



PUBLIC DISCLOSURE

April 21, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union S & LA
Charter Number 704369

730 N Central Ave
Connersville, IN 47331-2048

Office of the Comptroller of the Currency

Westlake Center
4555 Lake Forest Drive, Suite 520
Cincinnati, OH 45242-3760

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.

Union Savings and Loan Association's (Union or thrift) rating is primarily based on the following:

- More than reasonable loan-to-deposit (LTD) ratio.
- The majority of mortgage loans were inside the thrift's assessment areas (AAs).
- Lending to borrowers of different income levels is reasonable. Lending to businesses of different sizes reflects reasonable penetration.
- Union's geographic distribution of home mortgage loans reflects reasonable dispersion. Union's geographic distribution of small loans to businesses reflects reasonable dispersion.

Scope of Examination

Our office conducted a full scope Community Reinvestment Act (CRA) evaluation to assess the thrift's record of meeting the credit needs of its entire community, including low- and moderate-income areas. We used small savings association evaluation procedures to determine the thrift's record of meeting the credit needs of its assessment area through its lending activities. Union was rated Satisfactory at the prior CRA evaluation.

The evaluation period is from January 1, 2012 to December 31, 2013, utilizing 2010 census data. Residential real estate loans and small loans to businesses are the thrift's primary loan products. In our review, we evaluated Home Purchase and Home Refinance loans from the thrift's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) and business loans from the thrift-provided business loan register.

We conducted a HMDA Data Integrity Review in March 2014 by comparing the bank's LARs to actual loan files. We found the HMDA data for 2012 and 2013 is accurate and reliable for use during our review.

Furthermore, we reviewed all of the thrift's business loans, comparing the thrift-provided loan register to the actual loan files. We found the data to be accurate and reliable for use during the evaluation.

Description of Institution

Union is a federally chartered mutual thrift institution founded in 1937. The thrift's main office is located in downtown Connersville, Indiana. In addition to the main office, the thrift has two branches, one located across town from the main office in Connersville and the other branch is in Greenfield, IN. The thrift's branch in Connersville was recently torn down and replaced with a new four thousand square-foot structure. The products and services offered are similar to those offered by other community banks and thrifts.

Union's loan portfolio consists mainly of residential mortgage loans secured by one-to-four family dwellings. Specifically, mortgage loan products offered include fixed-rate and adjustable-rate, loans for the purchase, refinance, home improvement, and construction of one-to-four family dwellings and multi-family dwellings. In addition, commercial, commercial real estate, land and various types of consumer loans are also available. Table 1 below details the thrift's loan portfolio mix.

Table 1 - Union SLA FSB's Investment in Loans (12/31/2013)			
Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$54,964	55.38%	41.27%
Home Equity Line of Credit	\$5,206	5.25%	3.91%
Commercial/CRE	\$14,157	14.27%	10.63%
Consumer	\$10,730	10.81%	8.06%
Other	\$14,184	14.29%	10.65%
Total	\$99,241	100.0%	74.52%

Source: December 31, 2013 Call Report

Description of Assessment Areas

Union has two non-contiguous AAs in Indiana: one is Fayette County, which is not located in a Metropolitan Statistical Area (MSA), and the other is Hancock County, which is located in the Indianapolis-Carmel, Indiana MSA. Because Union has both a Non-MSA and a MSA AAs, the CRA requires that we assess performance in both areas separately, then combine the assessments for an overall rating. We completed a full scope review of both the Fayette County AA and the Hancock County AA. Union has not opened or closed any branches since the previous evaluation and relies heavily on lobby traffic and referrals. Advertising is limited to traditional forms such as print, radio, word of mouth, and a recently updated website. Substantively all products and services are available at all three branch locations.

Fayette County AA (Non-MSA)

Union maintains two full service branch offices in Connersville, in Fayette County, Indiana. Both offices maintain drive-up services and an ATM machine. Operating hours are similar to those of other community banks and thrifts. According to the 2010 census, both branches are located in moderate-income census tracts.

Manufacturing and health care/social services have the highest earnings by industry in Fayette County. Fayette County experienced a significant increase in unemployment during the financial crisis, but has since recovered although it remains above state levels. The December 2013 unemployment rate for Fayette County was 8.7 percent, while the statewide unemployment rate was 6.3 percent.

