

## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Pullman Bank and Trust Company, Chicago, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **April 28, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

**ASSIGNMENT OF RATING**

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

Institution's Rating:

This institution is rated "**satisfactory record of meeting community credit needs,**" based on the findings presented below.

### **COMMUNITY PROFILE**

The bank's main office is located in Chicago, Illinois, approximately 17 miles south of the Chicago Loop in the southeastern section of Pullman Historic District. The bank has defined its delineated community as 77 contiguous census tracts surrounding the bank's main office at 1000 East 111th Street. The bank's delineated community is rectangular in shape, and the boundaries of the delineated community are established along census tract boundaries which border the following streets: to the north at 87th Street; south at 138th Street; to the west at Western Avenue, and State Line Road to the east. The bank's delineated community is located in Cook County within the Chicago Metropolitan Statistical Area (MSA) - 1600. The bank incorporated 77 whole census tracts within the delineated community, of which 10 tracts (population 32,109 or 10.48%) are low-income; 28 tracts (population 107,044 or 34.94%) are moderate-income; 35 tracts (152,719 or 49.84%) are middle-income and four tracts (population 14,537 or 4.74%) are upper-income level tracts. Minority census tracts represent a total of 62 or 81.6% of the total tracts within the delineated community, using the concentration level of 50% or more minority residents in a tract. According to 1990 census data, the MSA population is 7,410,858, while the delineated community's total population is 306,409. Blacks represent 225,574 or 73.6%, Whites - 51,043 or 16.7%, Hispanic - 28,820 or 9.4% and other minorities represent 972 or less than 1% of the total population. According to this same data, the MSA median family income is \$42,758, while the delineated community median family income is \$33,960; low- and moderate-income are those individuals who have an income of less than \$27,168. The delineated community is very diverse with the households income level dominated by upper-income (29,145 or 30.3%) of the 96,244 total households, followed by low-income individuals (28,581 or 29.7%). The community is also dominated by the age group between 25-64 (154,886 or 50% of the total population) followed by the age group 17 and under representing 86,699 or 28.3% of the population within the delineated community.

According to 1990 census data, the MSA median housing value is \$108,960 and the delineated community housing value is \$63,655, versus the State of Illinois median housing value at \$80,114. In addition, there are a total of 103,538 housing units within the bank's delineated community, of which 64,831 or 62.6% are owner-occupied units; 32,182 or 31.1% are rental units; and 6,525 or 6.3% are vacant units. It should also be noted that 846 of these housing units are boarded-up. One-to-four family unit homes account for the majority (89,974 or 86.9%) of the delineated area housing, while multifamily and mobile homes comprise 11,745

(11.3%) and 1,006 (1%), respectively, of the remaining housing units. The housing stock in the bank's delineated area consists primarily of older homes with 51,140 or 49.4% built before 1950.

There has been very little housing development over the past several years. Many development activities within the bank's delineated community have occurred in Southeast Chicago (SC). This community was once known as the largest steel producer in the world, and over the years, the community transformed into a diversified industrial center with new housing and retail centers to complement the area's growth. According to information obtained from the Southeast Chicago Development Commission (SCDCOM), recent investment in the SC area has included:

- , Industrial expansions of more than \$700 million from companies including Ford Motor Company, Acne Metals, Verson Corporation, and General Mills.
- , Construction of a 264-acre industrial park is underway.
- , Public investment of more than \$58 million in infrastructure improvements.
- , More than \$16 million has been invested in a number of commercial developments.
- , Two new single family subdivisions are under construction with homes in the price range between \$130,000 and \$150,000.
- , The opening of Haborside International, a 36-hole PGA championship course.
- , More than 580 acres of lake front property were recently cleared for development.
- , Construction of a \$150 million riverfront casino complex in neighboring Hammond, Indiana. Demographics published by SCDCOM showed that the median home value in SC is \$62,071, and the per capita income is less than \$11,000.

According to community representatives, the community economy is slowly growing. This is a result of the community steadily losing businesses to Indiana and Wisconsin, which have more incentives to offer businesses that relocate. The community's focus continues to be shifting from manufacturing to small businesses and restaurants; however, the majority of the land surrounding the bank is zoned commercial. According to information obtained from the Illinois Department of Labor, the unemployment rate for the first quarter is estimated at 4.5% for Cook County, while the State of Illinois reported a slightly higher unemployment rate of 5.5%. The delineated community had more than three times the unemployment rate (14.2%) compared to the county, based upon 1990 census data. According to this same data, minority low-income individuals within the delineated community had a much higher unemployment rate estimated at 23.1%.

**BANK PROFILE**

Pullman Bank and Trust Company (PBTC), with total assets of \$308,462,000 as of December 31,

1996, is a subsidiary of Pullman Group, Incorporated, a multi-bank holding company located in Chicago.

The bank operates its main office at 1000 East 111th Street in Chicago, a branch located 6100 N. Northwest Highway in Chicago and two loan production offices in the State of Indiana (Mishawaka and Merrillville). The bank's full-service facility has three automated teller machines (ATMs) on the premise. Other ATMs are located at the following:

- , The grocery store at 721 East 103rd Street (deposit taking)
- , The grocery store at 98th Street and Halsted (deposit taking)
- , CTA Æl@stops at 4612 W. 57th Street (Midway stop on the Orange Line); 5106 S. Pulaski (Pulaski stop on the Orange Line), and 1119 W. Bryn Mawr (Bryn Mawr stop on the Red Line), all three are cash dispensing ATMs, located outside of the bank's delineated community.

