

**GENERAL INFORMATION**

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

This document is an evaluation of the CRA performance of **Union Bank and Trust Company, Evansville, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **July 22, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The rating is based upon the bank's adequate loan-to-deposit ratio; the high level of lending within the bank's assessment area; the satisfactory distribution of loans to individuals of different incomes, and small businesses and farms; and a reasonable geographic distribution of credit throughout the assessment area. There was no evidence of discriminatory lending practices or policies intended to discourage loan applicants.

The following table indicates the performance level of **Union Bank and Trust Company, Evansville, Wisconsin** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	UNION BANK AND TRUST COMPANY PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the previous examination		

## **DESCRIPTION OF INSTITUTION**

Union Bank and Trust Company, with total assets of \$43.9 million as of March 31, 1996, is a subsidiary of Union Bancorp., a one-bank holding company. The bank recently (June 1, 1996) opened a branch office in Brooklyn, Wisconsin. The newly opened branch facility (The Bank of Brooklyn) was acquired from M&I Bank (Madison). The bank offers deposit and trust services, and mortgage, consumer and commercial loans. The bank also offers small business, farm, community development and municipal loans. The institution generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions.

## **DESCRIPTION OF BANK'S ASSESSMENT AREA**

The bank's main office is located in Evansville, Wisconsin, which is approximately 25 miles south of Madison, Wisconsin. The bank's assessment area is comprised of three whole census tracts (numbers 28, 29, and 124) and one BNA (number 9801). These areas encompass the towns of Evansville, Footville, Cooksville, Brooklyn and Monticello. Two census tracts (numbers 28 and 29) are part of the Janesville-Beloit Metropolitan Statistical Area (MSA) and one census tract (number 124) is part of the Madison, Wisconsin MSA. The bank's 1994 and 1995 Home Mortgage Disclosure Act (HMDA) data was reported under the bank's former assessment area, which was defined as Green and Rock County (census tract numbers 28 and 29). HMDA-related lending activity in census tract number 124 was not reviewed when analyzing the bank's 1994 and 1995 HMDA data, as the bank had not yet acquired the branch in Brooklyn. The bank's assessment area, consisting of whole census tracts and BNAs, is in compliance with the requirements of the Community Reinvestment Act.

Based on the bank's 1994 and 1995 HMDA data, there are no low- or moderate-income or minority census tracts in the bank's assessment area. Additionally, the bank's assessment area does not arbitrarily exclude any such neighborhoods which the bank would reasonably be expected to serve. Of the total 4,825 families within the assessment area, 707 or 14.7% are considered low-income; 1,005 or 20.8% are considered moderate-income; 1,254 or 26% are considered middle-income; and 1,859 or 38.5% are considered upper-income.

The assessment area has a population of 17,233. According to the 1990 U.S. census data, minorities comprise approximately 1% of the assessment area's population. The total number of housing units in the bank's market area is 3,909, with 2,664 or 68% owner-occupied and 1,053 or 27% renter-occupied. The remaining 5% of the housing units are vacant. The median family income for the assessment area is \$36,148.

The local economy is strong and the population of Evansville is increasing. Manufacturing and retail jobs are becoming more available as small businesses expand and unemployment decreases. Major local employers include Baker Manufacturing (150 employees) and Varco-Pruden, a prefabricated steel manufacturer (340 employees). Agriculture is an important part of the local economy and crop conditions are good, according to community contacts.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Review of the bank’s 1994 and 1995 HMDA data, 1996 Loan Application Register (LAR), loans and denied credit applications revealed no evidence of discriminatory lending practices or policies intended to discourage loan applicants. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

**LOAN -TO-DEPOSIT RATIO**

Using the bank’s Consolidated Reports of Condition, a five-quarter review of the bank’s loan-to-deposit ratios was performed. The chart below illustrates the bank’s performance:

Quarter	3/31/95	6/30/95	9/30/95	12/31/95	3/31/96	Average
Ratio	69.26%	66.34%	62.94%	58.38%	61.68%	<b>63.72%</b>

The bank’s average loan-to-deposit ratio is 63.72%. Discussions with management and a provision in the bank’s loan policy indicate that the bank’s targeted loan-to-deposit ratio is 70%. A review of the March 31, 1996 Uniform Bank Performance Report (UBPR) revealed that the bank’s peer group had a loan-to-deposit ratio of 63.41%, which compares favorably to the bank’s average loan-to-deposit ratio. The bank’s performance is considered reasonable, based upon its size, financial condition, current economic conditions, and assessment area credit needs.

