

# **PUBLIC DISCLOSURE**

August 26, 2002

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Union Bank/Central  
RSSD Number: 465645

601 South Main Street  
Princeton, IL 61356

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/Central 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 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 is considered strong. Although the assessment area is comprised primarily of middle-income geographies and one upper-income geography, the 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/Central, with total assets of \$136,287,000 as of June 30, 2002, is a subsidiary of Union Bancorp, Inc., a four-bank holding company located in Ottawa, Illinois.

UnionBank/Central operates five full-service branches, with its main office located at 601 South Main Street, Princeton, Illinois. The four other branches are located at 1839 North Main St, Princeton, Illinois, 109 West Maple Street, Manlius, Illinois, 120 Main Street, Tampico, Illinois, and 100 West Main Street, Tiskilwa, Illinois. Each branch offers drive-up service facilities; a full-service ATM is also available at the main office. In addition to these branches, the bank also has a mobile branch that serves Whiteside and Bureau counties. The mobile branch, a Chrysler PT Cruiser, is used primarily to conduct deposit related services, mostly check cashing. It operates on regularly scheduled stops throughout the week and on an as needed basis. Additionally, loan applications are provided to customers for overdraft protection accounts and to pre-qualify mortgage applications.

The bank offers consumer loans, real estate loans, 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, Illinois. The remaining residential loans are maintained in the bank's portfolio and include primarily variable rate purchases and refinances. The consumer loans include automobile, personal, certificate of deposit and savings-secured 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 loan products by dollar amount, as a percentage of average gross loans and leases were: 1-4 family residential real estate loans (25.33%); agricultural loans (18.29%); commercial real estate loans (17.07%); farmland loans

(15.72%); commercial and industrial loans (13.35%); and loans to individuals (5.34%). 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 are Citizens First National Bank, located in Princeton, Illinois and Citizens First State Bank, located in Walnut, Illinois.

No apparent factors relating to the bank's financial condition, size, products offered, local economic conditions, or legal impediments exist 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.*

UnionBank/Central's assessment area consists of eight block numbering areas (BNAs) within Bureau and Whiteside Counties in central Illinois. The BNA numbers are 8 and 18 in Whiteside County and 9648, 9649, 9653, 9654, 9655, and 9656 in Bureau County. The assessment area consists of middle-income geographies, with the exception of one upper-income geography (9654). There have been no changes to the assessment area since the previous examination.

## 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.

## Income Characteristics

Exhibit 1 shows the income levels for the assessment area in comparison to the non-metropolitan areas in Illinois and the State of Illinois based on 1990 census data. In contrast to this data, the 2002 Department of Housing and Urban Development adjusted median family income for non-metropolitan areas in Illinois and the State of Illinois are \$46,700 and \$70,900, 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	31,620	14.7	18.0	27.2	40.1	7.5
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

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, 25,168 individuals reside in the bank's assessment area. Of the 10,275 total housing units, 6,906 (67.2%) are owner-occupied, 2,637 (25.7%) are occupied rental units, and 732 (7.1%) are vacant. The median age of housing stock is 44 years in the assessment area. The median housing value is \$41,879 and \$71,300 for the middle- and upper-income tracts, respectively.

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 State of Illinois are 55.8% and 40.3%, respectively, indicating that housing is generally more affordable in the bank's assessment area. The gross median rent for the bank's assessment area is \$324 versus the State of Illinois that is \$445.

### Labor and Employment

The average unemployment rate for Bureau and Whiteside Counties for 2001 were 5.5% and 7.0%, respectively. The most recent unemployment rate for Bureau County was 4.6% and for Whiteside County was 6.0%, as of August 2002. This indicates there are an increasing number of employment opportunities in the area. The major employers in Princeton, Illinois are listed in Exhibit 2.

### Exhibit 2 – Major Employers in the Princeton, Illinois

Company	Location	Employees	Description
LCN Door Closers	Princeton	515	Door closers
Harper-Wyman Co.	Princeton	510	Gas range components
Ace Hardware Retail Support	Princeton	490	Distribution
Montery	Princeton	460	Mushrooms
Perry Memorial Hospital	Princeton	400	Health care
Josten, Inc.	Princeton	337	Rings and jewelry

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 3 shows the comparison for the eight-quarters ending June 30, 2002.

