

# **PUBLIC DISCLOSURE**

April 29, 2002

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Harris Bank St. Charles  
RSSD: 516042

One East Main Street  
St. Charles, IL 60174

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.

## TABLE OF CONTENTS

Institution Rating	
Institution's CRA Rating .....	1
Table of Performance Test Ratings .....	1
Summary of Major Factors Supporting Rating .....	1
 Institution	
Description of Institution .....	3
Scope of Examination .....	4
Conclusions With Respect to Performance Tests .....	5
 CRA Appendices	
CRA Appendix A: Scope of Examination .....	19
CRA Appendix B: Glossary .....	20

## INSTITUTION’S RATING

**INSTITUTION’S COMMUNITY REINVESTMENT ACT (CRA) RATING:** Harris Bank St. Charles is rated **"SATISFACTORY."**

*The following table indicates the performance level of Harris Bank St. Charles with respect to the lending, investment, and service tests.*

PERFORMANCE LEVELS	Harris Bank St. Charles		
	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

\*The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

Summary of CRA Rating for Harris Bank St. Charles:

### Lending Test

- Lending levels reflect adequate responsiveness to the needs of the assessment area.
- The geographic distribution of HMDA and small business loans reflects good penetration throughout the assessment area.
- The bank originated an adequate percentage of Home Mortgage Disclosure Act (HMDA)-related loans and a high percentage of small business loans within the assessment area.
- The distribution of borrowers reflects an adequate penetration among borrowers of different income levels.
- Consumer lending to low- and moderate-income borrowers is good.
- The distribution by loan amounts reflects an adequate level of small business loans originated in amounts less than or equal to \$100,000.

- The loan distribution among businesses of different revenue sizes reflects good penetration among businesses with revenues less than or equal to \$1 million.

Investment Test

- An adequate level of qualified community development investments and grants were made.
- The bank made an adequate amount of donations to organizations that benefit low- and moderate-income individuals.
- The bank exhibits adequate responsiveness to community development needs within the assessment area.

Service Test

- Delivery systems are reasonably accessible to essentially all portions of the assessment area.
- Since the previous examination, dated March 1, 2000, the record of opening and closing branches has not adversely affected the accessibility of the bank's delivery systems.
- Services do not vary in a way that would inconvenience any segment of the assessment area, particularly low- and moderate-income geographies and/or low- and moderate-income individuals.
- The bank provides a relatively high level of community development services.

## HARRIS BANK ST. CHARLES

### DESCRIPTION OF INSTITUTION

Harris Bank St. Charles (HBSC), with total assets of \$427.1 million as of December 31, 2001, is one of a network of community banks in the 30-bank, \$29 billion holding company, Harris Bankcorp Inc. Of the 30 banks, the majority are located in the Chicago Metropolitan Area; one bank is located in Florida and another in Arizona. Harris Bankcorp is a subsidiary of Bankmont Financial Corporation of Delaware, which is a subsidiary of Bank of Montreal in Canada. Harris Bankcorp Inc., is also the parent company of Harris Trust and Savings Bank, Chicago, Illinois, as well as numerous other community banks and non-bank subsidiaries.

HBSC currently operates five offices including the main office in St. Charles, three additional offices in St. Charles, and one office in Geneva. These offices are full-service facilities, and with the exception of the main office, all offer automated teller machine (ATM) services. A full range of real estate, commercial, and consumer credit products and services are available in addition to deposit accounts. The Riverside Office only offers drive-up and ATM services.

According to the December 31, 2001 Uniform Bank Performance Report (UBPR), the bank's loan mix compared to peer group is shown in the following table.

Harris Bank St. Charles Loan Portfolio Mix		
Loan Type	Bank Loan Mix	Peer Group Loan Mix
<b>Real Estate Loans</b>	<b>89.08</b>	<b>68.75</b>
Construction & Development	7.21	7.32
1-4 Family Residential	65.46	27.80
<i>Home Equity</i>	<i>16.99</i>	<i>2.43</i>
Other Real Estate Loans	16.41	30.79
<i>Farmland</i>	<i>0.17</i>	<i>1.78</i>
<i>Multi Family</i>	<i>0.59</i>	<i>1.72</i>
<i>Non-Farm, Non-Residential</i>	<i>15.65</i>	<i>25.77</i>
<b>Loans to Individuals</b>	<b>7.33</b>	<b>8.73</b>
<b>Credit Card Loans</b>	<b>0.02</b>	<b>0.24</b>
<b>Commercial &amp; Industrial Loans</b>	<b>3.23</b>	<b>16.71</b>
<b>Agricultural Loans</b>	<b>0.04</b>	<b>1.61</b>
<b>Municipal Loans</b>	<b>0.06</b>	<b>0.49</b>
<b>Other Loans*</b>	<b>0.26</b>	<b>0.35</b>

\*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables

The bank's loan mix consists of real estate at 89.08% higher than the peer mix of 68.75%. The majority of the real estate loan mix (65.46%) consists of 1-4 family residential. This is larger than the peer mix of 27.8%, and may be reflective of the

growing housing market in HBSC's assessment area which has also led to increased competition in mortgage lending.

