



## **PUBLIC DISCLOSURE**

April 2, 2018

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

Worthington Federal Savings Bank, FSB  
Charter Number 703435

418 11th St  
Worthington, MN 56187-2409

Office of the Comptroller of the Currency  
Sioux Falls Field Office, Suite 300  
4900 South Minnesota Avenue  
Suite 300  
Sioux Falls, SD 57108-2865

**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: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

- Worthington Federal Savings Bank, FSB's (Worthington Federal's) loan-to-deposit (LTD) ratio is reasonable when considering the bank's size, financial condition, and the credit needs of its assessment area (AA).
- Management originates a substantial majority of its loans to customers located inside the bank's AA.
- The distribution of residential real estate and consumer loans to borrowers of different income levels is reasonable.
- The geographic distribution of residential real estate and consumer loans reflects reasonable distribution among census tracts (CTs) of different income levels, given the AA opportunities.

## 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/AA.

**Census Tract:** A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA's or outside the AA's provided the bank has adequately addressed the community development needs of its AA's.

**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 CT 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 conduct business or have banking offices in a Metropolitan Statistical Area (MSA) to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, 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/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC)

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 MSA 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

Worthington Federal is a federally chartered mutual savings and loan association with total assets of \$74.312 million as of December 31, 2017. The bank is 100 percent owned by the depositors of Worthington Federal. The bank's main office is located in Worthington, Minnesota with one branch office located in Lakefield, MN. The branch operates under the name of Lakefield Savings Bank, a division of Worthington Federal. Worthington Federal operates no automated teller machines. There have been no significant changes to Worthington Federal's corporate structure, including merger or acquisition activities, since the last CRA examination.

Worthington Federal is a single state institution operating entirely within Minnesota. The bank has one AA--the Worthington AA. The bank's business strategy is primarily focused on 1-4 family residential real estate and consumer loans.

The bank offers a full range of deposit products and their primary lending activity is residential real estate loans for the purchase, refinance, or construction of single-family residences, home equity loans, and consumer loans. As of December 31, 2017, loans totaled \$48.986 million, or 61 percent of total assets. As of December 31, 2017, the loan portfolio consisted of approximately 96 percent residential real estate, 3 percent consumer, and less than 1 percent each of farm and commercial loans.

There are no legal or financial impediments to Worthington Federal's ability to meet the credit needs of its AA. The bank was rated "Satisfactory" at its last CRA examination dated July 16, 2012.

## **Scope of the Evaluation**

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

Worthington Federal was evaluated under the Small Bank CRA examination procedures, which includes a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The Lending Test for Worthington Federal covers its performance from January 1, 2016 through December 31, 2017, as this is representative of its lending strategy since the previous CRA examination.

The number and dollar volume of loans was determined by Worthington Federal's internal loan reports to determine the bank's primary products. The primary products were determined to be residential real estate loans based on the number and dollar volume of loans originated and consumer loans based on the number of loans originated. To evaluate the bank's lending performance, we selected a sample of residential real estate and consumer loans originated between January 1, 2016 and December 31, 2017.



The following table shows the breakdown of loans originated during the evaluation period.

Loan Portfolio Originations		
Loan Type	Originated Loans by Number	Originated Loans by Dollar
Residential RE	41%	76%
Consumer	58%	23%
Agriculture	0%	0%
Commercial	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Bank loan data from January 1, 2016 to December 31, 2017.

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

Worthington Federal has one AA, which includes the contiguous counties of Jackson, Murray, and Nobles located in Southwestern Minnesota. We completed a full scope review of this AA. The bank’s overall rating is based entirely on its performance in this single AA. Refer to Appendix B-1 for additional information about the bank’s AA.

### **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST:

Worthington Federal's performance under the Lending Test is satisfactory.

### Loan-to-Deposit Ratio

Worthington Federal's LTD ratio is reasonable given the bank's size, financial condition, and lending opportunities in the AA. The bank's December 31, 2017, LTD ratio is 76 percent, and the LTD ratio averaged 75 percent for the past 23 quarters since the last CRA examination. Worthington Federal's ratio ranged from a quarterly low of 69 percent and a high of 81 percent. Worthington Federal's ratio is reasonable when compared to nine similarly situated banks with respect to size, location, and product offerings. The nine similarly situated banks have a 23 quarter average LTD ratio of 79 percent, with an average high of 93 percent and average low of 63 percent. LTD ratios are calculated on a bank-wide basis.

### Lending in Assessment Area

A substantial majority of loans are originated within the AA. We reviewed a sample of 20 residential real estate loans and 20 consumer loans to determine the bank's lending performance within the AA. We found that 95 percent of sampled loans by number and 99 percent sampled by dollar volume were originated within the AA.

The following table details the bank's lending within the AA by number and dollar volume of loans.

Lending in Worthington AA										
Loan Type	Number of Loans					Dollars of Loans (in \$1,000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	20	100	0	0	20	2,391	100	0	0	2,391
Consumer	18	90	2	10	20	207	92	18	8	225
Totals	38	95	2	5	40	2,598	99	18	1	2,616

Source: Loan sample.

### Lending to Borrowers of Different Incomes

The overall distribution of residential real estate and consumer loans to borrowers of different income levels reflects reasonable distribution compared to AA demographics.

