



PUBLIC DISCLOSURE

March 03, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Henderson Federal Savings Bank
Charter Number 703155

130 N Marshall St Henderson, TX
75652-3144

Office of the Comptroller of the Currency

1800 NW Loop 281
Suite 306
Longview, TX 75604-2516

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 Community Reinvestment Act (CRA) Rating

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

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The lending test rating is based on a reasonable distribution of lending to low- and moderate-income (LMI) borrowers, a substantial majority of loans purchased or originated in the assessment area (AA), and a more than reasonable loan-to-deposit (LTD) ratio.

Loan-to-Deposit Ratio

Considering the institution's size, financial condition, and credit needs of the AA, the institution's LTD ratio is more than reasonable. As of December 31, 2021, the institution's quarterly LTD ratio, since the previous CRA evaluation, averaged 87.1 percent with a high ratio of 96.5 percent in the third quarter of 2019. Examiners compared the institution's LTD ratio to similarly situated financial institutions (peer group) with total asset sizes ranging from \$232 million to \$259 million. The peer group's average LTD was 86.6 percent with a high average of 88.2 percent and a low average of 85.0 percent.

Lending in Assessment Area

A substantial majority of the institution's loans are inside its AA.

The institution originated and purchased 87.5 percent of its total loans inside the AA during the evaluation period. This analysis is performed at the institution level, rather than the AA level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

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	18	90.0	2	10.0	20	2,373	83.4	472	16.6	2,845
Consumer	17	85.0	3	15.0	20	277	88.8	35	11.2	312
Total	35	87.5	5	12.5	40	2,650	83.9	507	16.1	3,157

Description of Institution

Henderson Federal Savings Bank (HFSB or institution) is a mutually chartered federal savings association headquartered at 130 North Marshall Street, Henderson, Texas. HFSB has only one office that includes a drive-through facility and automated teller machine, located in Henderson, Texas. The institution reported total assets of \$118 million as of December 31, 2021.

HFSB's business strategy is that of a traditional federal savings association with a focus on one- to four-family mortgages and consumer loans.

As of December 31, 2021, total loans were \$69 million representing 58.42 percent of total assets. The loan portfolio was composed of approximately 82 percent residential real estate loans, 11.0 percent commercial loans, 6 percent consumer loans, and 1.0 percent agriculture loans.

There were no legal or financial factors impeding the institution's ability to help meet credit needs in its AA during the evaluation period. HFSB's CRA performance was rated "Satisfactory" in the last performance evaluation dated December 11, 2017.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The Office of the Comptroller of the Currency (OCC) evaluated the CRA performance of HFSB using small bank performance criteria, which includes the lending test. The evaluation covered the period from January 1, 2019, through December 31, 2021. In evaluating the institution's lending performance, examiners reviewed commercial and consumer lending, consistent with the institution's lending focus.

Selection of Areas for Full-Scope Review

In each state where the institution has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, institution delineated AA located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area are combined and evaluated as a single AA. Similarly, institution 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 institution's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

The MMSA rating and state ratings are based on performance in all of the institution's AAs. Refer to the "Scope" section under each state and MMSA Rating 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 banks or federal savings association's (collectively, financial institution) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the financial institution, or in any AA by an affiliate whose loans have been considered as part of the financial institution'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 Bureau of Consumer Financial Protection, 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 Texas

CRA rating for the State of Texas¹: Satisfactory

The lending test is rated: Satisfactory

The major factors that support this rating include:

- A substantial majority of the institution's lending is within the AA.
- The borrower distribution of loans to LMI borrowers is reasonable.
- The institution's LTD ratio is more than reasonable.

Description of Institution's Operations in Texas

HFSB operates in one AA in the State of Texas as mentioned in the Description of Institution and the Scope of the Evaluation section. The AA is comprised of Rusk County in its entirety, which is part of the Longview, Texas MSA. The institution has one office located in Henderson, Texas.

The institution's primary lending focus is on one- to four-family mortgages (residential real estate) and consumer loans. Competitors include local community banks, savings associations, credit unions, and regional banks located within the AA. According to the Federal Deposit Insurance Corporation (FDIC) Market Share Report for 2020, HFSB deposits total \$84.5 million, which represents 7.5 percent of deposit market share among depository financial institutions in the rating area. HFSB ranks third out of six financial institutions in the county.

Rusk County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Rusk County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	0.0	7.7	76.9	15.4	0.0
Population by Geography	53,457	0.0	4.2	85.3	10.5	0.0
Housing Units by Geography	21,281	0.0	6.3	82.7	11.0	0.0
Owner-Occupied Units by Geography	13,271	0.0	5.9	81.1	12.9	0.0
Occupied Rental Units by Geography	4,482	0.0	5.7	89.5	4.8	0.0
Vacant Units by Geography	3,528	0.0	8.5	79.7	11.8	0.0
Businesses by Geography	2,709	0.0	4.1	87.3	8.6	0.0
Farms by Geography	121	0.0	15.7	70.2	14.0	0.0
Family Distribution by Income Level	12,655	23.5	17.7	18.8	40.1	0.0
Household Distribution by Income Level	17,753	26.0	15.6	17.2	41.2	0.0
Median Family Income MSA - 30980 Longview, TX MSA		\$56,456	Median Housing Value			\$100,895
			Median Gross Rent			\$679
			Families Below Poverty Level			13.9%
<i>Source: 2015 ACS and 2020 D&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>						

