



## **PUBLIC DISCLOSURE**

March 3, 2014

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Great Lakes Bank, National Association  
Charter Number 12779

13057 South Western Avenue, Blue Island, IL 60406

Office of the Comptroller of the Currency

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.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

- The bank's community development performance demonstrates excellent responsiveness to community development needs throughout the assessment area.
- Lending in the bank's assessment area (AA) is satisfactory with a majority of small business lending originated or purchased inside the AA.
- Borrower distribution reflects reasonable penetration among businesses of different revenue sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The bank's loan to deposit ratio is reasonable.
- There have been no complaints relating to the bank's Community Reinvestment Act (CRA) performance during this evaluation period.

## **Scope of Evaluation**

Great Lakes Bank N.A. (GLB) was evaluated under the Intermediate Small Bank examination procedures, which included a Lending Test and a Community Development (CD) Test. The lending test evaluates the bank's record of meeting the credit needs of its AA through lending activities. GLB's primary loan type is loans to small businesses, making up approximately 80 percent of all loan originations during the loan-sampling period. The loan-sampling period is from January 1, 2011 through December 31, 2013. The CD Test evaluates the bank's responsiveness to CD needs of its AA through CD lending, qualified investments, and CD services. We reviewed CD activity from January 31, 2011 to March 3, 2014, consistent with the CRA evaluation period.

Due to the bank's asset size, they are not required to collect and report data on small business, small farm, and community development loans. Therefore, we used a sample of 56 small business loans originated during the sampling period to assess small business lending performance. The bank collects and reports data on home mortgage loans under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was not relied upon in this evaluation because home mortgage lending is not the bank's primary loan product.

## Description of Institution

GLB, with total assets of \$576 million as of December 31, 2013, is a full service commercial bank headquartered in Blue Island, Illinois. GLB is a wholly owned subsidiary of Great Lakes Financial Resources, Inc., a one-bank holding company located in Matteson, Illinois. GLB was rated “Outstanding” at the previous CRA Evaluation dated January 31, 2011.

GLB is an intrastate bank with six full service banking center locations and two drive-up locations. Of the six full service branches, one is located in a moderate-income geography, four in middle-income geographies, and one in an upper-income geography. Of the two drive-up facilities, one is located in a moderate-income geography and one is located in a middle-income geography. All eight banking offices are located in Cook and Will Counties. The counties are contiguous and located in the Chicago-Naperville-Joliet Metropolitan District. Since the last evaluation, the bank closed two locations, both of which were in middle-income geographies.

In addition to branches, the bank has eight automated teller machine (ATM) locations located at each office location with 24-hour access to deposit accounts. Other services include remote-deposit capture, mobile banking, and 24-hour telephone and Internet banking. The following table details the bank’s branch and ATM distribution by geography income level.

Distribution of Bank Offices and ATM's by Geographies						
Geography Income Level	Geographies in AA		Banking Locations*		Automated Teller Machines	
	#	%	#	%	#	%
Low	39	11.82%	0	0.00%	0	0.00%
Moderate	99	30.00%	2	25.00%	2	25.00%
Middle	120	36.36%	5	62.50%	5	62.50%
Upper	72	21.82%	1	12.50%	1	12.50%
<b>Total</b>	<b>330</b>	<b>100.00%</b>	<b>8</b>	<b>100.00%</b>	<b>8</b>	<b>100.00%</b>

\* Includes all branch and drive-up locations.

The bank’s business strategy is to provide its customers with a full range of deposit and lending products and services consistent with the community needs. As of December 31, 2013, the loan portfolio primarily consisted of commercial and commercial real estate loans (48 percent) and residential real estate loans (37 percent).

During the evaluation period, the bank faced financial challenges consistent with the recent nationwide recession. As a result, in 2011, the bank entered into a Formal Agreement with the Comptroller of the Currency that focused on improving credit risk management and overall credit quality. The Formal Agreement was subsequently terminated in mid-2012 when the bank’s practices and condition improved. As of December 31, 2013, Tier 1 Capital represented 10 percent of average total assets. The bank is financially capable of meeting requests for credit, subject to sound underwriting criteria and certain legal restrictions applicable to all national banks.

