



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 28, 2012

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Community Federal  
Charter Number 717873

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Eau Claire, WI 54701

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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

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

**The Community Development Test is rated: Satisfactory.**

The primary factors supporting Citizens Community Federal's (CCF's) rating include:

- CCF's loan-to-deposit ratio is reasonable based on the institution's size, financial condition, and the Assessment Area's (AA) credit needs;
- CCF originated a majority of its loans within its AAs;
- CCF's distribution of loans reflects excellent penetration among borrowers of different income levels;
- CCF's distribution of loans reflects reasonable dispersion throughout census tracts of different income levels; and
- Citizen's demonstrates adequate responsiveness to the community development needs in its AA.

## **Scope of Examination**

CCF was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development test, to assess compliance with the Community Reinvestment Act (CRA). The lending test evaluates CCF's record of meeting the credit needs of its AAs through its lending activities. The community development (CD) test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services.

The bank has 14 assessment areas in three states – Wisconsin, Minnesota, and Michigan. Wisconsin includes the Eau Claire MSA, Appleton MSA, Oshkosh-Neenah MSA, Fond du Lac MSA, Eau Claire non-MSA, Central WI non-MSA, Wisconsin Dells non-MSA, and Shawano non-MSA. The four Wisconsin non-MSA AA's will be combined for analysis purposes in this evaluation. Minnesota includes a portion of the Minneapolis-St. Paul-Bloomington MSA, Mankato MSA, Goodhue/Rice non-MSA, Hutchinson non-MSA, and Winona non-MSA. The three Minnesota non-MSA AA's will also be combined for analysis purposes in this evaluation. The Warren-Troy-Farmington Hills MI Metropolitan Division (MD) is the only AA in Michigan.

The lending test for CCF covers its performance from January 1, 2009 through December 31, 2011. Number and dollar volume of originated and purchased loans were evaluated to determine the primary products for each of CCF's AAs. Consumer loans were determined to be a primary product in all nine AAs. Consumer loans represented 84% to 97% by number of loans originated during the sampling period in each AA. In the Eau Claire MSA and WI non-MSA AAs, we also sampled home

refinance loans since they represented 50% and 40%, respectively, by dollar volume of lending during the sampling period. Due to the significant volume of consumer loan originations, consumer loans received more weight than home refinance loans in these two AAs. Refer to the "Scope of Evaluation" section under each State Rating section for details on which AAs carried more weight in each state.

To evaluate CCF's lending performance, examiners selected a sample of loans originated and purchased from January 1, 2009 through December 31, 2011 for each primary product in each AA. Examiners sampled 20 consumer loans in each AA in evaluating lending performance. Additional loans were selected as needed to have sufficient information to analyze borrower and geographic distributions within each AA. We used 2009-2011 Home Mortgage Disclosure Act (HMDA) data to analyze lending test performance for home refinance loans. We previously conducted tests of the collected and reported HMDA data and found the information to be substantially accurate.

The evaluation period for community development activity (including community development loans) is January 1, 2009 through June 30, 2012. We reviewed all loans, investments, and services with a primary purpose of community development presented by management. Those activities that meet the definition of community development are included in this evaluation.

## **Description of Institution**

CCF is a multi-state federal thrift headquartered in Eau Claire, WI. As of June 30, 2012, CCF had \$533 million in total assets. CCF is wholly owned by Citizens Community Bancorp, Inc., a publicly traded one-bank holding company in Eau Claire, WI. CCF operates 26 branches in three states including Wisconsin (16), Minnesota (8), and Michigan (2). CCF opened five new branches in Wisconsin and one in Minnesota since the last evaluation. Of these 26 branches, seven are traditional branch locations, while the rest are in-store locations. Of those, all but one are located at Wal-mart Supercenters. CCF also operates four limited service branches in high schools (1 hour per week) in Michigan. There have been no mergers or acquisitions during the evaluation period. Cash dispensing automated teller machines (ATMs) are located at 23 of CCF's branches. CCF does not operate deposit-taking ATMs.

CCF offers traditional loan and deposit products and services to its customers. By outstanding dollar volume as of June 30, 2012, the loan portfolio totals \$431 million and is comprised of 1-4 family residential home loans (65%), consumer loans (35%), and commercial loans (<1%). Loans represent 80% of total assets.

CCF's strategy is focused on consumer lending and expanding residential real estate lending activities. CCF has generated a significant volume of consumer loans through indirect lending relationships with 500+ dealers in multiple states. Since 2008, the continued expansion of CCF's branches to in-store shopping centers provides customers with improved accessibility and expanded service. In 2012, CCF began secondary market lending and offers FHA, Rural Housing, and VA loans.

There are no financial, legal, or other factors that impede the bank's ability to help meet the credit needs of its AAs.

CCF received a "Needs to Improve" rating on its last CRA examination dated December 23, 2009.

