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## **Public Disclosure**

December 19, 1997

### **Community Reinvestment Act Performance Evaluation**

**MERCANTILE NATIONAL BANK OF INDIANA  
Charter No. 14529**

**5243 Hohman Avenue  
Hammond, Indiana 46320**

**Office of the Comptroller of the Currency  
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440 S. LaSalle Street  
Chicago, Illinois 60605**

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

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## General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution’s record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound 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 **Mercantile National Bank of Indiana (Mercantile National Bank)** prepared by **The Office of the Comptroller of the Currency**, the institution’s supervisory agency, as of **December 19, 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 following chart indicates the performance level of **Mercantile National Bank** with respect to the lending, investment, and service tests.

Performance Levels	Mercantile National Bank of Indiana Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory			
Needs to improve		X	
Substantial noncompliance			

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

## **Summary of Performance**

Overall, our review found that Mercantile National Bank:

- originates a significant level of loans in low- and moderate-income geographies.
- has a very good distribution of loans among borrowers of different income levels.
- originates a high level of community development loans.
- has banking services accessible to low- and moderate-income customers.
- provides a high level of community services to low- and moderate-income individuals.
- has a low level of community development investments and grants.

## **Performance Rating Period**

This evaluation considered the bank's performance since its last CRA examination dated November 8, 1995. The bank's CRA performance was rated "Satisfactory record of meeting community credit needs" at its last evaluation.

## **Description of Institution**

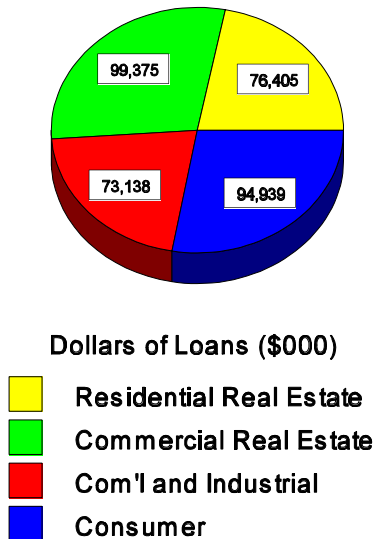
Mercantile National Bank, with assets totaling \$548 million at September 30, 1997, is headquartered in Hammond, Indiana. The bank is one of the largest locally owned financial institutions in Northwest Indiana. Mercantile National Bank is a subsidiary of Mercantile Bancorp, Inc., a one bank holding company. Through common ownership, the bank has affiliation relationships with two separate bank holding companies in Illinois.

Mercantile National Bank has 13 full service branch offices located throughout Northwest Indiana. The bank offers traditional deposit services and a wide variety of lending products. The bank concentrates its lending efforts primarily on business and residential real estate lending.

There are no current impediments that would hamper the bank's ability to meet the credit needs of its assessment area. On September 30, 1997, Mercantile National Bank had a net income of \$3.5 million and a loan-to-deposit ratio of 78%. Loans represent 63% of the bank's total assets. **Figure I** displays the distribution of the bank's loan portfolio at September 30, 1997.

## Loan Portfolio Distribution

Figure I



## Assessment Area

Between December 1995 and August 1997, the bank's defined assessment area included 73 geographies in Lake and Porter Counties in Indiana, and 16 geographies in Cook County Illinois. The Indiana geographies included the municipalities of Hammond, East Chicago, Crown Point, Whiting, Munster, Highland, Griffith, Dyer, St. John, Schererville, Merrillville, Cedar Lake, Valparaiso, and the western portion of Gary. The Illinois municipalities included Calumet City and Lansing. This assessment area will be identified as the "1996/1997 assessment area" in this CRA Performance Evaluation.

