PUBLIC DISCLOSURE

August 27, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FOXDALE BANK

RSSD Number: 2315061

1140 W. Spring Street
South Elgin, Il 60177

FEDERAL RESERVE BANK
OF CHICAGO

230 South LaSalle
Chicago, Illinois 60604

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.

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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 operations 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 **Foxdale Bank, South Elgin, Illinois,** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 27, 2001**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated ***Satisfactory***.

The bank's CRA performance meets the standards for satisfactory performance. Although the bank's geographic distribution of loans is poor, the bank's loan-to-deposit ratio is reasonable, it originates a majority of its loans in its assessment area, and the distribution of loans among borrowers of different incomes and businesses of different sizes is excellent.

The bank originated 51.7% of its loans within its assessment area during the period under review. The bank originated loans in 12 of 17 census tracts (70.6%). Seventy-nine percent of originated loans were located in the four census tracts nearest the bank. The bank did not originate loans in any of the low- or moderate-income census tracts.

Lending to borrowers of different income levels is good and lending to low- and moderate-income borrowers exceeds the distribution of low- and moderate-income families in the assessment area. In addition, all of the small business loans that the bank originated were to businesses with revenues of less than $1 million.

DESCRIPTION OF INSTITUTION

Foxdale Bank, with total assets of $44.9 million as of June 30, 2001, is located in the Village of South Elgin in Kane County, Illinois. The bank began operations in June of 1995, and is the sole subsidiary of Foxdale Bancorp., Inc., also located in South Elgin, Illinois. The bank operates one office that is equipped with a drive-up teller window for extended hours of operation, a 24-hour automated teller machine (ATM), and a night depository.

The bank offers traditional consumer and business purpose loan and deposit products, including real estate, installment and single-payment loans; home equity loans and lines of credit; personal lines of credit; and overdraft protection lines of credit. The loan portfolio is concentrated in real estate-related and commercial-related lending. Since the previous examination, the bank has begun offering two new checking accounts – SilverFox and GoldenFox that offer special benefits to accountholders. Additionally, in a continuing effort to increase revenue, the bank referred 52 real estate loan applications that resulted in loan originations to non-affiliated mortgage companies.

A comparison of the composition of the bank loan portfolio to its peer group at June 30, 2001 is as follows:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS	65.09	58.36
LOANS TO INDIVIDUALS	7.57	12.68
CREDIT CARD LOANS	0.07	0.09
COMMERCIAL AND INDUSTRIAL LOANS	26.89	18.16
AGRICULTURAL LOANS	0.00	4.58
MUNICIPAL LOANS	0.42	0.25
OTHER LOANS*	0.03	0.21
*Excludes Financial Institution Loans, Acceptance of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

Overall, total loans increased $1.5 million from June 30, 2000, to June 30, 2001. Real estate and commercial/industrial loans comprise the majority of the bank loan portfolio. Since the previous examination, the percentage of real estate-related loans compared to total loans increased 20.4%. The increase is due to loan growth in commercial real estate, resulting from several new business relationships brought to the bank by the president and an emphasis in 1-4 family residential real estate lending. Loans secured by 1-4 family residential properties increased $2.9 million from June 30, 2000, to June 30, 2001 and loans secured by commercial real estate increased $700,000 during the same period. In contrast, the percentage of commercial and industrial loans as a percentage of the bank loan portfolio declined almost 13%. This was primarily the result of the sale of $1.5 million of out-of-area discounted equipment lease paper in September 2000.

Competition within the assessment area includes several branch offices of large regional banks, as well as branches of smaller, locally managed institutions. Competitors include Elgin Financial Savings Bank, Elgin; The Elgin State Bank, Elgin; and First Community Bank, Elgin. A branch of State Financial Bank, National Association ($1.1 billion in assets), formerly, Home Federal Savings and Loan Association of Elgin, is a strong competitor. Countrywide Home Loans, Elgin, and the Kane County Teachers Credit Union also compete with the bank. In addition, Bank One currently has three retail branches located within four miles of the bank.