The main bank offers consumer and commercial loans. Based upon information contained in the most recent Report of Condition (December 31, 1996), approximately 55.0% of the bank's loan portfolio is commercial loans, with commercial/industrial comprising 48.2%; followed by consumer and commercial real estate loans at 35.6% and 6.7%, respectively. Of the total commercial/industrial loans, \$85 million or 69% consist of commercial leases. Relative to the consumer real estate loans, the bank participates in Neighborhood Housing Service (NHS) program. The bank also refers mortgage loans to Midwest Mortgage Services, Inc. (MMS), which offers 30 different types of mortgages, including government loans (FHA/VA).

Competition for loan and deposit services are primarily derived from South Chicago Bank and branch offices of Citibank, LaSalle Bank, f.s.b., The Northern Trust Company and Harris Trust and Savings Bank.

## **ASSESSMENT OF RECORD**

### **I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

***Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.***

**Regulatory Expectation**

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

**Scope and Findings**

The bank's formal call program, the board of directors and senior management's participation in CRA outreach efforts, and related activities involving local government agencies, businesses, community members and organizations were reviewed to assess the bank's effectiveness in ascertaining the community's credit needs.

Based upon discussions with management, the most effective and frequently used ascertainment activity for the bank is direct contact with representatives from within the delineated community. The bank utilizes a formal officer call program to promote communication between the bank and members of its community regarding the identification of unmet community credit needs. Officers participating in the bank's call program contact existing and prospective customers, businesses, Realtors, builders, nonprofit organizations, educational institutions, and municipal officials to facilitate communication of unmet credit needs. The bank's entire commercial lending staff (four officers) and the human relations officer (HRO) participate in the call program. On a monthly basis, calls are analyzed to determine their effectiveness in the identification of community credit needs. Documented calls are discussed during monthly loan committee and CRA committee meetings. Additionally, the CRA officer makes quarterly presentations to the board of directors regarding the bank's ascertainment activities and other CRA-related issues.

During the scope of the examination approximately 433 total calls were documented. Of the total calls made, approximately 94% of the calls were within the delineated community, and made by the HRO. Management indicated that a number of commercial calls were made, but they were not documented. In addition to the ascertainment efforts of the HRO, a log is kept of telephone calls handled by the Human Relations Department in response to questions of CRA-related issues and/or concerns. Management indicated that during these phone conversations provide opportunities for the bank to ascertain and address CRA-related concerns. Overall, the distribution of calls appears reasonable. Further, the bank has produced and made available to community interest groups a CRA videotape called AA Century of Community Service.® This videotape documents the bank's activities involving the local community and the bank's ascertainment efforts.

The bank also relies upon the personal contact of its directors, management and staff with various members of the delineated community to identify credit needs. The following chart summarizes significant affiliations of bank representatives:

BANK	NAME OF	PURPOSE	MEETING	CREDIT
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<b>REPRESENTATIVE</b>	<b>ORGANIZATION</b>		<b>FREQUENCY</b>	<b>NEEDS IDENTIFIED</b>
Senior Officer	Roseland Neighborhood Housing Services	Community Development	Monthly	Real Estate Loans
Senior Officer	Minority Business Opportunity Commission	Community Development	Monthly	Business Loans
Senior Officer	Roseland Christian Homes Corporation	Community Development	Monthly	Real Estate Loans
Senior Officer	Roseland Hospital	Community Development	Monthly	Commercial Loans
Senior Officer	Greater Roseland Planning Commission	Community Development	Monthly	Community Development Loans
Senior Officer	Greater Roseland Community Development Corp. (GRCDC)	Community Development	Monthly	Business/ Consumer Loans
Senior Officer	Financial Institutions CRA Forum	Community Development	Monthly	Community Reinvestment
Senior Officer	Calumet Area Industrial Committee	Community Development	Monthly	Community Development
Senior Officer	Roseland Business Development Council	Community Development	Monthly	Business Loans
Senior Officer	Dearborn Real Estate Board	Real Estate related issues	Quarterly	Real Estate Loans

In response to credit needs identified through its ascertainment efforts, the bank has implemented the following credit products and/or services during the scope of this examination:

**Credit Card - Visa (Consumer):**

In March of 1996, the bank began offering a fixed-rate Visa credit card. As of March 31, 1997, there were a total of 90 accounts with available lines of credit totaling \$63,813.

**Credit Card - Visa (Business):**

In November of 1995, the bank began offering businesses fixed-rate credit cards (Pullman Affinity Secured) with a line of credit that can be used at business establishments for purchases of goods and services. The cards are customized with the company's name and logo. As of March 31, 1997, there were a total of 1,350 accounts with available lines of

credit totaling \$2,979,534.

### **Home Equity Loan**

The bank began offering home equity loans in May of 1996. These are available to borrowers who own and occupy 1-4 unit properties, providing loans in amounts up to 80% of the property's appraised value less current loan balance to be used strictly for home improvement purposes.

