



## **PUBLIC DISCLOSURE**

May 8, 2017

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

Home Federal Savings and Loan Association of Grand Island  
Charter Number: 703519

221 South Locust Street  
Grand Island, NE 68801

Office of the Comptroller of the Currency  
13710 FNB Parkway, Suite 110  
Omaha, NE 68154

**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.

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## **Overall CRA Rating: Satisfactory.**

### **The Lending Test is rated: Satisfactory.**

- Home Federal Savings and Loan Association of Grand Island's (Home Federal) loan-to-deposit (LTD) ratio is reasonable when considering the federal savings association's (FSA) size, financial condition, and the credit needs of its assessment areas (AAs).
- Management originates and purchases a majority of its loans to customers located in the FSA's AAs.
- The borrower distribution of residential real estate loans and business loans represents reasonable penetration among families of different income levels and businesses of different sizes.
- The geographic distribution of loans represents reasonable dispersion among census tracts (CTs) of different income levels in the AAs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated Area:** A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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) and the Thrift Financial Reporting (TFR) 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 One 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.

## Description of Institution

Home Federal is a \$288 million federally chartered mutual savings association headquartered in Grand Island, Nebraska. Home Federal operates as a single-state institution in Nebraska with no holding company. The AAs and scope for this examination were adjusted to reflect merger activity which occurred during the evaluation period. Specifically, Home Federal merged with Home Federal Savings and Loan Association of Nebraska effective January 1, 2016. This merger expanded the FSA's presence in Central Nebraska to include four branch locations outside of Hall County. Since the merger was effective for a period of twelve months of the evaluation period, we assessed performance in the new AAs during this timeframe and the legacy Hall County AA for the entire evaluation period.

Home Federal operated in Central Nebraska during the evaluation period. Home Federal has three rating areas which include six whole counties in Nebraska. Specifically, these rating areas comprise Hall County, Dawson/Gosper/Phelps Counties, and Adams/Nuckolls Counties. As of the start date of this examination, Home Federal had three full service branches, one limited service branch, and 15 automated teller machines (ATMs) located in Grand Island, Nebraska (Hall County AA). Only seven of these ATMs are deposit-taking. There are no ATMs located outside of Grand Island, Nebraska. Home Federal also has four other full-service locations in Lexington, Hastings, Holdrege, and Superior, Nebraska. Refer to the respective sections of this evaluation for details on the performance by area.

Home Federal offers a full range of credit products within its AAs, including residential mortgage, commercial, agricultural, and consumer loans. Home Federal sells a majority of the residential mortgage loans it originates on the secondary market. Home Federal also offers a full range of deposit products to businesses and individuals, including alternative retail services such as access to electronic banking services (bill payment, mobile banking, telephone banking, and electronic statements).

While Home Federal's strategy is not limited to one business endeavor, there is evidence of focus on small business lending and residential mortgage origination. According to the June 30, 2016 FDIC Deposit Market Share Report, deposits totaled \$230 million. Home Federal ranks fourth for deposit market share in the Hall County AA, eleventh in the Dawson/Gosper/Phelps AA, and fifteenth in the Adams/Nuckolls AA.

As of March 31, 2017, the loan-to-deposit ratio was 69.6 percent and net loans represented 59.7 percent of total assets. Commercial real estate loans comprised 34.9 percent of the total loan portfolio. Approximately 32.3 percent of the federal savings association's loan portfolio was comprised of residential real estate loans (including multi-family and home equity loans), 15.0 percent commercial and industrial loans, 6.5 percent agricultural (including agricultural real estate loans), and 6.5 percent consumer and other loans. The loan-to-deposit ratio and loan portfolio mix do not reflect the volume of home purchase and refinance mortgage loans originated and sold on the secondary market. There were 676 such loans totaling approximately \$98.08 million recorded on the HMDA LAR during the evaluation period. Home Federal had tier one capital of \$31.0 million as of March 31, 2017.



There are no known legal, financial, or other factors which impede Home Federal's ability to help meet the credit needs of its AAs. Home Federal received a Satisfactory rating in its last performance evaluation dated October 31, 2011.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We analyzed home purchase, home improvement, and home refinance mortgage loans that Home Federal reported under the HMDA and small loans to businesses for the period of January 1, 2015 through December 31, 2016. These periods are representative of the FSA's activities since the previous CRA examination.