The five largest employers in Fayette County are located in Connersville and include Stant Corp, Walmart Supercenter, Issues & Answers Network Inc., Ge Energy, and the National Guard Armory. Per the 2010 census, Fayette County had a total population of 24,277. Connersville, the county seat and largest city in Fayette County, had a population of 13,481. Compared to 2000 census data, the populations of Fayette County and Connersville have trended downward declining 5.1 percent and 12.5 percent, respectively.

Table 2 illustrates demographic data on population, families, and housing units within the Fayette County AA per the 2010 census. From this point forward, unless indicated otherwise, all tabular data reflects 2010 census information.

Table 2 - Demographic Data (Based on 2010 U.S. Census Data)	
Demographic Data	2010 Census
Population	24,277
Total Families	6,720
1-4 Family Units	9,538
Multi-family Units	692
% Owner-Occupied Units	67%
% Rental-Occupied Units	23%
% Vacant Housing Units	10%
Weighted Average Median Housing	\$86,224

The Fayette County AA contains two moderate-income and five middle-income census tracts. Table 3 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to owner occupied one-to-four family dwellings located within those geographies.

Table 3 - Distribution of Geographies, Families and Housing Units In the Fayette County AA						
Geog Inc Level	Geographies		Total Area Families		Owner Occupied 1-4 Family Dwellings	
2010 Census:	#	%	#	%	#	%
Moderate	2	28.6%	1,874	27.9%	2,038	27.9%
Middle	5	71.4%	4,846	72.1%	5,264	72.1%
Total	7	100.0%	6,720	100.0%	7,302	100.0%

Source: 2010 U.S. Census

The middle-income tract levels are distressed and underserved. Tracts labeled distressed and underserved contain 72 percent of total area families. The median family income for 2013 was \$52,700.

According to 2010 census data, 17.3 percent of households in Fayette County were below the poverty line. The poverty rate significantly influences the number of qualified borrowers in the low-income category. The U.S. Census Bureau American Community five-year (2008-2012) survey estimates 23.6 percent of Fayette County’s population is below the poverty level, which is well above the statewide level of 14.7 percent.

Hancock County AA (Indianapolis-Carmel MSA)

Union maintains one full service branch in Greenfield, Hancock County, Indiana, which is part of the Indianapolis-Carmel MSA. This location maintains drive-up services and contains an ATM machine. Per the 2010 census, the Greenfield branch is located in a middle-income census tract.

The Indianapolis area continues to grow and build its reputation as a transportation hub. However, reduced Medicare reimbursement rates and lower patient volumes may hurt metro area hospitals and slow industry job growth. For example, the two largest employers, Indiana University Health and St. Vincent Hospital, both announced large layoffs and position eliminations in 2013. As with most of the state, Hancock County experienced an increase in unemployment during the financial crisis, but has since recovered and currently compares favorably to the statewide rate. The December 2013 unemployment rate for Hancock County was 5.3 percent, while the statewide unemployment rate was 6.3 percent. Other major employers in the Indianapolis-Carmel MSA include Eli Lilly and Co., Wal-Mart Stores Inc., and Marsh Supermarket’s Inc. Compared to 2000 census data, the population of Hancock County has been steadily increasing. According to the 2010 census, the largest town and county seat, Greenfield, has grown to a population of 20,602. All other towns and villages have populations under 5,000. Table 4 illustrates demographic data on population, families, and housing units in Hancock County.

Table 4 - Demographic Data (Based on 2010 U.S. Census Data)	
Demographic Data	2010 Census
Population	70,002
Total Families	19,447
1-4 Family Units	25,139
Multi-family Units	1,921
% Owner-Occupied Units	73.76%
% Rental-Occupied Units	18.40%
% Vacant Housing Units	7.84%
Weighted Average Median Housing	\$157,462

The Hancock County AA contains one moderate-income, eight middle-income, and one upper-income census tracts; it does not have any low-income census tracts. Table 5 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to owner occupied one-to-four family dwellings located within those geographies.

Table 5 - Distribution of Geographies, Families and Housing Units In the Hancock County AA						
Geog Inc Level	Geographies		Total Area Families		Owner Occupied 1-4 Family Dwellings	
2010 Census:	#	%	#	%	#	%
Moderate	1	10.0%	1,492	7.7%	1,329	6.5%
Middle	8	80.0%	15,354	79.0%	16,150	79.4%
Upper	1	10.0%	2,601	13.3%	2,862	14.1%
Total	10	100.0%	19,447	100.0%	20,341	100.0%

Source: 2010 U.S. Census

According to 2010 census data, 7.1 percent of households in Hancock County were below the poverty level. The U.S. Census Bureau American Community five-year (2008-2012) survey estimates 7.7 percent of Hancock County’s population is below the poverty level, which compares favorably to the statewide level of 14.7 percent. The median family income for 2013 was \$65,100. Per conversation with the community contact, job growth and affordable housing are the primary needs in the county.

