



PUBLIC DISCLOSURE

May 18, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Savings Bank
Charter Number 701282

130 E McCarty Street
Jefferson City, MO 65102

Office of the Comptroller of the Currency

500 North Broadway
Suite 1700
St. Louis, MO 63102

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: This institution is rated Satisfactory.

Home Savings Bank's (HSB) lending performance reflects a satisfactory response to community credit needs. This conclusion is based on the following:

- The distribution of loans to borrowers of different income levels reflects reasonable penetration in the assessment area (AA).
- The geographic distribution of loans reflects reasonable dispersion within the AA.
- HSB originated a substantial majority of loans inside its AA.
- The loan-to-deposit ratio is reasonable.
- HSB has not received any complaints about its performance under the Community Reinvestment Act (CRA) during the evaluation period.

SCOPE OF EVALUATION

This Performance Evaluation assesses HSB's record of meeting the credit needs of the communities in which it operates. HSB was evaluated under the Small Bank performance criteria, which included a lending test. HSB's primary lending area is the Jefferson City MO Metropolitan Statistical Area (MSA); this AA received a full-scope review.

Although HSB considers the surrounding counties of Boone, Morgan, Miller and Camden to be their secondary lending area, lending outside the Jefferson City MO MSA was not part of our assessment.

The evaluation period covers April 1, 2009 through May 18, 2015. We reviewed HSB's loan originations since 2013 and determined that residential real estate (RRE) loans and consumer loans are the bank's primary loan products. We sampled 20 RRE loans and 20 consumer loans originated from January 1, 2013 through March 31, 2015 to develop our conclusions. Given the overall volume of RRE lending, that product carried the most weight in our lending analysis.

Due to its small size, HSB is exempt from reporting RRE loans under the Home Mortgage Disclosure Act (HMDA). However, we used the 2013 aggregate HMDA loan data reported by other lenders within this AA for comparative purposes as it provides a reasonable benchmark of RRE lending.

DESCRIPTION OF INSTITUTION

HSB is a federally-chartered mutual savings bank located in Jefferson City, Missouri. All services are provided through the bank's main office in the downtown area of Jefferson City; there are no branch offices. HSB's office is situated in the only low-income census tract (CT 207) and is adjacent to two moderate-income CTs in Jefferson City. One withdrawal-only automated teller machine is located adjacent to the main office. HSB has a website and offers limited internet banking. The bank provides financing for construction, purchase, refinance and improvement of one-to-four family dwellings. HSB also offers consumer loans.

On April 11, 2012, HSB entered into a Consent Order (CO) with the Office of the Comptroller of the Currency (OCC). The CO placed certain financial restraints on HSB's ability to meet AA credit needs. We took into consideration the CO and its impact on lending activities when determining performance under the CRA.

The bank's lending is funded primarily through deposits obtained from the local market in and around Jefferson City.

As of March 31, 2015, HSB had total assets of \$25 million, total deposits of \$23 million, and tier 1 capital of \$1.8 million. HSB offers traditional services and loan products normally associated with a federal savings bank. HSB received a "Satisfactory" rating at its last CRA evaluation dated March 31, 2009.

As of March 31, 2015, HSB reported \$17.9 million in outstanding loans and had a net loans and leases to total assets ratio of 72.14%. The loan portfolio consists of the following:

Loan Portfolio Summary by Loan Product March 31, 2015		
Loan Category	\$(000)	%
Residential Loans	\$15,052	84.29%
Commercial Loans	\$ 1,236	6.92%
Construction Loans	\$ 844	4.73%
Consumer Loans	\$ 607	3.40%
Farm Loans	\$ 118	0.66%
Total Loans	\$17,857	100%

DESCRIPTION OF ASSESSMENT AREA

HSB's AA is the Jefferson City MO MSA #27620. This AA consists of the entirety of Cole, Moniteau, Osage, and Callaway Counties, which is HSB's primary lending area. The AA consists of 31 CTs or geographies: one low-income CT, five moderate-income CTs, 21 middle-income CTs, and four upper-income CTs.