On September 18, 1997, the bank opened a branch office in Gary, Indiana. Upon opening the new office, the bank redefined its assessment area to include the entire city of Gary. At that time management reviewed its lending levels throughout its assessment area and dropped its Illinois geographies. The Illinois geographies had no low income census tracts, and only three moderate income census tracts. The assessment area now includes 106 geographies, all in Indiana. This area includes all geographies in Lake County (except for two middle income census tracts in the extreme southern portion of the county) and portions of Porter County close to its Valparaiso branch office. The assessment area is part of the Gary Metropolitan Statistical Area (MSA 2960), and includes all geographies where the bank has a branch office location. This assessment area will be identified as the "1997 assessment area" in this CRA Performance Evaluation.

Since the 1997 assessment area has only been defined since September 1997, our evaluation focused primarily on the bank's performance in regards to its 1996/1997 assessment area. However, both versions of the assessment area are in compliance with the requirements of the CRA regulation. **Table 1** displays significant demographic information regarding the 1996/1997 assessment area.

<b>Table 1 Demographic Information</b>						
<b>Income Level</b>	<b>Total Population</b>	<b>% of Total</b>	<b>Number of Geographies</b>	<b>% of Total</b>	<b>Number of Owner-Occupied Units</b>	<b>% of Owner-Occupied Units</b>
Low	11,839	3%	5	6%	1,036	1%
Moderate	93,574	20%	23	26%	19,250	16%
Middle	238,501	51%	46	52%	62,576	53%
Upper	124,124	26%	15	16%	34,873	30%
Total	468,038	100%	89	100%	117,735	100%

The bank's 1996/1997 assessment area includes 89 geographies with a population of 468,038. There are 179,205 housing units within this area. Sixty-six percent of these units are owner occupied, 29% are rental, and 5% are vacant. The median housing value is \$63,503 with 1959 as the median year built.

Demographic information depicts that as a whole, the assessment area's unemployment rate at 3% remains below the national unemployment rate. However, some areas within the assessment area continue to experience significantly higher unemployment rates, particularly the City of Gary.

Lake and Porter Counties in Indiana comprise the majority of the assessment area. The local economy is stable. This area has historically been identified with its large concentration of steel producers, such as USX, Inland Steel, LTV Steel and Bethlehem Steel. While these companies remain major area employers, the service and retail sectors now employ more individuals than the manufacturing sector. The area has recently experienced significant investments in industries such as retail shopping centers, heavy industry, entertainment/tourism/hotel (river boat casinos) and residential housing.

Competition from banks and other financial entities within the bank's assessment area is strong. We identified at least 15 financial institutions within the bank's assessment area. Several of these institutions have numerous branch office locations throughout the assessment area. In addition, two of the institutions are part of large regional banks that have significant resources to offer a variety of lending products. We also identified other entities that offer loan products, such as home mortgage and insurance companies, that service the bank's assessment area.

Significant credit needs within the assessment area include low down-payment mortgage products, home improvement financing, and small business loans. These needs were identified through several community contacts with housing, economic development and government representatives contacted by banking regulatory agencies during the past 24 months. We performed two community contacts during our review. These contacts confirmed the community credit needs identified during previous contacts.

# Conclusions with Respect to Overall Performance Tests

## LENDING TEST

The lending test provides the most substantive consideration in evaluating the bank's CRA performance. Consideration is given to the bank's origination of credit within its assessment area, the extension of credit to low- and moderate-income areas within the assessment areas, the level of credit provided to low- and moderate-income borrowers and small businesses and farms, and credit provided for community development.

### Performance Criteria:

#### Lending Activity

- z Mercantile National Bank's lending volume is good. Also, the bank originates a high percentage of its loans within its assessment area.

Mercantile National Bank originates a wide variety of home mortgage, home improvement, consumer and small business loans. The bank's lending volume is good, with a loan-to-deposit ratio totaling 78% as of September 30, 1997. This compares favorably to the ratios for similarly situated banks within the area, averaging 73%. Also, the bank demonstrates its responsiveness to its community by originating a high percentage of its loans within its assessment area. During 1996 and 1997 (year-to-date), 75% of loan originations were within the bank's assessment area. **Table 2** shows the level of loans originated within the assessment area.

