



PUBLIC DISCLOSURE

September 30, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union Federal Savings & Loan Association
Charter Number 700244

104 North Tremont Street
Kewanee, Illinois 61443

Office of the Comptroller of the Currency

211 Fulton Street
Suite 604
Peoria, Illinois 61602

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.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The lending test is rated: Outstanding

The major factors that support this rating include:

- The Lending Test rating is based on the lending performance in Illinois and Wisconsin.
- The geographic and borrower distributions are excellent and stronger than the aggregate distribution.
- A substantial majority of home mortgage lending is inside the assessment areas (AA).
- The loan-to-deposit ratio (LTD) is reasonable.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's loan-to-deposit ratio is reasonable.

The quarterly average LTD ratio was 80.5 percent for the 22-quarter period between March 31, 2014, and June 30, 2019, with a low of 69.7 percent and a high of 88.4 percent.

The bank ranked 11th of 16 similarly situated FDIC insured financial institutions that compete with the bank for deposits in the AAs. The comparable institutions ranged in size from \$101.3 million to \$494.3 million and reported quarterly average LTD ratios from 12.9 percent to 107.2 percent. The LTD ratio is calculated on a bank-wide basis.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs.

The bank originated and purchased 90.6 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

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	278	90.6	29	9.4	307	55,386	93.2	4,039	6.8	59,425
Total	278	90.6	29	9.4	307	55,386	93.2	4,039	6.8	59,425

Source: HMDA data from 1/1/2016 to 12/31/2018.

Description of Institution

Union Federal Savings & Loan Association (Union or bank) is a mutually owned, federal savings and loan association headquartered in Kewanee, Illinois, with assets of \$149.5 million, at June 30, 2019. The

bank owns a dormant service corporation that was used to sell other real estate owned properties. The dormant service corporation does not negatively affect the bank's ability to meet the credit needs of its AAs.

Union is an interstate bank with operations in Illinois and Wisconsin, with each state being a rating area. The Illinois rating area contains one AA covering Henry and Rock Island counties in northwest Illinois and is part of the Davenport-Moline-Rock Island, Iowa-Illinois multi-state metropolitan statistical area (MSA). The Wisconsin rating area contains one AA covering Dane County in south central Wisconsin and is part of the Madison, Wisconsin MSA.

The Illinois AA has five branches and five automated teller machines (ATMs), with one branch and one ATM located in a moderate-income census tract (CT) in 2017 and 2018. There were no branches or ATMs in low- or moderate-income CTs in 2016. The change in branches in moderate-income CTs from 2016 to 2017 and 2018 is a result of changes from the 2015 American Community Survey Census data, and not a change in branch locations. The Illinois AA branches offer lobby and drive-up services on Saturdays. There has been one branch closing in the review period. The branch in Viola, Mercer County, Illinois was closed on December 28, 2015, and resulted in the removal of Mercer County from the Illinois AA. The branch was closed due a lack of loan and deposit demand. Union acquired First FS & LA, a \$60.1 million federal thrift headquartered in Kewanee, Illinois on January 4, 2016. The acquisition added one branch in Geneseo, Illinois, while the main office of the acquired institution was closed due to the proximity to Union's main office. The Wisconsin AA has one branch with lobby access. Products and services are generally offered at all branches, with the exception that the Wisconsin AA has no branch ATM and does not offer Saturday lobby service.

Union's lending strategy is largely focused on home mortgage lending with products for purchase, refinance, home equity, one-to-four family rentals, and multifamily loans. Home mortgage lending in Illinois is primarily owner-occupied lending. In Wisconsin, Union is primarily engaged in multifamily lending.

Union participates in home loan programs that offer down payment assistance and down payment options as low as 3.0 percent. Union also offers unsecured personal loans, deposit secured loans, and credit builder loans designed to help build or repair credit. Deposit offerings include checking and savings with additional services including debit cards, mobile deposit access, bill pay, as well as banking access through online and mobile banking platforms. Tailored checking accounts are offered for students and senior citizens with no monthly fee and no minimum balance requirements.

