

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 **First American Bank of Kankakee, Kankakee, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 24, 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. The examination review period covered the 24-month period which ended December 31, 1996.

The bank's overall satisfactory performance rating is primarily due to its contribution to economic revitalization and growth consistent with its size, financial capacity, locations and current local economic conditions. The bank's efforts are accomplished primarily through the origination of retail and commercial loans. The majority of originated credits are within the assessment area and the loan-to-deposit ratio is reasonable. Performance relative to lending to borrowers of different incomes was weak due to limited lending to low-income individuals. The bank's lending performance relative to the geographic distribution of loans does not meet the standards for satisfactory performance, as few loans were made in low- and moderate-income census tracts. The examination did not reveal any patterns or practices intended to discriminate or discourage lending to members of protected classes. Management has implemented policies, procedures and training programs to ensure nondiscriminatory lending practices.

The following table indicates the performance level of **First American Bank of Kankakee, Kankakee, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST AMERICAN BANK OF KANKAKEE PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans			X
Response to Complaints	There were no CRA-related complaints received in the examination review period.		

DESCRIPTION OF INSTITUTION

First American Bank of Kankakee, with total assets of \$84.8 million, is controlled by First American Bank Corporation (FABC), Elk Grove Village, Illinois, a multi-bank holding company. FABC directly owns 22.05% of Meadowview Bancorp, Inc., which owns 100% of the bank. The bank operates two full-service offices, one in Kankakee and the other in Bourbonnais; both offices are equipped with two automated teller machines (ATMs). Neither of the offices is located in a low-income or moderate-income census tract.

According to management, the bank’s main competitors in Kankakee include First Of America Bank-Illinois, National Association (branches of Bannockburn, Illinois); Peoples Bank of Kankakee County (branches of Bourbonnais, Illinois); and Kankakee Federal Savings Bank. The bank’s competitor in Bourbonnais is Municipal Trust and Savings Bank.

DESCRIPTION OF THE BANK’S ASSESSMENT AREA

The bank’s assessment area, which includes 13 census tracts (105.00 through 107.00 and 115.00 through 124.00), is in the Kankakee Metropolitan Statistical Area (MSA). On October 25, 1995 the bank’s board of directors approved a change of the bank’s assessment area from an area defined by circles drawn around its branch offices to an expanded area defined by 13 census tracts. The distribution of the 13 census tracts, by income classification, is as follows:

Type of Census Tract	Number	Percent
Low-income	1	7.7
Moderate-income	3	23.1
Middle-income	8	61.5
Upper-income	1	7.7
Total	13	100.0

According to 1990 census data, the assessment area’s population (54,112) is comprised of 43,269 or 80% White residents and 10,843 or 20% minority residents (Black - 9,453 or 17.5%; Hispanic - 850 or 1.6%; Asian - 455 or 0.8%; American Indian - 66 or 0.1%; and other - 19 or 0.0%). The median family income in the MSA is \$33,561. The makeup of the 13,822 families in the assessment area, by income level, is as follows: low-income families - 2,992 or 21.6%; moderate-income families - 2,227 or 16.1%; middle-income families - 3,242 or 23.5%; and upper-income families - 5,351 or 38.8%.

According to the Illinois Department of Employment Security, the State of Illinois and the

Kankakee Metropolitan Statistical Area (MSA) unemployment labor statistics are as follows:

AREA	DECEMBER 1996	DECEMBER 1995
Illinois	5.0%	5.0%
Kankakee MSA	5.8%	6.1%

As the preceding chart illustrates, unemployment in the Kankakee MSA is significantly higher than the State of Illinois overall unemployment rate; however, during the 12-month period ending December 31, 1996, unemployment remained constant in Illinois and decreased in the Kankakee MSA. According to information on economic patterns obtained from the Regional Economic Information System, during the period between 1990 and 1994, the number of full-time and part-time jobs increased by 9.0% (from 46,087 to 50,213) in the MSA.

According to the Illinois Department of Commerce and Community Affairs Community Profile and information provided by the bank, major employers in the area are as follows:

Business Name	Product/Service	Number of Employees
Riverside Medical Center	Medical Services	1,675
Shapiro Developmental Center	Developmental Center	1,375
St. Mary's Hospital	Medical Services	1,200
Armour Pharmaceutical Co.	Pharmaceutical Products	725
CBI Services, Inc.	Steel Plates/Fabrication	508
Armstrong World Industries	Vinyl Floor Tile	436
The Quaker Oats Company	Pet Food	435
Kraft General Foods	Promotional Center	400

There are 21,117 housing units within the assessment area, of which 12,208 (57.8%) are owner-occupied units; 7,742 (36.7%) are rental units; and 1,167 (5.5%) are vacant units. The median housing value is \$52,289, the median housing age is 44 years and the median gross rent is \$382.

Representatives from two government offices and one business-related organization indicated that the economy and unemployment rate in the Kankakee MSA are improving and opportunities for future economic growth are good.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CATEGORIES

The bank was examined for compliance with fair lending laws and regulations. No violations of the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and Fair Housing Act were identified. The bank’s lending policies and standards, and fair lending training program are effective.

