



## PUBLIC DISCLOSURE

March 03, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Iroquois FS & LA  
Charter Number 703870

201 E Cherry Street  
Watseka, IL 60970-1661

Office of the Comptroller of the Currency

Harris Center  
3001 Research Road, Suite E-2  
Champaign, IL 61822-1089

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

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

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

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

- Lending to borrowers of different incomes and to business of different sizes is reasonable. We heavily weighed this criterion in the lending test.
- The distribution of loans reflects excellent dispersion among different income tracts throughout the institution's assessment areas (AAs).
- IFSLA originated a majority of their primary loan products within the institution's AAs.
- IFSLA's loan-to-deposit ratio is more than reasonable based on its size, financial condition, assessment area credit needs, and local competition.
- IFSLA had adequate responsiveness to the needs and opportunities within their AAs.

## **Scope of Examination**

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 1, 2011, to March 3, 2014. The community development test used information for the entire evaluation period.

Based on both the number and dollar volume of loan origination data supplied by the institution, IFSLA's primary lending products are home mortgages and business loans. As the institution's business strategy and lending products have not significantly changed since the prior examination, the lending test used data from January 1, 2012, to December 31, 2013. We utilized the institution's Home Mortgage Disclosure Act (HMDA) loan application registers (LAR), after we verified their reliability. We also sampled business loans for this evaluation.

For analysis purposes, we compared the institution's lending performance with aggregate data from 2012, as this is the most recent data available, 2013 Business Geodemographic data, and the 2010 United States Census data.

IFSLA has two AAs: Iroquois County AA and Danville metropolitan statistical area (MSA) AA. We analyzed both assessment areas as full scope areas in this evaluation. Additionally, we review charitable donations by the institution's affiliate, Iroquois Federal Foundation, Inc., while performing the Community Development Test.

## **Description of Institution**

IFSLA is a \$567 million intrastate financial institution headquartered in Watseka, Illinois. The institution is a wholly owned subsidiary of IF Bancorp, Inc. located in Watseka, Illinois. The institution converted from a mutual institution to a stock institution on July 7, 2011. The

institution's stock is traded on the NASDAQ Capital Market under the symbol of "IROQ". The institution is a full-service banking institution and operates four banking offices in Watseka, Danville, Clifton, and Hoopeston. Additionally, the institution operates a loan production office in Osage Beach, Missouri. The institution has automated teller machines (ATMs) at all four 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. The Watseka and Danville locations are located within moderate-income census tracts. The Hoopeston branch is within a middle-income geography and the Clifton location is in an upper-income area.

At the time of conversion to stock, the Board also established Iroquois Federal Foundation, Inc., an affiliate of the institution that provides charitable grants to a variety of organizations, including community development organizations. As mentioned within the scope, we did incorporate this affiliate's activities into the Community Development Test.

The institution offers conventional mortgage products, consumer, commercial real estate, commercial business, and agricultural loans. In addition, the institution offers a full line of deposit products including savings accounts, certificates of deposit, money market, NOW accounts, individual retirement accounts, and health savings accounts. Furthermore, the institution also offers Internet, mobile/text, and telephone banking. On-line banking includes bill pay services. The institution 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, the institution 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.

As of December 31, 2013, the institution's gross loan portfolio totaled \$326 million, or 57 percent of total assets. Tier 1 capital is \$64 million. The institution also services an additional \$76 million in mortgage loans sold into the secondary market. The institution'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	67.82%
Business loans, including commercial real estate	25.50%
Farm loans, including farm land	3.48%
Consumer loans	3.19%
Other loans & leases	0.01%

*Source: December 31, 2013 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 institution's business strategy during the evaluation period has been growth and expansion, while maintaining quality customer service and community banking appeal. At its previous CRA examination dated February 28, 2011, the institution received a rating of "Satisfactory".

