



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

May 8, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iroquois FS & LA  
Charter Number 703870

201 E Cherry St, Watseka, IL 60970-1661

Office of the Comptroller of the Currency

Harris Center, 3001 Research Rd, Champaign, IL 61822-1661

**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

The institution is rated **Satisfactory**.

Performance Tests:

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The major factors that support the rating for Iroquois Federal Savings and Loan Association (IFSLA) include:

- Lending to borrowers of different incomes and businesses of different sizes is reasonable. Our analysis placed the most weight on this criterion in the lending test.
- The distribution of loans reflects reasonable dispersion among different income tracts throughout the assessment areas (AAs).
- IFSLA originated a majority of their primary loan products within the AAs.
- IFSLA had excellent responsiveness to the needs and opportunities in the AAs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinance, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated Area:** A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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) and the Thrift Financial Reporting (TFR) 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 One Capital (or 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.

## Description of Institution

IFSLA is a \$580 million intrastate financial institution headquartered in Watseka, Illinois. The federal savings association (FSA) is a wholly owned subsidiary of IF Bancorp, Inc. The FSA converted from a mutual institution to a stock institution on July 7, 2011. The holding company's stock is traded on the NASDAQ Capital Market under the symbol of "IROQ".

IFSLA is a full-service banking institution and operates five banking offices in Watseka, Danville, Savoy, Clifton, and Hoopeston. Additionally, the FSA operates a loan production office in Osage Beach, Missouri. The FSA has automated teller machines (ATMs) at all five banking offices, with the Watseka and Danville ATMs accepting deposits. Additionally, IFSLA customers can use two other ATMs at convenience stores in Watseka without fees. IFSLA also participates in the AllPoint network with 55,000 surcharge-free ATMs located worldwide in non-bank locations that IFSLA customers can use free of charge. Based on the branch locations, IFSLA established three assessment areas (AAs): Iroquois County AA, Danville MSA AA, and Champaign County AA.

At the time of conversion to a stock institution, the holding company established Iroquois Federal Foundation, Inc., an affiliate of the FSA that provides charitable grants to a variety of organizations, including community development organizations. We incorporated this affiliate's activities into the Community Development Test. While there have been no merger or acquisition activities affecting the FSA's CRA performance since the last evaluation, IFSLA opened the Savoy branch in April 2014, establishing the Champaign County AA. The FSA is in process of constructing a branch located in Bourbonnais, IL, in Kankakee County, which is scheduled to open later in 2017. The new branch under construction is not considered in this evaluation.

IFSLA offers conventional mortgage products, consumer, commercial real estate, commercial business, and agricultural loans. In addition, the FSA offers a full line of deposit products including savings accounts, certificates of deposit, money market accounts, NOW accounts, individual retirement accounts, and health savings accounts. Furthermore, IFSLA also offers Internet, mobile/text, and telephone banking. On-line banking includes bill pay services. The FSA has a division known as Iroquois Financial. This division offers annuities, life, disability, and health insurance, and investment products through Raymond James Financial Services, Inc. Additionally, IFSLA has a wholly-owned subsidiary, L.C.I. Service Corporation (LCI). LCI offers a full line of property and casualty insurance products with offices in Watseka and Danville. Investment and insurance products are available at the other branches by appointment.

As of December 31, 2016, IFSLA's gross loan portfolio totaled \$442 million, or 76 percent of total assets. Tier 1 capital is \$68.6 million. The FSA services an additional \$85 million in mortgage loans sold into the secondary market. IFSLA's strategy is to maintain a well-diversified loan portfolio, expand secondary market capabilities, and expand the institution's footprint. The following table represents the loan portfolio mix:



<b>Loan Portfolio Summary by Loan Product</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Home loans, including multi-family	54.78%
Business loans, including commercial real estate	36.44%
Farm loans, including farm land	6.43%
Consumer loans	2.09%
Other loans & leases	0.26%

Source: December 31, 2016 Uniform Bank Performance Report (UBPR)

There are no known impediments limiting IFSLA's ability to help meet the credit needs of its local community, including those of low- and moderate-income families and neighborhoods. The FSA's business strategy during the evaluation period focused on growth and expansion, while maintaining quality customer service and community banking appeal. IFSLA's deposit market share in the Iroquois County AA, at 25.29 percent, ranks first out of 13 banks in the AA. IFSLA's deposit market share in the Danville MSA AA, at 18.77 percent, ranks first out of 16 banks. The market share in the Champaign County AA is much smaller at less than one percent and ranks 22nd out of 29 banks. At the previous CRA examination dated March 3, 2014, IFSLA received a rating of "Satisfactory".

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated IFSLA's CRA performance using Intermediate Small Bank examination procedures, which reviewed the institution's records of meeting the credit needs of its AAs through lending activities and community development activities. The evaluation period for this review is from March 4, 2014, to May 8, 2017. The community development test used information for the entire evaluation period. We reviewed charitable donations made by Iroquois Federal Foundation, Inc., while performing the Community Development Test.

Based on both the number and dollar volume of loan origination data supplied by the FSA, IFSLA's primary lending products are home mortgages and business loans. Mortgage loans represent 40 percent of the number and 49 percent of the dollar volume of loan originations for 2015 and 2016, and business loans represent 19 percent of the number and 43 percent of the dollar volume. As the FSA's business strategy and lending products have not significantly changed since the prior examination, the lending test primarily used data from January 1, 2015, to December 31, 2016. We analyzed home purchase, home refinance, and home improvement loans reported in the FSA's Home Mortgage Disclosure Act (HMDA) loan application registers (LAR), after we verified the reports' reliability. We also sampled business loans for this evaluation.

For analysis purposes, we compared IFSLA's lending performance with 2015 aggregate peer loan data, 2016 Business Geodemographic data, and the 2010 United States Census data. Refer to the table in Appendix A for more information on the scope of review.

## **Data Integrity**

As part of our ongoing supervision of IFSLA, we tested the accuracy of the FSA's 2015 and 2016 HMDA-LAR reports. Our testing found no substantive inaccuracies in the data. Therefore, we concluded that the home mortgage loan activity data could be relied upon for this evaluation.

## **Selection of Areas for Full-Scope Review**

IFSLA has three AAs: Iroquois County AA, Danville MSA AA, and Champaign County AA. Based on deposit and loan volumes, we completed a full-scope review of the Iroquois County and Danville MSA AAs, and a limited-scope review of the Champaign County AA. IFSLA's deposit market share in both the Iroquois County and Danville MSA AAs ranks highest at 25 percent and 19 percent, respectively. The FSA's deposit market share in the Champaign County AA is less than 1 percent. The FSA's total deposits by branch come 48 percent from the Iroquois County AA, 46 percent from the Danville MSA AA, and 6 percent from the Champaign County AA. During the evaluation period, 61 percent of business and home mortgage loans originated within the Danville MSA branches, 21 percent within Iroquois County branches, and 18 percent from the Savoy branch within the Champaign County AA. Community profiles for the two full-scope review AAs are in Appendix B.

## **Ratings**

The FSA's overall rating is based primarily on those areas that received full-scope reviews. Based on the volume of loan originations in the AAs during the loan sample evaluation period, our analysis placed more weight on performance for home mortgage lending and performance in the Danville MSA AA for the lending test. As noted above, the FSA originated a higher volume of mortgage loans than business loans, and a higher percentage of loans were originated in the Danville MSA AA compared to the other AAs. As the percentage of families in the full-scope review AAs that are low- and moderate-income (LMI) is higher than the percentage of LMI geographies, our analysis placed more weight on the borrower distribution criterion.

