



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**March 24, 2008**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Charter National Bank And Trust  
Charter Number 16880**

**2200 West Higgins Road  
Hoffman Estates, IL 60195**

**Office of the Comptroller of the Currency  
Chicago-South Field Office  
2001 Butterfield Road, Suite 400  
Downers Grove, IL 60515**

**NOTE:** This document is an evaluation of this 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. 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.

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

Following is a summary of the major factors supporting the institution's rating:

- The bank's loan-to-deposit (LTD) ratio is reasonable at 73.34 percent.
- Lending in the assessment area (AA) is reasonable. A majority of loans are originated inside the AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The loan distribution to borrowers of different income levels is reasonable.
- There have been no Community Reinvestment Act (CRA) complaints since the last evaluation.

## **SCOPE OF EXAMINATION**

This document is an evaluation of the CRA performance of Charter National Bank and Trust prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of December 31, 2007. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This evaluation covers the period since September 30, 2002, the as of date of the last CRA examination when the bank was rated "Satisfactory." The current evaluation reflects lending performance from January 1, 2005, through December 31, 2007. The institution's primary lending focus is small business loans. Our analysis covers small business lending only. Charter National Bank and Trust does not collect and report small business data. Accordingly, a sample of business loans was reviewed covering the performance review period. Charter National Bank and Trust owns Charter Mortgage Company, which is a mortgage subsidiary that acts as a mortgage broker. The mortgage subsidiary sells the majority of its loans to the secondary market. Due to a majority of mortgage loans being sold to the secondary market, an analysis of HMDA data was not performed. Less than 1 percent of these loans are booked by Charter National Bank and Trust.

## DESCRIPTION OF INSTITUTION

Charter National Bank and Trust (Charter National Bank) is located in Hoffman Estates, Illinois. In addition to the main office, Charter National Bank operates two full service branches in Hanover Park and Schaumburg, Illinois. The main location is approximately 32 miles northwest of downtown Chicago. No branches were opened or closed since the last CRA examination. All three locations have ATM banking services available in addition to the three ATMs in alternate locations in Hoffman Estates. Charter National Bank owns Charter Mortgage Company, which is a mortgage subsidiary that acts as a mortgage broker. The mortgage subsidiary sells the majority of its loans to the secondary market.

Charter National Bank offers a variety of traditional banking products. Loan products include mortgage loans, consumer loans, and commercial loans. Types of mortgage loans offered include conventional residential loans and balloon loans. The mortgage subsidiary offers refinance loans and adjustable rate mortgages. Consumer loans include home equity lines of credit, installment loans, automobile loans, boat loans, RV loans, stock loans, savings loans and personal loans. Deposit products include various types of checking, savings, money market, certificates of deposit and NOW accounts. The bank's current primary business focus is on small business borrowers within the assessment area.

Charter National Bank has total assets of \$123 million as of December 31, 2007. Charter National Bank's asset size has remained relatively stable since the prior CRA evaluation. Charter National Bank's assets are mostly comprised of loans, which are 80 percent of total assets. Investments represent 13 percent of total assets. The loan portfolio composition as of December 31, 2007, is as follows:

<b>Loan Category</b>	<b>\$(000)</b>	<b>Percent</b>
Commercial Real Estate Loans	\$47,100	47.76%
Residential Real Estate Loans	\$27,701	28.09%
Construction & Development Loans	\$9,479	9.61%
Commercial & Industrial Loans	\$9,030	9.16%
Individual & Other loans	\$5,302	5.38%
Total:	\$98,612	100%

Charter National Bank is wholly owned by Charter Bank Corp., a one bank holding company. There are no financial conditions or legal constraints that may hinder the bank's ability to meet the credit needs of its assessment area (AA). There has been no change in the bank's corporate structure since the last CRA examination.

**DESCRIPTION OF ASSESSMENT AREA**

Charter National Bank’s assessment area (AA) includes Cook County, DuPage County, Kane County, and McHenry County. The AA is part of Metropolitan Area (MA) 16974. Charter National Bank defines its assessment area with the following borders: north border is Lake Cook Road east to Lake Michigan; Lake Cook Road becomes County Line Road going west to Randall Road; west border Randall Road to Route 64; south border is Route 64; northeast border is Lake Michigan and southeast border includes the collar suburbs to the west, northwest and north of Chicago. The table below reflects the composition of the assessment area by income tract level.

<b>Assessment Area Composition by Income Tract Level</b>						
<b>Assessment Area</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>NA</b>	<b>Total</b>
<b># of Tracts</b>	0	11	105	125	2	243
<b>% of Tracts</b>	0%	4.53%	43.21%	51.44%	0.82%	100%

Information from the 2000 U.S. Census indicates that there are 1,416,295 people and 372,431 families in the assessment area. There are 525,343 housing units with a weighted average median housing cost of \$206,870. The 1-4 family units represent 76.64 percent of total housing units within the AA, and 76.10 percent of those units are owner occupied. The remaining 23.36 percent of housing units in the AA are multi-family units. The median family income is \$78,171, which is 129.92 percent of the MSA average of \$60,166. Low-income families make up 10.81 percent of the families living within the bank’s AA and moderate-income families make up 14.61 percent. Within the AA, 2.92 percent of families live below the poverty level.

