



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

PUBLIC DISCLOSURE

January 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Marquette National Bank
Charter Number 14504**

**6316 S. Western Avenue
Chicago, Illinois 60636**

**Office of the Comptroller of the Currency
Chicago South Field Office
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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 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 **Marquette National Bank** (MNB) prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 26, 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 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 CFR Part 25. That section of the regulation became effective on January 1, 1996.

Institution's CRA Rating: This institution is rated **"Needs to Improve record of meeting community credit needs"**.

The primary reasons for this rating are:

- MNB's lending patterns indicate conspicuous gaps in lending involving low- and moderate-income geographies in the South side of Chicago and surrounding two of its branches;
- there is no evidence that the lending gaps are the result of discrimination;
- MNB's geographic distribution of loans originated show poor lending penetration in low- and moderate-income geographies; and
- MNB's lending levels reflect poor responsiveness to assessment area credit needs.

The following table indicates the performance level of MNB with respect to the lending, investment, and service tests.

| Performance Levels | Marquette National Bank Performance Tests | | |
|---------------------------|--|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | | | |
| High satisfactory | | | |
| Low satisfactory | | X | X |
| Needs to improve | X | | |
| Substantial noncompliance | | | |

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

MNB's prior Performance Evaluation was dated March 31, 1995 at which time a "Satisfactory record of meeting community credit needs" was assigned by this Office. That rating was based largely on process oriented activities and community development endeavors. The bank continues to perform these activities; however, these items are no longer specifically evaluated under the current CRA.

This evaluation covers the period from January 1, 1996 through December 31, 1997.

Description of Institution

MNB is owned by Marquette National Corporation and operates on the South side of Chicago. The bank has sixteen offices located throughout this market and is supplemented with 26 automatic teller machines (ATMs). Three of the branches were added in October 1996 when the Orland State Bank (OSB) was merged into MNB. There are no impediments which would hamper the institution's ability to help meet the various credit needs based on its financial condition and size; prior performance; legal impediments; and other factors.

As of December 31, 1997, the bank had total average assets of \$1,101,000,000 and net income of \$2,467,000 for the year. Net loans represented 56% of total average assets with earning assets accounting for 95% of total average assets. The loan portfolio is comprised of 56% real estate loans; 25% commercial and industrial loans; 16% instalment loans with the remaining 3% comprising other categories.

The bank offers traditional mortgage products: home purchase, refinancings, home improvement loans and equity loans and lines of credit. The bank offers home purchase loans up to 95% of the value of the property with PMI insurance. There are no novel or innovative loan products offered. Commercial loan products include inventory acquisition, fixed asset purchases, working capital lines of credit, small business and credit cards. MNB also began buying indirect auto-dealer paper during this evaluation period.

Prior to 1995, MNB had a low level of lending activity largely because the bank did not actively pursue available opportunities in its assessment area. Lending activity increased during 1995 and in the early part of 1996, when the bank utilized the services of a mortgage broker to aid in originating mortgage loans. It should be noted that many of the new loans generated by the broker were located outside MNB's assessment area. By contrast, OSB had a prior history of being a more aggressive lender than MNB with successful marketing practices.

Description of Assessment Area

The bank is located on the near South side of Chicago and MNB's assessment area is located entirely within the Chicago Metropolitan Statistical Area (MSA). Table 1 describes the community demographics.

| Table 1 ASSESSMENT AREA | | | | | | | | |
|----------------------------|---------------------|-------------|--------------------------|-------------|-------------------------------|-------------|------------------------|-------------|
| Income Category | Population by Tract | | Families by income level | | Census Tracts by Income level | | Owner Occupied Housing | |
| | # | % | # | % | # | % | # | % |
| Low | 247952 | 20 | 83609 | 27 | 103 | 28 | 17000 | 7 |
| Moderate | 305333 | 24 | 59926 | 19 | 94 | 26 | 47000 | 18 |
| Middle | 566154 | 45 | 75419 | 24 | 129 | 35 | 153000 | 59 |
| Upper | 143606 | 11 | 92156 | 30 | 32 | 9 | 41000 | 16 |
| N/A | 33 | 0 | 0 | 0 | 9 | 2 | 0 | 0 |
| Totals | 1263078 | 100% | 311136 | 100% | 367 | 100% | 258000 | 100% |

Source: 1990 U.S. Census Data

Table 1 discloses that a significant portion of MNB's assessment area (AA) is low-or moderate-income (54% of the geographies). The table also points out that there is a high level of low-and moderate-income families (46% of the families). The percentage of owner occupied housing is based upon the entire assessment area. The 17,000 owner-occupied units in low-income geographies represent 20% of total housing units in these tracts and the 47,000 owner occupied units in moderate-income geographies represent 44% of total housing units in these tracts. This information clearly indicates there are lending opportunities for Home Mortgage Disclosure Act (HMDA) reportable transactions (home purchase, home improvement and refinances) in the different geographies.