### **Home Improvement Landmark Loan (HILL)**

In the second quarter of 1994, the bank began offering its AHILL® program. Applicants who reside in a designated landmark Chicago neighborhood and own historically or landmark properties can qualify for this credit program. Loan proceeds can be used for any home repairs, renovation or total rehabilitation. Other details regarding this credit product are discussed under Assessment Factors (b) and (i).

### **Operation Facelift**

The bank began offering this product in the summer of 1996. This credit program provides loans to local businesses for storefront or commercial building facade renovation. No loans to date have been originated under the program.

### **Conclusions**

The bank's ascertainment efforts are considered exceptional, as they include a cross-section of individuals, community organizations and municipalities throughout the delineated community. Management has met regularly to discuss the results of its call activities and these efforts have resulted in the implementation of new credit products/services that are responsive to the needs of the community. Discussions with community representatives made during the examination did not reveal any unmet credit needs.

***Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.***

### **Regulatory Expectation**

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank



designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community needs.

### **Scope and Findings**

The bank's 1996 CRA plan, minutes of the board of directors and audit/compliance meetings, staff training materials, and other documented CRA-related activities were reviewed to assess the board and senior management's participation in the formulation and oversight of CRA/compliance policies and procedures.

The board of directors has taken affirmative steps to actively participate in the bank's CRA efforts by adopting a CRA plan that oversees its CRA-related activities. The plan was most recently reviewed and approved by the board of directors on February 18, 1997. The board of directors has appointed an officer of the bank as the bank's CRA/Compliance officer. The bank also has a CRA committee; the CRA Committee consists of the members from various areas of the bank, including the chairman and the presidents from Pullman South and North.

Committee members can refer to the bank's CRA library which consists of a computer-based training modules, videos and various compliance periodicals and updates, to update their knowledge regarding CRA issues. Additionally, these individuals also receive training from KPMG during quarterly CRA/Compliance audits. Further, new employees go through an orientation in which information regarding the bank's CRA-related activities and certain aspects of antidiscrimination laws are covered. The CRA officer provides updates for the bank's committee on CRA-related issues. On a quarterly basis, CRA presentations are made to the board of directors regarding the bank's CRA activities. The most recent reports to the board and the CRA Committee occurred on February 18, 1997 and April 3, 1997, respectively. Annually, the board reviews and evaluates the bank's CRA efforts through a self assessment of performance. This evaluation of the bank's activities covers the previous calendar year and incorporates each of the 12 CRA assessment factors. The most recent self assessment was conducted during February of 1997 and according to management, the results revealed that the bank is very involved in community activities to ascertain community credit needs. Additionally, the bank's CRA efforts are assessed by an outside firm Peat Marwick (KPMG) on a quarterly basis. The most recent report of the firm's findings occurred on December 6, 1996. The results revealed that the bank efforts were satisfactory.

The bank continues to conduct CRA training sessions; 20 sessions are documented in the bank's CRA files between January 1996 and April of 1997. The bank is committed to allocating the staff, time, training and additional expenditures deemed necessary to achieve compliance.

An expanded CRA statement has been developed that includes CRA-related efforts/issues. The CRA statement is reviewed and approved by the board of directors at least annually, as evidenced by the minutes of the February 18, 1997 board of directors' meeting. Additionally, the CRA statement posted in the bank's lobby is printed in both English and Spanish.

Procedures have been implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

### **Conclusions**

The bank's performance is strong. During the scope of the examination the board of directors has increased its role in participation in the bank's CRA process.

## **II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

***Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.***

### **Regulatory Expectation**

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

### **Scope and Findings**

The bank's marketing and advertising programs were reviewed to assess their effectiveness in making members of the community aware of the credit products offered by the bank, and to determine their responsiveness to credit needs. Also, community representatives were interviewed regarding the effectiveness of the bank's marketing efforts. In addition, the bank's call program efforts were reviewed. The examination revealed that the bank uses various media to market its services:

**NEWSPAPER/PERIODICALS**

The Daily Defender is a weekly minority-owned publication with a circulation of approximately 291,070 and targets the Black consumer market. It is available in the Chicago metropolitan area and about 51 suburban communities (paid subscription).

The Chicago Sun-Times and Chicago Tribune are daily publications with circulations throughout all of Chicago metropolitan area and suburban communities (paid subscriptions).

The Standard Newspapers is a biweekly, minority-owned publication with a circulation of approximately 23,700 with a focus on the Black community. It is available throughout the south suburban areas (subscription base with some free distribution).

Today's Chronicle is a bimonthly minority owned publication with a circulation of approximately 50,000 with a focus on the Black community. It is available throughout all of Chicago and suburban communities (subscription base with some free distribution).

The Citizen Newspaper is a weekly minority-owned publication with a circulation of approximately 121,000 with a focus on the Black community. It is available throughout all of Chicago and suburban communities (subscription base with some free distribution).

The Futures Newspaper is a monthly, minority-owned publication with a circulation of approximately 50,000 with a focus on the Black community. It is available throughout the Black communities (free publication). This publication was also inserted in the Chicago Sun-Times newspaper, during a specific advertising campaign.

The Beverly Review is a weekly publication with a circulation of approximately 6,000 is available in Beverly, Mount Greenwood and Morgan Park communities (paid subscription).

The Calumet Herald is a weekly publication with a circulation of approximately 24,000 is available in Roseland, Hegewisch, South Chicago, several south suburban communities and also in northwest Indiana (free publication).