The bank's primary competition within its assessment area includes branches of Bank One, Fifth Third Bank, US Bank, and First American Bank. Since the previous examination, two de novo banks and branches of four existing charters opened in the bank's immediate market area, which has led to increased competition for deposits.

Overall, there are no factors relative to the bank's financial condition, size, or local economic conditions that prevent the bank from meeting the various credit needs in its assessment area.

### **HARRIS BANK ST. CHARLES ASSESSMENT AREA**

On March 21, 2000, Harris Bank St. Charles (HBSC) expanded its assessment area from 12 to 26 census tracts located in Kane and DuPage Counties. The entire assessment area is located in the Chicago Metropolitan Statistical Area (MSA). The 26 census tracts cover the majority of Kane County and the northwest corner of DuPage County and encompass 11 townships. The eleven townships in the bank's assessment area are Wayne, Winfield, St. Charles, Geneva, Batavia, Campton, Blackberry, Sugar Grove, Virgil, Kaneville, and Big Rock.

### **SCOPE OF EXAMINATION**

The scope of the examination included a review of all lending, investment and service activities using the full CRA examination procedures. The bank's loan portfolio, CRA-reportable small business, and HMDA-related loans originated from January 1, 2000 through December 31, 2001 were analyzed to determine the bank's lending performance. For purposes of the CRA evaluations, small business loans are those commercial loans with an original loan balance of less than \$1 million. The criteria used to evaluate the bank's performance under the Lending Test included a comparison of the percentage of loans within the assessment area to total loans; the distribution of loans within geographies of different income levels; the distribution of loans to individuals of different income levels; the distribution of business loans by loan amounts and to businesses of different revenue sizes; and the level of qualified community development loans. Where possible, the bank's lending performance was compared to the market aggregate. Small business market aggregate data was available for 2000 only. Community development lending, investments and activities/products evaluated under the Service Test were limited to those originated between April 1, 2000 to March 31, 2002. Any reference to demographics consisted of 1990 census data. Unless specifically noted, all information presented here is consistent throughout the evaluation.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The bank is rated "low satisfactory" on the lending test.

#### Lending Activity

The bank has an "adequate" level of lending activity. The bank offers a wide range of credit products, including residential mortgage, home improvement, construction, home equity, small business, commercial, and consumer loans, as well as overdraft checking and personal and commercial lines of credit.

#### Assessment Area Concentration:

The bank has an "adequate" percentage of lending in the assessment area with 71.4% of its lending originations within the assessment area.

#### Geographic Distribution:

The bank's assessment area consists of 17 upper-income and nine middle-income census tracts, and the geographic distribution of the HMDA-related, small business, and consumer lending is "good." A review of the loans indicated adequate penetration throughout the assessment area.

#### Distribution of Loans by Income Level of the Borrower:

The distribution of HMDA-related loans is "adequate." During 2000 and 2001, 20.5% of the bank's HMDA lending was to low-and moderate-income borrowers. The bank's 2000 HMDA lending was consistent with the 2000 market aggregate of 20.6%.

The distribution of loans to small businesses by loan size is "adequate." In 2000, 64.5% of the bank's small business loans were in amounts less than or equal to \$100,000, compared to 62.9% in 2001. This is significantly below the 2000 aggregate of 89.2%; however, it does not pose a concern at this time given the high concentration of residential real estate within the bank's assessment area.

Loan distribution among businesses with revenues less than or equal to \$1 million is "good." In 2000 and 2001, the distribution for small business loans were at 43.4% and 48.3%, respectively. The bank outperforms the 2000 market aggregate of 32.2%.

The borrower distribution for consumer loans is "good." In 2000 and 2001, low- and moderate-income borrowers comprised 28.4% and 22.2% respectively of the bank's consumer lending; 17.8 % of assessment area families are low- or moderate-income.

Community Development Lending:

The bank made an “adequate level” of community development loans. The bank made four community development loans totaling \$220,320. Increased competition in the market and a low percentage of low- and moderate-income families in the assessment area are contributing factors to the adequate level of community development loans.

**INVESTMENT TEST**

The bank is rated “low satisfactory” in the investment test. The bank’s community development investments totaled \$1,619,108. The bank’s investments are not considered innovative or complex.