During the examination, the assessment area was expanded to include a substantial portion of loans originated around its branches as required by the regulation. This analysis is based upon the expanded AA. The AA begins at Meigs Field and Lake Michigan and stretches southwest to Orland Park on the southwest edge of Cook County. Some of the neighborhoods included in the AA are: West Englewood, Summit, Bridgeview, Evergreen Park, Oak Lawn, Manhattan, Palos Heights, Tinley Park, Lemont and Orland Park.

The local economy is stable. The area is comprised of residential sections with manufacturing (wholesale trade) the main industry, Government (Federal, State and local) is the next largest employer. As of January 31, 1998, the unemployment rate is 5%, slightly higher than the 4.7% rate for the State of Illinois. The weighted average of the MSA's updated median income is \$55,800; however, the median income for the AA is approximately \$37,000. There are many local neighborhoods within MNB's AA, covering some of the poorest and oldest in the City of Chicago as well as some of the higher income areas. Approximately 11% of the households are on public assistance and 15% of the households are below poverty.

The competition is strong as there are several large banking companies (over \$1 billion in assets)

located within the AA along with many community-sized institutions.

As part of the examination process we contacted four community organizations; three housing organizations and one economic development organization. Each described many needs within the bank's assessment area, with the two main themes being affordable housing and assisting small businesses to help revitalize the local area. Affordable housing needs include down payment assistance and low-down payment loans.

Conclusions With Respect to Performance Tests

LENDING TEST

MNB's performance under the Lending Test was evaluated in terms of the volume of lending, the geographic distribution of loans originated and purchased, the borrower dispersion of loans originated and purchased, the responsiveness to community needs, the level of innovation and flexible products offered as well as community development lending activities.

Conclusions

- MNB's lending levels reflect poor responsiveness to community credit needs.
- Conspicuous lending gaps in low- and moderate-income areas exist.
- The geographic distribution of loans (HMDA reportable transactions and small business loans) reflects poor penetration throughout the AA, particularly in low- or moderate-income geographies.
- The distribution of loans to borrowers of different income levels reflect poor penetration among low- and moderate-income individuals.

Lending Levels

Table 2 displays the lending activity for MNB covering the two year period of this evaluation.

| TABLE 2 LENDING ACTIVITY | | | | | | | |
|-----------------------------|-----|-------------|----|---------------|--------------------|------------------|-----------------|
| Loan Type | # | \$ (000) | CT | Low % of # | Moderate % of # | Middle % of # | Upper % of # |
| | | | B | | | | |
| Home Purchase | 301 | 34,173 | CT | 2 | 5 | 52 | 41 |
| | | | B | 2 | 21 | 30 | 42 |
| Refinance REM | 233 | 24,787 | CT | 3 | 9 | 63 | 25 |
| | | | B | 4 | 22 | 31 | 35 |
| Home Improvement | 177 | 2,712 | CT | 9 | 28 | 51 | 12 |
| | | | B | 24 | 29 | 25 | 22 |
| Multi-family (M/F) | 2 | 429 | CT | 0 | 50 | 0 | 50 |
| | | | B | 0 | 0 | 0 | 0 |
| Small Business | 264 | 22,358 | CT | 12 | 17 | 71 | |
| Community Development | 5 | 2,450 | | | | | |
| Total Lending | 982 | \$86,909 | | | | | |

(CT) Corresponds to the Income Level of Census Tracts

(B) Corresponds to the Income Level of Borrower

Source: 1996 and 1997 HMDA Reports and 1996 and 1997 CRA Disclosure Reports

Table 2 reports MNB originated or purchased 982 reportable loans during the evaluation period in its assessment area: 713 HMDA loans; 264 small business loans and five community development loans. It is important to know that of the approximately 1,800 such loans made by the bank, only 55% (the above referenced 982) were made within the AA and 45% were made beyond the boundaries of the adjusted AA.

To determine MNB's responsiveness to the credit needs of the community a comparison was made to the volume of HMDA loans and small business loans by all lenders required to report such activity within MNB's AA. In 1996, this amounted to more than 45,000 HMDA reportable loans being originated in MNB's AA. During this same time, MNB originated 474 HMDA reportable loans (refer to Table 3) which is a little more than 1% of all originations. In 1996 there were approximately 31,000 small business loans originated within Cook County, Illinois (which is the smallest area available for comparison). MNB originated 275 loans in Cook County in 1996 which is less than 1% of all small business originations. In 1996 MNB was the 11th largest

financial institution (banks, thrifts) in Chicago, but there were 22 HMDA reporters (banks, thrifts, mortgage companies) that originated more HMDA loans and 23 CRA Data Collection reporters (banks, thrifts, other creditors subject to CRA) that originated more small business loans. This data (a high percentage of loans are made outside the AA, relatively small share of loans in the AA, given the bank's size) indicates poor responsiveness to the credit needs of the community.