The bank is presently under Written Agreements from Safety and Soundness and CRA/Consumer Compliance, which could impede the banks ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area, located in Kane County within the Chicago Metropolitan Statistical Area (MSA #1600), is comprised of 17 census tracts (8508, 8509, 8510, 8511, 8512, 8513, 8514, 8515, 8516, 8517, 8518.01, 8518.02, 8519.02, 8519.03, 8519.04, 8520.01, 8521.00). The Village of South Elgin, Valley View, the Kane County portion of Wayne, the northernmost portion of St. Charles, and the southern portion of Elgin are included in the assessment area. See Appendix A.

The 17 census tracts comprising the bank assessment area include one low-income, three moderate-income, nine middle-income, and four upper-income tracts. According to 1990 census data, the low-income tract (8517) contains no households and the residents of the Elgin Mental Health Facility are the primary residents in this census tract. Moderate-income tracts 8512 and 8515 have 87 total owner-occupied units and a total population of 1,364 including 282 families. Elgin Community College, with a student enrollment of approximately 9,500, occupies a portion of census tract 8519.02.

In 1990, the bank assessment area had a population of 87,227∗, a median family income of $41,037, and 30,888 housing units. The 2001 average HUD-estimated median family income for the assessment area for those tracts with income is $71,783.

Of the total families within the assessment area, 14.2% are low-income, 17.6% are moderate-income, 26.6% are middle-income, and 41.6% are upper-income. Families below poverty level are 4.7% of total families. Of the total housing units, 67.7% are owner-occupied, 33.9% are rental units, and 3.8% are vacant. In addition, 1-to-4 family units represent approximately 25,238 units within the assessment area.

According to information released by the Illinois Department of Employment Security (IDES), the July 2001 unemployment rate was 4.9% in Kane County, 5.4% in the Chicago MSA, and 5.4% in the State of Illinois. These percentages represent increases of over one percent

∗Unless otherwise indicated, all demographic data is based on 1990 census data.

from the same period last year for the county, the MSA, and the state. Data from the State of Illinois revealed that 52,000 workers were laid off in the Chicago MSA in 2000. The unemployment rates and layoffs are an indication of the weakening economy.

The following chart illustrates some of the major employers located in the assessment area:

Employer	# of Employers	Product/Service
Grand Victoria Casino Elgin, Illinois	1,500	Amusement-Recreation
Sherman Hospital Elgin, Illinois	1,300	General Hospital
Elgin Community College Elgin, Illinois	950	Junior College
Provena Hospital Elgin, Illinois	900	General Hospital
Matsushita Electric Corp Elgin, Illinois	800	Electronic Appliances
Hoffer Plastics Corp South Elgin, Illinois	620	Plastic Products

Community representatives stated that The Village of South Elgin is growing rapidly. South Elgin's population is estimated at 15,078, more than double the number reported in the 1990 census. There is a major push toward commercial and industrial growth along the Randall Road Corridor. Randall Road is a major thoroughfare of the county in the western portion of the bank assessment area. In general, contacts indicated that this area has not experienced as bad an economic downturn as other parts of the state and the country. Hardest hit has been the manufacturing sector, but real estate development is still strong. Much of the development occurs on the West Side of South Elgin, in the Thornwood community.

Furthermore, the Village of the South Elgin Board is recruiting new businesses to lessen the tax burden on area residents. An executive of Foxdale Bank sits on the Village Board and works closely with the Village. The Small Business Development Center, located within Elgin Community College, allows local financial institutions to become involved through its small business loan programs, especially the Fox Valley Micro-loan fund, which is a revolving loan fund that provides funds for start-up and existing businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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.

