

PUBLIC DISCLOSURE

September 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Harris Bank Aurora, N.A.
Charter Number 14942**

**1252 N. Lake Street
Aurora, Illinois 60507**

**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 Harris Bank Aurora, N.A., prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of September 8, 1998. 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.

This evaluation covers the period from January 1, 1996 to June 30, 1998. The prior CRA evaluation, dated November 17, 1995, rated this institution "Satisfactory Record of Meeting Community Credit Needs."

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute and implementing regulation that require the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Community Development - Affordable housing (including multi-family rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses or farms, except for multi-family rental housing loans, which can be reported under both categories.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of

Management and Budget. MSA's consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - A small, locally defined statistical area. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Block Group - geographic subdivision of a census tract. Their primary purpose is to provide a geographic summary unit for census block data. A block group must comprise a reasonably compact and contiguous cluster of census blocks. A block group has defined boundaries per ten-year census and a population of 600 to 3000, with an optimum of 1,500.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in an MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Individual income that is less than 50% of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Moderate-Income - Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography of the MFI.

Middle-Income - Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Upper-Income - Individual income that is 120% or more of the area median income, or a median family income that is 120% or more, in the case of a geography.

Small Business Loans - Loans for business purposes with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans to farms with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory Record of Meeting Community Credit Needs."

The major factors supporting the institution’s rating are as follows:

- The distribution of home mortgage, consumer, and small business loans among retail customers of different income levels and businesses of different sizes is good. During this evaluation period, Harris Bank Aurora, N.A. made 10% of its loans to low-income borrowers and an additional 18% of its loans to moderate-income borrowers. Additionally, more than 70% of the small business loans were to borrowers with annual revenues less than \$1 million.
- Overall lending levels reflect good responsiveness to assessment area credit needs. Harris Bank Aurora, N.A. made 766 HMDA, small business, consumer, and community development loans in its assessment area for more than \$31 million. Affiliate lending contributed another 111 loans for \$15,009,000.
- A high percentage of the bank’s loans are made in the assessment area. More than 76% of the number of loans were extended within the assessment area.
- Services, including business hours, are tailored to the convenience and needs of the assessment area, including low- and moderate-income geographies and individuals. Product offerings are standardized and made available in all locations. Harris Bank Aurora, N.A. provides an adequate level of community development services.
- The bank’s investment performance is adequate. Between Harris Bank Aurora, N.A. and its affiliate, \$24,140 was invested in local community development organizations.

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

Performance Levels	Harris Bank Aurora, N.A. 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 test in the overall rating.

DESCRIPTION OF INSTITUTION:

Bank Profile:

Harris Bank Aurora, N.A. (HB Aurora) is an \$86 million bank whose main office is located in Aurora, Illinois. The bank primarily serves the communities of Aurora, North Aurora, Oswego, Montgomery, Sugar Grove, Plano, Big Rock, Sandwich, and Yorkville. The bank is located in a community that is experiencing high growth in new housing and new business. Economic conditions are considered good, and competition is strong. The institution has a total of two offices and two automatic teller machines (ATM's). The main office is located in the city of Aurora and its branch office is located in Oswego, Illinois.

HB Aurora is wholly owned by Harris Bankmont, Inc. located in Chicago, Illinois. Harris Bankmont, Inc. is a subsidiary of the Bankmont Financial Corporation, which is wholly owned by the Bank of Montreal in Toronto, Canada. Bankmont Financial Corporation also owns Harris Bankcorp, Inc. These two (2) holding companies are generally referred to as the Harris bank group. This organization includes the Harris Trust and Savings Bank (HTSB) in downtown Chicago and 25 separately chartered community banks with more than 140 branches throughout the Chicagoland area. It is one of the largest community bank networks in the Midwest. HTSB is ranked the fourth largest bank in Chicago. According to American Banker, the Harris organization is the 38th largest banking organization in the U.S. The assets of all the community banks within the Harris bank group amount to roughly \$6.5 billion, with HTSB adding another approximate \$14 billion in total assets. The Bank of Montreal has assets of approximately \$208 billion Canadian and ranks as one of the 10 largest banks in North America. Harris Bank's commitment to community banking is founded on the belief that local, independent banks, allowed to appoint their own management team and board of directors have the insight to best serve their respective communities.

During fourth quarter of 1997 through the first quarter of 1998, the Harris bank group strategically decided to consolidate the permanent financing mortgage business of all 26 banks into one operation housed at HTSB. Consequently, during the fourth quarter of 1997 HB Aurora discontinued originating home mortgage loans. All home mortgage applications taken at the individual Harris bank locations are referred to and processed by one of HTSB's Regional Operations Centers (ROC's). Home mortgage applications that are denied by the ROC may be overridden and reported on the respective bank's books. For the purpose of the CRA evaluations, HTSB's mortgage loans were allocated to the individual banks based on where the application originated and in which bank's assessment area the loan was located. Loans allocated to HB Aurora from the ROC are reflected in the tables as "affiliate loans."