## Description of Assessment Area

Demographic Information for Full Scope Area: Cook and Will Counties					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	330	11.82	30.00	36.36	21.82
Population by Geography	1,410,409	08.55	28.58	38.80	24.06
Owner-Occupied Housing by Geography	380,667	04.35	24.40	42.85	28.40
Business by Geography	98,893	05.55	23.74	40.88	29.82
Farms by Geography	1,557	03.60	18.37	41.10	36.93
Family Distribution by Income Level	356,085	18.94	17.80	24.59	38.67
Distribution of Low and Moderate Income Families throughout AA Geographies	130,830	08.57	28.77	38.81	23.85
Median Family Income	72,747	Median Housing Value		\$202,348	
HUD Adjusted Median Family Income (2011)	76,200				
FFIEC Adjusted Median Family Income (2012)	77,300				
FFIEC Adjusted Median Family Income (2013)	73,400				
Households Below Poverty Level	12%				

Source: 2010 US Census Data, 2011 HUD updated Median Family Income (MFI) and 2012 & 2013 FFIEC updated MFI

The above table provides basic demographic information based on the income level of geographies and families within the AA.

The bank's AA has expanded slightly since the prior CRA Public Evaluation. GLB's former AA contained 262 geographies. GLB's AA now consists of 330 geographies in the southeastern portion of Cook County (286 geographies) and the northeastern portion of Will County (44 geographies). The AA is consistent with CRA regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. The AA includes geographies in which the bank has branches and where a substantial portion of the bank's loans are originated. The bank does not have a presence in low-income geographies, but their presence in moderate-income geographies within the AA is adequate.

According to the 2010 census, the AA has 356,085 families and a population of 1,410,409. Approximately 37 percent of AA families are low- or moderate-income, and approximately 37 percent of the AA population lives in low- or moderate-income geographies. Furthermore, 12 percent of the households within the bank's AA falls below the poverty level.

Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, numerous small community banks, credit unions, and non-bank financial service providers. According to the FDIC Deposit Market Share Report for Cook and Will counties, as of June 30, 2013, GLB ranks 42<sup>nd</sup> in deposit market share

out of 158 financial institutions with 0.20 percent of the market. Major industries in the AA are services, retail trade, construction and finance, insurance and real estate.

The overall economy of the South Suburban Chicago area, including GLB's AA, has declined in recent years due increased foreclosures, high unemployment, and decreasing land and building values. These facts were reiterated by a community contact interviewed during the course of our evaluation. The December 2013 unemployment rates for Cook and Will County was 8.6 percent and 8.4 percent, respectively. At the same time, the unemployment rate for Illinois and the United States was 8.6 percent and 6.7 percent, respectively.

The community contact that was interviewed is an Executive Director of a not for profit organization that works with poverty level and low-income individuals, from infants to adults, who are developmentally disabled. Our contact indicated that fundraising efforts have been negatively impacted by the recent adverse economic conditions, as they are dependent upon State funds and donations. They also stated that there is a need for small business loans to put residents back to work, and residential loan modifications to stop the run of foreclosures and keep families in their homes. The contact expressed that local financial institutions and lenders are always receptive and willing to assist the community and are committed to the development of the communities. The contact identified three banks, in particular, that have been helpful to the organization during these difficult economic times. GLB was one of the institutions identified, particularly for being very creative in trying to help the organization's funding problems.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The bank's performance under the Lending Test is rated "**Satisfactory.**"

#### **Loan-to-Deposit Ratio**

GLB's quarterly average loan to deposit ratio is reasonable at 51.84 percent for the 12 quarters ended December 31, 2013. The bank's loan-to-deposit ratio was the third lowest among twenty similarly situated financial institutions, with an average loan-to-deposit ratio of approximately 71 percent, based on FFIEC Call Report data. The bank's loan-to-deposit ratio has been steadily declining since 2011, when the bank's net loan losses peaked. At that time, management scaled back on the volume of lending and began focusing more closely on improving credit quality. The other institutions used for comparison were located in Cook and Will counties, with total assets ranging from \$200 million to \$1 billion. These institutions, like GLB, were primarily commercial lenders with spikes in net loss rates over the evaluation period.