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

In each state where the bank has a branch, at least one AA within that state was selected for full-scope review. If the bank has more than one AA in a state, examiners considered the number of branches in the AA, the volume of lending during the evaluation period at branches within each AA, and the amount of deposits in the AA when determining which AAs would receive full-scope reviews and which would receive limited-scope reviews.

The Eau Claire MSA and WI non-MSA in Wisconsin, the MN non-MSA and Minneapolis MSA in Minnesota, and the Warren MD in Michigan were selected for full-scope review during this evaluation period. Refer to the "Scope" section under each state rating section for details regarding how the areas were selected.

## **Ratings**

CCF's overall rating is a blend of three state ratings in which CCF has branch offices. Examiners placed the most weight on the bank's performance in the state of Wisconsin because it represented 64% of the bank's total deposit base, 67% of reported loan originations and purchases during the evaluation period, and contained 62% of the bank's branches. Minnesota followed WI with 27% of the total deposit base and 25% of reported loan volume generated. The least weight was placed on Michigan.

The state ratings are based primarily on those areas that received full-scope reviews. Limited-scope reviews were considered to the extent that they were consistent or not consistent with the bank's performance in the full-scope AAs. Refer to the "Scope" section under each State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Conclusions with Respect to Performance Criteria**

CCF's performance under the Lending Test is satisfactory. CCF's loan-to-deposit ratio is more than reasonable and a majority of the loans originated were inside the bank's AAs. The geographic distribution of CCF's consumer and residential loans reflect reasonable dispersion among geographies and the bank's borrower distribution reflects excellent penetration among borrowers of different income levels.

## Loan-to-Deposit Ratio

CCF's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. CCF's quarterly net loan-to-deposit ratio averaged 101% over 14 quarters from January 1, 2009 through June 30, 2012. The ratio ranged from a quarterly low of 90% to a quarterly high of 114% during the evaluation period.

CCF's net loan-to-deposit ratio is comparable to eight other similarly situated institutions (total assets of \$310 million to \$1.7 billion) operating within at least one of CCF's designated AAs. CCF's average net loan-to-deposit ratio ranked third among these similarly situated institutions. The other eight institutions had average net loan-to-deposit ratios averaging 85% and ranging from a low of 77% to a high of 105% over the same 14 quarters.

## Lending in Assessment Area (AA)

CCF originated a majority of its loans inside the AA. Based on originations and purchases of consumer and residential real estate (home purchase, refinance, home improvement) loans during the evaluation period, 73% of the loans by number were inside the AA.

Lending in CCF's AA's										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	52	28.89%	128	71.11%	180	347,597	19.68%	1,418,306	80.32%	1,765,903
RE - purchase	119	80.95%	28	19.05%	147	10,260	76.66%	3,124	23.34%	13,384
RE - refinance	1,422	75.16%	470	24.84%	1,892	147,017	73.60%	52,741	26.40%	199,758
RE - home improvement	232	81.69%	52	18.31%	284	13,904	83.16%	2,815	16.84%	16,719
<b>Totals</b>	<b>1,825</b>	<b>72.91%</b>	<b>678</b>	<b>27.09%</b>	<b>2,503</b>	<b>518,778</b>	<b>25.99%</b>	<b>1,476,986</b>	<b>74.01%</b>	<b>1,995,764</b>

Source: 2009-2011 HMDA data (verified), consumer loan samples

## **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 saving 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 AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

## State Rating

### State of Wisconsin

#### **CRA Rating for Wisconsin: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community development test is rated: Satisfactory**

The major factors that support the overall rating for Wisconsin include:

- CCF's distribution of loans in the Wisconsin AAs reflects excellent penetration among borrowers of different income levels.
- CCF's distribution of loans reflects poor dispersion throughout census tracts of different income levels.
- CCF demonstrates adequate responsiveness to CD needs of the AA through CD investments and services in Wisconsin AAs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISCONSIN**

CCF has five AA's in Wisconsin. The Eau Claire MSA and WI non-MSA received full-scope reviews.

#### Eau Claire MSA

The Eau Claire MSA consists of Eau Claire and Chippewa counties in Wisconsin. CCF operates four branches and four cash dispensing ATMs within the AA. Two branches are located in moderate-income census tracts and two are in middle-income census tracts. The Eau Claire MSA consists of 32 census tracts: no low income, five (15.63%) moderate-income, 20 (62.50%) middle-income, and seven (21.88%) upper-income census tracts. According to the 2000 Census, the MSA has a total population of 148,337. The 2011 Department of Housing and Urban Development (HUD) estimated median family income for the MSA is \$49,390.

Competition in the Eau Claire MSA is high with 23 financial institutions having a presence in the Eau Claire MSA. These institutions operate 64 branches throughout the AA. CCF ranks seventh among these 23 financial institutions with \$288 million in deposits or 5.69% deposit market share. Five larger banks (Charter Bank, Northwestern Bank, BMO Harris Bank, U.S. Bank, Wells Fargo, and Bank Mutual) lead the market with a combined 64.78% deposit market share.