Since the previous CRA examination, the bank has grown from \$34 million in average assets to \$86 million in average assets, as of June 30, 1998. During this time, average loans increased from \$15,546,000 to \$22,638,000, excluding purchased loans. Purchased loans from affiliates represent \$29,240,000. Total loans account for 61% of HB Aurora's average assets as of June 30, 1998. The loan to deposit ratio was 66%, a slight decrease from 67% at year-end 1997. The loan to deposit ratio includes purchased loans. The loan mix indicates the bank's major loan type is real estate loans. Approximately 79% of the loan portfolio is for real estate purposes. One-to-four family residential loans account for 72% of average gross loans of which 18% are home equity loans. Commercial real estate

loans account for another 6%. Loans to individuals account for 18% of average gross loans, with 3% commercial and industrial loans rounding out the portfolio.

The institution is capable of meeting the community's credit needs based on its financial condition, size, and product offerings. There are no major constraints or legal impediments which would impact the bank's ability to fulfill the spirit of CRA.

Assessment Area Profile:

HB Aurora operates in one assessment area. The primary cities within the assessment area are Aurora, North Aurora, Oswego, Montgomery, Yorkville, and portions of Sugar Grove, Plano, Big Rock, and Sandwich. The area consists of 39 census tracts. According to 1990 Census information, the community consists of one (3%) low-, seven (18%) moderate-, 24 (61%) middle-, and seven (18%) upper-income census tracts. The low- and moderate-income census tracts are situated in downtown Aurora. The City of Aurora is approximately 39 miles west of downtown Chicago. HB Aurora's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas. The 1998 HUD adjusted median family income for the area is \$59,500. The total population of this area is 195,921 people or 50,450 families. The City of Aurora represents the largest portion of the population at approximately 125,000. Based on the total population and median family income, there are 7,471 (15%) low-, 9,035 (18%) moderate-, 14,708 (29%) middle-, and 19,236 (38%) upper-income families in the area. In comparison, the population distribution shows only 0.32% of the people live in low-, 17% of the people live in moderate-, 59% of the people live in middle-, and 24% of the people live in upper-income tracts.

There are 70,842 housing units in the area. The majority of housing is owner-occupied units (64%). A large percentage of the owner-occupied units (89%) are in middle- and upper-income census tracts. Only 0.05% of the owner-occupied units are in the low-income census tract and 11% are in moderate-income tracts. Thirty-one percent (31%) of the housing units are occupied rental units. The highest percentage of rental units is in the census tract located in the downtown Aurora area, at 95%. As stated earlier, this is the only low-income census tract in the bank's assessment area. Six (6) out of the seven moderate-income census tracts in the assessment area have 30% or more rental units. Two (2) of the moderate-income tracts have more than 50% rental units. The housing vacancy is at 4% which is minimal. The median housing cost is \$96,920 with the average age of housing at approximately 35 years old.

There are 6,352 businesses which exist and operate in the bank's assessment area. Seventy percent (70%), or 4,471, of the businesses have revenues less than \$1 million, 10% (641) have revenues greater than \$1 million, and the remaining 20% (1,240) have unknown revenues as they were not reported in the last Census. According to the business demographic data for the entire area, the distribution of businesses shows only 4% of the businesses are located in the low-income census tract. An additional 8% of the businesses are located in moderate-income census tracts. Middle- and upper-income tracts have 62% and 26% of the businesses, respectively. The distribution of small businesses (those with gross annual revenue less than \$1 million) mirrors the total business distribution at 4% of the small businesses in

the low-income census tract and 9% in moderate-income census tracts.

There are 158 farms in this area according to the 1990 Census data. Since that time, however, the area experienced tremendous growth with housing development projects replacing many of the farms. It is reasonable that HB Aurora would not have many, if any, small farm loans.

Substantial employment is available in the bank's assessment area. Numerous employers are located in Aurora and its surrounding communities. Some of the largest employers in the City of Aurora are: Caterpillar Tractor Company, Hollywood Casino, Metropolitan Insurance Company, and School District #204. Other large employers in the surrounding areas are: Lucent Technologies, DuPage County Government Center, Northern Illinois Gas Company, and Fermi National Accelerator Laboratory. As indicated, the main industries are the manufacturing and retail trade areas. The annual average unemployment rate for Aurora is around 6.0% (as of February 1997). The unemployment rate is slightly higher than the rate for DuPage County (3.4%), Kane County (5.8%), and the State of Illinois (5.5%).

Competition in the assessment area is strong. There are several mortgage companies and large banks, including branches of multi billion dollar financial institutions located in the area. Two very well established banks, Merchants Bank, N.A. (\$712 million in total assets) and Old Second National Bank, N.A. (\$532 million in total assets), maintain a strong market presence in the assessment area.

We utilized five (5) community contacts performed by other examiners and us during this review. The types of organizations included economic development, local government, and grassroots/social service organizations. The contacts indicated the main credit needs in the area are affordable housing (low down payments, no closing costs, single-family and multi-family) and small business loans (start-up loans, expansion loans, and working capital). They also indicated that financial education is needed throughout the community. Based on these contacts and other information provided, there is a perception that HB Aurora is a branch of the main bank, HTSB, instead of a separately chartered community bank. This perception has impacted HB Aurora's overall ability to penetrate the market, and attract funds from the city, park districts, townships, and school districts. Although this perception has created a barrier in the local community, HB Aurora continues to be involved in community organizations and events, provides financing to local projects, and continues to improve the bank's image and visibility to the extent possible.

