

PUBLIC DISCLOSURE

April 11, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Home Federal Bank
624 Market St
Shreveport, LA 71101-3643
Docket #: 00057**

**Office of Thrift Supervision
Western Region
225 East John Carpenter Freeway, Suite 500
Irving, TX 75062-2326**

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.



Office of Thrift Supervision

Department of the Treasury

Western Region

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May 24, 2011

Board of Directors
Home Federal Bank
624 Market Street
Shreveport, LA 71101-3643

OTS No. 00057

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation prepared by the Office of Thrift Supervision as of April 11, 2011.

In accordance with 12 C.F.R. 563e, this written CRA Performance Evaluation must be made available to the public within 30 business days of its receipt by your institution. The evaluation must be placed in your CRA public file located at your home office and each branch within this 30 business day time frame. The evaluation may not be altered or abridged in any manner. At your discretion, previous written CRA Performance Evaluation(s) may be retained with the most recent evaluation in your CRA public file.

Your institution is invited to prepare a response to the evaluation. The response may be placed in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution. If you should have any questions concerning this report, please do not hesitate to call me at (972) 277-9559.

Sincerely,

Bill M. Williams
Assistant Director, Compliance

Enclosure

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Home Federal Bank. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 11, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

General Information

Overall Rating

INSTITUTION'S CRA RATING: Satisfactory.

Home Federal Bank's (Home Federal) performance in meeting its overall CRA responsibilities was Satisfactory. The bank maintained an adequate loan-to-deposit ratio and originated a reasonable proportion of loans within the assessment area. The distribution of loans to applicants of different incomes was weaker than that of other financial institutions. The proportion of lending in different geographies was excellent compared to other financial institutions and the demographic characteristics of the assessment area. There have not been any CRA-related complaints since the previous CRA Performance Evaluation. Additionally, the bank made a significant amount of qualified community development loans and investments during the review period based on its asset size.

Scope of Examination

The OTS evaluated CRA performance under the Small Savings Institution Examination Procedures, which are applicable based on the bank's total assets as of December 31, 2009 and 2010. The review period for this evaluation is January 1, 2008 through December 31, 2010. The previous CRA evaluation was March 1, 2006, and was conducted using the Small Savings Institution Examination Procedures. Home Federal was rated "Satisfactory."

The CRA performance review includes an evaluation of the bank's CRA results based on five performance criteria. These performance criteria are: 1) loan-to-deposit ratio; 2) assessment area concentration; 3) borrower profile/distribution of loans by borrower income; 4) geographic distribution of loans; and 5) response to CRA-related complaints. The bank may also provide information regarding any community development loans, investments, or services provided during the review period, at their discretion. For our review, we evaluated the institution's lending patterns for residential mortgage loans.

We reviewed the evaluation of compliance with consumer laws and regulations performed in the most recent comprehensive examination of Home Federal and did not identify any illegal credit practices that violate law, rule, or regulation.

Description of Institution

Home Federal is a federally chartered stock institution located in Shreveport, Louisiana. A summary of the balance sheet with items pertinent to the evaluation of CRA performance is detailed in table

Institution

T1. The table illustrates that the bank primarily invests in one-to-four family mortgage loans. The bank also originates commercial loans and consumer loans, but these loans represent a small percentage of the total portfolio. Home Federal funds its loans with deposit accounts and to a lesser extent, Federal Home Loan Bank advances. The concentration of one-to-four family mortgage loans warrants the emphasis on residential mortgage loans in the evaluation of the bank’s CRA performance.

Table T1 - Major Components of Total Assets, Liabilities and Capital			
As of 12/31/2010			
Balance Sheet Component	Balance Sheet \$ Amount	% of Total Assets	\$ Change in Period
Loans			
1-4 Family Permanent Mortgages	53,832	25.5%	+29,781
Multi-Family Mortgage Loans	11,195	5.3%	+8,103
Nonresidential Perm. Mortgages and Land	31,388	14.9%	+30,856
Residential Construction Loans	9,818	4.6%	+9,209
Commercial Loans	9,486	4.5%	+9,400
Consumer Loans	508	<1.0%	-116
Investments			
Cash, Dep. And Investment Securities	37,718	17.9%	+20,474
Liabilities			
Deposits and Escrows	142,674	67.6%	+58,887
Advances from FHLBank	25,981	12.3%	+10,048
Total Assets	\$211,188	-	+\$82,914
Total Liabilities	\$170,224	-	+\$69,759
Net Worth	\$40,964	-	+\$13,155

Home Federal has three full service branches in the city of Shreveport, Louisiana to serve the public. The main office is located in a middle-income census tract and one branch office located is located in an upper-income census tract. The third branch was opened during the review period; it is located in a middle-income census tract. In addition to the full service branches, customers may also use the bank’s online consumer and business banking services. The bank did not close any branches during the review period.