The Pullman Flyer is a monthly publication with a circulation of approximately 1,500 is available in the Pullman District (free publication).

The Star Newspapers is a biweekly publication with a circulation of approximately 70,000 throughout the Chicago metropolitan area and south suburban communities (paid subscription).

The South Chicago Herald is a weekly publication with a circulation to approximately 12,000 business readers in the southeast Chicago/south suburban communities and

northwest Indiana (free publication).

The Pioneer Press is a weekly publication with a circulation of approximately 17,185 is available in the northwest suburban communities (paid subscription).

The Northwest Leader is a weekly publication with a circulation of approximately 20,000 that includes both residents and businesses are available in the northwest suburban communities (paid subscription).

The Lerner Communication is a weekly publication with a circulation of approximately 21,990 (paid subscription).

The Nadig Press is a weekly publication with a circulation of 40,700 is available in the Chicago northwest side communities (paid subscription).

Talking To The Boss is a weekly small business tabloid publication with a circulation of approximately 30,000 available throughout the Chicago metropolitan area (paid subscription).

Additionally, the bank utilizes Indiana newspapers such as Niles Bugle (circulation 11,000), Elkhart Truth (circulation 28,845), Hammond Times (circulation 62,000), Niles Daily Star (circulation 4,150), and South Bend Tribune (circulation 85,000). Management indicated that the utilization of the Indiana media was to help increase its image in the Indiana region because the majority of commercial leasing business originated in the Indiana region, also with the anticipation of a branch opening in South Bend, Indiana area.

The bank also utilizes periodicals such as:

Greater O-Hare Association (circulation 4,000 - published yearly) which is distributed to Chamber of Commerce members and small to large businesses throughout the Chicago area;

House Trader (circulation 22,000 - published monthly) to fire/police departments throughout a 15-county area that includes the Chicago metropolitan area, eight counties in northern Illinois, four counties in southern Wisconsin and three counties in Indiana receive this publication;

Prospective Homeowner (circulation all Chicago - published monthly) to prospective HUD home buyers; and

Northern Illinois Real Estate (circulation 6,555 - published monthly) to Chicago area real estate professionals.

Further, the bank subscribes and advertises in the minority-owned **AChicago Black Pages@** which is circulated to approximately 500,000 Black households throughout the Chicago metropolitan area.

**RADIO**

WVON - 1450 am, is a Chicago radio station with approximately 350,000 listeners daily with a focus mainly to a Black audience throughout Chicago and suburban areas.

**STATEMENT MESSAGES/INSERTS**

Between May of 1994 and November of 1996, the bank promoted its home improvement loan product with a statement message to all consumer DDA accounts; during the period between March of 1995 and November of 1996, this same message appeared on DDA business account statements. Discussion with the bank's marketing personnel revealed that during these periods the bank devoted its marketing efforts to promoting credit products (home equity/second mortgages).

**AHILL@ DOOR HANGER PROJECT**

During the Fall of 1996, the bank hired National Distribution Systems (NDS) to distribute door hangers to homes located throughout the bank's delineated community to promote its **AHILL@** loan program. The door hanger distribution list included the following communities: Beverly/Morgan Park - (16,000 homes); Hegewisch (5,000 homes); Roseland (22,000 homes); Mount Greenwood (8,000), and South Chicago - 95th Street to the north (10,000). Most recently, the HILL loan program was promoted in the Spring of 1996 during a bank exposition held in the lobby of the bank. Approximately 800 people received the literature, promoting this product. This credit product is also advertised through pamphlets made available in the bank lobby. In another effort to market the bank's products/services, bank videos are shown at meetings hosted for area agencies/organizations/residents. Videos such as **ADown An Historic Trail@** tell the history of Pullman and Roseland and promote the **AHILL@** loan program. The CRA videos showed the functions of various bank departments, as well as elaborating on the many Community Relations Department activities and programs. The following chart, illustrates the bank's advertising efforts during the scope of the examination.

<b>ADVERTISING ANALYSIS BY PRODUCT</b>			
Bank Services Advertised	Medium	Number	Percent of Total by Type

Consumer Loans	Newspaper	24	12.6
	Radio	3	37.5
	*Other	10	21.7
Home Equity/HIP Loans	Newspaper	11	5.8
	Radio	2	25.0
Deposit Services	Newspaper	74	38.7
	Radio	1	12.5
Trust Services	Newspaper	5	2.6
	Radio	2	25.0
	*Other	1	2.2
Student Scholarship	Newspaper	20	10.5
Business Loans	Newspaper	1	0.5
	*Other	1	2.2
Goodwill	Newspaper	56	29.3
	*Other	34	73.9

\*Includes periodicals, magazines, brochures, church bulletins, etc.

In summary, a total of 245 advertisements were used to promote the bank's products/services during the scope of the examination. The bank's print advertisements were distributed as follows: deposits (38.7%); Goodwill (29.3%); general consumer loans (12.6%); Scholarship Program (10.5%); home improvement loans (5.8%); Trust (3%); business loans (0.5%). Sixty-three percent of the bank's radio advertisements were credit-related, 12% were deposit-related and the remaining 25% were trust-related. Goodwill dominated advertisements in periodicals at 74%, while the remainders were credit products and trust services at 24% and 2%, respectively.

