



Comptroller of the Currency
Administrator of National Banks

Central District Office
440 South LaSalle Street
Suite 2700
Chicago, Illinois 60605-9998

Public Disclosure

November 14, 1997

Community Reinvestment Act Performance Evaluation

**AMCORE Bank N.A., Northwest
Charter Number 14137**

**225 West Jackson Street
Woodstock, Illinois 60098-1547**

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

General Information

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

This document is an evaluation of the CRA performance of **AMCORE Bank N.A., Northwest** (AMCORE) prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 14, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated "Satisfactory Record of Meeting Community Credit Needs." The prior examination dated October 16, 1995, resulted in a "Satisfactory" CRA rating.

AMCORE's lending reflects good responsiveness to its community credit needs. The level of qualified investments is adequate and the accessibility of services is reasonable.

The following table indicates the performance level of AMCORE with respect to the lending, investment, and service tests.

Performance Levels	AMCORE Bank N.A., Northwest Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory		X	X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

AMCORE Bank N.A., Northwest (AMCORE), with total assets of \$215 million at June 30, 1997, is headquartered in Woodstock, Illinois. The main office is located in downtown Woodstock with a drive-up branch in Woodstock and a full-service branch in Crystal Lake. One automated teller machine (ATM) is located at each office. Three other ATMs are located in Woodstock and Crystal Lake. AMCORE is wholly owned by AMCORE Financial Inc. (AFI), a ten-bank holding company with total assets of approximately \$3.6 billion. AFI has five banks in northern Illinois and five banks in Southern Wisconsin. AFI also owns several nonbank subsidiaries: AMCORE Mortgage Inc. (AMI), AMCORE Investment Group, AMCORE Consumer Finance Company, Rockford Mercantile Agency, AMCORE Foundation Inc., and AMCORE Investment Banking, Inc., currently inactive.

There are no legal or financial impediments which impact the bank's ability in helping to meet community credit needs. On June 30, 1997, AMCORE had approximately \$123 million in outstanding loans and a loan-to-deposit ratio of 80%. The loan portfolio consists of commercial and commercial real estate loans (49%), residential mortgage loans (41%), consumer loans (9%), and agricultural loans (1%). AMCORE focuses its efforts on small business loans and residential mortgage loans. Both the bank and AMCORE Mortgage Inc. are active in originating residential mortgage loans in the bank's assessment area.

Description of Assessment Area

The assessment area includes the entire McHenry County. This County represents a small portion of the Chicago Metropolitan Statistical Area (MSA) in north-eastern Illinois, and it represents an area where AMCORE makes a vast majority of its loans and receives deposits. The total population of the assessment area is 183,241 based on 1990 census data. The major cities in the assessment area are Crystal Lake (pop. 29,587), McHenry (18,180), and Woodstock (16,179). Of the 26 census tracts which comprise the assessment area, 17 (65%) are middle-income and nine (35%) are upper-income. There are no low- or moderate-income census tracts in the assessment area. The 1996 HUD adjusted, median family income is \$55,800. The assessment area contains 5,607 (11%), 7,943 (16%), 14,247 (28%), and 22,404 (45%) of low-, moderate-, middle- and upper-income families, respectively.

The local economy is good and housing demand is strong. Local housing is 76% owner-occupied units, 19% rental-occupied units and 5% vacant housing units. The median home value is \$112,516. The area's unemployment rate is low at 2.8% as of September 1997. The vast majority of businesses in McHenry County are small businesses. Approximately 96% of businesses have less than 50 employees, 4% have 50 to 499 employees, and less than 1% have 500 or more employees. The largest employers in the area include Centegra Health System (2,050 employees), Motorola (1,800), Intermatic (1,000), and McHenry County Government (957). Recent contacts (within the last two years) with ten local community leaders in economic and business development organizations identified affordable residential mortgage and small business loans as the community's most pressing credit needs.

Conclusions with Respect to Performance Tests

Lending Test

AMCORE's lending activity reflects good responsiveness to its community credit needs. A substantial majority of loans are made in the assessment area. Loans are adequately distributed to all areas of the assessment area and to borrowers of different income levels. The bank makes loans to businesses of different sizes and offers flexible lending products.