Home Federal primarily focuses on the origination of fixed and variable-rate mortgage loans for the purchase, improvement, or refinance of owner occupied one-to-four family dwellings. The majority of loan originations are sold to the secondary market for the purpose of managing interest rate risk. Home Federal uses FHA and Rural Development Loans to help meet the needs of the assessment area community, particularly low- and moderate-income borrowers. These programs help lower-income consumers purchase homes they would otherwise not be able to afford by providing down payment assistance and allowing financing for up to 100 percent loan to value. The bank has a variety of deposit products including: checking accounts, savings accounts, certificates of deposit, and individual retirement accounts.

Institution

Economic or Legal Constraints

During the review period, Home Federal conducted operations in a recessionary economy. However, based on the bank’s financial condition, size and location, prior performance, and legal impediments, there were no other factors identified that adversely affected Home Federal’s ability to meet the credit needs of the community.

Description of Bossier Parish and Caddo Parish Assessment Area

Home Federal has defined its assessment area as all of the Bossier Parish and all of the Caddo Parish in the state of Louisiana. These two parishes are part of the larger Shreveport-Bossier City, Louisiana Metropolitan Statistical Area (MSA). These parishes are located in the northwestern most portion of the state of Louisiana with the state of Texas bordering on the west and the state of Arkansas to the north. Bossier and Caddo Parishes have a combined total area of 1,804 square miles.

Table D1 provides an overview of assessment area demographic data, compiled from the 2000 US Census, that provide the context of the review. According to the Census Bureau, the population of the assessment area increased approximately four percent and as of July 2009, has an estimated 365,115 persons. The assessment area houses a little more than eight percent of the population of the state of Louisiana. The increase in population and the number and types of housing units suggest reasonable lending opportunities for a single family lender. According to the Census Bureau, educational services, health care and retail trade provide more income and jobs than any other segments in the assessment area.

Table D1 – Demographic Overview	
Demographic Data	2000 Census
Population	350,471
Total Families	92,410
Total Housing Units	148,582
1-4 Family Units	112,777
Occupied Units	134,602
% Owner-Occupied Units	59%
% Rental Units	36%
% Vacant Housing Units	9%
Median Housing Value	\$73,465

There are a total of 24 financial service providers in the assessment area consisting of both state and federally chartered institutions. As a small institution with only three branches, Home Federal’s competition is significant and includes large institutions such as Capital One, JP Morgan Chase, and Regions Bank. With nearly \$119 million in deposits, Home Federal ranked 10th, with a market share just over two percent.

Institution (continued)

Table D2 - Assessment Area Family Income Distribution Based on 2010 Median Family Income (MFI) and 2000 Census Data				
Income Category	Assessment Area			
	% MFI	Maximum Income	# of Families	% of Families
Low	<50%	\$26,299	21,718	23.5%
Moderate	50% - <80%	\$42,079	14,669	15.9%
Middle	80% - <120%	\$63,119	17,872	19.3%
Upper	≥120%	NA	38,151	41.3%
Total			92,410	100.0%

Table D2 defines income categories based on the percentage of median family income, and provides the distribution of families based on those income categories. The table reflects the majority of the population consists of upper-income families, suggesting a potential demand for housing. There are also

a large proportion of low-income families, but the median housing value in Table D1 suggests families in the low-income range may face challenges in finding affordable homeownership opportunities. That value reflects housing costs identified in the 2000 Census, and may be understated during significant portions of the evaluation timeframe.

The HUD-updated weighted average median income for the assessment area was \$49,600 in 2008; increased to \$52,300 in 2009 and increased again in 2010 to \$52,600. Table D3 shows the most current available unemployment rates published by the Bureau of Labor Statistics for the assessment area compared to the state of Louisiana for the review period.

Table D3 – Assessment Area Annual Average Unemployment Rate			
	2010	2009	2008
Louisiana	7.5	6.6	4.4
Bossier Parish	5.8	5.8	4.0
Caddo Parish	7.4	7.4	5.1

Table D4 details the distribution of assessment area families by census tract income levels. The table indicates a large proportion of families are located in middle- and upper-income census tracts which would suggest reasonable opportunities for lending in those areas.

Table D4 - Assessment Area Demographic Information			
Income Category	# of Tracts	2000 US Census Data Distributions	
		Families	
		#	%
Low	10	6,275	6.8%
Moderate	23	19,679	21.3%
Middle	25	28,882	31.2%
Upper	25	37,574	40.7%
Total	83	92,410	100.0%

Institution (continued)

Conclusions with Respect to Performance Tests

Loan-to-Deposit Ratio

Home Federal’s business model primarily focuses on the origination of residential mortgage loans, a large portion of which are sold to the secondary market. We compared the bank’s loan-to-deposit ratio with two other similarly situated institutions. Similarly situated institutions are those of similar business lines and comparable asset size operating in the same geography. Home Federal’s loan-to-deposit ratio climbed steadily during the review period and ranged from 35.0 percent to 86.9 percent. The bank’s average loan-to-deposit ratio was 58.8 percent during the review period, a significant increase from 29.0 percent at the previous exam. The dramatic increase in the loan-to-deposit ratio is attributed to new product offerings and the addition of employees with commercial lending expertise. In comparison, the other institutions’ loan-to-deposit ratios ranged from 74.0 percent to 83.0 percent for the same period. Based on this comparison, Home Federal’s business model, and considering the economic conditions in the marketplace in which it conducts its operations, the bank meets the standards for satisfactory performance.