Geographic Distribution

In order to provide a perspective on performance by year, the following tables (Table 3 and Table 4) indicate HMDA reportable loans by type grouped by income level of geographies.

| Table 3 Geographic Distribution of HMDA Loans 1996 (Number of Loans) | | | | | | | | | | |
|---|---------------|------------|------------|------------|-------------------|------------|----------|------------|------------|------------|
| Originations and Purchased HMDA Loans | Home Purchase | | Refinances | | Home Improvements | | M/F | | Total | |
| | # | % | # | % | # | % | # | % | # | % |
| Low-Income Tract | 2 | 1 | 2 | 1 | 8 | 8 | 0 | 0 | 12 | 2 |
| Moderate-Income Tract | 9 | 5 | 13 | 7 | 26 | 26 | 0 | 0 | 48 | 10 |
| Middle-Income Tract | 96 | 48 | 113 | 65 | 50 | 51 | 0 | 0 | 259 | 55 |
| Upper-Income Tract | 94 | 46 | 46 | 27 | 14 | 15 | 1 | 100 | 155 | 33 |
| TOTAL | 201 | 100 | 174 | 100 | 98 | 100 | 1 | 100 | 474 | 100 |

Source: 1996 HMDA LAR

| Table 4 Geographic Distribution of HMDA Loans 1997 (Number of Loans) | | | | | | | | | | |
|---|---------------|------------|------------|------------|-------------------|------------|----------|------------|------------|------------|
| Originations and Purchased HMDA Loans | Home Purchase | | Refinances | | Home Improvements | | M/F | | Total | |
| | # | % | # | % | # | % | # | % | # | % |
| Low-Income Tract | 3 | 3 | 4 | 7 | 8 | 10 | 0 | 0 | 15 | 6 |
| Moderate-Income Tract | 5 | 5 | 8 | 13 | 23 | 29 | 1 | 100 | 37 | 15 |
| Middle-Income Tract | 58 | 58 | 33 | 56 | 41 | 52 | 0 | 0 | 132 | 55 |
| Upper-Income Tract | 34 | 34 | 14 | 24 | 7 | 9 | 0 | 0 | 55 | 24 |
| TOTAL | 100 | 100 | 59 | 100 | 79 | 100 | 1 | 100 | 239 | 100 |

Source: 1997 HMDA LAR

Tables 3 and 4 show that MNB makes few of its HMDA reportable loans in low-income tracts. Even though twenty-eight percent of MNB's tracts are low-income, only two percent of the HMDA loans made in 1996 and six percent of the HMDA loans made in 1997 originated from these tracts. This compares negatively with the number of owner-occupied units, 17,000 (representing 20% of total housing units), in low-income tracts. An under represented trend is also seen when comparing loans originated in moderate-income tracts for both years (10% and 15% for 1996 and 1997 respectively) to the assessment area's moderate-income tracts which represent 26% of all tracts. This compares negatively with the 47,000 owner-occupied units in moderate-income tracts. When reviewing individual products, the bank's record of providing home purchase loans in low-income areas is poor with only 1% and 3% of these types of loans made respectively in 1996 and 1997. This compares unfavorably with MNB's AA composition of 28% low-income areas. Home purchase loans originated in moderate-income areas were 5% in both 1996 and 1997 when all moderate-income areas represented 26% of all tracts. The analysis of refinance loans also discloses poor penetration throughout low-income areas with 1% and 7% of such loans in 1996 and 1997 respectively. Refinance loans for moderate-income tracts is also poor with 7% and 13% for 1996 and 1997 respectively. Home improvement loans show similar characteristics for low-income tracts with 8% of such loans in 1996 and 10% of such loans in 1997. However, home improvement loans in moderate-income areas represents a slightly better distribution with 26% and 29% respectively for 1996 and 1997.

When reviewing Table 2, which identifies loan originations and purchases for the total evaluation period, it is evident that this poor record of lending is most pronounced in the home purchase mortgage loan category where only 2% of these 301 loans are located in low-income tracts and only 5% are located in moderate-income tracts.

When reviewing MNB's market share for 1996 (the latest data available) within its AA, this trend of providing more HMDA loans in middle- and upper-income tracts than low- and moderate-income areas is even more evident. The bank ranks 23rd overall (out of 546 lenders) in its AA. The market rank by tract level is: 83rd in low-income tracts (13 loans); 50th in moderate-income tracts (48 loans); 24th in middle-income tracts; and 10th in upper-income tracts.

