

# **PUBLIC DISCLOSURE**

July 15, 2002

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

UnionBank/West  
RSSD Number: 786041

440 North Lafayette Street  
Macomb, IL 61455

Federal Reserve Bank of Chicago

230 South LaSalle, Chicago, IL 60604

**NOTE:**

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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**INSTITUTION'S CRA RATING:** This institution is rated **satisfactory**.

UnionBank/West has provided credit consistent with its size, financial capacity, location, economic conditions, and competitive factors within its assessment area. The bank's efforts are accomplished primarily through the origination of small-business/small-farm loans (loans less than or equal to \$1 million and \$500,000 respectively) and through consumer retail, as well as real estate loans. The bank's loan-to-deposit ratio to exceeds its peer group and reflects the bank's efforts to meet the credit needs of the community. The bank's lending within its assessment area to consumers and businesses/farms is considered strong. The bank's loans are reasonably dispersed throughout the assessment area. No CRA-related complaints were received by the institution or this Reserve Bank related to this institution since the previous evaluation.

The institution was rated **satisfactory** under the CRA during its previous examination conducted by the Federal Reserve Bank of Chicago on August 4, 1998.

**DESCRIPTION OF INSTITUTION**

UnionBank/West, with total assets of \$160,687,000 as of June 30, 2002, is a subsidiary of UnionBancorp, Inc., a four-bank holding company located in Ottawa, IL.

UnionBank/West operates six full-service branches, with its main office located at 440 North Lafayette Street, Macomb, IL. The other branches are located at 135 South Main Street, Blandinsville, IL; 1395 Buchanan Street, Carthage, IL; 1633 Highway 24, Paloma, IL; 2442 Broadway, Quincy, IL; and 116 South Congress Street, Rushville, IL. Each branch offers drive-up service facilities; a full-service ATM is also available at the Macomb, Carthage and Quincy branches. The Quincy branch is a new location that was opened by the bank since the previous examination.

The bank offers consumer loans, real estate loans, and both commercial and agricultural loans. A majority of the bank's residential purchase and refinance loans are underwritten and processed by the lead bank, UnionBank in Streator, IL. The remaining residential loans are maintained in the bank's portfolio and include primarily purchases and refinances. The consumer loans include automobile, personal, certificate of deposit and savings loans, overdraft protection, and home equity lines of credit. The deposit products offered by the bank include checking accounts, both interest and non-interest bearing accounts, savings accounts, money market accounts, and certificates of deposit. As of June 30, 2002, the bank's largest loan products by dollar amount, as a percentage of average gross loans and leases were: commercial real estate loans (26.43%); 1-4 family residential real estate loans (24.12%); commercial and industrial loans (18.49%); loans to individuals (16.80%); farmland loans (6.81%); and agricultural loans (4.71%).

The bank's peer group includes all commercial banks having assets between \$100 million and \$300 million with three or more banking offices, and located in a non-metropolitan area. The bank's main competitors in Macomb are First State Bank of Western Illinois,

MidAmerica National Bank, First Federal Bank, FSB, and Citizens National Bank. The bank's main competitors in Quincy are Associated Bank, Bank of America, Bank of Quincy, and a number of other local institutions.

There are no apparent factors relating to the bank's financial condition, size, products offered, local economic conditions, or legal impediments existing that might affect the institution's ability to meet the credit needs of the community.

## **DESCRIPTION OF ASSESSMENT AREA**

*An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and where a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan areas.*

Since the previous examination, UnionBank/West has expanded its assessment area to include 21 new census tracts, all located in Illinois. The bank's assessment area is located in two states, Illinois and Missouri, and consists of 40 census tracts in Adams, McDonough, Schuyler, Hancock, and Pike Counties, in Illinois and six census tracts in Marion County, Missouri. Three census tracts are low-income geographies and are located in McDonough and Adams Counties and nine census tracts are moderate-income geographies, including one that is located in Marion County, Missouri.