Worthington Federal’s distribution of residential real estate loans to low and moderate-income borrowers is reasonable. We reviewed a sample of 20 residential real estate loans to determine the bank’s lending to borrowers of different income levels. The bank originated 35 percent of sampled residential real estate loans to low and moderate income borrowers, which reasonably compares to 40 percent of AA families with low or moderate incomes.

<b>Borrower Distribution of Residential Real Estate Loans in Worthington AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	21	5	19	30	24	20	36	45

Source: Loan sample; 2010 U.S. Census data.

Worthington Federal’s distribution of consumer loans to borrowers of low and moderate-income levels is reasonable. We reviewed a sample of 20 consumer loans to determine the bank’s lending to borrowers of different income levels. The bank originated 40 percent of sampled consumer loans to low and moderate-income borrowers, which reasonably compares to the 41 percent of AA households with low or moderate incomes.

<b>Borrower Distribution of Consumer Loans in Worthington’s AA</b>								
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24	0	17	40	20	10	39	50

Source: Loan sample; 2010 U.S. Census data.

### **Geographic Distribution of Loans**

Overall, the bank’s geographic distribution of residential real estate and consumer loans to CTs of different income levels reflect reasonable distribution given opportunities in the AA. There is one moderate-income CT in the bank’s AA. There are no low-income CTs in the bank’s AA.

Worthington Federal’s distribution of residential real estate loans to borrowers located in the moderate-income CT is reasonable. We reviewed a sample of 20 residential real estate loans to determine the bank’s lending to borrowers in the moderate-income CT. Although none of the residential real estate loans sampled were originated to borrowers in the moderate-income CT, the distribution is considered reasonable given the limited portion (5 percent) of owner occupied housing units in the single moderate-income CT in the AA.

<b>Geographic Distribution of Residential Real Estate Loans in Worthington AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0	0	5	0	95	100	0	0

Source: Loan sample; 2010 U.S. Census data.

Worthington Federal’s distribution of consumer loans to borrowers located in the moderate-income CT is reasonable. We reviewed a sample of 20 consumer loans to determine the bank’s lending to borrowers in the moderate-income CT. The bank originated 5 percent of sampled consumer loans to borrowers located in the moderate-income CT, which reasonably compares to the 7 percent of households located in the moderate-income CT in the AA.

<b>Geographic Distribution of Consumer Loans in Worthington’s AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	7	5	93	95	0	0

Source: Loan sample; 2010 U.S. Census data.

### **Responses to Complaints**

Neither the bank nor the OCC received any complaints regarding Worthington Federal’s CRA performance during the evaluation period.

## 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”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/16 to 12/31/17	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Worthington Federal Savings Bank, FSB (Worthington Federal) Worthington, MN		Residential Real Estate and Consumer Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Worthington AA (nonmetropolitan MN)	Full scope	The bank has only a single AA.

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

### Worthington AA

Demographic Information for Full-Scope Area: Worthington Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	0.00	7.69	92.31	0.00	0.00
Population by Geography	40,369	0.00	8.87	91.13	0.00	0.00
Owner-Occupied Housing by Geography	12,653	0.00	4.82	95.18	0.00	0.00
Businesses by Geography	2,767	0.00	8.17	91.83	0.00	0.00
Farms by Geography	1,084	0.00	0.37	99.63	0.00	0.00
Family Distribution by Income Level	11,103	21.02	19.45	23.71	35.83	0.00
Distribution of Low- and Moderate- Income Families throughout AA Geographies	4,493	0.00	11.66	88.34	0.00	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$57,683 = \$65,300 = 13%	Median Housing Value Unemployment Rate				= \$100,444 = 2.14%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2017 FFIEC updated MFI.

The Worthington AA includes the counties of Jackson, Murray, and Nobles located in Southwestern Minnesota. The AA consists of 13 CTs. The AA consists of 12 middle-income tracts and one moderate-income tract. There are no low-income CTs in the AA.

The AA is serviced by 17 financial institutions based on the June 30, 2017 Federal Deposit Insurance Corporation deposit market share report. These other institutions and local credit unions provide competition for Worthington Federal. Worthington Federal has a six percent market share.

According to the 2010 US Census, there were 40,369 people in the AA. The FFIEC Adjusted Median Family Income for 2017 for the AA is \$65,300. The distribution of families within the AA is 21 percent low income, 19 percent moderate income, 24 percent middle income, and 36 percent upper income.

Overall, the local economy in Worthington, Minnesota is stable. According to the U.S. Bureau of Labor Statistics, the Minnesota average state unemployment rate as of February 2018 was 3.2 percent, below the national unemployment rate of 4.1 percent. According to the city of Worthington's website, the largest employers in the area include JBS, an animal slaughtering and processing plant with 2,400 employees, School District 518 with 470 employees, Prairie

Holdings Group, a pharmaceutical and medicine manufacturing firm with 408 employees, Sanford Medical Group with 300 employees, and Bedford Industries with 269 employees.

We did not identify any unmet credit needs in this AA. We made one community contact during this CRA examination. The contact identified housing and commercial development as the primary credit needs of the community. The contact indicated local financial institutions are able and willing to get involved in the community, including Worthington Federal. The community contact did not identify any unmet credit needs in the area.