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Public Disclosure

January 11, 1999

Community Reinvestment Act Performance Evaluation

FIRST NATIONAL BANK OF MORTON GROVE
Charter No. 14662

6201 West Dempster
Morton Grove, Illinois 60053

Office of the Comptroller of the Currency
One Financial Place, Suite 2700
440 S. LaSalle Street
Chicago, Illinois 60605

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.

Table of Contents

General Information	3
Description of Institution	4
Conclusions with Respect to Performance Test	
Lending Test	8
Investment Test	18
Service Test	19
Fair Lending Review	21

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 **The First National Bank of Morton Grove** prepared by **The Office of the Comptroller of the Currency**, the institution’s supervisory agency, as of **January 11, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than by 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.

Institution’s CRA Rating: This institution is rated “**Satisfactory record of meeting community credit needs**”.

The following chart indicates the performance level of **The First National Bank of Morton Grove** with respect to the lending, investment, and service tests.

Performance Levels	The First National Bank of Morton Grove Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	X	X
Needs to improve			
Substantial noncompliance			

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

Description of Institution

The First National Bank of Morton Grove (FNBMG) is a wholly owned subsidiary of MidCity Financial Corporation (MCFC), a \$1.6 billion multi-bank holding company. MCFC is the parent corporation of four additional banks. They include: Mid-City National Bank of Chicago, Chicago, Illinois; First National Bank of Elmhurst, Elmhurst, Illinois; Union Bank and Trust Company, Oklahoma City, Oklahoma; and Abrams Centre National Bank, Dallas, Texas. MCFC also owns one non-bank data processing subsidiary. FNBMG is the third largest affiliate in the group.

FNBMG's head office has been located in the northwestern suburb of Morton Grove of Cook County since it was first chartered in 1951. The bank operated out of a Lincoln Street building until 1957. In 1957, its present location was occupied. A drive-in facility was completed in 1969. The first branch was acquired in July 1998.

Branch locations are supplemented by 3 automatic teller machines (ATMs). Two ATMs are detached. Other alternative delivery systems include automated telephone banking in which customers can access loan and deposit information 24 hours a day.

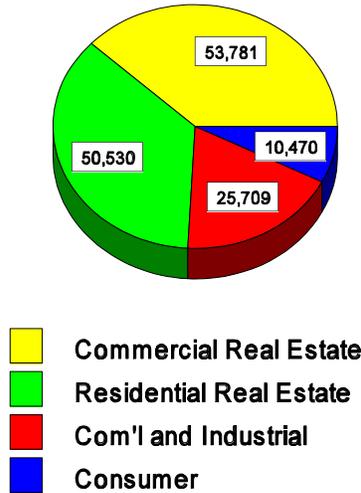
FNBMG provides a full range of retail and commercial bank products. The bank has historically focused on commercial business and therefore, the bank's loan portfolio is heavily weighted toward commercial loan products.

This evaluation considered the bank's performance since the last examination, dated April 11, 1996, at which the bank received a Satisfactory rating. The current evaluation reflects lending performance from January 1, 1997 thru December 31, 1998. The bank's investment and service test performances are from May 1, 1996 thru December 31, 1998.

There are no current impediments which would hamper FNBMG's ability to meet the credit needs of its communities. For the nine months ending September 30, 1998, FNBMG had a net income of \$2.6 million. As of September 30, 1998, the bank had total assets of \$279 million and the loan-to-deposit ratio was 56%. Loans represented 50% of total assets and commercial lending represented 57% of total loans. **Figure I** displays the distribution of the loan portfolio as of September 30, 1998:

Loan Portfolio Distribution

Figure 1 (000's)



DESCRIPTION OF ASSESSMENT AREA

The assessment area is comprised of the northern portion of the political subdivision of Cook County, which is a portion of the Chicago Metropolitan Statistical Area (MSA 1600). This assessment area represents 615 census tracts. The assessment area is comprised of the municipality of Morton Grove, the municipalities surrounding this town, and the northern section of the City of Chicago. This assessment area includes census tracts where the bank has its branches and where a substantial portion of the bank's loans have been originated.