The unemployment rate in the Eau Claire MSA is lower than the state and national averages. As of September 30, 2012, the unemployment rate in the Eau Claire MSA was 5.6%, versus 7.3% for Wisconsin and the national average of 7.8%. Employment in the MSA is concentrated in services, non-classified establishments, and retail trade. The largest employers in the MSA include Menard Inc., Mayo Clinic Health System, Eau Claire area school district, University of WI – Eau Claire, and Sacred Heart Hospital.

Examiners contacted one community action group within the Eau Claire MSA as part of this evaluation. The community contact indicated a need for financial literacy education and credit counseling services to help individuals with poor credit and improve their ability to obtain financing. The contact also indicated there is a significant portion of the population that are considered 'unbanked', individuals who deal in cash, pay high check-cashing fees, and utilize high interest payday loan services to meet their needs. Local banks could provide more low cost programs in addition to credit counseling services. The contact indicated that many local banks teach financial literacy courses at local schools and churches and have increased advertising for HUD counseling services and homebuyer classes.

### **Wisconsin Non-MSA**

The bank's four Wisconsin non-MSA AAs were combined for analysis purposes and are referred to as the Wisconsin non-MSA. The Wisconsin non-MSA AA is comprised of the following entire counties: Barron, Dunn, Pepin, Buffalo, Jackson, Wood, Adams, Juneau, Sauk, Shawano, and Portage Counties. CCF operates eight branches and seven cash dispensing ATMs in the AA. Seven branches are located in middle-income census tracts and one is in an upper-income census tract. The Wisconsin non-MSA consists of 94 census tracts: no low income, six (6.38%) moderate-income, 81 (86.17%) middle-income, and seven (7.45%) upper-income census tracts. According to the 2000 Census, the AA has a total population of 406,523. The 2011 HUD estimated median family income for the Wisconsin non-MSA is \$47,362.

Competition in the Wisconsin non-MSA is significant with 68 financial institutions with a presence in this AA. These institutions operate 213 branches throughout the AA. CCF ranks 28 among these 68 financial institutions with \$78 million in deposits or 1.03% deposit market share.

The unemployment rates in the Wisconsin non-MSA counties ranged between 4.4% and 8.3% as of September 30, 2012, compared to the national average of 7.8%. Two of the eleven counties (Adams and Juneau) exceeded the 7.3% Wisconsin unemployment rate. Employment in the AA is concentrated in services, non-classified establishments, retail trade, and agriculture, forest, or farming. According to the State of WI Department of Workforce Development, the largest employers in the area are medical facilities, trucking/freight companies, the University of WI, hotels, and the Ho-Chunk Nation.

We contacted one community action agency in the Wisconsin non-MSA that serves Northwestern Wisconsin counties. The contact expressed the need for affordable lending programs for low- and moderate-income individuals. Credit score requirements have become more strict, impacting financing available to those looking to purchase 1-4 family residential homes. The contact also stated that local financial institutions are doing a good job of providing credit counseling to low- and moderate-income individuals, but there are more opportunities to reach the unbanked by providing deposit services to those individuals without credit scores or credit history.

## SCOPE OF EVALUATION IN WISCONSIN

The Eau Claire MSA and WI non-MSA AAs received full scope reviews and the Fond du Lac, Oshkosh-Neenah, and Appleton MSAs received limited scope reviews. The Wisconsin state ratings are based primarily on results of those areas that received full scope reviews.

The Eau Claire MSA and WI non-MSA AAs were weighted most heavily in arriving at the overall conclusions as the bank's largest market share for loans and deposits is concentrated in these two areas, along with a majority of the bank's branches. Ninety percent of lending in the WI AAs originates from the Eau Claire MSA and WI non-MSA AAs and 82% of the bank's deposits are within these two AAs. The Appleton, Oshkosh, and Fond du Lac MSAs represent 10% of the bank's lending volume and 18% of the deposits in the state.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WISCONSIN

CCF's CRA performance in Wisconsin is satisfactory. The bank's performance is satisfactory under both the lending test and the community development test. The Wisconsin rating is based primarily on the Eau Claire MSA and WI non-MSA AA performance as these AAs received full scope reviews.

### LENDING TEST

CCF's performance under the lending test in Wisconsin is rated Satisfactory. The bank exhibits excellent penetration among borrowers of different income levels. The bank has reasonable distribution of residential mortgage loans among low- and moderate-income geographies.

#### Lending to Borrowers of Different Incomes

##### Eau Claire MSA AA

The borrower distribution of consumer loans in the Eau Claire MSA is excellent. The distribution of consumer loans to both low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income households living in the AA.

Borrower Distribution of Consumer Loans in Eau Claire MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	20.86%	30.00%	17.98%	35.00%	21.11%	25.00%	40.05%	10.00%

Source: Consumer loan sample

The borrower distribution of home refinance loans in the Eau Claire MSA is good. The distribution of home refinance loans to low-income borrowers is lower than its peers and significantly lower than the percentage of low-income families living in the Eau Claire MSA. However, 5.37% of families are below poverty level and would affect CCF's ability to lend among lower income populations. The distribution of home refinance loans to moderate-income borrowers is excellent, exceeding both peer and the percentage of moderate-income families living in this AA.