Conclusions with Respect to Performance Tests

Loan-to-Deposit Ratio

Union’s LTD ratio exceeds the standard for satisfactory performance. The thrift’s LTD ratio since the last evaluation ranged from a high of 114.2 percent at December 31, 2008 to a low of 79.9 percent at December 31, 2013. The average LTD ratio for this period was 95.5 percent and is more than reasonable compared to the LTD ratio of the thrift’s competitors (similar sized southeast Indiana banks and thrifts), which was 79.2 percent at December 31, 2013.

Lending in Assessment Area

Union’s lending activity inside the AAs meets the standard for satisfactory performance. Table 6 shows the majority of the thrift’s HMDA reportable mortgage loans and small loans to businesses are inside the combined AAs.

Table 6 – Lending in the Assessment Area (All AAs)										
Loan Type	Number of Loans					Dollars of Loans (000's omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	242	69.74	105	30.26	347	26,969	59.98	17,994	40.02	44,963
Small Business	25	65.79	13	34.21	38	5,660	63.36	3,273	36.64	8,933

In Fayette County, Union's mortgage market share was 14.3 percent in 2012, ranking 2nd, while the deposit market share, as published by the FDIC, was 26.3 percent at June 30, 2013, ranking 1st. In Hancock County, mortgage market share was 0.86 percent in 2012, ranking 34th, while the deposit market share, as published by the FDIC, was 3.3 percent at June 30, 2013, ranking 6th. We note most mortgage competitors in both AAs are much larger institutions with greater resources.

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

Lending to borrowers of different income levels is reasonable. Lending to businesses of different sizes reflects reasonable penetration.

Fayette County Non-MSA AA

Lending to borrowers of different income levels in the Fayette County Non-MSA AA reflects reasonable penetration. See Table 7 for details. The FFIEC Census report classified Fayette County as a distressed and underserved area. The percent of households below the poverty level is high at 17.31 percent. This contributes to the lower penetration to low-income borrowers as these households may experience difficulty meeting the credit underwriting standards for home mortgage loans.

The thrift's home purchase lending to low-income borrowers was reasonable. The thrift made 7.14 percent home purchase loans to low-income borrowers compared to the industry average of 17.16 percent. The thrift's home purchase lending to moderate-income borrowers was reasonable. The percentage of loans to low-income borrowers was reasonable and near the percentage made by industry comparators. The percentage of loans to moderate-income borrowers was also reasonable and similar to the percentage made by industry comparators.

Table 7 - 2012-2013 Borrower Distribution of Residential RE Loans in Fayette County Non-MSA AA					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Peers		% of Families in Each AA Income Level
Loan Type	Purchases	Refinances	Purchases	Refinances	
Low	7.14	10.75	17.16	11.08	23.02
Moderate	28.57	23.66	39.64	24.43	21.65
Middle	18.57	34.41	23.67	29.55	23.19
Upper	44.29	31.18	19.53	34.94	32.14
N/A	1.43	0.00	0.00	0.00	0.00

Source: Union SLA HMDA Loan Data from January 1, 2012 through December 31, 2013.

Lending to businesses with different revenue levels in the Fayette County Non-MSA AA reflects excellent penetration. Within Fayette County, 69.4 percent of businesses have revenue less than \$1 million, and the thrift originated 80 percent of its loans to businesses with revenues less than \$1 million.

Table 8 2012-2013 Borrower Distribution of Small Loans to Businesses in Fayette County Non-MSA AA			
Business Revenues	<\$1,000,000	>\$1,000,000	Total
% of AA Businesses	69.4%	30.6%	100.0%
% of Thrift Loans in AA by #	80.0%	20.0%	100.0%
% of Thrift Loans in AA by \$	70.0%	30.0%	100.0%

Hancock County MSA AA

Lending to borrowers of different income levels in the Hancock County AA reflects reasonable penetration. The percent of households below the poverty level is low at 7.7 percent.

The thrift’s home purchase lending to low-income borrowers was poor. The thrift made no home purchase loans to low-income borrowers compared to 14.58 percent for its competitors. The thrift’s home purchase lending to moderate-income borrowers was reasonable. The percentage of loans made to moderate-income borrowers was near to the percentage made by industry comparators. The percentage of refinance loans to low-income borrowers was excellent. The percentage of refinance loans to moderate-income borrowers was excellent and exceeded the percentage made by industry comparators.

