



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 14, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Union National Bank and Trust Company
Charter Number 11463

124 West Oak Street
P.O. Box 249
Sparta, WI 54656

Office of the Comptroller of the Currency
Eau Claire Duty Station
P.O. Box 8187
Eau Claire, Wisconsin 54702-8187

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 the Union National Bank and Trust Company prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, between September 15, 1992 (the date of the last CRA examination, CRA performance rated “Satisfactory Record of Meeting Community Credit Needs”), and June 14, 1996. 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.

Union National Bank and Trust Company displays a satisfactory record of meeting community credit needs, demonstrated by their sufficient volume of residential and commercial lending.

The following table indicates the performance level of the Union National Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Union National Bank and Trust Company</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Union National Bank and Trust Company (UNB) is a \$66 million financial institution located in West Central Wisconsin's Monroe County. The main office and branch (limited service auto driveup facility) are headquartered in Sparta in a middle income geography. The bank has no automatic teller machines. UNB offers a variety of traditional and government-sponsored loan products reasonably suited to community credit needs. Its \$37 million loan portfolio consists primarily of residential real estate (39%), commercial (32%), consumer (17%) and agricultural (13%) loans. There are no financial, legal or other factors that impede the bank's ability to perform under the CRA.

DESCRIPTION OF ASSESSMENT AREA

UNB's assessment area consists of four Block Numbering Areas (BNA) in western Monroe County. The assessment area complies with regulatory requirements.

According to 1990 census data, approximately one-half or 16,954 of the county's population resides in the assessment area. The assessment area consists entirely of middle income BNAs. Of the 6,096 households in the assessment area, 24% are low income, 17% are moderate income and 12% are below the poverty level. The Department of Housing and Urban Development's 1996 estimate of median family income is \$37,700 for the State of Wisconsin nonmetropolitan areas.

The area economy is stable and primarily dependent on government, manufacturing and agricultural sectors. Summer tourism related to the Sparta-Elroy Bicycle Trail also impacts the local economy. Unemployment levels are slightly above state averages but generally less than surrounding areas. Fort McCoy, a 60,000 acre military base (covers about one-third of the assessment area), is the area's largest employer with 2,300 civilian employees and 300 military personnel. The military and/or government awarded 3,006 contracts totaling \$5.4 million to Sparta area businesses in 1994. Other major employers include Northern Engraving, Monroe County, Sparta School District, Spartek, St. Mary's Hospital and the Morrow Memorial Home.

Competition among financial institutions in the assessment area is moderate. UNB's main competition is generally limited to financial institutions serving areas relatively close in proximity to Sparta. Primary competitors include the First Bank of Sparta and the First Community Credit Union.

Community contacts performed by regulators within the last two years disclosed no unmet credit needs. Community credit needs include affordable housing and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

UNB's loan to deposit ratio is reasonable. The average quarterly loan to deposit ratio since the previous CRA examination is 64%. This compares to an average quarterly loan to deposit ratio of 68% for 24 similarly situated banks during the same time period. The average quarterly loan to deposit ratios for the 24 banks ranged from 62% to 72%. We define similarly situated banks as all financial institutions in Wisconsin comparable in size and loan mix. UNB's ratio does not include the residential loans originated by the bank and sold in the secondary market. UNB sold an average of 24 (\$1.5 million) loans annually during a three year time period from 1993 to 1995.

A majority of loan originations are within the assessment area. A bank report of outstanding loans by zip code, determined by examiners to be accurate, indicates approximately 84% (by number) and 80% (by dollar) of loans are in zip code territories within the bank's assessment area. This is a reasonable proxy for the location of loan originations because UNB does not sell or purchase a significant volume of loans.

The distribution of credit among individuals of different income levels and businesses of various revenues is reasonable. Examiners sampled 46 residential and 27 commercial and agricultural credits to borrowers in the assessment area. Of the 46 residential loans sampled, 2 loans (5%) were to low income borrowers, 7 loans (15%) were to moderate income borrowers, 12 loans (26%) were to middle income borrowers and 25 loans (54%) were to upper income borrowers. Of the 27 commercial and agricultural loans sampled, 23 loans (85%) were to small businesses (defined as businesses and farms with revenues less than \$1 million). Based on management discussions and our knowledge of UNB's loan portfolio, the majority of commercial and agricultural loan customers in the assessment area are small businesses.

Examiners also evaluated residential loan size as an indicator of UNB's willingness to make loans to low and moderate income borrowers. Bank reports reveal approximately 56% (by number) of all outstanding residential loans originated with balances less than the assessment area's median housing value of \$47,550.

A distribution of credit by geographic income levels is not a meaningful analysis given the homogeneous nature of the bank's assessment area.

Examiners did not identify any instances of illegal discrimination or discouragement in the concurrent compliance review.