

# **PUBLIC DISCLOSURE**

May 23, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Homeland Federal Savings Bank  
7840 U.S. Highway 165  
Columbia, LA 71418-7840  
Docket #: 08286**

**Office of Thrift Supervision  
Western Region  
225 East John Carpenter Freeway, Suite 500  
Irving, TX 75062-2326**

**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.



**Office of Thrift Supervision**  
Department of the Treasury

*Western Region*

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June 17, 2011

Board of Directors  
Homeland Federal Savings Bank  
7840 U.S. Highway 165  
Columbia, LA 71418-7840

OTS No. 08286

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation prepared by the Office of Thrift Supervision as of May 23, 2011.

In accordance with 12 C.F.R. 563e, this written CRA Performance Evaluation must be made available to the public within 30 business days of its receipt by your institution. The evaluation must be placed in your CRA public file located at your home office and each branch within this 30 business day time frame. The evaluation may not be altered or abridged in any manner. At your discretion, previous written CRA Performance Evaluation(s) may be retained with the most recent evaluation in your CRA public file.

Your institution is invited to prepare a response to the evaluation. The response may be placed in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Bill M. Williams  
Assistant Director, Compliance

Enclosure

**Table of Contents**

**GENERAL INFORMATION ..... 1**

**INSTITUTION ..... 2**

    OVERALL RATING ..... 2

    SCOPE OF EXAMINATION ..... 2

    DESCRIPTION OF INSTITUTION ..... 3

    DESCRIPTION OF CALDWELL PARISH AND LASALLE PARISH ASSESSMENT AREA ..... 4

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS ..... 6

    FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW ..... 8

**CRA RATING DEFINITIONS ..... 9**

## **General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Homeland Federal Savings Bank (Homeland Federal). The Office of Thrift Supervision (OTS) prepared the evaluation as of May 23, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

## **General Information**

### **Overall Rating**

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

Homeland Federal's performance in meeting its overall CRA responsibilities under the Lending Test was outstanding. The bank maintained a high loan-to-deposit ratio and originated a significant majority of loans within the assessment area. The distribution of loans to applicants of different incomes was considerably stronger than other HMDA reporting institutions, and the bank successfully originated loans in each of its census tracts. There have not been any CRA-related complaints since the previous CRA Performance Evaluation.

### **Scope of Examination**

The OTS evaluated CRA performance under the Small Savings Institution Examination Procedures, which are applicable based on the bank's total assets as of December 31, 2009 and 2010. The procedures apply the Lending Test. The review period for this evaluation is January 1, 2008 through December 31, 2010. The previous CRA evaluation was May 23, 2005, and was conducted using the same procedures. Homeland Federal was rated "Outstanding."

The Lending Test includes an evaluation of the bank's CRA results based on five performance criteria. These performance criteria are: 1) loan-to-deposit ratio; 2) assessment area concentration; 3) borrower profile/distribution of loans by borrower income; 4) geographic distribution of loans; and 5) response to CRA-related complaints. The bank may also provide information regarding any community development loans, investments, or services provided during the review period, at their discretion. Residential mortgage loans were evaluated under the Lending Test. We reviewed the evaluation of compliance with consumer laws and regulations performed in the most recent comprehensive examination of Homeland Federal and did not identify any discriminatory or illegal credit practices that violate laws, rules, or regulations.

**Institution**

**Description of Institution**

Homeland Federal is a federally chartered stock institution located in Columbia, Louisiana. A summary of the balance sheet with items pertinent to the evaluation of CRA performance is detailed in table T1. The table illustrates that the bank primarily invests in one-to-four-family mortgage loans. The bank also originates commercial loans and consumer loans, but these loans represent a small percentage of the total portfolio. Homeland Federal funds its loans with deposit accounts and, to a lesser extent, Federal Home Loan Bank (FHLB) advances. The concentration of one-to-four-family mortgage loans warrants the emphasis on residential mortgage loans in the evaluation of the bank’s CRA performance.

<b>Table T1 - Major Components of Total Assets, Liabilities and Capital as of 12/31/2010</b>			
<b>Balance Sheet Component</b>	<b>Balance Sheet \$ Amount</b>	<b>% of Total Assets</b>	<b>\$ Change in Period</b>
<b>Loans</b>			
1-4 Family Permanent Mortgages	44,854	31.3%	+6,810
Multi-Family Mortgage Loans	439	<1.0%	-492
Nonresidential Perm. Mortgages and Land	22,722	15.9%	+370
Residential Construction Loans	2,889	2.0%	+852
Commercial Loans	13,442	9.4%	-152
Consumer Loans	22,009	15.4%	-218
<b>Investments</b>			
Cash, Dep. And Investment Securities	22,310	15.6%	+11,972
Other Interest Earning Deposits	5,332	3.7%	+4,742
<b>Liabilities</b>			
Deposits and Escrows	123,872	86.6%	+32,273
Advances from FHLBank	2,200	1.5%	-11,000
<b>Total Assets</b>	<b>\$142,948</b>	<b>-</b>	<b>+\$25,236</b>
<b>Total Liabilities</b>	<b>\$129,071</b>	<b>-</b>	<b>+\$21,164</b>
<b>Net Worth</b>	<b>\$13,877</b>	<b>-</b>	<b>+\$4,072</b>

