



## **PUBLIC DISCLOSURE**

January 9, 2023

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Midland FS & LA  
Charter Number 704475

8929 S Harlem Ave  
Bridgeview, IL 60455-1923

Office of the Comptroller of the Currency

2001 Butterfield Rd, Suite 400  
Downers Grove, IL 60515

**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, and should not 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.

## Table of Contents

Overall CRA Rating.....	1
Description of Institution.....	2
Scope of the Evaluation.....	2
Discriminatory or Other Illegal Credit Practices Review.....	3
State Rating.....	4
State of Illinois.....	4
Lending Test .....	6
Appendix A: Scope of Examination.....	A-1
Appendix B: Summary of MMSA and State Ratings.....	B-1
Appendix C: Definitions and Common Abbreviations.....	C-1
Appendix D: Tables of Performance Data.....	D-1

## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Needs to Improve**.

**The lending test is rated: Needs to Improve**

The major factors that support this rating include:

- The bank’s quarterly average loan-to-deposit (LTD) ratio is less than reasonable at 34 percent, compared to 57 percent the prior Community Reinvestment Act (CRA) examination.
- Of the 16 similarly situated institutions with \$100-\$300 million in assets located in Cook and Will counties (including the bank), Midland’s quarterly average LTD ratio is the lowest.

### Loan-to-Deposit Ratio

Considering the bank’s size, financial condition, and credit needs of the assessment area (AA), the bank’s LTD ratio is less than reasonable. Midland FS & LA’s (Midland’s) LTD ratio has consistently declined over the three-year period from 42 percent to 24 percent as of December 31, 2021, resulting in a quarterly average LTD ratio of 34 percent. In comparison, the other 15 peer banks in Cook and Will Counties with \$100-\$300 million in assets had LTD ratios ranging from 56 percent to 114 percent during the same timeframe. Midland’s decreasing LTD ratio is a result of the bank’s limited lending activities and shrinking loan portfolio, as well as the bank’s growing deposit base, which is attributed to government stimulus packages relating to COVID-19. During the evaluation period, the net loan portfolio declined 36 percent from \$44.7 million to \$28.7 million, whereas total deposits grew 15 percent to \$118.1 million.

Loan opportunities in the AA are available, which is demonstrated by peer bank LTD ratios of 50 percent or greater. There are no financial, legal, or other constraints prohibiting the bank from originating loans.

### Lending in Assessment Area

A majority of the bank’s loans are inside its AA.

The bank originated 33 loans in its AA, we sampled 20. Based on our sample, the bank originated 60 percent of its loans inside the AA during the evaluation period. This analysis is performed at the bank, rather than the AA level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	12	60.00	8	40.00	20	1,826	57.85	1,330	42.15	3,156

Source: Evaluation Period 1/1/2019-12/31/2021 Bank Data, Sample of 20 Home Mortgage Loans

## Description of Institution

Midland is a \$128 million federal stock thrift institution, wholly owned by Midland Capital Holdings Corporation. The bank has no affiliate organizations. The head office is located in Bridgeview, IL, which is approximately 25 miles southwest of downtown Chicago. Midland operates three other full-service branch offices, including two branches on the southwest side of Chicago and one in Homer Glen, IL. The Chicago branch offices are in the Brighton Park and Marquette Park neighborhoods. The Bridgeview head office and Brighton Park and Homer Glen branches have 24/7 ATMs. The Bridgeview head office along with the two other Chicago offices are in Cook County, and the Homer Glen branch is located in Will County. As of calendar year 2022, the Marquette Park and Brighton Park branches are in a low-income and moderate-income census tract (CT), respectively. The head office and the Homer Glen office are in middle-income geographies.

Midland operates as a full-service thrift, offering traditional loan and deposit products. The bank primarily engages in one- to four-family mortgages. Their net loan portfolio totaled \$28.7 million as of December 31, 2021, representing 25.1 percent of average assets. One- to four-family residential real estate loans represent 92 percent of the total loan portfolio. Tier 1 capital totals \$9.7 million with a tier 1 leverage ratio of 7.6 percent.

The last performance evaluation under the CRA was dated January 2, 2018, with an evaluation period of January 1, 2015, through December 31, 2017. The bank was evaluated using Small Bank CRA procedures and received an overall “Satisfactory” rating.

