



## **PUBLIC DISCLOSURE**

January 17, 2023

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

Security Federal Savings Bank  
702578

314 Fourth Street  
Logansport, Indiana 46974

Office of the Comptroller of the Currency

Central Ohio – Indiana Office  
8777 Purdue Road, Suite 105  
Indianapolis, Indiana 46268

**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, and should not 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.

## Table of Contents

Overall CRA Rating.....	1
Description of Institution.....	2
Scope of the Evaluation.....	3
Discriminatory or Other Illegal Credit Practices Review.....	4
State Rating	
State of Indiana.....	5
Appendix A: Scope of Examination.....	A-1
Appendix B: Summary of MMSA and State Ratings.....	B-1
Appendix C: Definitions and Common Abbreviations.....	C-1
Appendix D: Tables of Performance Data.....	D-1

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Outstanding**.

**The lending test is rated: Outstanding.**

The major factors that support this rating include:

- The Lending Test rating is based on excellent performance in the State of Indiana. Security Federal Savings Bank (Security or bank) originated a substantial majority of loans in its assessment areas (AAs) with an excellent overall distribution among geographies and borrowers of different income levels. In addition, Security FSB originated a notable volume of community development loans that were responsive to the credit needs of businesses during the COVID-19 pandemic.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit (LTD) ratio is more than reasonable. Security's quarterly LTD ratio, as calculated on a bank-wide basis, averaged 88.4 percent over the 12-quarter period ending December 31, 2021. During this timeframe, the LTD ratio ranged from a low of 82.7 percent to a high of 92.7 percent. Security's LTD ratio ranks fourth among the 15 banks with offices in the AAs and total assets between \$56.9 million and \$2.6 billion. The median LTD ratio for the group was 69.4 percent and the average LTD ratio for the other 14 banks ranged from 61.2 percent to 104.5 percent.

### Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

The table below summarizes the number and dollar volume of lending inside and outside the bank's AAs for its primary loan product, home mortgage loans. The data includes all home mortgage loans Security reported under the Home Mortgage Disclosure Act (HMDA).

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	243	91.7	22	8.3	265	30,057	92.3	2,508	7.7	32,564
2020	478	91.4	45	8.6	523	70,748	85.4	12,113	14.6	82,861
2021	430	92.9	33	7.1	463	69,105	89.5	8,065	10.5	77,170
<b>Total</b>	<b>1,151</b>	<b>92.0</b>	<b>100</b>	<b>8.0</b>	<b>1,251</b>	<b>169,910</b>	<b>88.2</b>	<b>22,686</b>	<b>11.8</b>	<b>192,596</b>

## Description of Institution

Security is a federally chartered stock savings bank that is wholly owned by Security Federal Mutual Bancorp, a single bank, mutual holding company. Both entities are headquartered in Logansport, Indiana. Security did not conduct any merger/acquisition activity during the evaluation period but did open two branch offices in its existing market area. During 2020, Security opened a branch in Kokomo, Indiana (Howard County) and a branch in West Lafayette, Indiana (Tippecanoe County). Security also opened a loan production office in Carmel, Indiana in June 2022.

As a full-service community bank, Security offers various financial products and services. Loan products include home mortgage loans, home equity loans, consumer loans, commercial loans, commercial leases, and agricultural loans. Deposit products consist of checking and savings accounts, certificates of deposit, individual retirement accounts, and health savings accounts. Other available financial services include trust services, investment services, insurance services, cash management, online banking, bill pay, mobile banking with remote deposit, and telephone banking. Customers can also make person-to-person and bank-to-bank transfers and have access to a nationwide automated teller machine (ATM) network.

