



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 27, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Union National Bank and Trust Company of Elgin
Charter Number: 7236**

**101 East Chicago Street
Elgin, Illinois 60120**

Office of the Comptroller of the Currency

**Chicago-North Duty Station
85 W. Algonquin Road
Arlington Place II, Suite 340
Arlington Heights, IL 60005**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Union National Bank and Trust Company of Elgin** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 27, 1996. 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: Satisfactory Record of Meeting Community Credit Needs

The bank is helping to meet the credit needs of its community. A satisfactory rating is supported by a good average loan-to-deposit ratio of 70.6%, a majority of loans inside the assessment area, and a good dispersion of loans to borrowers of varying income levels and businesses of different sizes.

The following table indicates the performance level of *Union National Bank and Trust Company of Elgin* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Union National Bank and Trust Company of Elgin</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

Union National Bank and Trust Company of Elgin (UNB) is a \$64 million commercial institution. The bank is located in downtown Elgin and has one branch on the north side of Elgin. UNB is 98% owned by Elgin Bancshares, Incorporated, which is a one-bank holding company.

UNB is primarily a commercial lending institution and is designated as a Small Business Administration (SBA) "preferred lender". As of June 30, 1996, the bank's loan portfolio consisted of 58% commercial loans (including SBA loans), 40% real estate loans, and 2% installment loans. The loan portfolio represents 65% of the bank's total assets.

The bank was last examined under the CRA regulation as of September 15, 1994. They received a Satisfactory rating at the last examination. There are no financial or legal impediments that impact the bank's ability to help meet the needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of 219 census tracts located in portions of Cook, DuPage, Kane, Lake, and McHenry counties. All of the census tracts are in the Chicago 1600 metropolitan statistical area (MSA). Within the bank's AA, there are zero low-income tracts, four moderate-income tracts, 93 middle-income tracts, and 120 upper-income tracts. Two other tracts were not delineated by the United States Bureau of the Census in the 1990 census. The percentage of low- and moderate-income tracts in relation to the total number of census tracts is 2%. Census tract designations are derived from the 1990 Census MSA median family income which is \$42,758 and is updated every ten years. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Although there are few low- and moderate-income census tracts within the bank's AA, there are low- and moderate-income families living in the AA. Specifically, 9% of the families are low-income (individuals with income that is less than 50% of the area median income) and 14% of the families are moderate-income (individual income that is at least 50% and less than 80% of the area median income). The median family income for the AA is \$51,986 which is based on information calculated by the Department of Housing and Urban Development (HUD) and is updated annually.

The leading industry in the bank's AA is service-related (32%), closely followed by manufacturing (15%) and retail trade (15%). Major employers in Elgin are First Card Corporation's Visa credit card facility, the Grand Victoria Casino, and Sherman Hospital.

There are several financial institutions within UNB's defined assessment area. Based on discussions with senior management, the bank considers two local banks as their main competitors and considers one other institution from a nearby suburb to be a similarly situated institution based on business focus. Comparisons used to review UNB's performance were

related to the three institutions referred to above (peer group) using financial information from the Uniform Bank Performance Report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO:

The bank's loan-to-deposit ratio is good. UNB's average loan-to-deposit ratio since the last CRA Performance Evaluation is 70.6%. The current loan-to-deposit ratio as of June 30, 1996 is 74.5% and shows an increasing trend over the past 8 quarters. UNB's ratio is in line with the average ratio of the three peer group banks. The peer groups loan-to-deposit ratios over the same time period range between 66.7% and 75.3%.

LENDING IN ASSESSMENT AREA:

UNB's lending inside their AA is considered reasonable. A sample of all of the bank's loans originated between September 1994 and November 1996 were reviewed. During this time period the bank originated 279 loans which equate to approximately \$26 million. The number of loans originated inside the AA is 212 or 76% of total loans. The dollar volume of loans located within the AA is approximately \$18 million or 69% of the total.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES:

The bank's record of lending to borrowers of different income levels and businesses of different sizes is good. A review was performed of all of UNB's loans, which includes SBA, commercial, construction, secured non-farm non-residential, installment, and residential loans originated between September 1994 and November 1996.