Homeland Federal has two full-service offices to serve the public. The main office is located in the city of Columbia, Louisiana in a middle-income census tract. The area is also designated as distressed and underserved. The branch office is also located in a middle-income census tract in the city of Jena, Louisiana. Each office location has an automated teller machine (ATM) and offers drive-up service with extended hours on Saturdays. The bank has three additional ATMs located throughout the assessment area. The bank did not close any branch during the review period.

Homeland Federal primarily focuses on the origination of residential mortgage loans. The bank offers fixed- and variable-rate mortgage loans for the purchase, improvement, or refinance of owner-occupied one-to-four-family dwellings. The bank also offers FHA loans which have less stringent credit qualifications, and lower down payment and closing costs. Loans are generally retained in the bank’s portfolio; however, they may be sold to the secondary market for the purpose of managing

**Institution**

interest-rate risk. Homeland Federal has a full compliment of banking products including checking accounts, savings accounts, individual retirement accounts, certificates of deposit, and money market accounts. Other bank services include wire transfers, travelers cheques, money orders, and online banking-bill pay.

Economic or Legal Constraints

During the review period, Homeland Federal conducted operations in a recessionary economy. In addition, the Federal Financial Institutions Examination Council (FFIEC) designated three of the bank’s six census tracts, within Home Federal’s assessment area, as distressed and underserved areas. A distressed area is generally defined as one having an unemployment rate of at least 1.5 times the national average or a poverty rate of at least 20 percent, or having a median family income at or below 80 percent of the area median family income. Underserved areas are typically geographically remote and sparsely populated. Based on Homeland Federal’s financial condition and any legal impediments, there were no other factors identified that would prohibit the bank from meeting the credit needs of the community.

**Description of Caldwell Parish and LaSalle Parish Assessment Area**

Homeland Federal Bank has defined its assessment area as all of Caldwell Parish and LaSalle Parish, in the state of Louisiana. These two contiguous parishes are not a part of any metropolitan statistical area (MSA). The parishes are located in the northern portion of the state and have a combined total area of 1,203 square miles.

Table D1 provides an overview of assessment area demographic data, compiled from the 2000 U. S. Census, that provide the context of the review. According to the U. S. Census Bureau, the population in the assessment area decreased approximately 2.0 percent since the 2000 Census and is estimated to be 24,403. The assessment area houses less than one percent of the population of the state of Louisiana. The decrease in population and the distressed and underserved designation of the assessment area suggest a single-family lender may have challenges finding reasonable lending opportunities. The school system is the area’s largest employer; however, agriculture, logging, and oil industries also play a large role in supporting the economy in the parishes.

<b>Table D1 – Demographic Overview</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	24,842
Total Families	6,593
Total Housing Units	11,308
1-4 Family Units	7,913
Occupied Units	9,232
% Owner-Occupied Units	67%
% Rental Units	20%
% Vacant Housing Units	18%
Median Housing Value	\$45,022

**Institution (continued)**

There are a total of seven financial service providers in the assessment area, consisting of both State and Federally chartered institutions. With over \$116 million in deposits, Homeland Federal ranked 2<sup>nd</sup>, with a market share of 26.3 percent.

Income Category	Assessment Area			
	% MFI	Maximum Income	# of Families	% of Families
Low	<50%	\$22,049	1,357	20.6%
Moderate	50% - <80%	\$35,279	990	15.0%
Middle	80% - <120%	\$52,919	1,364	20.7%
Upper	≥120%	NA	2,882	43.7%
Total			6,593	100.0%

Table D2 defines income categories based on the percentage of median family income and provides the distribution of families based on those income categories. The table reflects a large proportion of upper-income families, suggesting a potential demand for housing. However, the median housing value

in Table D1 suggests families in the low-income range may face challenges in finding affordable homeownership opportunities. That value reflects housing costs identified in the 2000 Census and may be understated during significant portions of the evaluation timeframe.

The HUD-updated weighted average median income for the assessment area was \$41,600 in 2008, increased to \$43,200 in 2009, and increased again to \$44,100 in 2010. Table D3 shows the most current available unemployment rates published by the Bureau of Labor Statistics for the assessment area compared to the state of Louisiana for the review period.

