



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

May 10, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**AMCORE Bank N.A., Rockford
Charter Number 13652**

**640 Blackhawk Boulevard
South Beloit, Illinois 61080**

Comptroller of the Currency

**440 South LaSalle Street
One Financial Place, Suite 2700
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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or, opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area - The geographic area in which an institution's CRA (Community Reinvestment Act) performance is assessed.

Block Numbering Area (BNA) - A small, statistical area within a nonmetropolitan county.

Community Development Loan - A loan with a primary purpose of community development. With one exception, community development loans specifically exclude loans reported on the Home Mortgage Disclosure Act (HMDA) or CRA Disclosure Statement. Multi-family housing loans are the only type that can be reported both as a HMDA and as a Community Development loan.

Community Development - Affordable housing (including multi-family rental housing) for low and moderate income (LMI) individuals; community services targeted for LMI individuals; activities that promote economic development by financing businesses or farms that meet certain size and revenue standards prescribed by regulation; and, activities that revitalize or stabilize LMI geographies.

Community Development Service - A service, related to the provision of financial services, with a primary purpose of community development.

CRA Disclosure - Report based on annual information filed by an institution reflecting small business, small farm, and community development loan activity.

Geography - Locally defined statistical units commonly known as Census Tracts in MSA's and Block Numbering Areas in non-MSA's.

Home Mortgage Disclosure Act (HMDA) - A statute that requires mortgage lenders to file annual summary reports of housing-related lending activity.

Income Levels - There are four income categories relating to individuals, families, and geographies.

Low-Income:	less than 50% of the median
Moderate-Income:	at least 50%, but less than 80% of the median
Middle-Income:	at least 80%, but less than 120% of the median
Upper-Income:	above 120% of the median

Median Family Income (MFI)- The MFI is determined by the United States Census Bureau. The

Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50,000 or an urban area with a population of 50,000 within a metropolitan area of at least 100,000.

Qualified Investment - A lawful investment with a primary purpose of community development.

Small Business - A business with gross annual revenues of \$1 million or less.

Small Farm - A farm with gross annual revenues of \$1 million or less.

Small Loan to a Business - A loan of \$1 million or less to any business.

Small Loan to a Farm - A loan of \$500,000 or less to any farm.

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 operation 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 **AMCORE Bank N.A., Rockford,** located in **South Beloit, Illinois.** The **Office of the Comptroller of the Currency (OCC),** the bank's supervisory agency, prepared this evaluation. The evaluation considers information as of **May 10, 1999.** The OCC evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The OCC rates the CRA performance of a bank consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation considered the bank's lending, investment, and service activities. Lending activity was assessed primarily in 1997 and 1998. Investment and service activities were considered since the last CRA evaluation through May 10, 1999. The bank's prior CRA evaluation was July 7, 1997 and resulted in a "Satisfactory" rating.

CRA RATING: This bank is rated "**Satisfactory Record of Meeting Community Credit Needs.**" The major factors that support this rating include:

- The geographic distribution of HMDA and small business loans reflects good penetration throughout the assessment areas.
- The overall lending volume exhibits good responsiveness to the credit needs of the assessment areas.
- The bank made a high level of community development lending when compared to the opportunities that exist in the assessment areas.
- The bank offers several flexible lending programs and products to serve the assessment area credit needs.
- Retail services, including alternative delivery systems, are reasonably accessible and available to low- and moderate-income areas and individuals.

The following table indicates the performance level of AMCORE Bank N.A., Rockford with respect to the lending, investment, and service tests.

Performance Levels	AMCORE Bank N.A., Rockford Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
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.

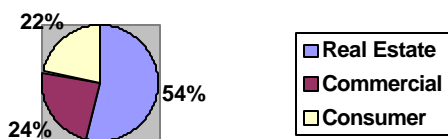
DESCRIPTION OF INSTITUTION

AMCORE Bank N.A., Rockford (AMCORE Rockford) is a \$1.8 billion institution. The bank's headquarters are in South Beloit, Illinois, which is about 10 miles north of Rockford, Illinois. AMCORE Rockford is an intrastate bank.

AMCORE Rockford is 100% owned by AMCORE Financial, Inc. (AFI), a publicly traded company. AFI is a multi-bank holding company with approximately \$4.1 billion in assets. AFI has five banks in Northern Illinois and four banks in Southern Wisconsin. AFI also owns several nonbank subsidiaries. They are AMCORE Consumer Finance Company, Inc., AMCORE Insurance Group, Inc., AMCORE Investment Group, N.A., AMCORE Investment Services, Inc., AMCORE Mortgage, Inc. (AMI), and Investors Management Group, Ltd.

AMCORE Rockford reported net income of \$21.5 million for the year ended December 31, 1998. This compares to \$20.3 million and \$15.4 million reported for the years ended 1997 and 1996, respectively. AMCORE Rockford provides a full range of retail and commercial products. Loans represent the largest component of the bank's total asset base at 59%. At year-end 1998, gross loans and leases were \$1.1 billion. Over the past year, there has been steady growth in the bank's loan portfolio. The growth in loans has been mainly in the real estate portfolio, which includes non-residential types. Although, the most significant growth is in the real estate portfolio, the bank's business focus is on small businesses. The loan mix as of year-end 1998 is shown below:

AMCORE Rockford's Loan Mix



Residential mortgages are provided in the bank's assessment area through AMI. Mortgage originators are located in each of the AMCORE Rockford branches. Bank employees refer mortgage inquiries to these originators.

Total deposits at December 31, 1998 were \$1.2 billion. The bank's loan to deposit ratio as of December 31, 1998 was 86%. The loan-to-deposit ratio is good, and has slightly increased from 82% at year-end 1997 and 77% at year-end 1996.

Overall, the bank is capable of meeting the community credit needs based on its financial condition, size and product offerings. There are no major constraints or legal impediments that impact the bank's

ability to fulfill the spirit of CRA.

DESCRIPTION OF THE ASSESSMENT AREA

AMCORE Rockford's assessment area consists of:

- **MSA 6880:** All census tracts in Boone and Winnebago counties are included in the bank's assessment area. In addition, all census tracts in Ogle County, except two, are in MSA 6880. The two census tracts are not included because they are part of an affiliated bank's market area. There are 81 census tracts within these three counties and includes the cities of Rockford, Loves Park, Machesney Park, Belvidere, and Rochelle. Of the total 81 census tracts, 6 are low-income and 17 are moderate-income. This represents 7% and 21% of the total tracts, respectively. There are 44 middle-income and 14 upper-income areas that make up the remainder of the MSA 6880 area.
- **MSA 1600:** The bank selected a very small portion of MSA 1600 as part of its assessment area. A total of 29 census tracts in northeast Kane County and southeast McHenry County are included. These include the cities of Elgin, Carpentersville, Crystal Lake, Huntley, Algonquin, and Barrington Hills. The remaining census tracts in MSA 1600 were not included in the assessment area because they are not within a reasonable distance surrounding the bank's branch locations. Of the 29 census tracts, there are no low-income tracts and only 3 moderate-income tracts. The remainder of this area consists of 15 middle-income and 10 upper-income census tracts. One census tract did not have any income information reported.
- **Non-MSA areas of Illinois:** All of Stephenson County and one census tract in northeast Lee County are part of the bank's assessment area. Lee County in its entirety is not included because it is part of an affiliated bank's market area. This Non-MSA portion of the assessment area includes the city of Freeport in Stephenson County and Ashton and surrounding rural areas in Lee County. There are a total of 14 geographies in this area. None of the geographies are low-income and only one geography is moderate-income. The remaining 13 geographies are middle- and upper-income.