## **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 Consumer Financial Protection Bureau, as applicable.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

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

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

IFSLA's performance under the lending test is satisfactory. Lending to borrowers of different incomes and businesses of different sizes is reasonable. Geographic distribution of loans among different income geographies is reasonable. The loan-to-deposit ratio is more than reasonable. The FSA originated a majority of their primary loan products within the combined AAs.

#### **Loan-to-Deposit Ratio**

IFSLA's loan-to-deposit ratio is more than reasonable based on its size, financial condition, AAs credit needs, and local competition. The loan-to-deposit ratio averaged 89 percent over the past 12 quarters. The loan-to-deposit ratio is calculated on a bank-wide basis and not calculated by individual rating area or AA. The analysis is limited to originations and purchases and does not include any affiliate data. The timeframe used for this calculation represents the first quarter-end after the start of the last CRA evaluation through December 31, 2016. December 31, 2016 data was the most recent data available when this evaluation began.

Over the past 12 quarters, the highest loan-to-deposit ratio was 101 percent and the lowest was 79 percent. The ratio has been above 99 percent for the past three quarters. The FSA's loan-to-deposit ratio is significantly higher than the average of all other banks headquartered within its AAs. Other institutions averaged a loan-to-deposit ratio of 70 percent during the same period. IFSLA has the third highest average in this comparison group. However, a majority of these banks are significantly smaller than IFSLA. We reviewed the loan-to-deposit ratios of all banks with total assets between \$200 million and \$700 million located within Iroquois, Vermillion, Champaign, Ford, and Kankakee Counties. This group of similarly-situated banks had a group average loan-to-deposit ratio of 68 percent. IFSLA has the second highest average in this comparison group.

It is also important to note that IFSLA's loan-to-deposit ratio does not include loans the institution originated and sold, but still service. As of December 31, 2016, IFSLA serviced 1,064 Federal Home Loan Bank Mortgage Partnership Finance Program loans with outstanding balances of \$85 million.

#### **Lending in Assessment Area**

Lending in the AA is satisfactory. IFSLA originated a majority of their primary loan products within the combined AAs. Our sample showed 67.66 percent of the total number and 63.53 percent of the total dollar volume of loans were originated within the AAs. This ratio is a bank-wide calculation and not calculated by individual rating area or AA. This analysis is limited to originations and purchases and does not include any affiliate data.

Lending in the AA										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	16	80.00%	4	20.00%	20	\$ 2,728	73.26%	\$ 996	26.74%	\$ 3,724
Home Purchase	225	63.74%	128	36.26%	353	\$ 53,062	66.08%	\$27,232	33.92%	\$ 80,294
Home Refinances	135	65.22%	72	34.78%	207	\$ 34,986	55.74%	\$27,786	44.26%	\$ 62,772
Home Improvement	76	86.36%	12	13.64%	88	\$ 12,558	79.20%	\$ 3,298	20.80%	\$ 15,856
Total	452	67.66%	216	32.34%	668	\$103,334	63.53%	\$59,312	36.47%	\$162,646

Source: 2015 and 2016 HMDA LARs and sample of 20 business loans originated from 1/1/2015 to 12/31/2016

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

IFSLA's lending to borrowers of different incomes and businesses of different sizes is reasonable. The borrower distribution of home loans reflects reasonable penetration in both the Iroquois County and Danville MSA AAs. Lending to businesses of different sizes reflects excellent penetration in both the Iroquois County and Danville MSA AAs. Performance in the limited-scope review area was weaker than the FSA's overall reasonable performance, but did not affect the lending test rating.

Our analysis placed more weight on home mortgage lending, due to the volume of loan originations during the loan evaluation period. We also placed more weight on performance in the Danville MSA AA, due to the volume of loan originations during the loan evaluation period

IFSLA management indicated that the performance for home refinance loans might have been impacted by a "rate buy down" option offered for mortgage loans not sold into the secondary market. A borrower can modify the interest rate on a home loan for a fee of 1 percent of the principal balance. This can be a less expensive way to lower interest rates than closing costs for a refinance. Management does not collect income information for "rate buy down" loan modifications, so we could not determine how many LMI borrowers benefited from the program. The institution had 20 "rate buy down" loan modifications in the AAs in 2015 and 2016.

The FSA also offers some alternative loan programs to assist LMI borrowers. These include the Federal Home Loan Bank Down-Payment Plus Affordable Housing Program that provides grants to LMI borrowers to assist with down payment and closing costs; this program benefited two borrowers in the Iroquois County AA and one in the Danville MSA AA during the loan sample evaluation period. IFSLA facilitated loans for two borrowers in the Danville MSA AA and one borrower in the Iroquois County AA through the USDA Guaranteed Rural Development Housing Loan Program that requires little or no down payment. IFSLA also participated in a foreclosure prevention assistance

program through the Illinois Hardest Hit Fund for one LMI customer located in a moderate-income CT in Danville. The FSA also offers first time homebuyers a \$150 discount on closing costs upon completion of a homebuyer education program, which includes options for free web-based and telephone self-study courses. Eleven LMI borrowers in the Danville MSA AA and two LMI borrowers in the Iroquois County AA received the first time homebuyer closing cost discount during the loan evaluation period.

### *Conclusions for Areas Receiving Full-Scope Reviews*

#### Iroquois County AA

The borrower distribution of loans in the Iroquois County AA is reasonable. The distribution of home loans reflects reasonable penetration among borrowers of different income levels. The distribution of business loans reflects excellent penetration among businesses of different sizes. Our analysis placed more weight on home mortgage lending given the volume of loans reviewed.

#### *Home Loans*

The overall borrower distribution of home mortgage loans in the Iroquois County AA is reasonable. The distribution of home purchase loans is reasonable and home refinance loans is poor. Our analysis gave more weight to performance for purchase loans, which make up a higher volume of total home loans originated within the Iroquois County AA.

In evaluating the borrower distribution of home loans in the Iroquois County AA, we noted the number of families with incomes below the poverty level was 8 percent. People living in poverty have a difficult time qualifying for traditional mortgages. We also considered the average age of the housing stock, which was 51 years. Older housing often costs more to maintain, frequently requires significant repairs to bring dwellings up to code requirements, and often are less energy efficient, resulting in higher heating and cooling costs. All of these factors add to the overall cost of homeownership, which can affect the ability of LMI individuals to qualify for mortgage loans.

The overall borrower distribution of home purchase loans is reasonable. The percentage of loans made to low-income borrowers significantly exceeded the comparator for aggregate peer data. The percentage of loans made to moderate-income borrowers was near to the comparator for aggregate peer data. Home purchase loans made up 44 percent of the originations.

The overall borrower distribution of home refinance loans is poor. The percentage of loans to both low-income and moderate-income borrowers is significantly lower than the comparator for aggregate peer data. Home refinance loans made up 34 percent of the originations.

IFSLA did not originate or purchase a sufficient volume of home improvement loans during the loan evaluation period to perform a meaningful analysis in the Iroquois County AA. The FSA reported only 17 home improvement loans in 2015 and 2016.

Borrower Distribution for Home Loans within Iroquois County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of loans
Home Purchase	5.36%	9.09%	18.45%	15.15%	32.14%	30.30%	44.05%	45.46%
Home Refinance	10.00%	0.00%	24.00%	15.38%	19.33%	26.92%	46.67%	57.70%

Sources: 2015 and 2016 HMDA LARs and 2015 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

### *Business Loans*

The borrower distribution of business loans in the Iroquois County AA is excellent. The percentage of loans to small businesses (businesses with gross annual revenues of \$1 million or less) was 70 percent. This is significantly better than the aggregate peer data where 32 percent of loans were originated to small businesses. The FSA's originations are near to the demographic data that shows 75.02 percent of the businesses in the AA are small businesses.

