



## **PUBLIC DISCLOSURE**

January 09, 2017

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Pioneer FS & LA  
Charter Number 703583

401 Milwaukee Ave  
Deer Lodge, MT 59722-1070

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.

## **INSTITUTION'S CRA RATING: Outstanding**

Pioneer Federal Savings & Loan Association's (Pioneer Federal, or Association) overall Community Reinvestment Act (CRA) performance is rated "Outstanding" based on the following factors.

- Pioneer Federal's loan-to deposit (LTD) ratio is more than reasonable given the Association's size, financial condition, and AA credit needs.
- A majority of Pioneer Federal's loans are originated inside the AA.
- Lending activities represent reasonable penetration among individuals of different income levels.
- The geographic distribution of loans within Pioneer Federal's AA is reasonable.
- The Association received no consumer complaints regarding its CRA performance during the evaluation period.
- The Association provided for consideration qualifying community development (CD) loans, investments, and services during the evaluation period. Responsive CD performance elevated satisfactory lending performance to an overall "Outstanding" rating.

## **SCOPE OF EXAMINATION**

We performed a full-scope Community Reinvestment Act (CRA) examination of Pioneer Federal. We evaluated the Association's performance using small bank CRA examination procedures, which assess the Association's performance under the lending test. Pioneer Federal's primary lending product during the evaluation period is home real estate loans including home purchases, refinances, and home improvement loans. The evaluation period for the examination was from December 1, 2010 to January 9, 2017. The Association's lending strategy has not changed since the prior CRA Performance Evaluation, dated November 30, 2010. Pioneer Federal is not a Home Mortgage Disclosure Act (HMDA) reporting institution, and therefore a loan sample was used to assess performance. We selected a representative sample of residential mortgage loans originated during the loan sampling period of January 1, 2014 through September 30, 2016.

At the request of the institution, we also reviewed Pioneer Federal's record of CRA community development loans, investments, and services during the evaluation period.

## DESCRIPTION OF INSTITUTION

Pioneer Federal is a federally chartered mutual institution located in Deer Lodge, Montana. In addition to the main office, the Association has one branch located in Dillon, MT. The Association has an automated teller machine (ATM) located at each of the two locations. Pioneer Federal offers various loan and deposit products, but focuses primarily on residential mortgage loans.

The main office located in Deer Lodge is in a moderate-income census tract. The branch office in Dillon is located in an underserved middle-income census tract. Each office offers the same services, and the hours of operation do not vary significantly between the two locations. The Association did not open any new branches or close any branches during the evaluation period.

The Association provides traditional retail banking and commercial banking services. Deposit services include checking accounts, savings programs, money market savings, and certificates of deposit. Retail services include internet and mobile banking. Retail loans offered include home purchase, home equity lines of credit, consumer, construction, and home improvement loans. Small business loans along with commercial real estate loans are also provided.

As of September 31, 2016, Pioneer Federal reported \$97.7 million in total assets. The Association's loan portfolio was \$60.5 million, which represents 61.9 percent of total assets. Primary lending products are home purchase loans. The following tables reflects Pioneer Federal's balance sheet as of September 31, 2016.

<b>Major Components of Assets, Liabilities, and Capital as of 9/30/2016</b>			
<b>Balance Sheet Component</b>	<b>Balance Sheet \$ Amount</b>	<b>% of Total Assets</b>	<b>1-year % Growth</b>
<b>Loans</b>			
1-4 Family Residential Properties	52,190	53.43	4.29
Commercial and Industrial Loans	2,529	2.60	69.50
<b>Net Loans and Leases</b>	<b>60,506</b>	<b>61.94</b>	<b>8.92</b>
<b>Investments</b>			
U.S. Treasury and Agency	19,814	20.28	-13.80
Interest Bearing Bank Balances	5,013	5.13	-8.52
Municipal Securities	4,987	5.11	53.92
<b>Total Assets</b>	<b>97,682</b>	<b>100.00</b>	<b>0.65</b>
<b>Liabilities &amp; Capital (LC)</b>		<b>% of Total L/C</b>	
Deposits	81,066	82.99	0.17
<b>Total Liabilities</b>	<b>81,943</b>	<b>83.89</b>	<b>0.16</b>
<b>Total Capital</b>	<b>15,739</b>	<b>16.11</b>	<b>3.27</b>

