

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 **Hinsbrook Bank and Trust, Willowbrook, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 3, 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 **Satisfactory**.

Hinsbrook Bank and Trust promotes economic revitalization and growth consistent with its size, financial capacity, location and current economic conditions. The bank's reasonable loan-to-deposit ratio, percentage of loans within the assessment area, and reasonable dispersion of loans among borrowers of different incomes and businesses of different sizes evidence the bank's satisfactory performance. No prohibited discriminatory lending policies or practices which would intend to discourage loan applicants were detected during the examination. Further, no analysis of the geographic distribution of loans was performed as there are no low- or moderate-income census tracts or block numbering areas (BNAs) in the bank's assessment area. No complaints were received by the institution regarding its CRA performance since the previous examination.

The following table indicates the performance of **Hinsbrook Bank and Trust, Willowbrook, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	HINSBROOK BANK AND TRUST PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	THERE ARE NO LOW- OR MODERATE-INCOME CENSUS TRACTS OR BNAs IN THE BANK'S ASSESSMENT AREA.		
Response to Complaints	NO CRA-RELATED COMPLAINTS HAVE BEEN RECEIVED SINCE THE PREVIOUS EXAMINATION.		

DESCRIPTION OF INSTITUTION

Hinsbrook Bank and Trust (HBT), with total assets of \$108 million as of December 31, 1996, is a subsidiary of Hinsbrook Bankshares, Inc., a one-bank holding company located in Willowbrook, Illinois. The bank was chartered in 1987. The main office is located at 6262 South Route 83, and a drive-up facility is located at 67th and Route 83. Both of the bank's facilities are located in Willowbrook, approximately one mile apart. Deposit products and services are offered at the branch; loan applications are available to branch customers. The bank also has an automated teller machine (ATM) at each bank facility.

The bank's primary business focus is commercial banking, with commercial loans being its predominant product. Based upon information contained in the December 31, 1996 Consolidated Report of Condition, commercial loans comprised approximately 72% or \$44,599,000 of the bank's loan portfolio (of which 59.37% are commercial/industrial loans). The bank refers consumer mortgage loans to Serve Corps Mortgage Services (SCMS). SCMC offers conventional mortgage loans with financing of 95% loan-to-value. The bank also participates in the Small Business Administration (SBA) loan program.

The bank's competitors include branches of Harris Bank (Hinsdale), Northern Trust Bank (Oak Brook), American National Bank and Trust Company (Willowbrook), LaSalle Bank (Westmont/Willowbrook), First National Bank of Chicago (Downers Grove), and Mid America Federal Savings Bank and West Suburban Bank of Downers Grove/Lombard. Competition is also provided by other banks and credit unions located in neighboring communities.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank is located in DuPage County in the Village of Willowbrook, Illinois. Willowbrook is approximately 20 miles southwest of the Chicago Loop. According to a community official, DuPage County now experiences a "reverse commute" each business day with people traveling into the county for employment.

The bank's assessment area, a rectangularly-shaped area, includes the communities of Willowbrook, Hinsdale, Clarendon Hills, Burr Ridge, Downers Grove, Darien, Westmont, Indianhead Park, Western Springs, Oakbrook Terrace, Oak Brook, Willow Springs, Woodridge, Bolingbrook, Lisle, Naperville, Wheaton, Glen Ellyn, LaGrange and Countryside. The bank's assessment area was revised (13 to 56 census tracts) in September of 1996. The assessment area includes 8 census tracts in Cook County, 44 census tracts in DuPage County and 4 census tracts in Will County. Discussion with management revealed that the expansion of the assessment area was based upon its geographic loan distribution analysis which showed commercial loan activity in these tracts. The bank's assessment area does not include any low- and moderate-income or minority census tracts. Of the total census tracts within the bank's assessment area, 10 (17.86%) are middle-income and 46 (82.14%) are upper-income census tracts. According to 1990 census data, all the census tracts have an income level of at least equivalent to the median family income

for the assessment area of \$60,452. Of the total families (104,907) within the assessment area, 6,575 or 6.3% are low-income; 11,297 or 10.8% are moderate-income; 21,760 or 20.7% are middle-income; and 65,275 or 62.2% are upper-income.

According to the 1990 U.S. census data, the bank's assessment area has a population of 385,594. The racial makeup of the population is as follows: Whites - 345,091 or 89.5%; individuals of Hispanic descent - 8,958 or 2.3%; Asians - 21,445 or 5.6%, and American Indians - 396 or 0.1%. All other minorities within the assessment area account for a very small percentage of the population.