A review of the bank's Consolidated Reports of Condition from September 30, 2000, to June 30, 2001, revealed an average loan-to-deposit (LTD) ratio of 60.0%. The quarterly ratios for the bank and its peer group were as follows:

Date	Foxdale Bank's LTD Ratio (%)	Peer Group LTD Ratio (%)
9/30/2000	57.8	70.2
12/31/2000	60.6	70.2
3/31/2001	62.1	69.8
6/30/2001	59.7	70.1
AVERAGE	**60.0**	**70.1**

While the peer group ratios actually decreased one-tenth of a percent from 70.2% as of September 30, 2000, to 70.1% as of June 30, 2001, the bank LTD ratio increased 1.9% from 57.8% to 59.7% during the same period.

The bank LTD ratio showed an upward trend in three of the four quarters reviewed for this examination. The referral of mortgage applications to non-affiliated mortgage lenders in order to increase bank revenue restricts the number of loans in the bank loan portfolio and, therefore, the loan-to-deposit ratio. From September 2000 through July 2001, the bank referred 52 mortgage loan applications that resulted in loan originations totaling $7.3 million.

The loan-to-deposit ratios of Foxdale Bank and local competitors are as follows:

Bank Name, City	Asset Size	Loan-to-Deposit Ratio

	As of June 30, 2001 ($ millions)	As of June 30, 2001
Foxdale Bank, South Elgin	***$44.9***	***59.7%***
First Community Bank, Elgin	$93.9	59.2%
The Elgin State Bank, Elgin	$188.3	75.1%
Elgin Financial Savings Bank	$597.4*	124.2%*

* as of 3/31/2001

As the preceding data indicates, the loan-to-deposit ratio of the bank is comparable to First Community Bank, which is not significantly larger than Foxdale Bank. Elgin Financial Savings bank has a significantly higher ratio, but is also significantly larger.

Conclusion

The bank's loan-to-deposit ratio, although lower than peer, is comparable to at least one other institution of similar size in its assessment area. The trend for the loan-to-deposit ratio, since the previous examination, is generally upward, and is reasonable considering the banks financial condition.

LENDING IN ASSESSMENT AREA

To assess the extent of lending within the assessment area, the following was reviewed: direct installment loans, home equity loans and lines of credit, Home Mortgage Disclosure Act (HMDA) data, and small business loans. The sample period for each loan product consisted of September 1, 2000, to July 31, 2001. 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.

A review of bank loan originations since the previous examination revealed the following levels of lending within the assessment area:

Consumer Lending

CONSUMER LENDING						
Loan Type	**Total Loans**		**Loans Within the Assessment Area**		**% of Loans Within the Assessment Area**	
	#	**$(000s)**	**#**	**$(000's)**	**#**	**$(000's)**
Direct Installment & ODP [1]	70	$ 628	42	$ 350	60.0%	55.7%
Home Equity [2]	58	$2,990	38	$1,294	65.5%	43.3%
Total	**128**	**$3,618**	**80**	**$1,644**	**62.5%**	**45.4%**

[1] Includes Personal Loans, New and Used Automobile Loans, and three overdraft lines of credit.
[2] Includes Home Equity Lines and Loans.

As indicated in the above table, the bank originated 62.5% of the number and 45.4% of the dollar amount of the 128 consumer loans within the assessment area. The percentage of the dollar amount for these types of loans originated in the assessment area represents a 9.8% increase over the 36.4% reported at the previous examination and demonstrates the banks efforts to originate more loan dollars in its assessment area.

HMDA-Related Lending

HMDA-Related Loans						
Loan Type	**Total Loans**		**Loans Within Assessment Area**		**% of Loans Within Assessment Area**	
	#	**$(000)**	**#**	**$(000)**	**#**	**$(000)**
Purchase Money	3	$ 529	0	$ 0	0.0%	0.0%
Home Improvement*	14	$ 524	10	$260	71.4%	49.6%
Refinance	6	$1,291	4	$704	66.7%	54.5%
TOTAL	**23**	**$2,344**	**14**	**$964**	**60.9%**	**41.1%**

Note: 13 of the 14 Home Improvement Loans are part of HELOCs and included in the preceding table

Of the 23 HMDA-related loans originated from September 2000 through July 2001, 60.9% of the total number and 41.1% of the total dollar amount were originated within the assessment area.