**SERVICE TEST**

The bank is rated “high satisfactory” in the service test. The bank’s service-delivery systems are reasonably accessible to all portions of the bank’s assessment area. A full-range of real estate, commercial and consumer credit products and services; trust services; and deposit products and services are available at the main office and at each full-service branch office. The bank provides a relatively high level of community development services through various programs and initiatives.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

The bank was examined for compliance with fair lending laws and regulations. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.



## METROPOLITAN AREA

### DESCRIPTION OF INSTITUTION'S OPERATIONS

On March 21, 2000, Harris Bank St. Charles (HBSC) expanded its assessment area from 12 to 26 census tracts located in Kane and DuPage Counties. The entire assessment area is located in the Chicago Metropolitan Statistical Area (MSA). The 26 census tracts cover the majority of Kane County and the northwest corner of DuPage County and encompass 11 townships. The eleven townships in the bank's assessment area are Wayne, Winfield, St. Charles, Geneva, Batavia, Campton, Blackberry, Sugar Grove, Virgil, Kaneville, and Big Rock.

Based on 1990 census data, 17 of the census tracts are classified as upper-income areas and 9 are middle-income. The U.S. Department of Housing and Urban Development's (HUD) adjusted median family income in the Chicago MSA increased from \$63,800 to \$70,500 from 1999 to 2001. According to the Northeastern Illinois Planning Commission (NIPC), the median family income for the City of Saint Charles is \$82,828 for 1999 (most recent year available). The total population of the assessment area is 171,540; 56% of the families are classified as upper-income, 26.1% as middle-income, 11.2% as moderate-income, and 6.6% as low-income. Only 1.6% of the families in the assessment area live below the poverty level.

According to the 1990 census, the median housing value for the assessment area and the Chicago MSA is \$144,484 and \$108,960, respectively. NIPC reports that the median housing value for St. Charles and the City of Chicago for 2000 is \$196,200, and \$132,400, respectively. Approximately 15.9% of all assessment area housing was built prior to 1950 with a median age of 24 years. The median age of housing in the Chicago MSA is 45 years. There are 59,160 housing units in the assessment area, of which 46,417 or 78.5% are owner occupied. The overall vacancy rate for owner-occupied and rental units is 3.9%. Median monthly rent for the assessment area is \$600 compared to \$492 for the MSA.

Assessment Area Demographics Harris Bank St. Charles								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	3,096	6.6
Moderate-income	0	0	0	0	0	0	5,255	11.2
Middle-income	9	34.6	12,487	26.7	282	36.6	12,213	26.1
Upper-income	17	65.4	34,246	73.3	488	63.4	26,169	56.0
<b>Total Assessment Area</b>	<b>26</b>	<b>100.0</b>	<b>46,733</b>	<b>100.0</b>	<b>770</b>	<b>100.0</b>	<b>46,733</b>	<b>100.0</b>

  

Income Categories	Housing Units	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%*	#	%*	#	%*
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	17,232	11,308	24.4%	65.6	5,222	30.3	702	4.1
Upper-income	41,928	35,109	75.6%	83.7	5,210	12.4	1,609	3.8
<b>Total Assessment Area</b>	<b>59,160</b>	<b>46,417</b>	<b>100.00</b>	<b>78.5</b>	<b>10,432</b>	<b>17.6</b>	<b>2,311</b>	<b>3.9</b>

\*Percentage of housing units by income census tract level

Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Under \$1 million		Over \$1 million		Revenue not reported	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	0	0	0	0	0	0	0	0
Middle-income	3,314	35.2	2,737	34.6	398	42.5	179	31.9
Upper-income	6,104	64.8	5,182	65.4	539	57.5	383	68.1
<b>Total Assessment Area</b>	<b>9,418</b>	<b>100.0</b>	<b>7,919</b>	<b>100.0</b>	<b>937</b>	<b>100.0</b>	<b>562</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>84.1</b>		<b>9.9</b>		<b>6.0</b>

As of June 30, 2001, there are over 100 Federal Deposit Insured Corporation (FDIC) insured institutions in DuPage and Kane County combined. Harris Bank St. Charles is ranked 19<sup>th</sup> in market share at 1.19% or \$363 million.

The State of Illinois Department of Employment Security indicated that the unemployment rate for DuPage and Kane Counties rose to 3.8% and 5.2%, respectively for 2001 from 2.6 and 3.9 respectively for 2000. The State of Illinois' unemployment rate rose to 5.45% from 4.4% during the same time span.

Discussions with two community representatives were considered in determining the assessment area's banking needs and evaluating the bank's performance in meeting those needs. According to those representatives the economy in the bank's assessment is strong. However, one representative felt that the economic conditions in St. Charles are declining due to corporate restructuring, plant closings and small businesses closing due to

the overall economy. Another concern is that the population is increasing faster than jobs are being created. Additionally, there is a lack of affordable housing due to increasing real estate values.