Table 2 Loan Originated Inside the Assessment Area 1996 and 1997 (Year-to-Date)*			
	HMDA Reportable	Small Business	Total
<b>Number</b>			
Loans Inside the Assessment Area	429	509	938
Total # of Loans	562	689	1,251
% Inside the Assessment Area	76%	74%	75%
<b>Dollars (000's)</b>			
Loans Inside the Assessment Area	17,780	61,556	79,336
Total \$ Amount of Loans	27,507	77,537	105,044
% Inside the Assessment Area	65%	79%	76%

Source: 1996/1997 HMDA-LAR and 1996/1997 Small Business/Farm Data Collection Register

\* Year-to-Date is January 1, 1997 to November 10, 1997

## Geographic Distribution

- z The geographic distribution of the bank's Home Mortgage Disclosure Act (HMDA) reportable and small business loans within its assessment area is good. The bank originates a high percentage of its HMDA and small business loans in its low- and moderate-income geographies.
- z Overall, the bank's dispersion of lending to all areas within its assessment is good; however, the bank had only a moderate level of lending in its Illinois geographies.

### HMDA Reportable Loans -- Lending in Low- and Moderate-Income Geographies

Mercantile National Bank's distribution of HMDA loans to low- and moderate-income geographies is excellent. The bank originates a high percentage of its HMDA loans in low- and moderate-income geographies in comparison to the owner-occupied characteristics of the assessment area. **Table 3** shows that 25% of HMDA loans in 1996, and 18% in 1997 (year-to-date) were originated in low- and moderate-income census tracts. This distribution compares favorably to the 17% of owner-occupied units in the low- and moderate-income geographies.

Table 3 Home Mortgage Loans By Income Level of Geography										
Income Level of Geography	1996				1997 (Year-to-Date)*				Assessment Area Characteristics	
	#	%	\$	%	#	%	\$	%	% of Owner-Occupied Units	% of Geography
Low	3	1%	27	1%	2	1%	14	1%	1%	6%
Moderate	52	24%	789	10%	36	17%	599	6%	16%	26%
Middle	102	47%	2,676	34%	110	52%	3,690	37%	53%	52%
Upper	62	28%	4,357	55%	62	30%	5,628	56%	30%	17%
Total	219	100%	7,849	100%	210	100%	9,931	100%	100%	100%

Source: 1996 and 1997 HMDA-LAR

\* Year-to-Date is January 1, 1997 to November 10, 1997

The bank's distribution among the types of HMDA loans is good. As reflected in **Table 4**, the bank originated 17% of its home purchase, 30% of its home improvement, and 14% of its home refinance loans in low- and moderate-income census tracts in 1996 compared to 17% of owner-occupied units in the low- and moderate-income census tracts. **Table 5** reflects that year-to-date 1997 lending levels in low- and moderate-income geographies are lower than 1996 originations, although the distribution of home



improvement loans remains good.

Table 4 Home Mortgage Loan Distribution By Income Level of Geography 1996							
Income Level of Geography	Home Purchase		Home Improvement		Refinance		Assessment Area Characteristics
	#	%	#	%	#	%	% of Owner-Occupied Units
Low	0	0%	2	1%	0	0%	1%
Moderate	7	17%	40	29%	5	14%	16%
Middle	15	36%	71	51%	16	44%	53%
Upper	20	47%	26	19%	15	42%	30%
Total	42	100%	139	100%	36	100%	100.00%

Source: 1996 HMDA-LAR

Table 5 Home Mortgage Loan Distribution By Income Level of Geography 1997 (Year-to-Date)*							
Income Level of Geography	Home Purchase		Home Improvement		Refinance		Assessment Area Characteristics
	#	%	#	%	#	%	% of Owner-Occupied Units
Low	0	0%	2	2%	0	0%	1%
Moderate	5	10%	27	24%	4	8%	16%
Middle	26	50%	63	57%	21	45%	53%
Upper	21	40%	19	17%	22	47%	30%
Total	52	100%	111	100%	47	100%	100%