One reason for the absence of purchase money mortgages originated in the assessment area is the bank policy of referring mortgage-related applications to non-affiliated lenders to generate revenue.

Small Business Lending

The bank originated eight small business loans totaling $301,000 in the assessment area during the review period. This represented 21.1% of all the originated small business loans. The overall level of small business lending within the bank assessment area is low.

Conclusion

The bank HMDA-related lending within its assessment area is marginal when considering both the number and dollar amounts of loans originated in the assessment area. Small business lending in the assessment area is poor. Management's need to increase current revenues by referring mortgage applications to outside parties inhibits the percentage of loans originated in the assessment area. Although the percentage of HMDA-related loans within the assessment area increased, the overall number generated by the bank is low. In addition, a substantial number and dollar amount of small business lending continues to occur outside the assessment area. Although the economic outlook is not as strong as was the case for the previous examination, the continued expansion of the real estate market provides lending opportunities within the assessment area.

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

The distribution of loans among borrowers of different income levels was determined by reviewing direct installment loans, home equity loans and lines of credit, Home Mortgage Disclosure Act (HMDA) data, and small business loans. The sample period for each loan product consisted of September 1, 2000, to July 31, 2001. 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.

A review of the loan samples revealed the following distribution of loans among borrowers of different income levels (where income was available):

Consumer Lending

CONSUMER LENDING										
LOAN TYPE	**Low-Income Borrowers**		**Moderate-Income Borrowers**		**Middle-Income Borrowers**		**Upper-Income Borrowers**		**TOTAL**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$**	**#**	**$**	#	$
Direct Installment & ODP	13 (37.1%)	$67 (24.6%)	7 (20.0%)	$59 (21.7%)	13 (37.1%)	$129 (47.4%)	2 (5.7%)	$17 (6.3%)	35 (100%)	$272 (100%)
Home Equity	0 (0.0%)	$0 (0.0%)	10 (27.8%)	$318 (27.6%)	16 (44.4%)	$576 (49.9%)	10 (27.8%)	$260 (22.5%)	36 (100%)	$1,154 (100%)
TOTAL	**13 (18.3%)**	**$67 (4.7%)**	**17 (23.9%)**	**$377 (26.4%)**	**29 (40.8%)**	**$705 (49.4%)**	**12 (16.9%)**	**$277 (19.4%)**	**71 (100%)**	**$1,426 (100%)**

The bank originated 42.2% of the number and 31.1% of the total dollar amount of the loans in its assessment area to low- and moderate-income borrowers. These percentages are comparable to the distribution of low- and moderate-income families in the assessment area (31.8%). Loans to middle- and upper-income borrowers represented 57.7% of all consumer loans originated within the assessment area. Percentages demonstrate a satisfactory distribution of lending among borrowers of different income levels, especially low- and moderate-income borrowers.

HMDA-Related Lending

A review of the bank's HMDA-related lending revealed an excellent level of lending to low- and moderate-income borrowers. Of the 14 HMDA-related loans originated within the assessment area, one loan (7.1%) was originated to a low-income borrower, seven loans (50.0%) were to moderate-income borrowers, two loans (14.3%) were to middle-income borrowers, and four loans (28.6%) were to upper-income borrowers. Loans to upper-income borrowers comprised the largest dollar amount with $954,000 or 56.0% of all HMDA-related loans.

Small Business Lending

A review of the sampled small business loans indicated that of the eight loans totaling $301,000 originated within the assessment area, all were to businesses with annual revenues less than $1 million.