The local economy in each of the assessment areas described above is stable to good. The unemployment rate is around 3% for each assessment area. The industries within this area consist of mainly manufacturing, services, construction, and retail trade. There are 19,785 businesses operating in the bank's total assessment area. Of these, 14,392 or 73% have sales less than \$1 million. The major employers are detailed under each MSA section of this evaluation. Agriculture is only a small trade within the assessment areas. There are only 588 farms and approximately 88% have sales less than \$1 million.

There are numerous financial institutions within the bank's assessment area. National and state banks, brokerage companies, home mortgage and insurance companies provide competition. Other large institutions from the Chicago area, such as Bank One, LaSalle, Harris Bank, and American National

Bank also provide strong competition in the business loan market.

Based on June 30, 1998 information reported by the FDIC, AMCORE Rockford has about 8% of the deposit base in the seven counties that make up it's assessment area. Their largest share of deposits is in Winnebago County at 30%. In Boone County, the bank has deposit share of 2.6%. The remaining five counties had deposit market share of less than 2%. There are 150 financial institutions with 343 offices that operate in the seven counties of the bank's assessment area.

We contacted local civic and community leaders during this evaluation period. The contacts indicated that small business development, affordable housing loans, FHA and VA loans, as well as homeownership counseling are the primary needs in the assessment areas. With respect to community development, the contacts confirmed that there are sufficient opportunities for local banks to participate in such activities. More specifics on needs of the assessment area are provided under each MSA section of this evaluation.

CONCLUSION WITH RESPECT TO PERFORMANCE TESTS

AMCORE Rockford's overall lending performance is good. The bank's involvement in community development activities with respect to the investment and service tests is reasonable given the existing opportunities in the assessment areas.

LENDING TEST

The lending test is the most influential consideration in evaluating the bank's CRA performance. We considered the bank's origination of credit within its assessment area, the level of credit provided to low- and moderate-income borrowers and to small businesses. At the bank's request, we considered the home mortgage lending of its affiliate mortgage company, AMI, in the bank's assessment area. Per the bank's option, we did not review consumer loans.

Major Conclusions:

- The bank has good dispersion of loans within its assessment areas.
- The bank has adequate distribution of loans among borrowers of different income levels and businesses of different sizes.
- The bank uses flexible and innovative lending criteria.
- The level of community development lending is good based on the opportunities that exist in the bank's assessment areas.

Lending Activity

AMCORE Rockford's lending volume reflects good responsiveness to the credit needs of its assessment areas. As of December 31, 1998, the loan to deposit ratio was 86%, with an average of 85% since the last evaluation. The average ratio for other similarly situated banks on a nationwide basis is 82%.

Table 1 details the number and dollar amount of reportable loans that the bank and AMI originated or purchased over the evaluation period. AMCORE Rockford made 3,239 home mortgage and small business loans in its assessment areas during 1997 and 1998. In addition, its affiliated mortgage company, AMI, made 3,244 mortgage loans in the bank's assessment areas. The total HMDA loans were 4,637.

Of the HMDA loans, 31% were home purchase, 43% were refinances, 25% were home improvement and 1% were multi-family loans. The bank ranked 11th out of 373 lenders, with a 1.95% market share in its assessment areas in 1997. The most recent year for which HMDA market share data is available

is 1997.

AMI originated mortgage loans in the bank's assessment areas and ranked second with a 4.3% market share for the same period. AMI makes all loans that are saleable on the secondary market. The bank makes mortgage loans for its own portfolio when a loan is not saleable on the secondary market. During 1997 and 1998, AMCORE Rockford made 211 loans for its own portfolio totaling \$17.9 million.

The bank is the leader in extending home improvement loans in its assessment areas. During the two-year evaluation period, the bank made 1,148 home improvement loans. Based on the 1997 aggregate HMDA data submitted by lenders within the assessment area, AMCORE Rockford ranked first out of 166 lenders with a 17.7% market share.

The bank made 1,846 small business loans in 1997 and 1998. Based on the 1997 Small Business Aggregate data published by the FFIEC, AMCORE Rockford ranked 44th out of 381 lenders. It should be noted that the top three lenders captured 27.5% of the market share and are primarily business credit card lenders, such as American Express. Business credit cards count as small business loans under the CRA definition of small business.

Assessment Area Concentration

The bank makes a substantial majority of loans within its assessment areas. From January 1, 1997 to December 31, 1998 the bank made 93% of its HMDA and 92% of small business loans within its assessment areas. By dollar volume the bank made 87% of its HMDA and 83% of small business loans in its assessment areas. Although AMI originates mortgage loans within the assessment areas, those numbers are not included in the above analysis. The volume of AMI activity outside the bank's assessment areas distorts the analysis due to the size of the geographic area served by AMI.

Geographic Distribution of Loans

The bank has a good dispersion of loans within its assessment areas. We performed a lending gap analysis to determine whether there were any geographies that had no loan activity. The bank and AMI made loans in all but two of the 124 census tracts in its assessment areas. There were no unexplained conspicuous gaps in serving its assessment area.

Overall, AMCORE Rockford's home mortgage loan volume by product type compares favorably to the owner-occupied characteristics of the assessment area. Tables 2 through 4 depict the bank's home mortgage lending in detail. As shown, the bank and AMI made 2% of its home purchase loans and 1% of refinance loans in low-income census tracts. They made 10% of home purchase and 10% of refinance loans in moderate-income geographies. In addition, the volume of home improvement loans of

2% and 14% in low- and moderate-income geographies, respectively, is excellent and exceeds the percent of owner-occupied units in both income level categories.

AMCORE Rockford is meeting the credit needs of businesses in its assessment areas, particularly in low-income areas. The volume of total business loans in low-income geographies of 11% is excellent and the volume of loans in moderate-income geographies of 12% is good when compared to the 5% and 12% distribution of businesses located in low- and moderate-income geographies, respectively. Table 5 shows the dispersion of small business lending within each geography compared to the percentage of businesses which operate in those areas.

Borrower's Profile

The lending test also considers the distribution of loans to borrowers of different income levels and to businesses and farms of different sizes. In particular, the focus is on loans to low- and moderate-income persons and small business and small farm loans. Based on AMCORE Rockford's lending levels in 1997 and 1998, the bank has an adequate distribution of loans compared to the each particular income level in its assessment areas.