## Description of Assessment Area(s)

IFSLA currently has two assessment areas in Illinois: Iroquois County AA and Danville MSA AA. A description of each AA follows:

### Iroquois County AA

This AA includes the whole county of Iroquois and is not located in a metropolitan statistical area. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. FEMA has declared Iroquois County a major disaster area, three times over the past 20 years, due to flooding. The most recent declaration was on March 7, 2008. The institution can declare activities that help revitalize or stabilize the disaster area for 36 months, or through the first seven days of this evaluation period.

Based upon the 2010 U.S. Census, five out of nine census tracts included in the AA are middle-income tracts, three tracts in are upper- income tracts and the remaining tract is a moderate-income tract in downtown Watseka. Iroquois County is the third largest county by area in the state of Illinois. There are 1,056 owner-occupied housing units and 450 businesses in the moderate-income census tract.

Population of the AA in 2010 was 29,718. Twenty percent of the population is 65 or older, which is significantly higher than state and national averages. Ninety-two percent of the housing stock is 1-4 family units and 67 percent is owner-occupied housing. A summary of demographic information for this AA follows:

<b>Demographic Information for the Iroquois County AA</b>					
	#	% Low	% Moderate	% Middle	% Upper
Families by Income Level (2010)	8,429	17.51%	17.65%	22.65%	42.19%
Small businesses as a percent of businesses within the AA		67.69%	Median Housing Value (2010)		\$103,687
HUD- Adjusted MFI: 2012		\$57,400	Families Below the Poverty (2010)		8.21%
HUD- Adjusted MFI: 2013		\$56,200	Unemployment Rate		8.40%

*Source: 2010 U.S. Census Data; Unemployment Information is from the Department of Labor as of December 2013; 2013 Business Geodemographic Data; Adjusted MFI is from HUD. (MFI used is for statewide non-MSA areas.)*

The current economy in the AA is stable, with recent growth on the east side of Watseka. Industries driving the local economy include agriculture, service, and manufacturing. Agricultural has historically been a primary industry, as the county has the second largest area used for farming in the State of Illinois. The five largest employers within the AA are Iroquois Memorial Hospital, The Arc of Iroquois County, Robert Bosch Tools, LLC, Nexus Academy, and Pride Metal. At 8.40 percent, the area’s unemployment rate is consistent with the state’s rate of 8.6 percent, but above the national rate of 6.7 percent.

Competition from other financial institutions is moderate. The institution’s competitors include 12 other banks with at least one location within the AAs. IFSLA has the largest deposit market share with 24 percent of the area’s deposits.

While conducting this examination, we contacted an economic development organization that serves six counties, including both Iroquois and Vermilion Counties. This contact identified small business loans, particularly for start-up and expansion purposes, working capital, and equipment as credit needs in the area. The contact also stated that restaurants have experienced an increase in credit needs. Other community needs included a remedy for flooding in Watseka and small business education. Through discussions with management of IFSLA and a review of other area public evaluations, we noted that the area has not fully recovered from the 2008 floods. As a result, several businesses ceased operations and many homes are in need of repair.

Danville MSA AA

This AA incorporates all of Danville MSA #19180, which consists of Vermilion County. This AA is directly south of the Iroquois County MSA, and both border Indiana. It meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The information for this AA is based on 2010 U.S. Census data.

Of the 24 census tracts, one is low-income, seven are moderate-income, 11 are middle income, and five are upper-income. The low- and moderate-income tracts are primarily located within the city of Danville.

Population of the AA was 81,625, with 40 percent of the population residing within Danville. Population of the AA declined 15 percent over the last 40 years. Seventeen percent of the population is 65 or older, which is higher than state and national averages. Fourteen percent of the population has a bachelor or graduate degree. Eighty-four percent of the housing stock is 1-4 family units and 63 percent is owner-occupied housing. A summary of demographic information for this AA follows:

<b>Demographic Information for the Danville MSA AA</b>					
	#	% Low	% Moderate	% Middle	% Upper
Families by Income Level (2010)	20,659	21.15%	17.70%	21.00%	40.15%
Small businesses as a percent of businesses within the AA		70.26%	Median Housing Value (2010)		\$73,917
HUD- Adjusted MFI: 2012		\$48,200	Families Below the Poverty (2010)		14.62%
HUD- Adjusted MFI: 2013		\$53,300	Unemployment Rate		12.20%

