



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 31, 2011**

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

Home FS&LA of Grand Island  
Charter Number 703519

221 S Locust St  
Grand Island, NE 68801-6040

Office of the Comptroller of the Currency  
Omaha Field Office  
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.**

- Home Federal Savings and Loan Association of Grand Island (Home Federal) originates a majority of their loans in their assessment area (AA).
- The loan-to-deposit ratio is lower than peer, but this is reasonable considering the competitive local lending environment and Home Federal's sales of loans on the secondary market.
- The bank has a record of lending to borrowers and businesses of different income levels and sizes and their performance meets the standard for satisfactory performance.

**SCOPE OF EXAMINATION**

Home, business, consumer, and agricultural loans originated between January 1, 2009 and September 30, 2011 were sampled to evaluate Home Federal's performance under the Community Reinvestment Act (CRA). The bank's loan-to-deposit ratio was reviewed and compared to other similarly situated institutions in the AA. We determined the bank's primary products were home and business loans based on dollar volume and the bank's business strategy. A sample of 20 loans from each primary product was sampled to determine how many loans the bank originated in their AA. Additionally, a review of the distribution of loans to borrowers of different incomes was performed and the bank's performance was compared to demographic characteristics of the AA. CRA-related complaints and lending to borrowers in low to moderate income census tracts (CTs) in the AA were also reviewed.

**DESCRIPTION OF INSTITUTION**

Home Federal is a FDIC-insured federally chartered mutual thrift with assets totaling \$196 million as of September 30, 2011. Assets consist mainly of commercial loans (31.20%), mortgage-backed securities (29.63%), and residential mortgage loans (24.80%). Deposits, excluding escrow accounts, total \$173 million.

The bank operates its main office, three full-service branch offices and a stand-alone drive-thru facility in Grand Island, Nebraska. Home Federal did not open any new branches since the last Performance Evaluation (PE). The bank closed a loan production office located in Hastings, Nebraska on June 9, 2009. Home Federal owns and operates seven off-premise deposit-taking automatic teller machines (ATM) located throughout Hall County, Nebraska, along with 24 cash-dispensing ATMs throughout Hall, Howard, and Merrick Counties.

Home Federal's primary loan strategy is to originate home loans and business loans. The composition of the loan portfolio shifted from home to business lending since the last PE. As of September 30, 2011, home loans equaled 46% of loans and 26% of

assets, a decline from 77% of loans and 47% assets at the June 5, 2006 Community Reinvestment Act Examination. Commercial loans represent 48% of loans and 28% of assets, an increase from 16 percent of loans and 10 percent of assets. Home Federal offers business loans secured by real estate as well as inventory and equipment. Consumer loans include home equity, home equity lines of credit, automobile, marine, vacation, and debt consolidation loans. The bank's volume of agricultural lending is nominal and is not detailed on the Thrift Financial Report.

Additional information is available in the public file.

## **DESCRIPTION OF ASSESSMENT AREA**

Home Federal's assessment area is Hall County, Nebraska. Major employers include JBS Hormel, a meat processing plant; Chief Industries, an equipment and building manufacturer; Saint Francis Medical Center; and Case IH, a farm equipment manufacturer. There are several financial services firms and small manufacturing plants. Numerous financial institutions, mortgage banking companies and credit unions serve Hall County residents.

Hall County's population was 58,607 in 2010 up from the 2000 figure of 53,534 according to the US Census Bureau. The Chamber of Commerce reports the labor force includes 31,547 individuals. The unemployment rate was 3.9% as of December 31, 2010.

According to 2000 census data, Hall County is home to 14,169 families, with 17,627 single family units. Approximately 62% of the units are owner-occupied and 32% are rental occupied units. The weighted average median housing cost is \$83,361. The Annual HUD Median Family Income for Hall County Nebraska increased from \$54,500 for 2006 to \$56,200 for 2011.

There are no low- or moderate-income census tracts (CTs) in Hall County. There are 11 middle-income CTs and three upper-income CTs. Seventy-nine percent of families live in middle income tracts and 21% live in upper income tracts. While there are no low- or moderate-income CTs, 17% of the population is low-income and 17% is moderate-income.

One community contact was performed during this examination. The contact indicated that credit needs in the community include financial education for low-income borrowers and financing for minority-owned businesses.

Additional information is available in the public file.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

Home Federal’s loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The quarterly average loan-to-deposit ratio since the last CRA Examination was 72%, compared to an average of 85% for the two similarly situated institutions in the bank’s AA. The bank’s loan-to-deposit ratio is low compared to peer, but reasonable considering the competitive local lending environment and volume of loans sold on the secondary market. The bank generally sells long-term, fixed-rate single family home loans on the secondary market. Since the last CRA Examination, the bank sold \$188 million in home loans. If these loans were considered in this ratio analysis, the average quarterly loan-to-deposit ratio would exceed 90%.

### Lending in Assessment Area

The bank originated a majority of its loans in the AA and meets the standard for satisfactory performance. A random sample of 40 residential and business loans showed 80% by number and 94% by dollar amount were located within Home Federal’s AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	16	80%	4	20%	20	1,958,920	77%	600,000	23%	2,558,920
Business	16	80%	4	20%	20	8,988,721	98%	142,483	2%	9,131,204
Totals	32	80%	8	20%	40	10,947,641	94%	724,483	6%	11,690,124

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

Home Federal’s lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and meets the standard for satisfactory performance.

The bank’s performance lending to borrowers of different income levels is similar to the demographic comparator for moderate-, middle-, and upper-income levels in the AA. The bank exceeded the demographic comparator in lending to moderate- and middle-income borrowers. However, the bank did not have any loans to low-income borrowers in the sample. Many individuals in the low-income population are recent immigrants who have not established a credit history or financial identity. Home Federal’s conservative underwriting standards account for the lack of loans to low-income borrowers. Based on the number and volume of home loans made to moderate-income borrowers and conservative underwriting standards, we can conclude that the bank’s performance is satisfactory.

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
Home	17%	0%	17%	25%	24%	40%	41%	35%

Source: U.S. Census Data

The bank’s performance for the distribution of loans to businesses exceeds the demographic comparator for the number of loans, but is less than the demographic comparator for the dollar volume of loans. About 75% of the 20 loans in our sample were to businesses with less than \$1 million in revenue, compared to 68% in the AA. The bank made 10% of loans by dollar volume to businesses with revenues exceeding \$1 million, compared to the 3% demographic comparator. Conversely, the bank originated 63% of the dollar volume of loans to businesses with revenue greater than \$1 million, and 34% of the dollar volume to businesses with revenue less than \$1 million. One larger business loan skewed the results of the dollar volume comparison. There is no income information available for 28% of the businesses in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	68%	3%	28%	100%
% of Bank Loans in AA by #	75%	10%	15%	100%
% of Bank Loans in AA by \$	34%	63%	3%	100%

Source: U.S. Census Data

**Geographic Distribution of Loans**

Home Federal’s AA consists of all middle and upper income census tracts; thus, an analysis of geographic distribution would not be meaningful.

**Responses to Complaints**

The bank has not received any complaints regarding their CRA performance.

**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.