The unemployment figure was obtained for DuPage County, as the majority of the assessment area population resides in DuPage County. According to information obtained from a representative of the Illinois Department of Labor, the unemployment rate as of December 1996, was estimated at 3.1% for DuPage County, while the State of Illinois had an unemployment rate of 4.9% during this same period. A "special" census was completed as October of 1996 for the community of Hinsdale, which revealed that this community's population grew from 16,029 to 17,450 (8.9%) which was similar to the growth in the DuPage County population of 9.2%. This information and discussions with an official from the Village of Hinsdale indicate that the communities surrounding the bank are in a population growth mode; however, some community representatives stated that there is very little land available for residential development. The 1990 U.S. census data on economic patterns revealed that retail trade and the construction industry experienced the largest growth from 1993 to 1994. This economic trend had an adverse effect on the number of housing permits issued in 1995, which declined 1,122 or 3.37% (from 33,322 in 1994 to 32,200 in 1995).

According to the 1990 U.S. census data, the housing stock within the bank's assessment area is primarily upscale, with a median value of \$158,830 versus the State of Illinois median housing value of \$80,114. According to community representatives, there is a shortage of affordable housing within the assessment area. There are a total of 147,440 housing units within the assessment area, of which 106,826 or 72.5% are owner-occupied, 34,034 or 23.1% are rental, and 6,580 or 4.5% are vacant units. One-to-four family homes account for the majority (106,584 or 72.3%) of the assessment area's housing, while multifamily homes comprise 39,539 (26.8%) of the housing. The median age of homes in the bank's assessment area is 19 years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

Loan-to-Deposit Ratio Analysis

An analysis of the bank's Consolidated Reports of Condition for the six quarters preceding the examination revealed an averaged loan-to-deposit (LTD) ratio of 64.32%. According to the September 30, 1996 Uniform Bank Performance Report (UBPR) data, the bank's LTD ratio of 61.13% is 7.17% lower than the national peer group ratio of 68.30%. The following chart shows the bank's ratios over the six quarters:

HINSBROOK BANK AND TRUST				
Date	Loans (\$000)	Deposits (\$000)	Ratio	Assets (\$000)
12/31/96	\$62,187	\$94,598	65.74%	\$107,802
9/30/96	\$53,527	\$86,792	61.67%	\$95,975
6/30/96	\$52,233	\$78,479	66.56%	\$91,343
3/31/96	\$49,758	\$78,008	63.79%	\$89,933
12/31/95	\$46,273	\$73,992	62.54%	\$84,041
9/30/95	\$44,475	\$67,756	65.64%	\$79,326
Average	\$51,408	\$79,937	64.32%	\$91,403

Previous examination (6/30/95) loan-to-deposit data: \$64,196,000 in deposits and \$43,401,000 in outstanding loans.

According to the data in the preceding chart, the bank's deposits and loan outstandings increased each quarter; however, its LTD ratio showed no significant variance from one quarter to the next. Further, a comparison of the bank's most recent LTD ratio of 65.74% (according to the December 31, 1996 Consolidated Report of Condition) to the LTD ratio of 67.61% on the date of the previous examination revealed a slight decrease. This decrease was attributed to the fact that the bank's deposit portfolio increased by \$30,402,000 (47.36%) while the increase in the loan portfolio was \$18,786,00 (43.28%) during this period. Review of the same data, indicated that the bank had significant increases in every loan category (with the exception of multifamily).

When the bank's LTD ratio as of June 30, 1996 is compared to the LTD ratios of local competitors within the assessment area (with similar product offerings) for this same period, the bank's LTD ratio is approximately 10.93% lower. It should be noted that the majority of the bank's competitors within the assessment area are branch offices of larger financial institutions with loan and deposit activity, in terms of dollars, approximately 10 times that of the bank. However, when compared to a local competitor of similar asset size and product offerings for this same period, the bank's LTD ratio was in line with this peer. Overall, the bank's LTD ratio decreased by 2%, but its loans and deposits increased by \$18,786,000 (43.28%) and \$30,402,000

(47.36%), respectively, since the previous examination (December 31, 1996 versus June 30, 1995 LTD ratio).

With consideration to the preceding factors and comments received from community representatives, the bank’s LTD ratio is considered reasonable and meets the standards for satisfactory performance.

Lending in Assessment Area

Analysis of the examination loan sample revealed the following distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Consumer Loans:			
Real Estate	13	5	38%
Installment (Direct/Indirect)	20	8	40%
Single Payment	1*	1	100%
Home Equity (Open-End)	10	8	80%
Check Credit (overdraft)	10	7	70%
Commercial and Agricultural	65**	33	51%
Total Applications:	117	62	53%

* Represents total loan activity for this credit product during twelve months period.