Other representatives expressed concerns about whether the bank could provide additional monetary support to not-for-profit organizations in the assessment area, since state budgets and other corporate giving has been reduced in recent years.

Finally, other representatives expressed a need for banks to provide financial education to the residents in their assessment areas. Downturns in the economy have resulted in numerous job losses and residents need help adjusting to job loss and handling housing expenses. Residents also need help understanding their credit ratings and how major life changes such as divorce and death of an income provider impact their ability to get credit.

## LENDING TEST

The bank's loan portfolio was evaluated relative to lending volume, geographic distribution of loans, distribution of lending by borrower characteristics, community development lending, and use of innovative and flexible lending practices.

### Analysis of Lending Activity

The following table shows the bank's total lending in 2000 and 2001.

<b>Summary of Total Lending Harris Bank St. Charles January 1, 2000 to December 31, 2001</b>				
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>(000's)</b>	<b>%</b>
HMDA home purchase	590	22.3	113,140	38.5
HMDA refinancing	403	15.2	929	0.32
HMDA home improvement	32	1.2	76,357	26.0
HMDA multifamily	3	0.11	219	0.10
Total HMDA-Related	1,028	38.8	190,644	64.8
Total Small Business	209	7.9	36,575	12.4
Total Consumer Lending	1,415	53.4	67,152	22.8
<b>TOTAL LOANS</b>	<b>2,652</b>	<b>100.0</b>	<b>294,371</b>	<b>100.0</b>

## Analysis of Assessment Area Concentration

Harris Bank St. Charles Lending Inside And Outside The Assessment Area								
JANUARY 1, 2000 – DECEMBER 31, 2001								
	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Total HMDA-related	595	57.9	104,044	54.5	433	42.2	86,600	45.4
Total small business	165	78.9	26,142	71.5	44	21.1	10,433	28.5
Total optional consumer lending	1,133	80.1	52,160	77.7	282	19.9	14,992	22.3
<b>TOTAL LOANS</b>	<b>1,893</b>	<b>71.4</b>	<b>184,346</b>	<b>61.9</b>	<b>759</b>	<b>28.6</b>	<b>112,025</b>	<b>38.1</b>

A review of the bank's HMDA data indicated that 68.0% of the number and 63.2% of the dollar amount was originated in the assessment area in 2001 and 45.9% and 44.1%, respectively, in 2000. The bank's 2000 HMDA-related lending in the assessment area was diluted by the purchase of 292 mortgages, without regard to geography, for asset-liability management purposes.

HBSC has traditionally been an active consumer mortgage lender. Historically, each Harris Bank processed its own mortgage loan applications. However, at the end of 1997, the mortgage function for all Harris community banks was centralized under the lead bank, Harris Trust and Savings Bank (HTSB). Each bank retains its own originators, and mortgage applications are referred to one of seven regional operating centers (ROCs) for processing and underwriting. HTSB's HMDA data includes all loans for which the ROCs made the final credit decision. Mortgage loans reported on HTSB's HMDA data are allocated to the Harris Banks, as appropriate, to support each bank's CRA performance. The loans are allocated to each bank based on the location (census tract) of the property securing each loan. Only loans within a bank's assessment area are allocated to that bank; each loan is allocated to only one bank.

In 2001, small business lending comprised of 78.1% of the number and 65.2% of the dollar amount originated within the assessment area and 80.0% and 81.6%, respectively in 2000. In 2001, consumer lending comprised 80.4% of the number and 77.6% of the dollar amount originated within the assessment area, and 79.7% and 77.7%, respectively in 2000. Because the bank purchased a large number of indirect automobile loans which were located outside its assessment area for asset-liability management purposes, the bank opted to exclude these loans from its 2001 consumer lending data.

Analysis of Geographic Distribution

A review of the bank’s HMDA-related lending, small business lending, and consumer lending revealed that the geographic distribution is adequate. The bank’s assessment area does not contain any low- or moderate-income census tracts. Middle income census tracts comprised of 34.6% of the bank’s assessment area, while upper-income census tracts comprised the remaining 65.6% of the bank’s assessment area.

A review of the bank’s HMDA-related lending in the assessment area indicated that 25.9% of the number and 20.3% of the dollar amount originated in middle income census tracts in 2001, and 24.1% of the number and 20.5% of the dollar amount in 2000. For small business lending, 38.2% of the number and 29.0% of the dollar amount originated in middle income census tracts in 2001, and 42.1% and 34.6%, respectively in 2000. For consumer lending, 39.0% of the number and 30.9% of the dollar amount originated in middle income census tracts in 2001, and 33.0% and 41.0%, respectively in 2000.