Borrower Distribution for Business Loans within Iroquois County AA				
Business Revenues (or Sales)	< = \$1,000,000	> \$1,000,000	Unavailable	Total
% of Aggregate Peer Loans #	32%	68%	0%	100.00%
% of IFSLA Loans in AA by #	70%	25%	5%	100.00%
% of IFSLA Loans in AA by \$	54%	43%	3%	100.00%

Sources: Sample of 20 business loans originated between 1/1/2015 and 12/31/2016 made within the AA and 2015 Peer Small Business Data. Gross annual revenue information was not available for one loan in the sample.

### Danville MSA AA

The borrower distribution of loans in the Danville MSA AA is reasonable. The distribution of home loans reflects reasonable penetration among borrowers of different income levels. The distribution of business loans reflects excellent penetration among businesses of different sizes. Our analysis placed more weight on home mortgage lending given the volume of loans reviewed.

### *Home Loans*

The overall borrower distribution of home mortgage loans in the Danville MSA AA is reasonable. While the distribution of refinance loans is reasonable and home improvement loans is excellent, the distribution of purchase loans is poor.

In evaluating the borrower distribution of home loans in the Danville MSA AA, we noted the number of families with incomes below the poverty level was high at 15 percent. People living in poverty have a difficult time qualifying for traditional mortgages. We also considered the average age of the housing stock, which was 60 years. Older housing often costs more to maintain, frequently requires significant repairs to bring dwellings up to code requirements, and often are less energy efficient, resulting in higher heating and cooling costs. All of these factors add to the overall cost of homeownership, which can affect the ability of LMI individuals to qualify for mortgage loans.

The overall borrower distribution of home purchase loans is poor. The percentage of loans to low-income borrowers was significantly below the comparator for aggregate peer data. The percentage of loans to moderate-income borrowers was near to the comparator for aggregate peer data. Home purchase loans made up 53 percent of the originations.

The overall borrower distribution of home refinance loans is reasonable. The percentage of loans to low-income borrowers exceeded the comparator for aggregate peer data. The percentage of loans to moderate-income borrowers meets the comparator for aggregate peer data. Home refinance loans made up 29 percent of the originations.

The overall borrower distribution of home improvement loans is excellent considering the demographics of the AA. The percentage of loans to both low-income and moderate-income borrowers significantly exceeds the comparators for aggregate peer data. Home improvement loans make up 18 percent of the originations.

<b>Borrower Distribution for Home Loans within Danville MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans
Home Purchase	11.01%	4.72%	25.99%	19.69%	27.26%	24.41%	35.74%	51.18%
Home Refinance	7.52%	8.11%	19.17%	18.92%	25.97%	17.57%	47.34%	55.42%
Home Improvement	8.37%	12.20%	13.30%	19.51%	25.62%	14.63%	52.71%	53.66%

Sources: 2015 and 2016 HMDA LARs and 2015 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

### **Business Loans**

The borrower distribution of business loans in the Danville MSA AA is excellent. Based on a sample of 20 business loans in the AA, the percentage of loans to small businesses (businesses with gross annual revenues of \$1 million or less) was 60



percent. This is significantly better than the aggregate peer data, where only 45 percent of loans were originated to small businesses. The FSA's originations are below the demographic data that shows 75.52 percent of the businesses in the AA are small businesses.

When reviewing the dollar breakdown of our sample, we noted that only 40 percent of the dollars in loans was provided to small businesses. We attribute this to larger businesses requesting larger loans to meet their needs. Two loans for \$1 million each skewed the dollar amounts of the sample. Additionally, 80 percent of the loans in our sample had dollar amounts of \$250,000 or less. This demonstrates that the institution is willing to make smaller dollar loans to meet the needs of smaller businesses.

<b>Borrower Distribution for Business Loans within Danville MSA AA</b>				
Business Revenues (or Sales)	< = \$1,000,000	> \$1,000,000	Unavailable	Total
% of Aggregate Peer Loans #	45%	55%	0%	100.00%
% of IFSLA Loans in AA by #	60%	35%	5%	100.00%
% of IFSLA Loans in AA by \$	40%	59%	1%	100.00%

Sources: Sample of 20 business loans originated between 1/1/2015 and 12/31/2016 made within the AA and 2015 Peer Small Business Data. Gross annual revenue information was not available for one loan in the sample.

### *Conclusion for Area Receiving Limited-Scope Review*

Based on the limited-scope review, IFSLA's performance of lending to borrowers of different incomes in the Champaign County AA is weaker than the FSA's overall reasonable performance. IFSLA did not originate or purchase a sufficient volume of home improvement loans during the loan evaluation period to perform a meaningful analysis in the limited-scope review AA. We did not sample business loans in the limited-scope AA. The borrower distribution of home purchase loans is significantly below aggregate peer data for both low- and moderate-income borrowers. The borrower distribution of home refinance loans significantly exceeded aggregate peer data for low-income borrowers and was near to aggregate peer data for moderate-income borrowers. Home purchase loans made up 59 percent and home refinance 32 percent of total home loan originations in the Champaign County AA. In evaluating the borrower distribution of home loans in the Champaign County AA, we noted the number of families with incomes below the poverty level was 10 percent. People living in poverty have a difficult time qualifying for traditional mortgages. Performance in the limited-scope area did not have an impact on the lending to borrowers of different incomes rating.

### **Geographic Distribution of Loans**

IFSLA's overall geographic distribution of home and business loans reflects reasonable dispersion among different income tracts throughout the AAs. The geographic distribution of home loans reflects reasonable dispersion in both the Iroquois County and Danville MSA AAs. The geographic distribution of business loans reflects excellent

dispersion in the Iroquois County AA and reasonable dispersion in the Danville MSA AA. Performance in the limited-scope review area had a positive impact on the FSA's overall reasonable performance. Our analysis placed more weight on home mortgage lending due to the volume of loan originations during the loan evaluation period. We also placed more weight on performance in the Danville MSA AA due to the volume of loan originations during the sample evaluation period

We reviewed summary reports and maps, and analyzed IFSLA's home mortgage and small business lending activity over the evaluation period to identify any gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps in the areas receiving full-scope reviews.

### *Conclusion for Areas Receiving Full-Scope Reviews*

#### Iroquois County AA

The geographic distribution of loans in the Iroquois County AA is reasonable. Dispersion of home loans is reasonable and business loans is excellent. Our analysis placed more weight on home mortgage lending given the volume of loans reviewed. The Iroquois County AA has no low-income CTs, and only one moderate-income CT.

#### *Home Loans*

The overall geographic distribution of home loans in the Iroquois County AA is reasonable. While the excellent distribution of home purchase loans, representing 44 percent of originations, carries significant weight, the poor distribution of home refinance loans pulls the overall conclusion for the distribution of home loans to reasonable.

Our analysis considered that only 17 percent of total housing units are in the moderate-income CT. In addition, families residing in the moderate-income CT that live below the poverty level total 17 percent. The moderate-income CT only accounts for 11 percent of CTs in the AA.

The overall geographic distribution of home purchase loans is excellent. The percentage of loans in the moderate-income CT significantly exceeded the comparator for aggregate peer data.