Source: 1997 (Year-to-Date) HMDA- LAR

\* Year-to-Date is January 1, 1997 to November 10, 1997

The bank originated two multifamily housing loans in 1996 and 1997 (year-to-date). The opportunities for multifamily loans are limited, as multifamily units comprise only 15% of the housing within the assessment area. In 1996, only 71 multifamily loans were originated by all financial institutions within the assessment, with two lenders producing 45% of these loans. Mercantile National Bank ranked fifth among the 23 lenders originating multifamily loans within the assessment area. **Table 6** shows the location of the bank's multifamily loans; however, meaningful conclusions on geographic distribution are limited due to the low number of loans.

Table 6 Multi-Family Home Mortgage Loans By Income Level of Geography									
Income Level of Geography	1996				1997 (Year-to-Date)*				Assessment Area Characteristics
	#	%	\$	%	#	%	\$	%	% of Multi-Family Structures
Low	1	50%	20	56%	0	0	0	0	8%
Moderate	0	0	0	0	0	0	0	0	15%
Middle	0	0	0	0	0	0	0	0	56%
Upper	1	50%	16	44%	0	0	0	0	21%
TOTAL	2	100%	36	100%	0	0	0	0	100%

Source: 1996 and 1997 (Year-to-Date) HMDA - LAR.

\* Year-to-Date is January 1, 1997 to November 10, 1997

### Small Business Loans -- Lending in Low- and Moderate-Income Geographies

Mercantile National Bank's originations of small business loans in low- and moderate-income geographies is excellent. As demonstrated in **Table 7**, the bank originated 17% of its small business loans in low- and moderate-income census tracts in 1996, and 20% in 1997. This compares favorably to the distribution of the businesses within the assessment area, as only 5% of small business within the area are located in low- and moderate-income census tracts.

Table 7 Small Loans to Businesses By Income Level of Geography									
Income Level of Geography	1996				1997 (Year-to-Date)*				Small Business Assessment Area Characteristics
	#	%	\$	%	#	%	\$	%	% of Geographies
Low	8	3%	1,216	4%	13	5%	1,762	6%	1%
Moderate	38	14%	7,996	26%	36	15%	3,795	12%	4%
Middle	101	38%	10,135	32%	99	40%	11,844	39%	57%
Upper	114	44%	11,770	38%	98	40%	12,983	43%	38%
NA	1	1%	15	0%	1	0%	40	0%	0%
Total	262	100%	31,132	100%	247	100%	30,424	100%	100%

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

\* Year-to-Date is January 1, 1997 to November 10, 1997

## HMDA Reportable Loans -- Lending to All Areas Within the Assessment Area

Overall, the geographic distribution of HMDA reportable loans reflects an adequate penetration throughout the assessment area. However, originations in the Illinois geographies are only moderate. The bank originated loans in only 50% of its Illinois geographies. Upon analyzing its level of originations, the bank redefined its assessment area in September 1997, and no longer includes Illinois geographies in its assessment area.

Also, the bank originated HMDA loans in only two of its five low income geographies. However, opportunities to lend in these areas are limited as the three geographies without bank lending activity contain a low number of owner-occupied units. Census tracts within the bank's assessment area averaged approximately 1,300 owner-occupied housing units per geography. However, the average number of owner-occupied housing units in the low income census tracts without activity averaged only 170 owner-occupied housing units. **Table 8** illustrates HMDA lending penetration in the Illinois and Indiana geographies.

