

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Midwest Bank and Trust Company, Elmwood Park, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **October 28, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated **satisfactory record of meeting the community's credit needs**, based on the findings presented below.

COMMUNITY PROFILE

Midwest Bank and Trust Company is located in the Village of Elmwood Park, a suburb of Chicago. The bank has delineated three separate communities surrounding its offices and deposit-taking automated teller machines (ATMs). These communities include the Cities and Villages of Chicago, Elmwood Park, Melrose Park, Bellwood, Oak Park, Forest Park, Franklin Park, River Forest, River Grove and Maywood. These cities and villages are located within the Chicago Metropolitan Statistical Area (MSA) #1600.

According to 1990 U.S. Census data, the total population of the three communities is 297,819. Minorities comprise 27.5% of the total population, with the largest segments of the minority population being individuals of Hispanic origin (12.6%) and Blacks (10.4%). The communities contain a total of 75 census tracts, with 19 or 25.3% being low- and moderate-income. The communities do not arbitrarily exclude any low-income or moderate-income areas that the bank could reasonably be expected to serve.

According to 1990 census data, the median family income for the bank's delineated communities is \$40,518, compared to a median income of \$38,664 for the State of Illinois. The median value of homes in the areas is \$111,040 and the median age of these homes is 52 years. This compares to the statewide median home value of \$80,114 and median age of 44 years. The housing stock is 53.5% owner-occupied units, with single family homes comprising 65.8% of the housing stock. Of the total families within the delineated communities 18.0% are low- income; 21.2% are moderate-income; 26.3% are middle-income; and 34.5% are upper-income families.

Based on the U.S. Department of Labor statistics, Cook County employment and economic growth and development is primarily reliant on manufacturing, retail trades and the service industry. According to the Illinois Department of Labor, the August 1996 unemployment rates for Cook County and the State of Illinois were 5.7% and 5.3%, respectively. The local economy of each delineated community is diverse. Some of the major manufacturing employers within the areas include: Zenith Electronics Corporation (Melrose Park), Navistar International Corporation (Melrose Park), Nestle Chocolate and Confection (Franklin Park), Werner Company (Franklin Park), Borg-Warner Automotive (Bellwood), Binks Manufacturing Company (Franklin Park), Alberto-Culver Company (Melrose Park), Jewel Food Stores (Melrose Park) and Houston Foods Company (Franklin Park). A community contact stated that areas such as Oak Park, River Forest, Forest Park and Bellwood have

attracted new businesses into the area and are doing well economically. According to community representatives, young families are moving into areas within the bank's delineated communities.

BANK PROFILE

Midwest Bank and Trust Company, with total assets of \$397 million as of June 30, 1996 is a full-service retail bank headquartered in Elmwood Park, Illinois. The bank is a subsidiary of First Midwest Corporation of Delaware, a four-bank holding company. The bank conducts its operations from one main office and four branch offices. Consumer credit products offered by the bank include home improvement, installment, home equity loans and lines of credit, and single-payment loans.

Similar products and services are offered by a variety of local competitors within the bank's community. Competition is provided by branches of St. Paul Federal Bank, American National Bank, American Midwest Bank and Trust Company, First National Bank of Chicago, Harris Bank and Trust Company and several other financial institutions throughout the Chicago land area.

ASSESSMENT OF RECORD

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Regulatory Expectation

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

Scope and Findings

Various internal reports and committee minutes were reviewed to determine the level and effectiveness of the bank's ascertainment efforts. Interviews were conducted with the bank's CRA officer and community representatives to identify methods used to ascertain community credit needs. Results of the bank's ascertainment efforts were also reviewed.

To ensure that credit needs ascertainment is occurring throughout the delineated communities, in 1995 the bank utilized the services of a community affairs consultant to initiate contact with individuals and community groups within the local communities. The community affairs consultant was responsible for increasing the communities' awareness of the bank and its CRA-related activities.