Security serves 14 contiguous counties in north central Indiana and all banking products and services are available at its main office and six branch locations. The main office and a branch are in Cass County. In addition, the bank has two branches in Tippecanoe County, one in Carroll County, and two in Howard County. Each office location has a deposit-taking ATM and there is also a stand-alone ATM in Howard County. Given this footprint, Security has three AAs. Nine counties are part of the nonmetropolitan statistical area within Indiana (IN Non-MSA AA), four counties are in the Lafayette-West Lafayette, Indiana metropolitan statistical area (Lafayette MSA AA) and one county is in the Kokomo, Indiana MSA (Kokomo MSA AA).

As of September 30, 2022, Security had total assets of \$369.6 million and tier 1 capital of \$ 38.2 million. Total deposits equaled \$324.5 million or nearly 88 percent of total assets, while gross loans and leases of \$264.7 million represented almost 72 percent. Outstanding loans consist of residential real estate (60 percent), nonresidential real estate (28 percent), commercial and industrial (6 percent), farm (4 percent), consumer (1 percent), and other (1 percent). Residential real estate loans represented most of the bank's loan originations during the evaluation period as well. By number and dollar amount, these loans were about 70 percent of the total.

Security's lending activities are consistent with its size, expertise, financial capacity, and local economic conditions. There are no legal, financial, or other factors that affect its ability to help meet the credit needs of the AAs. Security received a rating of "Outstanding" for its CRA performance during the prior evaluation period; this rating was reported in the CRA Performance Evaluation dated February 18, 2020.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This evaluation considers Security’s CRA performance from January 1, 2019, to December 31, 2021, with respect to its primary loan product, home mortgage loans. Therefore, the loan data used in this evaluation includes all HMDA-reportable mortgage loans originated or purchased in 2019, 2020, and 2021. There is no affiliate activity included.

The OCC assessed Security’s CRA performance using the Interagency Small Bank examination procedures. These procedures comprise the Lending Test and include the following performance criteria:

- the LTD ratio,
- percentage of originated and purchased loans made inside the AAs,
- lending to borrowers of different income levels and/or businesses of different sizes,
- lending in low- and moderate-income areas within the AAs, and
- the bank’s record of acting on written complaints regarding its performance in helping meet the credit needs of the AAs.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of the AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### Ratings

The bank’s overall rating is a blend of the state ratings, and where applicable, multistate ratings. Security operates in a single state, so its overall rating is determined by the rating for the State of Indiana. The State of Indiana rating is based on performance in all bank AAs. Refer to the “Scope of Evaluation in Indiana” section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Indiana

**CRA rating for the State of Indiana<sup>1</sup>:** Outstanding

**The Lending Test is rated:** Outstanding

The major factors that support this rating include:

- an excellent overall distribution of loans among geographies and borrowers of different income levels,
- a substantial majority of loans originated or purchased inside the AAs,
- a more than reasonable LTD ratio, and
- the positive impact of the bank's community development (CD) lending.

### Description of Institution's Operations in Indiana

Security has seven full-service office locations that serve a 14-county area in north central Indiana. As noted in the Description of Institution section, the counties included in this footprint are grouped into three AAs, the IN Non-MSA AA, the Kokomo MSA AA, and the Lafayette MSA AA. Each AA meets the requirements of CRA and does not arbitrarily exclude any LMI geographies.

The following information regarding demographic data, job market, affordable housing cost, competition, and credit needs provides additional performance context for Security's operations in Indiana.

#### Indiana Non-MSA AA

The Indiana Non-MSA AA includes the counties of Cass, Clinton, Fulton, Grant, Miami, Montgomery, Pulaski, Tipton, and White. Security's main office and a branch are in this AA. The main office is in a moderate-income tract and the branch is in a middle-income tract. The table below provides a summary of demographic data for the area.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Indiana Non-MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	76	0.0	25.0	65.8	9.2	0.0
Population by Geography	288,125	0.0	25.0	65.7	9.3	0.0
Housing Units by Geography	127,484	0.0	25.0	65.5	9.5	0.0
Owner-Occupied Units by Geography	80,297	0.0	19.9	69.6	10.5	0.0
Occupied Rental Units by Geography	29,233	0.0	37.1	56.7	6.2	0.0
Vacant Units by Geography	17,954	0.0	28.3	61.3	10.4	0.0