In order to perform a meaningful analysis in an AA, a minimum of 20 loans was needed in each loan product and analysis period. Refer to the applicable lending test narratives under each Rating area section for details on loan products that did not have a sufficient volume to perform a meaningful analysis. The FSA only originated or purchased a sufficient volume of business loans in the Hall County AA.

### **Data Integrity**

As part of our ongoing supervision of the FSA, we tested the accuracy of the prepared HMDA data. Our testing indicated no substantive data inaccuracies which would impact our analysis. Therefore, we concluded that the home mortgage loan data was reliable.

### **Selection of Areas for Full-Scope Review**

We completed a full-scope review for the Hall County AA. Full-scope reviews consider quantitative and qualitative factors, as well as performance context factors. We analyzed the Dawson/Gosper/Phelps AA and the Adams/Nuckolls AA using limited-scope evaluation procedures. Limited-scope procedures consider quantitative factors only. Refer to *Appendix A* for more details regarding how we selected the areas for review.

### **Ratings**

The federal saving association's overall rating is based primarily on those areas that received full-scope reviews. The Hall County AA received the greatest weight in our evaluation of the overall rating. This AA accounts for 42.9 percent of the branch network, 82.7 percent of total deposits, and the vast majority of loans originated or purchased during the evaluation period. This AA represented the only area reviewed in which we had over 12 months of data given the merger that occurred on January 1, 2016. Refer to the *Appendix A* and *Appendix B* for more details on the areas reviewed.

## **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 has engaged in discriminatory or other illegal credit practices.

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

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

Home Federal's performance under the lending test is rated Satisfactory. The loan-to-deposit (LTD) ratio is reasonable. Home Federal originates or purchases a majority of its loans in the AA. The distribution of loans to families of different income levels and businesses of different sizes reflects reasonable penetration of AA demographics. The distribution of loans to census tracts (CTs) of different income levels reflects reasonable dispersion of AA demographics. There have not been any complaints regarding the bank's CRA performance.

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

The LTD ratio is reasonable given Home Federal's size, financial condition, and the credit needs of the AAs. Home Federal's LTD was 75.5 percent at December 31, 2016, and the quarterly average LTD ratio was 63.2 percent over the past 21 quarters since the last CRA examination. The quarterly average LTD ratio is comparable to the peer quarterly average LTD ratio of 79.6 percent when taking in to account the volume of home loans sold by Home Federal. Overall, the ratio ranged from a high of 76.6 percent to a low of 53.6 percent. The LTD ratio is a bank-wide calculation and not calculated for individual rating areas or AAs.

#### **Lending in Assessment Area**

Home Federal originates a majority of its loans to customers within the AA and meets the criteria for satisfactory performance. We reviewed a sample of 20 business loans originated or purchased by branches within the Hall County AA and the complete HMDA loan application register between January 1, 2015 and December 31, 2016 to assess lending performance. Based on our analysis, 78.2 percent of the lending by dollar volume was in the AA, which is most indicative of the bank's lending practices. Since the bank is a HMDA reporter, we had data for all 676 home loans originated during the review period, compared to our sample of 20 small business loans. The larger sample of home loans, with 80.0 percent originated in the AA by number, compared to the small sample of small business loans with 50.0 percent originated in the AA by number, weighted the overall results toward the home loan data.

The percentage of total loans by dollar volume originated in the AA demonstrates that management is using a majority of local deposits to make loans in the AA, and the overall percentage of loans in the AA by both number and dollar volume would likely be higher if the sample sizes were more comparable between products. We did not include business loans originated in the Dawson/Gosper/Phelps AA or the Adams/Nuckolls AA in our sample due to the small number originated or purchased in 2016. The Inside/Outside ratio is a bank-wide calculation and not calculated for individual rating areas or AAs.

<b>Table 1 – Credit Extended Inside and Outside the AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside (000's)		Outside (000's)		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	10	50	10	50	20	2,393	72	950	28	3,343
Home Loans	541	80	135	20	676	76,951	78	21,128	22	98,079
Totals	551	79	145	21	696	79,344	78	22,079	22	101,422

Source: 2015-2016 HMDA Loan Application Registers, Loan samples

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

#### Performance in the Hall County AA

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. We reviewed 2010 U.S. Census Data and the 2015-2016 HMDA loan application registers to assess the bank's performance. Overall, Home Federal's level of lending to low- and moderate-income borrowers is similar to the demographic comparators in each area.

Originations exceed the demographic comparators for home purchase lending and home improvement lending for moderate-income borrowers. The percentage of loans to low-income borrowers was somewhat lower than the percentage of low-income families. However, using 2015 peer mortgage data, there were only 142 loans originated to low-income families and Home Federal's loans to these families represents a reasonable market share given significant competition.