The bank developed a three phase **Community Contact Plan** that includes meeting with businesses, groups, customers and local government officials to ascertain the credit needs of the local community. The three phases include delegating responsibility and researching

demographics for each area, introducing the bank's representatives to organizations within the local communities, and developing new directives based on the results of the ascertainment efforts.

The bank also ascertains credit needs through a call program. Approximately 20 members of the CRA committee are assigned an area. On at least a monthly basis, committee members are responsible for contacting a business, community group, local government official, trade association, church or educational group in the assigned area. Information gathered from these calls are recorded in survey reports. In 1995, committee members contacted approximately 120 businesses or organizations, averaging about 10 contacts a month.

Information gathered through community contacts is discussed at CRA committee meetings and reported to the board of directors at least monthly. Although the total contacts conducted in 1996 had not been documented, management indicated that the efforts have increased and the bank makes a minimum of five community contacts/calls each week. Ascertainment activities have resulted in the offering of a new home equity loan program with no fees and a discounted rate for the first six months, and additional mortgage opportunities through its affiliate, Midwest One Mortgage Services, Incorporated. In addition, management stated that recent ascertainment efforts have resulted in increasing its efforts to grant home equity loans and lines of credit.

In addition to the community contact activity, the bank has utilized the organization, association and club memberships of several bank employees to ascertain the credit needs of the local community. This group consists of 33 bank officers who participate in approximately 20 local organizations throughout the local communities. When needs are identified by members of this group, information is presented in weekly or monthly committee meetings. This information is also communicated to the directors in attempts to formulate bank products and procedures that benefit both the bank and the community it serves.

Some of the organizations with which the officers are affiliated include:

- Melrose Park Chamber of Commerce
- Maywood Chamber of Commerce
- Financial Womens International
- Elmwood Park Chamber of Commerce
- Village of Elmwood Park Planning Commission
- Chicago Citizens Advisory Board
- Central Michigan Avenue Business Association
- Metro Planning Council Chicago
- Near South Planning Board
- Elmwood Park Economic Development Commission

Elmwood Park Facade Committee
Suburban Contractors Association
Oak Park Development Corporation Board/Loan Committee
West Cook Community Development Board

Conclusions

The bank's ascertainment efforts are effective. They are conducted throughout the delineated communities, involve various types of organizations, and have been successful in identifying unmet credit needs. The effectiveness of the ascertainment process is enhanced by management's regular review of the bank's CRA activities and reports to the board of directors.

Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Regulatory Expectation

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community needs.

Scope and Findings

The bank's CRA plan, CRA committee structure, minutes of the board of directors and CRA committee meetings, internal reports, self-assessment, and training programs were reviewed.

The bank developed its CRA plan or **Community Contact Plan** in 1994, and continues to update and review the plan annually, based upon changes within the community and the bank's activities and goals. The board of directors has appointed the bank's CRA officer. The CRA officer is responsible for reporting CRA activities to the board and the chief executive officer; he is also the chairman of the CRA committee and is responsible for administering the CRA plan. The CRA officer reports to the bank's board of directors at

least monthly.

The CRA committee is comprised of 20 bank employees, including the president, compliance officer, and senior officers from the loan department and operations areas of the bank. The committee maintains the bank's CRA plan, oversees CRA training, monitors and evaluates CRA performance, and makes recommendations for CRA performance improvement. The goal of the committee is to ensure that the bank is in compliance with the regulation and that the bank is adhering to the CRA plan. The committee is also responsible for reviewing changes in the law, in order to provide the bank with appropriate guidelines and directives regarding community reinvestment.

The bank's compliance officer performs annual self-assessment to measure the bank's CRA performance. The results of the bank's self-assessments are discussed with the CRA committee and the board of directors. The most recent assessment showed a low volume of lending activity within the delineated communities for the 1995 calendar year [discussed further in Assessment Factor (e)]. Despite the apparent low level of lending, management is satisfied that the bank is contributing significantly toward serving the credit needs of the delineated communities.