**Lending in Assessment Area**

GLB’s lending in its AA is satisfactory. A majority of the number and dollar amount of small business loans originated during the review period were within its AA. As depicted in the table below, lending in the AA was 71 percent by number and 67 percent by dollar.

<b>Lending in GLB’s AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Small Business	40	71.43	16	28.57	56	6,805	67.49	3,278	32.51	\$10,083

*\*Based on a sample of 56 small business loans originated or purchased in 2011, 2012, or 2013.*

**Lending to Businesses of Different Sizes**

GLB’s record of lending to small businesses reflects reasonable penetration. Loans originated or purchased in 2011 were analyzed separately from loans originated or purchased in 2012 and 2013 due to different demographic comparators used for each (2000 US Census Data or 2010 US Census Data).

In 2011, the distribution of loans to small businesses exceeds the standard, reflecting excellent penetration based on our loan sample. The percentage of loans to small businesses is higher than the percentage of businesses in the AA reporting revenues of \$1 million or less by number, but lower than the comparator by dollar. It is reasonable to expect that smaller businesses would require smaller balance loans; therefore, the bank’s performance is excellent.

<b>2011 Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total Percent
% of AA Businesses	68.88	3.25	27.87	100.00
% of Bank Loans in AA by #	75.00	25.00	0.00	100.00
% of Bank Loans in AA by \$	52.03	47.97	0.00	100.00

*\*The bank is not a small business loan reporter. Loan data is from a sample of 20 business loans.*

For 2012 and 2013, the distribution of loans to small businesses meets the standard for reasonable penetration based on our loan sample. As previously explained, the bank implemented more stringent credit administration practices during the recession period. Smaller businesses tend to have less sophisticated systems, which may impact their ability to accurately reflect and project their financial performance, hampering the ability to qualify for credit under these heightened expectations. While the percentage of loans to small businesses is lower than the percentage of businesses in the AA reporting revenues of \$1 million or less by number and dollar, it evidences the bank’s ongoing efforts to continue meeting the community’s credit needs.

<b>2012 – 2013 Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total Percent
% of AA Businesses	74.63	4.38	20.99	100.00
% of Bank Loans in AA by #	45.00	55.00	0.00	100.00
% of Bank Loans in AA by \$	31.88	68.12	0.00	100.00

\*The bank is not a small business loan reporter. Loan data is from a sample of 20 business loans.

### Geographic Distribution of Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA, as shown in the following tables. Loans originated or purchased in 2011 were analyzed separately from loans originated or purchased in 2012 and 2013 due to different demographic comparators used for each (2000 US Census Data or 2010 US Census Data).

In 2011, the geographic distribution of small business loans meets the standard of reasonable dispersion. Although, the bank did not originate any small business loans in low-income geographies, the percentage of AA businesses in those tracts is very low at 2.37 percent, making it difficult to find opportunities to lend. The percentage of small business loans made in moderate-income geographies was improved, though they were also lower than the percentage of businesses in those geographies.

<b>2011 Geographic Distribution of Loans to Businesses in the Bank's AA</b>				
Geography Income Level	Low	Moderate	Middle	Upper
% of AA Businesses	2.37	16.35	50.82	30.44
Loan Type	% of Number of Loans			
Small Business	0.00	10.00	75.00	15.00

\*Based on a sample of 20 small business loans originated or purchased in the AA in 2011. 0.02 percent of businesses were located in geographies where income information is not available.

In 2012 and 2013, the geographic distribution of small business loans exceeds the standard, reflecting excellent dispersion. The percentage of small business loans made in the low- and moderate-income geographies exceeds the percentage of businesses in those geographies.