Per 1990 census data, **Table 1** displays significant demographic information regarding FNBMG's assessment area:

Table 1 Overall Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population	2,539,652	8%	23%	38%	31%
Households	991,555	7%	21%	39%	33%
Census Tracts	615	12%	24%	35%	29%
Owner Occupied Housing	526,023	2%	13%	43%	42%
Small Businesses	102,507	5%	16%	37%	42%

Note: The demographic information presented in this table is based on census tracts.

According to the 1990 U.S. Census, the assessment area consists of 1,064,090 housing units. Forty-nine percent of these units are owner occupied, 44% are rental and 7% are vacant housing units. The median housing value is \$159,668. The median year built of housing in the assessment area is 1954.

The 1990 U.S. Census reveals that there are 622,806 families within the bank's assessment area. Twenty percent of the families are low-income, 17% are moderate-income, 23% are middle-income, and 40% are upper-income. The HUD adjusted median 1998 family income for the assessment area is \$59,500.

Overall economic conditions in the assessment area are good and stable. Unemployment for Cook County was 4.3% in December of 1998, which is slightly higher than the national average of 4.0%. The employment base is diversified with numerous employment opportunities. Thirty-nine Fortune 500 companies are located within the State of Illinois, 21 of which have their headquarters within Cook County.

City of Chicago

Although the bank does not have a branch location within the City of Chicago, 60% of the assessment area's census tracts are in the city. This portion of the assessment area that relates to the City of Chicago is dramatically different in terms of its demographic make-up of the population, income levels, and the nature of housing stock. The Chicago portion of the assessment area has a significant percentage of low- and moderate-income census tracts when compared to suburban portion of the assessment area. The 1990 U.S. Census revealed that within the assessment area 100% of the low-income tracts and 93% of the moderate-income census tracts are within the City of Chicago.

Thirty-nine percent of the owner occupied housing within the assessment area is in the City of Chicago. The housing stock within Chicago is somewhat older than the rest of the assessment area. The median year built for housing units in the remainder of the assessment area was 1963. In Chicago, the median year built for housing units was 1946. As of December of 1998, the unemployment rate for the City of Chicago, at 5.2%, was higher than the national average.

Cook County Excluding Chicago

The remainder of the assessment area is suburban. This area is generally stable, prosperous, and is experiencing fairly constant growth. The unemployment rate is lower than the national average, at 3.5%. The suburban census tracts are overwhelmingly middle- or upper-income.

Similarly Situated Banks

FNBMG's principal business activities are highly competitive. The bank competes actively with other financial service providers offering a wide array of financial products and services. Competitors include other national and state banks, savings banks, savings and loan associations, finance companies, insurance companies, and various nonfinancial intermediaries.

Similarly situated banks for the assessment area include Albany Bank and Trust Company, N.A., Chicago, Illinois, Bank of Lincolnwood, Lincolnwood, Illinois, Devon Bank, Chicago, Illinois, and Park National Bank and Trust, Chicago, Illinois. These banks are independently owned, range from \$200 million to \$600

million in total assets, serve similar market areas, and primarily have a commercial lending focus.

Credit Needs

Based on the size and location of the bank's assessment area, credit and community development needs are numerous and varied. Significant credit needs include affordable housing (low down payment loans and down payment assistance), multi-family loans, consumer, and small business loans (to maintain economic viability). These needs were identified through several community contacts with housing, economic and government representatives contacted by banking regulatory agencies in the past 24 months.

Conclusions with Respect to Overall Performance Tests

LENDING TEST

The lending test is the most influential consideration in evaluating the bank's CRA performance. Consideration is given to the bank's origination of credit within its assessment area; the extension of credit to low- and moderate-income areas within the assessment area; the level of credit provided to low- and moderate-income borrowers, small businesses, farms, and credit provided for community development. Per the bank's request consumer data was reviewed. More weight was placed on the bank's small business lending performance due to the bank's historical commercial lending focus. Based on the bank's size and resources, our review found that FNBMG's lending activity demonstrates:

- C an adequate responsiveness to credit needs in its assessment area;
- C a reasonable level of loans to low- and moderate-income census tracts within the assessment area;
- C a high percentage of loans made within the assessment area;
- C a good distribution of loans among borrowers of different income levels;
- C adequate use of flexible credit products; and
- C a limited level of community development lending.