Residential real estate lending represents the largest portfolio at \$72.0 million, followed by commercial loans at \$39.6 million (comprised of non-owner-occupied rentals and multifamily lending), and consumer loans at \$266 thousand, per Call Report data at June 30, 2019. Union originated or purchased 424 loans totaling \$63.9 million from January 1, 2016, and December 31, 2018, per bank data. Originations and purchases, as reported in HMDA LAR data for 2016, 2017, and 2018, represented 307 loans totaling \$59.4 million.

Union held a net loans and leases to total assets ratio of 74.0 percent and a tier 1 leverage capital ratio of 14.6 percent, at June 30, 2019.

There are no legal or financial circumstances that impede the bank's ability to meet the credit needs of its AAs.

The previous CRA rating, which the OCC determined using the Small bank criterion, was Outstanding, as detailed in the CRA Performance Evaluation dated May 12, 2014.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated Union under the Small Bank criterion, which includes a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The evaluation period is from the previous CRA evaluation date of May 12, 2014, through September 30, 2019. The Lending Test evaluated loans originated or purchased from January 1, 2016, through December 31, 2018.

Union's primary loan products are home mortgage loans as reported in HMDA. Home mortgage lending represented 72.4 percent by number and 93.0 percent by dollar of all originations and purchases between January 1, 2016, and December 31, 2018.

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 MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

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

We gave more weight to the lending performance in Illinois as it accounted for a majority of HMDA loan originations and purchases, by number, as well as a substantial majority of the bank's deposit source.

The combined lending performance in 2017 and 2018 received a greater weighting than the 2016 performance.

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) or 195.28(c), respectively, 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 Bureau of Consumer Financial Protection, 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: Outstanding

The Lending Test is rated: Outstanding

The major factors that support this rating include:

- The borrower distribution of loans to borrowers of different incomes is excellent.
- The borrower distribution performance is stronger than the aggregate distribution.
- The geographic distribution of loans is excellent.
- The geographic distribution performance is significantly stronger than the aggregate distribution.

Description of Institution's Operations in Illinois

Union's lending strategy in Illinois is focused on owner-occupied home mortgage lending.

The Illinois AA has five branches and five ATMs. The Illinois AA branches offer lobby and drive-up services on Saturdays.

Competition for deposits is moderate and high for home mortgage loans. Union competes with local, regional, national, and online lenders for home mortgage loans. Competing lenders include state banks, national banks, federal thrifts, credit unions, and nonbank mortgage companies. Branches in Rock Island County have greater levels of competition for financial services as the market also includes larger community institutions and branches of large financial institutions with a regional or national presence.

The branches in Rock Island County do not have full-time on-site loan officers due to the low loan demand coupled with the expense to maintain the staff. A loan officer is staffed only at the Kewanee, Illinois branch in Henry County. Applications received in other branches are forwarded to the Kewanee branch.

In the Illinois AA, Union held 3.4 percent deposit market share and ranked 11th out of 23 FDIC insured institutions competing for \$3.7 billion in deposits, at June 30, 2019. The top five institutions accounted for 50.2 percent of the total deposit market share.

Unemployment in Henry and Rock Island counties experienced higher rates of annualized unemployment at 6.0 percent and 6.3 percent, respectively, in 2016. Annualized unemployment improved to 5.0 percent and 5.2 percent, respectively in 2018, yet compared unfavorably to the State of Illinois annualized unemployment rate of 4.3 percent in 2018. Improvements in unemployment rates may provide more opportunities for lending.

The level of families below poverty increased from 2016 to 2017 and 2018, which may reduce opportunities for lending, particularly to lower income families.

Major employment sectors include manufacturing, health care, and retail services, though areas closer to and in the Davenport-Moline-Rock Island market have greater employment and economic diversity.

The number of low-income CTs declined from three in 2016 to two in 2017 and 2018. The number of moderate-income CTs increased from 14 in 2016 to 19 in 2017 and 2018. The Rock Island County accounts for all low-income geographies in the AA. The low-income geographies have limited opportunities for owner-occupied lending as they include large portions of industrial and commercial areas and represent 463 owner-occupied housing units in 2017 and 2018. The increase in number of moderate-income CTs provides for greater opportunities in home mortgage lending as they contain a larger percentage of owner-occupied housing units than in low-income CTs.

