



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 29, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Midland FS&LA
Charter Number 704475

8929 S. Harlem Avenue
Bridgeview, IL 60455-1923

Office of the Comptroller of the Currency
1700 East Golf Road, Suite 800
Schaumburg, IL 60173

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.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY

- The loan-to-deposit ratio is reasonable given the bank's size and financial condition.
- A majority of loans originated are inside the bank's assessment area.
- The bank's borrower distribution lending performance is reasonable.

SCOPE OF EXAMINATION

Midland Federal Savings and Loan's (Midland) Community Reinvestment Act (CRA) performance was assessed using Small Bank CRA examination procedures. The review period for this examination is January 1, 2009 through December 31, 2011. For the CRA performance evaluation we reviewed single-family home mortgage loan originations and purchases which is the bank's primary lending product.

To perform the analysis the bank provided their Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) for 2009, 2010, and 2011. The bank originated 159 loans within their assessment area during the review period. The volume of HMDA lending has declined substantially over the past few years as a result of the depressed economic conditions in the local area.

Prior to performing the analysis we performed a data integrity examination on the bank's HMDA data by sampling 20 loans from each year. We noted the bank made reporting errors in key fields of the 2011 HMDA LAR. All errors were corrected and the data used in this evaluation was validated and deemed to be reliable.

Additionally, we reviewed the bank's loan and deposit information from the March 31, 2012 Uniform Bank Performance Report and 2008-2010 HMDA peer group data (most recent years available) to compare with peer banks. We used the June 30, 2011 Federal Deposit Insurance Corporation deposit market share report to determine the bank's deposit market share and presence within its assessment area.

DESCRIPTION OF INSTITUTION

Midland is a \$124.1 million federally chartered stock institution that is wholly owned by Midland Capital Holdings Corp. The bank does not have any other affiliates. The bank's main branch is located in Bridgeview, Illinois which is approximately 25 miles southwest of downtown Chicago. In addition to the main branch, Midland has three full service branch offices, two on southwest side of Chicago and one in Homer Glen, IL, an unincorporated area in eastern Will County, IL. The Chicago branch offices are located in the Brighton Park and Marquette Park neighborhoods. The Homer Glen branch is the

only branch located outside of Cook County. The bank's Chicago offices are located in moderate-income census tracts, while the main office is in a middle-income geography, and the Homer Glen office is in an upper-income geography.

Midland's strategy is to operate as a traditional full service thrift offering a wide array of deposit and loan products. The bank's primary lending focus is home mortgage lending for 1-4 family residential dwellings. The bank is starting to originate more multi-family loans in the area as the need for these loans increases. The bank's loan portfolio as of March 31, 2012, totaled \$77.55 million. One to four family real estate mortgages comprise 94% of the bank's loan portfolio.

Midland has the financial capacity to assist in meeting the credit needs of its assessment area. There are no legal, financial, or other circumstances impeding the bank's ability to help meet the credit needs of its assessment area (AA).

The last performance evaluation under the Community Reinvestment Act was dated July 2, 2007. The bank was evaluated under Small Bank performance standards and received an overall performance of "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA

Midland has delineated their AA as a portion of both Cook and Will Counties within the Chicago-Naperville-Joliet Metropolitan Division (Chicago MD). The Chicago MD is part of the Chicago Metropolitan Statistical Area (MSA).

Midland's AA consists of 183 contiguous census tracts located on the southwest side of Chicago and the adjacent southwest suburban communities. The AA includes 177 census tracts in Cook County, IL and six census tracts in Will County, IL. This AA represents a serviceable portion of the 1,724 census tracts that comprise the eight county Chicago MD. Considering Midland's small asset size, operational strategies, and office locations the delineated AA meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. The AA does not reflect illegal discrimination.

Local economic conditions are depressed with high levels of unemployment and foreclosures. See Table 1 below for demographic information on the bank's AA. It is noted that approximately 11% of the households within Midland's AA are below the poverty level.

Table 1 - Assessment Area Demographic Information								
Income Category	%Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	24.64	33	9.88	4.65	19.38	10.30	79,220	44
Moderate	20.05	67	29.60	21.87	45.34	31.43	106,304	44
Middle	23.13	64	45.98	53.40	32.44	41.65	140,308	23
Upper	32.18	18	14.54	20.08	2.84	16.62	219,659	7
NA	0.00	1	0.00	0.00	0.00	0.00	0	0
Total # or \$	100.00	183	100.00	100.00	100.00	100.00		

Competition among financial institutions in the bank’s assessment area is strong. Midland competes with several large, regional and community banks that are well established throughout the delineated community. According to the Federal Deposit Insurance Corporation’s June 30, 2011 deposit market share report, Midland has a deposit market share of 0.79% and ranks 22nd out of 51 financial institutions with offices in Midland’s assessment area.

During the evaluation, we conducted two community contacts to assess the credit needs and economic conditions within the bank’s AA. We chose two community development organizations that work to find affordable housing options for residents in the local area. The following credit programs were identified as being needed: multi-family housing loans and loan modification programs. The community contacts stated that stringent underwriting standards required by financial institutions have not supported their efforts and have made it difficult for low- and moderate-income borrowers to qualify to purchase local housing stock. Furthermore, the contacts stated that many of the large and regional banks in the area have not offered reasonable loan modification programs for borrowers in trouble, which is increasing the number of foreclosures leading to more vacant housing units.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Midland CRA performance is adequate in meeting the lending needs of its assessment area. The loan-to-deposit ratio is reasonable and a majority of the bank’s loan originations are inside its assessment area. While borrower distribution reflects reasonable penetration across different income levels geographic distribution reflects poor dispersion. No complaints concerning Midland’s CRA performance were received during the evaluation period.

