
Comptroller of the Currency
Administrator of National Banks

Small Bank

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PUBLIC DISCLOSURE

January 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Algonquin State Bank, N.A.
Charter Number 23302**

**2400 North Huntington Drive
Algonquin, Illinois**

**Office of the Comptroller of the Currency
Arlington Place II, Suite 340
85 West Algonquin Road
Arlington Heights, Illinois 60005**

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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency, when examining financial institutions subject to its supervision, to use its authority 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 the examination's conclusion, 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 **Algonquin State Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 19, 1999. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 C.F.R. part 25.

The Federal Deposit Insurance Corporation performed the prior CRA evaluation. The evaluation, dated May 9, 1995, rated this institution "Satisfactory Record of Meeting Community Credit Needs."

INSTITUTION'S CRA RATING:

This institution is rated "**Satisfactory Record of Meeting Community Credit Needs**".

The bank's overall rating is based on their lending performance during the evaluation period. Lending performance is evaluated by analyzing the average loan-to-deposit ratio, the volume of lending in the assessment area, the distribution of lending to borrowers of different income levels and to businesses of different sizes, and the distribution of lending among various geographies within the assessment area. In addition, the bank's level of compliance with the Fair Lending laws and regulations is considered. The major factors supporting a **Satisfactory** rating are as follows:

- The average loan-to-deposit ratio is reasonable.
- A majority of the bank's loans are originated in the assessment area.
- The distribution of borrowers indicates good penetration among individuals and businesses of all income levels.
- The bank is in compliance with the substantive provisions of the Fair Lending laws and regulations.
- There have been no CRA complaints against the bank.

DESCRIPTION OF INSTITUTION

Algonquin State Bank, N.A. (Algonquin) is a nationally chartered bank headquartered in Algonquin, IL. The bank also has two branch offices, both located in Algonquin. The bank is a subsidiary of First Algonquin CO, LaGrange, IL, which owns approximately 81% of the bank's stock.

As of December 31, 1998, the bank had approximately \$133 million in total assets. Asset mix consists of 46% loans, 46% investments, 4% fixed assets, 3% cash equivalents, and 1% in other assets. The bank's loan portfolio equaled \$61 million with 70% in real estate, 21% in commercial credit, and 9% in consumer credit. There are no known legal or financial impediments that would hamper the bank's performance under the Community Reinvestment Act (CRA).

The bank was last examined under CRA May 9, 1995 and received a "Satisfactory record of meeting community credit needs".

DESCRIPTION OF ASSESSMENT AREA (AA)

Algonquin's AA consists of 10 census tracts that are all within Metropolitan Statistical Area (MSA) 1600. The median family income for MSA 1600 is \$42,758. Of the bank's 10 census tracts, zero are low or moderate-income census tracts, 4 are middle-income census tracts, and 6 are upper-income census tracts. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude and low-or moderate-income geographies.

Although there are no low and moderate-income census tracts within the bank's AA, there are low and moderate-income families living within the AA. Specifically, 9% of the families are low-income (individuals with income that is less than 50% of the area median income) and 14% are moderate-income (individual income that is at least 50% and less than 80% of the area median income). The median family income for the AA is \$51,069, which is based on information calculated by the Department of Housing and Urban Development (HUD), and is updated annually.

Using the 1990 census date, the bank's AA has 71,130 individuals and 19,616 families. There are 24,710 housing units, 81% of which are owner occupied. The median housing value is \$118,053.

We discussed the credit needs of the bank's AA with local community representatives. Needs identified were loans programs that make home ownership more affordable and loans to small businesses, especially for expansion and revitalization purposes.

CONCLUSIONS ABOUT LENDING PERFORMANCE

- Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. As of September 30, 1998, this ratio was 52% as compared to national peers of 71%. However, beginning in 1998, the bank began resuming selling real estate loans to Freddie Mac. Loan sales were put on hold in 1995 due to staff turnover. Sales have resumed and loans originated and sold during 1998 totaled \$10.5 million. If these loans were included, the loan-to-deposit ratio for year-end 1998 would be 65% as compared to 54% without.

- Lending to Borrowers of Different Income Levels

The bank's record of lending to borrowers of different income levels and businesses of different sizes is good as highlighted in the tables below.

Table #1

This table illustrates the distribution of home mortgage loans to families of different income levels is consistent with the population of the AA. Algonquin's market share for loan originations to low-income borrowers is excellent, ranking 5th out of 100 institutions in the bank's local community. Also noteworthy is that 9% of the bank's AA households are living below poverty level. These households, in general, would have a limited ability to assume debt obligations and the bank would have less opportunity to extend home mortgage related credit to these households.

Geographic Distribution of Lending of Home Mortgage Loans January 1997- September 1998					
Income Level	# Of Loans	% of Total	\$000's of Loans	% of Total	% of families by income level
Low-Income	8	5%	\$257	2%	9%
Moderate-Income	24	15%	\$1,409	9%	14%
Middle-Income	57	36%	\$4,805	31%	28%
Upper-Income	65	42%	\$8,341	53%	49%
NA	3	2%	\$790	5%	0%
Total	157	100%	\$15,602	100%	100%

Source: HMDA LAR: 1997 and year-to-date 1998
1990 Census Data

One identified credit need is flexible underwriting to make home ownership more affordable. Algonquin

offers an Affordable Mortgage Program that requires less money down (10%) and more lenient underwriting guidelines. Eight of these loans have been made since January 1997. Of these eight, three (or 38%) were made within the bank's AA for a total dollar amount of \$232 thousand. Additionally, the bank lends to customers for the purpose of purchasing homes for rental. In turn, these rental agreements have a purchase option making home ownership more affordable. Currently, the bank has four of these loans in their AA totaling \$326 thousand.

Table #2

This table represents loans to businesses with gross revenues under \$1 million in the bank's AA. The majority of loans are originated for amounts under \$100M.

Loans within the AA to companies with revenues less than \$1,000,000 January 1997-December 1998				
Loan Amounts	# of Loans	% of Total	\$(000's)	% of Total
0-99,999M	33	79%	\$916	32%
\$100M-\$250M	6	14%	\$871	31%
Over \$250M	3	7%	\$1,050	37%
Total	42	100%	\$2,837	100%

Source: A commercial loan sample of 83 (49%) new loans made during 1997 and 1998. Of this sample, 42 (51%) loans were made in the bank's AA to small businesses. This sample is representative of the bank's portfolio.

- Lending in the AA

A majority of loans have been originated inside the AA.

Table #1

This table illustrates the distribution of home mortgage loans inside of the AA.

Home Mortgage Lending in the Bank's Assessment Area January 1997-September 1998				
	# of Loans in the AA	% of Total Loans	\$ Volume of Loans inside the AA	% of Total Loans
Home Mortgage Loans	157	69%	\$15,602	71%

Source: HMDA LAR: 1997 and year-to-date 1998

Table #2

This table illustrates the distribution of commercial mortgages originated inside the AA.

Commercial Lending in the Bank's Assessment Area January 1997-December 1998.				
	# of Loans	% of Total	\$ Volume of Loans inside AA (000's)	% of Total
Commercial Loans	42	51%	\$2,837	36%

- Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful as there are no low-or moderate-income census tracts in the bank's AA.

- Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the Antidiscrimination laws and regulations were identified in the course of the evaluation.

- Community Reinvestment Act Complaints

No complaints have been received relating to the Community Reinvestment Act.