*Source: 2010 U.S. Census Data; Unemployment Information is from the Department of Labor as of December 2013; 2013 Business Geodemographic Data; Adjusted MFI is from HUD.*

The AA economy is struggling. Historically, the Vermilion County economy was driven by manufacturing. While manufacturing’s contribution to the economy has declined, it remains an important part of the county’s economy. Additionally, medical and retail industries support the local economy. There are seven employers in Vermilion County that employ 500 or more people: Vermilion County Public Schools, Veterans Affairs Illiana Health Care System, Genpact, McLane Midwest Company Inc., Vermilion County Government, Presence United Samaritans Medical Center, and Quaker Oats Co. The unemployment in the county increased in 2013, and the county has the third highest rate in the state. A rail car manufacturer closed in mid-2013, which led to loss of over 100 jobs. There has been some recent retail growth in Danville.

Current unemployment rates are well above state and national rates of 8.6 and 6.7 percent, respectively.

The high unemployment has led to a significant increase in poverty rates. The individual poverty rate for Danville is 29 percent, significantly higher than state and national averages of 14 and 15 percent, respectively. The poverty rate for Vermilion County is 19 percent.

Locally, 15 other financial institutions pose competition. IFSLA's has the second largest deposit market share in Vermilion County at 16 percent.

In addition to the economic development contact discussed under the Iroquois County AA, we also contacted a representative from an affordable housing organization in Vermilion County. These contacts identified small business loans, loans for rehabilitation of housing, loans for affordable housing for families, small consumer loans as credit needs in the AA. Additional community needs identified include job training, small business training, support of multiple loan programs through community development organizations and municipalities, homeownership counseling, and donations and support for community development organizations. There are a number of community development organizations within the AA representing opportunities for community development activities.

The housing contact mentioned that the City of Danville did not issue any new single-family building permits in 2013, an indication of the weak economy. The contact also mentioned that population shifts in Danville have depressed property values and have caused some homeowners to defer upgrades and routine maintenance. Sixty percent of private rental housing in Danville does not meet HUD's basic standards for health and safety. This has led to a decline in Section 8 vouchers, as prospective Section 8 tenants are struggling to find qualified housing. A market study conducted by the housing organization in 2011 indicated that Danville had sufficient senior housing, but not enough family housing.

## Conclusions with Respect to Performance Tests

### LENDING TEST

IFSLA's performance under the lending test is satisfactory. With a more than reasonable loan-to-deposit ratio and the institution originating a majority of the primary product loans within the institution's AA, the evaluation focused on the distribution performance criteria. Borrower distribution was reasonable, and geographic distribution was excellent. As the percentage of families in these AAs that are low- or moderate-income is higher than the percentage of geographies that are considered low-or moderate-income, we placed more weight on the borrower distribution.

#### 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 has averaged 72 percent over the past 12 quarters. The timeframe used for this calculation represents the first quarter-end after the start of the last CRA evaluation through December 31, 2013. December 31, 2013 data was the most recent data available at the beginning of this evaluation.

Over the last 12 quarters, the highest ratio was 82 percent, while the lowest was 54 percent. This low ratio was an oddity related to the institution converting from mutual to thrift. The loan-to-deposit ratio for the past three quarters has been above 80 percent.

The institution's loan-to-deposit ratio is significantly higher than the average of all other institutions headquartered within its AAs. Other institutions averaged a loan to deposit ratio of 54 percent during the same time frame. However, a majority of these institutions 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, Vermilion, Ford, Champaign, and Kankakee Counties. This group of similarly-situated institutions had a group average loan-to-deposit ratio of 59 percent. IFSLA has the second highest average on both comparisons.

It is also important to note that IFSLA's loan-to-deposit ratio does not include the loans that the institution originated and sold, but still service. As of December 31, 2013, IFSLA was servicing 1,008 Federal Home Loan Bank Mortgage Partnership Finance Program loans with outstanding balances of \$75.8 million. If the serviced loans were included with net loans as of December 31, 2013, the loan-to-deposit ratio would equal 99 percent.