The overall geographic distribution of home refinance loans is very poor. The percentage of loans in the moderate-income CT is significantly lower than the comparator for aggregate peer data.

IFSLA did not originate or purchase a sufficient volume of home improvement loans during the loan evaluation period to perform a meaningful analysis in the Iroquois County AA. The FSA reported only 17 home improvement loans from this AA in 2015 and 2016.

Geographic Distribution for Home Loans within Iroquois County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans
Home Purchase	NA	NA	5.56%	11.43%	59.26%	48.57%	35.18%	40.00%
Home Refinance	NA	NA	5.42%	0.00%	51.81%	51.85%	42.77%	48.15%

Sources: 2015 and 2016 HMDA LARs and 2015 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

### Business Loans

The geographic distribution of business loans in the Iroquois County AA is excellent. The percentage of loans made in the moderate-income CT significantly exceeded the comparator for aggregate peer data. The FSA's originations also significantly exceed the demographic data that shows 22 percent of small businesses in the AA are located in the moderate-income CT.

Geographic Distribution of Business Loans in Iroquois County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans
% of Total	NA	NA	15.52	35.00%	49.78%	50.00%	34.63%	15.00%

Source: Sample of 20 loans originated from 1/1/15 –12/31/16 & 2015 Peer Small Business Data

### Danville MSA AA

The geographic distribution of loans in the Danville MSA AA is reasonable. Dispersion of both home and business loans is reasonable. Our analysis placed more weight on home mortgage lending given the volume of loans reviewed. The Danville MSA AA has one low-income CT and seven moderate-income CTs.

### Home Loans

The overall geographic distribution of home loans in the Danville MSA AA is reasonable. The percentage of loans made in low-income CT exceeded the comparators for aggregate peer data for home purchase, refinance, and home improvement loans. The percentage of loans made in moderate-income CTs is near to the comparators for aggregate peer data for home purchase and refinance, and significantly exceeds the comparator for home improvement loans.

Our analysis considered that only 33 percent of total housing units are in the LMI geographies. In addition, families residing in the low-income CT that live below the poverty level total 50 percent, and 28 percent in the moderate-income CTs. The low-income CT accounts for 4.17 percent and moderate-income CTs account for 29.17 percent of CTs in the AA.

The overall geographic distribution of home purchase loans is reasonable. The percentage of loans in low-income CT exceeded the comparator for aggregate peer data. The percentage of loans in moderate-income CTs is near to the comparator for aggregate peer data.

The overall geographic distribution of home refinance loans is reasonable. The percentage of loans in low-income CT exceeded the comparator for aggregate peer data. The percentage of loans in moderate-income CTs is near to the comparator for aggregate peer data. IFSLA made one “rate buy down” loan modification for a borrower located in a moderate-income CT in the AA in 2016.

The overall geographic distribution of home improvement loans is excellent. The percentage of loans in the low-income CT exceeded the comparator for aggregate peer data. The percentage of loans in the moderate-income CTs significantly exceeded the comparators for aggregate peer data.

Geographic Distribution for Home Loans within Danville MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans
Home Purchase	1.41%	2.17%	17.23%	15.94%	50.28%	44.20%	31.08%	37.69%
Home Refinance	0.64%	1.30%	15.74%	11.69%	57.66%	44.16%	25.96%	42.85%
Home Improvement	2.84%	4.17%	16.59%	20.83%	52.61%	43.75%	27.96%	31.25%

Sources: 2015 and 2016 HMDA LARs and 2015 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

### *Business Loans*

The geographic distribution of business loans in the Danville MSA AA is reasonable. The percentage of loans made in the low-income CT is significantly lower than the comparator for aggregate peer data. The percentage of loans made in moderate-income CTs exceeded the comparator for aggregate peer data. The FSA’s originations are also near to the demographic data that shows 32.79 percent of all businesses in the AA are located in the moderate-income geographies. In our analysis, we considered that only 3.41 percent of all businesses (or 119 businesses) are located in the low-

income CT. In addition, the Community Development Loans analysis documents four loans totaling \$1.9 million to a small business in the low-income CT.

<b>Geographic Distribution of Business Loans in Danville MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans	% of Aggregate Peer Loans	% of Number of Loans
% of Total	4.75%	0.00%	27.33%	30.00%	45.84%	45.00%	22.08	25.00%

Source: Sample of 20 loans originated from 1/1/15 –12/31/16 & 2015 Peer Small Business Data

### *Conclusion for Area Receiving Limited-Scope Review*

Based on the limited-scope review, IFSLA’s performance for geographic distribution of loans in the Champaign County AA was stronger than IFSLA’s overall reasonable performance. IFSLA did not originate or purchase a sufficient volume of home improvement loans during the loan evaluation period to perform a meaningful analysis in the limited-scope AA. We did not sample business loans in the limited-scope AA. The geographic distribution of home purchase loans in low-income geographies significantly exceeded the aggregate peer data and in moderate-income geographies meets the aggregate peer data. The geographic distribution of home refinance loans in low-income geographies exceeded the aggregate peer data and in moderate-income geographies significantly exceeded the aggregate peer data. Home purchase loans made up 59 percent and home refinance 32 percent of total home loan originations in the Champaign County AA. Only 28 percent of total housing units are located in LMI geographies. IFSLA’s performance is noteworthy due to the limited opportunities for mortgage lending in low-income areas with only 2 percent of occupied housing units in the low-income CTs, and only 11 percent of occupied housing units in moderate-income CTs. Also, families living below the poverty rate dramatically increase to 32.54 percent in the low-income CTs and 18.12 percent in the moderate-income CTs. Our analysis placed more weight on home purchase loans given the volume of loans reported. Performance in the limited-scope area has a positive impact on the geographic distribution of loans rating.

### **Responses to Complaints**

IFSLA did not receive any complaints regarding its CRA performance during the assessment period.

## **COMMUNITY DEVELOPMENT TEST**

IFSLA's performance under the community development test is rated Outstanding. The FSA had excellent responsiveness to the needs and opportunities in its AAs. Community development performance is adequate in the Iroquois County AA and excellent in the Danville MSA AA for the combined community development loans, investments, and services criteria. In the full-scope review AAs, IFSLA provided \$7.55 million in community development loans, primarily responding to needs for affordable housing, revitalization of LMI geographies, and to support organizations providing community services to LMI individuals. IFSLA also made \$1.9 million in qualified investments primarily focusing on community services to LMI individuals. Combined community development loans and investments in the full-scope review AAs represent 14 percent of total tier 1 capital, providing excellent responsiveness to the AAs' needs. Twenty-nine organizations benefited from 1,856 community development service hours provided by IFSLA employees. Most of these organizations provide community services to LMI individuals.

IFSLA also operates two of their five branches (including the main office) within moderate-income census tracts. Deposits primarily come from the Iroquois County AA (48 percent) and the Danville MSA AA (46 percent). Over 60 percent of primary loan products originated during the evaluation period were generated from the Danville MSA AA. For the full-scope review areas, 73 percent of the population within the FSA's AAs is located in the Danville MSA AA, which also has greater needs and opportunities given the community profile (Appendix B), due to higher unemployment and poverty rates and a higher number of LMI geographies. Therefore, our analysis gives more weight to the conclusions from the Danville MSA AA in the community development test overall.

Performance in the limited-scope review area is weaker than IFSLA's excellent rating for community development. Community development and responsiveness in the Champaign County AA is adequate. Combined community development loans and investments total \$1.2 million, representing approximately 2 percent of total tier 1 capital. Five organizations benefited from 115 community development service hours provided by IFSLA employees.