The following table shows the distribution of home loan originations among borrowers of different income levels compared to the percentage of families in each income category within the AA:

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Hall County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.0	5.7	18.6	23.1	24.7	26.0	38.8	45.2
Home Improvement	18.0	4.8	18.6	19.1	24.7	23.8	38.8	52.4
Home Refinance	18.0	4.5	18.6	14.2	24.7	32.8	38.8	48.5

Source: 2010 U.S. Census Data and 2015-2016 HMDA loan application registers

The distribution of business loans reflects reasonable penetration among businesses of different sizes. We reviewed a sample of 20 business loans originated between January 1, 2015 and

December 31, 2016 to assess the performance. Home Federal originated or purchased 70.0 percent of its business loans to small businesses by number and 58.4 percent by dollar. Small businesses are businesses with gross annual revenues of \$1 million or less. The percentage of loans to small businesses is slightly below the demographic comparator; however, the distribution remains reasonable given sampling limitations. Seventy-five percent of the loans in our sample were under \$250,000 providing additional support for a reasonable distribution of loans to small businesses. Three loans to businesses with revenues greater than \$1 million accounted for a combined 48.5 percent of the total originated dollar volume in the sample, significantly affecting the findings.

The following table shows the distribution of business loans to businesses of different sizes within the AA:

<b>Table 2A - Borrower Distribution of Loans to Businesses in Hall County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76.1	7.6	16.3	100%
% of Bank Loans in AA by #	70.0	30.0	0.0	100%
% of Bank Loans in AA by \$	58.0	42.0	0.0	100%

*Source: 2010 U.S. Census Data and a sample of business loans from 2015-2016*

#### Performance in the Gosper/Dawson/Phelps AA

The distribution of home loans and loans to businesses of different sizes reflects limited data. Given the recent merger in 2016, the HMDA loan application register reflected limited lending. Based on the limited data, Home Federal is originating loans in the AA consistent with the demographic profile.

The following table shows the distribution of home loan originations among borrowers of different income levels compared to the percentage of families in each income category within the AA:

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in Gosper/Dawson/Phelps AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.2	25.9	17.7	37.0	25.9	18.5	37.2	18.5
Home Improvement	19.2	0.0	17.7	0.0	25.9	33.3	37.2	33.3
Home Refinance	19.2	23.1	17.7	30.8	25.9	30.8	37.2	15.4

*Source: 2010 U.S. Census Data and 2016 loan application register*

Given the absence of 20 originated or purchased business loans within the AA during the analysis period, an assessment of the distribution of loans to businesses of different sizes was not considered meaningful.

## Performance in the Adams/Nuckolls AA

The distribution of home loans and loans to businesses of different sizes reflects limited data. Given the recent merger in 2016, the HMDA loan application register reflected limited lending. Based on the limited data, Home Federal is originating loans in the AA consistent with the demographic profile.

The following table shows the distribution of home loan originations among borrowers of different income levels compared to the percentage of families in each income category within the AA:

<b>Table 4 - Borrower Distribution of Residential Real Estate Loans in Adams/Nuckolls AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.9	12.5	17.6	37.5	22.4	37.5	39.2	12.5
Home Improvement	20.9	0.0	17.6	0.0	22.4	0.0	39.2	100.0
Home Refinance	20.9	0.0	17.6	0.0	22.4	33.3	39.2	66.7

*Source: 2010 U.S. Census Data and 2016 loan application register*

Given the absence of 20 originated or purchased business loans within the AA during the analysis period, an assessment of the distribution of loans to businesses of different sizes was not considered meaningful.

## **Geographic Distribution of Loans**

The distribution of loans reflects reasonable dispersion throughout the Hall County AA and the Adams/Nuckolls AA. The data was not meaningful in the Gosper/Dawson/Phelps AA because all census tracts in the AA are middle-income tracts. We placed less weight on the geographic distribution due to generally homogeneous geographies with few moderate-income geographies as well as data constraints resulting from the recent merger. There were no conspicuous gaps identified within Home Federal's AA.

## Performance in the Hall County AA

The geographic distribution of home loans in the AA reflects reasonable dispersion throughout census tracts of different income levels. We reviewed 2010 U.S. Census Data and the 2015-2016 HMDA loan application registers to assess performance. The Hall County AA only has one moderate-income census tract and zero low-income census tracts. Home Federal originated a similar volume of home purchase and home improvement loans in the moderate-income census tract to the demographic comparator and exceeded the demographic comparator for home refinance loans.