**Conclusions**

The media used by the bank is varied with coverage throughout the entire delineated community. Advertising efforts have increased during the scope of the examination due to promotion of the bank's new credit products and deposit services, although a significant portion of the bank's overall advertising effort has been image and deposit-oriented. As mentioned previously, direct contact with the community has proven to be the most effective form of advertising and allows staff to cross-sell bank products and services. These efforts are evidenced by the contacts made through the bank's call program, which are numerous and throughout the delineated community.

***Assessment Factor (i) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.***

### Scope and Findings

The bank's December 31, 1996, consolidated report of condition was reviewed along with the bank's December 31, 1996 Uniform Bank Performance Report (UBPR). The bank's efforts regarding mortgage loan referrals were also reviewed.

The December 31, 1996 consolidated report of condition revealed outstanding loans of \$255,190,000, deposits of \$280,498,000, resulting in a loan-to-deposit (LTD) ratio of 90.98%, and a loan-to-asset ratio of 82.73%. During the scope of the examination, these ratios remained relatively consistent at 89.94% (LTD) and 80.32% (LTA) as noted in its December 31, 1995 report of condition. The following chart illustrates the breakdown of the bank's loan distribution, by type, as of December 31, 1996:

LOAN TYPE	DOLLAR AMOUNTS OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	4,554	1.79
Residential (1-4)	6,540	2.56
Commercial	17,110	6.71
Home Equity (open-end)	2,727	1.07
Multi-Family	900	0.35
CONSUMER		
All Other	90,931	35.63
Credit Cards/O.D. Checking	1,554	0.61
COMMERCIAL AND INDUSTRIAL	123,064	48.22
STATE AND POLITICAL OBLIGATIONS	6,276	2.46
OTHER	1,534	0.60
<b>TOTALS:</b>	255,190	100.00

The preceding chart shows that the majority of the bank's loans are concentrated in commercial/industrial and consumer loan categories representing 48.22% and 36.24% of the loan portfolio, respectively. A comparison of the bank's loan distribution with data as of December 31, 1995, revealed that outstanding loans have increased by \$30.2 million or 13.40%.

An analysis of the bank's Home Mortgage Disclosure Act (HMDA) data for 1995 and 1996, as well as the Loan Application Register (LAR) for 1997 was conducted during the examination. A review of the bank's total mortgage lending activity in the MSA, revealed that the bank's overall lending has increased slightly from 1995 to 1996. The bank's total originations increased 11.54% in 1996, while during this same period the number of applications received increased 5.05%. During 1995 and 1996, the majority of the bank's lending activity was concentrated in home improvement loans (an average 62 loans per

year), followed by conventional mortgage loans (an average 26 loans per year). The number of originations remained fairly constant for all loan categories with the exception of conventional mortgage loans, which increased significantly from two to 10 loans in 1996. The 1997 LAR for the first quarter revealed that refinance and home improvement loans are dominant.

Mortgage loans not offered by PBTC are referred to Midwest Mortgage Services (MMS) mortgage lender. The majority of these loans involved long-term financing (i.e., 15 to 30-year fixed and adjustable rate mortgages) which the bank does not offer. However, in January of 1996, the bank began offering five year balloon (with a 20 or 30 year amortizations) adjustable rate mortgages. During the scope of the examination, there were a total of 55 loan origination referrals to MMS, totaling \$4,009,700. During the loan interview process, the bank's mortgage loan originator discusses various loan products and financing terms with applicants. According to management, the referral of mortgage applications to MMS helps to meet the need for financing terms not offered by the bank.

As previously mentioned under Assessment Factor (a), through the bank's ascertainment efforts, the **Historic Hill** loan program was developed. Potential applicants must own historic property. A **Landmark** is a property that is either (1) listed in the National Register of Historic Places, through the State of Illinois Historic Preservation Agency, or (2) is designated by the City of Chicago Commission on Chicago Landmarks. The agency administers a program that provides tax incentives to owner-occupants of certified historic residences who rehabilitate their homes. Through the program, the assessed valuation of the historic property is frozen for eight years at its present level, the year the rehabilitation began. The valuation is then brought back to market level over a period of four years. During the scope of the examination, the bank originated 117 loans totaling \$897,600. According to Illinois State Historical Preservation Agency, PBTC is the only bank in the state to have such a program.

The bank participates with the largest neighborhood redevelopment organization in Chicago, Neighborhood Housing Services (NHS). Under this program applicants are required to make as little as 3% down payment, while the remaining 17% **down payment** to meet the loan-to-value ratio of 80%, is taken as a second mortgage with a maximum repayment period of five years. The two transactions are consummated simultaneously at loan closing. The loan requires no private mortgage insurance (PMI) as do other conventional mortgage products, with similar down payments. Among other qualifying requirements, construction or rehabilitation must take place on properties located within designated low- and moderate-income areas. During the scope of the examination, the bank originated 35 loans totaling \$2,916,815.