<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

Businesses by Geography	19,311	0.0	25.6	64.0	10.4	0.0
Farms by Geography	2,261	0.0	5.4	76.4	18.2	0.0
Family Distribution by Income Level	74,319	19.6	19.2	22.4	38.8	0.0
Household Distribution by Income Level	109,530	22.4	17.8	19.6	40.2	0.0
Median Family Income Non-MSAs - IN		\$55,715	Median Housing Value			\$94,616
FFIEC Updated Median Family Income		\$64,600	Median Gross Rent			\$652
			Families Below Poverty Level			11.0%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### Job Market

Business demographic data from Dunn & Bradstreet (2021) indicates the primary industries in the nine-county AA are services (33 percent), retail trade (12 percent), and agriculture, forestry, and fishing (10 percent). In addition, a notable percentage of establishments are categorized as non-classifiable (16 percent). The major employers by county include the following:

Major Employers	
Cass County	Tyson Fresh Meats and Logansport Memorial Hospital
Clinton County	Frito Lay and Federal-Mogul Corporation
Fulton County	Rochester Metal Products Corporation and Rochester Community Schools
Grant County	Indiana Wesleyan and General Motors Marion Metal
Miami County	IAMAW Local Lodge 2069 and Miami Correctional Facility
Montgomery County	LSC Communications and Nucor Steel
Pulaski County	Braunability and Pulaski Memorial Hospital
Tipton County	Miller's Merry Manor and Steel Parts Manufacturing Inc
White County	Indiana Beach Water Park and Vanguard National Trailer Corporation
<i>Source: STATS Indiana (Hoosiers by the Numbers)</i>	

The unemployment rate for each county in the Indiana Non-MSA generally trended with the statewide unemployment rate and was relatively stable during the three-year evaluation period. However, the annual rates for 2020 were impacted by the COVID-19 pandemic and approximately three percent higher than in 2019 or 2021. All counties experienced a significant spike in unemployment during April and May of 2020 followed by gradual recovery through the end of 2021. By December 2021, the unemployment rates reached their lowest point.

Unemployment Rates					
	2019	2020	2021	High	Low
Cass County	3.4%	6.9%	3.6%	15.9%	1.7%
Clinton County	2.7%	5.7%	2.8%	12.9%	1.1%
Fulton County	3.1%	6.6%	3.3%	15.5%	1.4%
Grant County	3.6%	6.4%	3.7%	13.6%	1.6%
Miami County	3.9%	8.2%	4.4%	21.2%	2.0%
Montgomery County	3.0%	5.3%	2.6%	10.6%	1.1%
Pulaski County	3.0%	6.1%	2.9%	14.1%	1.3%
Tipton County	2.7%	6.2%	3.0%	19.1%	1.3%

White County	2.7%	5.1%	2.6%	11.2%	1.2%
State of Indiana	3.2%	5.4%	2.7%	10.8%	1.1%
<i>Source: Bureau of Labor Statistics (Not Seasonally Adjusted)</i>					

### Affordable Housing Cost

A home mortgage loan may not be affordable for all LMI families in the AA, particularly some low-income families. Based on the 2021 Federal Financial Institutions Examination Council (FFIEC) Updated Median Family Income (MFI), low-income families make less than \$32,300 and moderate-income families make less than \$51,680. The median housing value of \$94,616 for the AA is approximately 2.9 times the annual income of low-income families and 1.8 times the annual income of moderate-income families. At this level, the total housing costs to income may have a limiting effect on mortgage demand for some LMI families when also considering the down payment requirement, homeowner costs such as taxes and insurance, and other debt payments. Additionally, 11.0 percent of families live below the poverty level, making it especially difficult for this segment of the population to afford and maintain a home or qualify for a loan.

