



## **PUBLIC DISCLOSURE**

April 29, 2014

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

Citizens Federal Savings & Loan Association  
Charter Number 700824

110 N Main St  
Bellefontaine, OH 43311-2021

Office of the Comptroller of the Currency

West Lake Center  
4555 Lake Forest Drive, Suite 610  
Blue Ash, OH 45242-3760

**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**

Citizens Federal Savings & Loan Association (Citizens or Institution) exhibits a **satisfactory** record of meeting its community's credit needs. This rating is primarily based on the following:

- The institution's current and average loan-to-deposit (LTD) ratio is reasonable.
- The institution lends a majority of residential real estate loans inside their assessment area (AA).
- The institution's performance in lending to borrowers of different incomes is satisfactory.
- The institution's performance for lending in moderate income areas is satisfactory. The institution made loans in all census tracts (CT) in the AA with no conspicuous gaps.

## **SCOPE OF EXAMINATION**

We conducted a full scope Community Reinvestment Act (CRA) evaluation to assess the institution's record and performance of meeting the credit needs of its community. We used the small savings and loan association evaluation procedures to evaluate the institution's performance.

The institution's performance regarding its primary lending product is considered foremost in this CRA examination. We identified residential real estate lending (home purchase loans and home refinances) as the primary loan product based on our discussions with management and review of loan originations during the lending evaluation period. The lending evaluation period was January 1, 2012 through December 31, 2013. We reviewed the institution's LTD ratio from December 31, 2008 through March 31, 2014.

To perform our analysis of lending, we considered loans originated during the evaluation period. We selected a random 40-loan sample of 1-4 family residential real estate loans to assess CRA performance in the AA. We expanded the sample for Borrower Income Distribution analysis, and Geographic Distribution analysis to ensure we used 40 loans made within the thrift's AA. We used 2010 U.S. Census data for our analysis.

## **DESCRIPTION OF INSTITUTION**

Citizens is a federally chartered, mutual savings association with total assets of approximately \$152.22 million as of December 31, 2013. The institution operates one office located in Bellefontaine, Ohio with a drive-thru located in the adjacent lot. The

office is located within a middle-income census tract according to the 2010 U.S. Census.

The office is open for business from 9:00 a.m. to 4:00 p.m. on Monday and Tuesday, 9:00 a.m. to 12:00 p.m. on Wednesday, 9:00 a.m. to 5:00 p.m. on Thursday and Friday, and 9:00 a.m. to 12:00 p.m. on Saturday. The office is closed on Sundays. The drive-thru opens thirty minutes earlier than the main office and is closed on Sundays.

As a traditional savings association, the Institution has concentrated its operations in the origination of mortgage loans and the acceptance of deposits. Citizens engages primarily in the origination of residential real estate loans. As of December 31, 2013, net loans and leases represents approximately 72 percent of the institution's total assets.

The institution offers conventional fixed- and adjustable-rate first and second mortgages for the purchase, refinance, and improvement of single-family residences. The institution also offers home equity loans. Citizens sells a portion of their mortgage loans to the Federal Home Loan Bank (FHLB). The institution offers a traditional array of deposit products, including checking and savings accounts, CDs, and IRAs.

There are no financial or legal impediments that would affect the institution's ability to serve the credit needs of its community. Citizens' previous CRA rating was "Satisfactory" as of November 27, 2008.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The institution has one AA comprised of Logan County, Ohio in its entirety. Logan County is located in the western part of Ohio and not part of any MSA. Logan County includes a mix of rural and suburban communities. The AA does not exclude any low- or moderate-income CTs and meets the requirements of the regulation.

As of March 31, 2014, unemployment figures for the county are below or comparable to the State of Ohio and national averages. Logan County currently has an unemployment rate of 5.0 percent, compared to the statewide average of 6.1 percent and national average of 6.8 percent. With the exception of 2009 and 2010, Logan County's unemployment rate has been at or below the statewide average.

Competition in the AA is moderate, with 19 other institutions located in the bank's AA. This includes several institutions that are multi-state, regional, or national with branches outside of the AA, such as Fifth Third Bank, PNC Bank, Huntington National Bank, and Woodforest National Bank. There are also several smaller, local institutions operating within the AA. Citizens had approximately 24 percent of the deposit share in Logan County, which represents the largest market share of all the institutions operating within the county.

The economy within the AA is heavily dependent on Honda Motor Company, which employs 3,653 people in Logan County. Some of the area's other largest employers

include Logan County, Midwest Express, Mary Rutan Hospital, and AGC Glass Company. In addition, several schools within the county employ a large number of residents.

We included discussion with one community contact in our evaluation of the institution's CRA performance. The community contact indicated that the primary credit needs of the AA include providing affordable housing for residents.

### ***Information as of 2010 U.S. Census Data***

According to the 2010 Census, the AA had eleven CTs including two moderate-income CTs, eight middle-income CTs, and one upper-income CT. The AA does not have any low-income CTs. The population of the AA was 45,858, with 15 percent living in moderate-income tracts, 73 percent living in middle-income tracts, and 12 percent living in upper-income tracts. The AA has 12,774 families. Of these families, 16 percent are in moderate-income tracts, 73 percent are in middle-income tracts, and 11 percent are in upper-income tracts. The HUD Adjusted Median Family Income for the AA in 2012 was \$45,886. In total, 12 percent of the households are living below the poverty level and 2 percent receive public assistance.