There are 142 census tracts (39% of the total number of tracts in the AA) where MNB did not receive a single HMDA reportable loan application during 1996 or 1997. Table 5 provides some demographic information on these tracts.

| Table 5 | | | | | |
|--|------------------|------------------------------|---|--|---|
| Tracts with No HMDA Loan Application Activity | | | | | |
| Tract Median Income/Family Median Income | Number of Tracts | % of Tracts With No Activity | % Of All Similar Tract Types In Assessment Area | % of Families in tracts With No Activity | % Of All Similar Families in Similar Tract Types in Assessment Area |
| Low 0% <50% | 74 | 52% | 72% | 47% | 39% |
| Mod 50% <80% | 41 | 29% | 44% | 19% | 23% |
| Mid 80% < 120% | 22 | 15% | 17% | 18% | 17% |
| Upper 120 & > | 5 | 4% | 16% | 16% | 12% |
| Totals | 142 | 100% | 39% | 100% | 22% |

Source: 1996 and 1997 HMDA Reports

Table 5 demonstrates that in 1996 and 1997 MNB has no HMDA loan application in 39% of the census tracts that make-up its AA. This table provides further detail of gaps in MNB's lending record to low- and moderate-income areas. Specifically, seventy-two percent of all low-income census tracts within MNB's AA had no HMDA loan applications and forty-four percent of all moderate-income census tracts had no HMDA loan applications. During this same time period, less than twenty percent of MNB's middle- and upper-income tracts had no HMDA loan applications. Thirty percent of the total 113,000 housing units are owner-occupied units which suggests opportunities are available in this market. A review of market share data disclose that within this area, there were over 9,400 applications taken for a total of \$671,000,000 (average request size of \$71,000). Actual HMDA loans originated total 5,800 for \$450,000,000 (average loan size of \$78,000). It should be noted that one of MNB's branch offices is actually located in one of the areas that received no HMDA loan applications. MNB management has indicated that it was unaware of this.

When reviewing small business data for the evaluation period (Table 2), it is evident that MNB is not adequately serving the business needs of its low-and moderate-income areas. Table 2 shows that only 33 small business loans (12%) were made in low-income tracts and only 46 small business loans (17%) originated in moderate-income tracts.

When analyzing this data by year, 13 small business loans were made in low-income tracts during 1996 (13% of the 106 small business loans originated in 1996) and 19 loans (12% of the 158 small business loans) were originated in low-income tracts in 1997. The number and percentage of small business loans made in moderate-income tracts for 1996 was 22 (21% of 106) and 24 (15% of 158) in 1997.

Evidence of a conspicuous gap in small business lending activity exists. In total, there are 289 census tracts (79% of total tracts in MNB's AA) where no small business loans were made in 1997. This data was not available for 1996. Table 6 indicates the distribution by type of tract, the number of tracts and the number of small businesses in each type of tract.

| Table 6 Tracts with No Business Loan Activity | | | | | |
|--|-------------------------|-------------------------------------|--|--|---|
| Tract Median Income | Number of Tracts | % of Tracts With No Activity | % Of All Similar Tract Types In Assessment Area | # Business' With Sales <.5 Million | # Business' With Sales .5<1 Million |
| Low 0% <50% | 98 | 34% | 95% | 2,407 | 233 |
| Mod 50% < 80% | 77 | 27% | 82% | 3,010 | 263 |
| Mid 80% < 120% | 99 | 34% | 77% | 6,974 | 729 |
| Upper 120 & > | 15 | 5% | 47% | 1,207 | 129 |
| Totals | 289 | 100% | 79% | 13,598 | 1,354 |

Source: 1997 CRA Disclosure Statement

Table 6 reflects the bank's poor performance in low- and moderate-income tracts. MNB does not make any small business loans in 95% of the low-income tracts and 82% of the moderate-income tracts in its AA. The number of small businesses (indicated in the last two columns in Table 6) indicate that there are numerous opportunities to serve this market.

Another major reason for poor performance is the fact that MNB offers only one flexible mortgage product, home purchase loans up to 95% LTV with PMI. For the two years under review, there were 94 such loans, but only 20 were inside the AA. Of the 20 inside the AA, 10 or 2 loans went to properties located in low-or moderate-income areas, with the remaining 90% located in middle- and upper-income geographies.

Borrowers Profile

The following information with respect to the income levels of borrowers for HMDA reportable transactions appears better than actual performance. This is due to the fact that our review of the HMDA data disclosed that the income levels of individuals were consistently understated by MNB. The error would generally cause borrowers who are reported as low-income to be moderate-income borrowers and those reported as moderate-income borrowers actually are middle-income borrowers. The cause of these errors is clerical input and not the result of intentional manipulation of the data.