Tables 7 through 9 illustrate the borrower distribution of home mortgage loans. The tables also present market rank and market share ratios based on 1997 aggregate market data. Based on this information, AMCORE Rockford is making between 6% and 8% of its home mortgage loans to low-income families in each assessment area. Considering the borrower characteristics, percentage of households living below the poverty level, percentage of households on public assistance, and percentage of households on social security income in each assessment area, this level of lending is reasonable. About 24% percent of the households are on social security, 5% are receiving public assistance and 9% are living below the poverty level. The average median income of low-income families is \$20,000. The average cost of housing in the area is \$72,316. Housing costs at 3.6 times annual earnings would make it very difficult for these families to take on the debt. Given these conditions, the bank's level of lending to low-income families is considered reasonable.

The level of HMDA loans made to moderate-income families is excellent. The bank made approximately 21% of home purchase, 22% of home improvement and 19% of refinance loans to moderate-income families. Moderate-income families comprise approximately 18% of assessment area families.

Tables 10 depicts the distribution of small business loans in the assessment areas. We evaluated the loans based on gross annual revenues and by loan amount. As shown, a majority of AMCORE Rockford's business loans are small dollar loans to small businesses. As a whole, 72% of business loans have origination amounts less than \$100,000 and 62% were made to businesses with revenues less than \$1 million. Assessment area characteristics show that 73% of businesses in the bank's assessment areas have revenues of \$1 million or less. This level of lending is adequate when compared

to all lenders. Of all loan reporters, only 50% of business loans were made to small businesses.

The bank made no farm loans in 1997 and 1998. Less than 1% of the bank's loan portfolio is agricultural.

Community Development Lending

Although AMCORE Rockford reported no community development loans, some of the loans the bank had to report as small business loans had a community development purpose. We considered these loans under the performance criteria for small business loans. Although we considered these loans under the small business loan criteria, they do illustrate AMCORE Rockford's relatively high level of loans for community development purposes.

AMCORE Rockford has worked with Zion Development Corporation (ZDC) over the past several years. ZDC is a faith-based neighborhood development organization. Its mission is to "build a stronger neighborhood where people are proud to live." ZDC's focus has primarily been on the Seventh Street (the bank's main office is located on Seventh Street) and Broadway neighborhoods of Rockford. This area is a low-income neighborhood. During the past two years, the bank has funded the following projects that meet the definition of community development:

- **Zion Community Center:** This is a neighborhood improvement project to build a community center in the near southeast area of Rockford threatened by poverty, high crime, drugs and gang activity. This project will stabilize this low- and moderate-income area. AMCORE Rockford loaned funds to make the property acquisitions. The demolitions have been completed and the bank made a \$3.5 million loan for construction of the community center.
- **Longwood Plaza:** The Plaza is a rehabilitation and affordable housing project. The project will convert a 35 year old vacant motel into 65 apartment units. The units will be targeted to seniors who make 60% or less of the median family income. It is a complex project to finance. The project involves seven different funding sources including Low Income Housing Tax Credits, a construction loan and a permanent loan. AMCORE Rockford is one of four local banks that formed a consortium to make both the construction and permanent loans. The total project cost is expected to be \$4.7 million. AMCORE Rockford's portion of the construction and permanent financing is 26% or \$960,000.
- **528 Seventh Street:** This is a rehabilitation project of a 113-year-old three-story building located in a low-income census tract. ZDC gutted the building focusing on the top two floors where they created eight apartments for households with very low incomes, 50% or less of the median family income. The financing involved eight different funding sources including Low Income Housing Tax Credits. AMCORE Rockford bought the credits and has retained their investment in the project. The bank also holds the conventional loan on the project.

- Savalot Grocery Store: ZDC helped establish this grocery store in a low-income neighborhood. The store project was funded through a city grant and conventional loan. AMCORE Rockford is a lender on the project with an outstanding balance of \$329,000.

The bank is involved in other community development projects. They are as follows:

- Janet Wattles Center: This Center provides mental health care services to those who cannot afford to pay, including mental health services to the homeless. The bank made a \$1 million line of credit to the Center through Winnebago County.
- Rockford Rescue Mission: The bank made a \$2 million loan to the Rockford Rescue Mission to fund a shelter facility for the homeless.
- The bank made a series of loans totaling \$6.6 million to a company that purchases, improves and manages rural properties for low-income subsidized housing. They are located in small communities and target the low-and moderate-income population.
- The Illinois Enterprise Zone Program is designed to encourage economic development and neighborhood revitalization in designated geographical areas of Illinois. This is accomplished through state and local tax incentives, regulatory relief and improved government services. It is a state and local partnership that emphasizes a creative coalition of state and local government, business, labor and community groups to encourage economic growth in the enterprise zones. The Department of Commerce and Community Affairs (DCCA) established the Enterprise Zone Financing Program to encourage businesses to locate within an Illinois Enterprise Zone (EZ). AMCORE Rockford has made four loans totaling \$3.9 million to businesses located in EZs.
- The Illinois DCCA has developed a loan participation program to provide economic development assistance through bank, development corporations and other lenders to Illinois small businesses which will provide employment opportunities to Illinois citizens. These programs focus primarily on individuals and businesses which typically have fewer than 100 employees and need additional financing in order to proceed with a project which creates and retains jobs or improves their competitiveness through modernization. The bank made one loan totaling \$641,000 under this program.

Product Innovation

AMCORE Rockford makes excellent use of flexible and some innovative lending products and

programs to serve the credit needs in the assessment areas. Each of these loan products help low- and moderate-income individuals obtain credit which they might not have had access to under the bank's normal underwriting standards. Examples of these programs are given below:

- Small Business Administration Loans (SBA): In 1998, the bank earned the SBA Preferred Lender status. Through this program, AMCORE Rockford offers SBA Express, 7A and 504 loans. During 1998 and through the first quarter of 1999, the bank made 40 SBA loans totaling \$9.5 million.
- The bank participates in the Illinois Capital Access Program (CAP). It is designed to encourage lending institutions to make loans to small and new businesses that do not qualify under conventional lending policies. CAP is a form of loan portfolio insurance, which provides coverage to the lender on loan defaults. By participating in CAP, lenders can make small business loans beyond their conventional risk threshold. AMCORE Rockford is one of the top three lenders under the CAP program and has made 41 loans totaling \$1.6 million, which created 166 jobs.
- The Rockford Local Development Corporation (RLDC)'s purpose is to bring businesses into the Rockford area and to assist in funding start up businesses. AMCORE Rockford and RLDC have jointly funded seven loans totaling \$1.2 million in 1997 and 1998. In addition, two loans totaling \$1,024,000 are pending as of May 21, 1999. A majority of the businesses brought in by the RLDC are small businesses.