Source: September 30, 2016 Uniform Bank Performance Report

There are no financial or legal impediments constraining Pioneer Federal's ability to meet the credit needs of its AA. The Association received an "Outstanding" rating at the prior CRA examination dated November 30, 2010, which was performed by the Office of Thrift Supervision (OTS).

## **DESCRIPTION OF ASSESSMENT AREA**

Pioneer Federal's AA consists of the entirety of Powell and Beaverhead counties located in the state of Montana. The two counties are located in the southwestern portion of the state. Beaverhead County is the largest county by area in the state of Montana with much of its perimeter being the Continental Divide, a largely mountainous area. The state of Idaho is to the south of Beaverhead County. Powell County is located north of Beaverhead County. The counties are made up of 5 census tracts (CT) in total. Four of the five CTs in the AA are either distressed or underserved middle-income nonmetropolitan CTs, and one tract located in Powell County is moderate-income. The AA has no low-income CTs and no upper-income CTs. The Association's AA meets the requirement of the CRA regulation, and does not arbitrarily exclude any low- or moderate-income CTs.

According to the August 2016 state economic report issued by Moody's Analytics, the primary economic drivers for the state of Montana include agriculture, tourism, and energy and resources. Agriculture is one of the primary economic drivers for Pioneer Federal's AA, along with related industries. The AA is also dependent on tourism; the area is known for its outdoor recreational activities including fishing, snowmobiling, and hiking. Major employers in the AA include the Montana State Prison, Barrett Hospital and Healthcare, and Barrett's Minerals, Inc. In addition, management at Pioneer indicated that other major employers in the AA include the local public schools, the University of Montana – Western, Deer Lodge Medical Center, and various government agencies, including the U.S. Forest Service and the Bureau of Land Management.

The June 30, 2016 FDIC Deposit Market Share Report identifies six financial institutions operating eight branches within Pioneer Federal's AA, creating a competitive environment for deposits. The Association operates two branches in its AA, and had a 25.2 percent market share as of June 30, 2016. This ranks it second of the six financial institutions behind The Bank of Commerce at a 27.5 percent market share. Wells Fargo Bank is the only large nationwide financial institution operating in the area. Other institutions competing in the AA include The Bank of Commerce, Stockman Bank, First Security Bank of Deer Lodge, and the Peoples Bank of Deer Lodge.

In conjunction with this CRA examination, we contacted a community representative knowledgeable about local business conditions. According to the contact, economic conditions are stable. While entry level and lower-paying jobs are available to residents, he noted a lack of higher-wage jobs, and indicated that affordable housing is a need in the AA. He also discussed challenges related to qualification for government homebuyer programs, which sometimes require property improvements that result in affordability challenges for low-income borrowers. The contact stated that local financial

institutions are actively meeting the needs of the community and adequately provide financing opportunities to stimulate economic growth. The representative indicated that his experiences with lending institutions in the AA have been positive. Area financial institutions act as stewards of the community and are very supportive in community development activities.

The following table summarizes key demographic data for the AA.

