



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

May 29, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

United Trust Bank  
Charter Number 716310

12330 S. Harlem Avenue  
Palos Heights, IL 60463

Office of the Comptroller of the Currency

1700 East Golf Road, Suite 800  
Schaumburg, IL 60173

**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 loan to deposit ratio is reasonable.
- A majority of loans are made inside the bank's assessment area.
- Borrower distribution of mortgage loans is reasonable to low- and moderate-income borrowers. Distribution of business loans to small businesses is excellent.
- The geographic distribution of Home Mortgage Disclosure Act (HMDA) and small business lending to low and moderate income geographies in the bank's assessment area reflects excellent dispersion.

**SCOPE OF EXAMINATION**

This Community Reinvestment Act (CRA) examination covers United Trust Bank's (United) lending performance from January 2009 through December 2011.

The scope of this CRA examination was an assessment of the bank's HMDA loan types and commercial small business loans. The loan data was captured on bank reports that were validated during our examination. Each evaluation of performance included 100% of the applicable loan data for the entire time period from January 2009 through December 2011. All data used within this public evaluation was verified as being accurate and qualified per CRA parameters.

The bank does not have any affiliate other than its one bank holding company, United Bancorp, Inc. Our analysis included 100% of the home mortgage and small business loans originated or purchased by United during the performance period noted above.

We used deposit information, reported to the Federal Deposit Insurance Corporation (FDIC), to determine the bank's deposit market share and market presence within its designated assessment area (AA.) The deposit information used was as of June 30, 2011.

**DESCRIPTION OF INSTITUTION**

United is a \$42.2 million federally chartered stock institution which is wholly owned by United Bancorp, Inc. The bank does not have any affiliates. The bank's only office is located in Palos Heights, IL. The office has a drive-up facility and an ATM. The office is located in an upper-income census tract.

United's business strategy is to operate as a traditional full service thrift offering a wide array of deposit and loan products. However, the bank does not retain the majority of the mortgage loans originated. For the mortgage loans, the bank's primary loan strategy is to seek applicants, facilitate the application process, and pass along the

applicant to an investor for underwriting. Most mortgages are processed this way and immediately sold in the secondary mortgage market. The primary underwriting and approval/denial decision for the bank's mortgage loans are made by the secondary market buyer. The bank retains a minimal number of funded mortgage loans. The bank's loan portfolio as of June 30, 2011 totaled \$25.1 million and consisted of 46.19% 1-4 family real estate loans, 10.5% home equity loans, and 44.27% in commercial property loans. Tier 1 capital totals \$3.9 million or 9.3% of total assets.

Based on the size of the bank its' financial capacity is limited. United is currently operating under a public enforcement document. These supervisory circumstances may impede the bank's ability to help meet the credit needs of its AA.

The last performance evaluation under the Community Reinvestment Act was dated October 16, 2006. The bank was evaluated under Small Bank performance standards and received an overall performance of "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA**

United has delineated its AA to be Cook County, Illinois. Cook County is part of the Chicago-Naperville-Joliet Metropolitan Division (Chicago MD) of the Chicago Metropolitan Statistical Area (MSA). The AA meets the requirements of the CRA regulation. The AA is a complete political subdivision and does not arbitrarily exclude any low- or moderate-income geographies.

United's AA consists of the 1343 contiguous census tracts. that comprise Cook County, Illinois. The AA is comprised of 232 (17.27%) low income, 399 (29.71%) moderate income, 434 (32.32%) middle income, 262 (19.51%) upper income census tracts. The remaining census tracts are designated "NA" and have no reportable population or housing units and are not considered or included in this analysis. About 12% of households within the AA are below the poverty level.

Competition among financial institutions in the bank's AA is strong. United competes with several large national, regional, and community banks that are well established throughout the delineated community. According to the Federal Deposit Insurance Corporation's June 30, 2011 deposit market share report, United Trust has a deposit market share of 0.02% and ranks 139th out of 153 financial institutions with offices in Cook County.

Four recent local community contacts were reviewed during this evaluation. These contacts state the primary credit needs within Cook County are small business development loans and affordable mortgage lending products. Current economic conditions for the area remain depressed as high unemployment continues to plague the area and foreclosures reach new historical levels.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

#### The lending test is rated: Satisfactory

United's overall lending test performance is reasonable in meeting the lending needs of its AA. The loan-to-deposit ratio is reasonable, a majority of the bank's loan originations are inside its AA, lending distribution to borrowers of different income levels and small businesses reflects reasonable dispersion and lending to low- and moderate- income geographies is excellent.

