



## **PUBLIC DISCLOSURE**

September 16, 2013

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

Home Federal Bank of Tennessee  
**Charter Number 703879**

515 Market St  
Knoxville, TN 37902-2145

Office of the Comptroller of the Currency

320 Seven Springs Way  
Suite 310  
Brentwood, TN 37027

**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, and should not 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.

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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Outstanding**.

The following table indicates the performance level of **Home Federal Bank of Tennessee** with respect to the Lending, Investment, and Service Tests:

*[Indicate the performance level under each criterion by marking an “X” in the appropriate row.]*

| Performance Levels        | (Name of Depository Institution)<br>Performance Tests |                 |              |
|---------------------------|---|-----------------|--------------|
|                           | Lending Test*   | Investment Test | Service Test |
| Outstanding               |   |                 |              |
| High Satisfactory         |   |                 |              |
| Low Satisfactory          |   |                 |              |
| Needs to Improve          |   |                 |              |
| Substantial Noncompliance |   |                 |              |

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

*[Summarize with bullet points the major factors supporting the institution’s rating. Include specifics or statistics in these remarks in support of conclusions, when appropriate. When evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs has been identified in the supervisory process, the conclusion must include a statement if the rating was influenced by this evidence. The conclusion should not mention any technical violations.]*

The major factors that support this rating include:

- 
- 
-

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the

bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined

in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

*[Write a brief description of the institution. The purpose is to provide the public with background information about the bank being evaluated. Include basic information about the bank. More specific information should be shown if the writer is trying to make a specific point, e.g., the focus is on business lending. Include relevant information such as*

- *Name of the bank (provide the abbreviation that will be used throughout the PE in parentheses immediately following the name) and the city and state in which the bank is headquartered.*
- *Asset size in millions/billions, e.g., \$20 billion NOT \$20,000MM.*
- *A statement as to whether the bank is an intrastate or interstate bank, the number of branches and the states and markets in which the bank operates.*
- *Whether the bank is a subsidiary of a holding company. If so, include the location of the holding company, approximate size and scope of operations.*
- *Identify any affiliates (including operating subsidiaries of the bank) for which the bank wants consideration of their activities when evaluating its performance.*
- *Bank subsidiary activities and their impact on the bank's capacity for community reinvestment (OCC Bulletin 97-26, July 3, 1997).*
- *Merger and acquisition activity that affected the scope of the bank's operations during the evaluation period.*
- *Basic financial information relevant to your conclusions that provides insight into the bank's business strategy. Examples include:*
  - *The percentage of total assets represented by net loans;*
  - *The percentage of foreign deposits and its impact on the evaluation of the bank's performance, if material;*
  - *A general breakdown of the loan portfolio in narrative format, e.g., the dollar amount of real estate, commercial and consumer loans by percentage; and*
  - *Tier 1 capital.*
- *A summary of the bank's business strategy/primary focus and product offerings.*
- *A statement regarding the existence or absence of any legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area (AA).*

- *The date of the last CRA examination and the rating.*
- *Any other relevant information.*

*Note: The order of presentation of the information is not mandatory.]*

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

*[Briefly discuss the evaluation period and products reviewed for each test. Refer to “Choosing the Evaluation Period” in the “Data Verification Phase” section of the Large Bank CRA Guidance.]*

### **Data Integrity**

*[Briefly discuss how the accuracy of data used in the evaluation of the bank’s performance was verified and the conclusions drawn from that process. Discuss problems with data integrity, if any, and how those problems impacted the evaluation. If examiners were unable to use some of the data provided by the bank due to data integrity problems, this should be discussed. Also, note whether publicly reported data are accurate. In those cases where data were not accurate and the bank made subsequent changes to correct the errors, inform the reader that this evaluation was based on accurate data.]*

### **Selection of Areas for Full-Scope Review**

*[Identify those AAs that received a full-scope review and which areas received limited-scope reviews. Refer the reader to the table in appendix A for more information.]*

### **Ratings**

The bank’s overall rating is based primarily on those areas that received full-scope reviews.

*[Discuss how the areas were weighted in arriving at the overall rating.]*

### **Other**

*[Discuss community contacts relevant to the examination. Include the number and types of organizations contacted, where the contacts occurred and any information obtained from the contacts that impacted the evaluation of the bank’s performance.]*

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

*[Write a paragraph about the institution's record of complying with the laws relating to discrimination and other illegal credit practices inconsistent with helping to meet community credit needs using the following guidelines:*

*If no substantive violations are found, the PE must state: “We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.”*

*OR*

*When substantive violations involving discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs have been identified in the supervisory process and were taken into account in the CRA evaluation, state that substantive violations were found, the nature and scope of the violations, whether they caused the CRA rating to be adjusted downward, and why the rating was or was not adjusted. Identify the law(s) and regulations(s) violated, the extent of the violation(s) (e.g., widespread or limited to a particular office, division, subsidiary, or affiliate) and characterize management's response in acting upon the violation(s).]*

## Conclusions with Respect to Performance Tests

*[Note: Performance context factors that impact your analysis of performance under any of the performance criteria for the lending, investment, or service tests, should be fully explained in the PE narrative.]*

### LENDING TEST

*[Refer to the “Lending Test Analysis Guidance” in the “CRA Data Analysis Phase” section of the Large Bank CRA Examiner Guidance to assist you in evaluation of the bank’s performance under the lending test.]*

### Conclusions for Areas Receiving Full-Scope Reviews

The bank’s performance under the lending test is rated (“rating”). Based on full-scope reviews, the bank’s performance in the (name of MA(s)) and (name of nonmetropolitan area(s)) is (excellent, good, adequate) and in the (name of MA(s)) and (name of nonmetropolitan area(s)) is (excellent, good, adequate). In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank’s performance is (poor, or very poor).

### Lending Activity

Refer to Tables 1 Lending Volume and 1 Other in appendix C for the facts and data used to evaluate the bank’s lending activity.

*[Discuss the bank’s lending activity in the full-scope AAs.]*

### Distribution of Loans by Income Level of the Geography

#### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank’s home mortgage loan originations and purchases.

*[Discuss the distribution of the bank’s home mortgage loans by income level of the geographies for those areas that received full-scope reviews. If the bank originated a minimal number of multifamily loans the narrative should indicate that a geographical analysis of multifamily loans is not meaningful. If an analysis is meaningful the bank’s performance should be discussed.]*

#### *Small Loans to Businesses*

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank’s origination/purchase of small loans to businesses.

*[Discuss the distribution of the bank's small loans to businesses by income level of the geographies for those areas that received full-scope reviews.]*

### ***Small Loans to Farms [if applicable]***

Refer to Table 7 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

*[Discuss the distribution of the bank's small loans to farms by income level of the geographies for those areas that received full-scope reviews.]*

### ***Consumer Loans [OPTIONAL, unless consumer lending constitutes a substantial majority of the bank's business.]***

Refer to Table 13 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

*[Only if such loans were provided by the bank for consideration or if consumer lending constitutes a substantial majority of the bank's business, discuss the distribution of the bank's consumer loans by income level of the geographies for its AAs in the state that received a full-scope review.]*

### ***Lending Gap Analysis***

*[Discuss the lending gap analysis performed and indicate whether or not any unexplained conspicuous gaps were identified. If such gaps were identified, explain how they were factored into your conclusions regarding the geographic distribution of lending by income level of geography.]*

### ***Inside/Outside Ratio***

*[Discuss the inside/outside ratio analysis performed. Indicate that the analysis was performed at the bank level as opposed to the AA level. Also indicate that the information includes bank originations and purchases only and not extensions of credit by affiliates that are being considered under the other performance criteria. Explain how the findings from the analysis factored into the overall analysis of the geographic distribution of lending by income level of geography.]*

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

*[Discuss the distribution of the bank's home mortgage loans by income level of the borrowers for those AAs that received full-scope reviews.]*

### ***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

*[Discuss the distribution of the bank's small loans to businesses by income level of the borrowers for those AAs that received full-scope reviews.]*

### ***Small Loans to Farms [if applicable]***

Refer to Table 12 in the appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

*[Discuss the distribution of the bank's small loans to farms by income level of the borrowers for those AAs that received full-scope reviews.]*

### ***Consumer Loans [OPTIONAL, unless consumer lending constitutes a substantial majority of the bank's business.]***

Refer to Table 13 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

*[Only if such loans were provided by the bank for consideration or if consumer lending constitutes a substantial majority of the bank's business, discuss the distribution of the bank's consumer loans by income level of the borrowers for its AAs in the state that received a full-scope review.]*

## **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

*[Discuss the bank's community development lending for those areas of the state that received full-scope reviews, relative to CD lending opportunities in those areas. Include specific examples that highlight the bank's performance. If the bank is receiving positive consideration for community development loans that are located in the broader statewide or regional area, explain how such consideration is allocated. Refer to the CRA section of the Compliance Policy intranet page for additional guidance.]*

## **Product Innovation and Flexibility**

*[Discuss the bank's innovative and flexible loan products. Include a brief description of the major innovative and/or flexible programs that are available statewide and in those areas of the state that received full-scope reviews.]*

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the lending test in the (name of MA(s)) and (name of nonmetropolitan area(s)) is not inconsistent with the bank's overall ("lending test rating") performance under the lending test. In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank's performance is stronger than the bank's overall performance. In the (name of MA(s)) and (name

of nonmetropolitan area(s)) the bank’s performance is weaker than the bank’s overall. Refer to Tables 1 through 13 in appendix C for the facts and data that support these conclusions.

*[Whenever performance within an AA receiving a limited-scope review is stronger or weaker than overall performance in the state, the primary reasons for this conclusion and its impact on the overall conclusions should be stated concisely in this section of the PE.]*

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank’s performance under the investment test is rated (“rating”). Based on full-scope reviews, the bank’s performance in the (name of MA(s)) and (name of nonmetropolitan area(s)) is (excellent, good, adequate) and in the (name of MA(s)) and (name of nonmetropolitan area(s)) is (excellent, good, adequate). In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank’s performance is (poor or very poor).

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank’s level of qualified investments.

*[Discuss the bank’s qualified investments, relative to investment opportunities, in those areas that received full-scope reviews. Include specific examples that highlight the bank’s performance. Refer to the “Investment Test Analysis Guidance” in the “CRA Data Analysis Phase” section of the Large Bank CRA Examiner Guidance to assist you in evaluation of the bank’s performance under the investment test.]*

*If the bank is receiving positive consideration for qualified investments that are located in the broader statewide or regional area, explain how such consideration is allocated. Do NOT allocate qualified investments to AAs by using deposit allocations. Refer to the CRA section of the Compliance Policy intranet page for additional guidance.]*

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank’s performance under the investment test in the (name of MA(s)) and (name of nonmetropolitan area(s)) is not inconsistent with the bank’s overall (“investment test rating”) performance under the investment test. In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank’s performance is stronger than the bank’s overall performance. In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank’s performance is weaker than the bank’s overall performance. Refer to Table 14 in appendix C for the facts and data that support these conclusions.