The following table reflects Home Federal's lending performance in all income tracts compared to the percentage of owner-occupied housing units in each census tract income level:

<b>Table 5 - Geographic Distribution of Residential Real Estate Loans in Hall County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.0	0.0	5.2	4.1	70.8	52.4	24.0	43.5
Home Improvement	0.0	0.0	5.2	4.6	70.8	56.8	24.0	38.6
Refinancing	0.0	0.0	5.2	8.2	70.8	52.7	24.0	39.0

Source: 2010 U.S. Census Data and 2015-2016 HMDA loan application register

The geographic distribution of business loans in the AA reflects reasonable dispersion throughout the AA. Our sample of lending within the AA was limited and thus the absence of loans in the sole moderate-income census tract did not weigh heavily on our assessment. Only seven percent of AA businesses are located in the moderate-income census tract.

The following table reflects Home Federal’s lending performance in all income tracts compared to the percentage of businesses in each geography:

<b>Table 5A - Geographic Distribution of Loans to Businesses/Farms in Hall County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.0	0.0	7.1	0.0	71.4	85.0	21.4	15.0

Source: 2010 U.S. Census Data and a sample of business loans from 2015-2016

#### Performance in the Adams/Nuckolls AA

The geographic distribution of home loans in the AA reflects reasonable dispersion throughout census tracts of different income levels. We reviewed 2010 U.S. Census Data and the 2016 HMDA loan application registers to assess performance. The Adams/Nuckolls AA has six moderate-income census tracts and zero low-income census tracts. In evaluating the geographic distribution of home loans in the AA, it is important to note that the data was limited to 12 months given the merger which took place January 1, 2016.

The following table reflects Home Federal’s lending performance in all income tracts compared to the percentage of owner-occupied housing units in each census tract income level:

<b>Table 6 - Geographic Distribution of Residential Real Estate Loans in Adams/Nuckolls AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.0	0.0	27.6	62.5	52.4	37.5	20.0	0.0
Home Improvement	0.0	0.0	27.6	0.0	52.4	0.0	20.0	100.0
Refinancing	0.0	0.0	27.6	0.0	52.4	100.0	20.0	0.0

Source: 2010 U.S. Census Data and 2016 HMDA loan application register

We did not perform a geographic distribution of business loans in this AA during the examination given the absence of 20 originated or purchased business loans within the AA during the analysis period.

#### Performance in the Gosper/Dawson/Phelps AA

We did not perform a geographic distribution of loans in this AA during the examination. All of the census tracts in this AA are middle income, so the analysis would not be meaningful.

#### **Responses to Complaints**

The Office of the Comptroller of the Currency and Home Federal did not receive any CRA-related complaints during the evaluation period.



## 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 metropolitan and nonmetropolitan areas 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>	Lending Test (excludes CD loans): (01/01/15 to 12/31/16)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Home FS & LA of Grand Island (Home Federal) Grand Island, NE		Home Purchase, Home Improvement, and Home Refinance Loans; Business Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Hall County AA	Full-Scope	Hall County
Dawson/Gosper/Phelps AA	Limited-Scope	New AA as of 1/1/2016: Dawson, Gosper, and Phelps Counties
Adams/Nuckolls AA	Limited-Scope	New AA as of 1/1/2016: Adams and Nuckolls Counties

## Appendix B: Community Profiles for Full-Scope Areas

### Hall County AA

Demographic Information for Full-Scope Area: Hall County AA – 2010 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	14	0.00	7.14	71.43	21.43	0.00
Population by Geography	58,607	0.00	8.60	69.43	21.96	0.00
Owner-Occupied Housing by Geography	14,633	0.00	5.17	70.79	24.04	0.00
Businesses by Geography	3,789	0.00	7.97	66.61	25.42	0.00
Farms by Geography	343	0.00	3.50	79.30	17.20	0.00
Family Distribution by Income Level	14,831	17.96	18.60	24.68	38.76	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,421	0.00	12.64	71.61	15.75	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below the Poverty Level	= 54,801 = 57,800 = 11%	Median Housing Value Unemployment Rate				= 110,674 = 2.48%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The Hall County AA includes the city of Grand Island in Nebraska. The Grand Island metropolitan statistical area (MSA) includes Hall, Hamilton, Howard, and Merrick counties in Nebraska. However, Home Federal limited their AA to Hall County given all of the FSA's branches are located in this county and it is the only county they were reasonably able to serve. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies. According to 2010 U.S. Census data, the AA consists of 14 census tracts of which, zero are low-income, one is moderate-income, ten are middle-income, and three are upper-income.