### **Population Changes**

The bank's assessment area has shown no significant changes in population based on a comparison of 1990 census data to 2000 census data. However, the City of Macomb has shown a decrease in its population over the past 20 years according to the Illinois Department of Commerce and Community Affairs.

### **Income Characteristics**

Exhibit 1 shows the income levels for the assessment area in comparison to the non-metropolitan areas in Illinois and Missouri, and the State of Illinois and the State of Missouri, based on 1990 census data. In contrast to this data, the 2002 HUD adjusted median family income for non-metropolitan areas in Illinois and the State of Illinois are \$46,700 and \$70,900, respectively. Likewise, the 2002 HUD adjusted median family income for non-metropolitan areas in Missouri and the State of Missouri are \$40,600 and \$52,800, respectively.

**Exhibit 1 – Distribution of Families by Income Level**

Location	Median Family Income (\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area - Combined	31,620	14.7	18.0	27.2	40.1	7.5
Assessment Area - IL	29,133	20.4	19.9	24.7	35.0	10.7
Assessment Area - MO	25,405	22.4	14.9	20.8	41.9	15.4
Non-metropolitan areas in Illinois	29,693	19.9	18.6	23.7	37.8	10.5
State of Illinois	38,664	20.0	17.9	24.2	38.0	9.0
Non-metropolitan areas in Missouri	24,324	20.4	17.9	22.2	39.5	14.3
State of Missouri	31,838	19.4	17.9	24.0	38.8	10.1

*Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.*

**Housing Characteristics and Affordability**

According to 1990 census data, 144,806 individuals reside in the bank's assessment area. Of the 60,796 total housing units, 38,144 (62.7%) are owner-occupied, 16,893 (27.8%) are occupied rental units, and 5,789 (9.5%) are vacant. The median age of housing stock is 36 years for the assessment area. The median housing value is \$39,556. This is in comparison to the non-metropolitan areas in the State of Illinois, with a median housing value of \$40,181 and the non-metropolitan areas in the State of Missouri, with a median housing value of \$38,803.

Affordability ratios, developed by dividing the median household income by the median household value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a higher ratio generally has more affordable housing than an area with a lower ratio. The affordability ratios, based on 1990 census data, for the assessment area and for the non-metropolitan areas in the State of Illinois and the non-metropolitan areas in the State of Missouri are 57.5%, 59.4%, and 51.5%, respectively. This indicates that housing is generally as affordable within the bank's assessment area, when compared to other similar areas in both states. The gross median rent for the bank's assessment area is \$277 versus the non-metropolitan areas in the State of Illinois, which is \$300 and the non-metropolitan areas in the State of Missouri, which is \$275. This indicates rental property within the bank's assessment area is comparably priced to other similar areas in both states.

## Labor and Employment

The 2001 average unemployment rate for the counties within the bank's assessment area are listed in Exhibit 2. The major employers in Macomb, Illinois are listed in Exhibit 3.

### Exhibit 2 – 2001 Average Unemployment Rates

State/County	Unemployment Rate
State of Illinois	5.4%
Adams County	4.3%
Hancock County	6.2%
McDonough County	3.1%
Pike County	5.7%
Schuyler County	4.4%
State of Missouri	4.7%
Marion County	5.5%

Sources: The Illinois Department of Employment Security and Missouri Works, Labor Market Information

### Exhibit 3 – Major Employers in the Macomb, Illinois

Company	Location	Employees	Description
Western Illinois University	Macomb	2,282	Education
NTN-Bower	Macomb	574	Ball/Roller Bearings
McDonough District Hospital	Macomb	565	Hospital
Sodexo Marriot	Macomb	417	Food Service
Porcelain Products	Macomb	192	Porcelain electric products
Bridgeway, Inc.	Macomb	170	Rehabilitation services