The board of directors reviews and approves the bank's CRA statement, at least annually, to ensure its accuracy, as evidenced by the minutes of the September 24, 1996 meeting of the board of directors. Procedures have been implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Conclusions

The bank's performance is effective based on the board of directors' oversight and involvement in the CRA plan/program, appointment of a CRA officer and CRA committee, and self-assessment of CRA activities. Monthly and annual monitoring of the bank's CRA performance helps to ensure that the bank's CRA activities are consistent with the provisions of the Act and the bank's CRA plan. However, the low volume of lending activity indicate that the need for methodologies to increase lending within the bank's delineated communities.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Regulatory Expectation

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

Scope and Findings

Bank records, copies of advertisements and marketing-related documents were reviewed; bank officers were also interviewed to determine the extent and effectiveness of the bank's efforts to promote the availability of its credit products and services throughout its delineated communities. In addition, individuals from the local community were interviewed to determine their familiarity with the products and services available from the bank.

The bank's marketing initiatives in 1995 and 1996 included newspaper, door hanger materials, lobby brochures and product signs, statement stuffers, local organizational periodicals and local church and school board bulletins and periodicals. Newspapers and other periodicals included the Nadig (Northwest Press), LA Raza, Lerner Communications, Inc., Wednesday Journal Inc., Northwest Leader, Polish Daily News, Chicago Tribune, Oak Park-River Forest Community Guide, Maywood Community Guide, Portrait Magazine, Chicago College News and Fifty Five Plus Annual Guide Book.

Products and services advertised through these publications during the examination review period include home equity loans, certificates of deposits, trust/investment services and goodwill announcements.

Approximately 79 deposit, 30 goodwill, four trust/investment and one home equity loan advertisements ran in newspapers, which were circulated throughout the bank's local communities during the examination period. The number of lobby brochures, statement stuffers, and church and school bulletins used for advertising purposes were not documented by management. Interviews with the CRA officer revealed that the majority of the advertising comes from the corporate office and Midwest One Mortgage Services, an affiliate of the bank. The effectiveness of the bank's marketing efforts are assessed by the holding company on a periodic basis. Overall, the majority of the bank's advertisements were either deposit-related or goodwill announcements.

In addition to traditional media advertising, the bank utilizes giveaways and involvement with local organizations as advertising tools. It was noted that the bank utilized contacts with local organizations, door to door distributions and newspaper advertisements to market its home equity loan product.

Conclusions

The bank's marketing program is effective based on the types of media utilized and the fact that it addresses all geographic and demographic segments of the community. The bank utilizes both traditional media and alternative advertising methods, such as

promotional giveaways and involvement with local organizations. The advertising mix is effective for informing the community of available credit products and services including

low- and moderate-income areas.

Assessment Factor (i) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Scope and Findings

A review of the bank's June 30, 1996 Consolidated Report of Condition revealed a loan-to-deposit ratio of 54.23%. The distribution by loan type was as follows:

| LOAN TYPE | DOLLAR AMOUNT OUTSTANDING (000's) | PERCENT OF TOTAL LOANS |
|------------------------------------|-----------------------------------------|---------------------------|
| REAL ESTATE | | |
| Construction | | |
| Residential (1-4) | | 8.14 |
| Commercial | 16,306 | 25.77 |
| Agricultural | 51,599 | 19.05 |
| Multi-family | 38,153 | 0 |
| CONSUMER | 0 | 2.49 |
| Open-end Credit | 4,992 | |
| All Other | | 5.57 |
| COMMERCIAL AND INDUSTRIAL | 11,145 | 4.33 |
| AGRICULTURAL | 8,665 | 33.23 |
| STATE AND POLITICAL OBLIGATIONS | 66,548 | 1.35 |
| OTHER | 2,721 | .07 |
| | 135 | |

Based upon a comparison of the bank's loan distribution with information contained in the December 31, 1994 Uniform Bank Performance Report (UBPR), the loan-to-deposit ratio decreased from 64.11%. Although total loans increased by approximately \$8.4 million or 4.4%, total deposits increased by approximately 22%.