In order to provide a perspective on trends, Table 7 and Table 8 display MNB's HMDA loans (originations and purchases) for 1996 and 1997 respectively, by level of borrower income.

| Table 7 Borrower Distribution of HMDA Loans 1996 (Number of Loans) | | | | | | | | | | |
|---|---------------|------------|------------|------------|-------------------|------------|----------|------------|------------|------------|
| Originations and Purchased HMDA Loans during 1996 | Home Purchase | | Refinances | | Home Improvements | | M/F | | Total | |
| | # | % | # | % | # | % | # | % | # | % |
| Low-Income Borrower | 4 | 2 | 6 | 3 | 23 | 23 | 0 | 0 | 33 | 7 |
| Moderate-Income Borrower | 39 | 19 | 40 | 23 | 23 | 23 | 0 | 0 | 102 | 22 |
| Middle-Income Borrower | 55 | 27 | 61 | 35 | 28 | 29 | 0 | 0 | 144 | 30 |
| Upper-Income Borrower | 89 | 44 | 57 | 33 | 24 | 25 | 0 | 0 | 170 | 36 |
| N/A | 14 | 8 | 10 | 6 | 0 | 0 | 1 | 100 | 25 | 5 |
| TOTAL | 201 | 100 | 174 | 100 | 98 | 100 | 1 | 100 | 474 | 100 |

Source: 1996 HMDA LAR

N/A = income information on the borrower was not available.

| Table 8 Borrower Distribution of HMDA Loans 1997 (Number of Loans) | | | | | | | | | | |
|---|---------------|------------|------------|------------|-------------------|------------|----------|------------|------------|------------|
| Originations and Purchased HMDA Loans during 1997 | Home Purchase | | Refinances | | Home Improvements | | M/F | | Total | |
| | # | % | # | % | # | % | # | % | # | % |
| Low-Income Borrower | 2 | 2 | 4 | 7 | 19 | 24 | 0 | 0 | 25 | 10 |
| Moderate-Income Borrower | 24 | 24 | 12 | 20 | 28 | 35 | 0 | 0 | 64 | 27 |
| Middle-Income Borrower | 35 | 35 | 11 | 19 | 17 | 22 | 0 | 0 | 63 | 26 |
| Upper-Income Borrower | 36 | 36 | 25 | 42 | 15 | 19 | 0 | 0 | 76 | 32 |
| N/A | 3 | 3 | 7 | 12 | 0 | 0 | 1 | 100 | 11 | 5 |
| TOTAL | 100 | 100 | 59 | 100 | 79 | 100 | 1 | 100 | 239 | 100 |

Source: 1997 HMDA LAR

N/A = income information on the borrower was not available.

Tables 7 and 8 disclose poor penetration among retail customers of different income levels. Only 33 HMDA reportable loans (7%) were originated to low-income borrowers in 1996 and only 25 HMDA reportable loans (10%) originated to low-income borrowers in 1997. This compares poorly with the demographic information for the AA as 27% of the families are low-income. The distribution improves when analyzing HMDA loans to moderate-income borrowers. Twenty-two percent of these loans in 1996 and 27% of these loans in 1997 were originated to moderate-income borrowers. This compares with 19% of the families in the AA being moderate-income. When analyzing the data by HMDA product, home purchase loans to low-income borrowers total only 4 in 1996 and 2 in 1997 representing only 2% for each year for this type of product. Refinances show similar results for low-income borrowers with six such loans originated in 1996 and four in 1997. MNB maintains a reasonable penetration to low-income individuals with respect to home-improvement financing, generating 23% of these types of loans to low-income borrowers in 1996 and 24% of these types of loans in 1997. Once again, the percentages are

skewed due to the small number of loans actually originated and the understated income figures provided on the HMDA reports.

Analysis of the data for the entire evaluation period shown in Table 2 discloses poor performance for home purchase and refinance mortgage loans with only 2% of the home purchase loans and 4% of the refinance loans originating to low-income borrowers. These ratios compare poorly with the level of low-income families within the AA, 27%.

Another reason for this performance level is the gap in lending. When analyzing the 142 census tracts where no applications were received (Table 5), 47% of the families are low-income, 19% moderate-income, 18% middle-income and 16% are upper-income. Table 5 shows MNB is not helping the credit needs of 39% of the low-income families in its AA.

