



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

**PUBLIC DISCLOSURE**

**January 19, 2009**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Union National Bank & Trust Company  
Charter Number 11463

124 West Oak Street  
Sparta, WI 54656-0000

Office of the Comptroller of the Currency

MINNEAPOLIS SOUTH  
222 South Ninth Street Suite 800  
Minneapolis, MN 55402

**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.**

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loan originations are made within the bank's assessment area.
- The distribution of loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels.

## **SCOPE OF EXAMINATION**

We evaluated Union National Bank & Trust Company's (UNB) Community Reinvestment Act performance covering the period from April 8, 2003 through September 30, 2008. In evaluating the bank's lending performance, we reviewed lending data for commercial and residential real estate loans, the bank's primary products. Based on originations from January 1, 2006 through September 30, 2008, commercial loans totaled 50.12% of loan originations by dollar volume and 13.51% by number and residential real estate loans totaled 29.33% of loan originations by dollar volume and 13.35% by number. We selected a random sample of 20 loans from each of these product types in order to evaluate the bank's lending within the assessment area. We used 2000 census information for demographic comparison purposes.

## **DESCRIPTION OF INSTITUTION**

UNB is a \$78 million bank with a main office and a branch located in Sparta, WI. Sparta has a population of approximately 9,000 people and is located approximately 25 miles east of La Crosse, WI. The bank does not have any automated teller machines, but does offer telephone and online banking services.

UNB is 100% owned by Sparta Union Bancshares, a single bank holding company located in Sparta, WI with total assets of \$78 million. UNB does not have any affiliate relationships that would impact the bank's CRA performance.

UNB offers a wide range of loan and deposit products designed to meet the needs of the community. The bank's primary lending focus is on commercial and residential real estate loans. As of September 30, 2008, the bank's loan portfolio totaled \$53 million was comprised of 49% commercial, 31% residential, 13% agricultural, and 7% consumer loans.

There are no financial, legal, or other factors that impede UNB's ability to meet CRA obligations. The bank's last CRA examination was April 7, 2003, in which the bank received a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREA**

UNB's assessment area (AA) consists of five census tracts (CT's) in the western half of Monroe County: 9502, 9503, 9504, 9508, and 9509. All of the CT's are designated as middle-income tracts. The bank's AA complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The population of the AA totaled 23,169 according to 2000 census data. In 2006, the population of Monroe County was estimated by the U.S. Census Bureau to be 43,028 – an increase of 5.2% since 2000. The population increase for the State of WI was lower at 3.6% since 2000.

Based on 2000 census information, 20.60% of families within the bank's AA are low-income, 20.00% are moderate-income, 27.06% are middle-income, and 32.34% are upper-income. In addition, 9.09% of families were reported to be below poverty, which is slightly less than the 10.90% of people below the poverty in the State of WI. The 2000 census median family income for the AA was \$43,532, which falls slightly below the 2004 estimated median family income of \$46,142 for the State of WI. The 2008 HUD Estimated Median Family Income for the non-metro portion of WI was \$56,200.

The City of Sparta website lists the top five employers in the area as the Fort McCoy military base, Northern Engraving, Monroe County, Sparta school district, and Franciscan Skemp Healthcare. Fort McCoy, located approximately 6 miles east of Sparta, is the largest employer in Monroe County, employing 2,775 civilians and 503 permanent military personnel. According to the Fort McCoy military website, in fiscal year 2007 Fort McCoy returned more than \$299 million to the local economy, creating an estimated economic impact of more than \$957 million. Unemployment levels in Monroe County are slightly lower than the state average. According to the WI Office of Economic Advisors, 4.8% of the workforce in Monroe County was unemployed as of November 2008, compared to 5.3% of the workforce in the state.

The median value of owner-occupied housing in the AA per 2000 census data was \$79,173, compared to the State of WI median housing value of \$112,200. Census data indicated that 69.22% of housing units in the AA were owner occupied, while 23.45% were rental units and 7.33% were vacant.

There are 11 national and state chartered financial institutions with a presence in Monroe County, seven of which have a direct presence in UNB's AA. UNB is ranked 4th in deposit market share in Monroe county, with 10.38% of the market share, based on June 30, 2008, deposit information obtained from the Federal Deposit Insurance Corporation.