A comparison of the bank's performance with its peer group based upon data contained in the December 31, 1996, Uniform Bank Performance Report (UBPR) revealed the following:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	1.59	0.61
1 - 4 Family Residential	3.56	2.52
Home Equity	1.11	0.05
Commercial	7.50	5.34
Multi-family	0.56	0.39
Other Real Estate Loans	8.06	7.18
TOTAL REAL ESTATE LOANS	13.22	13.44
LOANS TO INDIVIDUALS	32.35	24.63
CREDIT CARD LOANS	0.43	13.00
COMMERCIAL/INDUSTRIAL LOANS	52.90	19.36
MUNICIPAL LOANS	0.90	0.05
OTHER LOANS*	0.63	0.37
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO
89.81

Analysis of the bank's lending performance revealed that the bank significantly exceeded the peer group's performance in the loans to individuals and commercial/industrial loan categories. There was no significant variance in any particular loan category in which the bank was below the peer group's performance. The peer group's LTD ratio average for the four year period (12/31/95 through 12/31/92) immediately preceding the December 31, 1996 data, reflects a significant lower LTD ratio of 61.22%, in comparison to the bank's LTD ratio. The December 31, 1997 loan-to-deposit figure for the bank's peer group appears to be an abnormality.

**Conclusions**

The bank's willingness to market and extend loans of different types is evident in the increases in its overall lending. Through its partnership programs in the secondary market, the bank has been able to originate loans with 95% loan-to-value ratios. Based upon review of the bank's loan portfolio and examination loan sample, as well as information

obtained from bank reports, indicate that the bank's level of lending is consistent with the makeup of the community. In addition, community members contacted during the examination did not reveal any concerns about unmet credit needs.

***Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.***

### **Scope and Findings**

The bank's participation in government-insured loan programs and in mortgage loan programs with similar attributes were reviewed. In addition, community organizations were contacted to determine their perceptions of area financial institutions and whether they offer the types of loan programs and originate credit consistent with those needed in the community.

The bank does not participate in any governmental-insured or subsidized loan programs at this time; however, through MMS, the bank originates mortgage loans with PMI as mentioned in the preceding Assessment Factor. Information obtained during an interview with a community representative suggested a general need in the area for banks to offer Federal Housing Administration (FHA) and Veterans Administration (VA) loans. Management indicated that the AHILL and the NHS loan programs address the need of federally-related loan programs such as FHA and VA loan programs.

### **Conclusions**

Although the bank does not offer conventional governmentally-insured, subsidized, or guaranteed loan programs such as Veterans Administration (VA) or Federal Housing Administration (FHA) loans, the bank participates in other lending programs to meet community credit needs. As previously discussed, the bank refers FHA/VA loans and sells its long-term fixed rate mortgage loans in the secondary market to MMS to meet loan demand. By offering PMI under these programs, borrowers are able to qualify for low down payment mortgage loans.

## **III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

### **Regulatory Expectation**

#### **Reasonableness of Community Delineation**

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective

lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

### **Scope and Findings**

The geographic distribution of the bank's credit applications and the bank's loan tracking program were reviewed to assess the reasonableness of the delineated community. The bank's 1995 and 1996 Home Mortgage Disclosure Act (HMDA) data and 1997 Loan Application Register (LAR) were also reviewed.

The bank's delineated community consists of a total 76 census tracts, of which 36 or 47.37% are low- and moderate-income tracts. There is an additional low-income census tract (4405) with no population or housing units. This method of delineation is consistent with method number two (2) as described previously. The bank's delineated community includes a very small portion of the Chicago Metropolitan Statistical Areas (MSA). There are 62 or 81.57% minority census tracts within the delineated community. Management indicated that the delineated community will change as a result of the bank merger with its affiliate bank located in the northern part of the city.

A review of the sample of loans selected during this examination does not support the reasonableness of the bank's delineation. The effectiveness of the bank's loan programs in serving the credit needs of the entire delineated community is discussed under Assessment Factor (e).

The bank has reviewed its delineated community, annually, as evidenced by the minutes of the board of directors meeting; the most recent review occurred on February 18, 1997.

### **Conclusions**

Reviews of the examination loan sample and the bank's self assessment regarding the distribution of loans does not support the reasonableness of the bank's delineated community. Given the geographic distribution of the bank's credit approvals and denials [discussed under Assessment Factor (e)], the bank's community is not considered reasonable.

***Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.***

### **Regulatory Expectation**

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

**Scope and Findings**

The bank's 1995 and 1996 HMDA data, 1997 LAR data and the examination sample of loans and denied credit applications were reviewed to determine the effectiveness of the bank's efforts to generate applications and originate loans throughout its delineated community. In addition, the bank's loan tracking program was also reviewed.

As previously mentioned, the delineated community is located within the Chicago MSA. In 1995 and 1996, the bank received 99 and 104 applications, respectively. Of this total, the number of applications within the delineated community decreased from 66 (66.67%) in 1995 to 63 (60.58%) in 1996. The 1997 year-to-date LAR indicates that 10 home improvement loans were made two and one-half months of 1997. Management attributes this change to the aggressive market and promotional activity for the NHS and HILL loans.