#### Lending in Assessment Area

IFSLA originated a majority, or 72 percent, of their primary loan products within the institution's AAs. Only 45 percent of the dollar amounts of these loan products are within the AAs. We attributed this to both internal and external factors. First, a majority of housing stock within the AAs is in the Danville MSA AA. The Danville MSA AA's weighted average of median housing value is \$73,917. This is significantly lower than geographies adjacent to the institution's AAs.

For example, the Champaign MSA has a weighted average of median housing value of \$130,247. As a result, loans made within the AA tend to be smaller than loans made outside of the AA. IFSLA’s loan production office in Osage Beach, MO exacerbates the ratios, as the median housing value in Camden County is \$208,662.

Management indicated that they have also made several larger multi-family housing loans in Champaign County. Management plans to open a branch in Champaign County in 2014, which should improve the dollar percentages in the future.

Lending in the AA										
Type of Loans	Number of Loans					Dollar of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	14	70.00%	6	30.00%	20	\$2,630	83.59%	\$ 516	16.41%	\$3,146
Home Purchase	217	68.45%	100	31.55%	317	\$19,218	46.40%	\$22,203	53.60%	\$41,421
Home Refinances	242	71.81%	95	28.19%	337	\$23,040	43.43%	\$30,016	56.57%	\$53,056
Home Improvement	102	82.26%	22	17.74%	124	\$4,776	34.19%	\$9,191	65.81%	\$13,967
Total	575	72.06%	223	27.94%	798	\$49,664	44.51%	\$61,926	55.49%	\$111,590

Source: 2012 and 2013 HMDA LARs and 20 business loans originated from 1/1/2012 to 12/31/2013

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

IFSLA’s lending to borrowers of different incomes and to businesses of different sizes is reasonable. Conclusions from both AAs showed reasonable penetration.

Iroquois County AA

The borrower distribution within Iroquois County is reasonable. We weighed home loans heavier in this AA due to the volume of home loan originations. The distribution of home loans reflects reasonable distribution among borrowers of different income levels.

*Home Loans*

The distribution of home loans reflects reasonable distribution among borrowers of different income levels. Refinance loans make up half of the home loans originated within this AA. The distribution of home refinance loans to low-income borrowers is reasonable compared to aggregate peer data. The percent of bank refinance loans to moderate-income borrowers exceed aggregate data and is excellent. Home purchase loans made up 33 percent of the originations. The distribution of home purchase loans to low- and moderate-income borrowers is weak, compared to aggregate data. The distribution of home improvement loans to low-income borrowers is excellent, while the distribution to moderate-income borrowers is reasonable.

While the excellent distribution of home refinance loans carries significant weight, the weak distribution of home purchase loans pull the overall conclusion of the distribution of home loans to reasonable.

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	10.00%	7.69%	21.88%	15.38%	36.25%	36.54%	31.87%	56.83
Home Refinance	4.92%	5.69%	14.77%	21.43%	32.92%	32.14%	47.39%	40.48%
Home Improvement	11.36%	21.74%	27.27%	26.09%	38.64%	17.39%	22.73%	34.78%

Sources: 2012 and 2013 HMDA LARs and 2012 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

*Business Loans*

The borrower distribution of loans in the Iroquois AA is excellent. CRA defines small businesses as businesses with annual gross revenues of \$1 million or less. Based upon a sample of 20 loans, the institution originated 70 percent to small businesses. This is significantly better than aggregate peer data where only 30 percent of the loans were originated to small businesses. The institution’s data is in line with demographic data that shows 70 percent of the businesses in the AA are small businesses.

When reviewing the dollar breakdown of our sample, we noted only 37 percent of the dollars in the loans were provided to small businesses. We attribute this to larger businesses requesting larger loans to meet their needs. Additionally, 85 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.

Danville MSA AA

The borrower distribution within the Danville MSA AA is reasonable. We weighed the business loans heavier in this AA. While the branches in this AA continue to make a large number of home and consumer loans, they have focused on growing business loans.