### **Number and Amount of Community Development Loans**

IFSLA's level of community development loans provided excellent responsiveness to community credit needs. Full-scope review areas reflect that community development lending performance is excellent in the Danville MSA AA and adequate in the Iroquois County AA. During the evaluation period, IFSLA originated 20 qualified community development loans totaling \$7.55 million (or 11 percent of total tier 1 capital) within the full-scope AAs. These loans resulted in economic development that created five new jobs in the AAs, promoted revitalization and stabilization of LMI geographies, provided affordable housing for LMI individuals in seven multifamily apartment buildings with 57

units located in LMI geographies, and supported community services targeted to LMI individuals.

Performance in the limited-scope review of Champaign County AA contributed to the excellent performance. The FSA originated two qualified community development loans totaling \$1.13 million, which increased the total community development loans to total tier 1 capital ratio to 13 percent.

### *Conclusions for Areas Receiving Full-Scope Reviews*

#### Iroquois County AA (Full-Scope Review)

IFSLA's level of community development lending provided adequate responsiveness to community credit needs in the Iroquois County AA. During the evaluation period, the FSA originated three community development loans totaling \$272,000, or 1.88 percent of tier 1 capital (prorated to AAs by percent of the number of loan originations), in the AA. Two loans totaling \$170,000 to one start-up business located in a moderate-income CT created five new jobs, providing economic development in the AA. One loan to a nonprofit health services organization provides community services to meet the medical health care needs of Iroquois County, in an area where a majority of the population served are LMI individuals.

#### Danville MSA AA (Full-Scope Review)

IFSLA's level of community development lending provided excellent responsiveness to community credit needs in the Danville MSA AA. During the evaluation period, IFSLA originated 17 community development loans totaling \$7.28 million, or 17.39 percent of prorated tier 1 capital. Nine loans totaling \$3.6 million supported the purchase, refinance, and/or renovation of six multifamily apartment buildings, providing affordable housing for LMI individuals in LMI geographies. Affordable rental housing and renovation of housing in LMI geographies is an identified credit need. To promote economic development and revitalization and stabilization of LMI geographies, the FSA made three loans totaling \$60,700 to a nonprofit economic development organization located in a moderate-income CT and three loans totaling \$1.9 million to a small business acquiring commercial property located in a low-income CT/enterprise zone for lease to a health services organization. Two loans to a health and social services organization helps provide community services and housing to meet the mental health care needs of primarily LMI individuals with mental illness and developmental disabilities.

### *Conclusion for Limited-Scope Review AA*

#### Limited-Scope Review Area

Based on the limited-scope review, IFSLA's level of community development lending in the Champaign County AA is not inconsistent with the FSA's overall excellent performance. During the evaluation period, IFSLA originated two community development loans totaling \$1.13 million, or 9.19 percent of prorated tier 1 capital, within the AA. One loan supports affordable housing accommodating LMI individuals in a

moderate-income CT. One loan supports community services for senior citizens in a community where a majority of the residents are LMI individuals.

### **Number and Amount of Qualified Investments**

The level of qualified investments reflects adequate responsiveness to community needs. During the evaluation period, IFSLA and its affiliate provided 107 grants/donations totaling \$499,951 to community development and service organizations benefiting the full-scope review AAs. Additionally, the FSA received consideration for two prior period investments totaling \$1.17 million and one out of area investment for \$250,000. Combined qualified investments in the full-scope review AAs represents 2.80 percent of total tier 1 capital. Community investment in both the Iroquois County and Danville MSA AAs is adequate. Performance in the limited-scope review area is not inconsistent with the overall adequate rating. The investments primarily benefited organizations that provide community services to LMI individuals.

#### *Conclusions for Areas Receiving Full-Scope Reviews*

##### Iroquois County AA (Full-Scope Review)

The level of qualified investments reflects adequate responsiveness to community needs in the Iroquois County AA. During the evaluation period, the FSA and its affiliate made 45 investments and grants/donations totaling \$193,000. In addition, we considered the ongoing impact of a prior period investment of \$1.15 million, which carried significant weight in the conclusion for this AA. Qualified investments represent 4.08 percent of tier 1 capital (prorated by percent of deposits associated with AA branches) in the AA.

IFSLA and its affiliate provided 44 grants/donations totaling \$142,433 to organizations providing community services to LMI individuals. These include:

- \$45,250 to ARC of Iroquois County to provide community services and developmental training for primarily LMI disabled persons.
- \$28,820 to Iroquois Memorial Hospital and Resident Home for medical equipment; a majority of the clients served are LMI individuals.
- \$27,000 to Iroquois County Unit #9 Academic Foundations Inc./School District for computers at Watseka High School, where the majority of students are from LMI families.
- \$12,000 to Iroquois Economic Development Corporation, which facilitates economic development and job creation/retention in the AA.
- The remaining funds were primarily provided to organizations supporting LMI individuals through youth programs and education, food pantries, and long-term recovery assistance for flood victims.

The FSA spent \$50,567 to demolish a dilapidated property in the moderate-income CT and then sold it for a nominal price well below market to a nonprofit organization. This organization provides community service to LMI through youth programs, educational scholarships, and veteran's services in Watseka, IL. The land will be used for



expansion of the adjacent nonprofit's headquarters providing services in an area where a majority of the youth served are from LMI families.

The FSA received credit for a prior period investment that remains 100 percent outstanding in the AA. IFSLA invested \$1.15 million in a Qualified Zone Academy Bond benefiting Iroquois County Unit #9 School District. The bond provided financing for classroom enhancements, teacher education, and the purchase of education equipment at Watseka High School.

#### Danville MSA AA (Full-Scope Review)

The level of qualified investments reflects adequate responsiveness to community needs in the Danville MSA AA. During the evaluation period, IFSLA and its affiliate made 62 grants/donations totaling \$307,171. In addition, we considered the ongoing impact of a prior period investment of \$20,000. Qualified investments represent only 1.03 percent of tier 1 capital prorated by deposit originations in the AA, yet had a positive impact on affordable housing, job creation, and education services for LMI individuals. These were needs within this AA that is impacted by higher than average unemployment and an aging housing stock.

The FSA and its affiliate provided 62 grants/donations totaling \$307,171 to organizations providing community services to LMI individuals. These include:

- \$47,500 to East Central Illinois Community Action Agency for homeownership counseling (\$20,000) and home purchase assistance (\$17,500) for LMI individuals, and financial education of youth (\$10,000). Home purchase down payment assistance is an identified community credit need.
- \$45,000 to Danville Foundation for Industrial Growth/Vermilion Advantage NFP, which facilitated economic development and job creation in the AA.
- \$38,000 to Schlarman Academy for computers and tuition assistance targeted primarily for LMI students.
- \$30,000 to Danville Public School Foundation for educational programs in the school district where a majority of students are from LMI families.
- \$28,350 to United Way of Danville to support organizations providing homeless shelter, community health services, youth programs, and free income tax assistance targeted to LMI individuals.
- The remaining funds were primarily provided to community development organizations supporting community services for LMI individuals through youth programs, protection for abused children, meals for the elderly, training for the disabled, and equipment and supplies for educational/training programs.

The FSA continues to maintain a prior period investment of \$20,000 in the Vermilion County Community Development Corporation (CDC). This CDC's mission is to provide economic development in support of job creation and affordable housing retention. During the evaluation period, the CDC made or facilitated three loans totaling \$325,000 creating 465 new jobs and retained three jobs in the AA, as well as provide support for expansion of the Danville High School (District 118) where a majority of students come from LMI families.

