

# **PUBLIC DISCLOSURE**

April 7, 2003

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Prairie Bank & Trust Company  
RSSD# 1936320

7661 South Harlem  
Bridgeview, Illinois 60455

Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, IL 60604-1413

**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.

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**INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:** This institution is rated **satisfactory**.

Prairie Bank & Trust Company has provided credit consistent with its size, financial capacity, location, economic conditions, and comparative factors within its assessment area. The bank's loan-to-deposit ratio is reasonable. The majority of the loans and other lending-related activities are in the assessment area. The distribution of borrowers reflects a reasonable level of penetration among customers of different income levels. The bank's performance in extending loans to low- and moderate-income geographies is considered poor given the composition of the census tracts in the bank's assessment area. No CRA-related complaints were received by the institution or this Reserve Bank during the scope of this evaluation.

The institution was rated **satisfactory** under the CRA at its previous evaluation conducted on April 5, 1999.

## DESCRIPTION OF INSTITUTION

Prairie Bank & Trust Company (PBTC) is a subsidiary of Prairie Financial Corporation, Incorporated, a one-bank holding company. The bank is located in Bridgeview, Illinois; a southwest suburb of Chicago located approximately four miles from Midway Airport. It is a privately held community bank, and serves the banking and financial needs of Chicago's South and Southwestern suburbs. The bank's main office is located at 7661 South Harlem Avenue, Bridgeview, Illinois and has three branches. The branches are located at 2320 South Route 59, Plainfield, Illinois; 12251 South Route 59, Plainfield, Illinois; and, 19102 South 88<sup>th</sup> Avenue, Mokena, Illinois. The main office and the three branches are full-service facilities, and offer a variety of consumer and commercial products and services. All locations have drive-up services and automated teller machines (ATMs).

According to the Uniform Bank Performance Report, the bank had \$300 million in total assets as of December 31, 2002. The bank offers a variety of credit products to meet the credit needs of its assessment area. The bank's primary business focus is on small business and commercial real estate lending. The bank also offers a variety of traditional loan and deposit products, including consumer installment and home equity lines of credit.

The bank's peer group includes all commercial banks having assets between \$300 and \$500 million, with three or fewer banking offices, and located in a metropolitan area. The bank's local competitors for loans and deposits include Bridgeview Bank and Trust Company, Bridgeview; Midland Federal Savings and Loan, Bridgeview; New Lenox State Bank, New Lenox, Illinois; .

There are no apparent factors relating to the bank's financial condition, size, products offered, local economic conditions, or legal impediments existing that might affect the institution's

ability to meet the credit needs of the community.

## **DESCRIPTION OF ASSESSMENT AREA**

*An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan areas. 1990 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.*

Prairie Bank & Trust Company's assessment area, shown in Appendix A, consists of 344 census tracts, which are all located within the Chicago Metropolitan Statistical Area (MSA). The bank has not changed its assessment area since the previous examination. The assessment area includes approximately 88 communities within Cook, DuPage, Grundy, Kendall and Will Counties. The communities in the assessment area include Bridgeview, Burbank, Bedford Park, Justice, Hickory Hills, Oak Lawn, Worth and Chicago Ridge. Some of the larger outlying communities to the West and South are Naperville, Bolingbrook, Joliet, Orland Park, Tinley Park, Mokena, New Lenox, Lockport, Plainfield and Shorewood.

According to the 1990 U.S. census data, the assessment area has a population of approximately 1.7 million individuals. The bank's assessment area includes 23 (or 6.7% of total census tracts) low-income, 42 (12.2%) moderate-income, 187 (54.4%) middle-income, and 92 (26.7%) upper-income census tracts within the assessment area.

### **Population Changes**

The bank's assessment area has shown a constant increase in population based on the comparison of 1990 census data to 2000 census data. Community representatives contacted during the examination indicated that the counties surrounding the Chicago Metropolitan Area are projected to continue to expand rapidly.

### **Income Characteristics**

Exhibit 1 shows the income levels for the assessment area in comparison to Chicago Metropolitan Statistical Area (MSA) and the State of Illinois based on 1990 U.S. Bureau of Census data. In contrast to the 1990 data, the 2002 HUD adjusted median family income for the MSA and the State of Illinois is \$75,400 and \$66,500, respectively.

### Exhibit 1 – Distribution of Families by Income Level

Location	Median Family Income(\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	\$47,487	14.4	16.8	26.2	42.6	4.7
Chicago MSA	\$42,758	19.8	17.4	24.0	38.8	8.6
State of Illinois	\$38,664	20.0	17.9	24.2	38.0	9.0

Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.