### Competition

Competition for deposits is considerable given the number and size of financial institutions with offices in the AA. As of June 30, 2021, FDIC deposit data shows Security and 29 other national, regional, and state banks operate 85 offices in the nine-county area. Security's two offices with deposits of almost \$200.0 million represent a market share of 3.7 percent; this market share ranks Security eleventh. The market share of the top five banks ranges from 4.6 percent to 12.3 percent and totals 36.5 percent.

Strong competition for home mortgage loans also exists. Aggregate HMDA data for 2021 shows a total of 322 lenders originated or purchased 11,293 home mortgage loans in the AA. The top five lenders consist of three mortgage companies and two state-chartered banks. Each of these lenders originated or purchased between 317 and 1,126 loans for a market share ranging from 2.8 percent to 10.0 percent. In comparison, Security originated 226 loans with a market share of 2.0 percent.

### Community Contact

The OCC considered comments from two community contacts regarding potential credit and community development needs. The contact from an economic development agency in Cass County stated the area's largest challenge is meeting demand for housing at all income levels. This contact also noted a shortage of affordable childcare as a significant issue affecting local families. The contact from an economic development organization in Clinton County said there is a need for home financing and loan programs that help borrowers qualify. Both contacts believe local banks are involved in the community and responsive to credit needs.

### Kokomo MSA AA

The Kokomo MSA AA consists of Howard County. Security operates two offices and an offsite deposit-taking ATM in this AA. All facilities are in the same low-income tract in Kokomo. The table below provides a summary of the demographic data for the area.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Kokomo MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	20	10.0	20.0	45.0	25.0	0.0
Population by Geography	82,765	8.7	16.7	46.6	28.0	0.0
Housing Units by Geography	38,649	10.0	19.0	46.2	24.9	0.0
Owner-Occupied Units by Geography	23,731	6.3	14.2	48.7	30.8	0.0
Occupied Rental Units by Geography	10,682	16.4	23.0	45.2	15.4	0.0
Vacant Units by Geography	4,236	14.6	35.3	34.3	15.8	0.0
Businesses by Geography	5,975	10.6	18.9	45.7	24.8	0.0
Farms by Geography	328	3.4	6.4	45.1	45.1	0.0
Family Distribution by Income Level	22,281	22.2	16.6	21.1	40.0	0.0
Household Distribution by Income Level	34,413	24.3	16.6	16.2	42.8	0.0
Median Family Income MSA – 29020 Kokomo, IN MSA		\$59,111	Median Housing Value			\$95,275
FFIEC Updated Median Family Income		\$ 69,800	Median Gross Rent			\$634
			Families Below Poverty Level			13.3%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### Job Market

Business demographic data from Dunn & Bradstreet (2021) indicates the primary industries in the single-county AA are services (38 percent), retail trade (14 percent), and construction (6 percent). In addition, a notable percentage of establishments are categorized as non-classifiable (18 percent). Per Moody's Analytics, the top employers in the Kokomo MSA AA are Chrysler LLC, Delphi Automotive LLP, Haynes International, and Howard Regional Health Systems.

The unemployment rate for Howard County trended higher than the statewide unemployment rate throughout the three-year evaluation period. The annual rate for 2020 was significantly impacted by the COVID-19 pandemic and much higher than in 2019 or 2021. Howard County experienced a significant spike in unemployment during April and May of 2020 followed by gradual recovery through the end of 2021. By December 2021, the unemployment rate reached the lowest point.