The bank and AMI also make use of other flexible lending programs such as:

- VA and FHA government loans with low or no down payment to qualified buyers;
- Illinois Housing Development Authority (IHDA), low-cost loan program;
- Home Start program through the state of Illinois with low down payment (5%) and flexible lending terms for income eligible home buyers;
- Affordable Mortgage program offers 15- and 30-year fixed rate mortgages for income eligible, first-time home-buyers;
- Tri-Way Housing Partnership, a City of Rockford program, to assist Rockford homeowners with home improvements;
- TIF (Tax Increment Financing) designed for homeowners, investors or commercial property owners to improve the appearance of the targeted neighborhoods - Seventh Street, Whitman Street and South Main Street in Rockford;
- DownHome, a City of Rockford loan program, designed to help first-time homebuyers with down payment and closing costs;
- Homestead/Hope/HOME program, a partnership with the City of Rockford, in which the city acquires boarded up homes and matches them with qualified buyers. AMCORE approves the first mortgage and the City finances the second and third mortgages at 0% interest. The City and buyer

- rehabilitate the property. AMCORE Rockford has 50% of the loans made under this program;
- West Side Alive, a partnership with the City of Rockford, that provides newly constructed homes in existing west side neighborhoods to help stabilize the area, as well as provides affordable housing; and
 - Basic Business Credit, a line of credit available to businesses. The line is not tied to their business checking and is accessible anytime by writing a check. The line is available for \$5,000 and over, has a maturity from 1-5 years, has a competitive interest rate varying with the prime rate and has no annual fee for the first year. Checks can be written for as little as \$500. This product is targeted to small businesses.

INVESTMENT TEST

Major Conclusions:

- AMCORE Rockford has an adequate level of qualified investments. The bank exhibits reasonable responsiveness to the investment needs of the community given the opportunity for community development in its assessment areas.

Current Investments

During this evaluation period, the bank and AMCORE Foundation, Inc. made various grants to organizations that provide community development within the assessment areas. A total of 13 organizations received contributions for \$202,800 during the evaluation period. All but one of the grants were made in MSA 6880, the bank's largest assessment area. The volume of qualified investments in MSA 1600 and the Non-MSA areas is low; however, the bank has other affiliates located near these areas which make donations for community development purposes.

Grants went to organizations in low- and moderate-income areas for low- and moderate-income individuals, such as:

- affordable housing organizations;
- low- and moderate-income youth programs;
- homeless centers; and
- organizations supporting job training programs for low-income individuals.

Prior Period Investments

The bank made two prior period investments, meaning investments made in a previous evaluation period, that remain outstanding. They are as follows:

- AMCORE Rockford is one of four national banks with an investment in the Northern Illinois Community Development Corporation (CDC). The CDC was approved in April of 1992 and the bank invested \$75,000 at that time. As of this evaluation, the bank's investment balance remains at \$75,000. The CDC provides loans and makes investments in small businesses to create and retain employment opportunities, primarily for low- and moderate-income persons. The CDC also encourages business investment and growth. The CDC primarily serves the Winnebago and Boone county area, which are in MSA 6880. The CDC provides financing for capital assets, licenses, working capital, marketing funds, research and development costs, and relocation expenses of businesses moving into the area.
- In November of 1996, AMCORE Rockford made an equity investment of \$520,046 in an affordable-housing project. The investment was in the form of low-income housing tax credits. The project is located near downtown Rockford, in MSA 6880. The project is an eight-unit apartment building for persons with income 50% or less of the area median income. ZDC is the project developer and manager. (See Community Development Lending for details on ZDC.) AMCORE Rockford's investment in this project is currently at \$443,381.

SERVICE TEST

Major Conclusions:

- AMCORE Rockford's delivery systems are reasonably accessible to most all portions of the assessment area.
- The bank closed one drive-up facility since the last evaluation. The closing has not had an adverse impact on the accessibility of its delivery systems. The bank opened ten ATMs during this evaluation period. These changes have been positive in respect to location and accessibility.
- Services, including business hours, are convenient and meet the needs of the assessment area, including low- and moderate-income individuals. Loan and deposit products are standardized and made available in all locations.
- The bank provides a reasonable level of community development services given the opportunities in the assessment area.

Retail Services

AMCORE Rockford makes its retail services reasonably accessible to essentially all individuals in the assessment area. Accessibility is achieved through its office locations and alternative delivery systems.

Table 13 details the distribution of the branches and ATMs. The bank operates 17 branches in the assessment areas, which includes the main office in Rockford, Illinois. Two of the 17 branches, or

12%, are located in low-income tracts, primarily in the downtown area of Rockford. Both branches in the low-income geographies offer loan and deposit products. There are no branches in the moderate-income areas. Ten branches, or 59%, are located in middle-income census tracts and the remaining five, or 29%, are in the upper-income census tracts in the assessment areas. The overall distribution of branches is reasonable, even though there are none in the moderate-income areas. This is based on the percentage of the population living in these areas, as well as the percentage of geographies in the assessment areas.

The main office and branch lobby hours are reasonable. AMCORE Rockford has extended banking hours on weeknights and Saturdays through its 11 drive-up facilities. In addition, 8 of the 17 branches are located in supermarket stores. These branches are full-service, they have extended hours, and they are open seven days a week.

Since the last CRA evaluation, the bank closed one branch. The branch was a drive-up facility only. Although the branch is located in a low-income census tract, it is in close proximity (the same census tract) to the bank's Main Office and Sixth Street Drive-Up Office. In addition, there is an ATM located nearby. AMCORE Rockford has not opened any new branches since the last evaluation period.

Alternative Delivery Systems

AMCORE Rockford provides alternative systems for delivering retail banking services. These systems are provided to both low- and moderate-income areas and individuals.

As shown in Table 13, the bank maintains 28 ATMs. All of the ATMs, except one, are deposit taking. The ATMs are scattered throughout the assessment areas. In the low-income census tracts, there are two ATMs. Three ATMs are located in the moderate-income census tracts. There are 16 in the middle-income and 7 in the upper-income census tracts in the assessment areas.

Since the last CRA evaluation, the bank has opened ten new ATMs. Two of the new ATMs opened are located in moderate-income census tracts. The bank opened the remainder in middle- and upper-income census tracts.

Besides the 28 ATMs, the bank offers several other alternative delivery systems. They are accessible to all bank customers, including low- and moderate-income individuals who cannot readily visit a branch office.

AmLoan: This is a 24-hour service through which individuals may apply for automobile, credit card, installment, home equity, and home improvement loans by telephone. About 1,665 applications were received through AmLoan between July 1997 and March 1999.

TeleBank: The bank offers a 24-hour telephone account information system. The service is offered to customers free of charge and is available at any time. Using this service, a customer can obtain information on a checking account, savings account, and loan account. A depositor can also transfer funds among accounts. On average, the bank receives 102,000 calls per month through this service.

Advantage-at-Work: This program offers convenient banking, tailored products and services, reduced rates on installment loans, and special offers on other services. The program is available to persons who work for certain local employers and who have a direct deposit account with AMCORE Rockford. To date, 36 local employers participate in the program, resulting in approximately 946 accounts with AMCORE Rockford.

DataBank: This is a banking software system that links customers directly to their accounts at AMCORE Rockford using a personal computer. Other features include reviewing account histories and transferring funds electronically. The system also offers account reconciliation.

Community Development Services

Employees of AMCORE Rockford are involved with organizations that provide community development services to the assessment areas. In each of these organizations, employees of the bank are providing technical assistance and their financial expertise. These organizations meet the definition of community development by:

- addressing the housing needs of the low- and moderate-income individuals;
- facilitating rehab and development of affordable housing;
- providing assistance on financial matters to small businesses;
- providing consumer credit counseling;
- offering financial service education; and
- assisting with economic revitalization.

