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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

September 25, 1997

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Yorkville National Bank  
Charter Number: 6239**

**102 East Van Emmon Street  
Yorkville, Illinois 60560**

**Comptroller of the Currency  
Chicago-South Field Office  
7600 County Line Road, Suite 3  
Burr Ridge, Illinois 60521**

**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 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 the 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 Community Reinvestment Act (CRA) performance of **Yorkville National Bank** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of September 25, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

A majority of the bank's loans are originated inside the assessment area. The distribution of borrowers indicates reasonable penetration among individuals of all income levels. The penetration of consumer loans exceeded the family income levels for low- and moderate-income borrowers. The bank's commercial lending is reasonable with the majority of loans made within their assessment area to small businesses/farms for low dollar amounts.

## **DESCRIPTION OF INSTITUTION**

Yorkville National Bank (YNB) is a wholly owned subsidiary of Old Second Bancorp, Inc., a seven bank holding company located in Aurora, Illinois. The bank is located in the City of Yorkville in rural Kendall County, approximately 50 miles southwest of Chicago, IL. YNB has three full service branches located in Yorkville, Plano, and Ottawa. The bank opened two branches in 1996 in middle-income census tracts and expanded office hours to accommodate the needs of their customers. As of June 30, 1997, the bank's asset size was \$140,000,000. The bank's asset mix at June 30, 1997 is cash equivalents 4%, loans 57%, investments 35%, and fixed assets 4%. The loan portfolio mix is 39% real estate, 46% commercial, 7% consumer, and 8% agriculture.

YNB offers a full range of loan products including mortgage, consumer, and commercial loans. Types of mortgage loans offered are FHA/VA (Federal Housing Authority/Department of Veterans Affairs), IHDA (Illinois Housing Development Authority), adjustable and fixed rates, non-conforming fixed rates, Jumbo, balloon, high LTV (loan-to-value) first time home buyer's, bridge, lot, and construction loans (owner occupied or non-owner occupied up to four units). Consumer loans include automobile, home equity credit lines (up to 100% LTV), home improvements, mobile homes, overdraft protection, personal, student, and parent loans. Commercial loans include inventory, equipment, accounts receivable, SBA (Small Business Administration), agriculture, construction, development, lines of credit, letters of credit, and lease purchase financing.

At the last CRA evaluation (November 23, 1994), using the prior regulation guidelines and criteria, the Comptroller of the Currency rated the bank's performance "Outstanding record meeting the community credit needs".

## **DESCRIPTION OF THE ASSESSMENT AREA**

The bank's assessment area has been evolving from a predominately farming community to a suburban residential and retail area. Escalating farm values are encouraging farmers to sell land to developers for residential construction. However, the City of Yorkville has intentionally slowed the growth process in order to control expansion and address the concerns associated with surrounding communities that have experienced rapid growth. Due to the expansion, the area is in need of major infrastructure enhancements. The bank has been active in making loans for infrastructure developments both inside and outside its communities which are all middle- to upper-income census tracts and block numbering areas (BNA's).

A CRA-related community contact revealed that the bank has been active in negotiating terms and conditions for new business entering the bank's assessment area. These activities have helped to create hundreds of moderate income jobs for the community. The contact indicated that the community needs infrastructure development in order to grow.

## **DESCRIPTION OF THE ASSESSMENT AREA - Continued**

YNB's assessment area consists of the cities of Yorkville, Plano, Bristol, Ottawa, Sandwich, and the western portion of Oswego, in addition to the villages of Millington, North Utica, Naplate, Sheridan, and Grand Ridge. These communities are best represented by the townships of Kendall, Bristol, Little Rock, Dayton, Utica, Waltham, Mission, Rutland, Serena, Ottawa, Fall River, Deer Park, and Farm Ridge. Within the assessment area, there are 3 census tracts in the Chicago, Illinois, Metropolitan Statistical Area (MSA) and 8 BNA's in a non-MSA. The assessment area is comprised of 1 upper-income census tract and 2 middle-income census tracts in the MSA, and 4 upper-income BNA's, and 4 middle-income BNA's outside the MSA. Using information from the 1990 US Census, there are 17,241 individuals and 4,683 families in the 3 census tracts, and 31,286 individuals and 8,454 families in the 8 BNA's in the bank's assessment area. There are 6,079 housing units with a median housing value of \$101,562 in the census tracts, and 12,477 housing units with a median value of \$56,577 in the BNA's. The median family incomes are \$45,435 (106% of the Chicago MSA average of \$42,758) for the census tracts, and \$34,742 (117% of the non-MSA average of \$29,694) for the BNA's within the bank assessment area. Refer to table #3 for details on the distribution of family incomes within the Assessment Area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

