



PUBLIC DISCLOSURE

October 05, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Federal Savings & Loan Association of Collinsville
Charter Number 700528

100 East Clay Street
Collinsville, IL 62234

Office of the Comptroller of the Currency

500 North Broadway
Suite 1700
St. Louis, MO 63102

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 Federal Savings and Loan Association's (Home Federal) lending performance reflects a satisfactory response to community credit needs. This conclusion is based on the following:

- The distribution of loans to borrowers of different income levels reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion within the assessment area (AA).
- The quarterly average loan-to-deposit ratio is more than reasonable.
- A substantial majority of the bank's loans were made within the AA.

SCOPE OF EVALUATION

This Performance Evaluation assesses Home Federal's record of meeting the credit needs of the communities in which it operates. We evaluated Home Federal under the Small Bank performance criteria, which included a lending test. Home Federal's primary lending area consists of all of Madison and Saint Clair Counties in Illinois (IL).

The evaluation period covers March 16, 2009 through October 5, 2015. We reviewed Home Federal's loan originations since 2012 and determined that residential real estate (RRE) loans are the bank's primary loan product. Prior to this evaluation, we conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA) in 2012, 2013, and 2014. We found the HMDA data to be accurate and reliable. For our analysis, we compared the loans originated in those three years to 2010 census information and 2013-2014 aggregate peer data.

DESCRIPTION OF INSTITUTION

Home Federal is a federally chartered mutual savings bank headquartered in Madison County, IL. Home Federal has two office locations. Its home office is located in a moderate-income census tract (CT 4033) in Collinsville, IL, and its branch office is located in an upper-income census tract (CT 4035.33) in Maryville, IL. Both office locations are within Madison County, IL.

There are two cash-dispensing ATMs located at the branch locations. The bank also contracted with Allpoint ATM network to provide surcharge-free access to over 55,000 ATMs nationwide. The bank has no depository ATMs. Since the prior CRA evaluation, the bank has closed two ATMs located in Caseyville, IL and Collinsville, IL. Home Federal has a website and offers limited internet banking. Home Federal's primary loan product is RRE mortgages. In 2015, the bank hired a commercial loan officer. Home Federal will begin offering various commercial and consumer loans in the future.

As of June 30, 2015, Home Federal has total assets of \$101.7 million, total deposits of \$75.8 million and tier 1 capital of \$10.1 million. Home Federal offers traditional services and loan products normally associated with a federal savings bank. As of June 30, 2015, Home Federal reported \$72.3 million in outstanding loans and had a net loans and leases to total assets ratio of 70.04%. As of June 30, 2015, the loan portfolio is comprised of real estate (98.8%), commercial (1.05%), and consumer loans (0.15%).

Home Federal received an “Outstanding” rating at its last CRA evaluation dated March 16, 2009. There were no legal, financial, or other factors impeding the bank’s ability to meet the credit needs of the communities it serves.

DESCRIPTION OF ASSESSMENT AREA

Home Federal’s AA consists of the entirety of Madison and Saint Clair Counties, which represent two of the eight Illinois counties of the St. Louis, MO-IL metropolitan statistical area (MSA) # 41180. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Based on the 2010 census data, the AA consists of 121 CTs or geographies: 19 low-income CTs, 26 moderate-income CTs, 54 middle-income CTs, and 22 upper-income CTs. The table below shows demographic information for the AA, which we used for our analysis of lending in 2012-2013.

Demographic Information for Full Scope Area: Home Collinsville IL 2013					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	121	15.70	21.49	44.63	18.18
Population by Geography	539,338	9.40	20.09	48.61	21.90
Owner-Occupied Housing by Geography	149,356	6.70	18.94	51.06	23.30
Business by Geography	33,259	7.24	19.67	50.03	23.06
Farms by Geography	1,702	1.18	7.70	56.87	34.25
Family Distribution by Income Level	140,570	24.45	17.40	21.64	36.51
Distribution of Low and Moderate Income Families throughout AA Geographies	58,826	16.59	27.42	44.11	11.87
Median Family Income (MFI)		67,013	Median Housing Value		126,108
FFIEC Adjusted Median Family Income for 2013		69,200	Unemployment Rate (2010 US Census)		3.98%
Families Below Poverty Level		10.67%			

Source: 2010 US Census, 2013 FFIEC updated MFI, and 2013 business and farm data.