A review of the bank's June 30, 2001, Consolidated Report of Condition showed the following number and amount of loans outstanding to small businesses:

Loan Amounts	Number of Loans	Amount Outstanding ($000)
Loans secured by nonfarm nonresidential properties (commercial real estate):		
a. With original loan amounts of $100,000 or less	1	$ 7
b. With original loan amounts of more than $100,00 through $250,000	9	$1,536
c. With original loan amounts of more than $250,000 through $1,000,000	7	$2,493
Commercial and industrial loans:		
a. With original loan amounts of $100,000 or less	78	$1,056
b. With original loan amounts of more than $100,000 through $250,000	18	$1,560
c. With original loan amounts of more than $250,000 through $1,000,000	12	$4,051

In comparison to the June 30, 2000, Consolidated Report of Condition, the number of commercial and industrial loans outstanding decreased significantly. Loans with original amounts of $100,000 or less decreased from 168 to 78; loans with original amounts of more than $100,000 through $250,000 decreased from 45 to 18, and loans with original amounts of more than $250,000 through $1,000,000 decreased from 20 to 12. The dollar amounts also decreased for all three loan amount categories. The total dollar decrease was $3,174,000. Much of the decrease resulted from the sale of out-of-area discounted equipment lease paper.

Conclusion

Although the level of lending is low, lending to borrowers of different incomes and businesses of different sizes, especially low- and moderate-income borrowers and small businesses, is excellent.

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: direct installment loans, home *equity loans and lines of credit, Home Mortgage Disclosure Act (HMDA) data, and small business loans. The sample period for each loan product consisted of September 1, 2000, to July 31, 2001. 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.*

Consumer, HMDA and Small Business Lending

The geographic distribution of bank Consumer, HMDA related, and Small Business lending is included in the table below:

Loan Type	Low-income	Mod-income	Mid-income	Upper-income	Total**
	#/%	#/%	#/%	#/%	
Direct Installment & ODP	0/0.0	0/0.0	25/59.5	17/40.5	42
Home Equity	0/0.0	0/0.0	19/50.0	19/50.0	38
HMDA*	0/0.0	0/0.0	1/25.0	3/75.0	4
Small Business	0/0.0	0/0.0	5/62.5	3/37.5	8
Total	0/0.0	0/0.0	50/54.3	42/45.7	92

* Numbers do not include those home improvement loans from HELOCs included in Home Equity
** Total reflects actual loans originated in assessment area for the time period reviewed.

The bank originated 78.3% of its loans in the four census tracts nearest the bank. Thirty-eight of the 72 loans were originated in middle-income census tracts 8518.01 and 8518.02 and 34 loans were originated in upper-income census tracts 8519.02 and 8521.00. There were no loans originated in the one low- or three moderate-income tracts in the assessment area.

Low-income census tract 8517 contains only 1.1% of the total population in the assessment area and has no households. According to 1990 census data, residents of the Elgin Mental Health Facility comprise most of the population. Aggregate lenders did not originate any HMDA related loans in this tract in 2000.

Moderate-income tracts 8512 and 8515 represent only 0.5% and 1.1%, respectively, of the total population and 0.1% and 0.4%, respectively, of the owner-occupied units within the assessment area. Aggregate lenders originated 33 HMDA-related loans in these census tracts in 2000.

The third moderate-income tract (8513) represents the tract with the largest percentage (11.6%) of the total population in the assessment area. In addition, 5.7% (1,147) of the total number of owner-occupied units are in this tract. This tract is located on the other side of the Fox River, which flows through the middle of the assessment area. Access across the river is limited, which creates a natural boundary for those who may be seeking a banking relationship. Aggregate lenders originated 229 HMDA related loans in this census tract in 2000.

Conclusion

The geographic distribution of the bank's lending is considered needs to improve, despite lending in 70.6% (12/17) of the census tracts within its assessment area. The bank's lending is concentrated in the middle- and upper-income census tracts nearest the bank with no loans originated in low- or moderate-income tracts. Although there are mitigating factors that may explain the lack of originations in the low- and moderate-income census tracts, some lending would be expected in at least one of those tracts.

RESPONSE TO COMPLAINTS

The bank did not receive any CRA-related complaints since the previous examination.

FAIR LENDING

Based on the fair lending tests performed during the August 27, 2001 consumer compliance examination, Foxdale Bank was in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. No illegal discriminatory lending patterns, or practices intended to discourage loan applications were detected during the examination.

APPENDIX A

MAP OF ASSESSMENT AREA