o Lending To Borrowers of Different Income Levels

The bank is satisfactorily originating loans to borrowers of all income levels in both the MSA and non-MSA portions of the assessment area. Table #1 and Table #2 use data from the year-to-date 1997 and 1996 HMDA-LAR's (Home Mortgage Disclosure Act-Loan Application Register) for loans within the bank's assessment area which represent the primary lending activity of the bank based on dollar amounts. The bank expanded the assessment area in 1997 to include the 8 BNA's in LaSalle County after the purchase of a branch in Ottawa, IL.

Table #1: HMDA Loans To Borrowers of Different Income Levels - 1997

1997	KENDALL COUNTY (CENSUS TRACTS)				LASALLE COUNTY (BLOCK NUMBERING AREAS)			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Low	1	3.85	3	.14	1	6.67	37	3.69
Moderate	7	26.92	207	26.92	2	13.33	54	5.39
Middle	5	19.23	213	10.08	2	13.33	145	14.47
Upper	13	50.00	1,695	79.98	10	66.67	766	76.45
Totals	26	100.00	2,113	100.00	15	100.00	1,002	100.00

1997 HMDA-LAR

Table #2: HMDA Loans To Borrowers of Different Income Levels - 1996

1996	KENDALL COUNTY				LASALLE COUNTY			
	#	%	\$ (000)	%	#	%	\$	%
Low	3	4.29	120	3.02	Not applicable as the 1996 assessment area did not contain any BNAs in LaSalle County			
Moderate	6	8.57	390	9.81				
Middle	14	20.00	618	15.54				
Upper	47	67.14	2,849	71.64				
Totals	70	100.00	3,977	100.00				

1996 HMDA-LAR

Using HMDA reportable loans, the bank's efforts to lend to borrowers of different income levels indicates a reasonable penetration of moderate-, middle- and upper income levels within the assessment area. The bank's lending to low-income individuals is below the population demographics. However, the bank ranks number four out of 189 lenders that make HMDA reportable mortgage loans to low income borrowers. Table #3 indicates the distribution of family income levels within the census tracts and BNA's.

Table #3: Family Income Level Within Assessment Areas

Assessment Area	Low Income	Moderate Income	Middle Income	Upper Income	Total
Kendall County (MSA)	11.87%	19.05%	28.91%	40.15%	100.00%
LaSalle County (non-MSA)	15.38%	14.32%	22.59%	47.69%	100.00%

Information obtained from CRA Wiz

We selected a sample of 44 consumer loans from January 1, 1996 to June 30, 1997. The distribution of loans to borrowers of different income levels within the assessment area is good since it exceeded the demographic distribution as indicated in table #3. Table # 4 indicates the distribution of consumer loans by income levels within the bank's assessment area.

Table #4: Consumer Loans To Borrowers of Different Income Levels

1996 & 1997	KENDALL COUNTY (CENSUS TRACTS)				LASALLE COUNTY (BLOCK NUMBERING AREAS)			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Low	11	27.50	37	11.35	1	25.00	2	20.00
Moderate	11	27.50	58	17.79	2	50.00	5	50.00
Middle	7	17.50	126	38.65	1	25.00	3	30.00
Upper	11	27.50	105	32.21	0	0.00	0	0.00
Totals	40	100.00	326	100.00	4	100.00	10	100.00

Information obtained from Bank Loan Files.