## *Conclusion for Limited-Scope Review AA*

### Limited-Scope Review Area

Based on the limited scope review, IFSLA's level of qualified investment in the Champaign County AA is not inconsistent with the FSA's overall adequate performance. During the evaluation period, IFSLA and its affiliate made 19 donations totaling \$59,788, representing 1.46 percent of tier 1 capital prorated by deposit originations in the AA. The funds were provided to community organizations with services targeted for LMI individuals, including \$23,000 for youth programs, \$11,000 for emergency shelter, \$11,188 for food pantries, \$10,000 for emergency child care, and \$3,600 for educational and health services for the disabled and LMI students. The limited scope review did not have a significant impact on the qualified investments conclusion.

### Other Investments outside the AAs.

IFSLA also holds a \$250,000 certificate of deposit with a minority-owned bank in Chicago, IL. While this bank is outside of IFSLA's AAs, the regulation allows the bank to receive credit for investments in women-owned or minority-owned banks that are benefiting their own AA. This institution received a Satisfactory CRA rating for its lending performance in the south side of Cook County.

## **Extent to Which the Bank Provides Community Development Services**

The extent to which IFSLA provides community development services demonstrate adequate responsiveness to community needs. Twenty-two employees provided 1,856 hours of financial technical expertise to 29 different organizations providing community services to LMI individuals in the full-scope review AAs. The limited-scope review area was not inconsistent with the overall adequate responsiveness. Employees participated in many of these organizations in a leadership capacity, either as a board member, president, treasurer, or committee member.

## *Conclusions for Areas Receiving Full-Scope Reviews*

### Iroquois County AA (Full-Scope Review)

The extent to which the FSA provides community development services in the Iroquois County AA provides excellent responsiveness to community needs. The main office and a deposit taking ATM are located within a moderate-income CT, representing 50 percent of the branches in the AA. Additionally, there are two ATMs located within convenience stores in the moderate-income CT that IFSLA customers can use without a fee. IFSLA offers on-line banking, including the ability to apply for a mortgage loan on-line. The FSA offers mobile banking, including mobile check deposit, and telephone banking services. IFSLA offers free checking accounts with no minimum balances for full-time students and customers 60 years or older. While the FSA does not maintain records showing how these alternative methods of delivery and free accounts increase access, these services generally help to increase access to financial services for all individuals, including LMI individuals.

Twelve employees provided financial technical expertise that benefited 16 organizations, primarily focusing on community services to LMI individuals. Approximately 57 percent of total community services hours were spent in the Iroquois County AA during the evaluation period. Services include:

- Eight employees taught financial literacy programs through local schools, where a majority of students come from LMI families. These employees were involved in workforce readiness through the local school district teaching job skills including resumes and interviewing.
- One individual serves as Treasurer and provides financial expertise to a local school district, where over 60 percent of students are eligible for free or reduced cost lunches.
- One employee serves as Treasurer of a faith-based fund that assists with the bills of low-income individuals.
- Two employees serve on the board of an economic development corporation that aids in job retention and new business recruitment.
- One individual serves on the board and provides financial expertise to a local hospital, where a majority of the service area is LMI individuals.
- One individual serves on the board of a nonprofit organization that provides training and development for LMI persons with disabilities.
- One individual serves as the Treasurer and provides financial expertise to an organization that assists in providing long-term recovery options for victims of disasters, with a focus on flood victims. Another employee serves on various committees and assists the Treasurer. Flood damage during the evaluation period primarily affected the town of Watseka, which has a majority of LMI families, and significantly affected the moderate-income geography in town.
- One individual serves on the Finance Committee of an organization that provides grants to community service organizations primarily serving LMI individuals.
- One individual serves on an affiliate foundation board that provides grants to organizations that primarily serve LMI individuals and families. One other employee also serves as an officer of the foundation.

#### Danville MSA AA (Full-Scope Review)

The extent to which the FSA provides community development services in the Danville MSA AA reflects adequate responsiveness. IFSLA operates one branch with a deposit-taking ATM located within a moderate-income geography in Danville, representing 50 percent of branches in the AA. The alternative delivery methods and no-cost checking accounts for students and seniors discussed under the Iroquois County AA also apply for this AA.

Ten employees provided financial technical expertise that benefited 13 organizations, primarily focusing on community services to LMI individuals. Services include:

- One individual serves on the board and as Secretary/Treasurer of an organization that grants funds to organizations providing health and education services to LMI individuals.

- Two individuals serve on the boards and/or as Secretary/Treasurer of two different economic development organizations that provide financing to small businesses to create jobs.
- Two individuals serve on the board of an educational foundation that provides scholarships, equipment, and supplies for education/training programs primarily serving LMI individuals. Workforce training and development is an identified community need.
- Three individuals assist with fundraising for an organization that provides community services to LMI families and individuals.
- One individual serves on a local nonprofit hospital board and provides financial technical assistance.
- Two individuals serve on the board of an organization that provides grants to community service organizations primarily serving LMI individuals. Two other individuals assisted with fundraising for this organization.
- One individual provides financial education classes to a public school district, where a majority of students are from LMI families.
- One individual serves on the board of an organization that provides educational scholarships for private education to LMI students.
- One individual taught financial services education classes in homeownership for LMI families and individuals.
- One individual serves as Treasurer and another serves on the finance committee and provided technical assistance to an organization that provides youth programs.
- One individual served as President of a nonprofit organization that provides homeless shelter and domestic violence assistance programs for women.
- One individual serves on the board of a nonprofit agency that provides youth programs for LMI families in Hoopston, IL.

#### *Conclusion for Limited-Scope Review AA*

##### Limited-Scope Review Area

Based on the limited-scope review, the extent to which the FSA provides community development services in the Champaign County AA is not inconsistent with IFSLA's overall adequate responsiveness. The alternative delivery methods and no-cost checking accounts for students and seniors discussed under the full-scope AAs also apply for this AA. One individual worked with four organizations that provide financial services education to LMI individuals for homeownership and credit counseling. The bank employee serves as President of one of these organizations. Two individuals provide technical assistance in marketing and fundraising for an organization that provides grants to community service organizations that primarily serve LMI individuals. There are only five employees at this location. The limited scope review did not significantly impact the services conclusion.

## **Responsiveness to Community Development Needs**

IFSLA had excellent responsiveness to community development needs. As previously mentioned, we weighted the Danville MSA conclusions heavier in arriving at the overall conclusion.

### Iroquois County AA

IFSLA's community development activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in this AA. IFSLA primarily responded to community development needs in the AA through investments and services. Combined community development loans and investments in the AA total \$1.6 million, representing 2 percent of tier 1 capital. IFSLA employees provided 1,127 hours in financial technical expertise to 16 organizations, primarily providing community services to LMI individuals and supporting economic development. In addition to economic development, the community contact identified the need for affordable housing, including funds for renovation and down payment assistance programs, and support for community services for recovery from ongoing flood damage that particularly affected the moderate-income CT and LMI residents in Watseka, IL.

To support economic development, IFSLA made two loans totaling \$170,000 to a start-up business that created five new jobs in the AA. The FSA donated \$12,000 to an economic development organization that facilitates business development and job creation in the AA, where two employees serve on the board of this organization. IFSLA donated \$45,250 to a nonprofit organization that provides training for LMI persons with disabilities, where an employee serves on the board. The FSA donated \$5,000 to an organization that provides long-term recovery assistance for flood victims in an area that has a majority LMI residents, and two employees provide financial expertise to this organization with one serving as Treasurer. In addition, eight employees provided financial literacy and workforce readiness education to local high schools where the majority of students are from LMI families, and one employee serves as Treasurer for a local school district. The FSA also donated \$27,000 to a local high school for computer equipment, where a majority of students are from LMI families.