Table 8 Census Tracts With No Activity Combined Year 1996 & 1997 (Year-to-Date)*								
Income Level of Geography	MSA 1600 (Illinois)			MSA 2960 (Indiana)			Total Assessment Area	
	Total Census Tracts In MSA	Census Tracts With No Activity (#)	Census Tracts With No Activity (%)	Total Census Tracts In MSA	Census Tracts With No Activity (#)	Census Tracts With No Activity (%)	Total Census Tracts (#)	Census Tracts With No Activity (%)
Low	0	N/A	N/A	5	3	60%	5	60%
Moderate	3	2	67%	20	1	5%	23	13%
Middle	12	5	42%	34	2	6%	46	15%
Upper	1	1	100%	14	0	N/A	15	7%
Total	16	8	50%	73	6	8%	89	16%

Source: 1996 and 1997 (Year-to-Date) HMDA-LAR

\* Year-to-Date is January 1, 1997 to November 10, 1997

### **Borrower Characteristics**

- z The distribution of Mercantile National Bank's HMDA reportable loans to low- and moderate-income borrowers is good compared to the population's income distribution characteristics.
- z The bank originates a high percentage of its small business loans to small businesses (revenues under \$100,000).

## HMDA Reportable Loans -- Loan Distribution by Borrower Income Level

Mercantile National Bank's distribution of HMDA reportable loans among borrowers of various income levels is good compared to the population's income distribution characteristics. **Table 9** reflects that within the entire assessment area, the bank extended 39% and 40% of HMDA reportable loans originated in 1996 and 1997, respectively, to low- and moderate-income borrowers. Demographics reveal that low- and moderate-income families comprise 36% of this area's population.

<b>Table 9</b>									
<b>Home Mortgage Loans By Borrower Income</b>									
<b>Borrower Income Distribution</b>	<b>1996</b>				<b>1997 (Year-to-Date)*</b>				<b>Assessment Area Characteristics</b>
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% of Families</b>
Low	34	16%	368	5%	35	17%	620	6%	19%
Moderate	50	23%	921	12%	48	23%	1,651	17%	17%
Middle	63	29%	1,571	20%	41	20%	1,796	18%	25%
Upper	67	31%	4,837	62%	73	35%	5,224	53%	39%
Not Available	5	1%	152	1%	13	5%	640	6%	0%
<b>Total</b>	<b>219</b>	<b>100%</b>	<b>7,849</b>	<b>100%</b>	<b>210</b>	<b>100%</b>	<b>9,931</b>	<b>100%</b>	<b>100%</b>

Source: 1996 and 1997 (Year-to-Date) HMDA - LAR

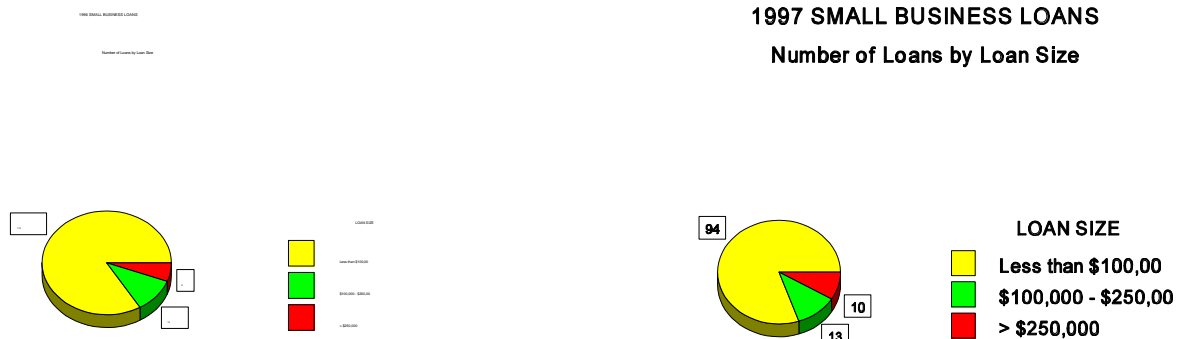
\* Year-to-Date is January 1, 1997 to November 10, 1997

### Small Loans to Businesses

A review of demographic data revealed that 72% of the 9,988 businesses in the assessment area have revenues less than \$1 million. The distribution of the bank's loans to small businesses revealed an adequate level of lending to businesses having revenues less than \$1 million. In 1996 and 1997 (year-to-date), 51% of the 509 business loans originated by the bank were made to businesses having less than \$1 million in annual revenues.

