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Comptroller of the Currency  
Administrator of National Banks

**Small Bank**

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Eau Claire Field Office  
1310 West Clairemont Ave, Suite 100  
P.O.Box 8187  
Eau Claire, Wisconsin, 54702-8187

## **PUBLIC DISCLOSURE**

**February 16, 1999**

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

**Union National Bank and Trust Company  
124 West Oak Street  
P.O. Box 249  
Sparta, WI 54656**

**Charter # 11463**

**Office of the Comptroller of the Currency  
920 Second Ave. S. Suite 800  
Minneapolis, MN 55402**

**NOTE: 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.**

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Union National Bank and Trust Company, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 16, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory Record of Meeting Community Credit Needs.**

- o The bank has a reasonable distribution of lending to consumer borrowers of different income levels in relation to the demographics of the assessment area.
- o The bank has a reasonable distribution of lending to businesses and farms of different sizes given the demographics of the assessment area.
- o The bank originates a majority of their loans inside their assessment area.
- o The bank has a reasonable loan-to-deposit ratio.

## **DESCRIPTION OF INSTITUTION**

Union National Bank and Trust Company (UNB) is a \$72 million institution located in Sparta, Wisconsin, a city of approximately 8,000 people located about 25 miles east of La Crosse, Wisconsin. The bank has a main office and a separate autobank facility, both located in Sparta in a middle income block numbering area. UNB has no automatic teller machines. The bank is wholly owned by Sparta Union Bancshares, Inc., a \$72 million dollar one bank holding company.

The bank's primary focus is commercial and residential real estate lending. As of January 21, 1999, the bank's \$37 million loan portfolio consisted of 38% commercial and commercial real estate, 31% residential real estate, 17% consumer, and 14% agricultural and agricultural real estate. Net loans and leases comprised 51% of the bank's total assets. The bank also participates in the USDA Rural Development Guaranteed Rural Housing Program. As of December 31, 1998, they had made six loans through this program. There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

The bank's last CRA rating was a "Satisfactory Record of Meeting Community Credit Needs" dated June 14, 1996.

## **DESCRIPTION OF THE ASSESSMENT AREA**

UNB's assessment area consists of five block numbering areas (BNAs) which are located in Monroe County. All five of the BNAs are designated middle income.

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. There are no low- or moderate-income areas located in close proximity to the bank's assessment area.

Based on 1990 Census data, the population of the assessment area is approximately 20,800. The median family income from the 1990 census for the bank's assessment area is \$30,290. The updated 1998 median family income for the assessment area is \$41,800. A breakdown of family income levels in the assessment area show 18% are low income, 21% are moderate income, 28% are middle income, and 33% are upper income. Thirteen percent of the households are below poverty level. The median housing value is \$45,229 and 68% of the housing is owner occupied.

The local economy is stable and is primarily dependent on government, manufacturing and agriculture. Summer tourism related to the Sparta-Elroy Bicycle Trail also impacts the local economy.

Competition among financial institutions in the assessment area is moderate with two branches of other banks, a local credit union, and an office of the Farm Credit Services located in Sparta. There are several other financial institutions located in the bank's assessment area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The bank does a satisfactory job of lending to borrowers of different income levels and to businesses of different sizes. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to several million dollars. A random sample of 30 commercial customer files indicates the following breakdown of annual revenues.

<b>Lending Distribution Based on Revenue Size of Businesses</b>		
<b>Revenue Size of Businesses Sampled \$(000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percentage of Businesses in each Revenue Category (census information)</b>
< \$100	37%	84%
\$100 - \$250	33%	
\$250 - \$500	10%	
\$500 - \$1,000	7%	7%
> \$1,000	13%	9%
Totals	100%	100%

The following table is based on an analysis of 74 consumer loan files containing income information for the borrower. The files were from those reviewed during our examination of the bank's compliance with consumer laws and regulations. These files were for secured consumer loans and residential real estate mortgage products. These customers were randomly selected from all consumer loans and residential real estate mortgages originated in 1998.

<b>Lending Distribution Based on Income Level of Consumer Borrowers June 1997 - June 1998 Consumer Loan Originations</b>		
<b>Borrower Income Level</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percentage of Families in each Income Category (census information)</b>
Low	26%	18%
Moderate	12%	21%
Middle	26%	28%
Upper	36%	33%
Totals	100%	100%

As indicated by the above table, 38% of sample loans were made to low- and moderate-income borrowers which is comparable to the actual percent of these families located in the assessment area (39%).

### **Lending in the Assessment Area:**

UNB originates a majority of its loans inside its assessment area. Our conclusions are based on the dollar and number of loans sampled for commercial, residential real estate mortgages, and consumer loans. Our sample included 26 commercial and agricultural loans, 28 residential real estate mortgages, and 55 consumer loans which were originated in 1998. The following table illustrates the level of lending inside the bank's assessment area:

<b>Penetration of Lending Inside the Bank's Assessment Area</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
Commercial & Agricultural Loans	85%	86%
Residential Real Estate Mortgages	86%	86%
Consumer Loans	89%	88%

### **Loan-to-Deposit Analysis**

The bank's average quarterly loan-to-deposit ratio from December 1996 through December 1998 is 62% percent. This ratio is reasonable given the bank's size, financial condition, and lending opportunities within its assessment area. UNB did have the lowest average loan-to-deposit ratio compared to five similarly situated banks in their assessment area. These five banks had average loan-to-deposit ratios ranging from 65% to 82% over the same time period. The average loan-to-deposit ratio of the six banks in the assessment area was 70%. One factor affecting the bank's loan-to-deposit ratio is new and refinanced real estate mortgages which are sold in the secondary market. The bank had approximately \$8 million these loans in 1998. The bank's loan-to-deposit ratio would have been higher if these loans had not been sold in the secondary market.

### **Geographic Distribution of Loans:**

We did not evaluate the geographic distribution of lending throughout the bank's assessment area because there are no low- or moderate-income BNAs in the assessment area. All five of the BNAs in the assessment area are middle-income.

### **Response to CRA Related Complaints**

The bank has not received any CRA related complaints since the previous evaluation.

### **Compliance with Antidiscrimination Laws**

Union National Bank and Trust Company is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.