Performance Criteria:

Lending Activity

FNBMG's lending volume is adequate. As of September 30, 1998, the loan-to-deposit ratio was 56%. This ratio is lower than other peer banks, which average 68%. Peer banks include all banks within Cook County with total assets between \$200 million to \$600 million, and have a commercial loan base of at least 20%. Eleven banks fit into this custom peer group.

Although FNBMG originates a wide variety of loans, it has historically been primarily a commercial lender. As reflected in **Figure 1**, 57% of the loan portfolio is in commercial loans. Further, the bank experienced significant growth (13%) within the last twelve months, primarily within the commercial and commercial real estate loan portfolios. Since the bank's branch locations are limited to Morton Grove, most of bank's small business is generated thru officer calls and referrals. Thirty-six percent of the loan portfolio is residential real estate. However, a significant amount of these residential loans is investor property.

As shown in **Table 2**, the bank is not an active home mortgage lender, primarily due to the lack of expertise needed to effectively offer these products. The bank does not actively advertise for residential mortgages. As such, the bank's mortgage product lines have not been as extensive as that of other financial institutions. Further, there is steep competition from many larger multinational banks, regional banks and mortgage companies. Aggregate market data for 1997 HMDA activity revealed that 104,455 owner occupied

HMDA loans were originated within the bank’s assessment area, with FNBMG originating only 44 (.04%) of HMDA reportable loans. The market share data revealed that leaders are several multinational and regional banks. The five banks reflecting the highest market share within the assessment area include; LaSalle Bank FSB with 6% market share, First Chicago NBD Mortgage Company, Norwest Mortgage and Chase Manhattan Mortgage Company each with 3% market share, and Citibank FSB with 2% market share.

As shown in **Table 2**, the level of loans originated **within** the assessment areas is very good.

Table 2				
Loan Originated Inside the Assessment Area				
	Home Mortgage	Small Business	Consumer	Total
Number				
Loans Inside the Assessment Area	145	286	947	1,378
Total # of Loans	201	371	1,258	1,830
% Inside the Assessment Area	72%	77%	75%	75%
Dollars (000's)				
Loans Inside the Assessment Area	16,487	36,033	20,655	73,175
Total \$ Amount of Loans	25,273	49,628	25,781	100,682
% Inside the Assessment Area	65%	73%	80%	73%

Source: 1997 and 1998 HMDA-LAR; 1997 and 1998 Small Business/Farm Data Collection Register and Consumer Data Register. The Home Mortgage category includes non owner occupied.

Geographic Distribution

Overall, FNBMG’s geographic distribution of home mortgage loans and small business loans, within the assessment area, is reasonable, given the assessment area characteristics. The geographic distribution of consumer loans was not good given the assessment area characteristics. The dispersion of lending within the assessment area is reasonable considering the bank’s size and resources.

Home Mortgage Loans

The distribution of credit to low- and moderate-income tracts appear negative when compared to the census tract characteristics of the assessment area. **Table 3** shows that FNBMG originated only 7% in 1997 and 0% in 1998, to low- income tracts. Only 2% of all owner occupied units within the assessment area are located in low-income census tracts. Further, 85% of the housing within the low-income census tracts are either renter occupied (68%) or vacant (17%). In 1997 and 1998 respectively, 14% and 2% of the bank’s home mortgages were made in moderate-income areas. While the level of owner occupied housing is somewhat better in the moderate-income census tracts at 13%, the percentage of rental and vacant units continues to be high, at 69%. As stated in the *Description of the Assessment Area* section, these census tracts are located within the City of Chicago where the bank does not have a branch. Therefore, the lack of a physical presence, as well as, steep competition from other financial institutions

make it difficult for the bank to penetrate this area.