Table 9 2012-2013 Borrower Distribution of Residential RE Loans in Hancock County AA					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Peers		% of Families in Each AA Income Level
Loan Type	Purchases	Refinances	Purchases	Refinances	
Low	0.00	6.25	14.58	6.87	15.77
Moderate	17.24	20.84	30.54	19.35	18.12
Middle	17.24	14.58	27.10	26.13	24.31
Upper	65.52	50.00	27.78	47.65	41.80
N/A	0.00	8.33	0.00	0.00	0.00

Lending to businesses with different revenue levels in the Hancock County MSA AA reflects reasonable penetration. As shown in Table 10 below, the thrift’s distribution of lending to low- and moderate-income borrowers in the Hancock County AA reflects reasonable penetration.

Table 10 2012-2013 Borrower Distribution of Small Loans to Businesses in Hancock County MSA AA			
Business Revenues	<\$1,000,000	>\$1,000,000	Total
% of AA Businesses	75%	25%	100.0%
% of Thrift Loans in AA by #	60.0%	40.0%	100.0%
% of Thrift Loans in AA by \$	87.0%	13.0%	100.0%

Geographic Distribution of Loans

Union’s geographic distribution of home mortgage loans reflects reasonable dispersion. Union’s geographic distribution of small loans to businesses reflects reasonable dispersion.

Fayette County Non-MSA AA

Union’s geographic distribution of loans within the Fayette County Non-MSA AA reflects reasonable dispersion. There are no low-income CTs in this AA.

The portion of home purchase loans originated in moderate-income CTs reflects excellent penetration and exceeds the percentage made by its competitors. The portion of refinance loans originated in moderate-income CTs was reasonable and near the percentage made by its competitors.

Table 11 2012-2013 Geographic Distribution of Residential RE Loans in Fayette County Non-MSA AA					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Peers		% of Owner- Occupied Units
Loan Type	Purchases	Refinances	Purchases	Refinances	
Moderate	38.57	16.13	25.38	19.74	27.91
Middle	61.43	83.87	74.62	80.26	72.09

Source: Union SLA HMDA Loan Data from January 1, 2012 through December 31, 2013.

Union SLA's geographic distribution of small loans to businesses within the Fayette County Non-MSA reflects reasonable dispersion. The portion of loans made to moderate-income CTs was reasonable and consistent with the percentage made by its competitors.

Table 12 2012-2013 Geographic Distribution of Small Loans to Businesses in Fayette County Non-MSA AA			
Business Revenue Level	% Total Thrift Loans	% of Loans by AA Peers	% of Businesses
Moderate	30.0%	29.2%	39.6%
Middle	70.0%	70.8%	60.4%

Hancock County MSA AA

Union's geographic distribution of loans within the Hancock County AA reflects reasonable dispersion. Of note, there is a high level of occupied rental units in the moderate-income CTs in this AA. There are no low-income CTs.

The portion of home purchase loans originated in moderate-income CTs reflects excellent penetration and exceeded the percentage made by industry comparators within those CTs. The portion of refinance loans originated in moderate-income CTs was reasonable and near the percentage of its competitors.

Table 13 2012-2013 Geographic Distribution of Residential RE Loans in Hancock County AA					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Peers		% of Owner- Occupied Units
Loan Type	Purchases	Refinances	Purchases	Refinances	
Moderate	6.90	2.08	6.05	4.70	6.53
Middle	86.20	81.25	82.51	79.21	79.40
Upper	6.90	16.67	11.44	16.09	14.07

Union’s geographic distribution of small loans to businesses within the Hancock County AA reflects poor distribution. The bank had no lending activity in moderate-income census tracts, though nearly 40 percent of businesses in the AA are located in these tracts. This lack of lending activity also is below peer activity.

Table 14 2012-2013 Geographic Distribution of Small Loans to Businesses in Hancock County Non-MSA AA			
Business Revenue Level	% Total Thrift Loans	% of Loans by AA Peers	% of Businesses
Moderate	0.0%	8.54%	39.6%
Middle	100.0%	77.92%	60.4%
Upper	0.0%	13.54%	0.0%

Responses to Complaints

During the review period, Union received no written complaints relating to its performance in helping to meet the credit needs of its AAs.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c) in determining a Federal Savings Association’s (FSA’s) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA’s lending performance.

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