



## **PUBLIC DISCLOSURE**

November 18, 2013

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

Page County Federal Savings Association  
Charter Number 704676

123 East Main Street  
Clarinda, Iowa 51632

Office of the Comptroller of the Currency  
Des Moines Field Office  
1089 Jordan Creek Parkway, Suite 230  
West Des Moines, Iowa 50266

**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 Outstanding.**

Page County Federal Savings Association's (PCF) lending performance reflects an outstanding response to the needs of its assessment area (AA). This conclusion is based on the following:

- PCF's loan-to-deposit (LTD) ratio is more than reasonable;
- A substantial majority of PCF's loans are originated within its AA;
- PCF's distribution of loans to borrowers of different income levels reflects excellent penetration;
- PCF's distribution of loans to borrowers in different geographies within its AA reflects reasonable dispersion; and
- There were no complaints regarding the bank's performance in meeting the credit needs of its AA.

**SCOPE OF EXAMINATION**

We evaluated PCF using 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 the bank's performance from January 1, 2012 to October 31, 2013. This period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination.

PCF's primary products are residential real estate (RE) and consumer loans. The following table shows the percentage of loan originations by loan type from January 1, 2012 to October 31, 2013.

<b>Table 1: Loan Originations</b>		
<b>Loan Type</b>	<b>% by Dollar</b>	<b>% by Number</b>
Residential RE	51%	9%
Consumer	33%	84%
Commercial	11%	6%
Agricultural	5%	1%

*Source: Bank-provided loan origination reports (2012-YTD 2013).*

To evaluate PCF's lending performance, we selected a random sample of 20 residential RE loans and 20 consumer loans originated between January 1, 2012 and October 31, 2013.

## **DESCRIPTION OF INSTITUTION**

PCF is a \$39 million mutual thrift located in downtown Clarinda, Iowa. The bank operates with one office and no automated teller machines (ATMs). There have been no changes in the bank's offices or ATMs since the prior CRA examination.

PCF offers a full range of deposit and loan products, and services to its customers. As of September 30, 2013, the bank's loan portfolio totaled \$20 million, or 51 percent of total assets. The September 30, 2013 call report identifies \$17.5 million in RE loans, \$1.9 million in consumer loans, \$570 thousand in commercial loans, and \$160 thousand in agricultural loans.

There are no legal or financial impediments to PCF's ability to meet the credit needs of its AA. PCF received an outstanding rating at its last CRA examination dated September 29, 2006.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The bank's AA consists entirely of Page County and part of Taylor County. The AA includes eight contiguous census tracts (CTs). The city of Clarinda is a small agricultural town, located in the southwest corner of Iowa. According to 2010 United States census data, the AA population is 19,861. Approximately 12 percent of AA households are below the poverty level. A map of the AA can be found in PCF's CRA public file.

Competition within the AA is moderate. Nine other deposit-taking financial institutions serve the Page and Taylor County AA. PCF is the smallest institution of the ten financial institutions that serve the AA, but ranks seventh for largest deposit market share with approximately six percent. For comparison purposes, we excluded six of the nine other institutions because the majority of their deposits were located outside of the AA, and/or their asset size was not comparable to PCF. The remaining three institutions obtain a substantial majority of their deposits inside the AA, and were therefore used for comparison for lending test purposes.

The condition of the local economy is average. The AA's unemployment rates are favorable compared to state and national averages. Page County reported an unemployment rate of 4.4 percent as of October 2013, while Taylor County's rate was even more favorable at 3.4 percent. Both are lower than the state of Iowa's unemployment rate of 4.6 percent, as well as the national average of 7.3 percent, as reported by the Bureau of Labor Statistics.

We contacted a community representative during the examination. The community contact indicated the employment front in the area is steady, and major employers

appear to be doing well. Major employers in the area include NSK, Lisle Corp, Clarinda Mental Health Institute, Clarinda Regional Health, and H&H Trailer. The representative indicated all area institutions are generous with donations to support fundraisers and local organizations. Overall, the representative concluded that PCF and other financial institutions in the area meet the credit needs of the community, including low- and moderate-income individuals and families, through appropriate products and services.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

PCF’s performance with regards to the lending test is outstanding. The bank’s LTD ratio is more than reasonable given the bank’s size, financial condition, and credit needs of the AA. In addition, PCF originates a substantial majority of its loans inside the AA. The borrower distribution of residential RE and consumer loans reflects excellent penetration. We completed a geographic distribution of loans, and concluded PCF has reasonable dispersion of lending to borrowers of different geographies within its AA. PCF has not received any complaints regarding its CRA performance since the previous examination.

### Loan-to-Deposit Ratio

PCF’s lending level is more than reasonable and meets the criteria for outstanding performance. Over the past 29 quarters ending September 30, 2013, PCF’s quarterly average LTD ratio was 85 percent. This ratio is above the quarterly average LTD ratio of three similarly situated institutions of 57 percent.