Examples of organizations which bank employees, including senior management, provide community development services are listed below:

- City of Elgin Planning Commission
- City of Rockford Fair Housing Board
- City of Rockford Small Business Loan Committee
- Consumer Credit Counseling
- Illinois Growth Enterprises
- Neighborhood Housing Services of Elgin
- RAMP

- Rockford Affordable Housing Coalition
- Rockford Council of 100
- Rockford New Hope, Inc.
- Small Business Development Center of Elgin
- Southwest Business Association
- Zion Community Development

Of particular importance is the bank's involvement with the Elgin Small Business Development Office (SBD). With the assistance of AMCORE Rockford employees and others, the SBD has recently established a micro-loan program for start up businesses and very small businesses. No loans have been made under this program to date.

AMCORE Rockford also serves as a sponsor for the local Habitat for Humanity's (Habitat) grant funds. Habitat is eligible for grant money for affordable housing purposes through the Federal Home Loan Bank. Bank employees are responsible for assisting the local Habitat with the application for funds, as well as the ongoing monitoring and reporting requirements.

In addition, AMCORE Rockford provides financial service by offering a low-cost checking account, Economy Checking. This account helps to increase access to financial services for low- and moderate-income individuals.

COMPLIANCE WITH FAIR LENDING LAWS

The bank has a satisfactory record of complying with the fair lending laws and regulations. This encompasses the Equal Credit Opportunity Act, Fair Housing Act, and Home Mortgage Disclosure Act. For fair lending analysis purposes, approved White applicants were compared to denied Black applicants. Underwriting standards were tested in each group. Based on this analysis, we noted no violations of the substantive provisions of the fair lending laws and regulations during this evaluation.

In order to determine the accuracy of loan data presented by the bank, we verified a sample of HMDA and small business loans reported in 1998. We reviewed HMDA reportable transactions to ensure the purpose, action taken, race, gender, applicant income, and loan size were accurately included on the Loan Application Register (LAR). Overall, we considered the data reliable. We performed a similar review on small business loan files to ensure the bank reported loan amount, revenue category, and location accurately. The small business loan information reported on the CRA Data Listing Report was substantially correct and reliable.

Metropolitan Statistical Area - MSA 6880

Conclusions with Respect to Performance Test in MSA 6880

AMCORE Rockford's performance in MSA 6880 is not inconsistent with the overall rating assigned to the bank.

Description of the Institution's Operations in MSA 6880

AMCORE Rockford's main office and largest market is in MSA 6880. This area accounts for 93% of the bank's total deposits and 46% of total loans. Total loans include all commercial, mortgage, and consumer loans. Approximately 82% of the bank's branches and 82% of total ATMs are located in MSA 6880.

Description of the Assessment Area in MSA 6880

AMCORE Rockford's assessment in MSA 6880 consists of:

- All census tracts in Boone and Winnebago Counties. In addition, all census tracts in Ogle County, except two. The two census tracts are not included because they are part of an affiliated bank's market area. There are 81 census tracts within these three counties and includes the cities of Rockford, Loves Park, Machesney Park, Belvidere, and Rochelle. Of the total 81 census tracts, 6 are low-income and 17 are moderate-income. This represents 7% and 21% of the total tracts, respectively. There are 44 middle-income and 14 upper-income areas that make up the remainder of the MSA 6880 assessment area.

The population in the MSA 6880 assessment area is about 321,000. There are approximately 88,000 families and 121,000 households. The 1998 HUD updated median family income is \$49,700. Based on this figure, 18% of the families are low-income, 18% are moderate-income, 26% are middle-income, and the remaining 37% are upper-income families. Of the households in MSA 6880, 10% have incomes below the poverty level and an additional 6% of the households are on some type of public assistance.

There are 127,516 housing units within the assessment area. About 65% are owner occupied units, 30% are rental occupied units, and 5% are vacant housing units. The median housing value is \$60,013. This is about 1.2 times the median family income of the MSA.

The local economy in the assessment area is stable. The unemployment rate is around 3%. The industries within this area consist of mainly manufacturing, services, and retail trade. There are almost 12,000 businesses that operate in MSA 6880. About 8,800 or 74% of the businesses have sales less

than \$1 million. Agriculture is only a small trade within the assessment area.

There are 333 farms operating in MSA 6880 and 92% of them have sales less than \$1 million. Some of the major employers are Woodward Governor, CLARCOR, Chrysler Corporation, Ingersoll Milling Machine Company, Rockford Health System, and Sunstrand Corporation.

There are numerous financial institutions within the bank's assessment area. National and state banks, brokerage companies, home mortgage and insurance companies provide competition. Other large institutions from the Chicago area, such as Bank One, LaSalle, Harris Bank, and American National Bank also provide strong competition in the business loan market.

Based on June 30, 1998 information reported by the FDIC, AMCORE Rockford has their largest share of deposits in Winnebago County at 30%. In Boone County, the bank has deposit share of 2.6%. The bank's market share in Ogle County is less than 2%.

Based on our interviews with local community leaders in MSA 6880, small business development, affordable housing for lower income families, homeownership counseling, and general credit counseling are the primary needs in the community. With respect to community development, the contacts confirmed that there are sufficient and ample opportunities for banks to participate in such activities. Specifically, the Rockford area needs banks that are flexible and willing to participate as equity investors, construction lenders, as well as provide support to new, third party efforts to meet the credit needs that no conventional bank can meet.

Conclusions with Respect to Performance Tests

Lending Test

- The bank has adequate distribution of loans among borrowers of different income levels and businesses of different sizes.
- The bank uses flexible and innovative lending criteria.
- The level of community development lending is good based on the opportunities that exist in the bank's assessment area.

Lending Activity

As shown in Table 1, AMCORE Rockford and AMI made 91% of its home mortgage and small business loans in MSA 6880 during 1997 and 1998. Of the mortgage loans, 32% were home purchase, 43% were refinance, 24% were home improvement and 1% were multi-family loans.

The bank ranked seventh out of 239 lenders, with a 3.8% market share in home purchase loans in 1997. For the same period, AMI ranked second with a 9.3% market share. Table 2 provides market share and market rank information.

The bank is the leader in extending home improvement loans in MSA 6880. During the two-year evaluation period, the bank made 1,023 or 89% of its total home improvement loans in MSA 6880. Based on the 1997 aggregate HMDA data submitted by lenders within the MSA, AMCORE Rockford ranked first out of 93 lenders with a 25.6% market share. Refer to Table 3 for full details.

Table 5 displays the bank's small business lending. As shown, the bank made 1,561 or 85% of its small business loans during 1997 and 1998 in MSA 6880. Based on the 1997 Small Business Aggregate data, AMCORE Rockford ranked third out of 64 lenders with a 13% market share.

Geographic Distribution of Loans

The bank has a good dispersion of loans within MSA 6880. We performed a lending gap analysis to determine whether there were any geographies that had no loan activity. The bank made loans in all 81 census tracts in its assessment area within MSA 6880.