Source: Illinois Department of Commerce and Community Affairs

A community representative contacted during the examination to determine the credit needs of the assessment area, indicated that local financial institutions in the area are actively involved in the community and are adequately meeting the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*Performance standards for small banks consist of the following, as applicable: the bank's LTD ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income and farms and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the above standards are analyzed and evaluated within the assessment area context, which includes, but not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing*

*stock, housing costs, and other relevant data pertaining to the bank's assessment area.*

### LOAN-TO-DEPOSIT RATIO

*The bank's average loan-to-deposit ratio, calculated from data contained in the Uniform Bank Performance Report, was evaluated giving consideration to the bank's capacity to lend, competitor and peers' loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.*

Based on the bank's LTD ratios relative to its peer group and a sample of competitors, the bank meets the standards for satisfactory performance under this criterion. Exhibit 4 shows the comparison for the eight-quarters ending June 30, 2002.

### Exhibit 4 – LTD Ratios

Bank Name, City, 12/01 Assets \$(Millions)	9/00 (%)	12/00 (%)	3/01 (%)	6/01 (%)	9/01 (%)	12/01 (%)	3/02 (%)	6/02 (%)	Avg.
UnionBank/West, Macomb, \$155	79.19	76.90	85.07	93.98	84.46	87.33	80.52	81.97	83.67
Peer	79.09	77.98	76.70	77.58	77.32	75.93	75.68	77.28	77.19
First State Bank of Western IL, LaHarpe, \$127	59.55	61.41	62.83	64.28	66.54	67.37	71.94	69.68	65.45
Citizens National Bank, Macomb, \$205	74.96	71.43	73.92	80.06	83.08	80.35	84.89	87.55	79.53
Bank of Quincy, Quincy, \$17	106.37	98.62	94.17	101.84	104.10	94.88	98.67	99.72	99.79

Source: Uniform Bank Performance Reports

### LENDING IN THE ASSESSMENT AREA

*To assess the extent of lending within the assessment area, the following were reviewed: consumer loans and small business and small farm loans. The sample period for each loan product consisted of the calendar year 2001. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Overall, consumer, commercial and agricultural lending within the bank's assessment area meets the standards for satisfactory performance.

The majority of UnionBank/West's loans were originated within the assessment area. The distribution of the bank's primary loan products is illustrated in Exhibit 5.

### Exhibit 5 – Distribution of Loans In/Out of Assessment Area (AA)

Loan Type	Number of Loans		
	# in Sample	# in AA	% in AA
Consumer Loans	1,327	969	73.0

Small Business	257	190	73.9
Small Farm	135	125	92.6
Totals	1,719	1,284	74.7

#### LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES

*The distribution of loans among borrowers of different income levels was determined by reviewing consumer loans and small business and small farm loans. The sample period for each loan product consisted of the calendar year 2001. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Given the demographics of the bank's assessment area, the loan distribution of borrowers of different income levels and farms and businesses of different sizes meets the standards for satisfactory performance.

The distribution of UnionBank/West's loans reflects a reasonable penetration among borrowers of different income and revenue levels, as supported by a review of consumer loans and small business and small farm loan data.

#### Consumer Loans

The distribution of consumer loans reflects an excellent penetration among borrowers of different incomes, especially low- and moderate-income borrowers.

#### Exhibit 6 – Loan Distribution of Consumer Direct Installment Loans by Income Level

Income Level	Total Number Of Loans*	Percent of Total Loans*	Percent of Families in Assessment Area
Low	220	24.1	20.7
Moderate	241	26.5	19.2
Middle	247	27.1	24.2
Upper	203	22.3	35.9
<b>Totals*</b>	<b>911</b>	<b>100.0</b>	<b>100.0</b>

\* Figures do not include loans categorized as "Other" and borrowers for which income not available.

As illustrated in Exhibit 6, the percent of loans to low- and moderate-income borrowers is 50.6%, which is greater than the 39.9% of low- and moderate-income families in the assessment area. This shows an excellent penetration to low- and moderate-income borrowers.