The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. The Office of Management and Budget revised Metropolitan Areas and CT geographic definitions and boundaries effective January 1, 2014. These changes did not affect HSB’s AA; we were able to combine all lending data for analysis and compare it to the 2010 census data and 2013 peer mortgage data.

Here is a summary of the key information for this AA:

Demographic Information for Full Scope Area: Jefferson City MO MSA AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	31	3.23	16.13	67.74	12.90
Population by Geography	149,807	1.49	12.78	69.24	16.48
Owner-Occupied Housing by Geography	41,125	0.54	11.16	70.28	18.02
Business by Geography	10,263	8.93	14.89	59.70	16.49
Farms by Geography	1,024	0.59	12.99	77.34	9.08
Family Distribution by Income Level	38,551	18.53	18.59	25.13	37.75
Distribution of Low and Moderate Income Families throughout AA Geographies	14,309	2.67	18.78	66.76	11.80
Median Family Income		62,891	Median Housing Value		126,252
FFIEC Adjusted Median Family Income for 2014		62,200	Unemployment Rate (2014 Jefferson City MSA)		5.2%
Households Below Poverty Level		11.17%			

Source: 2010 US Census and 2014 FFIEC updated MFI

Unemployment rates declined since 2010. As of December 31, 2014, annual unemployment rates, based on the U.S. Bureau of Labor Statistics, are: Callaway County 5.6%, Cole County 5.0%, Moniteau County 5.9%, and Osage County 4.6%. These rates are lower than the statewide Missouri rate of 6.1%.

HSB primarily serves the central Missouri area from its office in Jefferson City. The 2014 population of the Jefferson City MO MSA is 150,009, of which 43,884 live in Jefferson City. The area traditionally has a stable economy and relatively low unemployment because Jefferson City is the state capital of Missouri. State government employs 14,208 people; the next largest employer is Jefferson City Public Schools with 1,556 employees.

Local competition in the Jefferson City MO MSA is strong. There are 24 banks within the AA with local deposits totaling \$4.2 billion. As of June 30, 2014, HSB’s deposit market share within the AA is 0.56% and ranks 19th among the 24 banks in the AA.

We contacted two grassroots community groups to determine community credit needs and how financial Institutions are meeting those needs. Both contacts noted that, overall, current economic conditions have rebounded from the most recent downturn. One contact also noted that the number of new clients seeking their services has stabilized. However, the level of donations is still down. The contact commented on the insufficiency of low-income government subsidized housing, noting the Section 8

waiting list. The contact indicated there remains a strong need for affordable housing for low- and moderate-income individuals in the area. He observed that multiple families often share single-unit rental properties. He also noted that Habitat for Humanity is actively rehabbing vacant or dilapidated properties in the east end of the city. This area is located within the low-income CT. The community contact expressed the opinion that local financial institutions are involved in the local community, and mentioned examples such as sending volunteers to assist with tax preparation and sponsoring community events and fundraisers. Both contacts indicated most needs are met, but people could benefit from financial literacy classes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

HSB does a satisfactory job of meeting the credit needs of its AA, including those of low- and moderate-income families and households, given the demographics, economic factors, and competitive pressures faced by the bank.

Loan-to-Deposit Ratio

HSB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs. As of March 31, 2015, the bank's LTD ratio averaged 84.82% over the 25 quarters since the last CRA evaluation, with a quarterly low of 77.27% and a quarterly high of 106.89%.

The bank's LTD ratio compares favorably with other community institutions of similar location, size, and product offerings. This ratio is higher than that of five similarly situated institutions and lower than one. The quarterly average for these comparable institutions ranged from 26.30% to 86.91%.