<b>Borrower Distribution of Home Refinance Loans in Eau Claire WI MSA</b>			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Families
Low	<b>6.09%</b>	8.21%	16.25%
Moderate	<b>21.39%</b>	19.69%	20.21%
Middle	<b>35.32%</b>	29.08%	26.25%
Upper	<b>37.19%</b>	43.03%	37.29%

Source: 2009-2011 HMDA data

#### WI non-MSA AA

The borrower distribution of consumer loans in the WI non-MSA AA is excellent. The distribution of consumer loans to both low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income households living in the AA.

<b>Borrower Distribution of Consumer Loans in WI non-MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	21.59%	40.00%	17.79%	30.00%	21.53%	20.00%	39.09%	10.00%

Source: Consumer loan sample

The borrower distribution of home refinance loans in the WI non-MSA AA is good. The distribution of home refinance loans to low-income borrowers is near to peer, but significantly lower than the percentage of low-income families living in the AA. However, 5.35% of families are below poverty level and would affect CCF's ability to lend among lower income populations. The distribution of home refinance loans to moderate-income borrowers exceeds both peer and the percentage of moderate-income families living in this AA.

<b>Borrower Distribution of Home Refinance Loans in WI non-MSA AA</b>			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Families
Low	<b>6.15%</b>	6.44%	16.06%
Moderate	<b>19.55%</b>	17.69%	19.24%
Middle	<b>26.54%</b>	27.83%	26.54%
Upper	<b>47.77%</b>	48.04%	38.16%

Source: 2009-2011 HMDA data

## Geographic Distribution of Loans

### Eau Claire MSA

CCF demonstrates reasonable dispersion of consumer loans in moderate-income geographies in the Eau Claire MSA. Although the bank is significantly lower than the percentage of households in the AA, CCF's performance is affected by the significant level of competition in the AA. According to the June 30, 2012 FDIC deposit market share report, there are 23 institutions with a total of 64 offices located in the Eau Claire MSA. The vast majority of these offices are located in the moderate-income tracts providing convenient access to borrowers in those areas.

<b>Geographic Distribution of Consumer Loans in Eau Claire MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	0%	0%	15.73%	5.00%	67.30%	70.00%	16.96%	25.00%

Source: Consumer loan sample

CCF shows an excellent dispersion of home refinance loans among moderate-income geographies. CCF exceeds peer and is near the percentage of owner-occupied housing located in moderate-income census tracts in the AA. There are no low-income areas in the Eau Claire MSA.

<b>Geographic Distribution of Home Refinance Loans in Eau Claire MSA</b>			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Owner Occupied Housing
Low	<b>0.00%</b>	0.00%	0.00%
Moderate	<b>9.01%</b>	7.48%	9.89%
Middle	<b>72.35%</b>	70.77%	72.19%
Upper	<b>18.64%</b>	21.75%	17.92%

Source: 2009-2011 HMDA data

### WI non-MSA

CCF demonstrates poor dispersion of consumer loans in moderate-income geographies in the WI non-MSA. There are no low-income census tracts in the WI non-MSA AA. The bank is significantly lower than the percentage of households in moderate-income tracts of the AA. Six of 94 census tracts in the AA are moderate-income tracts. CCF has eight branches throughout this AA, but only one of CCF's branches located in Wood County is located near a moderate-income census tract. This branch is an in-store location that provides convenient deposit products and services but does not actively market loan products and has limited loan production.

<b>Geographic Distribution of Consumer Loans in WI non-MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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%	5.21%	0%	85.71%	95.00%	9.08%	5.00%

Source: Consumer loan sample

CCF demonstrates poor dispersion of residential refinance loans in moderate-income geographies in the WI non-MSA AA. The bank is significantly lower than peer and the percentage of owner occupied housing in the AA. Again, performance in this AA is affected by CCF's proximity to moderate-income tracts and the focus on convenient deposit services versus loan production.

<b>Geographic Distribution of Residential Real Estate Loans in WI non-MSA</b>			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Owner Occupied Housing
Low	<b>0.00%</b>	0.00%	0.00%
Moderate	<b>1.95%</b>	4.08%	5.40%
Middle	<b>94.43%</b>	83.29%	84.92%
Upper	<b>3.62%</b>	12.63%	9.67%

Source: 2009-2011 HMDA data

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

Based on a limited-scope review, Citizen's performance under the lending test in the Oshkosh MSA is inconsistent with the overall satisfactory rating for the lending test in the State of Wisconsin. Performance in Oshkosh is stronger than the full-scope areas because lending in the Oshkosh MSA demonstrates excellent dispersion of consumer loans among borrowers of different incomes and across moderate-income geographies. There are no low-income census tracts in the Oshkosh MSA AA.

Based on a limited scope review, the bank's performance under the lending test in the Appleton MSA AA is not inconsistent with the overall satisfactory rating for the lending test in the State of Wisconsin. There are no low-income census tracts in the Appleton MSA AA.