Tables 9 and 10 display MNB's small business lending originations for 1996 and 1997.

| Table 9 Distribution of Small Business Loan Originations in 1996 Within Assessment Area By Loan Size and Business Revenues | | | | | | | | |
|---|-----|------|----------|-------------|-------------------------------|--|----------|-----|
| Loan Size | | | | | Annual Revenues < \$1 Million | | | |
| | # | % | \$ (000) | % | # | %* | \$ (000) | %* |
| less than \$100,000 | 76 | 72% | \$2,755 | 25% | 42 | 55% | \$1,263 | 46% |
| \$100,000 to \$250,000 | 19 | 18% | \$2,253 | 21% | 6 | 32% | \$923 | 41% |
| \$250,000 to \$1,000,000 | 11 | 10% | \$5,933 | 54% | 6 | 55% | \$1,722 | 29% |
| Totals | 106 | 100% | \$10,941 | 100% | 54 | 51% | \$3,908 | 36% |
| Distribution of Businesses in the Assessment Area by Annual Revenues of the Business: | | | | < 1 Million | 51% | *As a percentage of loans of the size category | | |
| | | | | > 1 Million | 44% | | | |
| | | | | Unknown | 5% | | | |

Source: 1996 CRA Disclosure Report

| Table 10 Distribution of Small Business Loan Originations in 1997 Within Assessment Area By Loan Size and Business Revenues | | | | | | | | |
|--|-----|------|----------|-------------|-------------------------------|--|----------|-----|
| Loan Size | | | | | Annual Revenues < \$1 Million | | | |
| | # | % | \$ (000) | % | # | %* | \$ (000) | %* |
| less than \$100,000 | 128 | 81% | \$4,076 | 36% | 71 | 55% | \$1,951 | 48% |
| \$100,000 to \$250,000 | 22 | 14% | \$4,041 | 35% | 6 | 27% | \$1,107 | 27% |
| \$250,000 to \$1,000,000 | 8 | 5% | \$3,300 | 29% | 1 | 13% | \$300 | 9% |
| Totals | 158 | 100% | \$11,417 | 100% | 78 | 49% | \$3,358 | 29% |
| Distribution of Businesses in the Assessment Area by Annual Revenues of the Business: | | | | < 1 Million | 49% | *As a percentage of loans of the size category | | |
| | | | | > 1 Million | 42% | | | |
| | | | | Unknown | 9% | | | |

Source: 1997 CRA Disclosure Report

Tables 9 & 10 disclose that MNB makes a high proportion of its small business loans in small dollar amounts. This is evidenced by 72% of the business loans generated in 1996 originated for less than \$100,000. This number increases to 81% for 1997. However, only one-half of the business loans are made to companies with annual revenues of less than \$1 million. These numbers suggest that MNB has not been particularly active in making loans to small businesses. As noted previously however, MNB has not been responsive to the business needs of its AA.

Flexible and Innovative Products

MNB makes no use of innovative lending practices and offers only one flexible lending product to help serve its assessment area's credit needs. The one flexible product the bank offers is home purchase loans for up to 95% of the value of the property (95%LTV) with PMI. However, for the two years under review, there were 94 such loans, with only 20 inside the AA. Of the 20 inside the AA, 10% or 2 loans went to properties located in low- or moderate-income areas, with the remaining 90% located in middle- and upper-income geographies. The distribution to borrowers of different income levels is 25% or 5 loans, to low- and moderate-income borrowers and 75% to middle- and upper-income borrowers. These numbers are incorporated into the geographic distribution and borrower profile analysis noted above. These levels of distribution reveal that MNB is originating this loan product to middle- and upper-income borrowers purchasing residences in middle- and upper-income geographies. This product has done little to address the home purchase needs of the low- or moderate-income borrowers.

Community Development Lending

MNB has made few community development loans; seven during 1996 and 1997. Two loans on multi-family dwellings, four lines of credit for loan participation pools of Neighborhood Housing

Services (NHS) and one senior citizen housing project. These seven loans total \$2,879,000. The senior citizen housing project is considered complex in nature as the project included various layers of financing. MNB worked closely with the Greater Southwest Development Corporation (GSDC) on this initiative. The other community development loans are considered normal lending activities with little innovation or complexity.

INVESTMENT TEST

MNB's performance under the Investment Test was evaluated in terms of the volume of qualified investments and grants; the level of innovation and complexity associated with the investments; the degree to which the investments and grants responded to the credit and community development needs of the bank's assessment areas; and, the degree to which these investments and activities are not routinely provided by private investors.

Conclusions:

- The bank is adequately responsive to credit and community economic development needs. MNB's assessment area has several community development needs and opportunities due to the distressed condition of many of the low- and moderate-income neighborhoods.
- The number and dollar amount of qualified investments are adequate. They total \$1,708,000 which is 1.9% of Tier 1 Capital.
- The qualified investments are rarely innovative or complex as most are available from the private sector including several other financial institutions who participate in similar investments.

MNB is involved with two community development corporations. These were formed several years ago (Marquette Community Development Corp and GSDC) with financial support from MNB.