During the examination, we received two letters from the Woodstock Institute regarding the performance of the Harris banks under the Community Reinvestment Act. These comments were considered during our evaluation.

CONCLUSIONS ABOUT PERFORMANCE TESTS

Overall lending performance is good. Community development involvement with respect to the investment and service tests is reasonable in relationship to existing opportunities. Therefore, the bank's overall performance with CRA is supported as Satisfactory.

Scope:

Our analysis included full exam procedures in the assessment area. We reviewed small business, consumer, HMDA (home purchase, home improvement, home refinance, and multi-family), and community development loans. There was no small farm lending during the evaluation period. Affiliate lending included in this review consisted of mortgage loans made by HTSB during the fourth quarter of 1997 and the first two quarters of 1998 which were allocated to HB Aurora. The review of qualified investments included an evaluation of the investment portfolio and an analysis of the grants and donations provided to community service organizations. Our evaluation of services included analyzing the availability and effectiveness of the bank's branch/ATM network for delivering retail banking services. We analyzed the effect of the changes in branch locations since the previous CRA examination. We also considered the extent and innovativeness of the bank's community development services in meeting the credit needs of the assessment area.

Under the CRA regulation, data collection is optional for consumer loans, and there are no reporting requirements. HB Aurora provided data on its consumer loans during 1997 and through June 30, 1998. Loan data was not available for 1996; however, discussions with management indicate that their level of lending in 1996 would be similar to activity in 1997 and year-to-date 1998.

Data Integrity:

In order to determine the accuracy of data presented by the bank, we verified a sample of the HMDA, consumer, and small business loans. We reviewed HMDA reportable transactions to ensure the purpose, actions taken, race, gender, applicant income, and loan size were accurately included on the Loan Application Register (LAR). Our assessment of consumer loans included verification of the loan amount, income of the borrower, and location. A similar review was performed on small business loan files to ensure the loan amount, revenue category, and location were reported accurately. We also reviewed 100% of the loans the bank was reporting as community development. All of the loans provided met the definition of community development and were correctly included in the data. We reviewed all the grants and donations the bank made from January 1, 1996 through June 30, 1998. With assistance from bank personnel, we determined which organizations met the definition of community development and only included those under the investment test. Our review of these files noted only minor clerical errors with the HMDA-LAR and CRA Data Listing Report both substantially correct.

LENDING TEST

Major Conclusions:

- HB Aurora's lending levels reflect good responsiveness to assessment area credit needs.
- The bank's distribution of lending to borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes, given the product lines offered.
- HB Aurora's geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The level of community development lending is reasonable based on the opportunities that exist in the bank's assessment area, as well as HB Aurora's size and resources.

Lending Activity

HB Aurora extended a significant amount of credit in the assessment area. As reflected in Table I, "Volume of Loan Originations Inside the Assessment Area," the bank made 766 loans totaling \$31,710,000 in their assessment area during the evaluation period. HB Aurora's largest volume product by number of loans made in the evaluation period is consumer lending volume at 432 loans for \$10,243,000. HMDA lending is next at 279 loans for \$16,601,000. By dollar amount, HMDA lending is the largest volume. HB Aurora extended \$125,000 for community development projects in its assessment area between January 1996 and June 1998. It is reasonable that HB Aurora did not make any small farm loans during the evaluation period since there are a small number of farms in the assessment area. The significant reduction in the number of HMDA loans for 1998 is due to the centralization of mortgage financing by the Harris bank group, as explained in the "Bank Profile" section of this evaluation. HMDA loans from affiliates added 111 loans for an additional \$15,009,000, which includes one community development loan for \$1,382,000.

HB Aurora's good responsiveness to assessment area credit needs is further supported by their market rank for HMDA lending. During 1997, HB Aurora's overall market share of 1.31% for HMDA loan originations resulted in a market rank of 15th out of 378 institutions, placing the bank in the top 4% of all HMDA reporters in the assessment area.

Table I - Volume of Loan Originations Inside the Assessment Area								
Type of Loan	YTD 6/98		1997		1996		Total YTD 6/98, 1997 & 1996 Combined	
	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)	#	\$ (in 000's)
Home Purchase	0	\$0	35	\$3,554	33	\$3,953	68	\$7,507
Home Improvement	25	\$508	80	\$1,873	44	\$734	149	\$3,115
Refinance	1	\$38	31	\$3,214	30	\$2,727	62	\$5,979
Total HMDA	26	\$546	146	\$8,641	107	\$7,414	279	\$16,601
Small Business	23	\$1,913	24	\$1,964	7	\$864	54	\$4,741
Consumer	122	\$2,923	310	\$7,320	0	\$0	432	\$10,243
Community Development	0	\$0	0	\$0	1	\$125	1	\$125
Total Bank Loans	171	\$5,382	480	\$17,925	115	\$8,403	766	\$31,710
Affiliate Loans	84	\$10,349	26	\$3,278	*1	*\$1,382	111	\$15,009
Total Loans	255	\$15,731	506	\$21,203	116	\$9,785	877	\$46,719

Source: HMDA-LAR, CRA Data Listing Report, and Internal Bank Reports.