The remaining community development loans, investments, donations, and services benefit organizations that provide community services to LMI individuals for health services, youth programs, and food pantries. The community profile reflects above average unemployment and poverty rates in the AA, with LMI families representing 35 percent of the entire AA and LMI geographies making up 11 percent of the AA.

### Danville MSA AA

IFSLA's community development activities, as a whole, demonstrate excellent responsiveness to the needs and opportunities in this AA. Community contacts identified the need for affordable housing, including low-income rental housing, funds for renovation of aged housing inventory, down payment assistance programs, workforce training programs, and economic development. The high unemployment and poverty rates for the AA emphasizes the need for job training, development, and affordable

housing. Combined community development loans and investments in the AA total \$7.6 million, representing 11 percent of tier 1 capital. IFSLA employees provided 729 hours in financial technical expertise to 13 organizations primarily providing community services to LMI individuals and supporting economic development.

IFSLA responded to AA needs primarily through community development loans. The FSA made nine loans totaling \$3.6 million for the purchase, refinance, and/or renovation of six multifamily apartment buildings providing affordable housing in LMI geographies. IFSLA donated \$3,000 to two organizations that support affordable housing through home construction and repair for LMI individuals. In addition, the FSA donated \$37,500 to a nonprofit organization that provides homeownership counseling and home purchase assistance for LMI individuals. One employee taught homeownership classes for this organization.

The FSA made three loans totaling \$1.9 million to a small business to acquire and renovate a commercial property located in a low-income CT to revitalize and stabilize an enterprise zone. In addition, IFSLA supported community development efforts through donations totaling \$45,000 and three community development loans for \$60,700 to an economic development organization that facilitates loans to small businesses for job creation in the AA. One employee serves on the board of this economic development organization. The FSA continues to invest \$20,000 in a local community development corporation (CDC), in addition to one employee serving as Secretary/Treasurer of the CDC.

The FSA supported job training efforts through \$22,400 in donations to two organizations providing job training to LMI individuals, including persons with disabilities. Two FSA employees serve on the board of a community college foundation that provides scholarships, equipment, and supplies for education and job training programs serving LMI individuals. Another employee serves as Secretary/Treasurer of an organization that provides grants to organizations that provide education services to LMI individuals. IFSLA donated \$68,000 to local schools for educational programs and computer equipment primarily benefiting LMI students. Furthermore, one employee provides financial education classes at a public high school and another employee serves on the board of a foundation that provides educational scholarships for private education to LMI students.

The remaining community development loans, donations, and services benefit organizations that provide community services to LMI individuals for health services, youth programs, and protection for abused children. The community profile reflects high unemployment and poverty rates in the AA, with LMI families representing 38 percent of the AA and LMI geographies making up 36 percent of the AA.

## 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 metropolitan and nonmetropolitan areas 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>	Lending Test (excludes CD loans): (01/01/15 to 12/31/16) Investment and Service Tests and CD Loans: (03/04/14 to 05/08/17)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Iroquois FS & LA (IFSLA) Watseka, IL	Commercial and residential mortgage loans, community development loans, investments, and services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Iroquois Federal Foundation Inc (IFFI)	Nonprofit established by holding company	Investments
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Iroquois County AA Danville MSA AA #19180 Champaign County AA	Full-Scope Full-Scope Limited-Scope	Only Champaign County in Champaign-Urbana IL MSA #16580 (a three county MSA)

## Appendix B: Community Profiles for Full-Scope Areas

### Iroquois County AA

Demographic Information for Full-Scope Area: Iroquois County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0.00	11.11	55.56	33.33	0.00
Population by Geography	29,718	0.00	12.69	64.03	33.28	0.00
Owner-Occupied Housing by Geography	9,019	0.00	11.71	54.67	33.62	0.00
Businesses by Geography	1,497	0.00	22.38	47.03	30.59	0.00
Farms by Geography	392	0.00	3.57	53.32	43.11	0.00
Family Distribution by Income Level	8,249	17.50	17.63	22.66	42.21	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,961	0.00	17.06	57.58	25.36	
Median Family Income HUD Adjusted Median Family Income for 2016 Families Below the Poverty Level	= \$54,499 = \$58,000 = 9.60%	Median Housing Value Unemployment Rate (2016)		= \$103,687 = 6.10%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

The Iroquois County AA consists of the entire county of Iroquois in Illinois. The Iroquois County AA is located in northeastern Illinois, bordering the State of Indiana, and directly north of the Danville MSA AA. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. There are no low-income CTs and one moderate-income CT in the Iroquois County AA. Iroquois County is the third largest county in the State of Illinois. FEMA declared Iroquois County a major disaster area three times over the past 23 years due to flooding, most recently in March 2008. Watseka was impacted by significant flooding twice in 2015. While the State of Illinois designated Iroquois County a disaster area in 2015, FEMA did not. During the evaluation period, repeated flooding impacted the economic development in Watseka, causing some businesses to close permanently and required homes to be elevated above the flood level as part of the mitigation process. Flooding has particularly impacted the moderate-income CT and LMI residents in Watseka.

According to the 2010 U.S. Census, the total population of the AA was 29,718. The distribution of families by income level was 17.50 percent low income, 17.63 percent moderate income, 22.66 percent middle income, and 42.21 percent upper income. The FSA offers a full range of loan and deposit products and services. Competition in the AA comes from 13 FDIC-insured depository institutions operating offices. Competition



also includes credit unions. During the evaluation period, IFSLA had two branches in the AA located in Watseka and Clifton, Illinois, with the Watseka branch having a deposit-taking ATM. The Watseka branch is located in a moderate-income CT. As of June 30, 2016, IFSLA's deposits in the AA totaled \$221.8 million, which is 25.29 percent of the market. IFSLA's deposit market share ranks first out of 13 depository institutions; the top two depository institutions account for 49 percent of total deposits in the AA. The other depository institution with the second highest deposit market share is The First Trust and Savings Bank of Watseka.

### Employment and Economic Factors

According to the Bureau of Labor Statistics, unemployment in the Iroquois County AA is 6.1 percent in December 2016. This is higher than the state and national unemployment rates of 5.70 percent and 4.70 percent, respectively, in December 2016. Unemployment in Iroquois County fell from 8.40 percent in December 2013. Similarly, state and national unemployment rates dropped from 8.60 percent and 6.70 percent, respectively, for the same period.

The percentage of families in the AA living below the poverty level is 9.60 percent. Families residing in the moderate-income CT that live below the poverty level total 16.68 percent. Moderate-income geographies account for 11.11 percent of the CTs in the AA based on the 2010 U.S. Census.

Industries driving the local economy include agriculture, healthcare, education, and transportation. Iroquois County has the second largest area used for farming in the State of Illinois. The largest employers in the AA are Iroquois Memorial Hospital, The ARC of Iroquois County, Nexus Academy, and Lyon Metal. Businesses in the AA are 75.02 percent small businesses with gross annual revenues of \$1 million or less, 7.01 percent businesses with gross annual revenues over \$1 million, and 17.97 percent where businesses did not report revenue information. Businesses located in the moderate-income CT total 22.28 percent of total businesses in the AA.