Based on a limited scope review, CCF's performance under the lending test in the Fond du Lac MSA is not inconsistent with the performance in the full scope areas. The geographic distribution analysis was not completed since there are no low- or moderate-income census tracts in the AA. The analysis would not be meaningful.

## **Responses to Complaints**

During this evaluation period, there were no complaints related to CCF's performance in meeting AA credit needs.

## **COMMUNITY DEVELOPMENT TEST**

CCF's performance under the community development test in Wisconsin is **Satisfactory**.

### **Eau Claire MSA**

#### **Number and amount of community development loans**

During the evaluation period, CCF did not generate any community development loans.

#### **Number and amount of qualified investments**

CCF's qualified investments in the Eau Claire MSA are adequate in relation to the bank's capacity, identified area needs and available investment opportunities. CCF had six investments and 46 donations during the evaluation period in the Eau Claire MSA. Some of these include:

- Six mortgage-backed securities targeted to LMI borrowers totaling \$706 thousand.
- Forty-six charitable donations for community development purposes totaling \$38 thousand, most of which promote social services for LMI individuals and economic development for the area.

#### **Extent to which the bank provides community development services**

CCF provides a significant amount of community development services in the Eau Claire MSA. Twenty-two employees provided services to five different organizations. The majority of the services include involvement with teaching financial literacy courses targeted to LMI youth. In addition, employees serve on organizations that help to promote economic development in the community.

#### **Responsiveness to Community Development Needs**

CCF's community development investments and services reflect adequate responsiveness to the community development needs of the Eau Claire MSA. Two of the four branches in the AA are located in moderate-income census tracts, which generally increase access to financial services to low- and moderate-income individuals.

### **Wisconsin non-MSA areas**

#### **Number and amount of community development loans**

During the evaluation period, CCF did not generate any community development loans.

## **Number and amount of qualified investments**

CCF's qualified investments in the non-MSA areas of the State of Wisconsin are adequate in relation to the bank's capacity, identified area needs and available investment opportunities. CCF had two investments and 28 donations during the evaluation period in the non-MSA areas of Wisconsin. Some of these include:

- Two mortgage-backed securities targeted to LMI borrowers totaling \$246 thousand.
- Twenty-eight charitable donations for community development purposes totaling \$18 thousand, most of which promote social services for LMI individuals providing food, affordable housing and scholarship opportunities for LMI youth in the rural areas.

## **Extent to which the bank provides community development services**

CCF provides a significant amount of community development services in the non-MSA areas of the State of Wisconsin, with the exception of the Shawano County assessment where community development service performance was poor. In the non-MSA area of Wisconsin, five employees provided services to five different organizations, providing financial expertise to organizations promoting affordable housing for LMI individuals, and providing financial expertise to area food shelves and battered women shelters.

## **Responsiveness to Community Development Needs**

CCF's community development investments and services reflect adequate responsiveness to the community development needs of the non-MSA areas of the State of Wisconsin.

## **Performance in Limited-Scope Assessment Areas of the State of Wisconsin**

Based on limited-scope reviews, bank performance in the Oshkosh MSA and the Fond du Lac MSA are not inconsistent with the overall Satisfactory rating for the Community Development Test for the State of Wisconsin. Performance in the Appleton MSA is weaker than and not consistent with the overall Satisfactory rating for the State of Wisconsin. Performance weaknesses are attributable to the limited deposits of this AA, representing less than 5% of CCF's deposits in the State of Wisconsin.

## State Rating

### State of Minnesota

#### **CRA Rating for Minnesota: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community development test is rated: Satisfactory**

The major factors that support the overall rating for Minnesota include:

- CCF's distribution of loans in the Minnesota AAs reflects excellent penetration among borrowers of different income levels.
- CCF's distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.
- CCF demonstrates adequate responsiveness to CD needs of the AA through CD investments and services in Minnesota AAs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA**

CCF has three AA's in Minnesota. The Minnesota non-MSA and Minneapolis MSA AA's received full-scope reviews. The Mankato MSA received a limited scope review.

#### **Minnesota Non-MSA**

The bank's three Minnesota non-MSA AAs were combined for analysis purposes and are referred to as the Minnesota non-MSA. The Minnesota non-MSA AA is comprised of the following entire counties: McLeod, Rice, Goodhue, and Winona counties. CCF operates four branches and three cash dispensing ATMs in the AA. All branches are located in middle-income census tracts. The AA consists of 36 census tracts, including 18 (50%) middle-income and 18 (50%) upper-income census tracts. There are no low- or moderate-income census tracts in the AA. According to the 2000 Census, the AA has a total population of 185,675. The 2011 HUD estimated median family income for the Minnesota non-MSA is \$59,200.

Competition in the Minnesota non-MSA is moderate to high with 36 financial institutions having a presence in the AA. These institutions operate 80 branches throughout the AA. CCF ranks 20<sup>th</sup> among these 36 financial institutions with \$43 million in deposits or .80% deposit market share. Wells Fargo and Merchants Bank lead the market with a combined 54.65% deposit market share in the AA.