Table 3											
Home Mortgage Loans By Income Level of Census Tract											
Income Level of Census Tract	1997				1998				Assessment Area Characteristics		
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	% of Owner-Occupied Units	% of Census Tracts	
Low	3	7%	182	4%	0	0%	0	0%	2%	12%	
Moderate	6	14%	509	11%	1	2%	123	3%	13%	24%	
Middle	9	20%	829	17%	19	41%	1,713	39%	43%	35%	
Upper	26	59%	3,307	68%	26	57%	2,599	58%	42%	29%	
Total	44	100%	4,827	100%	46	100%	4,435	100%	100%	100%	

Source: 1997 and 1998 HMDA-LAR. Only owner-occupied lending is reflected in this table.

Market share for home mortgage lending reflects FNBMG as number 248 amongst 690 lenders within the assessment area. However, FNBMG is better than other similarly situated banks in market share, within the assessment area. Please refer to the *Lending Activity* section of this Disclosure for further explanation of the bank's home mortgage market share.

Table 4 further details FNBMG's home mortgage activity by product type.

Table 4							
Geographic Distribution of Mortgage Loans By Product Type							
Income Level of Census Tract	1997 and 1998 Combined						Assessment Area Characteristics
	Home Purchase		Refinance		Home Improvement		% of Owner Occupied Units
	#	%	#	%	#	%	
Low	2	7%	1	2%	0	0%	2%
Moderate	1	3%	6	14%	0	0%	13%
Middle	10	35%	13	30%	5	29%	43%
Upper	16	55%	24	54%	12	71%	42%
TOTAL	29	100%	44	100%	17	100%	100%

Source: 1997 and 1998 HMDA - LAR. Only includes owner-occupied loans.

Refinanced home mortgage lending was most active. Within this product type, the bank's lending is comparable to the owner-occupied characteristics in low- and moderate-income census tracts. The bank's home purchase and home-improvement activity is unfavorable when compared to moderate-income owner occupancy characteristics. As discussed within the *Description of Assessment Area*, the bank's residential loan products are not competitive, primarily due to the steep competition from much larger financial institutions and the lack of expertise to offer the various lending products. The bank is not an active multi-family lender.

The bank originated 52 non-owner occupied 1-4 family home loans in 1997 and 1998 within the assessment area. One of these loans was originated in a low-income census tract and 13 were originated within moderate-income census tracts. These loans provide additional rental opportunities for persons residing in low- and moderate-income areas.

Small Business Loans

FNBMG's small business lending market share is good considering its size and resources. When comparing the bank's 1997 small business market share to other lenders within the assessment area, FNBMG ranks 64 out of 325 lenders, with a market share of .27%. Further, the bank's 1997 small business market share is good in low- and moderate-income census tracts. FNBMG ranked 30th, with a market share of .24% in the number of small business loans originated in low- income census tracts within the assessment area. It's performance was better than similarly situated banks within the low-income census tracts. The bank's small business lending performance was adequate in moderate-income census tracts, as the bank's market share was .18%, ranking 45th in the total number of small business loans originated. However, the bank's performance was not as good as the other similarly situated banks.

Table 5, below, reflects that the percentage of loans originated in low- and moderate-income tracts does not compare favorably to the small business assessment area characteristics for these census tracts. The bank originated 9% of its small business loans in low- and moderate-income census tracts in 1997. However, the bank's performance improved in 1998, as 16% of its small business loans were originated within low- and moderate-income census tracts. Twenty-one percent of the small businesses, within the assessment area, are located in low- and moderate-income census tracts. Since the bank's branch locations are limited to Morton Grove, most of bank's small business is generated through officer calls and referrals. Considering the steep competition from much larger financial institutions, the bank's originations of small business loans in low- and moderate-income areas is reasonable.

Table 5 Small Loans to Businesses By Income Level of Census Tract									
Income Level of Census Tract	1997				1998				Distribution of Small Businesses
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	% of Census Tracts
Low	4	3%	978	7%	3	2%	615	3%	5%
Moderate	9	6%	2,037	13%	19	14%	2,565	12%	16%
Middle	65	44%	5,894	38%	66	47%	8,449	41%	37%
Upper	69	47%	6,510	42%	51	37%	8,985	44%	42%
Total	147	100%	15,419	100%	139	100%	20,614	100%	100%

Source: 1997 and 1998 Small Business Data Collection Register.

