



## PUBLIC DISCLOSURE

February 19, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

United Community Bank  
Charter Number 703767

92 Walnut Street  
Lawrenceburg, IN 47025

Office of the Comptroller of the Currency

Westlake Center  
4555 Lake Forest Drive, Suite 610  
Cincinnati, OH 45242

**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 Outstanding.**

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

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

- The thrift's loan-to-deposit (LTD) ratio is reasonable and is in line with similarly situated banks in the thrift's assessment areas (AA).
- A majority of their lending activity occurs within its AA.
- Lending to borrowers of different income levels and businesses of different sizes reflects excellent distribution within the thrift's assessment areas of Dearborn County and Ripley County, IN.
- Overall, the thrift's performance in lending to geographies of different income levels exhibits excellent distribution within the two moderate-income census tracts of the Dearborn County AA.
- The thrift showed a high-satisfactory commitment to serving the community development needs of the AA.

## **Scope of Examination**

Our office conducted a Community Reinvestment Act (CRA) examination at United Community Bank (UCB), Lawrenceburg, IN to assess the thrift's record of meeting the credit needs of its community. We used the intermediate small savings association CRA examination procedures to perform the examination. The evaluation period was from July 1, 2008 through December 31, 2012. For analysis of the Lending Test, we considered loans originated and/or purchased from January 1, 2011 through December 31, 2012.

UCB's primary products are residential real estate and commercial loans, which was determined through our review of the thrift's loan originations during the lending evaluation period. Of those two types, the 1-4 family residential real estate loans carry the most weight, since they are \$202.9 million or 74.4 percent of the total loan portfolio as of December 31, 2012. Commercial loans equal \$61.9 million or 22.7 percent of the loan portfolio.

## **Description of Institution**

UCB is a \$502 million federally chartered stock savings bank with eight branch locations and four stand-alone ATM locations. The thrift opened three branches in the new assessment area, Ripley County (AA2), on June 4, 2010. The thrift closed their sixth branch in Dearborn County on December 30, 2011 due to inactivity at the branch.

The main office, four branches, and the four stand-alone ATMs are located in Dearborn County (AA1). In AA1, UCB's main office and two of the branches are located in Lawrenceburg, and the remaining two branches are in the neighboring small towns of Aurora and St. Leon. The three branches in AA2 are located in Versailles, Osgood, and Milan, three small rural towns.

UCB continues to operate a community-oriented financial institution. The traditional thrift's main business focus is residential real estate lending, although they also serve their community with commercial loans. No legal or financial impediments exist that could restrict UCB's ability to meet the credit needs of the AAs. The thrift's last CRA examination was as of November 24, 2008, and concluded with an assigned 'Outstanding' rating.

As of December 31, 2012, UCB reported total assets of \$501.5 million with \$426.7 million in deposits and \$272.6 million or 54.4 percent of total assets in total loans. At this same time, the thrift held \$46.6 million in Tier 1 (Core) Capital per the Uniform Bank Performance Report (UBPR). According to the FDIC's December 31, 2012 Deposit Market Share Report for Dearborn County, the thrift held first place or 38.2 percent of the market share and fifth place or 9.5 percent of the market share in Ripley County.

## **Description of Assessment Areas**

UCB's AAs consist of all of Dearborn and all of Ripley Counties in Indiana; neither AA arbitrarily excludes any low- or moderate-income census tracts. The Dearborn AA is located in the Cincinnati-Middletown, OH-KY-IN Metropolitan Statistical Area (MSA) #17140. As per the 2010 census data, ten census tracts comprise the Dearborn AA, two of which are moderate-income, six are middle-income and two are upper-income. Ripley County AA is located outside the MSA and encompasses six census tracts, five of which are middle-income and one is upper-income. Unlike many rural counties in the U.S., the population in these counties is growing. The population of Dearborn and Ripley counties was 46,109 and 26,523 for the 2000 census and 50,047 and 28,818 for the 2010 census, respectively. Dearborn County's main employment is service-providing industries. The largest employer is the Hollywood Casino, in Lawrenceburg, IN, which employs 1,225 individuals. This number will increase later this year when the Casino opens its new eight-floor convention center in downtown Lawrenceburg. The Dearborn County Hospital employs 768 individuals, and the county employs another 300 individuals. Major manufacturing employers include the Aurora Casket Co. with 500 employees and Anchor Glass with 300 employees.