The unemployment rate in the Minnesota non-MSA is lower than the state and national averages. As of September 30, 2012, the unemployment rate for each county was as follows: Goodhue 4.8%, McLeod 6.1%, Rice 5.7%, and Winona 4.8%. This is significantly lower than the national average of 7.8%, and most of these counties are below the Minnesota average of 5.8%. Employment in the AA is concentrated in services at 41.42%, general establishments 14.26%, and agriculture, forestry, and

fishing at 9.86%. The largest employers in this AA include: Fastenal, Hutchinson Technologies, 3M, Hospitals, and Universities.

### **Minneapolis MSA**

CCF's AA includes a portion of the Minneapolis-St. Paul-Bloomington, MN-WI MSA (#33460) including the entire counties of Dakota, Washington, Ramsey, Hennepin, Wright, Anoka, and Chisago counties. CCF operates three branches and two cash dispensing ATMs in the AA. Two branches are located in middle-income census tracts and one in upper-income census tracts. The AA consists of 674 census tracts, including 47 (7%) low income, 143 (21.2%) moderate income, 320 (47.5%) middle income, 160 (223.7%) upper income, and 4 (.50%) other tracts. According to the 2000 Census, the AA has a total population of 2,613,440. The 2011 HUD estimated median family income for the Minneapolis MSA is \$82,700

Competition in the Minneapolis MSA is significantly high with 127 financial institutions having a presence in the AA. These institutions operate 685 branches throughout the AA. CCF ranks 102 among these 127 financial institutions with \$35 million in deposits or .02% deposit market share. Wells Fargo and U.S. Bank lead the market with a combined 79.20% deposit market share in the AA.

The unemployment rates in CCF's AA counties were equal to or less than the state and national averages. As of September 30, 2012, the unemployment rate ranged from 5.0% to 5.8% in the Minneapolis MSA counties, versus the 5.8% Minnesota unemployment rate and 7.8% national average. Employment in the AA is concentrated in services at 43.07%, general establishments 20.05%, and retail trade at 8.96%. The Minneapolis-St. Paul-Bloomington MSA is home to many Fortune 500 companies. A few of the largest employers in CCF's AA include: Target, University of Minnesota, Allina Health, Fairview Health Services, and Wells Fargo.

### **SCOPE OF EVALUATION IN MINNESOTA**

The Minnesota non-MSA and Minneapolis MSA received full scope reviews and the Mankato MSA received a limited scope review. The Minnesota state ratings are based primarily on results of those areas that received full scope reviews.

The Minnesota non-MSA and Minneapolis MSA were weighted most heavily in arriving at the overall conclusions since these AAs contained a majority of the branches and largest market share for loans and deposits in Minnesota. 82% of lending in Minnesota AAs originates from the Minnesota non-MSA and Minneapolis MSA and 68% of the bank's deposits are within these two AAs. The Mankato MSA represents 18% of the bank's lending volume and 32% of the deposits in the state.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

CCF's CRA performance in Minnesota is satisfactory. The bank's performance is satisfactory under both the lending test and the community development test. The Minnesota rating is based primarily on the Minnesota non-MSA and Minneapolis MSA as these AAs received full scope reviews.

### LENDING TEST

CCF's performance under the lending test in Minnesota is rated Satisfactory. The bank exhibits excellent distribution of loans among borrowers of different income levels. The bank has poor distribution of loans among low- and moderate-income geographies.

#### Lending to Borrowers of Different Incomes

##### MN non-MSA AA

The borrower distribution of consumer loans in the MN non-MSA AA is excellent. The distribution of consumer loans to low-income borrowers significantly exceeds the demographic, while loans to moderate-income borrowers are slightly above the percentage of moderate-income households living in the AA.

Borrower Distribution of Consumer Loans in MN non-MSA								
Borrower 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	17.41%	25.00%	14.29%	15.00%	19.17%	25.00%	49.13%	35.00%

Source: Consumer loan sample

##### Minneapolis MSA AA

The borrower distribution of consumer loans in the MN non-MSA AA is excellent. Lending to moderate-income borrowers significantly exceeds the percentage of moderate-income households living in the AA. The distribution of consumer loans to low-income borrowers approaches demographics, but 6.52% of households are below poverty level which would affect CCF's ability to lend among lower income populations.

Borrower Distribution of Consumer Loans in Minneapolis MSA								
Borrower 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	21.22%	15.00%	18.03%	45.00%	21.17%	25.00%	39.57%	15.00%

Source: Consumer loan sample

## Geographic Distribution of Loans

### MN non-MSA

No geographic distribution analysis was performed for the MN non-MSA since the AA has no low- or moderate-income census tracts. The analysis would not be meaningful.