The 2007 annual average unemployment rates for the AA are as follows: Cook County, 5.1 percent; DuPage County, 3.8 percent; Kane County, 4.8 percent; and McHenry County, 4.7 percent. The average unemployment rate increased within the AA from the 2006 annual averages. The 2006 annual average unemployment rates for the AA were as follows: Cook County, 4.7 percent; DuPage County, 3.4 percent; Kane County, 4.3 percent; and McHenry County, 3.7 percent.

The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Two local community officials were contacted. The purpose for both of the organizations is economic development. One organization contacted promotes business opportunities through networking activities to help retain and expand local businesses. The other organization helps develop programs for business expansion and to attract new businesses.

The community contacts indicated that there are several opportunities for bank involvement in the local community, particularly due to the new business developments in the area. The community contacts did not identify a specific consumer credit need, but one contact did indicate that small local businesses could be impacted during the current economic downturn. However, one community contact indicated the local economy remains strong compared to most other areas, particularly due to

the new business developments.

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## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is reasonable. Charter National Bank's quarterly net loan-to-deposit ratio averaged 73.34 percent from December 31, 2002, through December 31, 2007. The net loan-to-deposit ratio has been trending upward from the 64.52 percent quarterly average during the previous evaluation period. The quarterly net loan-to-deposit ratios for banks of similar asset size in the AA range from an average of 49.53 percent to 100.66 percent. Comparative data for net loan-to-deposit ratios are as follows:

Net Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 12/31/2007)	Average Net Loan-to-Deposit Ratio
<i>Charter National Bank</i>	<i>122,996</i>	<i>73.34%</i>
<i>Five Bank Peer Group Average</i>	<i>107,917</i>	<i>74.79%</i>

Source: Institution Reports of Condition from December 31, 2002, to December 31, 2007.

### Lending in Assessment Area

The bank's lending activity within its assessment area is reasonable. An analysis of the institution's business loans were the focus of this review. A majority of the bank's business loans were to businesses located inside the assessment area. During the evaluation period, approximately 53.04 percent (166 of 313) of the bank's business loans were made to businesses located in the assessment area. The remaining 147 loans, 46.96 percent, were made to businesses located outside of the assessment area.

Based on discussions with bank management, the mortgage lending portfolio is no longer the bank's primary product. With deteriorating market conditions and the bank's limited ability to sell loans on the secondary market, the bank's focus shifted to commercial lending. The bank continues to assist individuals with housing needs through their affiliate, Charter Mortgage Company. Based on comments from the community contacts, small business development and expansion is also a primary concern of the community.

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000 s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business Loans	166	53.04	147	46.96	313	53,243	45.96	62,602	54.04	115,845

Source: Charter National Bank is not a small business reporter; however, the institution collects census tract information for their commercial lending portfolio. This information was verified for data integrity purposes.

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### **Lending to Businesses of Different Sizes**

The distribution of loans to businesses of different sizes is reasonable. The chart below demonstrates the institution's ratio of business lending by revenues. As noted, Charter National Bank consistently lends to small businesses (those with revenues less than or equal to \$1 million per year), providing funding for improvements and development for the community. Because small businesses can be negatively impacted by the current economic trend, financial institutions may provide an opportunity to assist and support these businesses. Charter National Bank has demonstrated their desire to improve their surrounding communities with 53.33 percent of their commercial loans to businesses with annual revenues of less than \$1 million.

<b>Borrower Distribution of Loans to Businesses in the Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.49%	8.78%	24.72%	100%
% of Bank Loans in AA by #	53.33%	46.66%	0%	100%
% of Bank Loans in AA by \$	42.91%	57.09%	0%	100%

Source: 2007 Business Geo demographic Data and sample size of 30 loans.

### **Geographic Distribution of Loans**

The geographic distribution of loans to businesses is reasonable. Charter National Bank has no low-income census tracts and eleven moderate-income tracts in its assessment area. Within the sample selected, the bank originated one commercial loan in a moderate-income tract. The eleven moderate-income tracts only include 3.88 percent of the total small businesses within the bank's AA. The bank does not have any offices in the moderate-income tracts and, therefore, no presence to attract business lending in those areas.

<b>Geographic Distribution of Loans to Businesses in the Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	0%	0%	3.88%	0.60%	41.45%	48.19%	54.29%	51.20%

*Source: 2007 Business Geo demographic Data and census tract information collected by Charter National Bank for their commercial portfolio. This information was verified for data integrity purposes.*

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### **Responses to Complaints**

Charter National Bank did not receive any consumer complaints about its record of lending within the community.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.