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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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## **PUBLIC DISCLOSURE**

July 19, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**National Republic Bank of Chicago  
Charter Number 14399**

**1201 West Harrison Street  
Chicago, IL 60607**

**Comptroller of the Currency  
Arlington Place II, Suite 340  
85 West Algonquin Road  
Arlington Heights, IL 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 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 **National Republic Bank of Chicago**, as prepared by **The Office of the Comptroller of the Currency (OCC)**, the bank's supervisory agency. This evaluation considers the bank's performance as of July 19, 1999. The OCC rates the CRA performance of the bank consistent with the provisions set forth in Appendix A to 12 CFR Part 25. This bank was last evaluated for CRA as of March 1996 and received a Satisfactory rating.*

**CRA RATING:** This institution is rated “**Satisfactory Record of Meeting Credit Needs**”.

The key factors which support a Satisfactory rating are as follows:

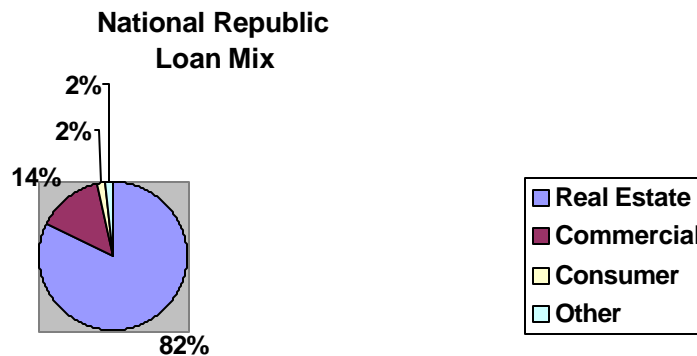
- The distribution of loans to borrowers of different income levels and to businesses of different sizes is good.
- The bank's average loan to deposit ratio is strong.
- A vast majority of the bank's loans are in the assessment area.

## DESCRIPTION OF INSTITUTION

National Republic Bank of Chicago (“National Republic”) is a \$163 million institution. National Republic is an intrastate bank. The bank’s main office is located at 1201 West Harrison Street, Chicago, IL, which is about one mile west of the Chicago loop and across from the University of Illinois at the Chicago campus. The bank also has an ATM on premise at the main office. In 1991, the bank opened a full service branch office located at 2615 Devon Avenue, Chicago, IL. The branch facility is located on Chicago’s far north side.

The bank reported net income of \$2.4 million for the year ended December 31, 1998. This compares to \$1.6 million and \$670 thousand reported for the years ended 1997 and 1996, respectively. National Republic provides a full range of services and credit products including residential mortgage loans, home improvement loans, home equity loans, personal loans, and commercial products. Loans represent the largest component of the bank’s total asset base at 91%. At year-end 1998, gross loans and leases were \$144 million. Over the past several years, the bank has experienced rapid loan growth. The growth in loans has been mainly in the real estate portfolio, primarily in hotel/motel loans. These types of loans total 82% of capital and approximately 58% are outside the Chicagoland area. National Republic also has a concentration in commercial real estate loans such as restaurant loans, Dunkin Donut stores, and convenient marts. In addition, the bank makes a significant amount of loans guaranteed by the Small Business Administration (SBA). They are one of the largest 504 lenders in the area.

To get a better picture of the bank’s loan portfolio, a chart is provided below which depicts the loan mix as a percentage of gross loans as of year-end 1998.



Total deposits at December 31, 1998 were \$150 million.

The bank is capable of meeting the community credit needs based on its asset size and product offerings. However, the bank has suffered from a variety of limitations with respect to financial growth

over the past few years. Despite these limitations, management continues to fulfill the spirit of CRA.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank enlarged their assessment area in 1999. The assessment area now consists of four counties in the Chicago MSA. The four counties are Cook, DuPage, Lake, and Will. The previous assessment area consisted of the city of Chicago only. National Republic enlarged its assessment area in 1999 to more accurately reflect its lending patterns over the past three years. The assessment area complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

There are 1,644 geographies within these four counties. The following table shows the census tract characteristics by income category.

<b>National Republic Demographic Characteristics</b>		
<b>Income Level of Census Tract</b>	<b>Count</b>	<b>% of Total</b>
Low-Income	277	17
Moderate-Income	361	22
Middle-Income	601	37
Upper-Income	382	23
NA	23	1
<b>TOTAL</b>	<b>1,644</b>	<b>100</b>

Source: 1990 U.S. Census Information

The median family income for MSA 1600 is adjusted by the Department of Housing and Urban Development (HUD) each year. In 1999, the median family income was adjusted to \$63,800. The annual HUD data is used to determine borrower income levels under CRA. Based on this income figure, 20% of the families in the assessment area are classified as low-income, 17% are moderate-income, 24% are middle-income, and 39% are upper-income.

There are over 2.6 million housing units in the assessment area. Of this, 56% are owner occupied units, 37% are rental occupied units, and about 7% are vacant housing units. The median housing value is \$125,059 and the average monthly gross rent is \$498.