Midland possesses the financial capacity to meet the credit needs of its AA. However, due to their limited marketing activities and the bank not actively pursuing loan growth, lending activities are strained. While loan competition is high within the AA, lending opportunities are available, evidenced by peer bank average LTD ratios being above 50 percent. There are no legal, financial, or other factors impeding the bank’s ability to meet the credit needs of the AA.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

Midland’s CRA performance was evaluated using Small Bank CRA procedures. The evaluation period ranged from January 1, 2019, through December 31, 2021. We reviewed the bank’s home mortgage loans, which is the primary product originated during the review period.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA) are combined and evaluated as a single AA. Due to the bank not meeting the loan volume threshold, they are not required to be a Home Mortgage Disclosure Act (HMDA) reporter. As a result, to perform the analysis, examiners reviewed a sample of the bank’s home mortgage loans to assess their lending performance. We first selected a random sample of 20 loans from 2019-2021 (49 total home mortgages) to compare the amount of credit extended inside and outside the AA and determine the in/out ratio. Examiners then selected an additional eight loans in the AA to

replace the mortgages that were outside, which amounts to 20 loans in the AA. Examiners analyzed those 20 loans in the AA to determine the distribution of loans by borrower income and geography.

We also reviewed various reports, including the Uniform Bank Performance Report as of December 31, 2021, the FDIC's Deposit Market Share Report, and prior community contact interviews conducted during the evaluation period.

## **Ratings**

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

Midland has only one AA located in the state of Illinois, which was used for a full-scope review.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Illinois

**CRA rating for the State of Illinois<sup>1</sup>:** Needs to Improve

**The Lending Test is rated:** Needs to Improve

The major factors that support this rating include:

- The bank's quarterly average LTD ratio of 34 percent is less than reasonable.
- The LTD ratio is significantly below the other 15 similarly situated institutions with \$100-\$300 million in assets.
- The bank exhibits reasonable geographic distribution of loans in the State.
- The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

### Description of Institution's Operations in Illinois

Midland solely operates in the state of Illinois. They delineated portions of both Cook and Will Counties within the Chicago-Naperville-Arlington Heights Metropolitan Division (Chicago MD) as their AA. The Chicago MD is part of the Chicago Metropolitan Statistical Area (MSA). Midland's AA contains 144 contiguous CTs located on the southwest side of Chicago and the adjacent southwest suburban communities. The majority of CTs (135 or 94 percent) are in Cook County, IL and nine, or 6 percent, are in Will County, IL. Of the 144 CTs located in Midland's AA, 16.7 percent are low-income geographies, 27.8 percent are moderate-income geographies, 35.4 percent are middle-income geographies, and 20.1 percent are upper-income geographies. Given the bank's small asset size and office locations, the AA meets the requirements of the CRA regulation, does not arbitrarily exclude any low- or moderate-income (LMI) geographies, or reflect illegal discrimination.

The local economies in Cook and Will Counties have stabilized since the COVID pandemic, considering the decreasing unemployment rates from 2020 to 2021. Approximately 11.6 percent of the households within Midland's AA are below the poverty level. Competition in the AA is high. The bank competes with a multitude of national banks, thrifts, and credit unions, along with nontraditional lenders. In 2021, the bank's deposit market share was low at .03 percent, with Midland ranking 88 out of the 115 financial institutions, which is similar to 2019 and 2020.

Community contacts in the AA indicated there is a great need for affordable housing in the area. The contact stated financial institutions can partner with affiliate organizations that subsidize mortgages to make loans more affordable for LMI borrowers. Additionally, the contact stressed the importance for lenders to utilize down payment assistance programs and appraisers who are familiar with LMI neighborhoods to help overcome the significant gap between the costs to acquire and improve a home and the appraised value.