<b>2012 and 2013 Geographic Distribution of Loans to Businesses in the Bank's AA</b>				
Geography Income Level	Low	Moderate	Middle	Upper
% of AA Businesses	5.66	22.99	40.92	29.49
Loan Type	% of Number of Loans			
Small Business	10.00	30.00	30.00	30.00

\*Based on a sample of 20 small business loans originated or purchased in the AA in 2012 or 2013.

## Responses to Complaints

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The bank's community development performance is rated Outstanding. The bank's community development performance demonstrates excellent responsiveness to community development needs in its AA through community development loans, qualified investments and community development services. Examples of GLB's responsiveness to community development needs are detailed below.

### Number and Amount of Community Development Loans

During the evaluation period, GLB extended five community development loans, totaling approximately \$5.4 million.

- A participation loan on a multi-family residential complex, totaling \$3.35 million, located in a moderate-income geography. These apartments provide affordable housing to individuals or families at below market rents.
- A \$1.25 million line of credit and a \$519 thousand loan to a not-for-profit organization that provides community services targeted to low- and moderate-income individuals.
- A \$110 thousand loan to a not-for-profit organization to finance the purchase of a group home to provide affordable housing to mentally disabled individuals (low- and moderate-income).
- A \$220 thousand loan to a not-for-profit organization providing housing to low- and moderate-income individuals or families who are homeless.

### Number and Amount of Qualified Investments & Grants

#### Investments

The bank has twelve qualified investments during this evaluation period, totaling approximately \$8 million. Since the bank's last CRA evaluation in January 2011, they have purchased three additional qualified investments, totaling \$5.9 million. These investments are non-complex in nature; however, they do support the credit needs of the community. The new investments consist of Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) pooled mortgages for low- and moderate-income individuals and families. The bank also has seven other FNMA mortgage pool securities that are qualified investments, with a book balance of

\$1.3 million. All of the mortgages in the pools are to low- or moderate-income borrowers from within the bank's AA. Other qualified investments consist of two municipals bonds, totaling \$900 thousand, used to provide community services targeted to low- or moderate-income individuals and to revitalize and stabilize a municipality in the bank's AA, which consists of entirely low- and moderate-income geographies.

### **Grants and Donations**

During the review period, the bank also provided various community development grants or donations totaling \$148 thousand. The grants/donations were made to organizations that target low- and moderate-income individuals, families or areas. Examples of some of these grants/donations are as follows:

- The bank provided a grant of \$6,500 to a local homeless shelter that provides food, rental assistance, clothing, and temporary housing in the AA.
- The bank donated \$29 thousand to two local not-for-profit organizations that provide housing needs for developmentally challenged individuals, most of whom were low- or moderate-income.
- The bank donated \$15 thousand to a local ministry for a residential housing program for individuals with addictions. The housing program is located in a moderate-income geography.

### **Extent to Which the Bank Provides Community Development Services**

GLB's has several officers and employees serve on the boards of directors or as officers of various community development service organizations. Those programs include providing financial expertise in the form of assistance in approving loan requests to qualified small business development corporations and organizations, and providing input in fundraising initiatives. These services are provided to corporations and organizations targeting low- and moderate-income individuals in the AA. Some examples are:

- One bank officer serves as Treasurer to an organization dedicated to serving low- or moderate-income individuals with developmental disabilities. Low- and moderate-income individuals are provided with educational, therapeutic, vocational and residential opportunities.
- Bank officers meet annually with local small businesses (revenues under \$1 million) to provide valuable financial economic forecasts and economic advice.
- Bank employees conducted four *Get Smart About Credit* classes a local high school and bank employees participated in *Teach Children to Save* day in 2011, 2012, and 2013.

- A bank officer is a board member and serves as Treasurer for a local community development corporation (CDC). The CDC is a not for profit organization formed to stimulate and support economic development in the banks AA.

While the community development services provided are non-complex, they provide excellent responsive to the needs of the community.

### **Responsiveness to Community Development Needs**

As previously stated, the bank demonstrates excellent responsiveness to community development needs as evidenced by their participation in community development loans, investments, and services.

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

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.