The AA is made up of Rusk County in its entirety. The AA consists of 13 census tracts, including one moderate-income, ten middle-income, and two upper-income. The AA meets the requirements of the CRA. The local economy in the institution's AAs is primarily retail trade, manufacturing, health care services, construction, and mining. Major employers in the AA include: MTC Henderson/Rusk County, Henderson ISD, Sadler's Smokehouse, Walmart Supercenter, Rusk County, UT Health Henderson, Capco Contractors, Luminant, VeraBank, West Fraser Inc., Panel Truss Texas, Inc., and Henderson Health and Rehab. A contact made in the AA indicated the most critical needs are new home building and affordable housing.

Scope of Evaluation in Texas

As discussed earlier, HFSB has one AA. Refer to the table in Appendix A for a list of all AAs under review. Consistent with the institution's primary lending focus, residential real estate and consumer loans were analyzed for 2019, 2020, and 2021.

LENDING TEST

The institution's performance under the lending test in Texas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the institution's performance in the Rusk County AA is good.

Distribution of Loans by Income Level of the Geography

A geographic analysis of lending activity was not performed. The institution has one moderate-income census tract in its AA, representing less than 8 percent of the total AA. Additionally, the moderate-income census tract is located approximately 20 miles from the institution and has another financial institution located within the census tract. Based on the number of LMI geographies and the distance from the institution, an analysis would not be meaningful.

Distribution of Loans by Income Level of the Borrower

The institution exhibits a reasonable distribution of loans to individuals of different income levels and given the product lines offered by the institution.

Home Mortgage Loans

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

The borrower distribution of home mortgage lending to LMI borrowers in the AA is reasonable. The institution's lending to low-income borrowers was significantly lower than the percentage of families identified as low-income; however, it significantly exceeded the aggregate lending. The institution's lending to moderate-income borrowers is near to the percentage of families identified as moderate-income and exceeded the aggregate lending.

Consumer Loans

Refer to Table V in the State of Texas section of Appendix D for the facts and data used to evaluate the borrower distribution of the institution's consumer loan originations and purchases.

The borrower distribution of consumer lending to LMI borrowers in the AA is reasonable. The institution's lending to low-income borrowers was significantly less than the percentage of households identified as low-income; however, the institution's lending to moderate-income borrowers significantly exceeded the percentage of households identified as moderate-income.

Responses to Complaints

There were no complaints related to the institution's CRA performance within the State of Texas during the review period.

Appendix A: Scope of Examination

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”.

Time Period Reviewed:	(01/01/2019 to 12/31/2021)	
Bank Products Reviewed:	Home mortgage and consumer loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
States		
Texas	Full-Scope	Rusk County

Appendix B: Summary of MMSA and State Ratings

RATINGS	Henderson Federal Savings Bank
Overall Bank:	Lending Test Rating
Henderson Federal Savings Bank	Satisfactory
MMSA or State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

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: The number of loans originated and purchased by all reporting lenders (Home Mortgage Disclosure Act 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/AA.

Census Tract: 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: 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: Affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI 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 LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

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

Consumer Loan: A loan 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: The statute that requires certain mortgage lenders that conduct business or have banking offices in a MSA 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 financial institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/AA.

Median Family Income: The median income determined by the United States Bureau of the Census 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 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 MSA 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 MMSA. For a financial institution with domestic branches in only one state, the financial institution's CRA rating would be the state rating. If a financial institution maintains domestic branches in more than one state, the financial institution will receive a rating for each state in which those branches are located. If a financial institution maintains domestic branches in two or more states within an MMSA, the financial institution will receive a rating for the MMSA.

Small Loan to Business: 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 to Farm: A loan included in 'loans to small farms' as defined in the instructions for preparation of the 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

Content of Standardized Tables

A separate set of tables is provided for each state. All MMSA, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the institution 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 Home Mortgage Disclosure Act or CRA-reporting lenders in the MMSA/AA. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this Performance Evaluation.

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 institution 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/AA. 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 originated and were 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 institution’s AA.
- 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 institution 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 institution's AA.

- 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 institution 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 institution 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 institution to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/AA.

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																	2019-2021		
Total Home Mortgage Loans			Low-Income Borrowers				Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	
Rusk County	20	2,904	100.0	23.5	5.0	2.3	17.7	15.0	12.2	18.8	15.0	22.0	40.1	65.0	43.4	0.0	0.0	20.1	
Total	20	2,904	100.0	23.5	5.0	2.3	17.7	15.0	12.2	18.8	15.0	22.0	40.1	65.0	43.3	0.0	0.0	20.1	

*Source: 2015 ACS Census; 01/01/2019 - 01/01/2021 Bank Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower												2019-2021	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers	
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans
Rusk County	20	315	100.0	21.3	0.0	15.4	25.0	18.5	10.0	44.8	65.0	0.0	0.0
Total	20	315	100.0	21.3	0.0	15.4	25.0	18.5	10.0	44.8	65.0	0.0	0.0

*Source: 2015 ACS Census; 01/01/2019 - 12/31/2021 Bank Data.
Due to rounding, totals may not equal 100.0*