



PUBLIC DISCLOSURE

February 16, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Savings Bank, FSB
Charter Number 707384

202 Elm St
Ludlow, KY 41016-1522

Office of the Comptroller of the Currency

Westlake Center
4555 Lake Forest Drive, Suite 610
Cincinnati, OH 45242-3760

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, FSB, a federal savings association (FSA), exhibits a Satisfactory record of meeting its community credit needs. The rating is primarily based on the following:

- The loan-to-deposit (LTD) ratio is reasonable given the FSA's size, financial condition, and credit needs of the Assessment Area (AA).
- Home Savings Bank's lending inside the AA is satisfactory as a majority of their primary loan products are inside their AA.
- Home Savings Bank's overall lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- The FSA's overall performance of lending to geographies of different income levels exhibits excellent dispersion throughout the AA.

SCOPE OF EXAMINATION

We conducted a Community Reinvestment Act (CRA) evaluation to assess the institution's record and performance of meeting the credit needs of its community. We used the Small Bank CRA evaluation procedures to evaluate the institution's performance.

The FSA's primary loan products, based on discussions with management and a review of loan originations during the evaluation period, are residential real estate and business loans. The evaluation period is from January 1, 2013 through December 31, 2015. The FSA originated a total of 45 loans during this period of which we sampled all 19 residential real estate and all 18 business loans. We also reviewed the FSA's quarterly LTD ratio from December 31, 2009 through December 31, 2015.

DESCRIPTION OF INSTITUTION

Home Savings Bank, FSB, is a federally chartered mutual savings bank headquartered in Ludlow, Kentucky, and it only has one branch. As of December 31, 2015, the FSA had \$26.99 million in total assets and \$4.13 million in tier 1 capital. At that time, Net Loans and Leases represented 54.45 percent of Average Assets and 68.88 percent of Total Deposits. The FSA provides traditional banking products and services from the one branch in Ludlow, KY.

The main office at 202 Elm St. Ludlow, KY, and the FSA's one stand-alone ATM both sit in a moderate-income level census tract (CT). The FSA's AA changed from the previous CRA evaluation due to the branch that closed in Boone County, KY in 2007.

There are no financial or legal impediments that would affect the thrift’s ability to serve the credit needs of its community. Home Savings Bank, FSB’s previous CRA public disclosure dated November 30, 2009 was rated “Outstanding.”

Loan Portfolio Mix		
As of December 31, 2015		
Loan Type	Dollar Volume (in 000’s)	% of Gross Loans
Residential Real Estate Loans	\$11,520	76.78%
Consumer-Installment Loans	\$28	0.20%
Commercial Loans	\$3,115	23.02%
TOTAL GROSS LOANS	\$14,663	100.00%

December 31, 2015 Report of Condition

DESCRIPTION OF ASSESSMENT AREA

Home Savings Bank, FSB’s AA consists of Kenton County, KY in its entirety. The AA is located within the Cincinnati, Ohio-Kentucky-Indiana Metropolitan Statistical Area (MSA). The AA does not arbitrarily exclude any low- or moderate-income (LMI) census tracts (CTs) and meets the requirements of the CRA.

As of October 2015, Kenton County, Kentucky’s unemployment rate was 3.7 percent (U.S. Bureau of Labor and Statistics), which is below Kentucky’s statewide unemployment rate of 4.3 percent and below the national average of 5.0 percent. Kenton County is comprised of urban, suburban, and rural communities. In Kenton County, the major employers include the Kenton County School District, the St. Elizabeth Hospital System, and Fidelity Investments. Our evaluation of the FSA’s CRA performance included discussions with a community contact who indicated financial institutions have opportunities to affect the local community. The FSA’s size and structure make it difficult to take advantage of these opportunities without exposing the FSA to unnecessary risk.

Competition for deposits within Kenton County remains at moderately high levels. As of June 2015, the FSA maintains 0.87 percent of deposit market share from 18 institutions in Kenton County, KY. The FSA also experiences competition from 68 institutions located in the Cincinnati, OH-KY-IN MSA where the FSA maintains 0.02 percent deposit market share.

The 2010 U.S Census showed the AA had four low-income tracts, 11 moderate-income tracts, 17 middle-income tracts, and 9 upper-income tracts. Total population of the AA was 159,720, comprised of 61,912 households or 40,238 families. Of these households 6.25 percent are at the low income level, 23.89 percent at the moderate income level, 47.87 percent at the middle income level, and 21.99 percent at the upper income level. The weighted average of the Median Family Income in the AA was \$67,561. Comparatively, the weighted average of the FFIEC Updated MSA Median Family Income was \$72,400.

The AA has 68,768 housing units, with 90.03 percent occupied. Of the total occupied housing units, 62.34 percent are owner occupied. Based on total households within the AA, 10.38 percent live at or below the poverty level and 1.92 percent receive some form of public assistance. Retirees comprise 15.87 percent of households, but 25.57 percent receive Social Security.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the Small Bank CRA lending test criteria, the FSA’s lending performance is Satisfactory.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the FSA's market share, strategy, and credit needs of the AA. The FSA’s strategy is not aggressive in bringing in new loans, and the local economy includes a higher level of competition from other financial institutions.