Analysis of Distribution by Borrower Income and Revenue Size

Overall, 20.6% of the bank’s HMDA loans in 2001, and 20.4% in 2000 were made to low-and moderate-income borrowers. In 2000, 20.6% of the market aggregate’s HMDA loans were made to low-and moderate-income borrowers. For consumer lending 22.2% of the bank’s loans in 2001 and 28.4%in 2000 were to low- and moderate-income borrowers. A total of 18.8% of the families in the bank’s assessment area are considered low- or moderate-income.

An analysis of the bank’s business loans based on the revenues generated by each business indicated that 48.3% (43/89) of small business loans made in 2001 and 43.4% (33/76) made on 2000 were to businesses with revenues less than or equal to one million dollars.

<b>Distribution of Small Business Loans by Revenue Size of Business</b>				
	<b>&lt; = \$1 Million</b>		<b>&gt; \$1 Million</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
2000 Bank	33	43.4	43	56.6
<b>2000 Market*</b>	<b>1,665</b>	<b>32.2</b>	<b>3,501</b>	<b>67.8</b>
2001 Bank	43	48.3	46	51.7

\*Excludes Bank activity

An analysis of distribution by loan amounts indicates that 62.9% or 56 of 89 of small business loans were in amounts equal to or less than \$100,000 in 2001, and 64.5% or 49 of 76 in 2000. Market aggregate data for 2000 indicated that 89.2% of the small business loans were in amounts equal to or less than \$100,000. The table below depicts the loan amounts for 2001 and 2000.

Distribution of Small Business Loan Amounts						
	< = \$100,000		> \$100,000 to < = \$250,000		> \$250,000 to < = \$1M	
	#	%	#	%	#	%
2000 Bank	49	64.5	16	21.1	11	14.5
<b>2000 Market*</b>	<b>4606</b>	<b>89.2</b>	<b>286</b>	<b>5.5</b>	<b>274</b>	<b>5.3</b>
2001 Bank	56	62.9	15	16.9	18	20.2

\*Excludes Bank activity

Analysis of Community Development

The bank originated 4 community development loans totaling \$220,320. The loans depicted in the following table were reviewed during the examination and meet the definition of community development.

HARRIS BANK ST. CHARLES COMMUNITY DEVELOPMENT LOANS		
Borrower(s)	Loan Amount	Description of the Loan
Home Improvement Lender	\$50,000	Line of credit for operating expenses. Organization provides rehab loans to low- and moderate-income individuals at reduced interest rates.
Home Improvement Lender	\$50,000	Line of credit for operating expenses. Organization provides rehab loans to low- and moderate-income individuals at reduced interest rates.
Homeless Shelter	\$50,000	Loan for expansion of existing facility. Lazarus house is a homeless shelter serving St. Charles, Geneva, and Batavia.
Group Home	\$70,320	Loan to acquire a residential lot for the construction of a group home for low-income handicapped adults.

INVESTMENT TEST

During 2001 and 2000, Harris Bank St. Charles made qualified investments totaling \$1,619,108. This consisted of two bond purchases and a mortgage backed security allocated by Harris Bank and Trust (\$1,283,088). The other 18 mortgage-backed securities currently in the bank’s portfolio (\$290,000) were originated prior to the examination date. The bank also has qualified investments in the form of four memberships (\$15,000) and contributions (\$31,020).

<b>HARRIS BANK ST. CHARLES BOND AND MORTGAGE BACKED SECURITY PURCHASES</b>			
<b>Organization</b>	<b>Date</b>	<b>Amount</b>	<b>Purpose of the Investment</b>
Housing Authority	9/27/01	\$900,000	Provides Section 8 and income based subsidy options for low- and moderate-income families.
School District	12/28/01	\$150,000	School bond, a significant number of students are from low- and moderate-income families.
Mortgage-Backed Security	5/1/01	\$233,087	Portion allocated to Harris Bank St. Charles by Harris Trust and Savings Bank. All borrowers are located in the bank's assessment area and have low- and moderate-income.

<b>HARRIS BANK ST. CHARLES MEMBERSHIPS IN COMMUNITY DEVELOPMENT ORGANIZATIONS</b>			
<b>Organization</b>	<b>Date</b>	<b>Amount</b>	<b>Purpose of the Investment</b>
Housing Continuum	6/20/00	\$1,500	Provides down payment and closing cost assistance to low- and moderate-income homebuyers.
	6/20/01	\$2,000	Provides down payment and closing cost assistance to low and moderate-income homebuyers.
Downtown Partnership	5/18/01	\$2,500	Coalition of business, civic leaders, property owners dedicated to preservation & revitalization of downtown St. Charles.
Neighborhood Improvement Association	2/7/01	\$5,000	Provides rehab loans to low- and moderate-income individuals at reduced interest rates.
	1/7/02	\$5,000	Provides rehab loans to low- and moderate-income individuals at reduced interest rates.