<b>Unemployment Rates</b>					
	2019	2020	2021	High	Low
Howard County	4.0%	11.0%	6.2%	30.8%	2.9%
State of Indiana	3.2%	5.4%	2.7%	10.8%	1.1%
<i>Source: Bureau of Labor Statistics (Not Seasonally Adjusted)</i>					

### Affordable Housing Cost

A home mortgage loan may not be affordable for all LMI families in the AA, particularly some low-income families. Based on the 2021 FFIEC Updated MFI, low-income families make less than \$34,900 and moderate-income families make less than \$55,840. The median housing value of \$95,275 for the

AA is approximately 2.7 times the annual income of low-income families and 1.7 times the annual income of moderate-income families. At this level, the total housing costs to income may have a limiting effect on mortgage demand for some LMI families when also considering the down payment requirement, homeowner costs such as taxes and insurance, and other debt payments. Additionally, 13.3 percent of families live below the poverty level, making it especially difficult for this segment of the population to afford and maintain a home or qualify for a loan.

### Competition

Competition for deposits is moderate given the number and size of financial institutions with offices in the AA. As of June 30, 2021, FDIC deposit data shows Security and eight other national, regional, and state banks operate 23 offices in Howard County. The market share of the top three banks ranges from 14.9 percent to 27.5 percent and totals 65.6 percent. Security's two offices with deposits of \$29.1 million represent a market share of 1.9 percent; this market share ranks Security eighth.

High competition for home mortgage loans also exists. Aggregate HMDA data for 2021 shows a total of 199 lenders originated or purchased 4,339 home mortgage loans in the AA. The top five lenders consist of a credit union, three mortgage companies and a state-chartered bank. Each of these lenders originated or purchased between 182 and 392 loans for a market share ranging from 4.2 percent to 9.0 percent. In comparison, Security originated 41 loans with a market share of 0.9 percent.

### Community Contact

The OCC considered comments from a community contact regarding potential credit and community development needs. The contact from an economic development organization in Howard County stated the local economy is experiencing higher than normal inflation and significant increases in utility costs. The contact indicated primary credit needs are affordable housing, small business lending, and real estate lending.

### Lafayette MSA AA

The Lafayette MSA AA includes the counties of Benton, Carroll, Tippecanoe, and Warren. Security operates three branches in this AA. The branches in Delphi and Lafayette are in a moderate-income tract and the branch in West Lafayette is in a middle-income tract. The table below provides a summary of demographic data for the area.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Lafayette MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	49	6.1	20.4	42.9	24.5	6.1
Population by Geography	218,085	5.0	17.0	40.1	30.3	7.6
Housing Units by Geography	90,172	5.7	19.7	42.5	29.4	2.6
Owner-Occupied Units by Geography	47,129	0.9	14.1	47.1	37.8	0.1
Occupied Rental Units by Geography	35,154	11.6	27.1	35.5	20.1	5.7
Vacant Units by Geography	7,889	8.3	20.2	46.4	20.6	4.5
Businesses by Geography	16,063	3.5	25.5	36.8	31.0	3.2
Farms by Geography	1,206	0.9	7.5	62.3	29.3	0.0
Family Distribution by Income Level	47,869	19.9	16.4	23.2	40.6	0.0

Household Distribution by Income Level	82,283	24.9	15.2	18.0	42.0	0.0
Median Family Income MSA - 29200 Lafayette-West Lafayette, IN MSA		\$62,682	Median Housing Value			\$130,130
FFIEC Updated Median Family Income		\$72,200	Median Gross Rent			\$826
			Families Below Poverty Level			10.5%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### Job Market

Business demographic data from Dunn & Bradstreet (2021) indicates the primary industries in the single-county AA are services (36 percent), retail trade (11 percent), and finance, insurance, and real estate (9 percent). In addition, a notable percentage of establishments are categorized as non-classifiable (20 percent). Per Moody's Analytics, the top employers in the Lafayette MSA AA are Purdue University, Subaru of Indiana Incorporated, IU Health Arnett Hospital, Wabash National Corporation, and Franciscan Health.

The unemployment rate for each county in the Lafayette MSA AA generally trended with the statewide unemployment rate and was relatively stable during the three-year evaluation period. However, the annual rates for 2020 were impacted by the COVID-19 pandemic and approximately two to three percent higher than in 2019 or 2021. All counties experienced a significant spike in unemployment during April and May of 2020 followed by gradual recovery through the end of 2021. By December 2021, the unemployment rates reached their lowest point.