** Represents the CRA statistical loan sample for the bank’s primary loan product.

The preceding chart illustrates that, with the exception of real estate and installment loans, a reasonable percentage of sampled loans were made within the assessment area. The bank’s installment loan category is impacted by its indirect loan activity, and the fact that many customers who have moved from the area continue to do business with the bank. The low penetration for real estate loans is attributed to the fact that the bank purchases mortgage loans from SCMS. Since the previous examination, the bank purchased nine loans totaling \$1,715,025; a significant number of these purchased mortgage loans were originated to borrowers outside the bank’s assessment area. The low penetration may also be affected by the fact that the bank refers certain mortgage loans to SCMS. Since the previous examination, the bank referred a total of 30 mortgage loans to SCMS, of which 19 were originated for a total of \$3,257,700.

According to the bank’s loan reports (year-end 1996), an estimated 250 or 59.1% of the total 423 loans (commercial loans included) originated since the previous examination were made to borrowers within the assessment area. For commercial loans, the bank’s primary loan product, 92 (60.9%) of the loans were within the assessment area.

The level of lending within the assessment area, as evidenced by the examination loan sample and loans made since the previous examination, is considered reasonable and meets the standards for satisfactory performance.

Lending Analysis Based Upon Borrower Income and Size of Business

An analysis of the consumer examination loan sample to determine the distribution of loans among borrowers of different income levels revealed the following distribution:

LOAN TYPE	LOW-INCOME Number/(\$000s)	MODERATE- INCOME Number/(\$000s)	MIDDLE- INCOME Number/(\$000s)	UPPER-INCOME Number/(\$000s)
Real Estate	1/ \$74	1/ \$118	5/ \$822	6/ \$1,543
Installment	3/ \$11	2/ \$10	10/ \$119	5/ \$86
Single Payment *	0/ \$0	1/ \$5	0/ \$0	0/ \$0
Home Equity	0/ \$0	0/ \$0	4/ \$113	6/ \$410
Check-Credit **	1/ \$1	0/ \$0	0/ \$0	2/ \$10
Total	5/ \$86	4/ \$133	19/ \$1,054	19/ \$2,049

* There was only one outstanding single-payment loan originated that was since the previous examination.
 ** 7 of the 10 applications sampled did not have income information.

The preceding chart illustrates that loans (with income information available) are primarily distributed among borrowers who fall within the middle- and upper-income categories. This lending activity is considered reasonable given the assessment area’s market demographics.

A six-month sample of commercial loans was also reviewed. All but two loans in the sample were in amounts greater than \$1 million. The sample was comprised of 65 (including the 20 loans in the loan sample) commercial loans totaling approximately \$15.2 million. The loan amounts ranged from \$2,040 to \$1.5 million. The sample included seven small business loans (totaling \$1,727,363) in amounts ranging from \$2,040 to \$1,320,406. Management stated that these loans were originated to small entrepreneurs; one project was a \$1.3 million loan for the start-up of a catering business.

With the absence of annual revenue information in the commercial credit files, loan size was used as a proxy to determine if the distribution of lending to businesses of different sizes is

reasonable. A review of the bank’s 1995 and 1996 Consolidated Reports of Condition (as of June 30) revealed the following loan distribution to small businesses:

Loan Category Based on Loan Amount (\$000)	1996 #	\$	%	1995 #	\$	%
Small Business						
\$100 or less	2	148	3.22%	4	335	7.91%
\$100 - \$250	13	1,682	36.57%	13	1,716	40.54%
\$250 - \$1 million	8	2,770	60.22%	5	2,182	51.55%
TOTAL	23	4,600		22	4,233	
Commercial Real Estate						
\$100 or less	194	3,053	10.41%	188	4,744	19.39%
\$100 - \$250	39	6,075	20.71%	36	5,289	21.62%
\$250 - \$1 million	50	20,201	68.88%	45	14,433	58.99%
TOTAL	283	29,329		269	24,466	

The decrease in the outstanding amount of loans (\$100,000 or less) from 1995 to 1996 resulted from the loan portfolio incurring loan pay-downs for that particular loan group. Loans \$250,000 to \$1 million had the greatest increase in terms of dollar outstanding volume; however, this was due in part to combined loan requests for the purpose of business start-up and the purchase of the commercial property.

Given the demographics of the assessment area, the loan distribution reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans is not applicable as there are no low- and moderate-income census tracts or BNAs within the assessment area.

Response to Substantiated Complaints

The institution received no complaints regarding its CRA performance since the previous examination.