The distribution of small business loans demonstrates the bank's commitment to service all sizes of loan requests. As presented in **Figure 2**, 82% of the bank's loans to small businesses (revenues less than \$1 million) were for loan amounts less than \$100,000.

## Distribution by Loan Size Figure 2



### Community Development Lending

A community development loan is a loan that has as its primary purpose community development. These loans must not have been reported by the bank for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan.

- z The bank originates a high level of community development loans.

The bank originated the following community development loans since the last CRA examination:

- The bank worked with the city of Gary and four other financial institutions to facilitate the construction of a town home project near Gary's Glen Park community. The project is for 80 low income (Section 42 low income housing tax credit) rental housing units. The bank provided \$300,000 to fund this project.
- A loan totaling \$250,160 for a 56 unit apartment complex located in a low income census tract in East Chicago. This was developed through a local community reinvestment project organization.
- A loan totaling \$41,191 for a not for profit shelter for teens, located in a moderate income census tract in Hammond.

- Two loans totaling \$850,000 for a not for profit organization that provides assistance to elderly, handicapped, and low income persons, as well as to individuals with special conditions. This organization serves a six county area that includes Lake and Porter Counties. The two loans primarily funded an early childhood program after a sponsor withdrew its support from this organization.
- Two loans, in the amounts of \$49,500 and \$19,000, made to two different borrowers for the purchase of multifamily residences in Gary and East Chicago, respectively. There is a concentration of low- and moderate-income census tracts in the surrounding areas.

### **Innovative and or Flexible Lending Practices**

- z Mercantile National Bank uses innovative and/or flexible lending practices in order to serve the credit needs of its assessment area. These programs address the credit needs of low- and moderate-income borrowers for home purchase, home improvement and small business loans.

The following programs demonstrate the bank's responsive to community credit needs. These programs were initiated since our last evaluation.

**C Good Neighbor Loan:** Adapted from a Federal National Mortgage Association (FNMA) program, this program provides a single loan for both home purchase and home improvement purposes. This program is less expensive and time consuming for the borrower since there is only one loan transaction. The ratio of the loan amount to property value can be as high as 97% for purchase-rehabilitation, and 95% for refinance-rehabilitation. The following loans were originated under this program:

- Four purchase-rehabilitation loans totaling \$172,000 to the Aetna Resurrection Community Development Corporation (CDC). These loans were made to low income individuals in moderate income census tracts. Two additional loans are approved but await completion of the homes. The bank has committed to funding 18 loans under this program.
- Four refinance-rehabilitation loans totaling \$170,000. Two of these loans were made to low income individuals. The bank has committed \$200,000 to the Aetna Resurrection CDC for refinance-rehabilitation financing under this program.

**C Indiana Capital Access Program (ICAP):** ICAP loans are made to small businesses that do not qualify for conventional loans. Portions of loans payments are paid into a reserve to provide the lender with additional security as an inducement to make the loan. The bank has originated 16 loans totaling \$443,602 under this program.

**C Small Business Administration 504 Regional Development Corporation:** This program is designed for the expansion of healthy businesses and provides economic development for the Northwest Indiana region. To date, the program has funded six projects that created 77 jobs. To date, project costs total \$4,493,000 with Mercantile National Bank loans totaling \$2,241,956. The bank has approved \$1,264,000 of funds for four additional projects under the program that have total costs of \$2,780,000 and represent 41 additional jobs. In January of 1998, the bank will be recognized by the Regional Development Corporation as one of the leading providers of Small Business Administration 504 funds.

The following activity occurred during this evaluation period for flexible programs offered during previous examinations:

**C Emergency Loan Program:** This program provides financing for emergency and necessary mechanical or structural repairs. The program offers a maximum loan amount of \$5,000 for up to five years at a rate of 3%. Applicant qualifications include: 1) income level of less than or equal to \$36,800, 2) creditworthiness, 3) participation in credit counseling through the Northwest Indiana Reinvestment Alliance. The bank has originated 8 loans totaling \$37,426.

**C Fair Housing Administration/Veterans Administration:** In 1997, the bank originated 7 loans totaling \$201,000 under these government programs.