### Exhibit 3 – 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/Central, Princeton, \$136	83.98	79.63	79.92	77.96	82.37	77.49	72.52	74.70	78.57
Peer Group	79.09	77.99	76.70	77.58	77.32	75.93	75.68	77.28	77.20
Citizens First National Bank, Princeton, \$562	81.02	81.40	79.18	77.58	73.42	70.32	71.39	70.71	75.63
Citizens First State Bank, Walnut, \$45	82.83	78.58	83.17	76.80	76.51	75.12	72.00	75.71	77.59

### 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 under this criterion.

The majority of UnionBank/Central's loans were originated within the assessment area. The distribution of the bank's primary loan products is illustrated in Exhibit 4.

#### **Exhibit 4 – Distribution of Loans In/Out of Assessment Area (AA)**

Loan Type	Number of Loans		
	# in Sample	# in AA	% in AA
Consumer Loans	525	457	87.0
Small Business	217	176	81.1
Small Farm	290	254	87.6
Totals	1032	887	85.9

#### **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 across borrowers of different income levels and farms and businesses of different sizes exceeds the standards for satisfactory performance under this criterion.

The distribution of UnionBank/Central'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 5 – Loan Distribution of Consumer Direct Installment Loans by Income Level**

Borrower Income Level	Total Number Of Loans*	Percent of Total Loans*	Percent of Families in Assessment Area
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Low	104	25.12	14.70
Moderate	105	25.36	18.00
Middle	97	23.43	27.20
Upper	108	26.09	40.10
<b>Totals*</b>	<b>414</b>	<b>100.00</b>	<b>100.00</b>

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

As illustrated in Exhibit 5, the percent of loans to low- and moderate-income borrowers is 50.48%, which is greater than the 32.70% of low- and moderate-income families in the assessment area. This shows an excellent penetration amongst the low- and moderate-income borrowers.

### Small Business Loans

The distribution of small business loans reflects an excellent penetration among small businesses.

#### Exhibit 6 – Distribution of Small Business Loans

Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (\$000)
Less than or equal to \$100,000	162	3,375
Greater than \$100,000 through \$250,000	9	1,337
Greater than \$250,000 through \$1 million	4	1,626
<b>Total</b>	<b>175</b>	<b>6,338</b>

As Exhibit 6 shows, small business loan originations, in the \$100,000 or less category, represent 92.57% of the number and 53.25% of the dollar amount of small business loans. Of the total small business loans originated in calendar year 2001, 150 of 175 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 7 – Distribution of Small Farm Loans

Original Dollar Amount	Outstanding Number	Outstanding Dollar Amount (\$000)
Less than or equal to \$100,000	215	6,848
Greater than \$100,000 through \$250,000	36	6,310
Greater than \$250,000 through \$500,000	3	1,055
<b>Total</b>	<b>254</b>	<b>14,213</b>

As Exhibit 7 shows, originations in the \$100,000 or less category represent 84.65% of the number and 48.18% of the dollar amount of small farm loans. Of the total small farm



loans originated in calendar year 2001, 248 of 254 of the loans went to farms with gross annual revenues of \$1 million or less.

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 April 1, 2001 to March 31, 2002. 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 seven middle-income BNAs and one upper-income BNA. The assessment area does not include any low- or moderate-income BNAs, and it does not appear as though any low- or moderate-income BNAs were arbitrarily excluded from the assessment area. There are two moderate-income BNAs that border the southeast corner of the bank's assessment area, BNAs 307 and 308, located in Henry County. These are outside of the bank's target market area and do not appear to be arbitrarily excluded from 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 closed a loan production office located at 3512 East Lincolnway, Sterling, Illinois. This office was closed due to a lack of volume and financial performance, according to management. As this was not a full service branch,

the closing did not adversely impact the community.

UNIONBANK/CENTRAL

ASSESSMENT AREA 2001

