



PUBLIC DISCLOSURE

January 2, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Midland FS & LA
Charter Number 704475

8929 S Harlem Ave
Bridgeview, IL 60455-1923

Office of the Comptroller of the Currency

2001 Butterfield Rd, Suite 400
Downers Grove, IL 60515

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: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

- The loan-to-deposit ratio is reasonable given the bank's size and financial condition.
- A majority of loans originated are inside the bank's assessment area (AA).
- Borrower distribution reflects a reasonable distribution to borrowers of different income levels.
- Geographic distribution reflects a reasonable distribution throughout the AA.

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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 refinancings, 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 five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

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) 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: 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

Midland FS & LA (Midland or the bank) is a \$117 million federally chartered stock institution that is wholly owned by Midland Capital Holdings Corporation. The bank does not have any other affiliates. The bank's main branch is located in Bridgeview, IL, which is approximately 25 miles southwest of downtown Chicago. In addition to the main branch, Midland has three full service branch offices, two on the southwest side of Chicago and one in Homer Glen, IL, an unincorporated area in eastern Will County. The Chicago branch offices are located in the Brighton Park and Marquette Park neighborhoods. The Homer Glen branch is the only branch located outside of Cook County. The Marquette Park and Brighton Park branches are located in a low-income and moderate-income census tract (CT), respectively. The main branch is in a middle-income geography, and the Homer Glen office is in an upper-income geography.

Midland's strategy is to operate as a traditional full service thrift, offering a wide array of deposit and loan products. The bank's primary lending focus is home mortgage lending for one-to-four family residential dwellings. The bank is starting to originate more multi-family loans in the area to increase loan growth. The bank's loan portfolio totaled \$49.9 million as of September 30, 2017. One-to-four family real estate mortgages comprised 89 percent of the bank's total loan portfolio.

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

The last performance evaluation under the Community Reinvestment Act was dated May 29, 2012. The bank was evaluated under Small Bank performance standards and received an overall performance of "Satisfactory."

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

Midland's AA consists of 143 contiguous CTs located on the southwest side of Chicago and the adjacent southwest suburban communities. The AA includes 134 CTs in Cook County, IL and nine CTs in Will County, IL. This AA represents a serviceable portion of the 1,759 CTs that comprise the eight county Chicago MD. Considering Midland's small asset size, operational strategies, and office locations, the delineated AA meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. The AA does not reflect illegal discrimination.

While the local economy has improved, it has been slower to recover compared to the region. Unemployment rates in the AA remain above county, state, and national rates. It is noted that approximately 13 percent of the households within Midland's AA are below the poverty level. See the Table below for demographic information on the bank's AA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Midland's Community Reinvestment Act (CRA) performance was assessed using Small Bank CRA examination procedures. The review period for this examination was January 1, 2015 through December 31, 2017. For the CRA performance evaluation, we reviewed single-family home mortgage loan originations, which is the bank's primary lending product.

To perform the analysis, the bank provided their Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) for 2015, 2016, and 2017. The bank originated 49 loans within their AA during the review period. The volume of HMDA lending has declined significantly over the past few years as a result of the lack of loan demand and economic conditions in the local area, in addition to strong local competition.

We reviewed the bank's loan and deposit information from the September 30, 2017 Uniform Bank Performance Report. We used the June 30, 2017 Federal Deposit Insurance Corporation (FDIC) deposit market share report to determine the bank's deposit market share and presence within its AA.

Data Integrity

Prior to performing the analysis, we performed a data integrity examination on the bank's HMDA data by sampling loans from each year. We identified reporting errors in key fields on the 2015 HMDA LAR. All errors were corrected, and the data used in this evaluation was validated and deemed reliable.

Selection of Areas for Full-Scope Review

The bank has only one AA, which received a full-scope review.

Ratings

The bank's overall rating is based on the AA that received a full-scope review.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §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 assessment area 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 has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

Conclusions with Respect to Performance Tests

Midland’s CRA performance is adequate in meeting the lending needs of its AA. The loan-to-deposit ratio is reasonable, and a majority of the bank’s loan originations are inside its AA. Borrower distribution reflects reasonable distribution across different income levels, and geographic distribution meets the standards for satisfactory performance. Midland's complaint response process is appropriate.

LENDING TEST

Loan-to-Deposit Ratio

Midland's quarterly average loan-to-deposit (LTD) ratio is reasonable. Midland's quarterly average LTD ratio since the last examination (June 2012 through September 2017) was 57.17 percent. Midland's quarterly LTD ratio gradually declined during the evaluation period, starting at 68.07 percent and ending at 47.06 percent. During the same period, the average LTD ratio of 25 similarly situated banks ranged from 47.40 percent to 90.80 percent with an average of 68.17 percent. Midland’s LTD is reasonable as it falls within this range, and given lending opportunities are limited from economic and competitive restraints in the AA. Loan demand is weak, and refinancing activity has slowed as median home values continue to decline and interest rates continue to rise.

