\$Direct Deposit - This service is available to all bank customers who are employed by companies offering this payroll feature. However, the bank has tailored this service, in conjunction with the Illinois State Treasurer's Office, to provide an alternative for people on public assistance who usually use currency exchanges.

\$Budget Checking - The bank expanded its checking product line to include this low-cost alternative. A comparison of Budget Checking costs to those of a Currency Exchange showed that the bank's account was more effective. As of October 31, 1996, the bank had 11,360 Budget Checking Accounts, of which 47% were in low- and moderate-income areas.

\$Representative Payee Accounts - The Woodlawn Branch serves approximately 327 representative payee accounts for individuals on public assistance who need help managing their finances. This service is specific to the Woodlawn Branch. Individuals with these accounts have their funds deposited directly into these accounts and their expenses taken

directly out of the accounts. These accounts are managed by Care Health Education and Lecture Programs of Illinois, and Matthew House. The bank works with these organizations in the management of these accounts.

\$Bilingual Services - The Main Chicago Branch and Ashland Branch have lenders and customer service personnel who speak Polish and Spanish to serve the Polish and Latino population in these

areas. The Wheeling Branch also has a bilingual teller. Whenever necessary, the bilingual staff members are available to assist other branch locations.

\$Small Business Checking - The checking account product line for businesses was expanded in early 1996 to include low-cost accounts tailored to meet the needs of businesses with annual sales under \$1 million (defined as micro businesses). As of October 31, 1996, the bank had 932 Small Business Checking Accounts, of which 37.7% were in low- and moderate-income areas.

\$Sixty Plus Checking - This account is tailored to senior citizens and is a low-cost alternative to a regular checking account. Seniors, primarily those on fixed incomes, pay no monthly service fee and have no minimum balance requirement. As of October 31, 1996, the bank had 3,936 Sixty Plus Checking Accounts, of which 25.4% were in low- and moderate-income areas.

CONCLUSION

The bank's service test performance is considered outstanding. Except for the recently added portions of suburban Lake County, the bank's delivery systems are easily accessible to all portions of the assessment area, particularly to low- and moderate-income areas. The bank's branching activity has improved the delivery/accessibility of services within its assessment area. The bank provides a more than adequate level of community development services, a number of which demonstrate high levels of complexity and innovativeness.