Loan-to-Deposit Ratio

Midland’s quarterly average loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and the assessment area credit needs. Midland’s quarterly average loan-to-deposit ratio for the evaluation period from June 2007 through March 2012 was

76.14%. Midland’s quarterly average loan-to-deposit ratio is below the quarterly average for the bank’s national peer group which was calculated to be 90.46% for the same time period. Midland’s loan-to-deposit ratio ranged from a high of 81.41% to the most recent quarter being the lowest at 68.64%. The bank’s most recent quarter loan-to-deposit ratio is ten basis points below the national peer group. This reflects improvement during the evaluation period as Midland’s loan-to-deposit ratio began the period 21 basis points lower than the national peer group. An additional review was conducted using similar sized financial institutions within Midland’s AA. For the local peer group the average quarterly loan-to-deposit ratio was only 66.62%. Midland’s quarterly average loan-to-deposit ratio exceeded the local peer group’s quarterly loan-to-deposit ratio. The primary reason for Midland’s and local financial institutions’ loan-to-deposit ratio being lower when compared to the national average is the depressed economic and real estate conditions throughout the market area of the southwest side of Chicago.

Lending in Assessment Area

A review of Midland’s record of lending within its assessment area reflects a majority of the bank’s loans were originated during this evaluation’s assessment period within the delineated AA. See the breakdown by number and dollar amount of loans in Table 2 below.

Table 2 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	159	66.53	80	33.47	239	22,587	63.09	13,216	36.91	35,803

Source: HMDA Loans reported for 2009, 2010, 2011.

Lending to Borrowers of Different Incomes

The overall analysis of Midland’s level of lending in the assessment area shows that there is reasonable penetration among individuals of different income levels. The bank’s lending to moderate- income borrowers is excellent while their lending to low-income borrowers is poor.

The bank’s HMDA lending performance to low-income borrowers is poor as the percentage of bank lending to low-income families is lower than the percentage of low-income families in the bank’s AA. The bank’s level of lending, however, is not unreasonable given the difficulty for low-income borrowers to qualify for home mortgages with 11% of the households in the AA below the poverty level and the very high 9.9% unemployment rate for the Chicago MSA as of 2011. It is noted that the bank’s lending level is close to the HMDA peer group for low- income borrowers. The bank’s lending performance to moderate- income borrowers is excellent as the percentage of loans originated exceeded the percentage of moderate- income families

in the AA. Midland's lending to moderate- income borrowers is also very close to the percentage of lending done by the HMDA peer group. See Table 3 below for the data on the bank's borrower distribution lending performance.

Table 3 - Borrower Distribution of Residential Real Estate Loans in Midland's AA				
Borrower Income Level	Midland Number of Loans	Midland Percentage of Loans	2008-2010 HMDA Peer Group Distribution Percentage	Family Distribution Percentage
Low-Income	11	6.92%	10.41%	24.64%
Moderate-Income	39	24.53%	24.95%	20.05%
Middle-Income	56	35.22%	30.04%	23.13%
Upper-Income	51	32.08%	34.60%	32.18%
Income NA	2	1.26%	-----	-----
Totals	159	100.00%	100.00%	100%

Source: HMDA data provided by bank, 2008-2010 HMDA Peer Group data, and 2000 U.S. Census Data.

Geographic Distribution of Loans

Midland's geographic distribution of home mortgage lending to low- and moderate-income geographies in the bank's assessment area reflects poor dispersion as it is lower than the percentage of owner occupied housing units (OOHUs) as well as being below the volume of HMDA peer group lending. Our overall lending performance analysis took into consideration Midland's limited opportunity to lend in these geographies with the low level of OOHUs and the current depressed real estate market plaguing the AA. Turnover of housing stock has been limited as many homeowners are unable to sell or refinance with many outstanding mortgage balances greater than current home values. In addition, competition in the bank's assessment area is very strong. Midland competes with many mortgage brokers and larger financial institutions with resources available to offer non-conventional loan products. Table 4 below shows the geographic lending activity during the review period for both Midland and the HMDA peer group.

Table 4 - Geographic Distribution of Residential Real Estate Loans in Midland's AA				
Census Tract Income Level	Midland Number of Loans	Midland Percentage of Loans	2008-2010 HMDA Peer Group Distribution Percentage	OOHU Distribution Percentage
Low-Income	1	0.63%	3.33%	4.65%
Moderate-Income	9	5.66%	16.05%	21.87%
Middle-Income	110	69.18%	49.38%	53.40%
Upper-Income	39	24.53%	31.24%	20.09%
Totals	159	100.00%	100.00%	100.00%

Source: HMDA data provided by bank, 2008-2010 HMDA Peer Group data, and 2000 U.S. Census Data.

Responses to Complaints

Midland has not received any written comments or complaints regarding its efforts to meet the credit needs of their delineated assessment area during the evaluation period. The OCC has not received any written comments, complaints, or inquiries concerning Midland and its effort to comply with the spirit and intent of the CRA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.