Among loan products, commercial and consumer loans experienced the largest change, increasing by approximately 13%. As a result of ascertainment efforts, lines of credit were identified as a community credit need and the bank began offering these types of products. The bank offers up to 90% financing for its home equity products. This allows new home buyers and others with limited equity to take advantage of the lower interest rates and tax deductibility of interest associated with this type of product.

According to the June 30, 1996 UBPR, 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 | 9.23 | 3.55 |
| Construction/Development | 31.00 | 31.35 |
| 1 - 4 Family Residential | 5.35 | 2.38 |
| Home Equity | 20.80 | 23.81 |
| Other Real Estate | 0 | .56 |
| Farmland | 1.91 | 1.38 |
| Multi-family | 18.89 | 19.78 |
| Commercial | 61.03 | 62.24 |
| TOTAL REAL ESTATE LOANS | | |
| LOANS TO INDIVIDUALS | 4.01 | 13.74 |
| CREDIT CARD LOANS | .14 | .64 |
| COMMERCIAL & INDUSTRIAL LOANS | 33.43 | 16.33 |
| AGRICULTURAL LOANS | 0 | 0.52 |
| MUNICIPAL LOANS | 1.45 | 0.54 |
| OTHER LOANS* | .08 | 0.35 |
| *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 |
|--------------------------------------|--------------------------------------|
| 54.23% | 74.11% |

Consumer loans or Loans to individuals are below peer, while commercial and industrial loans are above peer; discussions with management indicated that the lower than peer level of consumer lending is primarily attributable to strong local competition from large institutions and loan demand. Commercial lending exceeds peer, and is the bank's primary lending focus. The composition of all other loan products is relatively consistent with peer. Management stated the loan-to-deposit ratio has declined due to the bank's expansion mode and the fact that it is receiving deposits faster than loan requests.

The bank participates in referral activities with its mortgage affiliate, Midwest One Mortgage Services (MOMS). The bank either takes applications for mortgage loan products or refers prospective applicants to the affiliate's office located within the bank's delineated communities.

Conclusions

The bank's lending levels are considered adequate in relation to the bank's resources, and reflect a general responsiveness to community credit needs. Loan activity has increased since the previous examination. The programs and types of products offered reveal the bank's commitment to meet the community's credit needs.

Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

Scope and Findings

A review of the bank's participation in government loan programs was conducted to determine the extent of its government-related lending activity within the past two years, and to assess the responsiveness of available loan programs to the needs of the local community.

The bank's activity in government sponsored loan programs as of June 30, 1996 has declined. In 1994 the student loan portfolio was sold to Sallie Mae. Although the bank currently accepts applications, these applications are forwarded to the Independent Bankers of Illinois in Springfield and are funded and serviced by that organization. The bank earns a quarterly referral fee for these applications. Documentation shows the bank accepted a total of 103 student loans in 1995 totaling \$273,091.

Within the previous two calendar years, the bank originated six SBA loans totaling \$385,400. As of the examination date, the outstanding balance of this portfolio totaled \$340,471.

Management stated that the staffing and demand for these types of loans was not sufficient to continue government sponsored lending. Additionally this type of lending is available from the bank's affiliate, MOMS; therefore, applicants interested in FHA, Illinois First Time Home Buyer and other federally sponsored home ownership programs are referred to MOMS.

Conclusions

The bank's participation in government-insured, guaranteed or subsidized loan programs for housing, small businesses and small farms is considered adequate considering the bank's size and resources, and the fact that the bank's affiliate offers these types of loan products.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Regulatory Expectation

Reasonableness of Community Delineation

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

Scope and Findings

The bank's delineated communities were reviewed for reasonableness, with respect to the geographic distribution of credit products. The bank's 1995 Home Mortgage Disclosure Act (HMDA) data, a sample of loans, and the minutes of the board of directors meetings were utilized in this review.

