



## **PUBLIC DISCLOSURE**

September 17, 2018

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

Cumberland Federal Bank, FSB  
Charter Number 703234

1390 Second Ave  
Cumberland, WI 54829

Office of the Comptroller of the Currency

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**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

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

The primary factors supporting the Cumberland Federal Bank, FSB (CFB) rating include:

- The bank's distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses of different sizes when compared to AA demographics.
- A majority of loans originated are located inside the designated AA.
- The average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area (AA).

## 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 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. 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 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 assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(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 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 conduct 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 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 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 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 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 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 Metropolitan Statistical Area 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 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) 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**

CFB is a \$137 million mutual thrift headquartered in Cumberland, Wisconsin. The institution is wholly owned by its members. The bank operates one location, in northwestern Wisconsin, with no additional branches or deposit-taking automated teller machines. No merger or acquisition activities affected the bank during the evaluation period.

CFB is a full service bank offering a variety of loan and deposit products. The bank's primary business focus was residential mortgage lending at the last CRA exam in 2013. As of June 30, 2018, the loan portfolio totaled \$67 million, representing 49 percent of total assets. The loan portfolio by dollar volume is comprised of residential real estate loans (58 percent), commercial loans (20 percent) agricultural loans (19 percent), and consumer loans (3 percent). CFB is a Federal Home Loan Bank (FHLB) Participating Financial Institution in the Mortgage Partnership Finance Xtra program and sells fixed-rate 15-, 20-, and 30-year conventional loans on the secondary market. CFB also offers other loans under government agency and economic development programs, including: FHLB Down Payment Plus, Small Business Administration (SBA), Farm Service Administration (FSA), Federal Housing Administration (FHA), and Wisconsin Home Economic Development Authority (WHEDA).

Competition within the AA is strong. CFB has one AA, which includes three census tracts in Barron County. As of the June 30, 2017 FDIC Market Share Report, CFB ranks fourth in deposit market share among ten financial institutions in Barron County with \$112 million in deposits or 11.44 percent market share.

There are no legal, financial, or other factors that impede the bank's ability to serve the credit needs of its AA. CFB received a "Satisfactory" rating in the Performance Evaluation dated August 12, 2013.

## **Scope of the Evaluation**

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

We evaluated CFB's CRA performance utilizing the Small Bank CRA Procedures. The bank's CRA performance was assessed under the lending test, which focused on the bank's primary loan products based on loan originations and purchases from January 1, 2015 to December 31, 2017 (evaluation period). The evaluation period for the LTD analysis and complaint review portions of the lending test covered August 12, 2013 to September 17, 2018.

We determined residential and commercial loans to be the bank's primary products for all evaluation periods. We analyzed 2015-2016 loans separately from 2017 loans due to changes in AA demographic data. The U.S. Census Bureau released updated demographic data from the 2015 American Community Survey (ACS) that was effective January 1, 2017. Residential real estate loan originations and purchases totaled 32

percent by number volume for 2015/2016, and 31 percent for 2017. Commercial loan originations and purchases totaled 28 percent by number volume for 2015/2016, and 28 percent for 2017.

## **Data Integrity**

To evaluate CFB's lending performance, we selected a random sample of 80 primary product loans. The sample included 20 residential real estate loans and 20 commercial loans from 2015/2016 and 20 residential real estate loans and 20 commercial loans from 2017. We used information from the bank's loan files, call report, and the annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to complete our review.

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

CFB has one AA, referred to as the CFB Non-MSA AA throughout this Report. We performed a full-scope review of the CFB Non-MSA AA. Refer to Appendix A for an outline of the examination scope and Appendix B for a full description of the AA and the community profile.

## **Ratings**

CFB's overall rating is based on the lending performance within the CFB Non-MSA AA. The bank's lending performance was evaluated on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes, geographic distribution of loans, and responses to CRA related complaints. Residential real estate loans and commercial loans were given equal weight in the analysis.