The 2016 FFIEC Updated MFI was \$57,800. This represents a 3.02 percent increase compared to the MFI of \$59,600 as of the 2014 FFIEC Updated MFI, which was the first year income was tracked in the Grand Island MSA. According to the 2010 U.S. Census, the total population of the AA was 58,607. The distribution of families by income level was 17.96 percent low-income, 18.60 percent moderate-income, 24.68 percent middle-income, and 38.76 percent upper-income. According to the American Community Survey, the AA population increased from 57,748 in 2011 to 60,792 in 2015, or an increase of 5.27 percent. The AA includes the city of Grand Island, which is the fourth largest city in Nebraska and the only city in the AA which the FSA has branches.

Strong competition to provide financial services exists within the AA. The June 30, 2016 FDIC Deposit Market Share Report shows Home Federal ranked fourth of 15 depository financial institutions, with a 10.45 percent market share. Competitors include several branches of national, regional, and local community banks operating in the AA. Home Federal's top five competitors, in order of deposit market share rank, are: Five Points Bank, Wells Fargo Bank, N.A., Exchange Bank, Equitable Bank, and Pathway Bank. These competitors control 66.72 percent of the deposit market share in the AA. Home Federal's deposits in the AA as of June 30, 2016, totaled \$190.65 million, representing 82.72 percent of total deposits. The competition maintains 35 offices in the AA. As of May 8, 2017, the bank had three branches in the AA. The bank supplements its branch network with seven deposit-taking ATMs.

### Employment and Economic Factors

The economic condition of the AA has experienced volatility as manufacturing and agriculture sectors declined in performance towards the end of the evaluation period. Unemployment rates remained lower than the national average throughout the evaluation period. According to the U.S. Bureau of Labor Statistics (<http://beta.bls.gov>), unemployment rates for the AA improved from 4.00 percent at December 2011 to 3.50 percent at December 2016. As of December 2016, the Nebraska and nationwide unemployment rates were 3.30 percent and 4.70 percent, respectively.

According to Moody's Analytics, employment in the AA is most concentrated in manufacturing, agriculture, government, retail trade, and education and health services sectors. Major employers include JBS, Grand Island Public Schools, CHI Health St. Francis Medical Center, Chief Industries, Case New Holland, and the City of Grand Island among others. The AA exhibits a resilient housing market and low living and business costs which provides a basis for recoveries from weakening manufacturing and agricultural trends.

### Housing

There are limited opportunities for home mortgage lending in this AA's moderate-income geography due to the limited number of designated geographies and the smaller number of housing units than in middle- and upper-income geographies. There is only one moderate-income census tract in the AA and according to the 2010 U.S. Census, and only 5.17 percent of owner occupied units were located in this census tract. Of the total housing units in moderate-income geographies, 60.67 percent were occupied rental units and 4.30 percent were vacant units.

Home ownership in the LMI geographies is difficult due to the median housing prices compared to median family incomes and a poverty rate of 11.14 percent in the AA. According to the National Association of REALTORS county median home prices report, the median housing price for the AA was \$142,490 as of the 1<sup>st</sup> quarter of 2017. The median housing price is relatively high in the AA when considering a median family income of \$57,800 and a poverty rate of 11.14 percent (according to the 2010 U.S. Census). Based on this median family income, low-income and moderate-income families earned at most approximately \$28,900 and \$46,240,

respectively. These income levels and the level of families living below poverty would make it difficult to afford owner-occupied housing in this AA for LMI individuals.

According to the 2010 U.S. Census, the median age of housing units is higher in LMI geographies than middle- and upper-income geographies. Older housing typically has lower purchase prices, but often higher maintenance costs. Per the 2010 U.S. Census, the median age of housing for the moderate-income geography was 61 years. In comparison, the median age of middle- and upper-income geographies was much lower at 53 years and 34 years, respectively. Due to the older age of housing units in LMI geographies, we would expect a higher average maintenance cost, thus making it more difficult to afford owner-occupied housing in this AA for LMI individuals.

#### Community Contact

One community contact was performed in the AA as part of this performance evaluation. The contact was a local business organization. The contact cited a need for affordable capital for small business owners and entrepreneurs. In addition, the community contact noted the need for affordable housing and lender's work with certain organizations to further this development.