*[Whenever performance within an AA receiving a limited-scope review is stronger or weaker than overall performance in the state, the primary reasons for this conclusion and its impact on the overall conclusions should be stated concisely in this section of the PE.]*

## **SERVICE TEST**

*[Refer to the “Service Test Analysis Guidance” in the “CRA Data Analysis Phase” section of the Large Bank CRA Examiner Guidance to assist you in evaluation of the bank’s performance under the Service Test.]*

## **Conclusions for Areas Receiving Full-Scope Reviews**

The bank’s performance under the Service Test is rated (“rating”). Based on full-scope reviews, the bank’s performance in the (name of MA(s)) and (name of nonmetropolitan area(s)) is (excellent, good, adequate) and in the (name of MA(s)) and (name of nonmetropolitan area(s)) is (excellent, good, adequate). In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank’s performance is (poor or very poor).

### **Retail Banking Services**

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank’s branch delivery system and branch openings and closings.

*[For those areas that received full-scope reviews, discuss the bank’s distribution of branches by income level of the geography, the bank’s record of opening and closing branches, the availability and effectiveness of alternative delivery systems for delivering retail banking services in low- and moderate-income geographies and to low- and moderate-income individuals and the range of services provided and the extent that those services are tailored to meet the needs of the community.]*

### **Community Development Services**

*[Discuss the bank’s community development services in those areas that received full-scope reviews. Include specific examples that highlight the bank’s performance. If the bank is receiving positive consideration for CD Services that are located in the broader statewide or regional area, explain how such consideration is allocated. CD Services that are provided in the broader statewide or regional area and that have the potential to benefit the assessment area receive consideration. CD Services that are located in the broader statewide or regional area and have NO potential to benefit the AA receive consideration ONLY IF the bank has otherwise adequately met the CD Services needs of its assessment area. CD Services provided outside of the broader regional area do not receive consideration.]*

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank’s performance under the Service Test in the (name of MA(s)) and (name of nonmetropolitan area(s)) is not inconsistent with the bank’s overall (“Service Test rating”) performance under the Service Test. In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank’s performance is stronger than the bank’s overall performance. In the (name of MA(s)) and (name of nonmetropolitan area(s)) the bank’s performance is weaker than the bank’s overall performance. Refer to Table 15 in appendix C for the facts and data that support these conclusions.

*[Whenever performance within an AA receiving a limited-scope review is stronger or weaker than overall performance in the state, the primary reasons for this conclusion and its impact on the overall conclusions should be stated concisely in this section of the PE.]*

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

|   |  |                          |
|---|--|--------------------------|
| <b>Time Period Reviewed</b>   | Lending Test (excludes CD Loans): (XX/XX/XX to XX/XX/XX)<br>Investment and Service Tests and<br>CD Loans: (XX/XX/XX to XX/XX/XX) |                          |
| <b>Financial Institution</b>  | <b>Products Reviewed</b>   |                          |
| (Name of Bank (Abbreviation)<br>City, State)  |  |                          |
| <b>Affiliate(s)</b>   | <b>Affiliate Relationship</b>  | <b>Products Reviewed</b> |
| <i>[Instructions: Provide only if<br/>affiliate products are reviewed.]</i><br><br>(Name of Affiliate (Abbreviation)) |  |                          |
| <b>List of Assessment Areas and Type of Examination</b>   |  |                          |
| <b>Assessment Area</b>  | <b>Type of Exam</b>  | <b>Other Information</b> |
| (Name of MA) #XXXX<br>(Name of MA) #XXXX<br>(Name of Nonmetropolitan<br>Area(s))                                      | (Type “Full-Scope” or<br>“Limited-Scope” for<br>each.)   |                          |

## Appendix B: Market Profiles for Full-Scope Areas

[Complete a market profile for each MA or nonmetropolitan area that received a full-scope review.]

### (Name of MA or Nonmetropolitan Area)

| Demographic Information for Full-Scope Area: (Name of MA or Nonmetropolitan Area) |   |               |                    |                           |                 |               |
|---|---|---------------|--------------------|---------------------------|-----------------|---------------|
| Demographic Characteristics   | # | Low<br>% of # | Moderate<br>% of # | Middle<br>% of #          | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)  |   |               |                    |                           |                 |               |
| Population by Geography   |   |               |                    |                           |                 |               |
| Owner-Occupied Housing by Geography   |   |               |                    |                           |                 |               |
| Businesses by Geography   |   |               |                    |                           |                 |               |
| Farms by Geography  |   |               |                    |                           |                 |               |
| Family Distribution by Income Level   |   |               |                    |                           |                 |               |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies       |   |               |                    |                           |                 |               |
| Median Family Income = \$   |   |               |                    |                           |                 |               |
| HUD Adjusted Median Family Income for XXXX = \$                                   |   |               |                    |                           |                 |               |
| Households Below the Poverty Level =  |   |               |                    |                           |                 |               |
|   |   |               |                    | Median Housing Value = \$ |                 |               |
|   |   |               |                    | Unemployment Rate = %     |                 |               |

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and XXXX HUD updated MFI.

[Discuss the bank's operations within the MA or nonmetropolitan area. Information that may be important includes the following: the number of AAs, whether the AA(s) includes the entire metropolitan area or excludes portions, percentage of the bank's total deposits and evaluation period loan originations/purchases that the area comprises, major competitors, the bank's rank among other competitors in the area, number of branches and ATMs, primary business focus, economic conditions in the area including available employment and general business activity, community credit needs, community development opportunities, summary of community contacts conducted and information obtained from those contacts (if relevant to your evaluation of the bank's performance), and any other information the examiner determines is relevant.]

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For

borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.



| LENDING VOLUME |  | Geography: XXXXXXXXXXXXX |  |  |  |  | Evaluation Period: MONTH DAY, XXXX TO MONTH DAY, XXXX |  |  |  |  |  |
|----------------|--|--------------------------|--|--|--|--|---|--|--|--|--|--|
|                |  |                          |  |  |  |  |   |  |  |  |  |  |
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| LENDING VOLUME |  |  |  | Geography: XXXXXXXXXXXXX |  |  |  | Evaluation Period: MONTH DAY, XXXX TO MONTH DAY, XXXX |  |  |  |  |  |  |
|----------------|--|--|--|--------------------------|--|--|--|---|--|--|--|--|--|--|
|                |  |  |  |                          |  |  |  |   |  |  |  |  |  |  |
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|                |  |  |  |                          |  |  |  |   |  |  |  |  |  |  |

Table 1. Other Products

| LENDING VOLUME         |                                 | Geography: XXXXXXXXXXXXX |                       | Evaluation Period: MONTH DAY, XXXX TO MONTH DAY, XXXX |  |
|------------------------|---------------------------------|--------------------------|-----------------------|---|--|
| MA/Assessment Area:    | Other Unsecured Consumer Loans* |                          | Other Optional Loans* |   |  |
|                        | #                               | \$ (000's)               | #                     | \$ (000's)  |  |
| <b>Full Review:</b>    |                                 |                          |                       |   |  |
|                        |                                 |                          |                       |   |  |
|                        |                                 |                          |                       |   |  |
|                        |                                 |                          |                       |   |  |
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|                        |                                 |                          |                       |   |  |
|                        |                                 |                          |                       |   |  |
|                        |                                 |                          |                       |   |  |
| <b>Limited Review:</b> |                                 |                          |                       |   |  |

(\*)The evaluation period for Optional Product Line(s) is from [Date of Last CRA Evaluation] to [Start date of CRA Data Analysis Phase].

| LENDING VOLUME | Geography: XXXXXXXXXXXXX | Evaluation Period: MONTH DAY, XXXX TO MONTH DAY, XXXX |  |  |
|----------------|--------------------------|---|--|--|
|                |                          |   |  |  |
|                |                          |   |  |  |
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Table 14. Qualified Investments

| QUALIFIED INVESTMENTS  |                           | Geography: XXXXXXXXXXXXX |                            |           | Evaluation Period: MONTH DAY,XXXX TO MONTH DAY,XXXX |           |            |                        |           |
|------------------------|---------------------------|--------------------------|----------------------------|-----------|---|-----------|------------|------------------------|-----------|
| MA/Assessment Area:    | Prior Period Investments* |                          | Current Period Investments |           | Total Investments                                   |           |            | Unfunded Commitments** |           |
|                        | #                         | \$(000's)                | #                          | \$(000's) | #   | \$(000's) | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>    |                           |                          |                            |           |   |           |            |                        |           |
|                        |                           |                          |                            |           |   |           |            |                        |           |
|                        |                           |                          |                            |           |   |           |            |                        |           |
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|                        |                           |                          |                            |           |   |           |            |                        |           |
| <b>Limited Review:</b> |                           |                          |                            |           |   |           |            |                        |           |
|                        |                           |                          |                            |           |   |           |            |                        |           |
|                        |                           |                          |                            |           |   |           |            |                        |           |
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|                        |                           |                          |                            |           |   |           |            |                        |           |
|                        |                           |                          |                            |           |   |           |            |                        |           |

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.  
 \*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.





Office of the  
Comptroller of the Currency  
Washington, DC 20219

**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 16, 2013

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Home Federal Bank of Tennessee  
Charter Number: 703879  
515 Market Street  
Knoxville, Tennessee 37902

Office of the Comptroller of the Currency  
Nashville Field Office  
320 Seven Springs Way  
Suite 310  
Brentwood, Tennessee 37027

**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, and should not 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.