ASSESSMENT AREA CONCENTRATION

A review of loans originated by Home Federal shows the bank originated a majority of loans within the delineated assessment area. The bank’s performance is considered satisfactory. Table C2 reflects the concentration of loans granted within the assessment area compared to total lending by product type.

Table C2 - Assessment Area Concentration						
<i>Lending Reported between 1/1/08 –12/31/10</i>						
Review Period	Number of Loans			Dollar Amount (\$000)		
	Assessment Area Lending	Total Lending	Ratio of AA to Total	Assessment Area Lending	Total Lending	Ratio of AA to Total
Residential Mortgage Loans	374	717	52.2	\$97,853	\$130,769	74.8

The percentage for the number of residential mortgage loans originated within the assessment area has increased since the previous examination. Home Federal previously originated 42.0 percent of the number of loans in the assessment area.

Institution (continued)

LENDING TO BORROWERS OF DIFFERENT INCOMES

A review of Home Federal’s loan originations shows that lending to low- and moderate-income borrowers was lower than that of other HMDA reporting institutions and indicates less than satisfactory performance. Table B3 illustrates Home Federal’s performance compared to other HMDA reporting institutions.

Table B3 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	# of Loans	% of Loans	2009 HMDA Aggregate	Family Distribution
Low	8	2.1%	4.6%	23.5%
Moderate	24	6.4%	13.2%	15.9%
Middle	38	10.2%	20.9%	19.3%
Upper	299	80.0%	45.3%	41.3%
Income Not Avail.	5	1.3%	16.0%	-
Total	374	100.0%	100.0%	100.0%

As mentioned previously, several of the bank’s competitors consist of national and regional banks as well as mortgage brokers and originators; however, Home Federal’s performance does not meet the standards for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

Home Federal’s record of lending in low- and moderate-income geographies was very strong compared to other HMDA reporting institutions and the demographic characteristics of the assessment area. Table G4 illustrates the bank’s loan originations compared to other HMDA reporting institutions. Home Federal’s performance exceeds the standards for satisfactory performance.

Table G4 – Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	# of Loans	% of Loans	2009 HMDA Aggregate	Population Distribution
Low	28	7.5%	1.1%	6.8%
Moderate	70	18.7%	8.2%	21.3%
Middle	101	27.0%	26.6%	31.2%
Upper	175	46.8%	64.1%	40.7%
Total	374	100.0%	100.0%	100.0%

Institution (continued)

RESPONSE TO COMPLAINTS

During the review period, there were no written complaints concerning the bank's CRA performance reported by Home Federal or received by the Office of Thrift Supervision's Consumer Affairs Division.

COMMUNITY DEVELOPMENT LOANS AND INVESTMENTS

Home Federal's community outreach efforts were notable based on the bank's size and resources and included community development lending and investments. The bank focuses on the affordable housing needs of the assessment area. A summary of Home Federal's community development activities are provided below.

Community Development Loans

During the review period, the bank made three community development loans totaling \$2.6 million. Each of these loans was originated to develop and/or rehabilitate multifamily housing for low-income families.

Home Federal continues to participate with the Housing Authority of the City of Bossier City, Louisiana in a project (The Villages of Eagle Pointe) to rehabilitate an older neighborhood of public housing units. On January 6, 2008, the bank funded a permanent loan of \$1.5 million for Phase II, secured by 48 units. To qualify for The Villages of Eagle Pointe, tenants must be either elderly, handicapped, large family, or single parent and with income at or below 60 percent of the median family income for the Shreveport-Bossier City MSA.

On July 15, 2010, Home Federal originated a loan for \$480,000 to Orchard Creek Development for the construction of Orchard Creek Apartments, a 30-unit apartment complex for very low-income senior residents.

On December 21, 2010, the bank originated a loan for \$750,000 to the Meridian Court Limited Partnership for the construction of Meridian Park Apartments. The loan is secured by 26 units that are 100 percent occupied by low-income persons.

Community Development Investments

Home Federal's primary conduit for qualified CRA investments is through the purchase of mortgage backed securities designed primarily to finance community development activities. These activities address the affordable housing needs (including multifamily rentals) of low- and moderate-income

Institution (continued)

individuals. During the review period, the bank purchased mortgage backed securities totaling more than \$31.8 million.

Fair Lending or Other Illegal Credit Practices Review

In March 2010 we performed a comprehensive examination of Home Federal. We reviewed the evaluation of compliance with consumer laws and regulations performed at that examination and did not identify any illegal credit practices that violate law, rule, or regulation.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
Full Scope CRA Examination		
TIME PERIOD REVIEWED:	January 1, 2008 through December 31, 2010	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Home Federal Bank		Home Mortgage Disclosure Act Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED ¹	OTHER INFORMATION
Shreveport-Bossier City, Louisiana MSA	Full Scope	0	Bossier and Caddo Parishes, Louisiana

¹ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA Rating Definitions

There are four separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, and service opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.