Unemployment Rates					
	2019	2020	2021	High	Low
Benton County	3.2%	5.4%	2.7%	10.8%	1.1%
Carroll County	3.0%	6.3%	2.9%	15.1%	1.3%
Tippecanoe County	3.0%	6.6%	3.3%	12.7%	1.3%
Warren County	2.9%	5.5%	2.6%	12.5%	1.1%
State of Indiana	3.2%	5.4%	2.7%	10.8%	1.1%
<i>Source: Bureau of Labor Statistics (Not Seasonally Adjusted)</i>					

### Affordable Housing Cost

A home mortgage loan may not be affordable for all LMI families in the AA, particularly some low-income families. Based on the 2021 FFIEC Updated MFI, low-income families make less than \$36,100 and moderate-income families make less than \$57,760. The median housing value of \$130,130 for the AA is approximately 3.6 times the annual income of low-income families and 2.3 times the annual income of moderate-income families. At this level, the total housing costs to income may have a limiting effect on mortgage demand for some LMI families when also considering the down payment requirement, homeowner costs such as taxes and insurance, and other debt payments. Additionally, 10.5 percent of families live below the poverty level, making it especially difficult for this segment of the population to afford and maintain a home or qualify for a loan.

### Competition

Competition for deposits is strong given the number and size of financial institutions with offices in the AA. As of June 30, 2021, FDIC deposit data shows Security and 17 other national, regional, and

state banks operate 63 offices in the four-county area. Security's three offices with deposits of almost \$56.4 million represent a market share of 1.3 percent; this market share ranks Security fifteenth. The market share of the top five banks ranges from 6.6 percent to 27.7 percent and totals 71.9 percent.

Notable competition for home mortgage loans also exists. Aggregate HMDA data for 2021 shows a total of 315 lenders originated or purchased 10,789 home mortgage loans in the AA. The top five lenders consist of a credit union, two mortgage companies, and two state-chartered banks. Each of these lenders originated or purchased between 323 and 1,546 loans for a market share ranging from 3.0 percent to 14.3 percent. In comparison, Security originated 163 loans with a market share of 1.5 percent.

### Community Contact

The OCC considered comments from a community contact regarding potential credit and community development needs. The contact from an economic development organization in Tippecanoe County stated the local economy is recovering well after the pandemic. The contact also noted small businesses and manufacturing companies continue to relocate to the area. According to the contact, there is a need for workers as approximately 8,000 jobs are available. The contact further indicated there is shortage of housing in Tippecanoe County and said builders want to develop new neighborhoods, but site development and material costs make it nearly impossible to build houses of less than \$200,000 in value. In addition, the contact commented that the locally owned banks are very involved in the community and doing a good job of meeting credit needs.

## **Scope of Evaluation in Indiana**

The OCC performed a full-scope review of each AA in Indiana. Refer to the table in *Appendix A: Scope of Examination* for additional information. If the conclusion for the loan distribution differed among the AAs, the OCC weighted the result for each AA based on the concentration of home mortgage loan and deposit activities. Therefore, the performance in the Indiana Non-MSA AA received the most weight and the Kokomo MSA AA received the least weight.

## **LENDING TEST**

The bank's performance under the Lending Test in Indiana is rated Outstanding.

## **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, the bank's performance in the Indiana Non-MSA AA, Kokomo MSA AA, and Lafayette MSA AA is excellent.

## **Distribution of Loans by Income Level of the Geography**

The bank exhibits an excellent geographic distribution of loans. The geographic distribution in the Indiana Non-MSA AA, Kokomo MSA AA, and Lafayette MSA AA is excellent.