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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated Outstanding. The following table indicates the performance level of Home Federal Bank of Tennessee with respect to the Lending, Investment, and Service Tests:

| Performance Levels        | Home Federal Bank of Tennessee<br>Performance Tests |                 |              |
|---------------------------|---|-----------------|--------------|
|                           | Lending Test*                                       | Investment Test | Service Test |
| Outstanding               | X   | X               | X            |
| High Satisfactory         |   |                 |              |
| Low Satisfactory          |   |                 |              |
| Needs to Improve          |   |                 |              |
| Substantial Noncompliance |   |                 |              |

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The distribution of mortgage and small business loans among low- and moderate-income geographies is excellent.
- The majority of loans were originated within the bank’s assessment areas.
- The bank’s lending levels reflect an excellent responsiveness to meeting the credit needs of its assessment areas.
- The distribution of home mortgage and small business loans among borrowers of different income levels is good.
- The number and dollar volume of community development loans originated during the period under review demonstrated a very good responsiveness to community credit needs, including the needs of low- and moderate-income borrowers and low- and moderate-income areas.
- The dollar amount of investments in the assessment areas is excellent given the available community development opportunities.
- The bank’s product delivery systems are readily accessible to geographies and individuals of different income levels. In addition, the bank’s community development activities within its assessment areas reflect an excellent penetration among low- and moderate-income individuals and geographies.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (iv) Low- or moderate-income geographies;
- (v) Designated disaster areas; or
- (vi) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Home Federal Bank of Tennessee (Home Federal) is an intrastate bank headquartered in Knoxville, Tennessee, located in Knox County. As of June 30, 2013, the bank reported total assets of \$2.1 billion, with Tier 1 Capital of \$341 million. Home Federal is mutually owned, with two wholly owned subsidiaries: Investors Trust Company and Home Financial Services. Investors Trust Company provides real estate appraisal and home inspection services for the bank and Home Financial Services is a securities brokerage firm. Home Federal's primary lending focus is retail lending secured by one-to-four family housing, with some commercial lending. As of June 30, 2013, 48.09 percent of the bank's loan portfolio consisted of one-to-four family residential real estate loans, with 31.23 percent consisting of commercial real estate loans. As of the same date, construction and development loans made up 5.91 percent of the loan portfolio, and 5.55 percent of the loan portfolio consisted of home equity loans.

The bank delivers its products and services throughout the communities it serves through 23 branch office locations and 25 automated teller machines (ATMs). The bank serves two assessment areas. One is composed on Anderson, Knox, and Blount Counties, which are located in the Knoxville, Tennessee Metropolitan Statistical Area (MSA). The bank operates 19 branch locations in this assessment area. The other assessment area is made up of Sevier County, Tennessee, which is not located in an MSA. The bank operates four locations in the Non-MSA assessment area. Home Federal did not open or close any branch offices during the period under review, and there are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs of its assessment areas.

Home Federal offers mortgages for the purchase, construction, and refinancing of residential dwellings, as well as mortgages secured by rental properties and lot loans. Varying mortgage loan terms are available. Conventional fixed-rate and adjustable-rate mortgages, as well as government secured and guaranteed mortgages (FHA/VA) are available. Consumer lending products include automobile loans, loans for home improvement, home equity installment loans, and home equity lines of credit.

The bank also offers commercial loans. Commercial lending products are available for various purposes including working capital, to provide short term lines of credit, and financing of equipment and inventory. In addition, Home Federal offers commercial real estate financing for income producing properties, as well as residential construction and development loans. The bank also makes secured loans to churches and other non-profit organizations.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This performance evaluation assessed the bank's performance under the Lending, Investment, and Service Tests. To evaluate lending performance, we reviewed data concerning residential home mortgages reported by the bank pursuant to HMDA requirements, as well as small business/small farm and community development loans. In assessing performance with

respect to the Investment Test, we evaluated the bank's bond investments, grants and donations that satisfied the definition of community development. Performance under the Service Test was assessed based on such factors as alternative delivery systems, hours of operation, and the availability of products and programs throughout the assessment areas, including low- and moderate-income geographies. We also considered any services the bank provided in its assessment areas tailored to the needs of low- and moderate-income individuals and geographies.

The evaluation period for HMDA and small business/small farm loans is January 1, 2010, through December 31, 2011. For community development lending, investments and services the review period was February 16, 2010, through September 16, 2013.

## **Data Integrity**

Prior to conducting the CRA Performance Evaluation, we reviewed the integrity of the bank's reportable HMDA and small business/small farm loan data. We also reviewed records pertaining to community development lending, investments, and services. The review focused on Home Federal's policies and procedures for collecting and ensuring the accuracy of its data, and included transactional sampling. Any errors noted in the bank's lending, investments and services records were corrected, and the current CRA Performance Evaluation is based on accurate data.

## **Selection of Areas for Full-Scope Review**

The current CRA Evaluation included full scope reviews for both of Home Federal's two assessment areas. These include the Knoxville MSA assessment area, which encompasses Anderson, Blount, and Knox Counties, and the Sevier County assessment area. The two assessment areas are contiguous to one another. Refer to Appendix A for further information.

## **Ratings**

As noted above, both the Knoxville MSA assessment area and the Sevier County assessment area received full scope reviews. The weighting of performance in each of these assessment areas toward determining ratings for the Lending, Investment, and Service Tests, was based upon a number of factors. These factors include origination percentages for various loan products between the two assessment areas, as well as the level of deposits and the branch office presence in each of the two areas.

## **Other**

To assist us in understanding the credit needs within Home Federal's two assessment areas, we contacted a community development corporation operating in the city of Knoxville. The contact for this organization stated that the local economy is stable, and that there are

numerous opportunities within the assessment areas for local financial institutions to assist in meeting affordable housing needs.

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

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

## Conclusions with Respect to Performance Tests

### **LENDING TEST**

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "Outstanding".

#### **Lending Activity**

Overall, lending levels reflect excellent responsiveness to the credit needs of the assessment areas, including the needs of small businesses and low- and moderate-income borrowers and geographies. In addition, the majority of home mortgage, small business, and small farm loans originated during the review period (91.03 percent) were made within the bank's assessment areas.

Analysis of lending activities disclosed an excellent penetration of home mortgage, small business loans, and small farm loans among low- and moderate-income geographies within the assessment area. The loan penetration among low- and moderate-income borrowers during the review period was good. In addition, during the period under review, Home Federal originated 19 loans in the total approximate amount of \$16.7 million that meet the definition of community development. This substantial loan volume demonstrates that the bank has a strong commitment to community revitalization and to meeting the credit needs of the low- and moderate-income segment of its assessment areas.

During 2010 and 2011 combined, Home Federal originated 79.61 percent of its HMDA-reportable loans in the Knoxville MSA assessment area, and only 10.79 percent in its Sevier County assessment area. For those same years, the bank originated 84.52 percent of its small business loans in its Knoxville MSA assessment area, while only 10.84 percent were originated in Sevier County. The bank has a much larger branch office presence in the Knoxville MSA assessment area, as 19 of its 23 branch offices are located in Anderson, Blount, and Knox Counties. Consequently, for the Lending Test, more weight was given to the bank's HMDA and small business lending performance in the Knoxville MSA assessment area than in Sevier County.

#### **Distribution of Loans by Income Level of the Geography**

##### **Knoxville MSA Assessment Area (Anderson, Blount, and Knox Counties)**

##### ***Home Mortgage Loans***

Analysis presented in the following tables reflects the adequacy of dispersion of home mortgage lending among census tracts of different income levels within the Knoxville MSA assessment area. The analysis is based upon 2010 and 2011 HMDA data. The analysis compares the percentage of Home Federal's home mortgage originations in census tracts of

different income levels to the percentage of owner-occupied housing units (OOHUs) located within those areas.

| <b>2010 Distribution of Loans by Income Level of the Geography<br/>Knoxville MSA Assessment Area</b> |                       |            |                 |                        |                   |                               |
|--|-----------------------|------------|-----------------|------------------------|-------------------|-------------------------------|
| <b>Income Category</b>   | <b>Percent of MFI</b> | <b>No.</b> | <b>No. Pct.</b> | <b>Volume (\$000s)</b> | <b>Pct. of \$</b> | <b>Distribution of OOHUs*</b> |
| <b>Low</b>   | <50%                  | 9          | 1.31%           | 1,128                  | 1.02%             | 12.82%                        |
| <b>Moderate</b>  | ≥50-<80%              | 65         | 9.45%           | 5,153                  | 4.66%             | 22.22%                        |
| <b>Middle</b>  | ≥80-<120%             | 367        | 53.34%          | 45,296                 | 40.94%            | 44.44%                        |
| <b>Upper</b>   | ≥120%                 | 247        | 35.90%          | 59,064                 | 53.38%            | 19.66%                        |
| <b>Total</b>   |                       | <b>688</b> | <b>100.00%</b>  | <b>\$110,641</b>       | <b>100.00%</b>    | <b>99.14%**</b>               |

\* Percentage of OOHUs is derived from 2000 Census Data.

\*\* One of the assessment area census tracts is not categorized as to income level.

| <b>2011 Distribution of Loans by Income Level of the Geography<br/>Knoxville MSA Assessment Area</b> |                       |            |                 |                        |                   |                               |
|--|-----------------------|------------|-----------------|------------------------|-------------------|-------------------------------|
| <b>Income Category</b>   | <b>Percent of MFI</b> | <b>No.</b> | <b>No. Pct.</b> | <b>Volume (\$000s)</b> | <b>Pct. of \$</b> | <b>Distribution of OOHUs*</b> |
| <b>Low</b>   | <50%                  | 10         | 1.72%           | 652                    | .64%              | 12.82%                        |
| <b>Moderate</b>  | ≥50-<80%              | 42         | 7.23%           | 3,836                  | 3.74%             | 22.22%                        |
| <b>Middle</b>  | ≥80-<120%             | 335        | 57.66%          | 63,575                 | 62.01%            | 44.44%                        |
| <b>Upper</b>   | ≥120%                 | 194        | 33.39%          | 34,465                 | 33.61%            | 19.66%                        |
| <b>Total</b>   |                       | <b>581</b> | <b>100.00%</b>  | <b>\$102,528</b>       | <b>100.00%</b>    | <b>99.14%**</b>               |

\* Percentage of OOHUs is derived from 2000 Census Data.

\*\* One of the assessment area census tracts is not categorized as to income level.

As reflected in the above table, the bank's percentage of lending in low- and moderate-income census tracts in the Knoxville MSA assessment area is below the percentage of OOHUs located in those census tracts. In the following tables, Home Federal's record of lending in census tracts of different income levels was compared to the lending activity of other FDIC-insured lenders subject to the reporting requirements of HMDA that reported loans within the Institution's Knoxville MSA assessment area. The comparison was made using 2010 and 2011 Aggregate HMDA information and Home Federal's 2010 and 2011 HMDA data.