<b>HARRIS BANK ST. CHARLES COMMUNITY DEVELOPMENT CONTRIBUTION ACTIVITY</b>		
<b>Organization</b>	<b>Amount</b>	<b>Purpose of the Contribution</b>
Homeless Shelter – St Charles	\$5,400	Provides overnight shelter and food for the homeless.
Religious Service Organization – St Charles	\$3,500	Majority of funds go to services for low- and moderate- income individuals.
Legal Aid Organization – Geneva	\$2,550	Provides legal services, court appointed advocates, for abused children the majority of whom (90%) come from families that are below the poverty level.
Affordable Housing Organization - St Charles	\$1,000	Affordable housing for low- and moderate-income individuals.
Scholarship Fund – St Charles	\$750	Scholarship for students from moderate-income families.
Scholarship Fund - St Charles	\$750	Scholarship for students from moderate-income families.
Neighborhood Improvement Assoc.- St Charles (also serves Geneva & Batavia)	\$1,400	Provides loans for home improvement, rehabilitation and purchase to low- and moderate-income borrowers.
Fraternal Organization - St Charles	\$1,000	Funds specifically targeted to programs for low- and moderate- income youth.
Community Organization - Serves all of Kane and DeKalb counties.	\$1,000	Funds specifically targeted to programs for low- and moderate- income families.
Family Services – Geneva	\$875	Provides counseling social services to low- and moderate-income individuals and families.

<b>HARRIS BANK ST. CHARLES COMMUNITY DEVELOPMENT CONTRIBUTION ACTIVITY</b>		
<b>Organization</b>	<b>Amount</b>	<b>Purpose of the Contribution</b>
Small Business Organization – St. Charles	\$550	Provides counseling for owners of local small businesses, sponsored by SBA.
Business Coalition	\$2,555	Coalition of businesses, civic leaders, property owners dedicated to preservation and revitalization of downtown St. Charles.
Other Miscellaneous Contributions	\$9,690	

## **SERVICE TEST**

### **Retail Banking Services**

Harris Bank St. Charles, HBSC, is a full-service bank operating five offices, with its main office in St. Charles. Three full-service offices are also located in St. Charles and one located in Geneva. The Riverside Office only offers drive-up and ATM services. The bank owns and operates five automated teller machines (ATMs), all of which facilitate bilingual (Spanish) interaction. Four of the ATMs have drive-up access and are located at the bank's branch offices. The remaining ATM is an offsite walk-up cash dispensing machine, located at Pheasant Run Resort in St. Charles. In addition to the approximately 250 Harris-owned ATMs, customers have access to the Cash Station and other shared networks. The bank offers a wide range of loan and deposit products to consumers, businesses, and organizations within its assessment area.

### **Distribution of Branch Offices Among Geographies**

HBSC's branch offices, drive-up facilities and ATMs are accessible to all portions of the bank's assessment area, including the 14 new geographies added since the previous examination. A full range of services are offered, and the office hours, although slightly reduced since the previous examination, are consistent and reasonable at each location, and do not vary in a way that would inconvenience any portion of the assessment area or group of individuals.



Branch Locations	County/ Census Tract	HOURS OF OPERATION		
<b>MAIN OFFICE</b> One E. Main Street St. Charles, IL 60174	Kane/ 8523.00	Lobby	8:30 am – 5:00 pm 8:30 am – 12 noon	Monday - Friday Saturday
<b>RANDALL ROAD BRANCH</b> 300 S. Randall Rd St.Charles, IL 60174	Kane/ 8522.02	Lobby:  Drive-Up ATM	8:30 am – 5:00 pm 8:30 am – 6:00 pm 8:30 am – 12 noon 7:00 am – 7:00 pm 7:00 am – 2:00 pm	Monday-Thursday Friday Saturday Monday - Friday Saturday
<b>RIVERSIDE BRANCH</b> 50 S. First Street St.Charles, IL 60174	Kane/ 8523.00	Drive-Up ATM	8:00 am – 7:00pm 8:00 am – 2:00pm	Monday–Friday Saturday
<b>EAST SIDE BRANCH</b> 3890 E. Main Street St. Charles, IL 60174	Kane/ 8520.02	Lobby  Drive-Up ATM	8:30 am – 5:00 pm 8:30 am – 6:00 pm 8:30 am – 12 noon 7:00 am – 7:00 pm 7:00 am – 2:00 pm	Monday -Thursday Friday Saturday Monday – Friday Saturday
<b>GENEVA BRANCH</b> 1399 E.State Street Geneva, IL 60134	Kane/ 8525.00	Lobby  Drive-Up ATM	8:30 am – 5:00 pm 8:30 am - 6:00 pm 8:30 am – 12 noon 8:00 am – 6:00 pm 7:00am – 7:00pm 7:00 am – 2:00 pm	Monday -Thursday Friday Saturday Monday-Thursday Friday Saturday
Pheasant Run Resort 4051 E. Main Street St. Charles, IL 60174	Kane/ 8520.02	Walk-up ATM only		