	2010	2009	2008
Louisiana	7.5	6.6	4.4
Caldwell Parish	9.8	9.3	4.7
LaSalle Parish	6.0	6.6	3.6

Table D4 details the distribution of assessment area families by census tract income levels. The table indicates that there are no low- or moderate-income census tracts. The majority of the population is located in the middle-income census tracts which would typically suggest reasonable opportunities for lending in those areas; however, a large portion of the assessment area is designated as distressed and underserved. In addition to being rural, the area also has high rates of poverty.

***Institution (continued)***

<b>Table D4 - Assessment Area Demographic Information</b>			
<b>Income Category</b>	<b># of Tracts</b>	<b>2000 US Census Data Distributions</b>	
		<b>Families</b>	
		<b>#</b>	<b>%</b>
Middle	5	5,412	82.1%
Upper	1	1,181	17.9%
<b>Total</b>	<b>6</b>	<b>6,593</b>	<b>100.0%</b>

**Conclusions with Respect to Performance Tests**

Lending Test

Conclusion with Respect to Lending Test

LOAN-TO-DEPOSIT RATIO

Homeland Federal’s business model primarily focuses on the origination of residential mortgage loans. We compared the bank’s loan-to-deposit ratio with two other similarly situated institutions. Similarly situated institutions are those of similar business lines and comparable asset size operating in the same geography. Homeland Federal’s loan-to-deposit ratio averaged 94.8 percent during the review period, a slight increase from 91.0 percent at the previous evaluation. In comparison, both of the other institutions had average loan-to-deposit ratios of 78.0 percent for the same period. Based on this comparison, Homeland Federal’s business model, and considering the economic conditions in the marketplace in which it conducts its operations, the bank exceeded the standards for satisfactory performance.

***Institution (continued)***

ASSESSMENT AREA CONCENTRATION

A review of loans originated by Homeland Federal shows the bank originated a significant majority of loans within the delineated assessment area and exceeded the standards for satisfactory performance. Table C2 reflects the concentration of loans granted within the assessment area compared to total lending by product type.

<b>Table C2 - Assessment Area Concentration</b>						
<i>Lending Reported between 1/1/08 –12/31/10</i>						
Review Period	Number of Loans			Dollar Amount (\$000)		
	Assessment Area Lending	Total Lending	Ratio of AA to Total	Assessment Area Lending	Total Lending	Ratio of AA to Total
Residential Mortgage Loans	1,136	1,300	87.3	\$58,599	\$70,433	83.2

The percentage for the number of residential mortgage loans originated within the assessment area has increased slightly since the previous evaluation. Homeland Federal previously originated 86.0 percent of the number of loans and 85.0 percent of the dollar amount of loans in the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES

A review of Homeland Federal’s loan originations shows that lending to low- and moderate-income borrowers was stronger than that of other HMDA reporting institutions, especially lending to low-income borrowers. Table B3 illustrates Homeland Federal’s performance compared to other HMDA reporting institution.

<b>Table B3 – Distribution of Residential Mortgage Loans Borrower Income Level in the Assessment Area</b>				
Borrower Income Category	# of Loans	% of Loans	2009 HMDA Aggregate	Family Distribution
Low	145	12.7%	4.4%	20.6%
Moderate	129	11.4%	9.3%	150.0%
Middle	184	16.2%	15.0%	20.7%
Upper	635	55.9%	64.0%	43.7%
Income Not Avail.	43	3.8%	7.3%	
<b>Total</b>	<b>1,136</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

NA = Not Available

***Institution (continued)***

GEOGRAPHIC DISTRIBUTION OF LOANS

There are no low- or moderate-income census tracts in Homeland Federal’s assessment area; however, the bank was successful in originating loans in every census tract in the assessment area. Table G4 illustrates Homeland Federal’s loan originations compared to other HMDA reporting institutions.

<b>Table G4 – Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>2009 HMDA Aggregate</b>	<b>Family Distribution</b>
Middle	1,087	95.7%	71.5%	82.1%
Upper	49	4.3%	28.5%	17.9%
<b>Total</b>	<b>1,136</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

RESPONSE TO COMPLAINTS

During the review period, there were no written complaints concerning the bank’s CRA performance reported by Homeland Federal or received by the Office of Thrift Supervision.

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

In November 2009, we performed a comprehensive examination of Homeland Federal. We reviewed the evaluation of compliance with consumer laws and regulations performed at that examination and did not identify any discriminatory or illegal credit practices that violate laws, rules, or regulations.

## **CRA Rating Definitions**

There are four separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, and service opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.