**2010 Aggregate HMDA Geographic Distribution Analysis for Mortgage Loan  
Originations of similar products by other lenders within the Knoxville MSA Assessment Area**

| <b>Income Category</b> | <b>Percent of MFI</b> | <b>Home Federal Percent of No.</b> | <b>Other Lenders Percent of No.</b> | <b>Distribution of OOHUs</b> |
|------------------------|-----------------------|------------------------------------|-------------------------------------|------------------------------|
|                        |                       |                                    |                                     |                              |

|                 |          |       |        |        |
|-----------------|----------|-------|--------|--------|
| <b>Low</b>      | <50%     | 1.31% | 1.66 % | 12.82% |
| <b>Moderate</b> | ≥50-<80% | 9.45% | 8.32%  | 22.22% |

**2011 Aggregate HMDA Geographic Distribution Analysis for Mortgage Loan Originations of similar products by other lenders within the Knoxville MSA Assessment Area**

| <b>Income Category</b> | <b>Percent of MFI</b> | <b>Home Federal Percent of No.</b> | <b>Other Lenders Percent of No.</b> | <b>Distribution of OOHUs</b> |
|------------------------|-----------------------|------------------------------------|-------------------------------------|------------------------------|
| <b>Low</b>             | <50%                  | 1.72%                              | 2.12%                               | 19.83%                       |
| <b>Moderate</b>        | ≥50-<80%              | 7.23%                              | 8.27%                               | 17.90%                       |

Information contained in the above table indicates that for 2010, Home Federal’s level of HMDA-reportable lending in low- and moderate-income census tracts within its Knoxville MSA assessment area well exceeds the aggregate percentages of HMDA loans for that year. In 2011, Home Federal’s HMDA lending in low- and moderate-income census tracts is commensurate with aggregate percentages.

Overall, the penetration of home mortgage loans among census tracts of different income levels in the Knoxville MSA assessment area is excellent.

***Small Loans to Businesses***

The following tables present an analysis of Home Federal’s 2010 and 2011 commercial lending in census tracts of different income levels in the Knoxville MSA assessment area. The information presented is based upon reportable small business loan data. The analysis compares the percentages of the bank’s overall small business lending originated in low- and moderate-income census tracts, to the percentages of small businesses located in those tracts.

| <b>2010 Geographic Distribution of Loans to Businesses in Knoxville MSA Assessment Area Compared to Demographics</b> |                |                                     |                 |                                     |                |                                     |                |                                     |
|--|----------------|-------------------------------------|-----------------|-------------------------------------|----------------|-------------------------------------|----------------|-------------------------------------|
| <b>Census Tract Income Level</b>   | <b>Low</b>     |                                     | <b>Moderate</b> |                                     | <b>Middle</b>  |                                     | <b>Upper</b>   |                                     |
|  | <b>% of AA</b> | <b>% of Home Federal # of Loans</b> | <b>% of AA</b>  | <b>% of Home Federal # of Loans</b> | <b>% of AA</b> | <b>% of Home Federal # of Loans</b> | <b>% of AA</b> | <b>% of Home Federal # of Loans</b> |
| <b>Businesses/Farms</b>  | 7.68%          | 21.25%                              | 14.71%          | 9.38%                               | 46.20%         | 41.25%                              | 31.39%         | 28.12%                              |

| 2011 Geographic Distribution of Loans to Businesses in Knoxville MSA Assessment Area Compared to Demographics |         |                              |          |                              |         |                              |         |                              |
|---|---------|------------------------------|----------|------------------------------|---------|------------------------------|---------|------------------------------|
| Census Tract Income Level   | Low     |                              | Moderate |                              | Middle  |                              | Upper   |                              |
|   | % of AA | % of Home Federal # of Loans | % of AA  | % of Home Federal # of Loans | % of AA | % of Home Federal # of Loans | % of AA | % of Home Federal # of Loans |
| <b>Businesses/Farms</b>   | 7.68%   | 15.27%                       | 14.71%   | 12.98%                       | 46.20%  | 43.51%                       | 31.39%  | 28.24%                       |

Analysis presented in the above tables indicates that for 2010 and 2011, the percentage of Home Federal's small business loans originated in low- and moderate-income census tracts well exceeds the percentages of small business located in those tracts. We also compared the geographic distribution of Home Federal's small business lending in the Knoxville MSA to the aggregate percentages of other lenders originating small business loans in low- and moderate-income tracts in 2010 and 2011. This analysis is presented in the following tables.

| 2010 Aggregate Comparison of Geographic Distribution of Loans to Businesses in Knoxville MSA Assessment Area |                      |                     |                      |                     |                      |                     |                      |                     |
|--|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| Census Tract Income Level  | Low                  |                     | Moderate             |                     | Middle               |                     | Upper                |                     |
|  | Other Lenders % of # | Home Federal % of # | Other Lenders % of # | Home Federal % of # | Other Lenders % of # | Home Federal % of # | Other Lenders % of # | Home Federal % of # |
| <b>Businesses/Farms</b>  | 8.11%                | 21.25%              | 12.06%               | 9.38%               | 40.98%               | 41.25%              | 38.83%               | 28.12%              |

| 2011 Aggregate Comparison of Geographic Distribution of Loans to Businesses in Knoxville MSA Assessment Area |                      |                     |                      |                     |                      |                     |                      |                     |
|--|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| Census Tract Income Level  | Low                  |                     | Moderate             |                     | Middle               |                     | Upper                |                     |
|  | Other Lenders % of # | Home Federal % of # | Other Lenders % of # | Home Federal % of # | Other Lenders % of # | Home Federal % of # | Other Lenders % of # | Home Federal % of # |
| <b>Businesses/Farms</b>  | 8.82%                | 15.27%              | 12.86%               | 12.98%              | 40.93%               | 43.51%              | 37.39%               | 28.24%              |

Information contained in the above table indicates that Home Federal's level of small business lending in low- and moderate-income census tracts during 2010 and 2011 within its Knoxville MSA assessment area well exceeds the aggregate percentages of small business loans reported in the assessment area for those years. The geographic analysis of small business lending in the Knoxville MSA assessment area demonstrates a strong commitment by Home Federal to meeting lending needs in low- and moderate-income census tracts.

### Sevier County Assessment Area

According to 2000 U.S. Census data, the Sevier County assessment area does not contain any low- or moderate-income census tracts. Consequently, a geographic distribution analysis of lending with Sevier County would not be meaningful.

*Lending Gap Analysis*

The geographic distribution of home mortgage loans and small loans to businesses were analyzed to determine whether any unexplained conspicuous gaps existed. None were identified. This performance had a positive effect on the bank’s overall geographic distribution analysis.

Inside/Outside Ratio

An analysis was conducted of Home Federal’s ratio of lending within its assessment areas. This analysis was conducted at the bank level, as opposed to the assessment area level. The results of the analysis are presented in the following table.

| <b>Lending in Assessment Areas</b> |                        |          |                |          |              |                         |          |                 |          |              |
|------------------------------------|------------------------|----------|----------------|----------|--------------|-------------------------|----------|-----------------|----------|--------------|
| <b>Loan Type</b>                   | <b>Number of Loans</b> |          |                |          |              | <b>Dollars of Loans</b> |          |                 |          |              |
|                                    | <b>Inside</b>          |          | <b>Outside</b> |          | <b>Total</b> | <b>Inside</b>           |          | <b>Outside</b>  |          | <b>Total</b> |
|                                    | <b>#</b>               | <b>%</b> | <b>#</b>       | <b>%</b> |              | <b>\$(000s)</b>         | <b>%</b> | <b>\$(000s)</b> | <b>%</b> |              |
| <b>Home Mortgage Loans</b>         | 1,441                  | 90.40%   | 153            | 9.60%    | 1,594        | \$233,867               | 89.97%   | \$26,086        | 10.03%   | \$259,953    |
| <b>Commercial</b>                  | 325                    | 93.93%   | 21             | 6.07%    | 346          | \$85,996                | 94.44%   | \$5,061         | 5.56%    | \$91,057     |
| <b>Total</b>                       | 1,766                  | 91.03%   | 174            | 8.97%    | 1,940        | \$319,863               | 91.13%   | \$31,147        | 8.87%    | \$351,010    |

*Source: Reportable HMDA and Small Business Data for 2010 and 2011 Loan Originations*

Data in the above table revealed that 91.03 percent of loans based on number and 91.13 percent based on dollar volume were originated inside the combined assessment areas. This ratio had a positive effect on the bank’s overall geographic distribution performance.

**Distribution of Loans by Income Level of the Borrower**

**Knoxville MSA Assessment Area (Anderson, Blount, and Sevier Counties)**

***Home Mortgage Loans***

Analysis presented in the following tables is based upon Home Federal’s 2010 and 2011 HMDA data. The analysis compares the bank’s record of lending to borrowers of different income levels to the percentages of assessment area families of different incomes. For purposes of this analysis, family income levels were stratified as a percentage of the updated median family income for the Knoxville MSA. The updated median family income figures, as provided by the Department of Housing and Urban Development, were \$59,700 for 2010 and \$61,300 for 2011.

| 2010 Lending to Borrowers of Different Income Levels<br>Knoxville MSA Assessment Area |                |             |               |                  |               |                                       |
|---|----------------|-------------|---------------|------------------|---------------|---------------------------------------|
| Income Category   | Percent of MFI | Number      | No. Pct.      | Volume (\$000s)  | Pct. of \$    | Distribution Of Families <sup>1</sup> |
| Low   | <50%           | 53          | 7.70%         | 2,949            | 2.67%         | 19.83%                                |
| Moderate  | ≥50-<80%       | 113         | 16.42%        | 10,446           | 9.44%         | 17.90%                                |
| Middle  | ≥80-<120%      | 157         | 22.82%        | 17,280           | 15.62%        | 21.67%                                |
| Upper   | ≥120%          | <u>347</u>  | <u>50.44%</u> | <u>77,328</u>    | <u>69.89%</u> | <u>40.60%</u>                         |
| <b>Total</b>  |                | <b>670*</b> | <b>97.38%</b> | <b>\$108,003</b> | <b>97.62%</b> | <b>100.00%</b>                        |

\*Applicant income was not available for 18 originations totaling approximately \$2.6 million.

| 2011 Lending to Borrowers of Different Income Levels<br>Knoxville MSA Assessment Area |                |             |               |                 |               |                                       |
|---|----------------|-------------|---------------|-----------------|---------------|---------------------------------------|
| Income Category   | Percent of MFI | Number      | No. Pct.      | Volume (\$000s) | Pct. of \$    | Distribution Of Families <sup>2</sup> |
| Low   | <50%           | 66          | 11.36 %       | 3,742           | 3.65%         | 19.83%                                |
| Moderate  | ≥50-<80%       | 85          | 14.63%        | 7,249           | 7.07%         | 17.90%                                |
| Middle  | ≥80-<120%      | 128         | 22.03%        | 14,863          | 14.50%        | 21.67%                                |
| Upper   | ≥120%          | <u>255</u>  | <u>43.89%</u> | <u>49,143</u>   | <u>47.93%</u> | <u>40.60%</u>                         |
| <b>Total</b>  |                | <b>534*</b> | <b>91.91%</b> | <b>\$74,997</b> | <b>73.15%</b> | <b>100.00%</b>                        |

\*Applicant income was not available for 47 originations totaling approximately \$27.5 million.