Originations and purchases in the Illinois AA represented a majority of lending by number at 51.1 percent, but represented a minority by dollar volume at 14.5 percent, as reported for HMDA. The disparity is a result of low home values in the AA, particularly in Henry County. Union originated or purchased 142 HMDA reportable loans, totaling \$8.0 million, in the Illinois AA between January 1, 2016 and December 31, 2018.

Housing costs are generally affordable for moderate-income families when considering the median housing value but may present challenges for low-income families when also considering property tax rates in Illinois.

We contacted two community representatives in Henry County, who described the economic condition to be stagnating to improving. One contact noted the community has difficulty in attracting and maintaining manufacturing jobs while another noted the community experienced job growth in renewable energy and ethanol production. One contact noted small business and home loan lending to be a continuous need in the community, but also felt credit needs were being met in the area.

The contacts had no negative perceptions of Union.

We considered this context information in evaluating Union's lending performance in Illinois.

Illinois AA

Demographic Information of the Assessment Area						
Assessment Area: Illinois 2016, 2010 US Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	53	5.7	26.4	58.5	9.4	0.0
Population by Geography	198,032	3.3	22.8	63.4	10.5	0.0
Housing Units by Geography	87,759	3.3	23.6	63.3	9.9	0.0
Owner-Occupied Units by Geography	59,004	1.7	18.5	67.6	12.2	0.0
Occupied Rental Units by Geography	21,883	6.3	34.6	54.8	4.3	0.0
Vacant Units by Geography	6,872	7.2	31.5	54.1	7.2	0.0
Businesses by Geography	9,223	8.6	23.1	59.3	9.1	0.0
Farms by Geography	720	0.1	8.8	79.9	11.3	0.0
Family Distribution by Income Level	52,195	20.6	19.1	23.3	37.0	0.0

Household Distribution by Income Level	80,887	24.3	17.4	18.4	39.9	0.0
Median Family Income MSA – \$19,340 Davenport-Moline-Rock Island, IA-IL MSA		\$61,723	Median Housing Value			\$110,870
		Median Gross Rent			\$598	
		Families Below Poverty Level			8.2%	
<i>Source: 2010 U.S. Census and 2016 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Demographic Information of the Assessment Area						
Assessment Area: Illinois 2017-2018, 2015 ACS Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	53	3.8	35.8	52.8	7.5	0.0
Population by Geography	197,044	2.3	29.2	60.3	8.3	0.0
Housing Units by Geography	87,903	2.3	29.2	60.4	8.0	0.0
Owner-Occupied Units by Geography	57,825	0.8	23.3	65.8	10.1	0.0
Occupied Rental Units by Geography	22,736	5.4	40.5	50.6	3.5	0.0
Vacant Units by Geography	7,342	4.7	40.5	48.9	5.9	0.0
Businesses by Geography	9,072	4.3	34.2	54.4	7.1	0.0
Farms by Geography	685	0.0	10.2	79.4	10.4	0.0
Family Distribution by Income Level	51,101	21.4	19.4	22.2	37.1	0.0
Household Distribution by Income Level	80,561	24.7	17.2	19.1	39.0	0.0
Median Family Income MSA – \$19,340 Davenport-Moline-Rock Island, IA-IL MSA		\$66,600	Median Housing Value			\$111,940
		Median Gross Rent			\$655	
		Families Below Poverty Level			10.3%	
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Illinois

The Illinois rating area contains one AA and received a full scope review.

LENDING TEST

The bank's performance under the Lending Test in Illinois is rated outstanding.

Based on a full-scope review, the bank's lending performance in the state of Illinois is excellent.

Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the AA.

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.

The geographic distribution of home mortgage loans reflects excellent distribution in the AA. With the limited opportunities in low-income geographies, we gave more weight to the performance in moderate-income geographies which significantly exceeded both the demographic and aggregate distributions.