## INVESTMENT TEST

The investment test evaluates a bank's record of helping to meet the credit needs of its community through qualified investments that benefit its assessment area. A qualified investment means a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. We assessed the bank's performance under the Investment Test by evaluating the bank's level of investments and grants, the capacity to obtain qualified investments, and investment opportunities available in its assessment area.

- z Mercantile National Bank has limited investments that have as their primary purpose community development.

The bank makes annual donations to two organizations that have as their primary purpose community development. Each year the bank donates \$20,000 to the Local Initiative Support Corporation (LISC). LISC assists community development corporations (CDCs) in transforming distressed neighborhoods in Gary, Hammond, and East Chicago into healthy communities. The bank also donates \$4,000 annually to Community Reinvestment Project of East Chicago, Inc. (CRP). CRP is a CDC working toward revitalizing the economy and housing stock of East Chicago.

In addition, the bank provides investment in its communities through donations and contributions to organizations that provide medical, educational assistance, shelter, credit counseling, and other services to low- and moderate-income residents within its assessment area. During 1996 and 1997, the bank made 34 contributions totaling \$35,000.

The bank's investment portfolio does not contain any securities that meet the definition of qualified investments. We did not identify any qualified investment securities that the bank purchased since its last performance evaluation.



## SERVICE TEST

The service test evaluates a bank’s record or helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a bank’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

- z Mercantile National Bank’s banking services are accessible to its assessment area, and alternative delivery systems are available to customers. The bank also provides a high level of community services that serve low- and moderate- income areas and individuals.

### Office Locations

The bank has thirteen branch office locations dispersed throughout its assessment area. Since our last performance evaluation, the bank opened a branch in Gary, Indiana. The opening of the Gary office increased the bank’s ability to service low- and moderate-income individuals, as low- and moderate-income families comprise 60% of the municipality. Mercantile National Bank is the only locally owned community bank in the Gary market. **Table 10** depicts the geographies served by the bank’s offices for its 1997 assessment area.

<b>Table 10 Distribution of Branches by Geography Served</b>				
<b>Income Level of Geography</b>	<b>Branches</b>		<b>Assessment Area Characteristics</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1	8%	17	3%
Moderate	1	8%	30	26%
Middle	8	61%	42	53%
Upper	3	23%	15	18%
N/A*	-	-	2	2%
<b>Total</b>	<b>13</b>	<b>100%</b>	<b>106</b>	<b>100%</b>

\* Not Applicable due to little or no population in the census tracts.

Although the office locations are centered in the middle and upper income geographies, the bank’s branch office locations are accessible to low- and moderate-income geographies. The bank’s main Hammond office is in a low income geography and is within one mile of six moderate income geographies. The four additional Hammond branch offices are approximately one mile from moderate income geographies in Hammond and Gary. The Gary office is in a moderate income geography and within two miles of low income geographies. The East Chicago office is located in a middle income geography and is within one mile from four low income geographies. The Valparaiso branch office is located in an upper income

geography and is within two miles from the only moderate income geography in Valparaiso.

All office locations offer full service deposit and loan products. Additionally, all branch offices are equipped with full service automated teller machines (ATMs), except the Gary office that opened in September 1997. The ATM at the Gary location is scheduled for deployment in January 1998. All of the branch offices, except for the main bank in downtown Hammond, have drive-up facilities.

Office hours provide adequate opportunities for customers to perform banking transactions. The bank's main office hours are from 9:00 a.m. to 5:00 p.m. Monday-Thursday. The bank's branch offices hours are primarily from 9:00 a.m. to 3:00 p.m. Monday-Thursday, and 9:00 a.m. to 6:30 p.m. on Fridays. All of the branches, except the main bank, are open on Saturday from 9:00 a.m. to noon.

The bank has not closed any offices since its last performance evaluation.