As reflected in the above tables, Home Federal's level of loan originations to low- and moderate-income borrowers in the Knoxville MSA assessment area is low in relation to the percentage of families that are low- and moderate-income. In the following tables, Home Federal's record of lending to borrowers of different income levels was compared to the lending activity of other FDIC-insured lenders subject to the reporting requirements of HMDA that reported loans within the Knoxville MSA assessment area. The comparison was made using 2010 and 2011 Aggregate HMDA information and Home Federal's 2010 and 2011 HMDA data.

<sup>1</sup> Source: 2000 Census Data. This column represents the percentage of families by income level within the boundaries of the assessment area. Use of this percentage as a benchmark offers the best analysis available, and assumes that while income levels have increased since 2000, there have been no significant changes in the population distribution among income ranges.

<sup>2</sup> Source: 2000 Census Data. This column represents the percentage of families by income level within the boundaries of the assessment area. Use of this percentage as a benchmark offers the best analysis available, and assumes that while income levels have increased since 2000, there have been no significant changes in the population distribution among income ranges.

**2010 Aggregate HMDA Borrower Income Analysis for Mortgage Loan  
Originations of similar products by other lenders within the Knoxville MSA Assessment Area**

| Income Category | Percent of MFI | Home Federal Percent of No. | Other Lenders Percent of No. | Distribution of Families |
|-----------------|----------------|-----------------------------|------------------------------|--------------------------|
| <b>Low</b>      | <50%           | 7.70%                       | 8.77%                        | 19.83%                   |
| <b>Moderate</b> | ≥50-<80%       | 16.42%                      | 19.50%                       | 17.90%                   |

**2011 Aggregate HMDA Borrower Income Analysis for Mortgage Loan  
Originations of similar products by other lenders within the Knoxville MSA Assessment Area**

| Income Category | Percent of MFI | Home Federal Percent of No. | Other Lenders Percent of No. | Distribution of Families |
|-----------------|----------------|-----------------------------|------------------------------|--------------------------|
| <b>Low</b>      | <50%           | 11.36%                      | 9.75%                        | 19.83%                   |
| <b>Moderate</b> | ≥50-<80%       | 14.63%                      | 19.57%                       | 17.90%                   |

Data in the above tables reflects that the bank's penetration of home mortgages to low-and moderate-income borrowers in the Knoxville MSA assessment area is somewhat lower than aggregate lending levels, but not unreasonable.

***Small Loans to Businesses***

The following tables reflect Home Federal's lending to businesses of different sizes within the Knoxville MSA assessment area, as well as the sizes of business loan originations. Data presented is based upon the bank's reportable small business data for 2010 and 2011.

Data in the tables below indicate that the percentages of the bank's small business loans by number and dollar volume made to businesses with revenues less than \$1 million are lower than the percentage of small businesses with annual revenues less than \$1 million. Aggregate lending data for 2010 and 2011 indicates that 34.59 percent and 36.83 percent respectively, of small business loans originated in the Knoxville MSA assessment area were to businesses with revenues less than \$1 million. In comparison, the tables below reflect that Home Federal

originated 45.00 percent and 45.80 percent respectively, of its small business loans to business with revenues less than \$1 million, which is considerably higher than the aggregate.

| <b>2010 Borrower Distribution of Loans to Businesses in Knoxville MSA Assessment Area</b> |                     |                        |                            |              |
|---|---------------------|------------------------|----------------------------|--------------|
| <b>Business Revenues (or Sales)</b>   | <b>≤\$1,000,000</b> | <b>&gt;\$1,000,000</b> | <b>Unavailable/Unknown</b> | <b>Total</b> |
| <b>% of AA Businesses</b>   | 76.87%              | 4.55%                  | 18.58%                     | 100%         |
| <b>% of Bank Loans in AA by #</b>   | 45.00%              | 43.75%                 | 11.25%                     | 100%         |
| <b>% of Bank Loans in AA by \$</b>  | 31.80%              | 60.81%                 | 7.39%                      | 100%         |

| <b>2011 Borrower Distribution of Loans to Businesses in Knoxville MSA Assessment Area</b> |                     |                        |                            |              |
|---|---------------------|------------------------|----------------------------|--------------|
| <b>Business Revenues (or Sales)</b>   | <b>≤\$1,000,000</b> | <b>&gt;\$1,000,000</b> | <b>Unavailable/Unknown</b> | <b>Total</b> |
| <b>% of AA Businesses</b>   | 76.87%              | 4.55%                  | 18.58%                     | 100%         |
| <b>% of Bank Loans in AA by #</b>   | 45.80%              | 48.85%                 | 5.35%                      | 100%         |
| <b>% of Bank Loans in AA by \$</b>  | 34.52%              | 61.56%                 | 3.92%                      | 100%         |

The following tables reflect the bank’s 2010 and 2011 small business lending percentages based on number and dollar size of the loan, and compare the bank’s lending to the aggregate lending percentages of other lenders reporting small business data in the Knoxville MSA assessment area. Analysis presented in the tables shows that for both 2010 and 2011, Home Federal originated lower percentages of small business loans in amounts less than \$250,000 than the aggregate of other reporting lenders.

| <b>2010 Borrower Distribution of Loans to Businesses by Loan Size in Knoxville MSA Assessment Area</b> |                        |                          |  |                                 |
|--|------------------------|--------------------------|--|---------------------------------|
| <b>Loan Size (\$000’s)</b>   | <b>Number of Loans</b> | <b>Percent of Number</b> | <b>Dollar Volume of Loans (\$000s)</b> | <b>Percent of Dollar Volume</b> |
| <b>\$0 - \$100,000</b>   | 96                     | 60.00%                   | \$3,495                                | 13.37%                          |
| <b>\$100,001 - \$250,000</b>   | 31                     | 19.38%                   | \$5,684                                | 21.75%                          |
| <b>\$250,001 - \$1,000,000</b>   | 33                     | 20.62%                   | \$16,954                               | 64.88%                          |
| <b>Over \$1,000,000</b>  | 0                      | 0.00%                    | \$0                                    | 0.00%                           |

| <b>2010 Aggregate Comparison of Loans to Businesses by Loan Size in Knoxville MSA Assessment Area</b> |  |  |  |  |
|---|--|--|--|--|
|---|--|--|--|--|

| Loan Size (\$000's)   | Home Federal Percent of Number | Other Lenders Percent of Number | Home Federal Percent of Dollar Volume | Other Lenders Percent of Dollar Volume |
|-----------------------|--------------------------------|---------------------------------|---------------------------------------|--|
| \$0 - \$100,000       | 60.00%                         | 84.35%                          | 13.37%                                | 21.49%                                 |
| \$100,001 - \$250,000 | 19.38%                         | 7.15%                           | 21.75%                                | 16.81%                                 |
| >\$250,001            | 20.62%                         | 8.50%                           | 64.88%                                | 61.70%                                 |

| 2011 Borrower Distribution of Loans to Businesses by Loan Size in Knoxville MSA Assessment Area |                 |                   |                                 |                          |
|---|-----------------|-------------------|---------------------------------|--------------------------|
| Loan Size (\$000's)   | Number of Loans | Percent of Number | Dollar Volume of Loans (\$000s) | Percent of Dollar Volume |
| \$0 - \$100,000   | 69              | 52.67%            | \$2,842                         | 12.17%                   |
| \$100,001 - \$250,000   | 29              | 22.14%            | \$5,036                         | 21.57%                   |
| \$250,001 - \$1,000,000   | 33              | 25.19%            | \$15,472                        | 66.26%                   |
| Over \$1,000,000  | 0               | 0.00%             | \$0                             | 0.00%                    |

| 2011 Aggregate Comparison of Loans to Businesses by Loan Size in Knoxville MSA Assessment Area |                                |                                 |                                       |  |
|--|--------------------------------|---------------------------------|---------------------------------------|--|
| Loan Size (\$000's)  | Home Federal Percent of Number | Other Lenders Percent of Number | Home Federal Percent of Dollar Volume | Other Lenders Percent of Dollar Volume |
| \$0 - \$100,000  | 52.67%                         | 86.59%                          | 12.17%                                | 23.02%                                 |
| \$100,001 - \$250,000  | 22.14%                         | 6.64%                           | 21.57%                                | 18.77%                                 |
| > \$250,001  | 25.19%                         | 6.77%                           | 66.26%                                | 58.21%                                 |

While the bank originated fewer small business loans in amounts less than \$250,000 within its Knoxville MSA assessment area than the aggregate of all reporting lenders, its lending penetration among businesses with revenues less than \$1 million is excellent. Overall, Home Federal's record of small business lending in its Knoxville MSA assessment area is good.

### **Sevier County Assessment Area**

#### Home Mortgage Loans

Analysis presented in the following tables is based upon Home Federal's 2010 and 2011 HMDA data. The analysis compares the bank's record of lending to borrowers of different income levels to the percentages of assessment area families of different incomes. For purposes of this analysis, family income levels were stratified as a percentage of the updated median family income for the Sevier County assessment area. The updated median family income figures, as provided by the Department of Housing and Urban Development, were \$46,400 for 2010 and \$45,400 for 2011.

| 2010 Lending to Borrowers of Different Income Levels<br>Sevier County Assessment Area |                |            |               |                 |               |                                       |
|---|----------------|------------|---------------|-----------------|---------------|---------------------------------------|
| Income Category   | Percent of MFI | Number     | No. Pct.      | Volume (\$000s) | Pct. of \$    | Distribution Of Families <sup>3</sup> |
| Low   | <50%           | 3          | 3.33%         | 137             | 1.26%         | 14.89%                                |
| Moderate  | ≥50-<80%       | 15         | 16.67%        | 1,112           | 10.21%        | 17.43%                                |
| Middle  | ≥80-<120%      | 18         | 20.00%        | 1,637           | 15.03%        | 24.68%                                |
| Upper   | ≥120%          | 49         | 54.44%        | 7,316           | 67.17%        | 43.00%                                |
| <b>Total</b>  |                | <b>85*</b> | <b>94.44%</b> | <b>\$10,202</b> | <b>93.67%</b> | <b>100.00%</b>                        |

\*Applicant income was not available for 5 originations totaling approximately \$689 thousand.

| 2011 Lending to Borrowers of Different Income Levels<br>Sevier County Assessment Area |                |            |               |                 |               |                                       |
|---|----------------|------------|---------------|-----------------|---------------|---------------------------------------|
| Income Category   | Percent of MFI | Number     | No. Pct.      | Volume (\$000s) | Pct. of \$    | Distribution Of Families <sup>4</sup> |
| Low   | <50%           | 5          | 6.10%         | 174             | 1.77%         | 14.89%                                |
| Moderate  | ≥50-<80%       | 8          | 9.76%         | 731             | 7.45%         | 17.43%                                |
| Middle  | ≥80-<120%      | 16         | 19.51%        | 1,522           | 15.52%        | 24.68%                                |
| Upper   | ≥120%          | 49         | 59.76%        | 6,867           | 70.02%        | 43.00%                                |
| <b>Total</b>  |                | <b>78*</b> | <b>95.13%</b> | <b>\$9,294</b>  | <b>94.76%</b> | <b>100.00%</b>                        |

\*Applicant income was not available for 4 originations totaling approximately \$513 thousand.