For 2016, the distribution of home mortgage loans reflected excellent distribution. The proportion of lending in low-income geographies was substantially less than the percentage of owner-occupied housing units in the AA and significantly weaker than the aggregate distribution. The proportion of lending in moderate-income geographies significantly exceeded the percentage of owner-occupied housing units in the AA and was significantly stronger than the aggregate distribution.

For 2017 and 2018, the distribution of home mortgage loans reflected excellent distribution. The proportion of lending in low-income geographies was substantially less than the percentage of owner-occupied housing units in the AA, and significantly weaker than the aggregate distribution. The proportion of lending in moderate-income geographies significantly exceeded the percentage of owner-occupied housing units in the AA and was significantly stronger than the aggregate distribution.

Distribution of Loans by Income Level of the Borrower

The bank exhibits excellent distribution of loans to individuals of different income levels and businesses and farms of different sizes, 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.

The distribution of home mortgage loans reflects excellent distribution in the AA.

For 2016, the distribution of home mortgage loans reflected reasonable distribution. The proportion of lending to low-income families was near to the percentage of low-income families in the AA, and stronger than the aggregate distribution. The proportion of lending to moderate-income families was near to the percentage of moderate-income families in the AA and weaker than the aggregate distribution.

For 2017 and 2018, the distribution of home mortgage loans reflected excellent distribution. The proportion of lending to low-income families was near to the percentage of low-income families in the AA, and significantly stronger than the aggregate distribution. The proportion of lending to moderate-income families exceeded the percentage of moderate-income families in the AA and was stronger than the aggregate distribution.

Responses to Complaints

Union did not receive any complaints about its performance in helping to meet the credit needs of its AA during the evaluation period.

State Rating

State of Wisconsin

CRA rating for the State of Wisconsin: Outstanding

The Lending Test is rated: Outstanding

The major factors that support this rating include:

- The geographic distribution of loans is excellent.
- The geographic distribution performance is stronger than the aggregate distribution.
- The borrower distribution is reasonable.

Description of Institution's Operations in Wisconsin

Union's lending strategy in Wisconsin is focused on multifamily home mortgage lending.

The Wisconsin AA has one branch, no ATM, and does not offer Saturday lobby service. While the Madison branch has a dedicated loan officer, applications received are forwarded to the Kewanee branch for credit decisions.

Competition for deposits and home mortgage loans is high. Union competes in a large financial market where applicants have access to numerous local, regional, national, and online lenders for home mortgage loans.

In the Wisconsin AA, Union held less than one percent deposit market share and ranked 37th of 37 FDIC insured institutions competing for \$18.4 billion in deposits, at June 30, 2019. The top five institutions accounted for 50.3 percent of the total deposit market share.

Unemployment in Dane County was low in 2016 with an annualized rate of 2.9 percent, and further declined in 2018 with an annualized rate of 2.2 percent and compared favorably to the State of Wisconsin at 3.0 percent.

Major employment sectors include government, health care, manufacturing, and a growing technology sector.

The number of low-income CTs declined from eight in 2016 to four in 2017 and 2018, while the number of moderate-income CTs increased from 13 in 2016 to 17 in 2017 and 2018. Opportunities for home mortgage lending in low-income CTs is very limited with 981 owner-occupied units, of which two low-income CTs have only 45 total owner-occupied units in 2017 and 2018. Rental unit housing represents a larger percentage of units; however, a large portion of the rental unit housing population can be attributed to on-campus university housing.

Originations and purchases in the Wisconsin AA represented a minority of lending by number at 49.9 percent, but represented a majority by dollar volume at 85.5 percent, as reported for HMDA. Union originated or purchased 136 HMDA reportable loans in the Wisconsin AA.

We contacted one community representative in Dane County. The contact described the Madison area with a positive outlook. The contact noted that the Madison area is projecting growth in both population and economic output and is experiencing low unemployment and rising home prices. The area also has a strong real estate market with low vacancies.

The contact identified multiple needs in the community from small and micro loans for small and newly established businesses and entrepreneurs, providing loan opportunities to those with no or low credit scores to help start businesses, technical support for community services, first-time home buyer programs, and affordable housing.