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

Pursuant to 12 C.F.R. §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 assessment area 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

CFB's performance under the lending test is rated satisfactory. The bank's lending activity reflects satisfactory responsiveness to AA credit needs for residential real estate and commercial loans.

#### Loan-to-Deposit Ratio

CFB's LTD ratio is reasonable given the bank's size, financial condition, and the credit needs of the AA. The bank's LTD ratio averaged 60 percent over the 20 quarters since the prior CRA examination. CFB's quarterly LTD ratio ranged from a low of 55.83 percent in December of 2015 to a high of 66.52 percent in September of 2013.

CFB's LTD ratio is reasonable and ranked third among similarly situated financial institutions located within the AA. Similarly situated institutions are defined as having total assets between \$117 million and \$507 million as of June 30, 2018, and having a location in Barron County. CFB sells a significant portion of residential real estate mortgages on the secondary market, which are not reflected in the average LTD ratio.

Loan-to-Deposit Ratios for Similarly Situated Banks		
Bank	Total Assets (in thousands, as of 6/30/18)	Average LTD (3Q13-2Q18)
Community Bank of Cameron	\$117,867	85.20%
Sterling Bank	\$236,591	75.58%
<b>Cumberland Federal Bank, FSB</b>	<b>\$137,272</b>	<b>59.72%</b>
Dairy State Bank	\$507,203	45.56%

Source: CRAWiz – Other Reports – Cumberland FSB LTD for Bank and Competitors

#### Lending in Assessment Area

CFB originates a majority of its loans inside its AA. CFB originated 77 percent of loans by dollar and 79 percent by number within its AA. The following table shows the lending by product type inside and outside the AA.

Lending in CFB's AA 2015-2017										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	34	85%	6	15%	40	\$3,078	86.5%	\$480	13.5%	\$3,557
Commercial	29	72.5%	11	27.5%	40	\$1,838	65.2%	\$983	34.8%	\$2,821
<b>Totals</b>	<b>63</b>	<b>78.8%</b>	<b>17</b>	<b>21.3%</b>	<b>80</b>	<b>\$4,916</b>	<b>77.1%</b>	<b>\$1,463</b>	<b>22.9%</b>	<b>\$6,378</b>

Source: OCC Loan sample.

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

CFB's overall distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration in 2015, 2016, and 2017. Loans originated/purchased in 2015 and 2016 were compared to 2010 U.S. Census data, and loans originated/purchased in 2017 were compared to 2015 ACS survey data.

### Residential Real Estate Loans

The borrower distribution of residential real estate loans in the AA reflects reasonable penetration. Lending to low-income borrowers is below the demographic comparator and aggregate HMDA lenders; however, our assessment considered the AA's low poverty level of 8.25 percent, in conjunction with CFB's close geographic proximity to a number of lakes and lake homes. The higher value and number of lake homes reduces the number of loans to low-income borrowers. Lending to moderate-income borrowers is near the demographic comparator, but exceeds aggregate HMDA lenders. The table below shows the bank's performance lending to borrowers of different income levels compared to the percentage of families in each income level.

Borrower Distribution of Residential Real Estate Loans in the CFB Non-MSA AA						
Borrower Income Level	% of Number of Loans		% Aggregate Lenders		% of AA Families	
	2015-2016	2017	2015-2016 <sup>1</sup>	2017 <sup>2</sup>	2015-2016	2017
Low	0.0%	5.0%	10.0%	8.0%	18.06%	19.34%
Moderate	20.0%	25.0%	15.0%	21.0%	21.35%	19.89%
Middle	25.0%	30.0%	18.0%	17.0%	24.13%	24.54%
Upper	55.0%	40.0%	45.0%	43.0%	37.46%	36.23%

Sources: Loan sample; 2010 U.S. Census data; 2015 ASC Survey

### Commercial Loans

The borrower distribution of commercial loans in the AA reflects excellent penetration. Lending to businesses with revenues less than \$1 million significantly exceeds the demographic comparative in 2015-2016 and 2017. The table below shows the bank's performance lending to businesses of different revenue levels compared to the percentage of businesses in each revenue level.