Consumer Loans

As shown in **Table 6**, the bank's geographic distribution of consumer loans does not compare favorably to the population characteristics. In 1997 and 1998, the bank originated 24% and 10%, respectively, of its consumer loans in low- and moderate-income census tracts. Thirty-one percent of the bank's population is low- and moderate-income census tracts.

Consumer originations were significantly lower in 1998 due to the discontinuance of indirect automobile lending. In 1997, the bank originated 620 automobile loans which represent 80% of the bank's consumer loan originations. In 1998, the bank only originated 70 automobile loans which represented 40% of the bank's total consumer originations. Another 65 loans (39%) of the bank's originations were home equity loans. The bank actively advertises home equity and automobile loans.

Our analyses revealed that originations of home mortgage, consumer and small business loans in low- and moderate-income tracts, were sporadic, however, mainly concentrated on the north side of the City of Chicago. This dispersion of all loans is reasonable since the bank does not have branches located in low- and moderate-income areas. Further, the low- and moderate-income tracts have a significant percentage of rental units. The owner occupancy is particularly low in low-income census tracts, at 15%.

Table 6 Consumer Loans By Income Level of Geography									
Income Level of Census Tract	1997				1998				Population Characteristics
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	% of Census Tract
Low	22	3%	208	1%	1	1%	2	<1%	8%
Moderate	162	21%	1,530	11%	15	9%	184	3%	23%
Middle	421	54%	6,314	45%	63	36%	1,997	31%	38%
Upper	168	22%	6,085	43%	95	54%	4,335	66%	31%
Total	773	100%	14,137	100%	174	100%	6,518	100%	100%

Source: 1997 and 1998 Consumer Loan Data Collection Register.

Borrower Characteristics

We evaluated loans by borrower characteristics to determine the extent that FNBMG provides loans to low-and moderate-income borrowers and small businesses. This analysis revealed that the distribution of FNBMG's home mortgages to low-and moderate-income borrowers is reasonable when compared to the income distribution of the assessment area's families. The analyses also revealed that an adequate level of small loans are provided to businesses with revenues less than \$1 million. The bank also makes an adequate number of small business loans that are less than \$100 thousand. Consumer lending to low-and moderate-income borrowers is very good.

Home Mortgages

The distribution of home loans among borrowers of various income levels is reasonable considering the bank's size and resources. Lending to low-and moderate-income borrowers is slightly below the family income distribution characteristics in 1997. However, FNBMG's performance with regard to low-and moderate-income borrowers improved in 1998. **Table 7** reflects that within the entire assessment area, the bank extended 21% and 32%, in 1997 and 1998 respectively, to low- and moderate-income borrowers. Thirty-seven percent of the families within the assessment area are low- and moderate income.

Table 7 Home Mortgage Loans By Borrower Income									
Borrower Income Distribution	1997				1998				Assessment Area Characteristics
	#	%	\$(000's)	%	#	%	\$(000's)	%	% of Families
Low	3	7%	182	4%	7	15%	536	12%	20%
Moderate	6	14%	509	11%	8	17%	603	14%	17%
Middle	9	20%	829	17%	10	22%	1,029	23%	23%
Upper	26	59%	3,307	68%	21	46%	2,267	51%	40%
Total	44	100%	4,827	100%	46	100%	4,435	100%	100%

Source: 1997 and Year-to-date 1998 HMDA - LAR . Includes only owner-occupied units.

Small Business Lending

A review of demographic data revealed that 72% of the 102,507 businesses in the assessment area have revenues less than \$1 million. The distribution of FNBMG's loans to small businesses revealed an adequate level of lending to businesses having revenues less than \$1 million. In 1997, 46% of the small business loans within the assessment area were made to businesses having less than \$1 million in annual revenues. The amount of small business lending with revenues less than \$1 million in annual revenues increased slightly in 1998 to 53%. The significant number of small business loans with unknown revenues contribute to the moderate percentages. For 1997 and 1998, 18% and 27% of the small business loans had unknown revenues.