### Housing

There are relatively limited opportunities for residential mortgage lending in the AA's moderate-income CT due to the low number of units, age/condition of properties requiring renovation, and poverty rate. Only 17 percent of total housing units are in the moderate-income CT. According to the 2010 U.S. Census, housing units in the moderate-income CT were 55.17 percent owner occupied (1,056 units), 37.62 percent rentals (720 units), and 7.21 percent vacant (138 units). The weighted average monthly gross rent in the AA was \$656. The median age of housing units in the moderate-income CT is 51 years. The renovation expense required to make properties habitable is expensive relative to incomes and availability of credit.

The median housing value in the AA is \$95,900, according to the 2015 U.S. Census American Community Survey, which decreased 8 percent from the 2010 U.S. Census data. One simplistic method used to determine housing affordability assumes a maximum monthly principal and interest payment of no more than 30 percent of the applicant's income. Assuming a 30-year mortgage with a five percent interest rate, and not accounting for down payment, homeowners insurance, real estate taxes, or any

additional monthly expenses, a low-income borrower making \$28,999 per year (or less than 50 percent of the 2016 FFIEC adjusted median family income in the AA) could afford a \$135,054 mortgage with a payment of \$725 per month. This illustrates that a low-income borrower could qualify for a mortgage loan in the AA, but may be challenged when accounting for the additional expenses that come with homeownership, such as down payment, homeowners insurance, real estate taxes, and maintenance repairs.

Community Contact

We performed one community contact with a government agency in the AA. Identified credit needs include affordable housing. The contact observed that a high number of property sales in the county are transacted via contract for deed agreements, rather than conventional mortgages, suggesting a need for down payment assistance. He also commented on the age and condition of the housing inventory that requires costly repairs before occupation, which can be prohibitive for potential LMI homebuyers. He also noted limited employment and retail opportunities and repeated flood damage affecting the area and causing a need for economic development.

**Danville MSA AA**

Demographic Information for Full-Scope Area: Danville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	4.17	29.17	45.83	20.83	0.00
Population by Geography	81,625	4.35	28.26	48.27	19.12	0.00
Owner-Occupied Housing by Geography	22,994	2.49	22.63	52.33	22.55	0.00
Businesses by Geography	3,492	3.41	32.79	43.47	20.33	0.00
Farms by Geography	355	0.00	7.89	76.62	15.49	0.00
Family Distribution by Income Level	20,659	21.15	17.70	21.00	40.15	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	8,026	7.96	34.23	45.99	11.82	0.00
Median Family Income	= \$49,492	Median Housing Value		= \$73,917		
HUD Adjusted Median Family Income for 2016	= \$58,200	Unemployment Rate (2016)		= 7.3%		
Families Below the Poverty Level	= 17.72%					

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 U.S. Census, and 2016 HUD updated MFI.

The Danville MSA (#19180) AA consists of the entire county of Vermilion in Illinois. The Danville MSA AA is located in east-central Illinois, bordering the state of Indiana, and directly south of the Iroquois County AA. The AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. There is one low-income CT and seven moderate-income CTs in the Danville MSA AA.

According to the 2010 U.S. Census, the total population of the AA was 81,625. The distribution of families by income level was 21.15 percent low income, 17.70 percent moderate income, 21.00 percent middle income, and 40.15 percent upper income. The FSA offers a full range of loan and deposit products and services. Competition in the AA is high with 16 FDIC-insured depository institutions operating offices. Competition also includes mortgage companies and credit unions. During the evaluation period, IFSLA had two branches in the AA located in Danville and Hoopeston, IL, with the Danville branch having a deposit-taking ATM. The Danville branch is located in a moderate-income CT. As of June 30, 2016, IFSLA's deposits in the AA totaled \$203 million, which is 18.77 percent of the market. The FSA's deposit market share rank first out of 16 depository institutions; the top four depository institutions account for 65.20 percent of total deposits in the AA. The other top three depository institutions for market share include First Financial Bank N.A., Old National Bank, and First Midwest Bank.

### Employment and Economic Factors

According to the Bureau of Labor Statistics, unemployment in the Danville MSA AA is 7.30 percent in December 2016. This is higher than the state and national unemployment rates of 5.70 percent and 4.70 percent, respectively, in December 2016. Unemployment in the Danville MSA fell from 12.20 percent in December 2013. Similarly, state and national unemployment rates dropped from 8.60 percent and 6.70 percent, respectively, for the same period.

The percentage of families in the AA living below the poverty level is 17.72 percent. Families residing in low-income geographies that live below the poverty level total 50.21 percent. Families residing in moderate-income geographies that live below the poverty level total 28.16 percent. Low-income geographies account for 4.17 percent and moderate-income geographies account for 29.17 percent of the census tracts in the AA based on the 2010 U.S. Census.

According to Moody's Analytics, Danville's economy is stagnant because of weakness in the manufacturing industry, which is near a cycle low for payroll employment. Growth industries in the AA are healthcare, education, and government. The largest industries in the AA include government, manufacturing, retail trade, and education and health services. The top five employers are Department of VA Illiana Health Care System, McLane Midwest Company Inc., ThyseenKrupp Company, Genpact, and Quaker Foods and Beverages. Businesses in the AA are 75.52 percent small businesses with gross annual revenues of \$1 million or less, 5.95 percent businesses with gross annual revenues over \$1 million, and 18.53 percent where businesses did not report revenue information. Businesses are located 3.41 percent in the low-income CT and 32.79 percent in the moderate-income CTs.

### Housing

Opportunities for residential mortgage lending in the AA's LMI geographies is challenging due to the age/condition of properties requiring extensive renovation for occupancy and the high poverty rate. Only 33 percent of total housing units are in LMI geographies. According to the 2010 U.S. Census, housing units in low-income census tracts were 33.89 percent owner occupied (573 units), 45.65 percent rentals (772 units),

and 20.46 percent vacant (346 units). Housing units in moderate-income census tracts were 50.18 percent owner occupied (5,203 units), 36.23 percent rentals (3,757 units), and 13.59 percent vacant (1,409 units). The weighted average monthly gross rent in the AA was \$570. The median age of housing units in low-income geographies is 68 years and is 60 years in moderate-income geographies. The renovation expense required to make properties habitable is expensive relative to incomes and availability of credit in the depressed housing market.

The median housing value in the AA is \$75,800, according to the 2015 U.S. Census American Community Survey. One simplistic method used to determine housing affordability assumes a maximum monthly principal and interest payment of no more than 30 percent of the applicant's income. Assuming a 30-year mortgage with a five percent interest rate, and not accounting for down payment, homeowners insurance, real estate taxes, or any additional monthly expenses, a low-income borrower making \$29,099 per year (or less than 50 percent of the 2016 FFIEC adjusted median family income in the AA) could afford a \$135,426 mortgage with a payment of \$727 per month. This illustrates that a low-income borrower could qualify for a mortgage loan in the AA, but may be challenged when accounting for the additional expenses that come with homeownership, such as down payment, homeowners insurance, real estate taxes, and maintenance repairs.

### Community Contact

We performed one community contact with an affordable housing organization in the AA. Identified credit needs include affordable housing, specifically low income rental housing, funds for renovation of aged housing inventory, and support for organizations developing affordable housing and providing workforce training and development. The contact observed that the ongoing decline in local industry and manufacturing created an ongoing need for economic development and caused a decline in population and a shift from homeownership to rentals. She also commented on the age and condition of the housing inventory that requires costly repairs before occupation, which can be prohibitive for potential LMI homebuyers, and suggested a need for down payment assistance programs.