AMCORE Rockford's volume of home mortgage loans in low-and moderate-income geographies is good when compared to the owner-occupied characteristics of its assessment area in MSA 6880. As illustrated in Table 2, AMCORE Rockford and AMI's home purchase mortgage lending of 2% in low-income geographies and 10% in moderate-income geographies compares adequately to the 2% and 15% of owner-occupied units in low-and moderate-income geographies, respectively. Table 3 shows the bank's home improvement lending. The bank's level of home improvement lending is good at 3% in low-income geographies and 15% in moderate-income geographies.

AMCORE Rockford is meeting the credit needs of businesses in MSA 6880, particularly in low-income areas. The volume of small business loans in low-income geographies of 13% is excellent and the volume of loans in moderate-income geographies of 14% is good compared to the 9% and 15% distribution of businesses located in low-and moderate-income geographies, respectively. Please refer to Table 5 for full details.

Borrower's Profile

The bank has adequate distribution of loans among borrowers of different income levels and businesses of different sizes.

The level of HMDA reportable loans made to low-income families by both the bank and AMI in AMCORE Rockford's assessment area in MSA 6880 is low compared to the percent of low-income

families. Eighteen percent of the families are low-income and the bank made approximately 8% of home purchase, 8% of home improvement and 6% of refinance loans to low-income families. However, AMCORE Rockford ranks first of 38 lenders in making home improvement loans to low-income families with an 18.7% market share.

The level of loans made to moderate-income families is excellent. The bank made approximately 22% of home purchase, 21% of home improvement and 20% of refinance loans to moderate-income families. Moderate-income families comprise 18% of assessment area families. AMCORE Rockford ranks first of 50 lenders in making home improvement loans to moderate-income borrowers. See Tables 7, 8 and 9 for more information.

A majority of AMCORE Rockford's business loans are small loans to small businesses. Seventy-four percent of business loans are less than \$100,000. The bank made 66% of its business loans to businesses with less than \$1 million in gross revenue, compared to 49% for all small business loans made by all loan reporters. This level of loans is adequate considering that 74% of businesses in the bank's assessment area in MSA 6880 are small businesses. Table 10 displays the bank's business lending by loan amount and gross annual revenues.

Community Development Lending

AMCORE Rockford originates a high level of community development loans. The loans described in the overall bank section were made primarily in Rockford, which is in MSA 6880.

Product Innovation

The bank's use of innovative and flexible loan products in MSA 6880 is consistent with the discussion in the overall bank section of this evaluation.

Investment Test

- The level and responsiveness of qualified investments in MSA 6880 is reasonable.

Through the bank and AMCORE Foundation, Inc, the bank provided 12 grants totaling \$201,800 to organizations that meet the community development purpose.

In addition, AMCORE Rockford made both prior period investments in MSA 6880. The outstanding balance of these two investments is \$518,381.

Service Test

- AMCORE Rockford's retail banking services and alternative delivery systems are reasonably accessible to most areas of MSA 6880.
- The bank provides an adequate level of community development services.

Within MSA 6880, the bank has 14 branches. This represents 82% of the total bank's branches. Although there are no branches in the moderate-income census tracts, the overall distribution of branches is reasonable to the assessment area's characteristics.

There are two branches in low-income census tracts. Both branches offer loan and deposit products. The remaining 12 branches are located in the middle- and upper-income census tracts. Business hours at each of the branches are reasonable. All of the branches, except the main office, have Saturday hours. In addition, in MSA 6880, there are eight supermarket branches. All of the supermarket branches are open on weekdays, Saturdays, and also Sundays from 11:00 a.m. to 3:00 p.m.

The bank closed one branch in MSA 6880 since the last CRA evaluation. The branch was a drive-up facility only. Although the branch is located in a low-income census tract, it is in close proximity (the same census tract) to the bank's Main Office and Sixth Street Drive-Up Office. In addition, there is an ATM located nearby. Therefore, the impact of closing the branch did not adversely affect the accessibility of banking services in this area.

AMCORE Rockford has not opened any new branches since the last evaluation period. However, the bank opened nine new ATMs in MSA 6880 since then. The bank opened one ATM in a moderate-income census tract. There were five opened in the middle-income and three in the upper-income census tracts.

AMCORE Rockford has 23 ATMs or 82% of the total within MSA 6880. Of these, two are located in low-income census tracts and two are located in moderate-income census tracts. See Table 13 for further details.

Bank employees, including senior management, are involved in various organizations that promote community development in MSA 6880. These employees provide technical assistance and their financial expertise. Please refer to the page 19 of this evaluation for a list of the community development organizations.

Metropolitan Statistical Area - MSA 1600

Conclusions with Respect to Performance Test in MSA 1600

AMCORE Rockford's performance in MSA 1600 is not inconsistent with the overall rating assigned to the bank.

Description of the Institution's Operations in MSA 1600

AMCORE Rockford draws approximately 6% of its deposit base from MSA 1600. However, 52% of the bank's total loans are from MSA 1600. Total loans include commercial, mortgage, and consumer loans. The bank operates two branches in MSA 1600, which accounts for 12% of its total branches. The bank also operates three ATMs or 11% of its total ATMs in MSA 1600.

Description of the Assessment Area in MSA 1600

AMCORE Rockford's assessment area in MSA 1600 consists of:

- A total of 29 census tracts in northeast Kane County and southeast McHenry County are included. These include the cities of Elgin, Carpentersville, Crystal Lake, Huntley, Algonquin, and Barrington Hills. The remaining census tracts in MSA 1600 were not included in the assessment area because they are not within a reasonable distance surrounding the bank's branch locations. Of the 29 census tracts, there are no low-income tracts and only three moderate-income tracts. The remainder of this area consists of 15 middle-income and 10 upper-income census tracts. One census tract did not have any income information reported.

The population in the MSA 1600 assessment area is about 159,000. There are approximately 42,000 families and 53,000 households. The 1998 HUD updated median family income for MSA 1600 is \$59,500. Based on this figure, 13% of the families are low-income, 17% are moderate-income, 28% are middle-income, and the remaining 43% are upper-income families. Of the households in the MSA 1600 assessment area, 6% have incomes below the poverty level and an additional 4% of the households are on public assistance.

There are 55,161 housing units within the assessment area. About 71% are owner occupied units, 26% are rental occupied units, and 4% are vacant housing units. The median housing value is \$109,528. This is about 1.8 times the median family income of the MSA.

The local economy in the assessment area is good. The unemployment rate is around 2.5%. The industries within this area consist of mainly manufacturing, services, and retail trade. There are 6,118 businesses operating in the MSA 1600 assessment area. Of these, 4,220 or 69% are to businesses

with sales less than \$1 million. Agriculture is only a small trade within the assessment area. There are 172 farms operating and about 78% of them have sales less than \$1 million. Some of the major employers are Sears, Motorola, Ameritech, Northwest Community Hospital, and Northrop Grumman Corporation.

There are numerous financial institutions within the bank's assessment area. National and state banks, brokerage companies, home mortgage and insurance companies provide strong competition. There are 81 financial institutions with over 136 offices that operate in McHenry and Kane Counties alone.