Based on our review of the 1997 and 1998 Small Business Data Collection Registers, FNBMG's distribution of small business loans to borrowers of varying sizes is significant. As presented in **Table 8**, 76% of the loans, within the assessment area, were less than \$100,000. For 1998, originations decreased to 56% of the loans made to small business borrowers in amounts less than \$100,000.

Table 8 Distribution of Small Business Loan Originations in 1997 and 1998 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size (all borrowers)					Annual Revenues < \$1 Million			
1997	#	%	\$ (000's)	%	#	%*	\$ (000's)	%*
less than \$100,000	113	76%	\$3,770	25%	48	42%	\$1,755	47%
\$100,000 to \$250,000	17	12%	\$2,827	18%	10	59%	\$1,649	58%
\$250,000 to \$1,000,000	17	12%	\$8,822	57%	9	53%	\$4,890	55%
Totals	147	100%	\$15,419	100%	67	46%	\$8,294	54%
1998								
less than \$100,000	78	56%	\$3,314	16%	50	64%	\$1,968	59%
\$100,000 to \$250,000	34	24%	\$6,111	30%	16	47%	\$2,928	48%
\$250,000 to \$1,000,000	27	20%	\$11,189	54%	9	33%	\$3,546	32%
Totals	139	100%	\$20,614	100%	75	53%	\$8,442	41%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:				< 1 Million 72 % > 1 Million 11 % Unknown 17%	*As a percentage of loans of the size category			

Source: 1997 and 1998 Small Business Data Collection Register.

Consumer Lending

Table 9 reveals that consumer lending to low- and moderate-income borrowers has been very good when compared to the assessment area characteristics. The lending activity to low- and moderate-income borrowers is especially impressive in 1997. Fifty-four percent of consumer loans were extended to low-and moderate-income borrowers. The bank's performance declined somewhat in 1998 due to the discontinuance of the bank's third party automobile paper.

Table 9 Consumer Loans By Borrower Income									
Borrower Income Distribution	1997				1998				Assessment Area Characteristics
	#	%	\$(000's)	%	#	%	\$(000's)	%	% of Families
Low	196	25%	1,837	13%	31	18%	448	7%	20%
Moderate	222	29%	2,626	19%	39	22%	812	12%	17%
Middle	87	11%	2,419	17%	31	18%	1,577	24%	23%
Upper	81	11%	5,231	37%	52	30%	2,867	44%	40%
Not Available	187	24%	2,024	14%	21	12%	814	13%	0%
Total	773	100%	14,137	100%	174	100%	6,518	100	100%

Source: 1997 and 1998 Consumer Loan Data Collection Register.

Community Development Lending

FNBMG extended a limited number of community development loans during the evaluation period. One multi-family residence was financed within a moderate-income census tract. Although shown as small business loans, FNBMG provided several loans totaling \$230,000 to a community organization whose primary purpose is to provide support services and housing for mentally challenged adults. Individuals served by this group are considered low- and moderate-income.

Innovative or Flexible Lending Practices

FNBMG makes adequate use of flexible loan programs that benefit low- and moderate-income borrowers or census tracts. These programs have been instrumental in providing affordable lending for consumer purposes and small business development.

- ! **Smart Equity:** This home equity loan allows a generous 14 year term and no up-front costs or annual fees. The customer may switch between fixed or variable interest rates and choose either fixed monthly or interest-only payments. There are no points and no closing costs. A loan-to-value of 80% is required. FNBMG has extended 252 of these loans in 1997 and 1998.

- ! **Fixed Rate Equipment Loans:** In June of 1998, the bank initiated a commercial product which provides 100% financing for equipment loans. Three small business loans have been extended under this program.

- ! **Small Business Administration Low DOC Program:** This government guaranteed program allows for shorter application and approval time. During this evaluation period the bank has originated 1 loan, totaling \$80,000.

INVESTMENT TEST

In its investing activities, FNBMG exhibits adequate responsiveness to credit and community development needs. This conclusion is based on the needs and opportunities within the area identified through community contacts and the bank's size and financial capacity. The bank provides investments in its communities through cash and in-kind contributions and grants to several organizations serving low- and moderate-income residents in its assessment area. Total qualifying investments during this evaluation period total \$124,998. Specific noteworthy investments include:

- ! In January 1999, the bank placed a \$100,000 deposit with a Community Development Financial Institution which primarily supports a distressed area on the west side of the City of Chicago within the bank's assessment area. This investment qualifies FNBMG for the Bank Enterprise Award.