#### Small Business Loans

The distribution of small business loans reflects a reasonable penetration among small businesses.



**Exhibit 7 – Distribution of Small Business Loans**

Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (\$000)
Less than or equal to \$100,000	159	3,774
Greater than \$100,000 through \$250,000	17	2,953
Greater than \$250,000 through \$1 million	14	6,732
<b>Total</b>	<b>190</b>	<b>13,459</b>

As Exhibit 7 shows, small business loan originations, in the \$100,000 or less category, represent 83.7% of the number and 28.0% of the dollar amount of small business loans. Of the total small business loans originated in calendar year 2001, 168 of 190 of the loans went to businesses with gross annual revenues of \$1 million or less.

**Small Farm Loans**

The distribution of small farm loans reflects an excellent penetration among small farms.

**Exhibit 8 – Distribution of Small Farm Loans**

Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (\$000)
Less than or equal to \$100,000	116	2,949
Greater than \$100,000 through \$250,000	4	590
Greater than \$250,000 through \$500,000	5	1,616
<b>Total</b>	<b>125</b>	<b>5,155</b>

As Exhibit 8 shows, originations in the \$100,000 or less category represent 92.8% of the number and 57.7% of the dollar amount of small farm loans. Of the total small farm loans originated in calendar year 2001, 122 of 125 of the loans went to farms with gross annual revenues of \$1 million or less. The bank also participates in government sponsored programs such as the FSA Guarantee and Interest Assistance program.

According to community contacts, area financial institutions are meeting the needs of the farmers and business owners in the area.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

*The distribution of lending activities among geographies of different income levels within the assessment area, particularly those defined as low- and moderate-income, was reviewed. To assess the bank's performance, the following were reviewed: direct installment, small business and small farm loans. The sample period for each loan product consisted of the calendar year 2001. Those loans for which census tracts were unknown were not included in the analysis. Demographic characteristics of census tracts, such as*

*housing types and income level, were considered in the evaluation.*

The bank's assessment area includes 40 census tracts located in the counties of Adams, Pike, McDonough, Schuyler, and Hancock in Illinois and six census tracts are in located in Marion County, Missouri. There are three low-income census tracts located in the Adams and McDonough Counties and a total of nine moderate-income census tracts, including on in Marion County, Missouri. Exhibit 9 shows the distribution of loans by census tract. There are two moderate-income geographies that border the east and to the south sides of the bank's assessment area (tracts 9539 and 9524). According to discussions with management, these are outside of the bank's target market area and therefore do not appear to be arbitrarily excluded.

### **Exhibit 9 – Geographic Distribution of Loans**

Loan Type	Number of Loans in Census Tracts				
	Low	Moderate	Middle	Upper	Totals
Small Business	15	35	99	41	190
Small Farm	1	10	112	2	125
Consumer	16	200	583	170	969
<b>Totals</b>	<b>32</b>	<b>245</b>	<b>794</b>	<b>213</b>	<b>1284</b>

As Exhibit 9 shows, loans are reasonably dispersed throughout the bank's assessment area. Two hundred seventy-seven (21.6%) of the bank's loans were originated in low- and moderate-income geographies. This is comparable to the structure of the bank's assessment area.

### **COMPLAINTS**

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

### **FAIR LENDING**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the banks' lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations, and implemented on an equitable basis. No evidence of prohibited discriminatory credit practices was detected.

### **BRANCH CLOSINGS**

Since the previous examination, the bank has closed two full-service branches. One branch was located at 110 W. Main Street, Ferris, IL (Ferris branch) and the other branch was located at Hwy 106 and Hwy 36, Hull, IL (East Hannibal branch). Management stated

these branches were closed due to financial performance and the closings had no adverse impact on the communities. Both were located in middle-income geographies.

**UnionBank/West (RSSD# 786041)  
Assessment Area 2001**