### Lending in Assessment Area

PCF originates a substantial majority of residential RE and consumer loans within its AA, which meets the standard for outstanding performance. Management originated 95 percent of its loans by number and 95 percent of its loans by dollar amount within the AA.

<b>Table 2: Lending in Page-Taylor County</b>										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	18	90	2	10	20	1,462	95	74	5	1,536
Consumer	20	100	0	0	20	99	100	0	0	99
Combined	38	95	2	5	40	1,561	95	74	5	1,635

*Source: Sample of residential RE and consumer loans from 2012 and YTD 2013*

**Borrower Distribution of Loans**

The distribution of borrowers, given the demographics of the AA, reflects excellent penetration among families and individuals of different income levels (including low- and moderate- income).

- ***Lending to Borrowers of Different Income Levels***

*Residential Real Estate Loans*

The distribution of loans to families of different income levels reflects excellent penetration. Our sample of 20 residential RE loans indicated PCF originated 24 percent and 38 percent of its loans by number to low- and moderate-income borrowers, respectively. The bank’s lending to low- and moderate-income families exceeds the ratio for low- and moderate-income families in the AA. Income levels are determined as percentage ranges from the 2012 weighted-average median family income for Iowa of \$59,300.

<b>Table 3: Borrower Distribution of Residential RE Loans in Page-Taylor County</b>								
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	22	24	20	38	24	19	34	19

*Source: 2012 Business Demographic Data; Sample of loans from 2012 and YTD 2013*

*Consumer Loans*

Our sample of 20 consumer loans indicated PCF originated 25 percent of its loans to both low- and moderate-income borrowers. However, income information was not available for eight of the 20 consumer loans, or 40 percent of the sample. Therefore, OCC relied more heavily upon the borrower distribution for residential RE loans when concluding the bank’s borrower distribution rating. However, it is evident that the bank is lending to low- and moderate-income borrowers, as its percentage of loans to moderate-income borrowers exceeds the percentage of households in the AA, and its percentage of loans to low-income borrowers is near the percentage of households in the AA. The average loan balance at origination for the 20 consumer loans sampled was less than \$5 thousand, further supporting the bank’s lending practices to low- and moderate-income borrowers.

<b>Table 4: Borrower Distribution of Consumer Loans in Page-Taylor County</b>										
Borrower Income Level	Low		Moderate		Middle		Upper		Income Level Not Available*	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	27	25	18	25	20	5	35	5	0	40

Source: 2012 Business Demographic Data; Sample of loans from 2012 and YTD 2013

\*Income information was not available for eight of 20 consumer loans sampled.

### Geographic Distribution of Loans

PCF’s lending to borrowers in different geographies within its AA is reasonable and meets the standard for satisfactory performance. The bank’s AA does not include any low-income level CTs, but includes one moderate-income level CT.

- **Geographic Distribution of Borrowers**

#### Residential Real Estate Loans

Although the bank’s RE lending to the moderate-income CT is significantly lower than the percentage of AA owner-occupied (OO) housing as well as the percentage of AA households, the moderate-income CT is very small in relation to the bank’s entire AA. In addition, the CT is located on the western border of the AA, and is not located near the bank’s office location. The moderate-income CT makes up Shenandoah, Iowa, a small town with a reported population of 5,150. Competition in the area is high, as five other financial institutions are currently serving the town. Located south of the moderate-income CT is a similarly sized middle-income CT. The bank’s lending practices are similar in each CT, and therefore do not reflect any discriminatory lending practices to the moderate-income CT. The small size, location, and competition within the CT support that PCF’s RE lending to borrowers in different geographies within its AA is reasonable and meets the standards for satisfactory performance.

<b>Table 5: Geographic Distribution of Residential RE Loans in Page-Taylor County</b>									
Census Tract Income Level	Low		Moderate		Middle		Upper		
	% of AA OO Housing	% of Number of Loans	% of AA OO Housing	% of Number of Loans	% of AA OO Housing	% of Number of Loans	% of AA OO Housing	% of Number of Loans	% of Number of Loans
Residential RE	0	0	11	0	89	100	0	0	

Source: 2012 Business Demographic Data; Sample of loans from 2012 and YTD 2013

#### Consumer Loans

The bank’s consumer lending to the moderate-income CT is also lower than the percentage of AA households given the small size, location, and competition within the

CT. PCF’s consumer lending to borrowers in different geographies within its AA is reasonable and meets the standards for satisfactory performance.

<b>Table 6: Geographic Distribution of Consumer Loans in Page-Taylor County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House-holds	% of Number of Loans	% of AA House-holds	% of Number of Loans	% of AA House-holds	% of Number of Loans	% of AA House-holds	% of Number of Loans
Consumer	0	0	13	5	87	95	0	0

*Source: 2012 Business Demographic Data; Sample of loans from 2012 and YTD 2013*

### **Responses to Complaints**

PCF has not received any CRA-related complaints since the last CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. § 25.28(c), or 12 CFR § 195.28(c), in determining a 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 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.