The following list represents the activities initiated by MNB:

| | |
|-------------|---|
| \$1,220,000 | MNB purchased low-income housing tax credits for one project initiated through GSDC. |
| \$ 87,000 | MNB participates with Neighborhood Housing Services of Chicago, Inc. (NHS) to provide affordable housing. The following individual 1996 and 1997 NHS activities totaling \$87,000 are qualified investments: <ul style="list-style-type: none">• General Operating Fund contributions to NHS events which support community development efforts (\$38,000),• Chicago Family Housing Fund loan servicing fees (\$39,000), and• Full Cycle Home Ownership Fund contributions for home buyer education and financial counseling for first time home buyers (\$10,000). |

- \$ 250,000 Marquette National Corporation, MNB's holding company, contributed \$250,000 to form the Marquette Community Development Corporation (MCDC) in 1993. The primary purpose of MCDC is to purchase, rehabilitate and sell abandoned property to low- and moderate-income individuals within the area. MCDC rehabilitated and sold two houses during 1996 and 1997. MCDC also purchased bonds to construct the Bread of Life Missionary Baptist Church which is used for various community development services targeted to low- and moderate-income individuals.
- \$ 52,000 MNB contributed to approximately seventy different organizations during 1996 and 1997 for various community development activities.
- \$ 27,000 MNB paid special fees during 1996 and 1997 to the City of Chicago Special Service Area # 3 which funds GSDC activities. GSDC is a leader for economic development on the southwest side of Chicago.
- \$ 72,000 In October 1996, MNB donated a closed branch building and parking lot located in a low income census tract to St. Clare of Montefalco and St. Rita of Cascia churches. It is being used as the Good Counsel Center. The Good Counsel Center provides youth outreach, family support, employment and education, community resource referral and other social and community activities.

MNB is providing qualified investments through the normal course of business. All such investments are considered non-complex. Without MNB purchasing the low-income housing tax credit, the project would not have been successful. MNB was intricately involved in the entire process with the development of the project including participating in the financing and providing financial expertise to GSDC. The donated branch building is considered to be an investment not routinely provided by a private investor.

SERVICES TEST

MNB's performance under the Services Test was evaluated in terms of Retail Banking Services (the accessibility of delivery systems, changes in branch locations and the reasonableness of business hours and services to help meet the assessment area's needs) and the level of community development services provided in the AA.

Conclusions:

- Delivery systems are reasonably accessible to all portions of the AA.
- The opening and closing of branches has generally not adversely affected the accessibility of MNB's delivery systems.
- Services do not vary in a way which inconveniences portions of the AA.
- MNB provides an adequate level of community development services.

Retail Banking Services

Marquette operates 16 branches and 26 automated teller machines (ATM) throughout its AA to deliver banking products and services. These locations are reasonably accessible to the entire AA, including low- and moderate-income (LMI) individuals. Approximately 61% of the families living in moderate-income census tracts are low- and moderate-income. To provide accessible service to this segment, the bank operates five branches and 11 ATM's in LMI census tracts. The distribution of the bank's branches and ATM's are illustrated in Table 11 below.

| Table 11 | | | | | |
|--|----------------------|-----------------|----------------|---------------|----------------|
| Distribution of Branches and ATMs | | | | | |
| Census tracts | | Branches | | ATM's | |
| Income level | Percent in AA | Number | Percent | Number | Percent |
| Low | 30% | 0 | 0% | 1 | 4% |
| Moderate | 29% | 5 | 31% | 10 | 38% |
| Middle | 36% | 8 | 50% | 11 | 42% |
| Upper | 5% | 3 | 19% | 4 | 15% |
| Total | 100% | 16 | 100% | 26 | 100% |

Source: Verified Internal Bank Records

The bank's record of opening and closing branches is reasonable. The bank has closed one branch and opened four since our last CRA examination. Marquette closed their 2900 West 59th Street branch in February 1996. Although this was the bank's only branch located in a low-income

census tract, it was only four blocks from MNB's main office. This branch was acquired when MNB purchased another financial institution, and operated it for 18 months after acquisition. Of the four new branches opened since the last Performance Evaluation, one is in a moderate-income tract and three are in middle-income tracts.

The bank's hours of operation are convenient for customers. All branches are now open Monday through Saturday, and two branches have Sunday hours. Of the two branches with Sunday hours, one is located in a middle-income tract and one in an upper-income tract. Several drive-in facilities are open 7am to 7pm. Marquette opened all branches for business on Wednesdays in November 1997 in order to better serve their customers.

The bank offers numerous loan and deposit products as well as trust services. All products and services are available at all branch locations. MNB has introduced three new products: debit cards, 95% LTV mortgage loan and low opening deposit Individual Retirement Account (IRA). The IRA product only requires \$125 to open (instead of the typical \$1000-\$2000) which is targeted to lower income individuals. Customers can make additional deposits of any amount and have them deducted from their checking account. The product was advertised in the newspaper reaching zip codes surrounding all 16 branches.

Approximately 15% of the bank's assessment area is Hispanic. To accommodate the Spanish-speaking population, the bank has bi-lingual employees at two branches near Hispanic neighborhoods.