Lending in Assessment Area

A substantial majority of the RRE and consumer loans originated by HSB between 2013 and 2015 are to borrowers within its AA. Based on our sample of 40 loans, 90% by number and 91% by dollar volume were made within the AA.

Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	17	85%	3	15%	20	\$100	87%	\$16	13%	\$116
Residential RE	19	95%	1	5%	20	\$2,113	94%	\$133	6%	\$2,246
Totals	36	90%	4	10%	40	\$2,213	91%	\$149	9%	\$2,362

Source: HSB Loan sample

Lending to Borrowers of Different Incomes

The distribution of loans reflects reasonable penetration among individuals of different income levels.

Residential Real Estate Loans

The borrower distribution of RRE loans meets the standard. We sampled 20 loans originated between 2013 and 2015. Bank lending to low-income borrowers is above the peer aggregate and near the percentage of low-income families within the AA. Bank lending to moderate-income borrowers is below the peer aggregate but is above the percentage of moderate-income families within the AA.

2013-2015 Borrower Distribution of Residential Real Estate Loans in the AA				
Borrower Income	Number of Loans	Percentage of Loans	2013 Peer HMDA Aggregate	Percent of Families
Low-Income	3	15%	13.84%	18.53%
Moderate-Income	4	20%	25.27%	18.59%
Middle-Income	4	20%	27.24%	25.13%
Upper-Income	9	45%	33.64%	37.75%
Total	20	100%	100.00%	100.00%

Source: Loan Sample; 2010 Census data; 2013 Peer HMDA data

Consumer Loans

The borrower distribution of consumer loans exceeds the standard. We sampled 20 loans originated between 2013 and 2015. The percentage of bank loans extended to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households within the AA.

2013-2015 Borrower Distribution of Consumer Loans in the AA			
Borrower Income	Number of Loans	Percentage of Loans	Percent of Households
Low-Income	5	25%	23.02%
Moderate-Income	5	25%	16.43%
Middle-Income	7	35%	19.62%
Upper-Income	3	15%	40.93%
Total	20	100%	100.00%

Source: Loan Sample; 2010 Census data

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion within the AA. HSB lends in most geographies within its AA.

Residential Real Estate Loans

The geographic distribution of RRE loans originated by HSB meets the standard of satisfactory performance. We sampled 20 loans originated from 2013 to 2015. Bank lending in moderate-income CTs is above the peer aggregate and near the percentage of owner-occupied housing units for these CTs. Although no loans were originated in

the low-income CT, the peer aggregate and the percentage of owner-occupied housing units are below 1%, which makes lending in this CT very difficult.

2013-2015 Geographic Distribution of Residential Real Estate Loans in the AA				
Type Census Tract	Number of Loans	Percentage of Loans	2013 Peer HMDA Aggregate	Percent of OOHUs
Low-Income	0	0%	0.48%	0.54%
Moderate-Income	2	10%	8.61%	11.16%
Middle-Income	13	65%	68.70%	70.28%
Upper-Income	5	25%	22.21%	10.02%
Total	20	100%	100.00%	100.00%

Source: Loan Sample; 2010 Census data; 2013 Peer HMDA data

Consumer Loans

The geographic distribution of consumer loans originated by HSB meets the standard of satisfactory performance. We sampled 20 loans originated from 2013 to 2015. Bank lending in moderate-income CTs is above the percentage of households within these CTs. Based on our sample, no loans were originated in the low-income tract. However, the percentage of households within this CT is very small, and we noted that 48% of households in this geography had incomes below the poverty level.

2013-2015 Geographic Distribution of Consumer Loans in the AA			
Borrower Income	Number of Loans	Percentage of Loans	Percent of Households
Low-Income	0	0.00%	1.99%
Moderate-Income	3	15.00%	13.96%
Middle-Income	13	65.00%	67.43%
Upper-Income	4	20.00%	16.61%
Total	20	100.00%	100.00%

Source: Loan Sample; 2010 Census data

Responses to Complaints

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 C.F.R. 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.