**Alternate Systems for Delivering Retail Banking Services**

The bank provides a wide variety of alternative delivery channels for retail banking services, which provide additional access to all portions of the institution’s assessment area. This is in addition to almost 150 branch offices throughout the Chicagoland area. Currently, the bank owns and operates more than 250 ATMs, allowing customers with a Harris Bankcard to conduct basic banking transactions by utilizing Harris’ ATMs or the “Cash Station” ATM network located throughout the Midwest.

Twenty-four hour banking is available through both, [www.harrisbank.com](http://www.harrisbank.com) (also referred to as “mbanx online banking”), an internet banking service and an automated telephone banking service. Through the online banking service, customers can access their account information, transfer funds between accounts, stop payments on checks, open accounts, apply for loans, and obtain other information. The automated banking by phone option allows customers to check account balances, stop payments on checks, and transfer funds between accounts. Bill payment services are also an option for customers through both of these services.

Customers can also call the Harris Client Contact Center for all types of inquiries and services. The hours of operation are Monday through Friday, 7:00am to 10:00pm (CST) and Saturday, 8:00am to 5:00pm (CST). The call center provides services in multiple languages including Spanish, Polish, and French. More than 22 different languages, such as Tagalog, Hindi, Gujarati, and Urdu, can be made available through the Contact Center.

**Range and Accessibility of Services Provided To Geographies**

The bank’s five offices offer services that meet the banking needs of the assessment area, including the needs of low- and moderate-income individuals and small businesses. In addition to regular banking products and services, the bank offers the following:

- Economy Checking: a low-cost checking account with no minimum balance and a \$10.00 minimum opening deposit, a \$3 monthly maintenance fee and a low per check fee.
- Senior Checking: an interest-bearing account for customers age 60 and older with low costs. Interest is earned on balances of \$1,500 or more.
- Minor Savings: an account for minors requiring no minimum balance to earn interest.

**Community Development Services**

The bank has participated in several community development services within its assessment area. The bank’s initiatives are focused primarily on three areas of concern:

- Affordable housing for low- and moderate-income individuals
- Community services targeted to low- and moderate-income individuals, and
- Activities that promote economic development.

The board of directors, officers, and employees have used their financial expertise in various capacities and provided financial services that benefited residents and small business owners within the assessment area. The following table illustrates the bank’s service activities during the review period.

<b>Harris Bank St. Charles Community Development Services</b>		
<b>Organization</b>	<b>Purpose</b>	<b>Activity/Service Provided</b>
Neighborhood Improvement Association	Provides home rehab and maintenance loans to people who do not meet traditional lending requirements. Loans are at favorable rates (4%) through local lenders to those of low-, moderate-income.	Bank president uses financial and lending expertise as director. Board member also serves as Executive Director. Bank employees serve on loan committee.
Loan Assistance	Assists elderly, disadvantaged, and disabled to live independently. Provides loans at favorable rates through local lenders for home repair and rehab.	Bank president uses financial and lending expertise as director.
Housing Development	Community housing development organization that offers first-time homebuyers assistance program for moderate-income families.	Bank mortgage loan originator serves on Advisory Committee to Board of Directors.

Harris Bank St. Charles Community Development Services		
Organization	Purpose	Activity/Service Provided
Homeless Shelter	Homeless shelter providing overnight shelter, meals, mental health and substance abuse services to individuals from Batavia, St. Charles, Geneva, and Kaneland.	Bank's operations officer serves as board member, treasurer, and fundraising committee member. Bank provides credit-counseling services to residents.
Education	Mission of school is to provide high quality education program for boys from lower income and single parent families. West campus is located in St. Charles.	Director serves on board of trustees and Chairman of Glenwood West board.
Housing Assistance	Assists first time homebuyers.	Bank mortgage originator conducted seminar for first-time homebuyers.
Housing Assistance	Created by DuPage Homestead Program; Provides education, outreach, counseling, and special assistance for low- and moderate-income first-time homebuyers in DuPage county.	Bank mortgage originators provided translation of the basic homebuyers class from English to Spanish; counseled individuals on the home purchase process, and gave presentations at Spanish Homebuyer's Fair.
Business Expo	Conducted by six area Chambers of Commerce to assist small businesses.	Bank participated by distributing small business product information, including loan information.
Education	Provides vocational training for low- and moderate-income adults living in Kane county.	Bank officer gave financial services seminar to members of the adult classes.
Counseling Organization	Provides free one on one counseling to help people successfully start and operate small businesses.	Bank provides free space for monthly meetings and access to commercial lenders for advice as needed.
Charitable Organization	Purpose is to allocate funds to finance programs of human care service agencies in accordance with the priority of current community needs. Per agency's report, 65% of funds disbursed go to low- and moderate-income individuals.	Bank president and officers coordinate bank-wide pledge program.
Downtown Revitalization	Manages and directs the community's downtown renovation and revitalization initiative	Board member represents the bank and uses banking experience to also serve on this board.