As part of our CRA review, we discussed the Lawrenceburg community with a community contact. We also held informative conversations with the thrift's senior management, who are very active in supporting the community through participation on several city and county projects' boards and/or committees. Both these conversations reflected very optimistic opinions about the future of the area, primarily because of funds from the Casino.

These funds flow in partially from employment for local residents but also from profit sharing to the community. When the casino opened, local government put into place an agreement with the Casino that ensures the community benefits from Casino profits.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Loan-to-Deposit Ratio

UCB loan-to-deposit (LTD) ratio is reasonable given UCB's size, financial condition, and assessment area credit needs. The LTD ratio averaged 73 percent over the 17 quarters since the last CRA examination; this figure is influenced by the institution's high volume of public funds deposited with the thrift by the local city government. The sources of public deposits include the Cities of Lawrenceburg and Greendale, Dearborn County, and Lawrenceburg Conservatory District. Without the public funds, the 17-quarter LTD ratio equals 106 percent. With the public funds excluded, the thrift's quarterly LTD ratio ranged from a low of 84 percent to a high of 147 percent during the assessment period. The average LTD ratio for community banks of similar size, location, and product offerings in the AA was 71.5 percent for the evaluation period.

#### Lending in Assessment Area

A majority of UCB's lending activity occurs within its AA. Using the random sample of 20 small business loans selected and the thrift's HMDA LAR data reports we determined that UCB made 86.6 percent of their total number of loans and 80.00 percent of their total loan volume inside their AAs.

<b>Table 1 – Lending in Dearborn County MSA and Ripley County Non-MSA</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans (000's omitted)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Residential RE</b>	915	86.4	144	13.6	1059	\$123,777	79.6	\$31,668	20.4	\$155,445
<b>Business Loans*</b>	19	95.0	1	5.0	20	\$3,542	97.5	\$90	2.5	\$3,632
<b>Totals</b>	934	<b>86.6</b>	145	13.4	1079	\$127,319	<b>80.0</b>	\$31,758	<b>20.00</b>	\$159,077

Source: UCB HMDA Loan Data and Sample of Business Loans from 2011 and 2012.

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

As shown in Tables below, the thrift exceeds the standards for satisfactory performance by lending to low- and moderate-income borrowers in both 2011 and 2012 in both AAs. UCB's lending exceeds the other lenders in Dearborn County AA and Ripley County AA, in both 2011 and 2012. UCB's lending also exceeds the standard for satisfactory performance when compared to the demographic data.

The performance shown below is particularly good considering the 2010 census information shows 8.46 percent and 9.62 percent of all families in the Dearborn County and Ripley County AAs, respectively, live below the poverty level.

<b>2011 Borrower Distribution of Residential RE Loans in UCB's MSA AA</b>							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	11.5	25.0	9.0	8.0	13.6	5.1	16.3
Moderate	27.9	37.5	19.5	20.9	44.3	14.5	19.7
Middle	36.1	12.5	31.5	38.9	19.6	28.6	27.2
Upper	24.6	25.0	40.0	32.2	22.5	51.8	36.7

Source: 2000 U.S. Census data and thrift's HMDA loan data 2011.

<b>2012 Borrower Distribution of Residential RE Loans in UCB's MSA AA</b>							
Borrower Income Level	%Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	20.5	0.0	10.5	11.6	0.0	6.7	17.6
Moderate	18.0	16.7	22.8	12.8	20.7	17.5	19.0
Middle	25.6	0.0	30.7	25.8	0.0	30.1	24.4
Upper	35.9	83.3	36.0	49.8	79.3	45.7	39.0

Source: 2010 U.S. Census data and thrift's loan data 2012.

<b>2011 Borrower Distribution of Residential RE Loans in UCB's Non MSA AA</b>							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	11.1	0.0	4.5	1.3	0.0	2.8	15.9
Moderate	44.4	0.0	20.9	29.1	0.0	14.9	18.8
Middle	11.1	0.0	26.9	22.6	0.0	27.2	26.3
Upper	33.3	0.0	47.8	47.0	0.0	55.1	39.0

Source: 2000 U.S. Census data and thrift's HMDA loan data 2011.