In addition to the branching network, MNB has the normal alternative systems for delivering retail banking services to their assessment area. Some of these include:

- In addition to the 26 full service ATM's owned and operated by the bank, customers can obtain cash and make deposits at ATM's the bank does not own. There is no charge for ATM transactions at bank owned ATM's, and customers may conduct four ATM transactions per month at non-bank owned ATM's at no charge.
- The bank operates an automated telephone response system where customers can call and obtain information on their checking accounts. This service is available 24 hours a day.
- The bank offers a Bank-At-School program at one local elementary school located in a moderate-income neighborhood to encourage students to save. A bank employee goes to the school, opens accounts for students and picks up deposits from them weekly.
- Customers can close on their loans at any branch or the customers' home.

Community Development Services

Marquette provides an adequate level of community development services. MNB's primary community development services focus on bank employees and directors serving on the boards of and providing technical assistance to community development organizations. These organizations work to help meet the housing and financial needs of low- and moderate-income individuals and

small businesses. Listed below are examples of community development services the bank provides:

- A MNB officer and a bank director are on the board of the GSDC. This organization focuses efforts on Chicago's southwest neighborhoods. GSDC, in partnership with area banks, constructed a 102 unit senior housing facility occupied by low- and moderate-income individuals. The bank worked with GSDC, providing financial expertise, on this transaction.
- Three bank officers served on four Neighborhood Housing Services (NHS) boards in 1996 and 1997. The focus of NHS is to provide financial and capital resources to low- and moderate-income households. NHS is active in the West Englewood and Chicago Lawn/Gage Park neighborhoods of the bank's assessment area.
- A bank officer is a board member of Metropolitan Family Services (MFS). MFS is an organization providing social services, financial counseling, community development and education to low- and moderate-income families throughout the Chicago area, including southwest Chicago. The bank officer consults with MFS on financial matters and assists with fundraising in his capacity as board member.
- The bank periodically makes their facilities available to community groups to hold meetings or use the bank's phones to conduct fundraising. One such group is the Southwest Community Congress which is an organization of businesses on Chicago's southwest side. During 1997, this group was working on the construction of a local library and two new houses in West Englewood.
- The bank offers five low-cost deposit programs. The \$99 Checking account requires \$99 to open, has unlimited check writing and a \$5 monthly fee if the balance falls below \$99. Budget Checking has a minimum opening deposit of \$100 and a monthly fee of \$7.50. Senior citizens can open a checking account with no minimum balance or monthly fees and free money orders, cashier's checks, utility bill payments, direct deposit, and notary services. Students can open a checking account with \$50. This account does not have a minimum balance requirement and has no monthly service charge. For customers receiving public assistance, Marquette offers Smart Money Checking which has no minimum balance requirements and no monthly service charges. The only requirement for this account is that the public assistance money be directly deposited into the customer's account.

FAIR LENDING REVIEW

The OCC conducted a fair lending examination of MNB concurrently with its CRA exam. During the course of the fair lending examination, the OCC evaluated the bank's 1996 and 1997 HMDA data, its marketing program, and its treatment of individual applicants for home improvement loans. We chose to review loan applications for home improvement files as that product offered the largest pool of HMDA product applicants.

A comparative file review was performed in order to determine if MNB treated black applicants differently than white applicants in underwriting home improvement loans. We compared all home improvement applications from denied black applicants with all of those from approved white applicants. The analysis of information obtained from those loan application files did not reveal that black applicants were treated less favorably than similarly-situated white applicants. The denials were based on negative credit information, high debt to income ratios, and other deficiencies that lenders may legitimately consider.

There is no evidence that the lending gaps are the result of discrimination.

The evaluation of the HMDA data showed that the bank received fewer HMDA product loan applications and made fewer originations in predominantly black and Hispanic areas than in predominantly white areas. We attempted to determine how the bank marketed its loan products and whether the bank selectively marketed to predominantly white areas. We found no evidence of selective marketing efforts or techniques.

The review of the bank's marketing program revealed that MNB does not market HMDA loan products to any market segment. It does not engage in any direct mail or pre-approved solicitations nor does it advertise in any broadcast media. The bank advertises its branch locations and telephone numbers in yellow pages for the entire city of Chicago, in some local neighborhood directories in suburban areas where it has branches and where its main branch is located, and in one Hispanic directory, "Guia." The bank does advertise in many Chicago newspapers, such as the Chicago Sun-Times and the Chicago Tribune, but it does not market HMDA loan products in them. The canvass of realtors located in close proximity to MNB's main office revealed that only one had conducted any business with the bank. There was no indication that the bank makes calls on local realtors to solicit mortgage loan business. It does not appear that the overall pattern of marketing and advertising provides any one racial or ethnic group significantly better access to credit.