Owner occupied housing accounts for 58 percent of the housing units and rental units account for 22 percent. Approximately 20 percent of the housing units in the AA are vacant. The average median home value is \$119,787 and the average rent is \$648 per month.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Based on the criteria for the CRA lending test, the bank's lending performance is satisfactory.

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

- The LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

The institution's average LTD ratio over eight quarters (January 1, 2012 through December 31, 2013) is 81.61 percent. Citizen's LTD ratio ranged from a high of 84.12 percent to a low of 79.95 percent from 2012 through 2013. The LTD ratio has been trending downward since the prior evaluation due to increasing deposits coupled with stagnant loan growth. The quarterly peer average LTD ratio of four similarly situated financial institutions located in Logan County is 65.59 percent (asset sizes of peer institutions ranging from \$29.12 million to \$180.27 million).

### **Lending in Assessment Area**

- The institution lends a majority of residential real estate loans inside its AA.

Our sample of the institution’s residential real estate loan originations from January 1, 2012 through December 31, 2013 revealed 98 percent (based on the number of loans) were made to borrowers located inside the AA. Details are in the table below.

<b>Table 1 - Lending in Logan County Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	13	93%	1	7%	14	1,104	89%	133	11%	1,237
Home Refinance	26	100%	0	0%	26	2,626	100%	\$0	0%	2,626
<b>Totals</b>	<b>39</b>	<b>98%</b>	<b>1</b>	<b>2%</b>	<b>40</b>	<b>3,730</b>	<b>97%</b>	<b>133</b>	<b>3%</b>	<b>3,863</b>

Source: Loan sample; loans originated from January 1, 2012 through December 31, 2013

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

- The institution’s overall distribution of lending to borrowers of different income levels is reasonable.

The institution’s proportion of purchase loans to moderate-income borrowers significantly exceeds the peer aggregate percentage of lenders in the AA and the percentage of moderate-income families in the AA. The institution’s percentage of home refinance loans to moderate-income families exceeded the peer aggregate distribution percentage. The institution’s distribution of home purchase and refinance loans to low-income borrowers exceed the peer aggregate distribution percentage. Lending activity for home loans to low-income borrowers was below area demographics for low-income families. However, based on the 2010 census data, 12.5 percent of families in the AA live below the poverty level. These borrowers may not meet the underwriting criteria to qualify for a home loan. Refer to the following table for details.

<b>Table 2 - Borrower Distribution of Residential RE Loans in Logan County AA</b>					
Borrower Income Level	% Total Citizens FS & LA Loans		% of AA Lender Loans		% of Families in each CT
	Purchases	Refinances	Purchases	Refinances	
Low	7.7	7.4	2.9	4.7	21.1
Moderate	38.5	14.8	18.7	11.4	16.0
Middle	38.5	22.2	25.7	27.8	22.3
Upper	15.3	55.6	52.1	53.8	40.6
NA	0.0	0.0	0.6	2.3	0.0

Source: Loan sample; loans originated from January 1, 2012 through December 31, 2013

**Geographic Distribution of Loans**

- The institution’s overall geographic distribution of residential real estate loans made to moderate-income CTs in its AA is satisfactory. We did not identify any conspicuous gaps in the institution’s loan distribution.

The institution’s geographic distribution of home refinance loans originated during the evaluation period reflects reasonable dispersion throughout the AA. Using the institution’s data of loans originated between January 1, 2012 and December 31, 2013, the institution’s primary loan product is home refinance loans. Of the total loans originated in 2012 and 2013, 58 percent were home refinance loans, while 35 percent were home purchase loans. Therefore, we placed more emphasis on home refinance loans when concluding on this lending test.

The AA contains no low-income CTs. The institution extended 7.4 percent of home refinance loans to moderate-income CTs, which is comparable to the primary comparator of aggregate lender data of 8.5 percent within the AA. However, our sample data indicated the institution did not originate any home purchase loans to moderate-income CTs, which is less than 5.8 percent provided by lenders within the AA. This is primarily attributable to competition from larger institutions that underwrite FHA home purchase loans or offer their own in-house CRA loan products. Smaller institutions often do not have the expertise or ability to offer these types of loan products.

In order to encourage lending within this demographic, the institution has an Affordable Housing program that it promotes to low-to-moderate income borrowers within their AA. However, consumer demand for this product type is less than that for the refinance loans in the moderate-income CTs.

<b>Table 3 - Geographic Distribution of Residential RE Loans in Logan County AA</b>					
Census Tract Income Levels	% of Citizens FS & LA Loans		% of AA Lender Loans		% of AA Owner Occupied Units
	Purchases	Refinances	Purchases	Refinances	
Low	0.0	0.0	0.0	0.0	0.0
Moderate	0.0	7.4	5.8	8.5	11.7
Middle	76.9	74.1	82.5	78.7	75.3
Upper	23.1	18.5	11.7	12.9	13.1

*Source: Loan sample; loans originated from January 1, 2012 through December 31, 2013*

**Responses to Complaints**

This institution has not received any complaints about its performance in helping to meet the credit needs of its AA since the previous CRA examination.

## **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.

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.