<sup>1</sup> Note that 13% of aggregate lenders income data was not available in 2015-2016.

<sup>2</sup> Note that 12% of aggregate lenders income data was not available in 2017.

<b>Borrower Distribution of Business Loans in the CFB Non-MSA AA</b>								
Business Revenues (or Sales)	% of AA Businesses		% of Bank Loans in AA by #		% of Bank Loans in AA by \$		% Aggregate	
	2015-2016	2017	2015-2016	2017	2015-2016	2017	2015-2016	2017
≤\$1,000,000	83.5%	82.0%	95.0%	100%	94.9%	100%	46.0%	48.0%
>\$1,000,000	5.0%	6.0%	5.0%	0.0%	5.1%	0.0%	N/A	N/A
Unavailable/Unknown	11.5%	12.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A

Source: Loan sample; Dun and Bradstreet data.

### **Geographic Distribution of Loans**

We did not complete a geographic analysis, as it would not be meaningful. CFB has one branch, surrounded by middle-income census tracts. There were no low- or moderate- income census tracts in the AA during the evaluation period.

### **Responses to Complaints**

There were no CRA-related customer complaints received since the last CRA examination.

## 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>	Evaluation Period: 8/12/2013 to 9/17/2018  Lending Test: 1/1/2015 to 12/31/2017	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Cumberland Federal Bank, FSB (CFB) Cumberland, WI	Residential Real Estate Loans Commercial Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	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>
CFB Non-MSA AA	Full-Scope	The AA includes three census tracts in Barron County.

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

### Cumberland Federal Bank, FSB Non-MSA AA

Demographic Information for Full-Scope Area: CFB, FSB Non-MSA AA 2017					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	3	0%	0%	100%	0%
Population by Geography	12,066	0%	0%	100%	0%
Owner-Occupied Housing by Geography	3,932	0%	0%	100%	0%
Businesses by Geography	713	0%	0%	100%	0%
Farms by Geography	116	0%	0%	100%	0%
Family Distribution by Income Level	3,403	19.34%	19.89%	24.54%	36.23%
Household Distribution by Income Level	5,132	23.77%	16.02%	20.44%	39.79%
Median Family Income	\$62,600	Median Housing Value		\$139,370	
Households Below the Poverty Level	11.71%	Unemployment Rate		3.48%	

Source: 2010 U.S. Census, and 2015 ACS US Census.

CFB has one AA, referred to as the CFB Non-MSA AA, which includes three census tracts in Barron County). The bank's stated AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies. We analyzed 2015/2016 loans separately from 2017 loans due to changes in AA demographic data. The U.S. Census Bureau released updated demographic data from the 2015 ACS that was effective January 1, 2017.

The AA economy is diverse and not heavily dependent on any one major industry. According to the 2015 ACS US Census, the largest industry type is services at 37 percent, followed by agriculture/forestry/fishing and retail trade both at 14 percent, and construction at 9 percent. The population in the AA for 2015-2017 was on average 12 thousand and 100 percent lived in middle-income census tracts.

According to the 2015 ACS U.S. Census, unemployment rates in the AA showed a slight decrease over the evaluation period. In 2016, unemployment rates for the AA averaged 4 percent and fell to 3.48 percent in 2017. The AA's average unemployment rates were in line with Minnesota's unemployment rates of 3.9 percent and 3.5 percent, respectively. The AA's average unemployment rates were approximately one percent below the national unemployment rates of 4.9 percent in 2016 and 4.4 percent in 2017.

As part of this review, we contacted a member of the community to gain an understanding of the economic conditions of the area, credit needs in the area, and involvement of local financial institutions. The community contact indicated that the local economy is doing well overall. The area has seen no major business losses and is experiencing growth in both small business startups and existing business expansions. The community contact stated that the local financial institutions are actively involved in helping to meet the credit needs of the communities.