### Minneapolis MSA

CCF demonstrates reasonable dispersion of consumer loans in the Minneapolis MSA. The bank is significantly lower than the percentage of households in low-income tracts of the AA, and is below the demographic for moderate-income tracts of the AA. Both low- and moderate-income census tracts of CCF's AA are centered in Hennepin and Ramsey Counties. Competition is significant in these two counties with 91 banks totaling 390 branches, per the June 30, 2012 FDIC Deposit Market Share report. Two of the three branches in this AA are located in Wal-Mart Supercenters. These two branches are located a distance from the low-income census tracts in the AA. In-store branches do not significantly market loan products. These factors affect CCF's lending ability in the area.

Geographic Distribution of Consumer Loans in Minneapolis MSA								
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	4.72%	0.00%	19.78%	15.00%	51.19%	65.00%	24.32%	20.00%

Source: Consumer loan sample

## Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, Citizen's performance under the lending test in the Mankato MSA is not inconsistent with the bank's overall satisfactory rating for the lending test in the State of Minnesota.

## **Responses to Complaints**

During this evaluation period, there were no complaints related to CCF's performance in meeting AA credit needs.

## **COMMUNITY DEVELOPMENT TEST**

CCF's performance under the community development test in Minnesota is Satisfactory.

### **Minnesota non-MSA**

#### **Number and amount of community development loans**

During the evaluation period, CCF did not generate any community development loans.

#### **Number and amount of qualified investments**

CCF's qualified investments in the Minnesota non-MSA areas of the State of Minnesota are adequate in relation to the bank's capacity, identified area needs and available investment opportunities. CCF had two investments and 28 donations during the evaluation period in the non-MSA areas of Minnesota. Some of these include:

- Two mortgage-backed securities targeted to LMI borrowers totaling \$376 thousand.
- Twenty-eight charitable donations for community development purposes totaling \$15 thousand, most of which promote social services for LMI individuals providing food and affordable housing LMI individuals in the rural areas.

#### **Extent to which the bank provides community development services**

CCF provided a significant amount of community development services in the non-MSA areas of the State of Minnesota. In the non-MSA areas of Minnesota, 13 employees provided services to nine different organizations, providing financial expertise to organizations promoting affordable housing for LMI individuals, and providing financial expertise to area food shelves and battered women shelters. In addition, employees provided financial literacy courses targeted to LMI youth.

#### **Responsiveness to Community Development Needs**

CCF's community development investments and services reflect adequate responsiveness to the community development needs of the non-MSA areas of the State of Minnesota.

## **Minneapolis MSA**

### **Number and amount of community development loans**

During the evaluation period, CCF did not generate any community development loans.

### **Number and amount of qualified investments**

CCF's qualified investments in the Minneapolis MSA are adequate in relation to the bank's capacity, identified area needs and available investment opportunities. CCF had two investments and ten donations during the evaluation period in the Minneapolis MSA. Some of these include:

- Two mortgage-backed securities targeted to LMI borrowers totaling \$472 thousand.
- Ten charitable donations for community development purposes totaling \$5 thousand which promote social services for LMI individuals by providing food, affordable housing and tax services.

### **Extent to which the bank provides community development services**

CCF provides a significant amount of community development services in the Minneapolis MSA. Six employees provided services to two different organizations. The majority of the services include providing financial expertise to organizations providing financial counseling, tax services and assistance with applications for government services available to LMI.

### **Responsiveness to Community Development Needs**

CCF's community development investments and services reflect adequate responsiveness to the community development needs of the Minneapolis MSA.

### **Performance in Limited-Scope Assessment Areas of the State of Minnesota**

Based on a limited-scope review, bank performance in the Mankato MSA is weaker than and not consistent with the overall Satisfactory rating for the State of Minnesota. In this AA, the bank had no investments and only five donations totaling less than \$2 thousand. This is considered very poor because this AA represents more than 32% of the deposits for CCF in the State of Minnesota.

## State Rating

### State of Michigan

#### **CRA Rating for Michigan: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community development test is rated: Satisfactory**

The major factors that support the overall rating for Michigan include:

- CCF's distribution of loans in the Warren MD reflects excellent penetration among borrowers of different income levels.
- CCF's distribution of loans reflects poor dispersion throughout census tracts of different income levels.
- CCF demonstrates adequate responsiveness to CD needs of the AA through CD investments and services in the Warren MSA.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MICHIGAN**

The Warren MD AA consists of the entire Warren-Troy-Farmington Hills, MI MD (#47644), which includes Lapeer, Oakland, and Macomb counties. CCF operates two branches and two cash dispensing ATMs in the AA. CCF also has four limited service locations in high schools that operate one day per week during the school year. None of the bank's locations are located in low- or moderate-income census tracts. The Warren MD consists of 568 census tracts: 12 (2.1%) low-income, 117 (20.6%) moderate-income, 286 (50.4%) middle-income, and 150 (26.4%) upper-income. According to 2000 Census, the MSA has a total population of 2,070,209. The 2011 HUD estimated median family income for the MSA is \$73,800.