## ***Home Mortgage Loans***

### Indiana Non-MSA AA

The AA does not have any low-income areas. Security's percentage of home mortgage loans originated or purchased in moderate-income areas exceeds the percentage of owner-occupied housing units (OOHUs) and the aggregate percentage for all reporting lenders. Bank performance in the moderate-income census tracts (CTs) exceeds the percentage of OOHUs and the aggregate percentage by four and seven percentage points, respectively.

### Kokomo MSA AA

Security's percentage of home mortgage loans originated in low- and moderate-income areas exceeds the percentage of OOHUs and the aggregate percentage for all reporting lenders. Bank performance in the low-income CTs exceeds both the percentage of OOHUs and the aggregate percentage by almost eight percentage points. Bank performance in the moderate-income CTs exceeds the percentage of OOHUs and aggregate percentage by four and nine percentage points, respectively.

### Lafayette MSA AA

Security's percentage of home mortgage loans originated in the low- and moderate-income areas exceeds the percentage of OOHUs and the aggregate percentage for all reporting lenders. Bank performance in the low-income CTs exceeds both the percentage of OOHUs and the aggregate percentage by almost 3 percentage points. Bank performance in the moderate-income CTs exceeds the percentage of OOHUs and aggregate percentage by nearly four and five percentage points, respectively.

Refer to Table O in the State of Indiana section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

## ***Lending Gap Analysis***

The OCC did not identify any unexplained, conspicuous gaps in the lending distribution.

## **Distribution of Loans by Income Level of the Borrower**

The bank exhibits an excellent distribution of loans to individuals of different income levels, given the home mortgage products offered by the bank, its market presence, and competition. The OCC also considered the impact of housing costs relative to MFI, percentage of families below poverty, and the bank's volume of loans for which income is not available. These performance context considerations and stronger performance for moderate-income borrowers offset the weaker performance for low-income borrowers. The overall borrower distribution is excellent in the Indiana Non-MSA AA and Kokomo MSA AA, and reasonable in the Lafayette MSA AA.

## ***Home Mortgage Loans***

### Indiana Non-MSA AA

Security's percentage of home mortgage loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA and the aggregate percentage for all reporting lenders. Security's percentage of home mortgage loans to low-income borrowers is well below the percentage of low-income families and below the aggregate percentage for all reporting lenders. The bank's percentage of

loans to low- and moderate-income borrowers is 7.8 percent and 25.5 percent, respectively, when loans without income are excluded from the distribution.

#### Kokomo MSA AA

Security's percentage of home mortgage loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA and is near the aggregate percentage for all reporting lenders. Security's percentage of home mortgage loans to low-income borrowers is well below the percentage of low-income families and below the aggregate percentage for all reporting lenders. The bank's percentage of loans to low- and moderate-income borrowers is 10.9 percent and 24.4 percent, respectively, when loans without income are excluded from the distribution.

#### Lafayette MSA AA

Security's percentage of home mortgage loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA but below the aggregate percentage for all reporting lenders. Security's percentage of home mortgage loans to low-income borrowers is well below the percentage of low-income families and the aggregate percentage for all reporting lenders. The bank's percentage of loans to low- and moderate-income borrowers is 5.7 percent and 22.4 percent, respectively, when loans without income are excluded from the distribution.

Refer to Table P in the State of Indiana section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### **Responses to Complaints**

Security did not receive any complaints regarding its CRA performance during the evaluation period.

### **Community Development Lending**

Security exhibits excellent responsiveness to CD lending needs, considering its capacity, business strategy, and the availability of such opportunities in the AAs. CD lending had a positive impact on the bank's Lending Test rating. In 2020 and 2021, Security offered loans through the Small Business Administration's Paycheck Protection Program (SBA PPP). This loan program was developed to help businesses keep their workforce employed during the COVID-19 pandemic.

Security's participation in the SBA PPP was responsive to credit needs of businesses and enhanced the credit availability of this loan product. In 2020 and 2021, Security originated 396 PPP loans totaling nearly \$27.1 million. The following table summarizes the number and dollar of PPP loans that qualified as community development loans. Loans made before October 1, 2020, were qualified under the 1995 Rule, while loans made after this date were qualified under to the June 2020 Rule.