As reflected in the above tables, Home Federal's level of loan originations to low- and moderate-income borrowers in the Sevier County assessment area is low in relation to the percentage of families that are low- and moderate-income. In the following tables, Home Federal's record of lending to borrowers of different income levels was compared to the lending activity of other FDIC-insured lenders subject to the reporting requirements of HMDA that reported loans within the Sevier County assessment area. The comparison was made using 2010 and 2011 Aggregate HMDA information and Home Federal's 2010 and 2011 HMDA data.

<sup>3</sup> Source: 2000 Census Data. This column represents the percentage of families by income level within the boundaries of the assessment area. Use of this percentage as a benchmark offers the best analysis available, and assumes that while income levels have increased since 2000, there have been no significant changes in the population distribution among income ranges.

<sup>4</sup> Source: 2000 Census Data. This column represents the percentage of families by income level within the boundaries of the assessment area. Use of this percentage as a benchmark offers the best analysis available, and assumes that while income levels have increased since 2000, there have been no significant changes in the population distribution among income ranges.

**2010 Aggregate HMDA Borrower Income Analysis for Mortgage Loan  
Originations of similar products by other lenders within the Sevier County Assessment Area**

| <b>Income Category</b> | <b>Percent of MFI</b> | <b>Home Federal Percent of No.</b> | <b>Other Lenders Percent of No.</b> | <b>Distribution of Families</b> |
|------------------------|-----------------------|------------------------------------|-------------------------------------|---------------------------------|
| <b>Low</b>             | <50%                  | 3.33%                              | 4.01%                               | 14.89%                          |
| <b>Moderate</b>        | ≥50-<80%              | 16.67%                             | 11.83%                              | 17.43%                          |

**2011 Aggregate HMDA Borrower Income Analysis for Mortgage Loan  
Originations of similar products by other lenders within the Sevier County Assessment Area**

| <b>Income Category</b> | <b>Percent of MFI</b> | <b>Home Federal Percent of No.</b> | <b>Other Lenders Percent of No.</b> | <b>Distribution of Families</b> |
|------------------------|-----------------------|------------------------------------|-------------------------------------|---------------------------------|
| <b>Low</b>             | <50%                  | 6.10%                              | 4.36%                               | 14.89%                          |
| <b>Moderate</b>        | ≥50-<80%              | 9.76%                              | 10.88%                              | 17.43%                          |

Data in the above tables reflects that the bank's penetration of home mortgages to low-and moderate-income borrowers in the Sevier County assessment area is higher than aggregate lending levels for both 2010 and 2011. This analysis demonstrates an excellent responsiveness to the home mortgage needs of low- and moderate-income borrowers in Sevier County.

***Small Loans to Businesses***

The following tables reflect Home Federal's lending to businesses of different sizes within the Sevier County assessment area, as well as the sizes of business loan originations. Data presented is based upon the bank's reportable small business data for 2010 and 2011.

Data in the tables below indicate that the percentages of the bank's small business loans by number and dollar volume made to businesses with revenues less than \$1 million are lower than the percentage of small businesses with annual revenues less than \$1 million. Aggregate lending data for 2010 and 2011 indicates that 39.09 percent and 46.71 percent respectively, of small business loans originated in the Sevier County assessment area were to businesses with revenues less than \$1 million. In comparison, the tables below reflect that Home Federal originated 63.16 percent and 73.33 percent respectively, of its small business loans to business with revenues less than \$1 million, which is considerably higher than the aggregate.

| <b>2010 Borrower Distribution of Loans to Businesses in Sevier County Assessment Area</b> |                     |                        |                            |              |
|---|---------------------|------------------------|----------------------------|--------------|
| <b>Business Revenues (or Sales)</b>   | <b>≤\$1,000,000</b> | <b>&gt;\$1,000,000</b> | <b>Unavailable/Unknown</b> | <b>Total</b> |
| <b>% of AA Businesses</b>   | 78.63%              | 3.31%                  | 18.06%                     | 100%         |
| <b>% of Bank Loans in AA by #</b>   | 63.16%              | 21.05%                 | 15.79%                     | 100%         |
| <b>% of Bank Loans in AA by \$</b>  | 70.16%              | 23.42%                 | 6.42%                      | 100%         |

| <b>2011 Borrower Distribution of Loans to Businesses in Sevier County Assessment Area</b> |                     |                        |                            |              |
|---|---------------------|------------------------|----------------------------|--------------|
| <b>Business Revenues (or Sales)</b>   | <b>≤\$1,000,000</b> | <b>&gt;\$1,000,000</b> | <b>Unavailable/Unknown</b> | <b>Total</b> |
| <b>% of AA Businesses</b>   | 78.63%              | 3.31%                  | 18.06%                     | 100%         |
| <b>% of Bank Loans in AA by #</b>   | 73.33%              | 20.00%                 | 6.67%                      | 100%         |
| <b>% of Bank Loans in AA by \$</b>  | 26.36%              | 60.88%                 | 12.76%                     | 100%         |

The following tables reflect the bank's 2010 and 2011 small business lending percentages based on number and dollar size of the loan, and compare the bank's lending to the aggregate lending percentages of other lenders reporting small business data in the Sevier County assessment area. Analysis presented in the tables shows that for both 2010 and 2011, Home Federal originated lower percentages of small business loans in amounts less than \$250,000 than the aggregate of other reporting lenders.

| <b>2010 Borrower Distribution of Loans to Businesses by Loan Size in Sevier County Assessment Area</b> |                        |                          |  |                                 |
|--|------------------------|--------------------------|--|---------------------------------|
| <b>Loan Size (\$000's)</b>   | <b>Number of Loans</b> | <b>Percent of Number</b> | <b>Dollar Volume of Loans (\$000s)</b> | <b>Percent of Dollar Volume</b> |
| <b>\$0 - \$100,000</b>   | 10                     | 52.63%                   | \$378                                  | 10.55%                          |
| <b>\$100,001 - \$250,000</b>   | 4                      | 21.05%                   | \$720                                  | 20.09%                          |
| <b>\$250,001 - \$1,000,000</b>   | 5                      | 26.32%                   | \$2,485                                | 69.36%                          |
| <b>Over \$1,000,000</b>  | 0                      | 0.00%                    | \$0                                    | 0.00%                           |

| <b>2010 Aggregate Comparison of Loans to Businesses by Loan Size in Sevier County Assessment Area</b> |                                       |  |  |   |
|---|---------------------------------------|--|--|---|
| <b>Loan Size (\$000's)</b>  | <b>Home Federal Percent of Number</b> | <b>Other Lenders Percent of Number</b> | <b>Home Federal Percent of Dollar Volume</b> | <b>Other Lenders Percent of Dollar Volume</b> |
| <b>\$0 - \$100,000</b>  | 52.63%                                | 89.73%                                 | 10.55%                                       | 26.67%  |

|                              |        |       |        |        |
|------------------------------|--------|-------|--------|--------|
| <b>\$100,001 - \$250,000</b> | 21.05% | 4.47% | 20.09% | 15.75% |
| <b>&gt;\$250,001</b>         | 26.32% | 5.80% | 69.36% | 57.58% |

| <b>2011 Borrower Distribution of Loans to Businesses by Loan Size in Sevier County Assessment Area</b> |                        |                          |  |                                 |
|--|------------------------|--------------------------|--|---------------------------------|
| <b>Loan Size (\$000's)</b>   | <b>Number of Loans</b> | <b>Percent of Number</b> | <b>Dollar Volume of Loans (\$000s)</b> | <b>Percent of Dollar Volume</b> |
| <b>\$0 - \$100,000</b>   | 9                      | 60.00%                   | \$266                                  | 8.49%                           |
| <b>\$100,001 - \$250,000</b>   | 0                      | 0.00%                    | \$0                                    | 0.00%                           |
| <b>\$250,001 - \$1,000,000</b>   | 6                      | 40.00%                   | \$2,868                                | 91.51%                          |
| <b>Over \$1,000,000</b>  | 0                      | 0.00%                    | \$0                                    | 0.00%                           |

| <b>2011 Aggregate Comparison of Loans to Businesses by Loan Size in Sevier County Assessment Area</b> |                                       |  |  |   |
|---|---------------------------------------|--|--|---|
| <b>Loan Size (\$000's)</b>  | <b>Home Federal Percent of Number</b> | <b>Other Lenders Percent of Number</b> | <b>Home Federal Percent of Dollar Volume</b> | <b>Other Lenders Percent of Dollar Volume</b> |
| <b>\$0 - \$100,000</b>  | 60.00%                                | 90.41%                                 | 8.49%  | 24.70%  |
| <b>\$100,001 - \$250,000</b>  | 0.00%                                 | 3.87%                                  | 0.00%  | 14.14%  |
| <b>&gt;\$250,001</b>  | 40.00%                                | 5.72%                                  | 91.51%                                       | 61.16%  |

While the bank originated fewer small business loans in amounts less than \$250,000 within its Sevier County assessment area than the aggregate of all reporting lenders, its lending penetration among businesses with revenues less than \$1 million is excellent. Overall, Home Federal's record of small business lending in its Sevier County assessment area is good.

#### Community Development Lending

During the review period, Home Federal originated and renewed 20 loans within its assessment areas that meet the definition of community development. Loan originations total approximately \$14.4 million. Loan renewals total approximately \$2.2 million. We also gave some consideration to letters of credit issued by the bank, though more weight was given to loans. This is because loans have more of a direct impact on meeting the credit needs of the assessment areas, and the amount of dollars loaned was significantly higher than letters of credit.