We contacted local civic and community leaders during this evaluation period. The contacts indicated that financing for small and start-up businesses, affordable housing loans, and rehab of older homes are the primary needs in the community. In particular, community leaders stated that FHA and VA loans are needed. With respect to community development, the contacts confirmed that there are sufficient opportunities for banks to participate in activities such as homeownership counseling, outreach to low- and moderate-income individuals, and technical assistance to local small business organizations.

Conclusions with Respect to Performance Tests

Lending Test

- The bank has adequate distribution of loans among borrowers of different income levels and businesses of different sizes.
- The bank uses flexible and innovative lending criteria.
- The level of community development lending is adequate based on the opportunities that exist in the bank's assessment area.

Lending Activity

AMCORE Rockford includes a small number (29 out of 1,776) of census tracts in MSA 1600 in its assessment area. As shown in Table 1, AMCORE Rockford and AMI made 7% of its home mortgage and small business loans in MSA 1600 during 1997 and 1998. Of the mortgage loans, 26% were home purchase, 31% were refinance and 43% were home improvement loans. The bank ranked 77th out of 302 lenders, with a 0.20% market share in home purchase loans in 1997. For the same period, AMI ranked 57th with a 0.34% market share. Table 2 provides information on market share and market rank.

The bank is a leader in extending home improvement loans in MSA 1600. During the two-year evaluation period, the bank made 78 or 7% of its total home improvement loans in MSA 1600. Based on the 1997 aggregate HMDA data, AMCORE Rockford ranked eighth out of 110 lenders with a

4.1% market share. Refer to Table 3 for details on home improvement lending.

Table 5 illustrates the bank's business lending activity. As shown, the bank made 266 or 14% of its small business loans during 1997 and 1998 in MSA 1600. Based on the 1997 Small Business Aggregate data published by the FFIEC, AMCORE Rockford ranked 119th out of 325 lenders with a 0.05% market share.

Geographic Distribution of Loans

The bank has an adequate dispersion of loans within MSA 1600. We performed a lending gap analysis to determine whether there were any geographies that had no loan activity. The bank made loans in all but two of the 29 census tracts in its assessment area within MSA 1600.

As illustrated in Table 2, AMCORE Rockford's volume of home mortgage loans in moderate-income geographies is excellent when compared to the owner-occupied characteristics of its assessment area in MSA 1600. AMCORE Rockford and AMI's home purchase mortgage lending of 13% in moderate-income geographies compares favorably to the 3% of owner-occupied units in moderate-income geographies. As stated earlier, there are no low-income geographies in the bank's assessment area within MSA 1600.

Table 3 reflects on AMCORE Rockford's home improvement lending. The data shows that the bank's home improvement lending of 1% in moderate-income geographies is low compared to the demographics.

The volume of small business loans in moderate-income geographies of 4% is low compared to the 8% distribution of businesses located in moderate-income geographies in the assessment area within MSA 1600. Refer to Table 5 for details.

Borrower's Profile

The bank has an adequate distribution of loans among borrowers of different income levels and businesses of different sizes. The level of HMDA reportable loans made to low-income families by both the bank and AMI in MSA 1600 is low compared to the percent of low-income families. The bank made approximately 4% of home purchase, 9% of home improvement and 9% of refinance loans to low-income families. The level of loans made to moderate-income families is excellent. The bank further made 17% of home purchase, 36% of home improvement and 14% of refinance loans to moderate-income families. Low-and moderate-income families comprise 13% and 17% of assessment area families, respectively. Please refer to Tables 7, 8 and 9 for details supporting this analysis.

A majority of AMCORE Rockford's business loans are small loans to small businesses. Sixty-four

percent of business loans are less than \$100,000. The bank made 44% of its business loans to businesses with less than \$1 million in gross revenue. This level of lending is low considering that 69% of businesses in the bank's assessment area in MSA 1600 are small businesses. However, it is considered reasonable when compared to small business loans made by all lenders of 45%.

Community Development Lending

AMCORE Rockford originates an adequate level of community development loans in MSA 1600. During the two-year evaluation period, the bank originated two loans totaling \$400,000 in loans that were reported as small business loans, but which have a community development purpose.

Product Innovation

The bank's use of flexible loan products in MSA 1600 is consistent with the discussion in the overall bank section of this evaluation.

Investment Test

- The bank's qualified investment activity in this assessment area is very limited.

During this evaluation period, the bank made one donation in the amount of \$1,000 to an organization that provides affordable housing services to low- or moderate-income persons in the Elgin community. Although the volume is low, the bank is aware of the community development needs in the community and is willing to make donations when approached. In addition, the bank has an affiliate, AMCORE Northwest, which promotes community development in McHenry County. McHenry County is on the far west side of MSA 1600 and is also adjacent to Kane County.

Service Test

- AMCORE Rockford's retail banking services and alternative delivery systems are reasonably accessible in the defined assessment area of MSA 1600.
- The bank provides an adequate level of community development services.

Within MSA 1600, AMCORE Rockford has two branches. This represents 12% of its total branches. Although there are no branches in the low- or moderate-income census tracts, the overall distribution of branches is reasonable to the characteristics of the assessment area. See Table 13 for details.

The bank did not close any branches in MSA 1600 since the last CRA evaluation. However, the bank

opened one new ATM. The ATM is located in a moderate-income census tract in Elgin, Illinois.

AMCORE Rockford has three ATMs or 11% of its total ATMs within MSA 1600. One ATM is located in a moderate-income census tract, one in a middle-income census tract, and the other in an upper-income census tract. See Table 13 for further details.

Bank employees, including senior management, are involved in a few organizations that promote community development in MSA 1600. These employees provide technical assistance and their financial expertise to the extent possible. Most notably, they are involved with the City of Elgin Planning Commission, Neighborhood Housing Services of Elgin, and the Small Business Development Center (SBDC) of Elgin. Bank employees have been instrumental in starting up a micro-loan program for start up businesses and very small businesses at the SBDC.

Non-Metropolitan Statistical Area

Conclusions with Respect to Performance Test in the Non-MSA

AMCORE Rockford's performance in the rural, Non-MSA area of Illinois, is not inconsistent with the overall rating assigned to the bank.

Description of the Institution's Operations in the Non-MSA

The Non-MSA assessment area accounts for only 1% of the bank's total deposits and about 2% of total loans. Total loans include commercial, mortgage, and consumer loans. The bank has one branch and two ATMs in the Non-MSA. This represents 6% and 7% of the bank's total branches and ATMs, respectively.

Description of the Assessment Area in the Non-MSA

AMCORE Rockford's assessment area in the Non-MSA consists of:

- All of Stephenson County and one census tract in northeast Lee County. Lee County in its entirety is not included because it is part of an affiliated bank's market area. This Non-MSA portion of the assessment area includes the city of Freeport and surrounding areas in Stephenson County. Ashton and surrounding rural areas are included in Lee County. There are a total of 14 geographies in this area. None of the geographies are low-income and only one geography is moderate-income. The remaining 13 geographies are middle- and upper-income.

