



PUBLIC DISCLOSURE

May 31, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tecumseh Federal Bank
Charter Number 705275

160 N Fourth St
Tecumseh, NE 68450-0318

Office of the Comptroller of the Currency

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

Tecumseh Federal Bank’s (TFB) lending performance reflects a satisfactory response to the needs of its assessment area (AA). This conclusion is based on the following:

- The loan-to-deposit (LTD) is reasonable compared to similarly situated banks.
- A majority of the bank’s loans are originated within the AA.
- The bank’s distribution of loans among borrowers of different income levels is reasonable.
- The geographic distribution of loans to borrowers of different income levels exceeds the demographics of the AA and shows reasonable dispersion.
- There were no complaints regarding the bank’s performance in meeting the credit needs of the AA.

SCOPE OF EXAMINATION

We evaluated TFB using the small bank examination procedures, which include a lending test. The lending test evaluates the bank’s record of meeting the credit needs of its AA through its lending activities. The lending test covers performance from January 1, 2014 to March 31, 2016. This period is representative of the bank’s lending strategy since the previous Community Reinvestment Act (CRA) examination.

TFB’s primary product is residential real estate (RE) loans. To evaluate TFB’s lending performance, we selected a sample of 20 residential RE loans from the population of originated loans. The following table shows the percentage of loan originations by loan type from January 1, 2014 to March 31, 2016.

Loan Originations by Loan Type				
Loan Category	\$	%	#	%
Residential	\$5,434	50.14	51	32.08
Commercial	\$2,429	22.42	30	18.87
Agricultural	\$1,940	17.9	6	3.77
Consumer	\$1,035	9.55	72	45.28
Total	\$10,838	100%	159	100%

Source: Loan sample from January 1, 2014 to March 31, 2016

DESCRIPTION OF INSTITUTION

TFB is a \$56 million mutual thrift located in Tecumseh, Nebraska. The bank operates with one office and one automated teller machine (ATM) outside the bank office. There have been no changes in the bank’s offices or ATMs since the prior CRA examination.

TFB's primary focus is to offer mortgage loans for the construction, purchase, refinance, and improvement of 1-4 family dwellings. As of March 31, 2016, the loan portfolio totaled \$31.6 million, or 57 percent of total assets. As of March 31, 2016 the bank had \$25.2 million in residential RE loans.

There are no legal or financial impediments to TFB's ability to meet the credit needs of its AA. TFB received a satisfactory rating at its last CRA examination dated June 24, 2011.

DESCRIPTION OF ASSESSMENT AREA

The bank has one AA consisting of 25 contiguous census tracts located in eight counties: Gage, Jefferson, Johnson, Nemaha, Otoe, Pawnee, Richardson, and Thayer. These counties are located in southwest Nebraska and include the towns of Beatrice, Nebraska City, and Auburn. The designated AA does not arbitrarily exclude low- or moderate-income geographies. The census tracts categories include moderate, middle, and upper-income. The AA does not include low-income census tracts.

TFB is located in Johnson County with an estimated population of 1,677. The largest employers are the Tecumseh State Correctional Institute, MBA Poultry, Johnson County Hospital, and local government entities.

The AA is primarily rural with the population centered near small towns. The AA is not located in a metropolitan statistical area (MSA) or a metropolitan division (MD) area. According to the 2010 U.S. Census, the population of the AA is 74,427 with an unemployment rate of 2.81 percent. The updated 2015 Housing and Urban Development's (HUD) report estimates the median family income at \$60,500. Thirteen percent of the households in the AA are below poverty level. The median housing value, according to the 2010 U.S. Census, is \$86,646.

We contacted a community representative during the examination. The community contact indicated the economy in the area is stable with some communities experiencing higher unemployment. The contact noted that there is a high need for residential RE loans. The representative concluded that financial institutions in the area meet the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

TFB's performance with regards to the lending test is satisfactory.

Loan-to-Deposit Ratio

TFB's lending level is reasonable and meets the criteria for satisfactory performance. Over the past 12 quarters ending March 31, 2016, TFB's quarterly average LTD ratio was 69 percent. This ratio is slightly below the 74 percent quarterly average LTD ratio of 15 similarly situated institutions.

Lending in Assessment Area

TFB originates a majority of residential RE inside its AA, which meets the standard for satisfactory performance. From our random sample of 20 loans, the institution originated 80 percent of its loans by number and 81 percent of its loans by dollar amount within the AA. The average origination amount in the sample was \$96 thousand. The following table shows the originations inside and outside of the AA for our entire sample.

Lending in Tecumseh's Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	16	80	4	20	20	1,548,050	81	368,000	19	1,916,050

Source: Loan sample of residential RE from January 1, 2014 to March 31, 2016

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

The bank's distribution of loans among borrowers of different income levels is reasonable. The percent of residential RE loans is comparable to the demographic compactor in the AA. Analysis indicates that 45 percent of home purchases, improvements or refinanced loans are to low- and moderate-income families who account for 41 percent of the families in the AA. The remaining 55 percent of the loans are to middle-and upper-income level borrowers, who account for approximately 59 percent of families in the AA.

Borrower Distribution of Residential RE Loans in Tecumseh's AA								
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
Residential RE	23.95	20	17.19	25	18.64	10	40.22	45

Source: 2010 US Census; Sample of residential RE loans from 2014 and 2016

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The majority of the census tracts, 20, are in the middle-income level. The remaining five census tracts making up the AA include two in the moderate-income level and three in the upper-income level. Because the AA does not include census tracts for low-income, there was no loan penetration in this category.

Analysis indicates that the largest loan penetration is to middle-income at 85 percent. This category represents the largest volume of households in the AA at 82 percent. Ten percent of loans were to moderate-income. This category represents 3.27 percent of the households in the AA. The remaining five percent of loan penetration is to the upper-income level, which represents 14.75 percent of the households in the AA.

Borrower Distribution of Residential RE Loans in Tecumseh's AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential RE	0.00	0.00	3.27	10	81.98	85	14.75	5

Source: 2010 US Census; Sample of residential RE loans from 2014 and 2016

Responses to Complaints

TFB has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 195.28(c), in determining a Federal savings association's (FSA) 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 or FSA's lending performance.

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