*Home Loans*

The distribution of home loans reflects weak distribution among borrowers of different income levels. Home purchase loans and home refinance loans made up 42 percent and 40 percent of the originations, respectively. The percentage of bank home purchase and home refinance loans originated to both low- and moderate-income borrowers is significantly lower than the aggregate data.

Institution management indicated that the refinance ratio may be lower than peers due to “buydowns”. IFSLA offers “buydowns” as an inexpensive way to lower interest rates. For a 1 percent of principal fee, the interest rate on the mortgage can be modified. This is often lower than closing costs for a refinance. Management does not collect income information with a “buydown”, so we could not determine how many low- or moderate-income borrowers benefited from a “buydown”. The institution had 117 “buydowns” in 2012 and 2013.

<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	8.07%	2.16%	28.57%	16.55%	25.88%	24.46%	37.47%	56.83%
Home Refinance	5.29%	1.38%	17.13%	8.97%	24.31%	24.14%	53.27%	65.52%
Home Improvement	8.67%	1.47%	18.00%	20.59%	32.00%	27.94%	41.33%	34.78%

Sources: 2012 and 2013 HMDA LARs and 2012 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

*Business Loans*

The borrower distribution of loans in the Danville MSA AA is reasonable. Based upon a sample of 20 loans, the institution originated 45 percent to small businesses. This is better than aggregate peer data with 25 percent of the loans originated to small businesses. Demographic data shows that 72 percent of the businesses in the AA are small businesses.

Our sample indicated that only 24 percent of the total dollars were lent to small businesses. We attributed this to larger businesses requesting larger loans to meet their needs. Additionally, our loan sample indicated that 70 percent of the loans originated 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.

**Geographic Distribution of Loans**

The distribution of loans reflects excellent dispersion among different income tracts throughout the institution’s AAs.

Iroquois County AA

The institution’s geographic distribution of home and business loans in the Iroquois County AA is excellent. There were no conspicuous gaps and the institution originated loans within every census tract in the AA.

*Home Loans*

Geographic distribution of home loans in the Iroquois AA is excellent. There were no low-income tracts in the AA. However, there is one moderate-income census tract in Watseka. The institution’s performance of lending in this census tract is significantly better than aggregate peer data, for all three product types. Twelve percent of the owner-occupied housing within the census tract is located in the moderate-income tract.

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	7.94%	11.86%	59.79%	44.07%	32.28%	44.07%
Home Refinance	NA	NA	7.16%	15.73%	51.52%	35.96%	41.32%	48.31%
Home Improvement	NA	NA	8.33%	19.35%	58.33%	58.06%	33.33%	22.58%

Sources: 2012 and 2013 HMDA LARs and 2012 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

**Business Loans**

Geographic distribution of business loans is excellent. The institution originated 30 percent of the business loans sampled within the moderate-income census tract. Not only is this double the peer aggregate data, but it also exceeds demographic data. Based on 2013 business demographic data, 22 percent of the AA’s businesses are located within the moderate-income census tract.

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	15.00%	30.00%	47.50%	55.00%	37.50%	15.00%

Source: Sample of 20 loans originated from 1/1/12 –12/31/13 & 2012 Peer Small Business Data

**Danville MSA AA**

IFSLA’s geographic distribution of home and business loans in the Danville MSA AA is excellent. We noted no conspicuous lending gaps. IFSLA originated loans within every census tract in the AA.

**Home Loans**

Geographic distribution of home loans in the Danville MSA AA is excellent. We weighed the distribution to moderate-income geographies heavily in arriving at this conclusion. Low-income census tracts contain only 2 percent of the owner occupied housing, while the moderate-income geographies contain 23 percent of the AA’s owner occupied housing. The distribution within the moderate-income tracts is reasonable based on the excellent performance with home purchase loans, the weak performance with refinance, and reasonable performance on home improvement loans. However, the excellent performance in the low-income census tract for all three products was enough to boost the overall home loan distribution in this AA to excellent.