Additional donations and grants were provided to organizations with a primary purpose of community development. FNBMG contributed to 4 different community development organizations, totaling \$24,998 during the evaluation period.

SERVICE TEST

FNBMG serves the needs of its community through various service-oriented activities. This conclusion is based on the following:

- C FNBMG employs various delivery systems which make products and services reasonably accessible to individuals of different income levels.
- C Branch offices are reasonably accessible to geographies and individuals of different income levels within the assessment area considering the bank's size and resources. Branch hours are reasonable.
- C FNBMG provides an adequate level of community development services.

Retail Banking Services

First National Bank of Morton Grove has 2 offices (including the main office) both of which are located in the Village of Morton Grove. **Table 10** depicts the census tracts and income levels of the individuals served by the bank's 2 branch offices.

Table 10			
Distribution of Branches by Census Tract Served			
Income Level of Census Tract	Branches		Assessment Area Characteristics
	#	%	Distribution of Tracts
Low	0	0%	12%
Moderate	0	0%	24%
Middle	1	50%	35%
Upper	1	50%	29%
Unavailable	NA	NA	NA
Total	2	100%	100%

As shown in **Table 10**, the bank's 2 offices are located in a middle and upper income census tract; however, our analyses reveal that within the immediate surrounding area of the branches, a small segment of low- and moderate-income families are served. The immediate areas surrounding the branches include Morton Grove, Niles, Park Ridge, Glenview, Lincolnwood, and Skokie. Specifically, 9% of the families within this portion of the assessment area are low- income and 14% are moderate-income.

Products and services are fairly consistent for both branch locations. FNBMG's hours are generally tailored to the needs of the surrounding area. Hours of operation are fairly consistent throughout the bank's assessment area. Both of the branches maintain Saturday hours. Additionally, both branches have drive-up and walk-up facilities which offer extended hours.

The bank maintains 3 ATM machines and customers have access to 13 affiliate owned ATM's. The bank subscribes to the Cash Station network which enables customers to transact banking through a large number of ATM machines through out the bank's assessment area and nationwide.

Alternative Delivery Systems

The bank's alternative delivery systems make services more accessible. These programs enhance the overall delivery of products to the market as a whole. In addition to the ATM network, these systems include an automated telephone banking system known as Personal Automated Teller (PAT) and Loan by Phone for home equity lines of credit. Using PAT, customers can obtain loan and deposit information 24 hours a day via a toll-free number. Customer initiated transactions may include: account balance inquiries, funds transfers, loan payments and rate information. Additionally, loan originators are willing to accept applications over the telephone. As part of the bank's service to the multi-ethnic communities it serves, bank employees utilize a foreign language directory in order to provide assistance to non-English speaking customers. Bank personnel speak 10 different languages. This allows the bank to provide better customer service as it gives the bank the ability to have a translator join in on conversations with customers.

We did not place significant weight on the alternative delivery systems when drawing our CRA performance conclusions because no data was available to determine the effectiveness of delivering retail banking services to low- and moderate-income census tracts and to low-and moderate-income individuals.

Community Development Services

Several bank employees offer community development services to organizations that have as their primary purpose economic development or revitalization. Their involvement is to provide technical assistance, develop programs to provide lending, and inform the community about credit and deposit products.

- C An officer of the bank serves as a member of the Auxiliary of Orchard Village. This organization provides housing and other services for mentally challenged individuals within the community.
- C Two representatives of senior management each serve as members of the Glenview Chamber of Commerce and the Morton Grove Chamber of Commerce. Members of these organizations discuss various financial related issues related to economic development of the Glenview area and the Village of Morton Grove.

FAIR LENDING REVIEW

We conducted a fair lending examination to determine if all applicants that applied for refinancing of home loans were treated similarly. Specifically, we determined if the rates and terms granted to approved borrowers of the prohibited basis group were similar to other approved loan borrowers. We found no evidence of discrimination.