The population in the Non-MSA assessment area is about 51,000. There are approximately 14,000 families and 20,000 households. The 1998 HUD updated median family income for the Non-MSA is \$39,500. Based on this figure, 14% of the families are low-income, 17% are moderate-income, 23% are middle-income, and the remaining 47% are upper-income families. Of the households in the Non-MSA assessment area, 11% have incomes below the poverty level and an additional 5% of the households are on public assistance.

There are 21,490 housing units within the assessment area. About 66% are owner occupied units, 27% are rental occupied units, and 7% are vacant housing units. The median housing value is \$49,807. This is about 1.3 times the median family income of the Non-MSA.

The local economy in the assessment area is good. The unemployment rate is around 2.8%. The industries within this area consist of mainly services, retail trade, and construction. There are 1,811 businesses operating in the Non-MSA portion of the assessment area. About 79% of the businesses have sales less than \$1 million.

Agriculture, while still small, is more common within the assessment area. There are 83 farms operating within the 14 geographies of the Non-MSA assessment area. Of these, 75 or 90% have sales less than \$1 million. Some of the major employers are MicroSwitch, Kelly-Springfield, Thermos Company, St. Paul Economy Insurance Company, and Crest Foods Company.

There are 26 financial institutions with 39 offices that operate in Stephenson and Lee Counties. The FDIC identified the needs of the Non-MSA areas through various community contacts conducted in the past three years. Based on these interviews, affordable housing, especially for low- and moderate-income families is needed. Funding for start up businesses is also needed. With respect to community development, the contacts stated that there are opportunities in the Freeport area to help and support affordable housing and small business organizations. The opportunities to promote community development outside of the city of Freeport are very limited.

Conclusions with Respect to Performance Tests

Lending Test

- The bank has adequate distribution of home improvement loans among borrowers of different income levels.
- The bank uses flexible lending criteria.

Lending Activity

AMCORE Rockford and AMI made 2% of its home mortgage and small business loans in the Non-MSA portion of the assessment area during 1997 and 1998. Of the mortgage loans, 11% were home purchase, 43% were refinance, 32% were home improvement and 13% were small business loans. The bank ranked eighth out of 109 lenders, with a 2.24% market share in mortgage loans in 1997, the most recent year for which HMDA market share data is available.

The bank is a leader in extending home improvement loans in the Non-MSA. During the two-year evaluation period, the bank made 47 or 4% of its total home improvement loans in the Non-MSA. Based on the 1997 aggregate HMDA data submitted by lenders within the Non-MSA, AMCORE Rockford ranked third out of 40 lenders with a 12.8% market share. Refer to Table 3 for details.

Table 5 displays the bank's business lending. As shown, the bank made 19 or 1% of its small business loans during 1997 and 1998 in the Non-MSA. Based on the 1997 Small Business Aggregate data published by the FFIEC, AMCORE Rockford ranked 71st out of 139 lenders with a 0.04% market share.

Geographic Distribution of Loans

The bank has adequate dispersion of loans within the Non-MSA. We performed a lending gap analysis to determine whether there were any geographies that had no loan activity. The bank made loans in all of the 14 census tracts in the Non-MSA portion of its assessment area.

As illustrated in Table 2, AMCORE Rockford's volume of home mortgage loans in moderate-income geographies is excellent when compared to the owner-occupied characteristics of the Non-MSA portion of its assessment area. AMCORE Rockford and AMI's home purchase mortgage lending of 6.3% in moderate-income geographies compares favorably to the 4% of owner-occupied units in moderate-income geographies. There are no low-income geographies. The bank made no home improvement loans in the Non-MSA portion of its assessment area. Please refer to Table 3 for complete details.

The bank made 90% of its small business loans in middle-income geographies. The bank made no small business loans in moderate-income geographies. The bank's activity is shown in Table 5.

Borrower's Profile

The bank has poor penetration of loans among low- and moderate-income borrowers and businesses with less than \$1 million in gross revenue. The level of HMDA reportable loans made to low-income families by both the bank and AMI in the Non-MSA portion of its assessment area is very low compared to the percent of low-income families. The bank made approximately 6% of home purchase, 9% of home improvement and 0% of refinance loans to low-income families. The level of loans made to moderate-income families is similar. The bank made 0% of home purchase, 17% of home improvement and 5% of refinance loans to moderate-income families. Low- and moderate-income families comprise 14% and 17% of assessment area families, respectively. Details on the bank's home mortgage lending to different borrowers based on income is shown in Tables 7, 8 and 9.

A majority of AMCORE Rockford's business loans are small loans. Ninety percent of business loans are less than \$100,000. AMCORE Rockford made 26% of its business loans to businesses with less than \$1 million in gross revenue. This level of loans is low considering that 80% of businesses in the Non-MSA are small businesses. It is also considered low when compared to small business loans made by all lenders of 67%.

Community Development Lending

There were no community development loans identified as being located in the Non-MSA portion of AMCORE Rockford's assessment area.

Product Innovation

The bank's use of flexible loan products in the Non-MSA is consistent with the discussion in the overall bank section of this evaluation.

Investment Test

- The bank's qualified investment activity is poor in the Non-MSA.

AMCORE Rockford did not make any grants, donations, or in-kind contributions in Stephenson or Lee County. However, the opportunity to make qualified investments meeting the community development definition is very limited in these two counties.

Service Test

- AMCORE Rockford's retail banking services and alternative delivery systems are accessible to limited portions of Non-MSA assessment area.
- The level of community development services is very limited in the Non-MSA.

Within the Non-MSA, the bank has only one branch, which represents 6% of the bank's total branches. This branch is located in an upper-income tract in Stephenson County. Although there are no branches in the low- or moderate-income census tracts, the distribution is adequate given that the bank only draws 1% of its deposit base from this area.

There were no branch openings or closings in the Non-MSA.

AMCORE Rockford has two ATMs or 7% of the bank's total ATMs within the Non-MSA. One is located in a middle-income census tract in Lee County (Ashton, Illinois) and the other is located in an upper-income tract in Stephenson County (Freeport, Illinois). See Table 13 for further details.

Bank employees are not actively involved in organizations that promote community development in the Non-MSA assessment area. As stated earlier, the opportunity to become active in community development organizations is very limited, with the exception of the Freeport area.

APPENDIX A: SCOPE OF EXAMINATION

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: July 8, 1997 to May 10, 1999 Service Test: July 8, 1997 to May 10, 1999		
Financial institution	Assessment Area	Type of Exam	Products reviewed
AMCORE Bank N.A., Rockford	MSA 6880, except two census tracts in Ogle County, Illinois MSA 1600, Portions of Kane and McHenry Counties in Illinois Non-MSA, Stephenson County and one census tract in Lee County, Illinois	On-site	1997 & 1998 HMDA Loans* 1997 & 1998 CRA Loans* (*)Originated and/or Purchased in the assessment area
Affiliate(s)	Affiliate relationship		Products reviewed
AMCORE Mortgage Incorporated (AMI)	Mortgage Company		1998 HMDA Loans* 1997 HMDA Loans* (*)Originated in the assessment area

APPENDIX B: TABLES 1-13