* Community Development Loan allocated from HTSB.

Assessment Area Concentration

A high percentage of loans made by HB Aurora are concentrated inside the bank's assessment area. As illustrated in Table II, "Loans Inside the Assessment Area vs. Total Loans," HB Aurora made 77% of the number and 58% of the dollar volume of HMDA, small business, consumer, and community development loans inside its assessment area.

The concentration of HMDA lending inside HB Aurora's assessment area is an indicator of the bank's distinct focus on meeting the housing needs of the local community. From January 1996 through June 1998, the bank originated 421 HMDA reportable loans, representing \$36,142,000. Sixty-six percent (66%) of the number of HMDA loans originated, representing 279 loans, were within the bank's assessment area. The percentage of home improvement loans in the assessment area is extremely high at 96% of the number of loans and 94% of the dollars of loans. However, these percentages are somewhat misleading. During the evaluation period, HB Aurora purchased 121 loans. Almost all of these loans

(113) were outside the bank’s assessment area. The bank purchased these loans to improve its loan to deposit ratio in 1997. See Table II, “Loans Inside the Assessment Area vs. Total Loans,” for more details.

HB Aurora’s commitment to meeting its assessment area’s credit needs is further demonstrated by the volume of small business loans in its assessment area. A substantial majority of HB Aurora’s small business lending is inside its assessment area. From January 1996 through June 1998, HB Aurora originated 74 small business loans, amounting to \$6,443,000. Seventy-three percent (73%), or 54 of those loans, were originated inside the bank’s assessment area.

HB Aurora originates a substantial majority of its consumer loans within its assessment area. Eighty-six percent (86%), or 432 of the 500 consumer loans, were inside the assessment area. Consumer loan dollar volume also indicates that 86% of the funds remained within the assessment area. These percentages indicate a good commitment by the bank to its local community’s credit needs.

Type of Loan	Total Loans		Loans Inside Assessment Area			
	#	\$ (in 000's)	#	% of #	\$ (in 000's)	% of \$
Home Purchase	152	\$19,576	68	45%	\$7,507	38%
Home Improvement	156	\$3,301	149	96%	\$3,115	94%
Refinance	113	\$13,265	62	55%	\$5,979	45%
Total HMDA Loans	421	\$36,142	279	66%	\$16,601	46%
Small Business	74	\$6,443	54	73%	\$4,741	74%
Consumer	500	\$11,895	432	86%	\$10,243	86%
Community Development	1	\$125	1	100%	\$125	100%
Total Loans	996	\$54,605	766	77%	\$31,710	58%

Source: Bank reports, HMDA-LAR, and CRA Data Listing reports for 1998, 1997 and 1996.

Geographic Distribution of Loans Within the Assessment Area

HB Aurora’s distribution of loans to different income level census tracts is adequate. Table III, “Market Share and Market Rank Distribution by Income Level of the Census Tract” shows the market share and rank for each HMDA product. Specifically, it shows that the bank’s market share for home purchase

loans is higher in moderate-income census tracts than in the middle- and upper-income census tracts and the overall market share. However, the bank’s market share for home improvement loans is significantly lower in moderate-income tracts compared to middle- and upper-income tracts. By product, the market share is highest in home improvement loans. For refinance loans, the market share in moderate-income tracts is lower than for middle- and upper-income tracts. Additionally, the table reflects that the market share for total HMDA loans in moderate-income tracts is approximately the same as market share in upper-income tracts.

Table III - Market Share (MS) and Market Rank (MR) Distribution by Income Level of the Census Tract										
Type of Loan	Income Level of Census Tract									
	Low income		Moderate income		Middle income		Upper income		All Tracts	
	MS	MR	MS	MR	MS	MR	MS	MR	MS	MR
Home Purchase	0.00%	0	2.54%	10	0.99%	24	0.57%	36	0.85%	26
Home Improvement	0.00%	0	1.82%	12	8.79%	2	4.00%	4	6.34%	2
Refinance	0.00%	0	0.32%	53	0.95%	28	0.69%	36	0.79%	36
Total HMDA Loans*	0.00%	0	0.82%	30	1.71%	11	0.86%	28	1.31%	15

Source: HMDA Data for 1997.

*Excludes Multi-family loans

The distribution of HMDA, small business, consumer, and community development loans made by HB Aurora during the evaluation period is adequate. The bank made no loans in the low-income census tract; however, the bank and its affiliates originated 6% in the moderate-income census tracts, 70% in the middle-income census tracts, and 24% in the upper-income census tracts. The level of lending in the low- and moderate-income census tracts is reasonable for several reasons. There is only one census tract in the assessment area that is designated low-income and only 0.32% of the population (635 people) lives in this tract. Also, a significant level of the households in the low-income tract are living below the poverty level and receiving public assistance. Only 4% of the businesses (260) in the assessment area are represented in the low-income tract. Considering the characteristics and demographic facts, the opportunity to lend in this area is minimal and thus, the level of lending in the low-income tract is considered reasonable. Lending in moderate-income tracts is below the make up of the assessment area with 18% of the tracts and 17% of the population living in moderate-income tracts. Again, a smaller number of the businesses, approximately 8%, are located in the moderate-income tracts.