As discussed in the community profile, the bank redefined its community to include three separate areas that surround the bank's five offices within the Cook County area. The bank's delineated communities consist of those geographies where it has offices or deposit-taking ATMs, and consists only of whole census tracts. This area includes Chicago, Elmwood Park, Melrose Park, Bellwood, Oak Park, Forest Park, Franklin Park, River Forest, River Grove, and Maywood, all located within the Chicago Metropolitan Statistical Area (MSA) #1600. The bank redefined this area in 1996 due to the changes in the CRA. There are 75 census tracts within the bank's delineated communities, of which 19 or 25% are considered low- and moderate-income areas.

This method of delineation is consistent with method number one described above. The delineation does not arbitrarily exclude any neighborhoods or census tracts that the bank could reasonably be expected to serve. The bank reviews its delineation annually, as evidenced by the minutes of the September 24, 1996 board of directors meeting.

Conclusions

The bank's delineated communities meet the requirement of the regulation in that they consists of one or more contiguous political subdivisions, contains all geographies where it has an office, and consists of whole census tracts. Additionally, the delineated communities do not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income areas.

Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

Regulatory Expectation

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

Scope and Findings

The examination sample of approved and denied credit applications, as well as the bank's 1995 HMDA data, were analyzed to assess the geographic distribution of credit within the delineated communities. The bank's internal review of its geographic distribution of credit products was also reviewed.

The following charts illustrate the distribution of the bank's 1995 real estate mortgage lending activity (HMDA reportable) within and outside of the delineated communities, based on the bank's former delineated community:

| 1995 Total HMDA Lending by Midwest Bank and Trust Company (within and out of the delineation) | | | | | | | |
|------------------------------------------------------------------------------------------------------|------------------|-------------------|----------------------|-------------------|-----------------------|---------------------|----------------------------|
| Loan Type | # of Apps | # of Origs | Orig Rate (%) | % of Origs | Origs \$ (000) | # of Denials | Denial (*) Rate (%) |
| Conventional | 59 | 56 | 94.92 | 34.57 | 5,048 | 1 | 1.69 |
| Refinancing | 28 | 25 | 89.29 | 15.43 | 2,083 | 2 | 7.14 |
| Home Impr. | 81 | 76 | 93.83 | 46.91 | 2,414 | 0 | 0.00 |
| Muti-Family | 5 | 5 | 100.00 | 3.09 | 492 | 0 | 0.00 |
| TOTAL | 173 | 162 | 93.64 | | 10,037 | 3 | 1.73 |

| Midwest Bank and Trust Company's 1995 Activity Inside its Delineation | | | | | | | |
|------------------------------------------------------------------------------|------------------|-------------------|----------------------|--------------------------|-----------------------|---------------------|------------------------|
| Loan Type | # of Apps | # of Origs | Orig Rate (%) | % of Loans Within | Origs \$ (000) | # of Denials | Denial Rate (%) |
| Conventional | 12 | 9 | 75.00 | 16.07 | 1,121 | 1 | 8.33 |
| Refinancing | 9 | 9 | 100.00 | 36.00 | 767 | 0 | 0.00 |
| Home Impr. | 42 | 42 | 100.00 | 55.26 | 893 | 0 | 0.00 |
| Muti-Family | 2 | 2 | 100.00 | 40.00 | 270 | 0 | 0.00 |
| Total | 65 | 62 | 95.38 | 38.27 | 3,051 | 1 | 1.54 |

| Midwest Bank and Trust Company-s 1995 Activity Inside its Delineation | | | | | | | |
|-----------------------------------------------------------------------|-----------|------------|---------------|-------------------|----------------|--------------|-----------------|
| Loan Type | # of Apps | # of Origs | Orig Rate (%) | % of Loans Within | Origs \$ (000) | # of Denials | Denial Rate (%) |
| % Total (in previous chart) | 37.57 | 38.27 | | | 30.40 | 33.33 | |