Demographic Information for Full Scope Area: Deer Lodge Dillon AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.00	20.00	80.00	0.00	0.00
Population by Geography	16,273	0.00	34.39	65.61	0.00	0.00
Owner-Occupied Housing by Geography	4,323	0.00	30.09	69.91	0.00	0.00
Business by Geography	1,271	0.00	26.75	73.25	0.00	0.00
Farms by Geography	198	0.00	14.14	85.86	0.00	0.00
Family Distribution by Income Level	4,245	24.50	19.67	21.98	33.85	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,875	0.00	32.64	67.36	0.00	0.00
Median Family Income		54,061	Median Housing Value		158,108	
FFIEC Adjusted Median Family Income for 2016		60,300	Unemployment Rate (2010 US Census)		2.37%	
Households Below Poverty Level		17%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census and 2016 FFIEC updated MFI

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST – Satisfactory

Pioneer Federal’s performance under the lending test is rated “Satisfactory.” We consider performance under each component of the lending test to be at least reasonable. The following sections present quantitative and qualitative data used in evaluating lending performance.

#### Loan-to-Deposit Ratio

Pioneer Federal’s average LTD ratio is more than reasonable and demonstrates the bank’s responsiveness towards meeting the credit needs of the community. For the 27 quarters ending September 30, 2016, the Association’s average quarterly LTD ratio was 79.9 percent. This level exceeds the average quarterly LTD achieved by the peer group of 67.7 percent. However, meaningful peer analysis is challenging considering the rural nature of the AA. For our comparison we analyzed six reasonably comparable financial institutions located in the same region of Montana as Pioneer Federal. It is important to

note that of the six banks used in the peer group, only two banks operate within Pioneer Federal's AA.

The following table illustrates Pioneer Federal's average LTD as compared to the consolidated peer group.

Pioneer FS & LA		Peer Group	
Average LTD Ratio	79.93%	Average LTD Ratio	67.69%
High LTD Ratio	98.22%	High Avg. LTD	79.55%
Low LTD Ratio	68.65%	Low Avg. LTD	55.58%

### Lending in the Assessment Area

During the evaluation period, a majority of Pioneer Federal's loans were originated inside the AA. Of the loans sampled, 70.0 percent by number and 81.5 percent by dollar amount were originated within the AA. The following table details the Association's lending volume inside and outside the AA.

Table C2 - Concentration of Thrift Loans Originated In and Outside of the Assessment Area						
Loan Type	% Inside Area		% Outside Area		Total	
	#	\$(000)	#	\$(000)	#	\$(000)
Mortgage Loans	14	\$1,713	6	\$388	20	\$2,101

Source: Sample of Bank Loan Records

### Lending to Borrowers of Different Incomes

Pioneer Federal's lending penetration to low- and moderate-income borrowers is reasonable. We sampled real estate loans originated in the Bank's AA between January 1, 2014 and September 30, 2016. The following table reflects the percentage of loans that Pioneer Federal originated to low- and moderate-income borrowers, compared to demographic data and aggregate peer data for the AA. The sample indicated poor penetration into the low-income borrower category. However, performance relative to the moderate-income demographic exhibits excellent penetration, which helps mitigate performance to low-income borrowers. In addition, the median housing value is about 2.6 times the median family income; home affordability is more difficult for low-income families, who face more financial barriers to home ownership.

Distribution of Thrift Real Estate Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of # Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	0.00%	0.00%	24.50%	5.74%
Moderate	40.00%	18.96%	19.67%	15.20%
Middle	15.00%	16.94%	21.98%	23.99%
Upper	45.00%	64.09%	33.85%	31.08%
Not Available	0.00%	0.00%	0.00%	23.99%
<b>Total # or \$</b>	<b>20</b>	<b>\$2,543,899</b>	<b>100%</b>	<b>100%</b>

Source: 2010 U.S. Census data; Sample of Bank Loan Records

### Geographic Distribution of Loans

Pioneer Federal’s geographic distribution of residential real estate loans reflects reasonable dispersion throughout the AA. The AA does not contain any low- or upper-income CTs. As shown in the table below, residential real estate loans originated in moderate-income CTs are in a reasonable range of demographic and aggregate data. The remainder of loans were made in distressed or underserved middle-income geographies.