Housing in the area continues to increase in demand and price, and not all new jobs being created provide adequate income to live near someone's place of work. Additionally, increases in home prices have resulted in an increased need for down payment assistance for lower-income applicants. Housing considered affordable may need improvements, which further adds to costs for lower-income and first-time homebuyers.

The contact noted the growth in the workforce is occurring at the opposite ends of the economic spectrum with high-wage jobs requiring highly specialized skills while low-skill jobs are in low-wage service sectors. There are fewer and fewer job opportunities in the middle.

The contact noted a continual need for community development loans, investments, and technical support. The contact noted a growing need to invest in loan pools to fund affordable housing programs, first-time homebuyer programs, and support for small business development.

The contact was not aware of Union's involvement in the community and did not have specific perceptions concerning the bank.

We considered this context information in evaluating Union's lending performance in Wisconsin.

Wisconsin AA

Demographic Information of the Assessment Area						
Assessment Area: Wisconsin AA 2016, 2010 US Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	107	7.5	12.1	52.3	25.2	2.8
Population by Geography	488,073	6.4	11.0	55.7	26.2	0.6
Housing Units by Geography	213,160	6.1	12.2	56.4	25.2	0.0
Owner-Occupied Units by Geography	121,917	1.7	8.5	60.1	29.7	0.0
Occupied Rental Units by Geography	74,466	11.8	17.6	51.9	18.6	0.0
Vacant Units by Geography	16,777	13.3	15.7	49.1	21.9	0.0
Businesses by Geography	32,934	4.6	11.5	54.9	28.3	0.7
Farms by Geography	1,470	0.5	3.3	67.0	29.0	0.3
Family Distribution by Income Level	113,689	17.1	16.8	24.2	41.8	0.0
Household Distribution by Income Level	196,383	22.5	16.1	19.1	42.4	0.0
Median Family Income MSA - \$31,540 Madison, WI MSA		\$76,735	Median Housing Value			\$234,419
			Median Gross Rent			\$839
			Families Below Poverty Level			5.5%
<i>Source: 2010 U.S. Census and 2016 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Demographic Information of the Assessment Area						
Assessment Area: Wisconsin 2017-2018, 2015 ACS Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	107	3.7	15.9	47.7	27.1	5.6
Population by Geography	510,198	4.2	12.3	51.1	28.9	3.6
Housing Units by Geography	220,503	3.6	13.6	52.2	28.2	2.3
Owner-Occupied Units by Geography	122,677	0.8	8.8	57.5	32.9	0.0
Occupied Rental Units by Geography	88,437	7.5	20.0	45.1	22.1	5.3
Vacant Units by Geography	9,389	3.2	17.0	50.7	24.3	4.7
Businesses by Geography	35,904	2.6	13.3	48.5	33.4	2.2
Farms by Geography	1,521	0.5	5.1	57.7	36.4	0.4
Family Distribution by Income Level	122,178	19.1	16.6	22.6	41.7	0.0
Household Distribution by Income Level	211,114	23.0	16.5	18.4	42.1	0.0
Median Family Income MSA - \$31,540 Madison, WI MSA		\$81,321	Median Housing Value			\$238,128
			Median Gross Rent			\$944
			Families Below Poverty Level			6.5%

Source: 2015 ACS Census and 2018 D&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.

Scope of Evaluation in Wisconsin

The Wisconsin rating area contains one AA and received a full scope review.

LENDING TEST

The bank's performance under the Lending Test in Wisconsin is rated outstanding.

Based on a full-scope review, the bank's lending performance in the state of Wisconsin is excellent.

Distribution of Loans by Income Level of the Geography

The bank exhibits excellent geographic distribution of loans in the AA.

Home Mortgage Loans

Refer to Table O in the state of Wisconsin 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.

The geographic distribution of home mortgage loans reflects excellent distribution in the AA. Due to the limited opportunities in low-income geographies, we gave more weight to the performance in moderate-income geographies and considered the opportunities from rental unit housing in the moderate-income geographies.