A review of HB Aurora’s home mortgage lending in low- and moderate-income census tracts shows lending is adequate in comparison to the level of owner-occupied housing units in these areas. Only 0.05% (22) of the owner-occupied units in the bank’s assessment area are located in the low-income census tract. As stated earlier in the description of the assessment area, the low-income census tract is

95% rental units with little, if any, opportunity to originate mortgage loans. An additional 11% of the owner-occupied units are located in moderate-income census tracts. HB Aurora originated 6% of its HMDA reportable loans in moderate-income census tracts. As indicated in Table IV, “Geographic Distribution of Loans by Census Tract Income Level Inside the Assessment Area,” HB Aurora’s originations by product type are comparatively lower than the distribution of owner-occupied housing units in the assessment area. We compared the bank’s level of lending to the distribution of owner-occupied housing units because of the large disparity in the distribution of owner-occupied housing, the population, and the income level of census tracts in the assessment area (for example, moderate-income census tracts account for 18% of the assessment area; however, only 11% of the owner-occupied housing is in this type of tract). The large disparity in these distributions makes the comparison of owner-occupied units to lending levels a more meaningful analysis for HMDA reportable products. (See Assessment Area Profile and Table IV below for details.)

HB Aurora’s small business lending distribution is adequate. It is slightly lower than the assessment area’s distribution of businesses located in low- or moderate-income census tracts. HB Aurora made no small business loans to businesses located in the low-income census tract; however, 7% were made to businesses located in moderate-income census tracts. According to the business demographic data for the assessment area, only 4% of the small businesses (those with gross revenue less than \$1 million) are located in the low-income census tract. An additional 8% of the small businesses are located in moderate-income census tracts. HB Aurora’s distribution of 7% of their loans to businesses located in low- and moderate-income census tracts is lower than the relative opportunity of 12% of the businesses located in these tracts. Although the level of small business lending is not as high as the opportunity in these areas, the bank has made efforts to meet its assessment area’s business credit needs. Recently, the bank hired a Business Development Officer who is shared with an affiliate. By hiring this Officer, the bank plans to increase its overall commercial lending, including small business loans, and increase its number of contacts within the business arena in Aurora and the surrounding communities.

The distribution of consumer loans to low- and moderate-income census tracts is reasonable although it also is lower than the demographic variables. There were no consumer loans made in the low-income census tract. Only 6% of consumer loans were originated in moderate-income census tracts compared to 17% of the population living in these tracts. More than 72% of the consumer loans were made in middle-income tracts, and the remaining 22% were originated in upper-income census tracts in the assessment area.

HB Aurora’s proportion of community development lending in low- or moderate-income census tracts is reasonable. The bank made one community development loan totaling \$125,000 within its assessment area which is in a moderate-income block group. In addition, the bank’s affiliate, HTSB, made a community development loan for \$1,382,000 in the low-income census tract within the assessment area. (Refer to the Community Development Lending section of this document for further details.)

**Table IV - Geographic Distribution of Loans by Census Tract Income Level
Inside the Assessment Area
From January 1996 Through June 1998**

Type of Loan	Income Level of Census Tract							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	0	0%	5	7%	42	62%	21	31%
Home Improvement	0	0%	8	5%	112	75%	29	19%
Refinance	0	0%	5	8%	42	68%	15	24%
Total HMDA Loans	0	0%	18	6%	196	70%	65	23%
Small Business	0	0%	4	7%	42	78%	8	15%
Consumer	0	0%	25	6%	312	72%	95	22%
Community Development	0	0%	1	100%	0	0%	0	0%
Total Bank Loans	0	0%	48	6%	550	72%	168	22%
Affiliate Loans	*2	2%	2	2%	66	59%	41	37%
Total Loans	2	0%	50	6%	616	70%	209	24%

Source: Bank reports, HMDA-LAR, and CRA Data Listing reports for 1998, 1997 and 1996.

Note: Percentages may not equal 100% since the income level of the census tract is unavailable for some loans.

* Includes one community development loan made in HB Aurora's assessment area which was allocated by HTSB.

Distribution by Borrowers' Income Inside the Assessment Area

The distribution of loans to borrowers of different income levels reflects good penetration among retail customers of different income levels, given the product lines offered by the institution. Lending to businesses of different sizes is also considered good.

HB Aurora's market share of HMDA loans is adequate at 1.24% for low-income borrowers and 1.09% for moderate-income borrowers. The bank is ranked 17th of all lenders in loans to low-income borrowers in its assessment area. HB Aurora's market share to both low-income borrowers and moderate-income borrowers is slightly below its market share for middle-income, upper-income, and all borrowers as illustrated in Table V, "Market Share and Market Rank - HMDA Loans - Distribution by

Borrower’s Income Level.” Again, the bank’s strongest product in overall market share and rank is for the home improvement category.