Home Savings Bank, FSB's quarterly average LTD ratio over the past 25 quarters since the prior CRA evaluation is 74.89 percent (December 31, 2009 to December 31, 2015). The FSA's LTD ratio ranged from a high of 97.20 percent to a low of 68.88 percent during this period. We compared the FSA's LTD ratio with four similarly situated financial institutions operating in northern Kentucky with total asset sizes ranging from \$596.26 million to \$35.21 million. The quarterly average LTD ratios of these four similarly situated financial institutions ranged from 109.44 percent to 73.99 percent.

Lending in Assessment Area

Home Savings Bank, FSB's lending inside the AA is reasonable as a majority of their primary loan products originated inside their AA. Within their two primary products, the FSA originated 37 loans during the review period. See the table below for details.

Lending in Kenton County, KY AA										
Loan Type	Number of Loans					Dollars of Loans (In Thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	13	68.42%	6	31.58%	19	\$1,188	61.17%	\$754	38.83%	\$1,942
Business Loans	10	55.56%	8	44.44%	18	\$650	57.57%	\$479	42.43%	\$1,129
Total Loans	23	62.16%	14	37.84%	37	\$1,838	59.85%	\$1,233	40.15%	\$3,071

Source: Loan Sample 2013, 2014, 2015; 2010 U.S. Census Data

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

The FSA’s borrower distribution shows reasonable penetration of income levels in its AA. For residential real estate loans, Home Savings Bank distribution to low- and moderate-income families is reasonable compared to other AA lenders and compared to the percentage of low- and moderate-income families living in the AA. Although the originations to low-income families is lower than the other AA lenders and the amount of low-income families in the AA, they are still reasonable considering 10.38 percent of families live at or below the poverty level and 1.92 percent receive some form of public assistance. As such, some of these families may struggle to meet the minimum lending qualifications.

Borrower Distribution of Residential RE Loans in Kenton County, KY AA					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Lenders		% of Families in Each AA Income Level
Loan Type	Purchases	Refinances	Purchases	Refinances	
Low	8.1%	0.0%	16.2%	10.3%	14.9%
Moderate	14.4%	36.6%	30.6%	22.5%	34.0%
Middle	32.4%	0.0%	23.9%	25.9%	38.6%
Upper	45.1%	63.4%	29.3%	41.3%	12.5%

Source: Loan Sample 2013, 2014, 2015; HMDA Loan Data; 2010 U.S. Census

Home Savings Bank’s lending to small businesses is excellent and exceeds the standard. Loans to small businesses exceeded the amount of small businesses within the AA by both dollar amount and number of loans.

Borrower Distribution of Loans to Businesses in Kenton County, KY AA				
Business Revenues (or Sales)	<\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.30%	4.56%	17.14%	100%
% of Bank Loans in AA by #	80.00%	20.00%	0.00%	100%
% of Bank Loans in AA by \$	82.01%	17.99%	0.00%	100%

Source: Loan Sample 2013, 2014, 2015; Dunn & Bradstreet June 2014; 2010 U.S. Census

Geographic Distribution of Loans

The FSA’s geographic distribution shows excellent dispersion based on its location, the CTs located within its AA, and its risk appetite. The FSA is located in a moderate-income CT, and its lending reflects a majority of loans originated are within moderate-income CTs. The geographic distribution of residential real estate loans is excellent and exceeds the level of loans originated within low- and moderate-income CTs by other AA lenders and the level of owner-occupied housing within those CTs. The geographic distribution analysis reflects lending throughout the AA with no conspicuous gaps. The institution did not originate any purchases or refinances in low-income CTs. However, 10.38 percent of households live at or below the poverty level, and 1.92 percent of households receive some form of public assistance, so they may struggle to meet reasonable lending standards.

Geographic Distribution of Residential Real Estate Loans in Kenton County, KY AA					
Census Tract Income Level	% of Total Thrift Loans (by Number)		% of Loans by AA Lenders		% of AA Owner Occupied Housing
	Purchases	Refinances	Purchases	Refinances	
Low	0.0%	0.0%	2.20%	2.14%	3.32%
Moderate	59.19%	100%	16.84%	15.90%	20.27%
Middle	40.81%	0.0%	62.76%	57.06%	53.54%
Upper	0.0%	0.0%	18.20%	24.90%	22.87%

Source: Loan Sample 2013, 2014, 2015; 2010 U.S. Census Data; 2013 and 2014 Averaged HMDA Peer Data, 2015 was not available

The FSA’s geographic distribution of business loans shows excellent dispersion within its AA. The FSA exceeded the level of lending by other AA lenders and captured a greater percentage of businesses than the percentage located in the moderate-income CTs. The FSA did not have any conspicuous gaps in lending within its AA. The FSA did not originate any loans to businesses in the low-income CTs; however, this is reasonable given the low percentage of businesses within those CTs and their large percentage of lending within the moderate-income CTs.

Geographic Distribution of Business Loans in Kenton County, KY AA			
Census Tract Income Level	% Total Thrift Loans	% of Loans by AA Lenders	% of Businesses
Low	0.0%	1.82%	2.94%
Moderate	70.00%	20.26%	17.42%
Middle	10.00%	41.56%	44.02%
Upper	20.00%	36.36%	35.62%

Source: Loan Sample 2013, 2014, 2015; 2010 U.S. Census Data; Averaged Dunn and Bradstreet 2013, 2014, 2015; Averaged Peer Lending to Businesses 2013 and 2014 by institutions over \$1 billion in total assets; 2015 was not available.

Responses to Complaints

The FSA has not received any complaints about its performance in helping meet the credit needs of its AA since the previous CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28 (c), in determining a FSA’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA’s lending performance.

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