The bank's record for making loans to small farms and businesses is good. Table #5 and Table #6 (on next page) indicate the distribution of loans to small farms and businesses with gross revenues under \$1,000,000 within the bank's assessment area. By number and dollar amount of loans, a majority are being originated with amounts under \$100,000.

Table #5: Small Loans To Businesses With Gross Revenues Under \$1 Million - 1997

<b>1997</b>	<b>Loans Within Assessment Area</b>				<b>Totals Loans</b>	
<b>Loan Amounts</b>	<b>#</b>	<b>% of Tot.</b>	<b>\$ (000)</b>	<b>% of Tot.</b>	<b>#</b>	<b>\$ (000)</b>
0-99,999	122	59.22	2,197	52.15	206	4,213
100,000-250,000	7	58.33	1,038	54.60	12	1,901
Over 250,000	1	16.67	400	15.67	6	2,553
<b>Totals</b>	<b>130</b>	<b>58.04</b>	<b>3,635</b>	<b>41.94</b>	<b>224</b>	<b>8,667</b>

Information obtained from bank's loan records

Table #6: Small Loans To Businesses With Gross Revenues Under \$1 Million - 1996

<b>1996</b>	<b>Loans Within Assessment Area</b>				<b>Total Loans</b>	
<b>Loan Amounts</b>	<b>#</b>	<b>% of Tot.</b>	<b>\$ (000)</b>	<b>% of Tot.</b>	<b>#</b>	<b>\$ (000)</b>
0-99,999	53	100	1,346	100	53	1,346
100,000-250,000	12	100	1,722	100	12	1,722
Over 250,000	4	100	2,197	100	4	2,197
<b>Totals</b>	<b>69</b>	<b>100</b>	<b>5,265</b>	<b>100</b>	<b>69</b>	<b>5,265</b>

Information obtained from bank's loan records

o Lending in the Assessment Area

Lending in the assessment area is reasonable since a majority of loans are being originated inside. The types of loans used in this evaluation include real estate, commercial, consumer, and personal credit lines. Overall, the lending performance has been stable through 1996 to year-to-date 1997. Tables # 7 and #8 (on next page) detail the lending activity within the bank's assessment area.

Table #7: 1997 Lending In The Assessment Area (AA)

Loan Type	# of loans in AA	% of loans in AA	\$ (000) of loans in AA	% of \$ (000) in AA
Real Estate	58	65.17	5,735	63.67
Commercial	251	72.54	9,546	63.25
Consumer	274	55.58	2,712	51.54
Credit Lines	19	57.58	434	43.33
<b>Overall Totals</b>	<b>602</b>	<b>62.64</b>	<b>18,427</b>	<b>60.69</b>

Information obtained from 1997 new loan reports

Table #8: 1996 Lending In The Assessment Area (AA)

Loan Type	# of loans in AA	% of loans in AA	\$ (000) of loans in AA	% of \$ (000) in AA
Real Estate	41	46.07	4,339	49.27
Commercial	73	64.60	5,899	60.89
Consumer	176	57.52	2,325	63.07
Credit Lines	32	57.14	901	63.92
<b>Overall Totals</b>	<b>322</b>	<b>57.09</b>	<b>13,466</b>	<b>57.08</b>

Information obtained from 1996 new loan reports

o Loan-To-Deposit Ratio

The bank's average loan-to-deposit ratio is reasonable at 62.50%. This ratio was calculated by taking the average of the last eleven quarter-end figures. The bank's loan to deposit ratio is 61.14% at June 30, 1997. The average national peer group average over the same time period is 67.73% with a ratio at June 30, 1997 of 72.10%. The bank's loan-to-deposit ratio has been negatively impacted by the purchase of a branch on December 27, 1996 and the fluctuation of public funds held on deposit from local municipalities. The bank primarily purchased deposits and fixed assets of the branch and the public funds are usually higher at end-of-quarter lowering the bank's end-of-quarter loan-to-deposit-ratio.



o 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 or BNA's in the bank's assessment area.

o Compliance With Antidiscrimination Laws

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

o Community Reinvestment Act Complaints

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