| Midwest Bank and Trust Company-s 1995 Activity Outside its Delineation | | | | | | | |
|------------------------------------------------------------------------|-----------|------------|-----------|-------------------------|----------------|--------------|-------------|
| Loan Type | # of Apps | # of Origs | Orig Rate | % of Loans outside area | Origs \$ (000) | # of Denials | Denial Rate |
| Conventional | 47 | 47 | 100.00 | 83.93 | 3,927 | 0 | 0.00 |
| Refinancing | 19 | 16 | 84.21 | 64.00 | 1,316 | 2 | 10.53 |
| Home Impr. | 39 | 34 | 87.18 | 44.74 | 1,521 | 0 | 0.00 |
| Muti-Family | 3 | 3 | 100.00 | 60.00 | 222 | 0 | 0.00 |
| Total | 108 | 100 | 92.59 | 61.73 | 6,986 | 2 | 1.85 |
| % Total | 62.43 | 61.73 | | | 69.60 | 66.67 | |

(*) Denial rate is based on application by loan product.

As the previous charts illustrate, the majority of the bank-s 1995 HMDA-related loan applications and originations, 62.43% and 61.73%, respectively, were made outside of the bank-s delineated communities. Home improvement loans were the dominant product in 1995, accounting for 47% of the applications and 47% of the originations; the remaining activity was distributed between conventional and refinancing loans. Management indicated that applicants seeking conventional and refinancing loans are referred to the bank-s affiliate, MOMS.

The following chart details 1995 HMDA lending activity in low- and moderate-income census tracts and minority census tracts, based on the bank-s former delineated community:

| Midwest Bank and Trust Company-s 1995 HMDA Activity in Census Tracts Located in Delineation Using 1990 Census Tract Definitions for MSA 1600 | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------------------|----------------------------|---------------------------|
| | # of Census Tracts | % of Total Tracts | # of Tracts With Bank Activity | % of Bank-s Total Activity | % of Tracts With Activity |
| | | | | | |

| Low- & Moderate | 14 | 17.95 | 2 | 8.70 | 14.29 |
|-----------------|----|-------|----|-------|-------|
| Minority | 16 | 20.51 | 3 | 13.04 | 18.75 |
| Total Tracts | 78 | | 23 | | 29.49 |

As the preceding chart illustrates, 16.67% (5 of 30) of the low- and moderate-income census tracts and minority census tracts reported activity. Although this does not compare favorably to the fact that 38% of the community is considered low- and moderate or minority, this activity is based only upon HMDA reportable lending activity.

Analysis of the examination sample of loans and rejected credit applications revealed the following geographic distribution:

| LOAN TYPE | TOTAL SAMPLED | WITHIN THE LOCAL DELINEATED COMMUNITIES | PERCENT OF TOTAL |
|---------------------------|---------------|-----------------------------------------|------------------|
| Overdraft Protection | 10 | 4 | 40 |
| Single Payment | 11 | 3 | 27 |
| Real Estate | 10 | 2 | 20 |
| Installment | 25 | 11 | 44 |
| Commercial | 10 | 5 | 50 |
| Home Equity Lines/Loans | 12 | 3 | 25 |
| Total Approved | 78 | 28 | 36 |
| Total Denied Applications | 32 | 7 | 22 |
| Grand Total | 110 | 35 | 32 |

As the previous chart illustrates, the majority of the bank's lending activity is conducted outside of its delineated communities.

The bank monitors the geographic distribution of its approved credit applications on an annual basis. Bank records indicated that during 1995, 35% of the commercial, 25% of the commercial real estate, 59% of the consumer (installment and single-payment) real estate, 31% of the mortgage, 50% of the consumer simple interest, and 27% of the consumer home equity loans were made within the bank's delineated communities. Management stated that low lending activity within the delineated communities was primarily due to competition from other banks, the activities of the bank's mortgage affiliate, and the bank's increased focus on expanding its deposit base and opening new offices within the community. Management also stated that the bank refers applicants to the mortgage affiliate on a continual basis. The mortgage affiliate accepts applications and originates loans within the bank's delineated community; however, an analysis of this activity since the previous examination was not conducted because the bank has not been monitoring this activity.