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	1.08%	2.70%	14.75%	22.97%	54.68%	18.92%	29.50%	50.00%
Home Refinance	0.90%	2.08%	14.48%	10.42%	48.15%	23.96%	36.48%	60.42%
Home Improvement	0.64%	2.78%	20.38%	19.44%	52.87%	33.33%	26.11%	38.98%

Sources: 2012 and 2013 HMDA LARs and 2012 Peer Mortgage Data. Not in above table, but also reviewed is 2010 U.S. Census data.

*Business Loans*

Geographic distribution of business loans is excellent. The institution’s performance significantly exceeded peer data for both low- and moderate-income geographies. Based on 2013 business demographic data, three percent and 31 percent of the AA’s businesses are located within the low- and moderate-income census tracts, respectively.

Geographic Distribution of Business Loans in 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
% of Total	3.35%	7.14%	30.68%	50.00%	43.67%	35.08%	22.30%	37.18%

Source: Sample of 20 loans originated from 1/1/12 –12/31/13 & 2012 Peer Small Business Data

**Responses to Complaints**

IFSLA has not received any CRA complaints during this evaluation period.

**COMMUNITY DEVELOPMENT TEST**

IFSLA’s performance under the community development test is satisfactory. IFSLA had adequate responsiveness to the needs and opportunities within their AAs. IFSLA provided \$5 million in community development loans, primarily responding to needs of economic development. IFSLA also has \$1.6 million in qualified investments focusing on community service to low- and moderate-income individuals. Nineteen organizations benefited from over 1,200 community development service hours provided by institution employees. Most of these organizations provide community services to low- and moderate-income individuals. IFSLA also operates two of their four branches within moderate-income census tracts. IFSLA has two

branches in each AA. Fifty-five percent of IFSLA's deposits are from the branches in the Iroquois County AA. However, 73 percent of the population within the bank's AAs is located in the Danville MSA AA. IFSLA generates a majority of their loans from the Danville MSA AA branches. Additionally, the identified needs and opportunities within the Danville MSA AA are greater and therefore we weighed the conclusions from this AA heavier in the Community Development Test.

#### Iroquois County AA

IFSLA had excellent responsiveness to the needs and opportunities within this AA. The institution responded with community development loans of \$3.7 million, qualified investments of \$1.2 million, and 14 employees providing community development services to five organizations. The institution primarily responded to the needs of economic development and community services to low- and moderate-income individuals. These are two of the community development needs identified by community contacts.

#### Danville MSA AA

IFSLA had adequate responsiveness to the needs and opportunities within this AA. The institution responded with community development loans of \$1.3 million, qualified investments of \$157,443, and 11 employees providing community development services to 14 organizations. The institution primarily responded to the needs of economic development and community services to low- and moderate-income individuals.

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

IFSLA's level of community development loans provided excellent responsiveness to community needs in the AAs. The institution originated 10 community development loans totaling \$5 million within the evaluation period. These loans resulted in 120 new jobs and primarily provided economic development for the assessment areas. We weighed Iroquois County AA conclusions slightly more than Danville MSA AA conclusions because 55 percent of the institution's deposits and the main office are located within the Iroquois County AA. Both AAs each have two offices.

#### Iroquois County AA

IFSLA's level of community development loans provided excellent responsiveness to community needs in the Iroquois County AA. IFSLA originated four community development loans totaling \$3.7 million in the AA. Three of these loans were to a start-up business in Watseka that built three restaurants developing 100 new jobs for low- and moderate-income individuals. The fourth loan was \$150,000 for a multifamily housing property that provides affordable housing primarily for low- and moderate-income individuals within Watseka.

#### Danville MSA AA

IFSLA's level of community development loans in the Danville MSA AA provided adequate responsiveness. IFSLA originated six community development loans totaling \$1.3 million in the AA. Four loans were to a small business that expanded and added 20 new positions, with a majority for low- and moderate-income individuals. A loan for \$86,000 to a faith-based organization helped provide affordable housing to low- and moderate-income individuals. A

\$17,000 loan helped an organization provide community services to low- and moderate-income youths in Danville. During our review, we noted a few other loans for affordable housing that are included with HMDA data for the lending test. While the institution does not receive credit for these loans within the community development test, the loans did benefit the AA by improving home ownership among low- and moderate income individuals.