### **Alternative Delivery Systems**

In addition to the 24 hour ATMs located at each of the branch offices, the bank has four free standing ATMs. One of the ATMs is in a low income geography in downtown Gary. Two are in middle income geographies in Hammond and Whiting, and one is in an upper income geography in Schererville. The free standing ATMs are cash dispensing only. One ATM also dispenses postage stamps.

The bank also operates cash dispensing ATMs on two local river boat casinos - 13 ATMs on the Hammond casino and 6 ATMs on the East Chicago casino. The Hammond river boat casino operates from a middle income geography, and the East Chicago casino from a low income geography.

The bank offers a 24 hour bank by phone service. Customers can dial toll-free to obtain account information on loan and deposit accounts, current rates on loan and deposit products, banking hours, and office locations. The service has a language option for Spanish speaking customers.

### **Community Development Services**

Bank employees offer community development services to several organizations that have as their primary purpose economic development or revitalization, and that serve low- and moderate- income individuals. These employees provide technical assistance and counseling for programs on banking and home ownership. Detailed below are some of the projects and organizations.

**C** A bank employee was one of the founding members of the Millennium Foundation, an initiative to build moderate income housing in Hammond, Gary, and East Chicago. The project is administered by the bank, City of Hammond, major local employers, and United Way. Mercantile National Bank is currently the only financial institution involved and has committed to funding mortgages originated through this initiative.

- C** A bank employee was instrumental in working with City of Hammond officials to eliminate a historic district designation in a moderate income geography. The designation dictated specified building requirements that often significantly increased the cost of home improvements, inhibiting low- and moderate-income individuals from rehabilitating or improving their residences.
- C** The bank, in conjunction with two financial institutions, St. Margaret Hospital, and City of Hammond officials, participates in Visions in Partnership, a neighborhood development project. Visions in Partnership works with the Hammond Enterprise Development Corporation to revitalize and stabilize a moderate income neighborhood near the bank's main office. The group is in the process of building a new home in a moderate income neighborhood, and plans on rehabilitating neighborhood homes.
- C** A loan officer serves on the loan review committee for the Northwest Indiana Regional Development Company. The organization issues bonds in conjunction with the SBA lending programs.
- C** A bank employee discussed the importance of banking, bank products, and bank services with the local Boys and Girls Club of America.
- C** The bank participates in the Home Ownership Mortgage Education (HOME) program that offers free home ownership counseling sessions throughout Lake and Porter Counties. Some of these sessions are offered in Spanish.
- C** Technical assistance is provided by employees by serving on the boards and being involved with the following organizations:
  - Northwest Indiana Regional Development Company
  - Community Reinvestment Project of East Chicago, Inc.
  - Cardinal Terrace Development Corporation
  - Local Initiative Support Corporation (LISC)
  - Lake County United Way
  - Twin City Habitat for Humanity
  - Northwest Indiana Habitat for Humanity
  - Gary Urban Enterprise Association
  - Northlake Advisory Board of the Small Business Development Corporation (Gary)
  - Hammond Enterprise Development Corporation
  - Horace Mann Ambridge Neighborhood Improvement Organization (HMANIO) in Gary
  - Northwest Indiana Open Housing Center
  - Housing Opportunity Center in Gary
  - Hammond Chamber of Commerce

## **FAIR LENDING REVIEW**

We conducted a fair lending examination to determine if all applicants that applied for home improvement loans were treated similarly. Specifically, we compared files of denied applicants of a prohibited bases group to approved loan applicants to make this determination. We also determined if the rates and terms granted to approved borrowers of the prohibited bases group were similar to other approved loan borrowers. We found no evidence of discrimination.

## Appendix: Scope of Examination

### Scope of Examination

Time Period Reviewed	12/1/95 to 12/19/97		
<b>Financial institution</b>  Mercantile National Bank of Indiana, Hammond, Indiana			<b>Products reviewed</b>  Mortgage Loans, Home Improvement Loans, and Small Business
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Indiana  MSA 2960 Gary (most of Lake County and portions of Porter County)	On-site		
Illinois  MSA 1600 Chicago (portions of Calumet City)	On-site		