The Office of Management and Budget revised Metropolitan Areas and CT geographic definitions and boundaries effective January 1, 2014. This revision reclassified one CT from moderate-income to middle-income; therefore, we developed a separate analysis for lending in 2014. The table below shows demographic information for the AA based on the 2014 changes.

Demographic Information for Full Scope Area: Home Collinsville IL 2014					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	121	15.70	20.66	45.45	18.18
Population by Geography	539,338	9.40	19.10	49.60	21.90
Owner-Occupied Housing by Geography	149,356	6.70	18.03	51.97	23.30
Business by Geography	28,563	6.97	18.77	51.14	23.13
Farms by Geography	1,535	1.30	7.23	56.03	35.44
Family Distribution by Income Level	140,570	24.35	17.34	21.63	36.68
Distribution of Low and Moderate Income Families throughout AA Geographies	58,607	16.63	26.44	45.07	11.86
Median Family Income (MFI)		66,798	Median Housing Value		126,108
FFIEC Adjusted Median Family Income for 2014		71,000	Unemployment Rate (2010 US Census)		3.98%
Families Below Poverty Level		10.67%			

Source: 2010 US Census, 2014 FFIEC updated MFI, and 2014 business and farm data.

Since the height of the recession in 2010, unemployment rates have steadily declined in the AA. As of December 31, 2014, annual unemployment rates released by the U.S. Bureau of Labor Statistics were 7.1% in Madison County and 7.9% in St. Clair County. These rates were in line with the statewide Illinois rate of 7.1%. The June 2015 unemployment rates improved further to 5.5% for Madison County and 6.1% for St. Clair County, which also is near the Illinois statewide rate of 5.9%.

The local economy is primarily supported by manufacturing, education and health care facilities. Major employers in the area include: U.S. Steel (Granite City), Scott Air Force Base, and Anderson Hospital. In 2009, the Fenton, MO Chrysler auto manufacturing plant closed, which affected local employment. No other large employers have closed or had significant layoffs since the last evaluation.

According to 2010 US Census data, the AA has a population of 539,338. There are 231,716 housing units, of which 64.5% are categorized as owner-occupied housing units (OOHUs). Only 9% of the population lives in the low-income CTs, limiting lending opportunities in that geography. Nearly 11% of all families live below the poverty level.

Local competition in the AA is strong. FDIC deposit data as of June 30, 2014 shows there are 42 banks with 184 offices within the AA, and deposits in the local market total \$8.5 billion. Home Federal's deposit market share within the AA is 0.87% and ranks

22nd among the 42 banks. Many of the banks within the local market are branches of larger regional banks.

We contacted a representative from a local community-based development organization to identify credit and other needs within the AA. The contact noted that overall the current economic conditions have improved over the past five years. The contact indicated there continues to be a need for affordable housing for low- and moderate-income individuals in the area. He noted most financial institutions are involved in local community outreach, specifically in educating their low-income clients on financial literacy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Home Federal's performance under the lending test is satisfactory. The bank does a satisfactory job of meeting the credit needs of its AA, given the demographics, economic factors, and competitive pressures faced by the bank.

Loan-to-Deposit Ratio

Home Federal's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, its current competition, and the credit needs of the AA.

As of June 30, 2015, Home Federal's LTD ratio is 94.02%. The quarterly average of Home Federal's LTD ratios over the 26 quarters since the last CRA evaluation is 91.22%, with a quarterly low of 85.39% and a quarterly high of 98.29%. This ratio is higher than that of 13 other similarly situated institutions. The quarterly average for these comparable institutions ranged from 89.24% to 15.82%.

Lending in Assessment Area

Home Federal originated a substantial majority of loans inside its AA. Based on our sample, the bank made 94% by number of loans and 86% by dollar volume within the AA.

Lending in the AA										
Year	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
2012-2013	84	93%	6	7%	90	\$10,857	84%	\$2,048	16%	\$12,905
2014	37	95%	2	5%	39	\$4,402	89%	\$520	11%	\$4,922
Totals	121	94%	8	6%	129	\$15,259	86%	\$2,568	14%	\$17,827

Source: RRE loan data reported under HMDA for the period January 1, 2012 through December 31, 2014

Lending to Borrowers of Different Incomes

Home Federal’s distribution of loans to borrowers of different incomes reflects reasonable penetration.