Table V - Market Share (MS) and Market Rank (MR) - HMDA Loans Distribution by Borrower’s Income Level										
Type of Loan	Income Level of Borrower									
	Low income		Moderate income		Middle income		Upper income		All Borrowers	
	MS	MR	MS	MR	MS	MR	MS	MR	MS	MR
Home Purchase	2.56%	7	0.65%	35	0.93%	25	0.76%	29	0.85%	26
Home Improvement	3.88%	5	5.05%	5	7.47%	2	7.08%	3	6.34%	2
Refinance	0.00%	0	0.93%	30	1.17%	19	0.64%	40	0.79%	36
Total HMDA Loans*	1.24%	17	1.09%	22	1.59%	12	1.37%	16	1.31%	15

Source: Aggregate HMDA Data for 1996

*Excludes Multi-family loans

The distribution of loans made by HB Aurora based on borrower characteristics during the evaluation period is good. The bank and its affiliate made 9% of their total home mortgage and consumer loans to low-income individuals. In addition, 17% of HB Aurora’s loans were made to moderate-income individuals. Considering the borrower characteristics and population living in the assessment area, this level of lending is good. Again, the make up of the assessment area shows 15% low-, 18% moderate-, 29% middle-, and 38% upper-income families in the area.

HB Aurora’s loan distribution shows that 8% of HMDA loans were made to low-income individuals, and 18% were made to moderate-income borrowers. Considering that 6% of the households in the assessment area are living below the poverty level, the opportunity to extend home mortgage credit to low-income borrowers is reduced. Those households would have a limited ability to assume debt obligations. Therefore, the slightly lower level of HB Aurora’s home mortgage lending to low-income borrowers is still considered reasonable. See Table VI, “Distribution by Borrower’s Income Level Inside the Assessment Area From January 1996 Through June 1998” for more details.

HB Aurora’s consumer lending to low- and moderate-income families is good. As the table reflects, 12% and 17% of the number of consumer loans were originated to low- and moderate-income families, respectively. This level of performance is comparable to the relative opportunity based on the demographics of the assessment area. There are 15% low-income and 18% moderate-income families living within the assessment area.

**Table VI - Distribution by Borrower's Income Level
Inside the Assessment Area
From January 1996 Through June 1998**

Type of Loan	Income Level of Borrower							
	Low income		Moderate income		Middle income		Upper income	
	#	%	#	%	#	%	#	%
Home Purchase	7	10%	8	12%	24	35%	25	35%
Home Improvement	14	9%	29	19%	49	33%	57	38%
Refinance	2	3%	14	23%	20	32%	23	37%
Total HMDA Loans*	23	8%	51	18%	93	33%	104	37%
Consumer Loans	51	12%	75	17%	121	28%	162	38%
Total Bank Loans	74	10%	126	16%	214	28%	266	35%
Affiliate Loans	4	4%	21	19%	44	40%	40	36%
Total Loans	78	9%	147	17%	258	29%	306	35%

Source: HB Aurora's HMDA-LAR for 1998, 1997 and 1996.

*Excludes Multi-family loans

NOTE: Percentages may not add to 100 due to loans for which the borrower's income was not available.

As reflected in Table VII, "Distribution of Small Business Originations From January 1996 Through June 1998 Inside the Assessment Area by Loan Size and Business Revenues," HB Aurora's origination of small business loans reflects good distribution. A substantial majority of the loans (72%) were for original amounts of less than \$100 thousand. In addition, 76% of HB Aurora's small business loans were made to businesses with revenues less than \$1 million. This level of performance is considered good given the distribution in the size of businesses in the assessment area.

**Table VII - Distribution of Small Business Originations From January 1996 Through June 1998
Inside the Assessment Area by Loan Size and Business Revenues**

Loan Size					Annual Revenues		
	less than \$100,000	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Total Loans	< \$1 Million	> \$1 Million	Unknown
Number	39	9	6	54	41	9	4
% of #	72%	17%	11%	100%	76%	17%	7%
Dollars (in 000's)	\$1,138	\$1,531	\$2,072	\$4,741	\$3,300	\$1,392	\$49
% of \$	24%	32%	44%	100%	70%	29%	1%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:					Revenues < \$1 Million		70%
					Revenues > \$1 Million		10%
					Revenues Unknown		20%

Source: HB Aurora's CRA Data Listing reports for 1998, 1997 and 1996.

Community Development Lending

Based on information provided by the bank, as well as outreach efforts with the community, there are various opportunities in affordable housing and commercial development which meet the "community development" definition in the bank's assessment area. Given this opportunity, HB Aurora has made a reasonable level of community development lending in its assessment area.

HB originated a community development loan for \$125,000. The proceeds of the loan were used to fund water main improvements in a special service area within the bank's assessment area. The special service area is in a moderate-income block group area within the Village of Montgomery and will be used to revitalize and stabilize the area.

HTSB, an affiliate of HB Aurora, originated a community development loan for \$1,382,000 in the low-income census tract in HB Aurora's assessment area. The affiliated HTSB allocated the loan to HB Aurora for CRA purposes. The purpose of the loan is to provide affordable housing for senior citizens in the local community. Additional financing for this loan will be provided by the Illinois Housing Development Authority affordable housing trust fund, the City of Aurora (through tax increment financing), and through low-income housing tax credits. The bank's contribution is considered adequate in relation to the aggregate HMDA information for 1997. In the bank's assessment area, there were only 28 multi-family projects reported, HTSB and Harris Bank St. Charles (affiliates of HB Aurora) each

financed one project. There were only five other financial institutions who reported more than one multi-family loan in the assessment area during 1997.