Distribution of Thrift RRE Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of # Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	No low-income Census Tract in AA			
Moderate	25.00%	6.70%	30.09%	22.30%
Middle	75.00%	93.30%	69.91%	77.70%
Upper	No Upper-Income Census Tracts in AA			
<b>Total # or \$</b>	<b>20</b>	<b>\$2,543,899</b>	<b>100%</b>	<b>100%</b>

Source: 2010 U.S. Census data; Sample of Bank Loan Records

### Community Development

While a community development test is not required of Pioneer Federal based on asset size, the institution provided the following information to bolster the Association’s CRA rating. During the review period, Pioneer Federal demonstrated excellent responsiveness to AA needs through qualifying CD loans, investments, and services. The following information outlines the data used in determining CD performance.

The CRA regulation defines CD as: (1) the provision of affordable housing for low- and moderate-income individuals; (2) community services targeted to low- and moderate-income individuals; (3) activities that promote economic development by financing small

businesses or small farms; or (4) activities that revitalize and stabilize low- and moderate-income geographies.

### **Community Development Loans**

Pioneer Federal CD loans show the institution's dedication to the needs of the community. The institution made qualifying loans totaling approximately \$1.2 million to community organizations that benefited the assessment area.

- Two loans totaling \$1.065 million total to Legacy Assisted Living for both the construction and permanent financing of an assisted living facility. The assisted living facility works with Medicaid and low-income residents that need state funding. Affordable housing is a stated need in the AA.
- \$96 thousand loan to Powell County Ambulance to purchase a building. This building will house the emergency medical service operations that serve the entire AA, which includes a distressed middle-income tract and a moderate-income tract.
- \$30 thousand loan to Deer Lodge Food Pantry for the purchase of a new building. This building will provide services to low- and moderate-income individuals within the AA. The loan also benefits a distressed middle-income geography.

### **Community Development Investments**

Pioneer Federal CD investments show the institution's responsiveness to the needs of the community. Pioneer Federal purchased a number of municipal revenue bonds totaling over \$1.54 million during the review period. Municipal revenue bonds that benefited the AA included multiple Montana Board of Housing Bonds, which provide funds to develop affordable housing for low- and moderate-income residents.

During the review period, Pioneer Federal made qualifying donations totaling more than \$113 thousand. Some of the organizations that received qualifying financial support include: Barrett Hospital Foundation, Powell County Medical Foundation, local schools, and the YMCA of Dillon. Pioneer Federal demonstrated the importance of serving the local community by making sizeable contributions to schools with high concentrations of low- and moderate-income students within the AA.

One specific example is a large contribution totaling \$29 thousand to the Barrett Hospital Foundation located in Dillon. The donations were part of a series of donations to the capital campaign, as well as a donation to purchase medical equipment. Barrett Hospital Foundation is a non-profit with a mission to engage and steward healthcare philanthropy, funds, services, and programs to enhance Barrett Hospital and Healthcare, ensuring continuous healthcare excellence for the community. The hospital provides essential community services for all members of the community, and helps stabilize this underserved area.



During the evaluation period, Pioneer Federal also donated substantial sums of about \$80 thousand to University of Montana – Western (UMW) in Dillon for various purposes, such as the construction of an amphitheater, renovations to the auditorium, and funds for scholarships. While not all UMW donations fit the strict definition of CRA community development, the institution's commitment to the success of UMW is important. We gave some consideration to these donations because UMW helps stabilize this underserved area, and provides many important educational services and opportunities, which benefit the community as a whole.

### **Community Development Services**

During the review period, management and staff from Pioneer Federal provided financial services as representatives of the institution and served in leadership capacities for a number of community development organizations. The institution did not document the specific amount of hours spent serving these organizations. We were unable to quantify the involvement within the community. However, we noted that individuals of the institution are actively involved in serving community needs.

### **Responses to Complaints**

There have been no complaints relating to Pioneer Federal's CRA performance during the evaluation period.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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