<b>Community Development Loans</b>				
Assessment Area	Total Loans			
	#	% of Total #	\$(000's)	% of Total \$
Indiana Non-MSA AA	133	54.1%	\$ 6,057	53.1%
Kokomo MSA AA	15	6.1%	\$ 479	4.2%
Lafayette MSA AA	98	39.8%	\$ 4,861	42.7%
	246	100.0%	\$ 11,397	100.0%

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	01/01/19 to 12/31/21	
<b>Bank Products Reviewed:</b>	Home mortgage loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	Not Applicable	Not Applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State of Indiana</b>		
Portion of the IN Non-MSA	Full Scope	Counties of Cass, Clinton, Fulton, Grant, Miami, Montgomery, Pulaski, Tipton, and White
Kokomo, IN MSA	Full Scope	Howard County
Lafayette-West Lafayette, IN MSA	Full Scope	Counties of Benton, Carroll, Tippecanoe, and Warren

## Appendix B: Summary of MMSA and State Ratings

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RATINGS Security Federal Savings Bank	
Overall Bank:	Lending Test Rating
Security Federal Savings Bank	Outstanding
MMSA or State:	
State of Indiana	Outstanding

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2019-21
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Units	% Bank Loans	Aggregate	% of Owner-Occupied Units	% Bank Loans	Aggregate	% of Owner-Occupied Units	% Bank Loans	Aggregate	% of Owner-Occupied Units	% Bank Loans	Aggregate	% of Owner-Occupied Units	% Bank Loans	Aggregate
Indiana Non-MSA	579	65,710	50.3	11,293	0.0	0.0	0.0	19.9	24.0	17.0	69.6	69.9	69.9	10.5	6.0	13.1	0.0	0.0	0.0
Kokomo MSA	148	15,396	12.9	4,339	6.3	14.2	6.7	14.2	18.2	9.4	48.7	35.1	50.1	30.8	32.4	33.8	0.0	0.0	0.0
Lafayette MSA	424	88,804	36.8	10,789	0.9	3.5	0.8	14.1	18.4	13.2	47.1	42.7	42.3	37.8	35.1	43.5	0.1	0.2	0.1
<b>Total</b>	<b>1,151</b>	<b>169,910</b>	<b>100.0</b>	<b>26,421</b>	<b>1.3</b>	<b>3.1</b>	<b>1.4</b>	<b>17.2</b>	<b>21.2</b>	<b>14.2</b>	<b>59.3</b>	<b>55.4</b>	<b>55.4</b>	<b>22.2</b>	<b>20.2</b>	<b>28.9</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>

Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2019-21
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Indiana Non-MSA	579	65,710	50.3	11,293	19.6	7.1	8.9	19.2	22.8	22.2	22.4	26.1	22.0	38.8	34.4	28.2	0.0	9.7	18.6
Kokomo MSA	148	15,396	12.9	4,339	22.2	8.8	10.7	16.6	19.6	21.1	21.1	9.5	23.5	40.0	42.6	23.0	0.0	19.6	21.8
Lafayette MSA	424	88,804	36.8	10,789	19.9	4.2	8.9	16.4	16.7	19.8	23.2	17.7	21.9	40.6	36.1	33.6	0.0	25.2	15.8
<b>Total</b>	<b>1,151</b>	<b>169,910</b>	<b>100.0</b>	<b>26,421</b>	<b>20.1</b>	<b>6.3</b>	<b>9.2</b>	<b>17.8</b>	<b>20.2</b>	<b>21.1</b>	<b>22.5</b>	<b>20.9</b>	<b>22.2</b>	<b>39.6</b>	<b>36.1</b>	<b>29.6</b>	<b>0.0</b>	<b>16.7</b>	<b>18.0</b>

Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%