HB Aurora also made four loans totaling \$231,000 for the purpose of purchasing low- and moderate-income single family housing for rental or contract sales. These loans meet the definition of community development but were reported in the HMDA loan totals.

Product Innovation and Flexibility

HB Aurora is generally responsive to credit needs by offering several flexible loan products. Through the standard product offerings, the Harris bank group offers flexible residential mortgage loan products, as well as small business loan products which serve assessment area credit needs. Each of these flexible loan products help low- and moderate-income individuals obtain credit which they might not have access to under the bank's normal underwriting standards. Examples of these products/programs are given below:

- Illinois Housing Development Authority (IHDA) - This program is designed to assist low- and moderate-income persons with affordable housing financing. The program also targets first-time home buyers and provides reduced interest rates. The funds from this program can be used for a variety of single and multi-family initiatives. HB Aurora originated one loan under this program during our evaluation period.
- Community Home buyer Products (CHP) - There are three CHP programs offered at HB Aurora and its affiliates. These programs offer assistance to low- and moderate-income persons with home ownership. Designed by Fannie Mae's underwriting guidelines, these programs are targeted toward borrowers whose income is not greater than 100% of the median family income. Private mortgage insurance and home ownership counseling are required. More lenient underwriting criteria are applied, including higher debt ratios. Specifics of the programs are outlined below:
 - ▶ Standard 3/2 CHP Fixed Rate Loan - This product requires a minimum of 3% down payment from applicants' own funds, with an additional 2% gift, grant, or unsecured loan from a qualifying entity.
 - ▶ Adjustable Rate CHP Loan - This product provides a 1% yearly cap, a 5% lifetime cap, and is priced at 2% above the 1-year Treasury Bill index.
 - ▶ CHP 97 Fixed Rate Loan - This product requires a minimum of 3% down payment from applicants' own funds.

HB Aurora originated two CHP loans during this evaluation period.

- Freddie Mac Fixed Rate Residential Mortgage Program - This loan program requires a 5% down payment with a total debt ratio of no more than 36%. There are no income limitations and private mortgage insurance is required for all loans that have greater than an 80% loan-to-value. HB Aurora has not made any loans under this program.
- 80/10/10 Mortgage Product - The product allows applicants to purchase or refinance a single family home, condominium, townhouse, or two-unit primary residence or single family second home with only 10% down or equity and no private mortgage insurance coverage. The transaction includes an 80% first mortgage and 10% home equity loan. This is a new product within the Harris bank group; thus, HB Aurora has not originated any loans under this program.
- 100% Home Equity Loan - This product allows individuals with little equity in their residence to borrow against their investment. Between January 1997 and June 1998, HB Aurora originated fourteen (14) variable rate loans, totaling \$318,000, and an additional 40 fixed rate loans, totaling \$746,000, under this program.
- Harris Bank ALT 97 Program - This program was just implemented in August 1998. Although this program is not specifically targeted toward low- and moderate-income persons, it is a desirable product because it requires as little as a 3% down payment with a total debt ratio of no more than 36%. No home buyer education is required. Private mortgage insurance is only required up to 18% of the property value. However, the borrowers must not have flawed credit. Due to the recent implementation of this product, HB Aurora has not made any loans under this program.
- Small Business Lending Rate (SBLR) - This program is designed to help small businesses grow and expand, and is available to businesses borrowing less than \$500,000. Qualified borrowers receive a rate index of one-half percent (½%) below the Wall Street Journal prime rate. During the evaluation period, HB Aurora made 20 loans for \$1,150,000 under this program.

In addition, the bank offered a special loan program in July 1996, through the State of Illinois, for repairs to damage caused by flooding. HB Aurora originated 11 loans to flood victims at reduced rates (4.57%), totaling \$127,000.

HB Aurora also continues to be the Harris bank group's central processing facility for guaranteed student loans. FHA and VA loan requests are referred to HTSB. In addition, requests for Reverse Mortgage loans are referred to HB Aurora's affiliate, Harris Bank Winnetka, N.A..

Compliance with Anti-Discrimination Laws

HB Aurora has a satisfactory record of complying with the antidiscrimination laws (ECOA, FHA, and HMDA). No violations of the substantive provisions of the antidiscrimination laws and regulations were discovered during this examination.

INVESTMENT TEST

Major Conclusions:

- HB Aurora has an adequate level of qualified community development investments. Its responsiveness to credit and community economic development needs is reasonable, given the amount of opportunity for community development in the bank's assessment area, as well as its size and resources.

HB Aurora purchased a \$350,000 Kane County School District #131 (East Aurora) bond. The investment provided funding for a school district in which the majority of students are from low- and moderate-income families.