Competition in the Warren MD is very significant with 40 financial institutions having a presence in the AA. These institutions operate 663 branches throughout the AA. CCF ranks 33rd among these 40 financial institutions with \$42 million in deposits or .08% deposit market share. Five large banks comprise 69% of deposit market share in the AA.

The unemployment rate in the Warren MD is higher than both the state and national averages. As of September 30, 2012, the unemployment rate for counties in the AA range from 8.6% to 9.8%. This is higher than the national average of 7.8% and two of the counties exceed the Michigan unemployment rate of 9.3%. Employment in the AA is concentrated in services at 44.06%, general establishments 18.34%, and retail trade at 10.05%. The largest employers in the AA include: General Motors, United States Army TACOM, Chrysler, public schools, and numerous hospitals.

## SCOPE OF EVALUATION IN MICHIGAN

A full scope review of the Warren MD was completed since this is CCF's only AA located in Michigan. The Michigan rating is based wholly on the results of this single AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

CCF's CRA performance in Michigan is satisfactory. Performance under both the lending test and the community development test is satisfactory.

### LENDING TEST

CCF's performance under the lending test in Michigan is rated Satisfactory. The bank exhibits excellent distribution of consumer loans among borrowers of different income levels. The bank has poor distribution of loans among low- and moderate-income geographies.

#### Lending to Borrowers of Different Incomes

The borrower distribution of consumer loans in the Warren MD is excellent. The distribution of consumer loans to both low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income households living in the AA.

Borrower Distribution of Consumer Loans in Warren MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	17.62%	40.00%	14.89%	25.00%	18.41%	20.00%	49.08%	15.00%

Source: Consumer loan sample

#### Geographic Distribution of Loans

CCF demonstrates poor dispersion of consumer loans in low- and moderate-income geographies in the Warren MD. The bank is significantly lower than the percentage of households in low- and moderate-income tracts of the AA. CCF has two full service branches and four limited service branches located in high schools. CCF has limited loan production in the AA. This AA is highly competitive with 40 institutions with 663 offices in the AA, per the June 30, 2012 FDIC Deposit market share report. Many of the

financial institutions in the AA are closer to the low- and moderate-income tracts and can adequately serve these borrowers.

Geographic Distribution of Consumer Loans in Warren MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans
Consumer Loans	1.93%	0%	21.30%	5.00%	52.34%	70.00%	24.43%	25.00%

Source: Consumer loan sample

### Responses to Complaints

During this evaluation period, there were no complaints related to CCF’s performance in meeting AA credit needs.

### COMMUNITY DEVELOPMENT TEST

CCF’s performance under the community development test in Michigan is **Satisfactory**.

#### Warren MD

#### Number and amount of community development loans

During the evaluation period, CCF did not generate any community development loans.

#### Number and amount of qualified investments

CCF’s qualified investments in the Warren MD are adequate in relation to the bank’s capacity, identified area needs and available investment opportunities. CCF had four investments and seven donations during the evaluation period in the Warren MD.

Some of these include:

- Four mortgage-backed securities targeted to LMI borrowers totaling \$420 thousand.
- Seven charitable donations for community development purposes totaling \$6 thousand which promote social services for LMI individuals by providing food, heat and energy assistance and counseling services.

### **Extent to which the bank provides community development services**

CCF provided a poor level of community development services in the Warren MD. One employee provided services to one organization during the evaluation period.

### **Responsiveness to Community Development Needs**

Overall, CCF's community development investments and services reflect adequate responsiveness to the community development needs of the Warren MD.

## Appendix A: Scope of Examination

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: 01/01/2009 to 12/31/2011 Community Development Test: 01/01/2009 to 06/30/2012	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Citizens Community Federal Eau Claire, WI	Home Mortgage (purchase, refinance, home improvement); 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>
Wisconsin: Eau Claire MSA #20740	Full Scope	Eau Claire, Chippewa Counties
WI non-MSA	Full Scope	Barron, Dunn, Pepin, Buffalo, Jackson, Wood, Portage, Adams, Juneau, Sauk, Shawano Counties
Fond du Lac MSA #22540	Limited Scope	Fond du Lac County
Oshkosh-Neenah MSA #36780	Limited Scope	Winnebago County
Appleton MSA #11540	Limited Scope	Calumet, Outagamie Counties
Minnesota: MN non-MSA	Full Scope	Goodhue, Rice, McLeod, and Winona Counties
Minneapolis-St. Paul – Bloomington MSA #33460	Full Scope	Anoka, Chisago, Dakota, Hennepin, Ramsey, Washington, Wright Counties
Mankato MSA #31860	Limited Scope	Blue Earth and Nicollet Counties
Michigan: Warren MD #47644	Full Scope	Lapeer, Macomb, Oakland Counties

## Appendix B: Summary of State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State Rating
Citizens Community Federal	Satisfactory	Satisfactory	Satisfactory
State:			
Wisconsin	Satisfactory	Satisfactory	Satisfactory
Minnesota	Satisfactory	Satisfactory	Satisfactory
Michigan	Satisfactory	Satisfactory	Satisfactory