LOAN-TO-DEPOSIT RATIO

Review of the bank's December 31, 1996 Consolidated Report of Condition (call report) revealed a loan-to-deposit ratio of 60.2%. The distribution of the bank’s loan portfolio, by loan type, is as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000s)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	132	0.3
Residential (1-4)	29,610	65.5
Commercial	10,069	22.3
Agricultural	85	0.2
Multi-family	129	0.3
CONSUMER		
Open-end Credit	124	0.3
All Other	1,247	2.8
COMMERCIAL AND INDUSTRIAL	2,915	6.5
STATE AND POLITICAL		
OBLIGATIONS	642	1.4
OTHER	150	0.3
LEASE FINANCING	24	0.1

As illustrated in the preceding chart, the bank’s loan portfolio, as of the December 31, 1996 call report, is concentrated in real estate lending.

According to the December 31, 1996 Uniform Bank Performance Report (UBPR), the bank's performance compared to peer is as follows:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	0.22	4.18
1 - 4 Family Residential	61.33	27.19
Home Equity	22.35	1.29
Other Real Estate	23.88	22.48
Farmland	0.22	0.81
Multi-family	0.31	1.00
Commercial	23.36	17.78
TOTAL REAL ESTATE LOANS	85.43	61.00
LOANS TO INDIVIDUALS	2.68	11.88

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
CREDIT CARD LOANS	0.27	0.30
COMMERCIAL & INDUSTRIAL LOANS	8.52	18.23
AGRICULTURAL LOANS	0.00	0.79
MUNICIPAL LOANS	2.85	0.14
OTHER LOANS*	0.50	0.16
*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
59.50	67.06

The bank’s loan portfolio in some categories differed significantly from the peer’s average loan mix. The bank’s concentration of real estate loans was 24.3% greater than peer, while loans to individuals and commercial and industrial loans were less than peer (9.20% and 9.71%, respectively). This distribution is consistent with the bank’s primary focus on consumer real estate lending.

According to call reports, the bank’s loan-to-deposit (L/D) ratio for the six-quarter period ending December 31, 1996 averaged 64%. A comparison of the bank with local competitors is as follows:

Institution and Location	Assets as of 12/31/96	L/D as of 12/31/96	L/D as of 12/31/95	Change in L/D from 12/31/1995 to 12/31/1996
First American Bank, Kankakee, IL	\$84,798,000	60.2%	67.2%	-7.0%
Municipal Trust and Savings Bank, Bourbonnais, IL	\$208,845,000	69.0%	68.7%	+0.30%
Peoples Bank of Kankakee County, Bourbonnais, IL	\$85,560,000	62.7%	63.0%	-0.30%
Bank of Bourbonnais, Bourbonnais, IL	\$27,921,000	76.0%	68.9%	+7.10%

The preceding table illustrates that the bank’s loan-to-deposit ratio was similar to that of Peoples Bank of Kankakee County, the other bank of similar asset size.

The bank's performance under this criterion meets the standards for satisfactory performance. Although the bank's loan-to-deposit ratio is lower than the peer's, it is similar to the loan-to-deposit ratio of the one competitor of similar asset size.

LENDING WITHIN THE ASSESSMENT AREA

Review of the examination and CRA loan samples (85 loans) revealed the following level of lending within the assessment area:

Loan Type	Total Number of Loans Sampled	Number of Loans Within the Assessment Area	Percent of Total
Installment	20	11	55.0
Real Estate	10	4	40.0
Home Equity Line of Credit (HELC)*	35	19	54.3
Commercial	10	9	90.0
Overdraft Protection	10	7	70.0
Total	85	50	58.8

*HELC sample is based on a six-month period.

Overall, 58.8% of the total sampled loans were made within the assessment area. However, less than half of the bank's major loan product, real estate mortgages, was in the assessment area. Additionally, 75.5% (\$5,042,049 of \$6,673,870) of the total dollar amount of the 85 loans were originated in the assessment area.

The bank's self analysis of 457 loans made in 1995 (which includes all loan types) revealed that 59.5% of the number of loans and 54.1% of the dollar amount were within the assessment area.

The majority of loans were made within the assessment area indicating that the bank's performance under this criterion meets the standards for satisfactory performance; however, review of the examination loan sample revealed a low level of real estate loans made within the assessment area.