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

The level of qualified investments reflects adequate responsiveness to community needs. IFSLA provided 67 in-kind grants to community development organizations benefiting the AAs during this evaluation. The grants totaled \$213,793. Additionally, the institution received credit for three prior period investments totaling \$1.4 million. A majority of the investments benefited organizations providing community services to low- and moderate-income individuals.

#### Iroquois County AA

IFSLA's level of qualified investments reflects adequate responsiveness to the communities need. While the level of investments during this evaluation period is low, the institution does receive credit for prior period investments. These prior period investments carried significant weight in the conclusion for this assessment area.

The institution provided 17 in-kind grants, totaling \$56,350, to seven organizations providing community services to low- and moderate-income individuals.

- One of the organizations that benefited from these donations includes Unit #9 School District (and Unit #9 Academic Foundation). IFSLA and affiliates donated \$25,375 for technology to provide education in a school district where the majority of students come from low- or moderate-income families.
- An organization that provides housing and community services for intellectual and developmental disabilities received donations of \$25,000. A substantial majority of this organization's clients are low- and moderate-income. The donation went to improve safety and expansion of facilities.
- IFSLA provided \$5,000 to an organization that provides sexual assault prevention education within the Unit #9 School District.
- The remaining funds were divided between two food pantries, an organization serving abused women and children, and an organization providing health care to low- and moderate-income individuals.

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

#### Danville MSA AA

IFSLA's level of qualified investments shows a weak responsiveness to community needs. The institution provided \$157,443 in 50 in-kind grants to 16 organizations during the past three years.

There were no outstanding prior period qualified investments for this AA. Highlighted below are the organizations that received \$10,000 or more from the bank and affiliates:

- \$39,500 was provided to an organization focusing on workforce development within local schools.
- \$23,500 was provided to a local hospital foundation. These funds helped provide health care, obesity youth program, and other organization supported by the foundation primarily serving low- and moderate-income individuals.
- \$21,391 was provided to the United Way of Danville Area with funds specifically going to organizations providing community service to low- and moderate-income individuals.
- \$10,365 was provided to Danville Public School Foundation to upgrade science lab equipment. Sixty-five percent of students are low- or moderate-income.
- \$10,000 was provided to a foundation at a community college to provide scholarships to a low- or moderate-income student from either Vermilion or Iroquois counties.

A majority of the other funds did go to organizations providing youth services to low- and moderate-income individuals. Some senior service organizations also benefited from grants. Only \$166 went to homeless or affordable housing purposes.

The institution 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 and affordable housing retention. The CDC was instrumental in financing the small business that expanded and added 20 new jobs discussed under the community development loans section of this report.

#### Additional Investment

IFSLA also had a prior period investment of \$250,000 in a certificate of deposit with a minority-owned financial institution in Chicago, Illinois. While this financial institution is outside of IFSLA's assessment area, the regulation allows the institution to receive credit for investments in women-owned or minority-owned financial institutions that are benefiting their own assessment area. This institution received a Satisfactory CRA rating for its lending performance in the south side of Cook County.

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

The extent to which IFSLA provides community development services demonstrate adequate responsiveness to community needs. Twenty-five employees provided over 1,200 hours of financial expertise to 17 different organizations. Nearly all were focusing on community services to low- and moderate-income individuals.

#### Iroquois County AA

The extent to which the institution provides community development services in these AAs provides adequate responsiveness to community needs. The main office and a deposit taking ATM are located within a moderate-income tract. Additionally, there are two ATMs located within convenience stores in the moderate-income geography 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 institution offers mobile banking, including mobile check deposit, and telephone banking services. The institution offers free checking accounts with no minimum balances for full-time students and customers 60 years or older. While the institution 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 low- and moderate-income individuals.