Table 1 illustrates the bank's lending in the AA to borrowers of various income levels and to businesses of varying sizes using the origination amount of the loan as a proxy for the size of the business. The table also demonstrates management's efforts to focus on borrowers of all income levels. Using loan size as a correlation with the size of a business, UNB is making 77% of the number and 22% of the dollar volume of loans to small entities with loan amounts less than \$100,000. This reiterates that many of the loans made by the bank are for very small dollar amounts.

Table 1 Union National Bank and Trust Company of Elgin Borrower Distribution by Loan Size										
Loan Type	Loan Amount Less than \$100,000		Loan Amount between \$100-\$250,000		Loan Amount between \$250-\$500,000		Loan Amount between \$500,000 and \$1 million		Total Number and Dollar Amount of Loans INSIDE AA	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	%
	Amount in '000's		Amount in '000's		Amount in '000's		Amount in '000's		Amount in '000's	
Commercial Loans	88	41%	25	12%	11	5%	8	4%	132	62%
	\$2,754	15%	\$4,144	23%	\$3,746	21%	\$5,219	29%	\$15,863	89%
Installment Loans	68	32%	3	1%	1	1%	0	0%	72	34%
	\$861	5%	\$425	2%	\$288	2%	\$0	0%	\$1,574	9%
Real Estate Loans	8	4%	0	0%	0	0%	0	0%	8	4%
	\$333	2%	\$0	0%	\$0	0%	\$0	0%	\$333	2%
Total Loans	164	77%	28	13%	12	6%	8	4%	212	100%
	\$3,948	22%	\$4,569	26%	\$4,034	23%	\$5,219	29%	\$17,770	100%

Source: Bank's Loan Trial

Table 2 shows the bank's level of lending to businesses located in the AA which have gross annual revenues of \$1 million or less. A majority (66%) of the loans originated since the last CRA Performance Evaluation were to businesses with gross annual revenues less than \$1 million. The revenue size of the business is based on the most recent fiscal year-end income statement of the borrower.

Table 2 Union National Bank and Trust Company of Elgin Distribution of Business and Commercial Loans by Revenue Size		
	Number of Loans Inside the AA	% of Total business and Commercial Loans INSIDE the AA
Loans with Gross Annual Revenues Less than \$1 Million	87	66%
Loans with Gross Annual Revenues \$1 Million or Greater	45	34%
Total	132	100%

Source: Bank Loan Trial and Financial Statements in Credit Files.

GEOGRAPHIC DISTRIBUTION OF LOANS:

The bank's lending patterns do not exhibit any conspicuous gaps in their assessment area. The geographic distribution of UNB's loans reflects an adequate penetration in the moderate-income areas within their assessment area. UNB originated 10% of the number and 8% of the dollar volume of their loans in moderate-income areas. The distribution of loans is considered reasonable since only 2% of the census tracts in the AA are moderate-income. (As stated under Description of Assessment Area, there are no low-income census tracts inside the bank's designated area.)

Table 3 further illustrates the bank's dispersion of lending in each of the geographies in the AA. Geographic distribution is based on the location of the bank's business and commercial loans, installment, and real estate loans. The table also compares the bank's distribution of loans by relating this to the percentage of census tracts in the assessment area by income level.

Table 3 Union National Bank and Trust Company of Elgin Geographic Distribution of Loans							
Location of Loans Originated between September 1994 and November 1996	% of Tracts in the AA	Number (#) of Loans in the AA	% of Total Loans Inside AA	% of Total Loans Originated	Dollar (in \$000's) of Loans in the AA	% of Total Loans Inside AA	% of Total Loans Originated
Low-Income Census Tract	0%	NA	NA	NA	NA	NA	NA
Moderate-Income Census Tract	2%	21	10%	8%	\$1,437	8%	6%
Middle- and Upper-Income Tracts	98%	191	90%	91%	\$16,333	92%	93%
TOTAL Loans INSIDE AA	100%	212	100%		\$17,770	100%	
Total Loans Originated		279		100%	\$25,924		100%

Source: CRA Wiz reports and Bank's Loan Trial.

NA=not applicable. There are no low-income tracts in the bank's assessment area.

FAIR LENDING CONCLUSIONS

No violations of the substantive provisions of the antidiscrimination laws and regulations (Equal Credit Opportunity Act, Fair Housing Act, and Home Mortgage Disclosure Act) were identified. Fair lending policies and procedures are considered adequate to help ensure compliance with these laws and regulations.