For 2016, the distribution of home mortgage loans reflected excellent distribution. The proportion of lending in low-income geographies exceeded the percentage of owner-occupied housing units in the AA and was significantly stronger than the aggregate distribution. The proportion of lending to moderate-income geographies significantly exceeded the percentage of owner-occupied housing units in the AA and was significantly stronger than the aggregate distribution.

For 2017 and 2018, the distribution of home mortgage loans reflected excellent distribution. The proportion of lending in low-income geographies significantly exceeded the percentage of owner-occupied housing units in the AA and was stronger than the aggregate distribution. The proportion of lending to moderate-income geographies significantly exceeded the percentage of owner-occupied housing units in the AA and was significantly stronger than the aggregate distribution.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Table P in the state of Wisconsin 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.

Due to the focus of multifamily lending in the AA, income information of the borrower is not available for most loans. For a meaningful analysis, we considered only the loans with income information available; however, as the sample of loans available was reduced considerably, we gave less weight to borrower distribution and more to the geographic distribution.

The distribution of home mortgage loans reflects reasonable distribution in the AA.

An analysis is not meaningful for 2016, as only 12 of the 54 home mortgage loans originated or purchased in the AA contained income information.

For 2017 and 2018, the distribution of home mortgage loans reflected reasonable distribution. The proportion of lending to low-income families met the percentage of low-income families in the AA and was significantly stronger than the aggregate distribution. The proportion of lending to moderate-income families was less than the percentage of moderate-income families in the AA and weaker than the aggregate distribution.

Responses to Complaints

Union did not receive any complaints about its performance in helping to meet the credit needs of its AA during the evaluation period.

Appendix A: Scope of Examination

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 and non-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”.

Time Period Reviewed:	Lending Test: January 1, 2016 to December 31, 2018	
Bank Products Reviewed:	Home mortgage	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
State of Illinois		
Illinois AA	Full-scope	All CTs in Henry County and Rock Island County
State of Wisconsin		
Wisconsin AA	Full-scope	All CTs in Dane County

Appendix B: Summary of MMSA and State Ratings

RATINGS	Union Federal Savings & Loan Association
Overall Bank:	Lending Test Rating
Union FS & LA	Outstanding
MMSA or State:	
State of Illinois	Outstanding
State of Wisconsin	Outstanding

Appendix C: Definitions and Common Abbreviations

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.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

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.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

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.

Multifamily: Refers to a residential structure that contains five or more units.

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.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

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 30th 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.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																2016		
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$ (000s)	% of Total	% 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
Illinois	45	2,225	45.4	1.7	0.0	1.1	18.5	40.0	16.0	67.6	60.0	68.5	12.2	0.0	14.5	0.0	0.0	0.0
Wisconsin	54	17,418	54.5	1.7	1.9	1.2	8.5	33.3	7.6	60.1	48.1	58.8	29.7	16.7	32.4	0.0	0.0	0.0

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 HMDA LAR Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																2017-2018		
Assessment Area:	Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	% 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
Illinois	97	5,797	54.2	0.8	0.0	0.7	23.3	66.7	20.6	65.8	33.3	67.5	10.1	0.0	11.2	0.0	0.0	0.0
Wisconsin	82	29,944	45.8	0.8	1.2	1.0	8.8	29.3	9.1	57.5	52.4	56.2	32.9	15.9	33.7	0.0	1.2	0.1

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 HMDA LAR Data, 2018 HMDA Aggregate 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																2016		
Assessment Area:	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate
Illinois	45	2,225	45.5	20.6	17.8	13.3	19.1	15.6	22.3	23.3	31.1	21.5	37.0	35.5	25.8	0.0	0.0	17.0
<i>Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 HMDA LAR Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>																		

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																2017-2018		
Assessment Area:	Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate
Illinois	97	5,797	54.2	21.4	20.6	14.6	19.4	24.7	22.4	22.2	17.5	22.9	37.1	33.1	25.9	0.0	4.1	14.2
Wisconsin	21	4,934	45.8	19.1	19.0	5.3	16.6	9.5	18.7	22.6	23.8	24.6	41.7	47.7	42.3	0.0	0.0	9.2
<i>Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 HMDA LAR Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>																		