Fourteen employees provided financial expertise that benefited five organizations, primarily focusing on community services to low- and moderate-income individuals. Services include:

- Six employees taught financial literacy programs provided through Unit #9 School District. Another employee was involved in workforce readiness through the local school district teaching job skills including resumes and interviewing. Two employees also provide financial expertise to the school district foundation.
- Three employees have provided financial expertise to an organization that provides community services for intellectually and developmentally disabled low- and moderate-income individuals or to a trust fund that supports this organization.
- One employee serves as treasurer for a faith-based fund that helps with the bills of low- and moderate-income individuals.
- One employee serves on a committee responsible for a village grant fund to provide sewer hook-ups for low- and moderate-income individuals.
- At the beginning of the evaluation period, an employee served as treasurer on a recovery committee after the floods in Watseka.

#### Danville MSA AA

The extent to which the institution provides community development services in the Danville MSA AA reflects adequate responsiveness. The institution has one branch located within a moderate-income geography in Danville. Additionally, the institution has a cash-dispensing machine located at this branch. The alternative delivery methods and no-cost checking accounts for students and seniors discussed under the Iroquois County AA also apply for this AA.

Eleven employees provided community development services to 14 organizations within this AA. The focus of these services was community service to low- and moderate-income individuals. Types of services provided include:

- Serving on boards of organizations primarily servicing low- and moderate-income (including youth, senior citizen, and health services),
- Providing youth financial literacy and work force development at local high schools,
- Providing tax preparation to low- and moderate-income individuals,
- Serving on a board that provides educational scholarships for private education to low- and moderate individuals,
- Providing fundraising expertise to an organization the helps provide health care for individuals that are low- or moderate-income and support other community development organization,
- Serving as a director on a workforce investment board,
- Serving on boards for economic development organizations that provides financing to small businesses to build jobs,
- Providing homeownership and counseling information.

## **Responsiveness to Community Development Needs**

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

### Iroquois County AA

IFSLA's community development activities, as a whole, demonstrate excellent responsiveness to the needs and opportunities in these AAs. Community contacts identified needs for economic development, small business education, and continued recovery from the 2008 flooding. Primarily through community development loans, the institution has worked to address the economic development needs. IFSLA loaned a total of \$3.5 million to one borrower to build three new restaurants within Watseka. These restaurants provided 100 new jobs to low- and moderate-income individuals and helped grow the local economy. As noted in the description of AA, restaurants have experienced an increase in credit needs within the area. Additionally, one employee provided financial expertise to a committee assisting with recovery from the 2008 floods.

A majority of the institution's community development activities benefited organizations providing community services to low- and moderate-income individuals. While not specifically noted as a need by community contacts, we do note that 35 percent of the AA families are low- or moderate-income and have needs for community services. The institution primarily focused on Unit #9 District Schools in qualified investments and community development services.

### Danville MSA AA

IFSLA's community development activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in this AA. In addition to economic development, community contacts also identified the need for affordable housing, small consumer loans, job training, small business training, and support for community development loan programs, homeownership counseling, and community development organizations. The high unemployment emphasizes the need for job training, job development, and affordable housing.

IFSLA did provide an \$86,000 loan for affordable housing. The institution also provided small in-kind grants totaling \$166 to two organizations emphasizing affordable housing. Additionally one employee provided information on homeownership and counseling through a community action agency.

IFSLA provided four loans totaling \$1.2 million to two related small businesses that expanded and added 20 new positions. The institution also provided \$39,500 to an organization working to prepare the workforce through the local school districts. The institution provided an additional \$10,000 to a community college foundation for scholarships specifically for low- and moderate-income individuals. The institution continues to have a \$20,000 investment in a local CDC, in addition to an officer providing financial expertise to the CDC. The institution provides an employee to a local high school to help prepare students for employment through interview and

resume assistance. An employee serves as a director for a workforce investment board. Additionally, an officer of the institution has provided financial expertise to a county-wide economic development committee that provides financing to small businesses and small business education.

A majority of the in-kind donations and services focus on organizations providing community services to low- and moderate-income individuals. As mentioned above, community contacts identified this as a need. With the high unemployment and high poverty rates, there is a large need for community services to these individuals. The institution focused primarily on youth programs and local school districts.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28 (c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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