Below is a brief description of some of the special programs the bank participated in during the review period:

- **Neighborhood Improvement Loans:** Working with this organization, HBSC offers loans for the purpose of housing rehab and maintenance. Loan recipients include individuals and families who do not meet traditional lending requirements. The loans are made at a reduced rate (4%). Since April 2000, HBSC has made five such loans totaling \$88,500.
- **Mortgages:** The Homebuyer Assistance Program is targeted at individuals in Kane and DeKalb Counties with incomes at 80% or less of the local median income. Applicants may receive up to \$8,500 in closing costs and down payment assistance. The bank

provides a 30-year fixed-rate mortgage at a one-quarter percent discount. The bank has closed five mortgages totaling \$520,350 since April 2000.

- Homeless Shelter: Opening deposit and minimum balance requirements are waived on savings accounts for residents of the shelter located in downtown St. Charles. The credit requirements for opening are also markedly relaxed. The bank has opened 23 of these accounts since April 2000.

### **Record of Opening and Closing Offices**

Since the previous examination, the bank has closed its ATM located at the bank's main office. Additionally, the walk-up window at its Riverside office was closed, until further notice. The drive-up facilities are still available at the Riverside location.

### **Conclusion**

Harris Bank St. Charles' performance under the service test is high satisfactory. The bank's branch offices are accessible to all segments of the assessment area and the hours of operation at the branch offices and drive-up facilities allow customer to bank during evening hours. Although the bank closed its walk-up window at its Riverside location, and closed its ATM at the main office, this has not had an adverse impact on the community's access to banking services. The bank also provides a variety of alternative delivery system for retail banking services, allowing customers access to their accounts at any time and from almost anywhere. HBSC has also participated in a significant number of community development services benefiting low- and moderate-income individuals and small businesses.

**CRA APPENDIX A**

**SCOPE OF EXAMINATION**

The chart below is provided as a supplement to the scope. Please refer to page 7 for the Scope of Examination.

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>	<ul style="list-style-type: none"> <li>• January 1, 2000 to December 31, 2001 (Lending Test except for Community Development Lending)</li> <li>• April 1, 2000 to March 31, 2002 (Lending Test – Community Development Lending)</li> <li>• April 1, 2000 to March 31, 2002 (Investment &amp; Service Test)</li> </ul>		
<b>FINANCIAL INSTITUTION</b>  Harris Bank St. Charles St. Charles, Illinois	<b>PRODUCTS REVIEWED</b>		
	<ul style="list-style-type: none"> <li>• HMDA-related loans</li> <li>• Small Business</li> <li>• Consumer Lending</li> <li>• Community Loans</li> </ul>		
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
<b>MSA:</b> 1600 – Chicago  <b>County:</b> 089 – Kane <b>Census Tracts:</b> 8520.01, 8520.02, 8521.00, 8522.01, 8522.02, 8523.00, 8524.01, 8524.02, 8524.03, 8525.00, 8526.00, 8527.00, 8528.01, 8528.02, 8545.01, 8545.02  <b>County:</b> 043– DuPage  <b>Census Tracts:</b> 8413.01, 8413.02, 8413.04, 8413.03, 8413.05, 8414.01, 8414.02, 8415.00, 8416.01, 8416.02	<b>Full procedures</b>	3890 E. Main St., St. Charles, IL  4051 E. Main St., St. Charles, IL 60174	The bank has only one assessment area, which was increased on March 21, 2000.

Note: "Branches visited" indicates where technical compliance with the CRA (signs, public file, etc.) was confirmed. The evaluation of the institution's CRA performance takes into consideration activity from all branch locations, as described in the Scope of Examination.

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**CRA APPENDIX B****GLOSSARY**

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Block numbering area (“BNA”):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies,

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further

classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (“HMDA”):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Limited review:** Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Metropolitan area:** Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Optional loans:** Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.



**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.