Our two community contacts indicated that the bank is active in the local area and meeting the credit needs of the community. One community contact indicated that there is a lack of affordable housing in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

UNB's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 23 quarters since the previous CRA examination is 70.65%. Although this appears to be low compared to similarly situated banks which have quarterly average loan-to-deposit ratios ranging from 80.04% to 89.26%, UNB's loan-to-deposit ratio is showing an increasing trend and was 81.31% as of September 30, 2008. Similarly situated banks consist of banks with a presence in the bank's AA and a similar asset size. One factor that may be affecting UNB's average loan-to-deposit ratio is the large amount of new and refinanced real estate mortgages which are sold in the secondary market. Between 2007 and 2008, the bank sold approximately \$9.6 million loans to the secondary market. However, this could be impacting the loan-to-deposit ratios for other banks as well.

Institution	Asset Size as of 9/30/2008 \$(000)s	Average Loan-to-Deposit Ratio 1Q03 to 3Q08
<b>Union National Bank &amp; Trust Company</b>	<b>\$77,808</b>	<b>70.65%</b>
Community State Bank	\$26,875	80.04%
Bank of Cashton	\$50,599	80.20%
Citizens First Bank	\$134,013	81.06%
Park Bank	\$37,787	89.26%

\* Source: OCC Comparative Analysis Report

### Lending in Assessment Area

A majority of loan originations are made within the bank's AA. We reviewed a random sample of 20 commercial loans and 20 residential real estate loans that had originated between January 1, 2006 and September 30, 2008. The majority of those loans, 80.00% by number and 75.75% by dollar volume, were originated within the bank's AA. The following table shows loans originated inside the AA by number and dollar volume for each primary product type.

Lending in Assessment Area				
Loan Type	Loans Inside AA			
	Number	Percent by Number	Dollar Amount	Percent by Dollar
Commercial	14	70.00%	\$4,190,817	73.29%
Residential Real Estate	18	90.00%	\$1,601,630	83.05%
<b>Total</b>	<b>32</b>	<b>80.00%</b>	<b>\$5,792,447</b>	<b>75.75%</b>

\* Source: Sampling data

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

UNB has a reasonable distribution of credit to businesses of different sizes. Our random sample of 20 commercial loans indicated that 75.00% of loans by number and 76.97% of loans by dollar amount went to businesses with gross annual revenues less than or equal to \$1 million. AA demographics indicate that 46.52% of businesses in the AA have sales under \$1 million, 3.13% have sales over \$1 million, and 50.35% did not report revenue data. Our community contact indicated that although small businesses are the majority, there are many larger employers in the area and 3.13% was not representative of the actual number of larger businesses in the community. Given this information, UNB has a reasonable distribution of credit to businesses of different sizes.

<b>Borrower Distribution of Loans to Businesses</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Businesses	46.52%	3.13%	50.35%	100.00%
% of Bank Loans in AA by #	75.00%	25.00%	-	100.00%
% of Bank Loans in AA by \$	76.97%	23.03%	-	100.00%

\*Source: 2007 Business Geo-Demographic Data & Sampling data

UNB has a reasonable distribution of credit among borrowers of different income levels. Of the 60 loans we sampled, 3.33% of loans were to low-income borrowers compared to 20.60% of low-income AA families, and 15.00% were to moderate-income borrowers compared to 20.00% of AA moderate-income families. While the 3.33% does not appear to be comparable to the demographic information, the percentage of families living below poverty level, which would have difficulty purchasing a home, is high at 9.09%. In addition, our community contact indicated that there is a lack of affordable housing available for low-income borrowers and that housing costs in the AA are relatively high. Recent residential real estate developments have been higher-end single and multi-family residences that traditionally target middle- and upper-income families. Taking this into consideration, the bank's penetration of lending to low-income families is reasonable.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Families</b>	<b>% of Number of Loans</b>						
<b>Residential Real Estate</b>	20.60%	3.33%	20.00%	15.00%	27.06%	36.67%	32.34%	45.00%

\*Sources: Borrower income levels are from 2006-2008 HUD Estimated Median Family Income for non-metro area of WI. Percentage of families within the AA in each income category is per 2000 census data.

### **Geographic Distribution of Loans**

The geographic distribution of loans does not provide a meaningful analysis as the bank's AA has no low- or moderate-income CT's.

### **Responses to Complaints**

The bank has not received any complaints regarding its CRA performance since the last evaluation.

### **Fair Lending or Other Illegal Credit Practices Review**

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