Although lending volumes were low in 1995, no unusual lending patterns were detected. A review of a map representing the bank's 1995 lending activity revealed no unusual gaps or patterns. The bank's review of its 1995 lending activity indicated that of the total census tracts within the delineated communities, approximately 86% were being penetrated. The examiners used this information and based it upon the current delineated communities and noted that approximately 49 or 65% of the current 75 census tracts were penetrated and 540 loans or 88% of the 617 originated commercial and consumer loans were within the delineated communities.

Conclusions

The bank's geographic distribution of credit applications and originations is considered weak, based upon the level of loan applications and originations within the delineated communities.

Although the penetration in low- and moderate-income census tracts is also deemed weak, plans for expanding the bank's presence within the community, the bank's monitoring efforts, and current delineated community activity are means management is taking to improve the bank's performance under this category.

Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.

Scope and Findings

The bank's office and ATM locations, hours of operation, and delivery of services were reviewed to assess the communities' accessibility to banking. Members of the community were also interviewed to determine the accessibility of the bank's facilities.

The bank's main office is located in Elmwood Park, with four other full-service branches located in Melrose Park and the City of Chicago. In addition, the bank has ten deposit taking ATMs located in Chicago, Algonquin, Melrose Park, Downers Grove, Elmwood Park, Hinsdale, and Lincolnshire. The bank has not closed any offices or shortened its hours of operations within the past two years. The bank has adopted a branch opening and closing policy that contains appropriate provisions for notice of a branch opening or closing, an impact analysis of a branch closing on the local community, and measures to minimize any adverse effects of a branch closing.

Of the bank's offices, three are located in low- and moderate-income areas. The most recent branch opening occurred in 1996 when the bank purchased a new building on the corner of Addison Street and Oconto Avenue in Chicago. This was opened in an effort to provide credit services to the northern area of the bank's local community.

According to management and the bank's CRA Statement, results of the bank's ascertainment efforts in 1995 included the bank extending its drive-up hours to 8:00pm each weekday, installing an automated phone response system which allows customers to review banking transactions and transfer funds between their accounts, and adding services by installing a cash station machine (ATM) at Triton College and opening a full service branch

in the Pulaski-Irving area of Chicago. In addition, the bank created a debit card to allow customers direct funds access to transaction accounts and responding to commercial customers by making a new personnel computer based cash management system available. The system produces current daily information about the customers= accounts including transaction activity, stop payment review and placement, and wire transfer authorizations.

Conclusions

Bank facilities through its offices and ATMs provide a more than adequate level of service to the entire delineated community. The bank is responsive to addressing needs identified through its ascertainment efforts by offering new services and expanding its hours of operations.

IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Scope and Findings

The bank's CRA statement indicates that the following types of credit are available to members of its community:

Unsecured and Secured Commercial Loans
Commercial Loans, Letters and Lines of Credit
Construction and Rehabilitation Loans
Development Loans
Unsecured and Secured Consumer Loans
Home Improvement Loans
Consumer Loans and Lines of Credit
Home Equity Loans
Illinois Guaranteed Student Loans (applications taken and then submitted to other banks)
First Mortgage Loans (available through MOMS)

The bank solicits credit applications for the above types of credit from all segments of its communities. The Board and senior management have developed adequate policies and procedures to ensure that the bank does not illegally discourage or prescreen applicants.

Conclusions

The bank offers and makes loans, by general type, consistent with its CRA statement. A review of the examination loan sample indicates that the bank has made loans in accordance with its stated policy. No practices intended to discourage applications for credit products listed in the bank's CRA statement were detected.

Assessment Factor (f) - Evidence of prohibited discriminatory or other illegal credit practices.

Scope and Findings

Recently approved and denied applications for installment, single-payment, overdraft protection, home equity, commercial and real estate mortgage loans were reviewed for compliance with the applicable fair housing and fair lending laws and regulations. The bank's loan forms, policies and procedures were reviewed, and loan officers were interviewed. The bank's HMDA data was also reviewed to analyze lending activity to minorities and low and moderate-income individuals.