Below is a description of Home Federal's community development lending:

- Six loans totaling \$6 million (90.5 percent benefitted the Knoxville MSA assessment area; the remainder benefitted Sevier County). These loans were to various non-profit organizations that provide housing, housing assistance, or home-based care to low- and moderate-income individuals who are elderly or suffering from terminal illness. Loan proceeds were primarily for the construction, renovation, or purchase of facilities, with some also going towards cash flow needs in support of operations. Organizations that benefitted from these loans included Hillcrest Healthcare Communities, Breakthrough

Corporation, Helen Ross McNabb Center, Inc., Senior Citizens Home Assistance Service, Inc., and the Cerebral Palsy Center.

- Two loans totaling approximately \$3.5 million (98 percent benefitted the Sevier County assessment area; the remainder benefitted the Knoxville MSA assessment area). These loans were to two non-profit organizations that provide food for low- and moderate-income individuals and families. Loan proceeds were used primarily for real estate purchase for Second Harvest Food Bank of East Tennessee, with some funds used for cash flow needs in support of operations for Hospitality Pantries.
- Five loans totaling approximately \$3.4 million (97 percent of funds benefitted the Knoxville MSA assessment area; the remainder benefitted the Sevier County assessment area). These loans were to various non-profit organizations that provide critical services to low- and moderate-income individuals, including the homeless and drug-addicted. Funds were used primarily for construction of facilities, or facility-related expenses. Some funds were also used for cash flow needs in support of operations. Organizations that benefitted from these loans included Mount Calvary Baptist Church of Knoxville, Knox Area Rescue Ministries, Lost Sheep Ministry, STEPS House, Inc., and The Philadelphians Prison Ministries, Inc.
- One loan in the approximate amount of \$2.2 million benefitting the Knoxville MSA assessment area. This loan was to Knoxville's Community Development Corporation, for the construction of a new facility in a low-income census tract. The facility provides access to needed job resources.
- Four loans totaling \$1.2 million benefitting the Knoxville MSA assessment area. These loans were to three non-profit organizations providing programs and services geared toward low- and moderate-income children, including educational resources and after-school programs. Funds were used for cash flow needs in support of operations. Organizations that benefitted from the loans included Project GRAD, Emerald Youth Foundation, and SOAR Youth Ministries, Inc.
- One loan renewal in the amount of \$366 thousand benefitting the Knoxville MSA assessment area. This loan renewal was granted to the Knoxville Fellows Program, a unique non-profit which is funded via for-profit ventures. This organization focuses in part on service projects in the low-income area in downtown Knoxville which it serves. Loan proceeds provided financing for business equipment needed to financially support the program.
- One loan in the amount of \$60 thousand benefitting the Knoxville MSA assessment area. This loan was to Safe Haven Center, a non-profit organization that provides medical services to sexual assault victims.

In addition to the above-listed loans, Home Federal issued six new letters of credit totaling \$252 thousand, and renewed four letters of credit totaling \$483 thousand during the evaluation period. These letters of credit helped facilitate transactions in the Knoxville MSA assessment area that had a purpose related to the financing of affordable housing projects.

## Product Innovation and Flexibility

During the period under review, Home Federal provided the loan program described below which was designed to assist low- and moderate-income home owners to obtain affordable home financing:

Affordable Home Improvement Loan – an “in house” program that offers fixed-rate loans with amounts as low as \$500 with a maximum of \$3,500 and a maximum term of 48 months. No lien is placed upon the property and loans are limited to low- and moderate-income borrowers or property located in low- and moderate-income census tracts. Seventeen loans were made under this program during the evaluation period totaling approximately \$39 thousand.

## Conclusions for Areas Receiving Limited-Scope Reviews

No areas were targeted for limited-scope reviews.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank’s performance under the Investment Test is rated “Outstanding”. The institution has an excellent level of qualified community development investments. The majority of qualified investments were to organizations that benefit both the Knoxville MSA assessment area and Sevier County assessment area (the assessment areas are contiguous). Therefore, it would not be meaningful to group the analyses separately for each of the assessment areas with respect to the Investment Test.

For the period under review, Home Federal made a substantial volume of qualified investments in its assessment areas in the approximate total amount of \$2.9 million. These investments included the following:

- The bank made a high level of charitable contributions within the combined assessment areas. Based upon the examiner’s review of an itemized list of the recipients of these contributions, it was determined that the majority were to non-profit organizations and met the definition of community development investments. The bank donates funds to a variety of organizations, with the bulk providing important and varied services to low – and moderate-income individuals and families. Donations help provide services including (but not limited to) food for the hungry, medical-related services, education, job resources and affordable housing. The examiner determined that monetary contributions totaling approximately \$1.8 million benefitted organizations that addressed community development needs. Broken down by year, qualifying contributions were approximately \$458 thousand in 2010, \$454 thousand in 2011, \$474 thousand in 2012, and \$398 thousand for 2013 (to-date).

The bank has purchased several bonds issued by the Tennessee Housing Development Agency (THDA). The THDA was created to promote the production of affordable housing for low and very low income individuals and families throughout the state of Tennessee, including Home Federal's assessment areas. The agency has been granted the authority to issue tax-exempt mortgage revenue bonds to support its mission. As of the date of the current CRA Evaluation, Home Federal had nine outstanding THDA bonds with total outstanding book values of approximately \$982 thousand.

- Home Federal has invested in Tennessee State School Board Authority (TSSBA) bonds. The TSSBA is a corporate governmental agency whose purpose is to finance capital projects for public institutions of higher education. Projects include dormitories, athletic facilities and major equipment purchases, and benefit the entire state, including Home Federal's assessment areas. As of the date of the current CRA Evaluation, Home Federal had two outstanding TSSBA bonds with total outstanding book values of approximately \$190 thousand.

### **Conclusions for Area Receiving Limited-Scope Reviews**

No areas were targeted for limited scope reviews.

### **SERVICE TEST**

#### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "Outstanding". The majority of community development services were to organizations that benefit both the Knoxville MSA assessment area and Sevier County assessment area. Therefore, it would not be meaningful to group the analyses separately for each of the assessment areas with respect to the Service Test.

#### **Retail Banking Services**

Home Federal serves the combined assessment areas with 23 branch offices located in Anderson, Blount, Knox, and Sevier Counties, Tennessee. The table below sets forth the branch office and ATM locations, as well as the income level of the census tract in which each office is located.

| County              | City Location   | Income Level of Geography*                                     | ATM   |
|---------------------|---|--|---|
| <b>Anderson, TN</b> | Oak Ridge   | Moderate   | Yes   |
| <b>Blount, TN</b>   | Maryville   | Moderate   | Yes   |
| <b>Knox, TN</b>     | Corryton<br>Knoxville<br>Knoxville<br>Knoxville<br>Powell | Middle<br>Moderate<br>(4)<br>Middle (7)<br>Upper (4)<br>Middle | Yes<br>All Yes<br>All Yes<br>All Yes<br>Yes |
| <b>Sevier, TN</b>   | Gatlinburg<br>Pigeon Forge<br>Sevierville<br>Seymour      | Middle<br>Middle<br>Moderate<br>Upper                          | Yes<br>Yes<br>Yes<br>Yes                    |
| <b>Total</b>        | <b>23 Branch Offices</b>                                  |  | <b>23 ATMs</b>                              |

\*Based on 2010 Census data.

In addition to the ATM locations listed in the table above, Home Federal also operates two ATMs not connected with branch offices. Both are located in Knoxville, one in a shopping center in a moderate-income census tract and one on the Johnson Bible College campus in a middle-income census tract. The bank did not close any branch office locations during the period under review. However, one ATM that had been located at the University of Tennessee was closed due to campus renovations. That ATM had been located in a census tract with no income level designation.

The office hours of all branch offices are considered convenient and consistent with those offered by other financial institutions within their respective area. Lobby hours are from 8:30 a.m. to 4:00 p.m. on Mondays through Thursdays and until 6:00 p.m. on Friday. The drive-in windows are generally open from Monday through Thursday from 8:00 a.m. to 4:00 p.m. and until 6:00 p.m. on Friday. However, the drive-in at the Oak Ridge office opens at 8:30 a.m. and closes at 5:30 p.m. Monday through Thursday and is open until 6:00 p.m. on Friday. None of the locations offer Saturday hours.

Within both the Knoxville MSA assessment area and the Sevier assessment area, the use of alternative systems for delivering retail banking services is considered excellent. All 25 ATMs allow customers to perform transfers between accounts, check account balances, and make withdrawals. All but one of the ATMs allow customers to make deposits. Customers also have the ability to access their accounts online or over the phone. By telephone, customers can make balance and transaction inquiries and transfer funds between accounts. Over the Internet, customers can view account balances and review account history, transfer money

between accounts and pay bills owed to any merchant, institution, or creditor. Cash management services are also available to commercial customers.

Home Federal offers a wide range of deposit products including personal and commercial checking accounts, which are well tailored to meet retail banking needs within the community. Home Federal's "Basic Checking" product has features typically attractive to low- and moderate-income individuals. This account has a \$100.00 daily minimum balance requirement to avoid the \$2.00 monthly service charge, a \$.25 per check fee, an opening deposit of \$100.00, free online banking, and the initial order of checks is free. Other retail product offerings include "55+ Checking", targeted to accountholders over the age of 55, and Student Checking. The "55+ Checking" product offers unlimited check writing, an opening deposit of \$100.00, no monthly service fee, no minimum balance, free direct deposit, free online banking, an ATM card, and debit cards are available. The Student Checking account offers no charge for check writing for the first ten checks and a \$.25 per check fee thereafter, an opening deposit of \$100.00, no monthly service fee, no minimum balance required, free online bill banking, free first order of checks, and ATM and debit cards are available.

#### Community Development Services

Home Federal provided a high level of services within its assessment areas that met the definition of community development. The innovativeness and responsiveness of community development services to the needs of low- and moderate-income individuals and geographies is considered excellent. During the period under review, community development services were provided to local government entities that promote affordable housing and economic development, education-based organizations that offer financial assistance to underprivileged students, organizations dedicated to providing financial literacy, and charitable groups that provide various types of assistance to low- and moderate-income individuals as well as to needy and abused children. Such organizations include, among others, Junior Achievement, Hillcrest Healthcare Communities, the Sexual Assault Center of East Tennessee, the Anderson County Career and Tech Center, the John T. O'Conner Senior Center, the Knoxville Housing Partnership, the East Tennessee Foundation and the Knoxville Alliance for Financial Independence. Services provided to these organizations include teaching financial literacy courses, serving as Board members, financial analysis and assisting in fund raising activities.

