



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 09, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home FS&LA of Nebraska
Charter Number 705760

201 W 7th St
Lexington, NE 68850-1815

Office of the Comptroller of the Currency

ADC-Omaha Field Office
13710 FNB Parkway Suite 110
Omaha, NE 68154-5298

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 of Nebraska (Home Federal) originates a majority of their loans in their assessment area (AA).
- The loan-to-deposit ratio is higher than peer and more than reasonable considering the competitive local lending environment.
- The bank has a record of lending to farms of different sizes and their performance meets the standard for satisfactory performance.

SCOPE OF EXAMINATION

Home, business, consumer, and agricultural loans originated between January 1, 2010 and December 31, 2011 were reviewed to evaluate Home Federal’s performance under the Community Reinvestment Act (CRA). The bank’s loan-to-deposit ratio was reviewed and compared to other similarly situated institutions in the AA. We determined the bank’s primary product is agricultural loans based on dollar volume and number of loans originated during the evaluation period. A sample of 20 agricultural loans was reviewed to determine how many loans the bank originated in their AA. Additionally, reviews of borrower distribution and geographic distribution among agricultural borrowers were also performed and compared to demographic characteristics. CRA-related complaints were also reviewed.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Home Loans	17%	16%
Consumer Loans	9%	50%
Business Loans	18%	15%
Agricultural Loans	56%	19%
Total	100%	100%

DESCRIPTION OF INSTITUTION

Home Federal is a federally chartered mutual savings and loan with total assets of \$55 million as of September 30, 2011. Assets consist mainly of commercial loans (41.04%), nonresidential mortgage loans (22.03%), and residential mortgage loans (17.88%). Deposits, excluding escrow accounts, total \$41 million.

The bank operates its main office in Lexington, Nebraska. The institution also has offices located in Hastings, Holdrege, and Superior, Nebraska. No branches were opened or closed during the evaluation period and the bank does not operate any deposit-taking ATMs

Home Federal’s primary loan strategy is to originate business and agricultural loans.

While agricultural loans are not detailed on the Thrift Financial Report, these loans comprise a significant portion of the bank's lending volume and were considered a primary product for purposes of this exam. Home Federal also offers a variety of home and consumer loan products. The bank is active in the Nebraska Investment Finance Authority loan program, a special program for first-time home buyers and Nebraska Energy Office loans, which benefit individuals with energy conservation projects.

Additional information is available in the public file.

DESCRIPTION OF ASSESSMENT AREA(S)

Home Federal's AA includes Dawson, Adams, Phelps, and Nuckolls Counties in Nebraska. The institution's four offices are located in each of these respective counties. The total population of the of the AA 70,320. The area includes 21 census tracts (CTs). One tract is moderate-income, 18 tracts are middle-income, and two tracts are upper-income. While there are no low-income tracts, 15% of the population is low-income.

According to 2000 census data, the assessment area is home to 27,068 households and 29,540 housing units. Approximately 64% of the units are owner-occupied and 28% are rental occupied units. The HUD Weighted Average Median Housing Cost is \$67,088. The Weighted Average of HUD Updated Median Family Income for 2010 and 2011, are \$54,200 and \$56,200, respectively.

The primary industry in the area is farming and ranching. In addition to light manufacturing, wholesale and retail business, and governmental agencies, there are several small colleges and a major meat packing plant, which represent significant employers in the area. We completed one community contact with a local organization. Our community contact indicated that farming poses the greatest credit need in the AA. While the contact's organization did not work closely with farms, the contact noted that financial institutions in the community had been responsive to the needs of manufacturing and retail businesses. There are 28 institutions operating in Home Federal's AA.

Additional information is available in the public file.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Home Federal's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance. The quarterly average loan-to-deposit ratio since the last CRA Examination was 92%, compared to an average of 84% for similarly situated institutions in the bank's AA. The bank's loan-to-deposit ratio is higher than peer and considered more than reasonable in light of the competitive local lending environment.

Lending in Assessment Area

The bank originated a majority of its loans in the AA and meets the standard for satisfactory performance. A random sample of 20 agricultural loans showed 80% by number and 73% by dollar amount were located within Home Federal’s AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	16	80	4	20	20	5,414,677	73	1,965,000	27	7,379,677
Totals	16	80	4	20	20	5,414,677	73	1,965,000	27	7,379,677

Source: Farm Loan Data 2010-2011

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

Home Federal’s lending to farms of different sizes reflects reasonable penetration and meets the standard for satisfactory performance. The bank’s distribution of loans to farms with revenues less than \$1 million was consistently less than the demographic comparator by dollar and number. The demographic comparator of 97% indicates that a majority of the farms in the AA have revenues less than \$1 million. However, Table 2A shows 90% of the 20 loans in our sample were to farms with revenues less than \$1 million in revenue. Additionally, 67% of the dollar volume of loans was originated to farms with revenue less than \$1 million. Our sample included one large loan to a large agricultural borrower. This slightly skews the dollar volume comparison. Considering this factor, the bank’s performance by number is more representative of the bank’s performance under this criterion.

Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.05	1.84	1.11	100.00
% of Bank Loans in AA by #	90.00	10.00	0.00	100.00
% of Bank Loans in AA by \$	67.17	32.83	0.00	100.00

Source: Farm loan data sampled from 2010-2011 and 2011 U.S. Census Data

Geographic Distribution of Loans

In light of the limited number of geographically distinct geographies in the AA, an analysis of geographic distribution was not considered meaningful. Of Home Federal’s 21 CTs in the assessment area, the majority is middle-income, one is moderate-income, and two are upper-income.

Responses to Complaints

The bank has not received any complaints regarding their CRA performance.

Fair Lending or Other Illegal Credit Practices Review

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