As part of corporate centralization, the majority of the Harris bank group's community development lending and investing activities are conducted by HTSB. The community development department of HTSB made several investments in the Chicago Equity Fund. This organization is a limited partnership which purchases Low-Income Housing Tax Credits (LIHTC's) to assist in funding housing projects in the Chicagoland area. Since the minimum amount of investment is one share which cost's \$500,000, HTSB allocated its investment in this organization to each of the community banks in the organization based on their relative asset size. HB Aurora received a \$13,450 share of this investment.

From January 1996 through June 1998, HB Aurora made various grants and donations to organizations which provide community development services within its assessment area. A total of nine community development organizations received grants and donations for \$10,690 during the evaluation period. The dollar volume of donations to these organizations represents approximately 39% of HB Aurora's total donations between January 1996 and June 1998. These grants went to a variety of types of organizations including youth programs, housing development corporations, legal assistance for low-income persons, providers of day care, and shelters for homeless and battered persons.

SERVICE TEST

Major Conclusions:

- HB Aurora's delivery systems are reasonably accessible to essentially all portions of the assessment area, and provide the services and products needed by the community.
- The bank's opening of branches has not adversely affected the accessibility of its delivery systems. HB Aurora opened one branch and has not closed any branches during this evaluation period. The new branch is located in a middle-income census tract in Oswego, Illinois.
- Services, including business hours, are tailored to the convenience and needs of the assessment

area, including low- and moderate-income geographies and individuals. Product offerings are standardized and made available in all locations.

- The bank is becoming more actively involved in providing community development services. Bank employees provide technical expertise to various organizations within the assessment area. All of our community contacts mentioned the heightened involvement of HB Aurora in the community.

Retail Services

HB Aurora makes its retail services reasonably accessible to all individuals in their assessment area through its office locations and alternative delivery systems. HB Aurora operates two full-service branches in the assessment area which includes the main office in Aurora, Illinois. The bank has extended banking hours through its walk-up and drive-through facilities and maintains two full-service automated teller machines (ATM's).

The main office and the branch are in middle-income census tracts. Although there are no physical branches in low- or moderate-income census tracts, the distribution is considered reasonable given that the bank provides other alternative delivery systems in these areas. As stated earlier, 3% of the census tracts in the assessment area are designated low-income and another 18% are designated moderate-income. A significant majority or 62% of the tracts in HB Aurora's assessment area are designated as middle-income.

In conjunction with the Illinois Department of Public Aid, the Harris bank group participates in the "Illinois Link" Electronic Benefit Transfers (EBT) program. This system allows individuals to access their public aid benefits through Cash Station ATM's. The program provides aid recipients with a low cost alternative to currency exchange transactions. The Harris group joined this program in March 1997. It is estimated that more than 150,000 households in the Chicago area have the "Illinois Link" EBT cards. The Harris bank group is doing at least 4,000 in "Illinois Link" transactions each month.

HB Aurora offers other alternative delivery services such as 24-hour telephone banking including a bill payment feature, loan-by-phone, personal computer banking, and bank-by-mail services. HB Aurora's customers also have access to 138 other ATM's and a customer service Client Contact Center through its affiliation with the Harris bank group. The Client Contact Center provides a centralized customer service facility in addition to a centralized sales function which refers customers to a local Harris Bank for loans and other services. In addition, both of the bank's ATMs and the Client Contact Center are multilingual.

The bank's lobby hours are 8:30 a.m. to 5:00 p.m. Monday through Thursday, 8:30 a.m. to 6:00 p.m. on Friday, and 8:30 a.m. to 1:00 p.m. on Saturday. Walk-up and drive-up hours are 7:00 a.m. to 7:00 p.m. Monday through Friday, and 7:00 a.m. to 3:00 p.m. on Saturday. ATM's are available 24 hours daily. There are no differences in the types of services available at the different locations.

Community Development Services

Employees of HB Aurora are active with organizations which provide community development related loans and services to the assessment area. These organizations address the housing needs of the low-income residents of this area, as well as small business needs and financial counseling. We received generally positive comments about the involvement of HB Aurora during our community contacts. Some examples of activities and the types of organizations with which the bank and its employees are affiliated follow:

- The President of HB Aurora is on the Board of a local community development organization. He provides technical expertise on financial matters to this organization in many ways and is currently serving as the Chairman of their 1998 fundraising Aurora campaign. It is estimated that 80% of the entities supported by this organization serve low- and moderate-income households within the bank's assessment area.
- The bank offered assistance in the form of discussing credit products with a local counseling center. Information on promotions for low cost products is provided, such as home equity loans which could be used for debt consolidation.
- The bank was one of several companies that helped sponsor a local business conference in 1997 which was held in Aurora. The Conference featured workshops, seminars, and a business exposition with more than 25 exhibitors. Harris provided small business financial planning information and information on the Harris Small Business Lending Rate to the attendees.
- The bank conducted several of the Home Seekers workshops in 1997 at their Oswego branch. The workshop was free and discussed such things as the mortgage application, credit reports, underwriting process, prequalification and preapproval process. The workshop fulfills the Home buyer education requirement for the Community Home buyers Program which is an affordable housing program.
- Bank employees assist clients of one organization with financial and credit counseling. This organization in Aurora provides assistance to victims of abuse.
- Bank employees provide financial counseling and basic financial information to clients of another organization. This organization provides shelter to the homeless and counseling services to low-income persons.