Lending Activity

AMCORE's lending volume is good. As of June 30, 1997, the loan-to-deposit ratio is 80% with the average since the last CRA examination of 74%. The average of other banks in the assessment area is 70%. AMCORE's lending within the assessment area is reasonable. Table 1 reflects the number and amount of residential mortgage and small business loans originated January 1, 1996, through June 30, 1997. The following table demonstrates that a high percentage of loans are made within the assessment area. Approximately 89% of the mortgage loans and 95% of the small business and small farm loans are originated within the assessment area.

Table 1 Ratio of Loans Inside the Assessment Area		
	Home Mortgage Loans	Small Business and Small Farm
# of Loans Inside Assessment Area	268	204
Total # of Loans	301	214
% of Loans Inside/ Total #	89%	95%
\$ of Loans Inside the Assessment Area (000's)	\$14,319	\$23,878
Total \$ of Loans (000's)	\$16,782	\$24,295
% of Loans Inside/ Total \$	85%	98%

* AMI also originates mortgage loans within the assessment area. These figures are not included in the above table as the volume of AMI activity outside the assessment area distorts the analysis due to the size of the geographical area served by the mortgage company.

Geographic Distribution

The geographic distribution of loans reflects an adequate penetration in all areas of the assessment

area. Since all census tracts are middle- and upper-income census tracts, a geographic distribution assessment would not provide any meaningful insight.

Loan Distribution by Borrower Income

Loans are adequately distributed to borrowers of different income levels and businesses of different sizes. The level of Home Mortgage Disclosure Act (HMDA) reportable loans by both AMCORE and AMCORE Mortgage, Inc. in AMCORE’s assessment area to low- and moderate-income individuals is good. Table 2 illustrates that 5% of the number and 3% of the dollar amount of HMDA loans were made to low-income individuals. Additionally, 17% of the number and 12% of the dollar amount of HMDA loans were made to moderate-income individuals. Low- and moderate-income families comprise approximately 3% and 7% of assessment area homeowners, respectively.

Table 2 Mortgage Loans Originated in the Assessment Area by Borrower Income 1996-97					
Borrower Characteristics by Income	# of Loans in Assessment Area	Percent of Total	\$ (000) of Loans in Assessment Area	Percent of Total	Percent of Homeowners
Low-Income Borrower	29	5%	\$1,515	3%	3%
Moderate-Income	94	17%	\$5,826	12%	7%
Middle-Income	156	28%	\$11,045	22%	34%
Upper-Income	242	43%	\$26,383	54%	56%
NA	36	7%	\$4,387	9%	0%
Total	557	100%	\$49,156	100%	100%

Business Loans

A majority of AMCORE’s business loans are small loans to small business. Table 3 displays the distribution of small loans by loan size and it displays the volume of small business loans.

<p>Table 3 Business Loans by Loan Size and Loans to Businesses with Annual Revenues of Less than \$1 Million January 1, 1996 through June 30, 1997</p>

Loan Size:	# of Loans	\$ (000's)	% of Total	
			# of Loans	\$ (000's)
Less than \$100,000	145	\$5,667	71%	24%
\$100,000 - \$249,999	35	\$5,707	17%	24%
\$250,000 - \$1,000,000	24	\$12,504	12%	52%
Total Small Loans	204	\$23,878	100%	100%
Total Small Loans to Businesses with Annual Revenues of Less Than \$1 Million (Small Business Loans)	161	\$12,906		
As a % of Total Small Loans	79%	54%		

Source: 1996 and Year-to-Date 1997 Small Business Data Collection Register.

Table 3 illustrates that AMCORE'S distribution of small loans and loans to small businesses is adequate. Seventy-nine percent of the loans are small loans to small businesses. This level of loans is reasonable considering a substantial majority of businesses in the assessment area are small businesses.