The following chart illustrates the distribution of the examination loan sample:

<b>EXAMINATION LOAN SAMPLE SUMMARY</b>			
LOAN TYPE	TOTAL SAMPLED #	TOTAL NUMBER WITHIN COMMUNITY	PERCENT OF TOTAL IN COMMUNITY %
Installment	21	14	66.67
Insurance Referral Program (autos)	40	0	0.00
Home Equity (Open-End)	10	6	60.00
Real Estate	10	5	50.00
Credit Cards	76	3	3.95
Home Improvement (Closed-End)	10	10	100.00
Reserve Checking (O.D.)	10	4	40.00
Commercial	20	7	35.00
Denied Applications	295	26	8.81
<b>Total Applications</b>	<b>492</b>	<b>75</b>	<b>15.24</b>

An analysis of the data in the preceding chart reveals that the majority of the sampled originations and denials are outside the delineated community. The bank has a Farmers Insurance Agent Program in which agents generate consumer loans by taking applications from clients to purchase or refinance their auto loans. The applications are then forwarded to Pullman Bank for underwriting. There are a total of 644 agents located throughout a five-state region [Illinois (357 agents), Wisconsin/Indiana (161 agents), Minnesota/Missouri (120 agents), Ohio (6 agents)] participating in the program. Review of bank documents which shows the agents' offices, revealed that none are located within the bank's delineated community; this explains the significant portion of the auto loan

originations being outside the bank's delineated community. Low penetration level for credit cards is primarily attributed to the fact that take one applications have been distributed throughout the United States.

According to interviews with management and review of bank documents, two loan production offices exist in the State of Indiana (Mishawaka and Merrillville). Currently, these offices process and generate the majority of the bank's commercial leases. Of the total outstanding for commercial/industrial loans noted in the preceding chart, \$85,407,000 are commercial leases.

### **Conclusions**

The geographic distribution of the bank's credit applications and loan originations is considered less than satisfactory. The examination sample of 197 approved and 295 denied loan applications revealed that only 15.24% of all loan applications were within the bank's delineated community. Review of the bank's self analysis regarding geographic loan distribution concur with this assessment, that the majority of lending activity was conducted outside the delineated community. Further, with the exception of mortgage loans, the bank has adopted a method of tracking the geographic distribution of credit applications for all loan types as a whole, which ineffectively allows the bank to identify any unusual lending patterns or trends as they occur.

### ***Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.***

#### **Scope and Findings**

The bank's hours, services, and the location and availabilities of ATM machines were reviewed. In addition, comments from community representatives were reviewed to determine if the bank's facilities are easily accessible, and if hours of operation and the type of services offered are reasonable.

No branch closings have occurred during this period. The bank adopted a branch closing policy in September of 1995, as required by the Federal Deposit Insurance Corporation Improvement Act. The policy addresses the factors that will be considered prior to a branch closing, such as the profitability of the branch, the impact of the closing on the community, alternative solutions to a closing, and notification to the public and the appropriate regulatory authorities regarding closing.

The bank has one full-service office located at 1000 East 111th Street, Chicago. The main bank is located in a low-income census tract, which has a minority population of 98%; all loan files are maintained at this office. Hours at the main bank are 9:00 a.m. to 7:00 p.m. Mondays and Fridays, 9:00 a.m. to 5:00 p.m. Tuesdays, Wednesdays and Thursdays; and 9:00 a.m. to 1:00 p.m. on Saturdays. The drive-up window hours for the main bank are 7:00 a.m. to 7:00 p.m. Mondays, Tuesdays, Thursdays, Fridays, and 8:30 a.m. to noon on

Wednesdays and Fridays. The bank also has eight ATMs, of which five are deposit-taking and three are cash-dispensing. Three of the deposit-taking ATMs are located on the bank's premise.

**Conclusions**

The bank's hours of operation, and products and services are consistent with its size and resources, and the nature of the community. The bank's products and services are reasonably accessible to residents and businesses located throughout the delineated community.

**IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES**

*Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).*

**Scope and Findings**

The bank's CRA statement, loan policies, and minutes of the board of directors meetings were reviewed, along with approved and denied credit applications. In addition, interviewing techniques used by loan officers, advertising, loan application procedures, and information obtained from community representatives were considered under this assessment factor.

The bank's CRA statement indicates that the following types of credit are available to members of its delineated community:

Consumer/Business credit cards (secured and unsecured with fixed and adjustable rates);

Conventional mortgage loans (including fixed and adjustable rates) for acquiring or financing residential, commercial and industrial properties, as well as government-sponsored Loans (FHA/VA);

Consumer loans that include (home improvement loans, HILL loans, home equity loans, personal secured and unsecured loans, auto loans, reserve checking); and

Commercial loans that include (commercial/industrial mortgages, equipment loans, revolving and seasonal lines of credit, letters of credit, Industrial Revenue Bond Financing) and Leases that include Terminal Rental Adjustment Clause Lease (TRAC), Leveraged Lease, Single Investor Lease, Full-Payout Lease, Full-Service Lease, and Master Lease.

**Conclusions**

Analysis of the examination loan sample and review of other bank records revealed that

the bank generally originates the types of credit listed in its CRA statement. However, FHA/VA loans are not offered directly by the bank but referred to MMS. No practices were detected during the examination which would discourage applications for the types of credit listed in the CRA statement. The credit products offered by the bank are consistent with those identified as needed within the community, and the bank's performance is considered reasonable.

**Assessment Factor (f) - Evidence of prohibited discriminatory or other illegal credit practices.**

**Scope and Findings**

Recently approved residential real estate, reserve checking, installment, home equity, credit card and commercial loans, as well as rejected applications were reviewed for compliance with the applicable fair housing and fair lending laws and regulations. The bank's loan forms, policies and procedures were reviewed, and loan officers were interviewed.