**LENDING IN ASSESSMENT AREA**

A review of the bank’s 1995 HMDA data revealed that the bank made a substantial majority (93.24%) of its loans within its assessment area. At least 90% of the activity for each mortgage loan product was within the assessment area.

A review of the loan sample revealed the following distribution:

LOAN TYPE	TOTAL # OF LOANS SAMPLED	# WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Real Estate	10	10	100
Installment	20	18	90
Home Equity Lines	10	9	90
Commercial/Agriculture	20	18	90

LOAN TYPE	TOTAL # OF LOANS SAMPLED	# WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Single-payment	10	8	80
<b>Total</b>	70	63	<b>90</b>

As the preceding chart indicates, the majority of the sampled loans, by total and by loan product, were within the bank’s assessment area. Examination loan sample results (90% in assessment area) mirror the 1995 HMDA data results (93% in assessment area) and support the bank’s position as a strong lender within its community. The bank’s performance in this category is considered outstanding and exceeds the standards for a satisfactory performance.

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

An analysis of the bank’s 1995 HMDA data (with respect to applicant income distribution) revealed that a majority of loans were to upper-income borrowers (28 of 67 or 41.79%) and middle-income borrowers (21 of 67 or 31.34%); approximately 27% (18 of 67) of the mortgage-related loans were to low- or moderate-income borrowers. Analysis of 1994 HMDA data revealed a similar distribution.

A review of the examination loan sample revealed the following distribution of loans among borrowers of different income classifications:

LOAN TYPE	LOW-INCOME \$000's/Number	MODERATE-INCOME \$000's/Number	MIDDLE-INCOME \$000's/Number	UPPER-INCOME \$000's/Number
Real Estate	\$5/1	\$80/1	\$0/0	\$556/7
Installment	\$19/4	\$6/3	\$5/2	\$7/1
Home Equity	\$0/0	\$0/0	\$10/1	\$171/9
Total Originations.	\$24/5	\$86/4	\$15/3	\$734/17

As the preceding chart indicates, approximately 17% (5 of 29) of the total examination loans sampled (with income information) were made to low-income applicants. Approximately 14% (4 of 29), 10% (3 of 29), and 59% (17 of 29) were made to moderate-income, middle- income, and upper-income applicants, respectively. By product type, the majority of installment loans were made to low- or moderate-income borrowers, and the majority of real estate (78%) and home equity (90%) originations were to upper income individuals. Given the market demographics, the sample represents a reasonable level of lending among the various income segments of the bank’s

community.

A sample of commercial and farm loans revealed that a majority (10 of 12 loans with available income information) were to businesses and farms with annual revenues of less than \$500,000. A review of the bank's June 30, 1995 Consolidated Report of Condition revealed that the bank made 40 loans secured by farmland and 117 loans to finance agricultural production/other loans to farmers; all 157 loans were in amounts of \$100,000 or less. The bank's small business and small farm lending activity is consistent with the make-up of the assessment area and comments made by community representatives.

The distribution of loans among of borrowers of different income levels, and businesses and farms of different sizes is reasonable and supports a satisfactory performance.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

As stated in the description of the assessment area, the bank's assessment area is defined by census tract numbers 28, 29, 124 and BNA number 9801. A sample of 64 installment loans (one of the bank's major product lines) made in the six-month period prior to this examination was reviewed to assess the bank's performance under this criterion. The distribution of the loan sample is as follows:

Census Tract/BNA	# of Loans	Percent
28	8	13%
29	39	61%
124	2	3%
9801	6	9%
Other	9	14%
Total	64	100%

The majority of loans are in census tract number 29, which is in Evansville, the location of the bank's main office. Lending activity in BNA number 9801 is low, because this area is primarily agricultural. There is also a low level of activity in census tract number 124, as this census tracts has only recently been encompassed by the bank's assessment area (when the bank acquired the branch on June 1, 1996). With the acquisition of this branch (the only financial institution in the town of Brooklyn), the bank has created possibilities for increased loan penetration in local markets and opportunities for a stronger loan-to-deposit ratio.

Given the bank's size, financial condition, and the makeup of the census tracts and BNAs that define the bank's assessment area, the geographic distribution of loans is considered to be satisfactory.

**RESPONSE TO SUBSTANTIATED COMPLAINTS**

No CRA-related complaints have been received by the bank since the previous examination.