



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

February 07, 2013

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

Home Savings Bank  
Charter Number 701227

214 North Lincoln  
Chanute, KS 66720-0467

Office of the Comptroller of the Currency

2959 N. Rock Road, Suite 510  
Wichita, KS 67226

**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**

- Home Savings Bank's (HSB) quarterly loan-to-deposit (LTD) ratio of 52% reflects reasonable responsiveness to credit needs in its assessment area (AA).
- HSB extended a substantial majority of its primary loan products to borrowers located inside the AA. We found the institution granted 80% of the number and 81% of the dollar amount of loans within the AA.
- HSB's lending to borrowers of different incomes reflects reasonable penetration. The loan sample indicated the bank's level of lending to low-income borrowers is above the percentage of loans extended by all Home Mortgage Disclosure Act (HMDA) lenders in the AA, while lending to moderate-income borrowers is below that of HMDA lenders.
- HSB's lending performance in the moderate-income tract reflects excellent dispersion. The institutions level of lending to borrowers located in moderate-income census tracts is above that of HMDA lenders.

**SCOPE OF EXAMINATION**

HSB's primary loan product in the AA is one-to-four family residential real estate (1-4 RRE) loans. The evaluation of lending products included a review of twenty 1-4 RRE loans originated in the AA during the years 2010 and 2011. The bank's business strategy has not changed; therefore the loans granted during these years are representative of all loans granted since the September 17, 2007 CRA examination. HSB's lending results were compared to 2000 census data updated for 2011, along with aggregate 2010 HMDA data for all mortgage lenders that originated loans in the AA.

**DESCRIPTION OF INSTITUTION**

HSB is a federally chartered mutual thrift with total assets of \$67 million as of December 31, 2012. The institution operates one full-service office in Chanute, Kansas. Services include an ATM, mobile banking, and internet banking. The primary business strategy is to originate and retain conventional, adjustable-rate mortgage loans secured by 1-4 family dwellings and various types of consumer loans. These loan products comprise 75% and 6% of the institution's \$18 million loan portfolio, respectively. The balance of the loan portfolio is comprised of commercial loans, primarily commercial real estate with a minimal amount of agricultural real estate.

Home Savings also has a correspondent relationship with a secondary market lender to originate mortgage loans that do not meet the criteria for portfolio retention.

There are no legal, financial, or other factors impeding the institution's ability to help meet the credit needs of its AAs. The Office of Thrift Supervision last evaluated HSB's Community Reinvestment Act (CRA) performance on September 17, 2007. The institution received an overall rating of "Satisfactory" under the Small Bank Performance Standards.

## **DESCRIPTION OF ASSESSMENT AREAS**

HSB has defined its assessment area as nine census tracts in Neosho, Woodson, Wilson, and Allen Counties (9516-20, 9530, 9966-67, and 9971). These counties are located in southeastern Kansas and are not in a Metropolitan Statistical Area. Eight of the census tracts are middle-income tracts and one tract is moderate-income. There are no low-income census tracts. Census tract 9530 in Allen County and census tract 9966 in Woodson County have been designated as underserved middle-income nonmetropolitan geographies given their remote rural locations. Census tract 9971 in Wilson County is considered a distressed geography due to population loss.

The 2000 U. S. Census population of the AA is 26,032. The Housing and Urban Development (HUD) Updated 2011 MSA Median Family Income is \$53,700. The AA has the following distribution for families: 21% low-income, 23% moderate-income, 26% middle-income, and 30% upper-income. Of the 10,540 households in the AA, 36% receive social security, 14% have income below the poverty level, and 3% receive public assistance. Approximately 19% of the population is over the age of sixty-five and 38% of the population consists of civilians not in the workforce. The median housing value from the 2000 U. S. Census data is \$46,217 and 68% of the units are owner occupied.

The primary industries in the area are agriculture and oil and gas. Other significant employers in the AA include the hospital, schools, and small businesses. The economies of Kansas and the AA are generally more stable than other parts of the country. The state unemployment rate is 5.4% as of December 2012; however, the counties in the AA have unemployment rates above the Kansas rate. The December 2012 unemployment rates for these counties are as follows: Allen 5.8%, Neosho 6.6%, Wilson 7.9%, and Woodson 6.1%.

HSB faces strong competition in the AA. Based on the Federal Deposit Insurance Corporation's most recent deposit market share report dated June 30, 2012, 14 competing institutions maintain 34 offices in the AA. The largest competitor with three billion dollars in deposits and 112 branches has a location in the same town as HSB. Management indicated that based on county records, 50–80% of mortgages are originated by institutions with their home offices out of the assessment area. HSB ranks 13 out of 15 in total deposit size and holds the seventh position for market share within the AA capturing 6% of deposits.

Examiners contacted one community professional. The contact indicated that the financial institutions are meeting the credit needs of the area. The contact also noted that all of the institutions are very involved in the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

HSB's average quarterly LTD ratio of 52% reflects reasonable responsiveness to AA credit needs. During the period under review, the institution's LTD ratio ranged between 36% and 66%. The average quarterly LTD ratio for similarly situated competitors was 56%, with ratios ranging from 47% to 82%.

### **Lending in Assessment Area**

HSB extended a substantial majority of its residential real estate loan products to borrowers located within the AA. We found the bank granted 80% of the number and 81% of the dollar amount of its primary loan product within the AA.

### **Lending to Borrowers of Different Incomes**

HSB's lending to borrowers of different incomes reflects reasonable penetration.

HSB's lending penetration to low-income borrowers is reasonable. As indicated in Table 1 below, the institution's performance ratio of 10% exceeds the ratio for aggregate percentage of low-income loans by all HMDA lenders (7%); however, the institution's proportion of loans to low-income borrowers is significantly lower than the demographic ratio (21%).

HSB's lending to moderate-income borrowers reflects poor penetration. The institution's ratio of 5% is significantly lower than the ratios for both HMDA lenders (19%) and the assessment area demographics (23%).

HSB has difficulty competing with out-of-area banks. These institutions can offer fixed rates, longer maturities, higher loan-to-values, private mortgage insurance relationships, and escrow relationships. In order to serve its assessment area, HSB offers referrals and assistance to borrowers seeking loans from programs serving low- and moderate-income borrowers. The U.S. Department of Agriculture's Rural Development program is an example these programs. Given the institution's commitment to its AA, poor penetration in lending to moderate-income borrowers did not negatively affect our conclusion.

<b>Table 1 - Distribution of Residential Mortgage Loans by Borrower Income</b>			
Borrower Income Group	% HSB Loans	% HMDA Lenders	% AA Families
Low	10	7	21
Moderate	5	19	23
Middle	40	22	26
Upper	45	32	30
Not Available	-	20	-
Total	100	100	100

*Source: 2000 U.S. Census data; 2010 HMDA data*

**Geographic Distribution of Loans**

HSB’s distribution of loans to borrowers located in moderate-income tracts is excellent. The institution’s performance exceeds the ratio for both the aggregate percentage of HMDA lenders and the AA demographics. Table 2 below presents geographical distribution percentages.

<b>Table 2 - Distribution of Residential Mortgage Loans by Geography</b>			
Geography Income Group	% HSB Loans	% HMDA Lenders	% Owner Occupied Housing
Moderate	10	8	9
Middle	90	2	91
Total	100	100	100

*Source: 2000 U.S. Census data; 2010 HMDA data*

**Responses to Complaints**

HSB has not received any CRA related complaints since the previous CRA examination.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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