The local economy of the assessment area is stable. The unemployment labor rate is 3.62%. The industries within this area primarily consist of Services and Retail Trade. Based on information provided by Dun and Bradstreet Business Demographic reports, there are 231,926 businesses operating in the bank's total assessment area. Of these, 71% have sales less than \$1 million, 11% have sales greater than \$1 million, and 18% of the businesses did not report annual sales.

Agriculture is a very small trade within the assessment area. There are only 2,793 farms which is

approximately 1% of the total businesses in the assessment area. For this reason, small farm lending was not evaluated.

There are numerous financial institutions within the bank's assessment area. National and state banks, brokerage companies and home mortgage and insurance companies provide very strong competition. Some of the bank's local competitors are Metropolitan Bank, Cole Taylor, Devon Bank, and Broadway Bank. Other large institutions from the Chicagoland area, such as Bank One, LaSalle, Harris Bank, and American National Bank also provide strong competition in the business loan market.

Community contacts were reviewed during this evaluation period. The contacts indicated that the most pressing credit needs include small business development and affordable housing loans.

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

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES**

National Republic has a good distribution of loans to borrowers of different income levels and to businesses of different sizes.

A review of the bank's loans subject to the Home Mortgage Disclosure Act (HMDA) was performed. Between January 1, 1997 and June 30, 1999, the bank made 32% of its home mortgage loans to low-income borrowers. In addition, they made 27% to moderate-, 15% to middle-, and the remaining 27% to upper-income borrowers. These percentages compare favorably to the demographics of the assessment area, which show that 20% of the families are low-, 17% are moderate-, 24% are middle-, and 39% are upper-income.

A review of the bank's SBA loan portfolio was also considered during this evaluation period. A total of 57 loans were sampled. Based on this sample, a majority or 77% of the loans had gross annual revenues under \$1 million. About 16% of the SBA loans had over \$1 million in revenues and 7% of the loans did not have any revenue information available. Comparing this to the business demographic information for the assessment area, the bank's SBA lending is favorable. Again, the demographics show that 71% of the businesses have sales less than \$1 million and 11% are over \$1 million. Approximately 18% of the businesses in the assessment area have unknown revenues.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

National Republic has a reasonable geographic distribution of loans given the bank's assessment area, number of offices, and asset size.

Based on a review of HMDA loans between January 1, 1997 and June 30, 1999, the bank made one loan in a low-income census tract which represents 2% of the total HMDA loans. National Republic made 15 HMDA loans in moderate-income census tracts, which represent 37% of the total HMDA loans. The bank's level of lending can be compared to the distribution of owner occupied units (OOU's). In the low-income census tracts there are 3% OOU's and 13% in the moderate-income census tracts. Therefore, the bank's level of lending compares favorably to the percentage of OOU's.

Based on a review of 57 SBA loans, the bank made 3% in low-income tracts and 30% in moderate-income tracts. Demographic reports indicate that 6% of the businesses in the assessment area are located in low-income areas and 14% are located in moderate-income areas. An additional 39% are in middle- and 40% are in upper-income tracts. The bank's level of lending in the low-income areas is below the demographic standards of the assessment area.

Overall, National Republic has a very low penetration of loans throughout the assessment area. They made HMDA and SBA loans in only 77 of the 1,644 census tracts designated in the assessment area. This represents a penetration of about 4.7%. A vast majority of that lending was performed in Cook County at 87%. Although the penetration rate is low and gaps exist in the bank's HMDA and SBA lending, this is not unreasonable given their small asset size, limited resources, location of their office and branch, and low number of physical offices. In addition, the fair lending results support that the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.

## **LOAN TO DEPOSIT RATIO**

The bank's average loan to deposit ratio is strong. Over the past 12 quarters, the bank's average loan to deposit (LTD) ratio is 93.65%. The ratio has been consistently high and well-above peer group averages on both a national and local level.

## **LENDING IN THE ASSESSMENT AREA**

To determine the bank's level of lending in the assessment area, a review of all loans subject to HMDA were considered. In addition, a sample of SBA loans made during the evaluation period was reviewed.

Based on this information, the bank is making more than a majority of its loans in the assessment area. From January 1, 1999 to June 30, 1999, National Republic originated 100% of its home mortgage loans inside the four county assessment areas. Internal bank reports indicate that approximately 95% of the SBA loans were made in the assessment area.

## **RESPONSE TO COMPLAINTS**

No complaints regarding the Community Reinvestment Act were received since the prior evaluation.

## **COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS**

To determine compliance with the fair lending laws and regulations, a review of 16 home improvement loans was performed. The review consisted of comparing rates, terms, and conditions offered to female, single applicants compared to male, joint applicants. Based on this comparison, there is no evidence of disparate treatment and the bank is in satisfactory compliance with the fair lending laws and regulations with respect to rates, terms and conditions on home improvement loans.