In addition to the services described above, Home Federal has dedicated significant staff resources to assisting local non-profit organizations to obtain grants through the Federal Home Loan Bank (FHLB) of Cincinnati, of which Home Federal is a member. The FHLB offers a number of affordable housing grants for which non-profits may apply through a FHLB member. The member bank must work with the non-profit to obtain all necessary information and documentation to support the grant application. If approved, the member bank must oversee the use of grant funds through ongoing project monitoring.

During the period under review, Home Federal submitted grant applications for three FHLB programs: the Affordable Housing Program Grant, the Accessibility Rehabilitation Program, and the Welcome Home Program. The bank facilitated two successful applications under the Affordable Housing Grant Program in the total amount of \$1.6 million, as well as five additional applications that were not approved for grant funding. In addition, the bank facilitated applications under the Accessibility Rehabilitation Program in the total approximate amount of \$200,000, and obtained \$5,000 in downpayment and closing cost assistance for one homebuyer under the Welcome Home Program.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

No areas were targeted for limited scope reviews

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

|  |  |                                 |
|--|--|---------------------------------|
| <b>Time Period Reviewed</b>                                    | Lending Test (excludes CD Loans): (January 1, 2010 to December 31, 2011)<br>Investment and Service Tests and CD Loans: (February 16, 2010 to September 16, 2013) |                                 |
| <b>Financial Institution</b>                                   | <b>Products Reviewed</b>   |                                 |
| Home Federal Bank of Tennessee<br>Knoxville, Tennessee         | Home Mortgages<br>Small Business/Small Farm Loans<br>Community Development Loans   |                                 |
| <b>Affiliate(s)</b><br>N/A                                     | <b>Affiliate Relationship</b><br>N/A   | <b>Products Reviewed</b><br>N/A |
| <b>List of Assessment Areas and Type of Examination</b>        |  |                                 |
| <b>Assessment Area</b>   | <b>Type of Exam</b>  | <b>Other Information</b>        |
| Knoxville MSA Assessment Area<br>Sevier County Assessment Area | Full Scope<br>Full Scope   |                                 |

## Appendix B: Market Profiles for Full-Scope Areas

Home Federal has designated two separate assessment areas consisting of four contiguous counties. One assessment area includes the counties of Knox, Anderson and Blount which are part of the Knoxville MSA. The other is a Non-MSA assessment area consisting of Sevier County. The current examination included full scope reviews for both assessment areas.

The tables below, which are based on 2000 U.S. Census data, set forth demographic summaries for the Knoxville MSA assessment area and the Sevier County assessment area. A low-income census tract/borrower is one with a median family income (MFI) of less than 50.0 percent of the MFI of an MSA, a moderate-income census tract/borrower is one with a MFI of at least 50.0 percent, and less than 80 percent of the MFI of an MSA, a middle-income census tract/borrower is one with a MFI of at least 80.0 percent, and less than 120.0 percent of the MFI of an MSA, and an upper-income census tract/borrower is one with a MFI of 120.0 percent or more of the MFI of an MSA.

| <b>Demographic Information for the Knoxville MSA Assessment Area<br/>(Anderson, Blount and Knox Counties)</b> |          |  |                            |                          |                         |                       |
|---|----------|--|----------------------------|--------------------------|-------------------------|-----------------------|
| <b>Demographic Characteristics</b>  | <b>#</b> | <b>Low<br/>% of #</b>                  | <b>Moderate<br/>% of #</b> | <b>Middle<br/>% of #</b> | <b>Upper<br/>% of #</b> | <b>NA<br/>% of #</b>  |
| <b>Geographies (Census Tracts/BNAs)</b>   | 117      | 12.82%                                 | 22.22%                     | 44.44%                   | 19.66%                  | 0.86%                 |
| <b>Population by Geography</b>  | 559,185  | 6.19%                                  | 14.98%                     | 53.84%                   | 24.95%                  | 0.04%                 |
| <b>Owner-Occupied Housing by Geography</b>  | 159,561  | 3.17%                                  | 12.88%                     | 57.99%                   | 25.96%                  | 0.00%                 |
| <b>Businesses by Geography</b>  | 42,774   | 7.68%                                  | 14.71%                     | 46.20%                   | 31.39%                  | 0.02%                 |
| <b>Farms by Geography</b>   | 1,080    | 2.96%                                  | 9.26%                      | 63.33%                   | 24.45%                  | 0.00%                 |
| <b>Family Distribution by Income Level</b>  | 152,385  | 19.83%                                 | 17.90%                     | 21.67%                   | 40.60%                  | 0.00%                 |
| <b>Distribution of Low- and Moderate-Income Families throughout AA Geographies</b>                            | 152,385  | 7,629                                  | 20,957                     | 86,498                   | 37,301                  | 0.00%                 |
| <b>HUD Adjusted Median Family Income for 2010</b>   | \$59,700 | <b>Median Housing Value = \$98,807</b> |                            |                          |                         |                       |
| <b>HUD Adjusted Median Family Income for 2011</b>   | \$61,300 |  |                            |                          |                         |                       |
| <b>Households Below the Poverty Level</b>   | 13.12%   |  |                            |                          |                         |                       |
| <b>Demographic Information for Non-MSA Assessment Area<br/>(Sevier County)</b>                                |          |  |                            |                          |                         |                       |
| <b>Demographic Characteristics</b>  | <b>#</b> | <b>Low<br/>% of #</b>                  | <b>Moderate<br/>% of #</b> | <b>Middle<br/>% of #</b> | <b>Upper<br/>% of #</b> | <b>NA*<br/>% of #</b> |
| <b>Geographies (Census</b>  | 11       | 0.00%                                  | 0.00%                      | 81.82%                   | 18.18%                  | 0.00%                 |

|   |        |        |                             |        |        |       |
|---|--------|--------|-----------------------------|--------|--------|-------|
| <b>Tracts/BNAs)</b>   |        |        |                             |        |        |       |
| <b>Population by Geography</b>  | 71,170 | 0.00%  | 0.00%                       | 82.38% | 17.62% | 0.00% |
| <b>Owner-Occupied Housing by Geography</b>  | 20,878 | 0.00%  | 0.00%                       | 81.41% | 18.59% | 0.00% |
| <b>Businesses by Geography</b>  | 7,853  | 0.00%  | 0.00%                       | 87.60% | 12.40% | 0.00% |
| <b>Farms by Geography</b>   | 144    | 0.00%  | 0.00%                       | 82.64% | 17.36% | 0.00% |
| <b>Family Distribution by Income Level</b>  | 20,952 | 14.89% | 17.43%                      | 24.68% | 43.00% | 0.00% |
| <b>Distribution of Low- and Moderate-Income Families throughout AA Geographies</b>  | 20,952 | 0      | 0                           | 17,104 | 3,848  | 0     |
| <b>HUD Adjusted Median Family Income for 2010</b><br><b>HUD Adjusted Median Family Income for 2011</b><br><b>Households Below the Poverty Level</b> |        |        | <b>Median Housing Value</b> |        |        |       |
| = \$46,400<br>= \$45,400<br>= 11.75%  |        |        | = \$106,560                 |        |        |       |

There is significant competition from other financial institutions and mortgage loan providers within Home Federal’s assessment areas. Besides Home Federal, 42 FDIC-insured financial institutions operate 214 branch offices within the Knoxville MSA assessment area. As of June 30, 2013, the top four financial institutions based on total of deposits in the Knoxville MSA assessment area were First Tennessee Bank (\$2.7 billion in deposits), SunTrust Bank (\$2.1 billion in deposits), Regions Bank (\$1.7 billion in deposits), and Home Federal (\$1.5 billion in deposits). In the Sevier County assessment area, nine FDIC-insured financial institutions, besides Home Federal, operate 56 branch offices. As of June 30, 2013, the top four financial institutions based on total of deposits in the Sevier County assessment area were Citizens National Bank (\$560 million in deposits), Tennessee State Bank (\$504 million in deposits), SmartBank (\$295 million in deposits), and Sevier County Bank (\$279 million in deposits). Of the ten FDIC-insured financial institutions operating in the Sevier County assessment area, Home Federal ranked eighth with \$68 million in deposits.

According to the U.S. Bureau of Labor Statistics, the average unemployment rates for the state of Tennessee have consistently decreased in recent years, from 9.6 percent in 2010, to 8.1 percent in 2011, to 7.6 percent in 2012. For those same years, the average unemployment rates in the Knoxville MSA (averaging of Anderson, Blount and Knox only) were considerably lower than the state’s averages, at 7.8 percent in 2010, 7.1 percent in 2011, and 6.3 percent in 2012. Overall, these percentages indicate that the Knoxville MSA economy has remained strong throughout the period under review when compared with the state of Tennessee.

Knoxville, located in Knox County, is the largest city in East Tennessee. During 2012, statistics available through the Chamber of Commerce and other sources show the following as the top four employers within Knox County: the U.S. Department of Energy; Oak Ridge Operations; Covenant Health; the University of Tennessee; and Knox County Schools. Oak Ridge Operations contains three major departments, one of which is the Oakridge National

Laboratory which employs approximately 4,400 staff members. Covenant Health is a community-owned health system and employs a staff of approximately 10,000, and Knox County Schools has approximately 8,300 employees.

Sevier County, where Home Federal has four branch locations, is a major tourist destination. The Great Smoky Mountain National Park dominates the southern portion of the area. Mountain resort cities located within Sevier County include Gatlinburg, Pigeon Forge and Sevierville. While the tourism industry drives the county's economy, the following destinations have proven to be lucrative for the assessment area: Dollywood (a theme park), located in Pigeon Forge; Ripley's Aquarium of the Smokies; and Ober Gatlinburg (ski resort). Average unemployment rates in the county for the period under review were higher than the state averages, at 10.0 percent for 2010, 8.9 percent in 2011, to 8.0 percent in 2012. Nevertheless, the declining unemployment percentages indicate steady improvement in the local economy.

Pigeon Forge's LeConte Center, which is a newly constructed 232,000 square foot multi-purpose building, is scheduled to open on October 9, 2013. The convention center is designed for large assembly trade shows and competitive events. This venture will provide jobs in Sevier County. In addition, there are other numerous employers within the county: Activated Metals and Chemicals, Inc., Blalock Lumber; Collier Foods; Swaggerty Sausage; Lisega Inc., (a pipe hanger manufacturing company) and TruTec (offers wildlife removal and pest control services).