### Housing Characteristics and Affordability

According to the 1990 U.S. Census Bureau data, 1,655,402 individuals reside in the assessment area. Of the 607,806 housing units in the assessment area, 70.2% are owner-occupied, 25.6% are rental units, and 4.2% are vacant units. The median age of housing stock for low- and moderate-income census tracts is 45 years; for middle-income census tracts, it is 28 years, and for upper-income census tracts, it is 18 years. The median housing value for low-income census tracts is \$45,025; for moderate-income census tracts, it is \$61,374; for middle-income census tracts, it is \$95,035; and for upper-income census tracts it is \$175,405.

Affordability ratios, developed by dividing the median household income by the median household value for a given area or group of geographies, are helpful in comparing costs for different areas. An area with a high ratio generally has more affordable housing than an area with a low ratio. The affordability ratios for the assessment area and for State of Illinois are 37.5 and 40.3, respectively, indicating that housing is generally less affordable in the assessment area.

### Labor and Employment

The unemployment rate for the bank's assessment area, according to the 1990 U.S. Census, was 5.1%. The unemployment rate for the Chicagoland MSA and the State of Illinois was 6.7% and 6.6%, respectively. Major employers in the assessment area are listed in Exhibit 2.

## Exhibit 2 – Major Employers in the Assessment Area

Company	Location	Employees	Description
Chicago Bridge and Iron	Plainfield	430	Research Facility
Golden Grain	Bridgeview	312	Food Products
Fox Valley Press	Plainfield	260	Newspapers
United Distillers	Plainfield	225	Manufacture alcohol
ITW Deltar	Mokena	220	Plastic Fabricators
Stone Container	Plainfield	200	Manufacture of paper products
Hydrosol Inc.	Bridgeview	199	Aerosol specialty products
Formax	Mokena	191	Meat Machines
Fisher Printing	Bridgeview	165	Printing

Source: Illinois Department of Commerce and Community Affairs

Community representatives contacted during the examination to determine the credit needs of the assessment area, indicated that local financial institutions in the area are actively involved in the community and are adequately meeting the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*Performance standards for small banks consist of the following, as applicable: the bank's LTD ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income and farms and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the above standards are analyzed and evaluated within the assessment area context, which includes, but not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.*

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

*The bank's average loan-to-deposit ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to the bank's capacity to lend, competitor and peers' loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.*

The bank's average LTD ratio is consistent with its peer group, and compares favorable with the ratios of two local competitors, both of which are considerable larger than Prairie Bank & Trust Company. The bank meets the standards for satisfactory performance under this criterion. Exhibit 3 shows the comparison for the eight-quarters ending December 31, 2002.

**Exhibit 3 – LTD Ratios**

Bank Name, City, 12/02 Assets \$(Millions)	12/02 (%)	9/02 (%)	6/02 (%)	3/02 (%)	12/01 (%)	9/01 (%)	6/01 (%)	3/01 (%)	Avg.
Prairie Bank & Trust Company, Bridgeview, \$300	85.2	73.3	75.4	70.4	81.0	80.3	77.4	71.5	76.8
Peer Group	80.2	77.2	77.5	77.1	77.4	77.5	76.2	75.0	77.3
Bridgeview Bank and Trust Company, Bridgeview, \$544	81.8	85.6	87.4	89.1	88.2	82.8	79.5	80.9	84.4
New Lenox State Bank (NLSB), Lenox, \$919	62.2	59.6	58.4	57.2	58.5	58.6	60.3	59.6	59.3

**Lending in the Assessment Area**

*To assess the extent of lending within the assessment area, the following were reviewed: Home Mortgage Disclosure Act (HMDA) data and small business loans. The sample period for each loan product consisted of January 1, 2002 to December 31, 2002. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank’s performance.*

Overall, residential real estate and small business lending within the bank’s assessment area meets the standards for satisfactory performance under this criterion.

The majority of Prairie Bank & Trust Company’s loans originated within the assessment area. The distribution of a sample of the bank’s primary loan products, originated in 2002, is illustrated in Exhibit 4.

**Exhibit 4 – Distribution of Loans in/out of Assessment Area (AA)**

Loan Type	Number of Loans		
	#*	# in AA	% in AA
Residential Real Estate (2002 HMDA)	67	59	88.1
Small Business	96	53	55.2
<b>Totals</b>	<b>163</b>	<b>112</b>	<b>68.7</b>

\* For residential real estate loans, 67 represents the total number of HMDA-reportable residential real estate loans originated between January 1, 2002 and December 31, 2002. For small business loans, 96 represents the total number of commercial loans with original principal balances of \$1 million or less originated during the same period.

**Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes**

*The distribution of loans among borrowers of different income levels was determined by reviewing Home Mortgage Disclosure Act (HMDA) data and small business loans. The sample period for each loan product consisted of January 1, 2002 to December 31, 2002. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size,*

*financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Given the demographics of the bank's assessment area, the loan distribution across borrowers of different income levels and businesses of different sizes meets the standards for satisfactory performance under this criterion.

The distribution of Prairie Bank & Trust Company loans reflects a reasonable penetration among borrowers of different income and revenue levels, as supported by a review of residential real estate and small business loan data.

### Residential Real Estate Loans

Exhibit 5 shows the distribution of the sample of 1-4 family residential real estate loans, originated in 2002, by income level. As shown, the percent of loans to low- and moderate-income borrowers is 38.98%, which exceeds the 31.2% of low- and moderate-income families in the assessment area.

#### Exhibit 5 – Loan Distribution of Residential Real Estate Loans by Income Level

Income Level	Total Number of Loans	Percent of Total Loans	Percent of Families in Assessment Area
Low	15	25.4	14.4
Moderate	8	13.6	16.8
Middle	22	37.3	26.2
Upper	12	20.3	42.6
Income Info N/A	2	3.4	--
<b>Totals</b>	<b>59</b>	<b>100.0</b>	<b>100.0</b>

### Small Business Loans

The distribution of small business loans reflects a reasonable penetration among small businesses. A *small business loan* is a commercial loan having an original principal amount of \$1 million or less. In contrast, a *loan to a small business* is a commercial loan to a business with gross annual revenues of \$1 million or less.

As Exhibit 6 shows, small business loan originations in the \$100,000 or less category represent 79.2% of the number and 34.9% of the dollar amount of small business loans. In addition, of the 53 small business loans originated in the assessment area, 86.8% of the number and 80.6% of the dollar amount of small business loans were to businesses with gross annual revenues of \$1 million or less.



## Exhibit 6 – Distribution of Small Business Loans

Original Dollar Amount	Original Number*	Original Dollar Amount
Less than or equal to \$100,000	42	1,692,874
Greater than \$100,000 through \$250,000	6	946,620
Greater than \$250,000 through \$1 million	5	2,206,348
<b>Total</b>	<b>53</b>	<b>4,845,842</b>

\* Represents the total number of loans originated within the assessment area between January 1, 2002 and December 31, 2002.

According to community contacts, area financial institutions are meeting the needs of business owners in the area.

### Other Lending Related Activities

In addition to the standard loan products offered by the bank, Prairie Bank & Trust Company participates in loan programs offered through the Small Business Administration (SBA). The SBA offers a variety of financing options for small businesses, and guarantees a portion of the loans made by banks and other private lenders to small business borrowers. Under this program, the bank has extended 10 loans, with approximately \$1.2 million in loans on their books, which represents the portion not guaranteed by the SBA.

### Geographic Distribution of Loans

*The distribution of lending activities among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance, the following were reviewed: Home Mortgage Disclosure Act (HMDA) data and small business loans. The sample period for each loan product consisted of January 1, 2002 to December 31, 2002. Those loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.*

Given the demographics of the bank's assessment area, the geographic distribution of loans does not meet the standards for satisfactory performance under this criterion.

The bank's assessment area includes 23 low-income, 42 moderate-income, 187 middle-income, 92 upper-income geographies. As a percentage of total census tracts in the bank's assessment area, low- and moderate-income census tracts comprise 18.9% of the geographies. No low- or moderate-income geographies were arbitrarily excluded from the assessment area.

With regards to the distribution of loans to low-, moderate-, middle- and upper-income geographies, the bank originated only 2 of the 59, or 3.4%, of the HMDA-reportable residential real estate loans in moderate-income census tracts. The bank did not originate any loans in the low-income census tracts.

The bank's performance with respect to the geographic distribution of loans to low- and moderate-income census tracts does not meet the standards for satisfactory performance under this criterion. However, it should be noted that 6 of the 23 low-income census tracts do not contain any households according to the 1990 U.S. census data, even though a small population do live within two of the low-income census tracts.

Of the 53 small business loans originated in 2002, 11.3% of the number and 3.5% of the dollar amount of total small business loans were originated to borrowers located in moderate-income census tracts. Similar to residential real estate lending, the bank did not originate any loans in the low-income census tracts.

The analysis of the small business loan sample indicates that the bank had loan activity in only 38 or 11% of the total census tracts within the assessment area. This penetration reflects an inadequate level of lending activity throughout the assessment area. Lastly, there appears to be less lending activity in the southern and western portions of the assessment area, and an increasing amount of activity in neighboring areas on the northeast side of the assessment area.

### **Complaints**

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

### **Fair Lending**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the bank's lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations. No evidence of prohibited discriminatory credit practices was detected.

Appendix A: Bank's Assessment Area