BORROWER CHARACTERISTICS

The following table illustrates the distribution of the examination and CRA loan samples (with borrower income information available) among borrowers of different income levels:

Loan Type	Loans to Low-Income Borrowers \$/Number	Loans to Moderate-Income Borrowers \$/Number	Loans to Middle-Income Borrowers \$/Number	Loans to Upper-Income Borrowers \$/Number	Total
Installment	\$0/0	\$0/0	\$82,846/4	\$356,436/16	\$439,282/20
Real Estate	\$0/0	\$0/0	\$118,800/2	\$850,268/8	\$969,068/10
HELC*	\$26,000/1	\$130,001/3	\$126,500/5	\$1,278,418/26	\$1,560,919/35
Overdraft Protection	\$0/0	\$3,000/3	\$0/0	\$1,000/1	\$4,000/4
Total Originations	\$26,000/1	\$133,001/6	\$328,146/11	\$2,486,122/51	\$2,973,269/69

* HELC sample is based on a six-month period

The preceding table is based on a sample of 75 consumer loans, of which six did not have the borrowers' income available. The preceding loan sample of 69 loans (totaling \$2,973,269) revealed that one loan (1.4%) totaling \$26,000 (0.9%) was made to a low-income borrower; six loans (8.7%) totaling \$133,001 (4.5%) were made to moderate-income borrowers; 11 loans (15.9%) totaling \$328,146 (11.0%) were made to middle-income borrowers; and 51 loans (73.9%) totaling \$2,486,122 (83.6%) were made to upper-income borrowers.

The 1995 HMDA data, which was based on the assessment area in effect in 1995, revealed that of the 144 reported loans, 18 loans (12.50%) were made to low- and moderate-income borrowers; 35 loans (24.31%) were made to middle-income borrowers; and 91 loans (63.19%) were made to upper-income borrowers. The analysis of the HMDA data differed from the analysis of the more recent (from December 1996 and the previous six months) examination loan samples, which revealed that one HELC was made to a low- or moderate-income borrower.

SMALL BUSINESS LENDING

The examination loan sample revealed that nine of 10 commercial loans sampled were in amounts of \$1 million or less; four of the 10 were to small businesses (entities with annual revenues of \$1 million or less). During the examination review period, the bank did not originate any farm loans.

The bank's June 1995 and June 1996 call reports revealed the following outstanding loans to small businesses and small farms.

Loan Product	1996 (Number)	1996 (Amount)	1995 (Number)	1995 (Amount)
Commercial Real Estate	28	\$5,187,000	35	\$6,906,000

Commercial and Industrial	13	\$2,610,000	21	\$3,952,000
Secured by Farmland	3	\$97,000	3	\$119,000
Total	44	\$7,894,000	59	\$10,977,000

As the preceding table indicates, from 1995 to 1996 the total number and total dollar amount of small business/farm loans decreased by 25.4% and 28.1%, respectively. According to the June 1996 call report, small business/farm loans illustrated in the preceding chart accounted for approximately 60% of total outstanding (dollar amount) business loans.

The bank’s performance under this criterion meets the standards for satisfactory performance; however, review of both the examination loan sample and the CRA six-month loan sample revealed minimal lending to low- and moderate-income borrowers, in spite of the fact that both segments of the population are significantly represented in the assessment area. Additionally, small business lending, as a percent of total outstanding loans, decreased significantly from June 1995 to June 1996.

GEOGRAPHIC DISTRIBUTION OF LOANS

As previously stated, of the 13 census tracts in the bank’s assessment area, 1 (7.7%) tract is low-income, 3 (23.1%) tracts are moderate-income, 8 (61.5%) tracts are middle-income and 1 (7.7 %) tract is upper-income. The examination and CRA loan samples revealed the following distribution of loans within the assessment area:

Loan Type	Loans in Low-Income Tracts \$/Number	Loans in Moderate-Income Tracts \$/Number	Loans in Middle-Income Tracts \$/Number	Loans in Upper-Income Tracts \$/Number	Total
Installment	\$0/0	\$37,656/3	\$227,573/8	\$0/0	\$265,229/11
Mortgage	\$0/0	\$27,800/1	\$228,800/3	\$0/0	\$256,600/4
HELC*	\$0/0	\$50,000/1	\$587,419/14	\$233,000/4	\$870,419/19
Commercial	\$0/0	\$165,000/3	\$3,478,600/7	\$0/0	\$3,643,600/10
Overdraft Protection	\$0/0	\$2,000/2	\$3,000/3	\$2,000/2	\$7,000/7
Total	\$0/0	\$282,456/10	\$4,525,392/35	\$235,000/6	\$5,042,848/51

*HELC sample is based on a six-month period

None of the loans in the examination and CRA loan samples were made in the low-income census

tract. Ten loans (19.6%) totaling \$282,456 (5.6%) were made in a moderate-income census tract; 35 loans (68.6%) totaling \$4,525,392 (89.7%) were made in the middle-income census tracts; and six loans (11.8%) totaling \$235,000 (4.7%) were made in the upper-income census tracts.

Review of 1995 HMDA-reportable loans (144) revealed that 12 loans or 8.3% were made in low- and moderate-income census tracts; 112 loans or 77.8% were made in middle-income census tracts; and 20 or 13.9% were made in upper-income census tracts. The analysis of this HMDA data was based on the assessment area in effect in 1995.

The CRA and the examination loan samples revealed that the bank did not make any loans in the low-income census tract and a limited number of loans in the moderate-income tracts, indicating that the bank's performance under this criterion does not meet the standards for satisfactory performance.

RESPONSE TO COMPLAINTS

There were no CRA-related complaints filed during the examination review period.