Community Development Loans

AMCORE originates a high level of community development loans. AMCORE financed a \$4 million Industrial Revenue Bond for a large business to relocate to McHenry. This new industry brought 70 new jobs to McHenry County. AMCORE also financed a \$300 thousand construction loan to build moderately priced condominiums which are expected to be sold to moderate-income individuals. Also, AMCORE originated a \$423 thousand loan for purchase of an 8-unit apartment building in Crystal Lake, and a \$562 thousand loan for a 12-unit apartment building in Fox River Grove. A majority of the individuals living in the apartments are of low- and moderate-income. AMCORE has extended other community development loans that are included in mortgage loans in Table 2 and small business loans in Table 3.

Flexible Lending Products

AMCORE makes use of flexible lending practices which provide a benefit to low- and moderate-income borrowers. AMCORE offers and extends flexible loan products such as the Community Home Buyers Loan which is a low down-payment residential mortgage loan program with relaxed standards to accommodate low-income borrowers. A customer under this program can put 5% down and have a debt-to-income ratio up to 40%. The program is limited to families whose annual income fall below preestablished guidelines. The bank offers a similar program called Full House that extends residential mortgage loans with no down-payment. AMCORE offers and extends loans under the following similar flexible programs: Illinois Housing Development Authority First Time Home buyers, Federal Home Administration, and Veteran's Administration. In total, the bank has extended 77 loans under the above flexible lending programs. This represents 25% of the home mortgage loans made by the bank in 1996 and 1997.

The bank extended \$10,000 in low interest rate loans to finance the first month's rent and security

deposits for the homeless. These loans are extended in conjunction with local churches who guarantee the loans.

Investment Test

AMCORE invests in the assessment area in an adequate manner. The bank's total qualified investments are in the form of seven grants totaling \$26 thousand. These grants provided funds to community organizations that provide services to low- and moderate-income individuals and promote economic development. One example is a grant for Tax Increment Financing (TIF) district near downtown Woodstock in order to redevelop an abandoned industrial site. This is a project in conjunction with the city of Woodstock to redevelop and convert a 12-acre site to mixed business and residential development. This would have a positive impact on the downtown and would bring additional business to downtown Woodstock. Community contacts reached during the examination indicated there was not a pressing need for other types of investments. These contacts indicated needs were met with various loans made by area banks.

Service Test

The bank's products and services are reasonably accessible to all portions of the assessment area. Alternative delivery systems are available to the bank's customers. The main office, two branch offices and six automated teller machines (ATMs) are centrally located to the most populous areas of the assessment area. The bank has not closed any facilities. AMCORE converted a full service branch in Woodstock to a drive-up facility in August 1996 due to very little business in the lobby. Branch hours are reasonable and are convenient to customers. Drive-up hours at all facilities were increased due to competition and as an additional service to the customer. AMCORE offers services in the evening and on Saturdays.

AMCORE's alternative delivery systems are available to all bank customers. Besides the six ATMs, the bank offers a 24-hour AmLoan service through which individuals may apply for automobile, credit card, instalment, home equity, and home improvement loans by telephone. Many customers have utilized this service. AMCORE offers Telebank which is a 24-hour telephone account information system. The service is offered to customers free of charge and is available at any time. Using this service, a customer can obtain information on a checking account, savings account, and loan account. A depositor may also transfer funds among accounts. The bank also offers a program called Advantage at Work, whereby AMCORE bankers visit local businesses and provide information regarding the bank's products and services. Additionally, the bank offers educational instruction and some free services to these local businesses. Ten businesses have signed up for the Advantage at Work program, and approximately 500 workers have opened deposit accounts or obtained another bank product. At two of these businesses, the bank installed an ATM.

The bank provides a range of community development services. Management provides technical assistance as Board members, Officers, and Consultants to several organizations which promote economic development in the assessment area. Management provides technical assistance (as

President and Board member) to the McHenry County Economic Development Corporation. Their mission is to attract new businesses to the area and promote start-up businesses. Management has also been active in leadership roles in local groups such as Habitat for Humanity and United Way which provide affordable housing and services to low- and moderate-income individuals. Community contacts indicated that the bank is very active in providing community development services to area organizations.

Fair Lending

We conducted a fair lending examination of the Central Credit area to determine if applicants for home improvement loans are treated similarly. Specifically, we compared files of denied applicants to approved loan applicants to make this determination. We found no evidence of illegal discrimination.