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

**Midland AA**

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Midland AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	144	16.7	27.8	35.4	20.1	0.0
Population by Geography	694,466	13.6	28.6	34.4	23.4	0.0
Housing Units by Geography	248,819	13.2	25.7	36.7	24.5	0.0
Owner-Occupied Units by Geography	168,301	6.5	21.3	40.6	31.6	0.0
Occupied Rental Units by Geography	61,514	26.2	36.7	28.2	8.9	0.0
Vacant Units by Geography	19,004	29.9	28.5	29.8	11.8	0.0
Businesses by Geography	42,311	8.2	22.9	39.5	29.4	0.0
Farms by Geography	607	7.9	21.9	34.4	35.7	0.0
Family Distribution by Income Level	165,159	26.4	19.4	19.5	34.6	0.0
Household Distribution by Income Level	229,815	26.4	17.6	18.6	37.4	0.0
Median Family Income MSA - 16984 Chicago-Naperville- Evanston, IL		\$75,024	Median Housing Value			\$194,871
			Median Gross Rent			\$923
			Families Below Poverty Level			11.6%
<i>Source: 2015 ACS and 2021 D&amp;B Data            Due to rounding, totals may not equal 100.0%            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## **Scope of Evaluation in Illinois**

Examiners utilized full-scope procedures to assess the bank's CRA performance.

## **LENDING TEST**

The bank's performance under the Lending Test in Illinois is rated Needs to Improve.

## **Conclusions for Area Receiving Full-Scope Review**

Based on a full-scope review, the bank's performance in the AA is reasonable.

## **Distribution of Loans by Income Level of the Geography**

The bank exhibits reasonable geographic distribution of loans in the State.

### ***Home Mortgage Loans***

Refer to Table O in the state of Illinois section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Throughout the evaluation period, the bank originated 5 percent of loans to low-income tracts, which is lower than the percent of owner-occupied housing (OOH) units at 6.5 percent. However, the bank's performance is near peer performance at 4.8 percent. Midland also originated 10 percent of loans to moderate-income tracts, which is below the percent of OOH units at 21.3 percent and lower than aggregate peer lending at 16.8 percent.

## **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

### ***Home Mortgage Loans***

Refer to Table P in the state of Illinois section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

During the review period, Midland originated 10 percent of loans to low-income borrowers, which is lower than the percent of families in the AA at 26.4 percent; however, this exceeds aggregate peer lending at 9.2 percent. Additionally, the bank originated 25 percent of loans to moderate-income borrowers, exceeding both peer and the percent of families in the AA at 22 and 19.4 percent, respectively.

## **Responses to Complaints**

The bank did not receive any complaints alleging discriminatory lending practices. The OCC also did not receive any CRA complaints.



## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	(01/01/19 to 12/31/21)	
<b>Bank Products Reviewed:</b>	Home mortgages	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State(s)</b>		
Illinois	Full-Scope	144 census tracts in Cook and Will Counties in Illinois

## Appendix B: Summary of State Ratings

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RATINGS	Midland Federal Savings & Loan Association
Overall Bank:	Lending Test Rating
Midland FS&LA	Needs to Improve
MMSA or State:	
Illinois	Needs to Improve

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

**Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2019-21		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$	% of Total	Overall Market	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate		
Midland AA	20	2,609	60.6	30,090	6.5	5.0	4.8	21.3	10.0	16.8	40.6	65.0	41.7	31.6	20.0	36.7	0.0	0.0	0.0		
<b>Total</b>	<b>20</b>	<b>2,609</b>	<b>60.6</b>	<b>30,090</b>	<b>6.5</b>	<b>5.0</b>	<b>4.8</b>	<b>21.3</b>	<b>10.0</b>	<b>16.8</b>	<b>40.6</b>	<b>65.0</b>	<b>41.7</b>	<b>31.6</b>	<b>20.0</b>	<b>36.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		

Source: 2015 U.S. Census; 01/01/2019 - 12/31/2021 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2019-21		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate		
Midland AA	20	2,609	60.6	30,090	26.4	10.0	9.2	19.4	25.0	22.0	19.5	25.0	24.3	34.6	40.0	27.3	0.0	0.0	17.2		
<b>Total</b>	<b>20</b>	<b>2,609</b>	<b>60.6</b>	<b>30,090</b>	<b>26.4</b>	<b>10.0</b>	<b>9.2</b>	<b>19.4</b>	<b>25.0</b>	<b>22.0</b>	<b>19.5</b>	<b>25.0</b>	<b>24.3</b>	<b>34.6</b>	<b>40.0</b>	<b>27.3</b>	<b>0.0</b>	<b>0.0</b>	<b>17.2</b>		

Source: 2015 U.S. Census; 01/01/2019 - 12/31/2021 Bank Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.