A review of 1995 and 1996 HMDA data, reveals that the bank originates loans to borrowers of all income levels. In 1996, of the 41 loan originations with income information, 21 (51.22%) were to low- and moderate-income borrowers, 19 (46.34%) were to middle-income borrowers, and one (2.44%) was to a high-income borrower; origination rates (loans divided by applications) were as follows: low- and moderate-income borrowers - 65.63%, middle-income borrowers - 65.52% and high-income borrowers - 50%. In 1995, the majority (30 of 38 or 78.95%) of the originations were to low- and moderate-income borrowers, resulting to a 61.22% origination rate, consistent with the bank's overall 1995 origination rate of 57.58%.

In 1995 and 1996, the majority of applications were received from Blacks. In 1996, the bank received 53 applications from Blacks (origination rate of 64.15%); eight from Hispanics (origination rate of 62.50%), and one from a White (origination rate of 100%). In 1995, the bank received 58 applications from Blacks (origination rate of 55.17%); an additional eight applications were received from individuals of other racial categories. Market aggregate data for 1995 showed higher minority origination rates and lower denial rates than the bank; 1996 market aggregate data was not available.

To ensure compliance with fair lending laws and regulations, and the consistent application of underwriting standards/practices, the bank conducts a second review for its commercial loans only. The bank also utilizes a retail loan committee to review loans that are difficult to underwrite. Additionally, during the scope of the examination, the bank held 11 fair lending training sessions to help increase the staff's awareness of the fair lending laws and regulations.

**Conclusions**

Analysis of the examination loan sample, denied applications, and HMDA data did not

reveal any instances of disparate treatment of credit applicants on a prohibited basis. There was no evidence of prohibited discriminatory credit practices detected during the examination. Review of bank files revealed that bank staff is provided with fair lending training on an ongoing basis.

**V. COMMUNITY DEVELOPMENT**

***Assessment Factor (h) - The institution's participation, including investments, in local community development or redevelopment projects or programs.***

**Scope and Findings**

The bank's community development-related lending activity, participation in local bond offerings, and loan participation and donations to nonprofit organizations were reviewed to assess the bank's commitment to community development.

The bank has actively pursued commercial and small business financing opportunities that benefit community development/redevelopment. The bank originated 42 community development loans (totaling \$1,451,072); all but three loans were originated within the delineation. The following list summarizes some of the loans originated during the scope of the examination:

<u>Loan Amount</u>	<u>Description of Project</u>
\$ 25,474	Working capital
19,300	Working capital
30,000	Working capital
200,000	Equipment
75,000	To purchase a church
83,315	Working capital
40,000	To purchase a church
30,000	Working capital for a nonprofit organization
20,000	Inventory
50,000	Working capital



Additionally, the bank originated six loans (totaling \$331,322) to nonprofit community-based organizations. The bank's contributions total \$183,322, of which \$17,950 was used to finance community development and nonprofit business entities within the delineated community. Annual contributions have been made to various neighborhood housing and community development organizations. These organizations have been instrumental in improving the quality of life in the Roseland-Pullman area by focusing on affordable housing, home ownership training courses, job creation, as well as commercial and industrial development in economically-distressed areas. The efforts provide affordable housing to low- and moderate-income individuals.

Additionally, of all loans of less than \$1 million made to commercial customers within the delineated community, 50% (23 of 46) were to businesses located in low- and moderate-income areas.

**Conclusions**

The bank's community development activities are reasonable. The bank's commitment to the community's economic development and continued viability is evident through its direct lending, and management and bank staff's time and participation in community activities. Interaction between bank personnel and community residents/businesses has proven beneficial to both the community and the bank.

***Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.***

To assist credit applicants with large loan needs, the bank utilizes loan participations which allow the bank to fund projects which it would otherwise not be able due to the bank's legal lending limit. During the scope of this examination, the bank has purchased 17 participation loans (totaling \$16,763,119) made to sole proprietors, small businesses, corporations and nonprofit organizations.

There are no apparent factors relating to the bank's financial condition, size, or local economic conditions, that would prevent the bank from meeting the community's credit needs.

***Assessment Factor (l) - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.***

**Scope and Findings**

The bank supports, through charitable contributions, various civic causes and special events within the delineated community. In addition, management and staff have donated a significant number of hours to working with groups/organizations on community projects, special events and product development.

During the scope of this examination, the bank provided financial expertise to the community through seminars and various association events. Senior management made presentations to organizations such as Illinois State Micro Enterprise Initiative Conference, NHS, GRCDC, Chicago Volunteer Services Foundation and Chicago Roseland Coalition Community for Control and various elementary and high schools in the area. In 1995 and 1996, the bank hosted credit seminars in the bank's community room. Participants included mortgage representatives from the bank, representatives from Trans Union (credit reporting agency) and a credit repair organization. In 1996, during parent teacher conferences, the entire mortgage staff participated in a home buying seminar at the George Pullman Elementary School. Additionally, a member of bank staff participates in the Mortgage Credit Access Participation Program (M-CAP), a group organized by the Federal Reserve Bank of Chicago and real estate professionals throughout the Chicago metropolitan area that addresses fair lending issues.

**Conclusions**

The bank has done a commendable job in supporting community organizations and special events. The bank's commitment to meeting the community's needs is evident through special programs offered, donations and volunteer efforts by senior management.