Residential Real Estate Loans

The borrower distribution of RRE loans meets the standard for loans originated from 2012 to 2014. Our analysis considered all HMDA loans where borrower income was reported.

2012-2013

Bank lending to moderate-income borrowers (21%) is in line with the peer aggregate (21.91%) and above the percentage of moderate-income families within the AA (17.40%). Lending to low-income borrowers (11%) is slightly above the peer aggregate (10.91%) but significantly lower than the percentage of low-income families within the AA (24.45%).

2012-2013 Borrower Distribution of Residential Real Estate Loans in the AA				
Borrower Income	Number of Loans	Percentage of Loans	2013 Peer HMDA Aggregate	Percent of Families
Low-Income	9	11%	10.91%	24.45%
Moderate-Income	17	21%	21.91%	17.40%
Middle-Income	22	28%	25.51%	21.64%
Upper-Income	32	40%	41.67%	36.51%
Total	80	100%	100.00%	100.00%

Source: 2012-2013 Home Federal HMDA data, 2013 HMDA Peer data, and 2010 U.S. Census data.

2014

Bank lending to moderate-income borrowers (29%) is above the peer aggregate (23.77%) and significantly above the percentage of moderate-income families within the AA (17.34%). Lending to low-income borrowers (4%) is lower than the peer aggregate (13.45%) and significantly lower than the percentage of low-income families within the AA (24.35%).

2014 Borrower Distribution of Residential Real Estate Loans in the AA				
Borrower Income	Number of Loans	Percentage of Loans	2014 Peer HMDA Aggregate	Percent of Families
Low-Income	1	4%	13.45%	24.35%
Moderate-Income	8	29%	23.77%	17.34%
Middle-Income	4	15%	25.47%	21.63%
Upper-Income	14	52%	37.31%	36.68%
Total	27	100%	100.00%	100.00%

Source: 2014 Home Federal HMDA data, 2014 HMDA Peer data, and 2010 U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Home Federal lends mainly in the local area immediately surrounding its two offices.

Residential Real Estate Loans

Home Federal’s overall geographic distribution of RRE loans reflects reasonable dispersion throughout the AA. For this analysis, we placed more weight on lending in the moderate-income geographies, which are closer to the bank’s two offices.

2012-2013

The percentage of 2012-2013 RRE loans made to borrowers in moderate-income CTs (22%) is significantly above peer (12.14%) and above the percentage of owner-occupied housing in the moderate-income CTs (18.94%). The percentage of loans made to borrowers in low-income CTs (0%) is near peer (0.75%) but below the percentage of owner-occupied housing in the low-income CTs (6.7%).

2012-2013 Geographic Distribution of Residential Real Estate Loans in the AA				
Type Census Tract	Number of Loans	Percentage of Loans	2012-2013 Peer HMDA Aggregate	Percentage of OOHUs
Low-Income	0	0%	0.75%	6.70%
Moderate-Income	18	22%	12.14%	18.94%
Middle-Income	43	51%	53.09%	51.06%
Upper-Income	23	27%	34.02%	23.30%
Total	84	100%	100.00%	100.00%

Source: 2012-2013 Home Federal HMDA data, 2013 HMDA Peer data, and 2010 U.S. Census data.

2014

The percentage of 2014 RRE loans made to borrowers in moderate-income CTs (35%) is significantly above peer (12.24%) and significantly above the percentage of owner-occupied housing in the middle-income CTs (18.03%). The percentage of RRE loans made to borrowers in low-income CTs (0%) is near peer (0.84%) but below the percentage of owner-occupied housing in the low-income CTs (6.70%).

2014 Geographic Distribution of Residential Real Estate Loans in the AA				
Type Census Tract	Number of Loans	Percentage of Loans	2014 Peer HMDA Aggregate	Percentage of OOHUs
Low-Income	0	0%	0.84%	6.70%
Moderate-Income	13	35%	12.24%	18.03%
Middle-Income	16	43%	54.90%	51.97%
Upper-Income	8	22%	32.02%	23.30%
Total	37	100%	100.00%	100.00%

Source: 2014 Home Federal HMDA data, 2014 HMDA Peer data, and 2010 U.S. Census data.

Responses to Complaints

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

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 assessment area 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.