Lending in Assessment Area

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

Table 2 - Lending in Midland’s AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	49	70.00	21	30.00	70	7,723	64.63	4,227	35.37	11,950

Source: HMDA Loans reported for 2015, 2016, 2017.

Lending to Borrowers of Different Incomes

Midland's lending throughout its AA shows there is reasonable distribution to borrowers of different income levels. We compared the bank’s level of lending to the percent of families by income level category and to the percent of aggregate HMDA reportable loans. Lending to low-income families is well below the percent of those borrowers in the AA. However, the bank’s lending is within a reasonable range of the aggregate HMDA loans. In addition, lending to low-income families is limited due to demographic constraints in the AA. Low-income families have difficulty qualifying for mortgages, as approximately 13 percent of the AA is below the poverty level, and 7.5 percent is unemployed. Peer banks display similar difficulties with lending to low-income families.

Lending to moderate-income families exceeds the percent of those families in the AA and is higher than the peer lending percentage to those families.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	2015 Aggregate Lending	% of Number of Loans	2015 Aggregate Lending	% of Number of Loans	2015 Aggregate Lending	% of Number of Loans	2015 Aggregate Lending	% of Number of Loans
HMDA	10.83	6.12	21.87	28.57	20.93	26.53	25.00	38.78
% of AA Families	26.33		19.38		19.57		34.72	

Source: HMDA data provided by bank, 2015 HMDA Peer Group data, and 2015 U.S. Census Data.

Geographic Distribution of Loans

Midland's geographic distribution of mortgage lending reflects a reasonable distribution of loans to different income tracts throughout its AA. The analysis reflects lending in most tracts and is in line with peer lending. We compared the bank's lending in low- and moderate-income CTs to aggregate HMDA loans in those CTs, as well as to the percent of owner occupied housing units (OOHUs) in each income tract category. While the bank did not make any loans in the low-income CTs, the level is within a reasonable range below the low industry percentage. The bank's lending in moderate-income CTs is also below the industry percentage and the percent of OOHU distribution. The level of lending in moderate-income CTs is within a reasonable range below the industry percentage. Lending in low- and moderate-income tracts is limited due to economic constraints in the AA. Low- and moderate-income tracts consist of a large number of rental and vacant units and have a lower volume of OOHUs. Given that the bank only originates owner-occupied housing loans, this is a significant impediment. Peer banks display similar difficulties with lending in low- and moderate-income tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	2015 Aggregate Lending	% of Number of Loans	2015 Aggregate Lending	% of Number of Loans	2015 Aggregate Lending	% of Number of Loans	2015 Aggregate Lending	% of Number of Loans
HMDA	1.91	0.00	15.12	10.20	43.16	51.02	39.81	38.78
% Owner Occ. Units	6.56		20.88		40.79		31.77	

Source: HMDA data provided by bank, 2015 HMDA Peer Group data, and 2015 U.S. Census Data.

Responses to Complaints

Midland's complaint response process is appropriate. Midland received one discrimination complaint during the evaluation period, and management addressed it in a timely manner. The customer assistance group (CAG) notified Midland of the complaint on August 14, 2012 and President Paul Zogas responded 10 days later on August 24, 2012. CAG ultimately closed the case on June 25, 2014 and required no formal action from Midland.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the 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”).

Time Period Reviewed	Lending Test: (01/01/15 to 12/31/17)	
Financial Institution	Products Reviewed	
Midland FS & LA Bridgeview, IL	Residential Mortgage Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Chicago, IL MSA #16980	Full Scope	143 CTs in portions of both Cook and Will Counties

Appendix B: Community Profiles for Full-Scope Areas

Chicago MSA #16980 AA (Portions of Cook and Will Counties – Midland AA)

Table 1 - Demographic Information for Midland AA (portions of Cook and Will Counties within Chicago MD)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	143	16.78	27.27	35.66	20.28	0.00
Population by Geography	688,205	13.70	27.96	34.75	23.59	0.00
Owner-Occupied Housing by Geography	167,380	6.56	20.88	40.79	31.77	0.00
Family Distribution by Income Level	163,918	26.33	19.38	19.57	34.72	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	74,929	20.76	35.93	30.37	12.94	0.00
Median Family Income		75,350	Median Housing Value			195,302
FFIEC Adjusted Median Family Income for 2017		77,500	Unemployed Labor			7.51%
Households Below Poverty Level		12.78%				

Source: 2015 ACS U.S. Census Data and 2017 FFIEC updated MFI