The bank has implemented a second review process for all denied loan applications, which is performed by designated loan officers at weekly loan committee meetings. Monthly reports of this activity are provided to the bank's CRA Committee. The review is performed to ensure consistency between the bank's credit policies and underwriting guidelines, and to ensure that all creditworthy applicants, including low- and moderate-income individuals and members of protected classes, are evaluated according to the bank's policies and procedures.

A review of the bank's 1995 HMDA-related loan applications and originations, compared to the population of the delineation revealed that the bank has not received applications and originated loans consistent with the racial/national origin composition of the community. According to the 1995 defined delineated community, the composition of the local community was 66.46% White, 23.13% Black, 7.56% Hispanic and 2.68% Asian. The percentage of loan originations from White applicants was approximately 90.16%, with the largest ethnic population, Blacks, having approximately 3.28% and Hispanics having 6.56% of total originations. Further review of the HMDA data also revealed that while low- and moderate-income individuals comprise approximately 18.45% of the bank's delineated communities, 22.41% of the 1995 HMDA originations were to these individuals.

The bank has provided fair lending training and diversity training to all employees, particularly those with customer contact. This training is ongoing and is provided at the holding company level and on an as needed basis by the bank. The bank's compliance officer assists in the training.

Conclusions

The bank's performance with respect to its second review process, fair lending training and record of loan originations across some racial/national origin lines is considered adequate; however, its record of loan originations to one segment of its minority population is in need of attention. The bank is in compliance with the substantive provisions of the fair housing and fair lending laws, including the Fair Housing and the Equal Credit Opportunity Acts.

V. COMMUNITY DEVELOPMENT

Assessment Factor (h) - The institution's participation, including investments, in local community development or redevelopment projects or programs.

Scope and Findings

The bank's loan and investment portfolios, as well as the bank's participation in and knowledge of development activities within the community were reviewed. Bank involvement in the community, general lending activities and charitable donations were also reviewed. Interviews were conducted with individuals knowledgeable about community development opportunities.

Bank personnel and directors are very active in the local community through leadership in key initiatives that focus on community development. In an effort to increase community awareness of the bank's credit-related products, bank and MOMS personnel make presentations to community organizations and conduct seminars on affordable housing and other lending workshops. Bank officers are members of the Oak Park Development Corporation Board, and the Maywood, Elmwood Park, Franklin Park, River Grove, Oak Park, River Forest, and Portage Park Chambers of Commerce.

Examples of the bank's involvement in community development lending include:

- ! The bank's board of directors and management has approved funding to be used for rehabilitation and development of multi-family housing in low- or moderate-income areas of Chicago such as the Austin area. Since becoming a member of this program in 1994, the bank has funded \$421,726.
- ! The bank is involved with a program, which benefits small businesses within the community by committing \$25,000 towards this consortium of banks.
- ! The bank has provided a commercial development corporation with a lead bank participation for a \$1 million development loan.
- ! The bank approved a \$25,000 line of credit for small project borrowers under a development loan program, of which the bank is a member. Under this program, the bank committed \$125,000 which assists disabled individuals in improving their homes.

The bank also tries to fulfill its community development responsibilities through contributions to local organizations, schools and groups. Some of those organizations include: Galewood-Montclare Community Organization, North Maywood Community Organization, Oak Leyden Development Services, Town of Leyden Needy Fund, Elmwood Park Arts & Humanities and Concordia University. In 1995 and 1996 year-to-date, charitable contributions totaled approximately \$51,444 and \$39,868, respectively.

Conclusions

The bank's involvement in community development activities is adequate. Management is aware of opportunities for involvement in community development and redevelopment programs and has positioned the bank to participate in such projects. The board and senior management have established relationships with community representatives to identify projects and programs in which the bank can participate.

Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no apparent factors relating to the bank's financial condition and size, or local economic conditions that would prevent the bank from meeting community credit needs.

Assessment Factor (l) - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.

None.