#### Loan-to-Deposit Ratio

United's quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank's size and the AA credit needs. United's quarterly average LTD ratio for the evaluation period from March 2006 through December 2011 was 82.04%, which is slightly lower than national peer average of 85.44%. A local quarterly average peer LTD ratio was created and the bank exceeded this peer group's average LTD of 66.62%. The local peer group consisted of five similarly situated financial institutions located within the bank's designated AA. The LTD ratio has been trending downward for the bank, other local financial institutions, as well as the national peer group due to depressed economic and poor real estate market conditions resulting in low loan demand. As a result of the current depressed local real estate market loan demand remains very low for United as many local homeowners are unable to sell or refinance as existing mortgage balances are greater than current market values.

#### Lending in Assessment Area

United's record of lending within its AA is reasonable as a majority of the bank's loans assessed during our examination were originated within the delineated AA. See the breakdown by loan type, number, and amount of loans in Table 1 below.

Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	22	81.48	5	18.52	27	\$4,493	77.15	\$1,331	22.85	\$5,824
Small Business	34	91.9	3	8.1	37	\$8,968	95.26	\$446	4.74	\$9,414
Totals	56	87.50	8	12.50	64	\$13,461	88.34	\$1,777	11.66	\$15,238

## Lending to Borrowers of Different Incomes

Overall, the bank's borrower distribution of loan for home mortgage and small business lending is reasonable.

An analysis of the bank's mortgage loan distribution to low-and-moderate income borrowers was performed. Overall United's lending performance for mortgage lending to low- and moderate- income borrowers is reasonable. During the three year review period of mortgage loans, seven out of the 22 loans originated inside the bank's AA were secured by multi-family residences, no income data is reported for these loans. Of the remaining 15 loans, borrower income information was available for 11 of the loans. The income data for these 11 borrowers reflects excellent lending performance to low-income borrowers as the percentage of loans made to low- income borrowers (45.5%) significantly exceeded the percentage of low- income families (25.2%) in the bank's AA. The bank's performance in lending to moderate-income borrowers was poor as the percentage of loans made to moderate- income borrowers (9.1%) was lower than the percentage of moderate- income families (19.0%) in the bank's AA.

Analysis for the bank's performance in making loans to small businesses reflects excellent performance. Out of the 34 small business loans originated in the AA four loans (11.8%) did not have available revenue information. The remaining 30 loans all (100.0%) were loans to businesses with reported revenues less than \$1 million exceeding the AA's small business demographics. In United's designated AA total non-farm businesses 64.4% reported revenues less than \$1 million, 3.9% reported revenues greater than \$1 million and 31.7% did not report revenue information.

## Geographic Distribution of Loans

The geographic distribution of HMDA and small business lending to low- and moderate-income geographies in the bank's AA reflects excellent dispersion. HMDA lending significantly exceeded AA demographics as well as peer group lending in low-income geographies. United's mortgage lending in moderate- income geographies also exceeded AA demographics and is somewhat lower than peer group lending percentages for moderate- income geographies. See Table 2 below.

<b>Borrower Income Level</b>	<b>United Number of Loans</b>	<b>United Percentage of Loans</b>	<b>2010 HMDA Peer Group Distribution Percentage</b>	<b>Owner Occupied Housing Units Distribution Percentage</b>
Low-Income	5	22.72%	4.27%	3.93%
Moderate-Income	4	18.18%	17.35%	21.20%
Middle-Income	8	36.36%	38.82%	46.44%
Upper-Income	5	22.72%	39.56%	28.43%
Totals	22	100.00%	100.00%	100.00%

The geographic distribution of small business lending is excellent as United's lending performance in both low- and moderate- income census tracts significantly exceeded AA's demographics and peer group lending. See Table 4 below.

<b>Table 3 - Geographic Distribution of Small Business Loans in United's AA</b>				
<b>Borrower Income Level</b>	<b>United Number of Loans</b>	<b>United Percentage of Loans</b>	<b>2010 Small Business Peer Group Distribution Percentage</b>	<b>2010 Small Business Demographics</b>
Low-Income	10	29.41%	3.20%	5.21%
Moderate-Income	13	38.24%	15.70%	18.88%
Middle-Income	8	23.53%	37.22%	37.70%
Upper-Income	3	8.82%	43.87%	38.21%
Totals	34	100.00%	100.00%	100.00%

### **Responses to Complaints**

United has not received any written comments or complaints regarding its efforts to meet the credit needs of their delineated AA during the evaluation period. The OCC has not received any written comments, complaints, or inquiries concerning United and its effort to comply with the spirit and intent of the CRA.

### **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) CRA rating, respectively, 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 meet community credit needs.