2012 Borrower Distribution of Residential RE Loans in UCB's Non MSA AA							
Borrower Income Level	%Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	33.3	0.0	9.8	24.8	0.0	6.3	14.8
Moderate	0.0	0.0	17.1	0.0	0.0	10.3	18.2
Middle	66.7	0.0	24.4	75.2	0.0	19.6	21.9
Upper	0.0	0.0	48.8	0.0	0.0	63.8	45.1

Source: 2010 U.S. Census data and thrift's loan data 2012.

### Geographic Distribution of Loans

UCB's geographic distribution of loans within the Dearborn County AA reflects excellent penetration of the residential real estate loans in the AA's two moderate-income census tracts compared to the aggregate lending activity within the AA. Geographic distribution within the Ripley County AA is not applicable since they do not have any low- or moderate-income census tracts. Geographic distribution compared to the level of owner occupied units within the Dearborn County AA is also excellent. UCB residential real estate lending significantly exceeds the amount of owner occupied units within the moderate-income census tracts.

2012 Geographic Distribution of Residential RE Loans in UCB's MSA AA							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Units
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Moderate	38.6	22.2	18.3	36.4	9.5	19.0	14.3
Middle	51.4	55.6	67.2	56.6	76.8	65.3	65.4
Upper	10.0	22.2	14.5	7.0	13.7	15.7	20.3

Source: 2000 U.S. Census data and thrift's HMDA loan data 2011.

2012 Geographic Distribution of Residential RE Loans in UCB's Non MSA AA							
Borrower Income Level	%Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Units
	Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	
Low	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Moderate	18.0	33.3	11.1	20.5	24.4	9.5	14.4
Middle	76.9	66.7	71.5	72.9	75.6	68.5	63.0
Upper	5.1	0.0	17.4	6.6	0.0	22.0	22.6

Source: 2010 U.S. Census data and thrift's loan data 2012.

### Responses to Complaints

Neither the thrift's management team, nor the OCC's Consumer Assistance Group received any complaints regarding UCB's CRA performance within the review period.

## COMMUNITY DEVELOPMENT TEST

### Number and Amount of Community Development Loans

UCB has shown a high-satisfactory commitment to serving the community development needs of the AAs. The thrift originated the following qualifying community development loans during the review period and presented by management for our consideration.

**\$160,000 Loan** – Borrowers used loan proceeds to purchase a day care facility in downtown Lawrenceburg. The borrowers partnered with River Valley Resources, Inc. (RVR), a non-profit organization whose mission is to help low-moderate income families) to meet their basic needs. RVR allows low- to moderate-income families to apply for subsidies to help pay for day care. LORCOR, Inc. (registered name for Karla Lorey's Corporation) helps the low- to moderate-income families to apply for grants used to assist with payment of the day care service.

**\$360,000 Loan** (12 unit residential building - Section 8 Housing) – Lawrenceburg, IN

**\$390,000 Loan** (10 unit residential building - Section 8 Housing) – Lawrenceburg, IN

City of Aurora Low Interest Loan Program (CALILP). Many of Aurora's small businesses closed when large chain stores moved into the area. The thrift made the following Loans to help revitalize small businesses activity in the city of Aurora.

- \$10,000 Loan – Borrowers used funds to facilitate the purchase of a building in downtown Aurora to open up a small business.

- \$20,000 Loan \$20,000 – Borrowers used funds to assist in the down payment for the purchase of a building for the applicant’s small pizza business in downtown Aurora.
- \$10,000 Loan – Borrowers used funds to replace windows in two apartment buildings owned by the borrower.

In addition to community development loans, bank officers and staff provide their banking expertise to local organizations that benefit low- to moderate-income families. These include:

- the Lawrenceburg Community Center which provides after school child care during the summer for low income families;
- the YES Home Board which provides a place to live and full care for children removed from their homes;
- the United Way of Greater Cincinnati/Dearborn-Ohio Local Council which initiates numerous low-income assistance programs including free or reduced rate dental care and meals;
- the Dearborn Community Foundation Grant Committee;
- and passbook savings/checking account management class at the Lawrenceburg Primary School.

## **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 AA by an affiliate whose loans 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.