# CRA SELF-EXAMINATION March 2024

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Teresa Johnson AVP Compliance Officer/Internal Auditor Home State Bank

# **CRA CHECKLIST FOR SELF EXAMINATION**

#### CONFIRMATION THAT HSB IS A "SMALL BANK"

✓ HSB had assets < \$1.564 billion as of 12/31/22, and had assets of < \$1.564 billion as of 12/31/23 (HSB had assets of \$204.6 million as of 2/13/2023)

#### REVIEW OF BANK'S DELINEATION OF LOCAL COMMUNITIES

- ✓ Consists of whole census tracts
- ✓ Includes census tracts of all branch/facility locations, and ATMs
- ✓ Substantial portion of loans originated in assessment area
- ✓ Does not reflect illegal discrimination
- ✓ Does not arbitrarily exclude low-moderate income census tracts
- ✓ Does not cross state lines

#### **PUBLIC FILE**

- ✓ Complete Public File available on HSB's public file at P:\Compliance\CRA\2024.
- ✓ Includes all written comments (none currently) All written comments should be forwarded to the CRA Officer, Teresa Johnson, in Willmar. They will be scanned to P:\Compliance\CRA\2024.
- ✓ Includes copy of most recent CRA Performance Evaluation, placed in file w/in 30 days of receipt (last performance evaluation was October 29, 2018.) This can be found in HSB's public file at P:\Compliance\CRA\2024
- ✓ CRA Self Examination which includes a list of branches with street addresses and census tract #'s; a list of branches opened/closed during current year and each of previous 2 years, their addresses and census tract #'s; a list of hours of operations, loan & deposit products, transaction fees, alternative delivery systems. This can be found on HSB's public file at P:\Compliance\CRA\2024
- ✓ Includes map of assessment area. This can be found on HSB's public file at <u>CRA Maps</u>
- ✓ Includes information that is current as of April 1st each year
- ✓ Branches capable of providing copies of public file info within 5 calendar days of request
- ✓ Bank prepared to provide copies of Public File to public upon request HSB does not charge

#### **CRA LOBBY NOTICE**

Branch/ATM Address

✓ CRA notices are located in the public lobby of each facility

**Drive Un Facility** 

#### SERVICE TEST

#### **Distribution of Branches**

HSB has 4 full-service facilities, all within our assessment area. All are within middle income areas. HSB has 4 ATM's. There is an ATM located at the Willmar, Litchfield, and Hutchinson Branches. The distribution of HSB branches/ATM in respect to income-level areas is reasonable considering the overall distribution of moderate/middle- and upper-income geographies in our assessment area.

ΔTM's

Census Tracts

Dianch/Alivi Addiess	Drive Op Facility	AINIS	Census Tracis
Service Area	Yes/No		& Income
Main Bank	Yes	1. Main Bank – Drive Up (24 hr	5602.00
1435 E. HWY 12		accessible)	Middle
Litchfield, MN 55355			
1610 E. HWY 12	Yes	2. Drive Up (24 hr accessible)	7810.00
Willmar, MN 56201		Temporarily unavailable.	Middle
200 Milky Way St. S.	No	N/A	5606.00
Cosmos, MN 56228			Middle
745 HWY 7 West	Yes	3. Drive-Up (24 hr accessible)	9504.01
Hutchinson, MN 55350			Middle

# **Branch Opening and Closing Record**

Cashwise Hutchinson Branch/ATM closed on July 29, 2016.

Willmar – Westside Liquor ATM removed July 1, 2018

Willmar – Uptown Mall ATM installed April 22, 2020

Branch/ATM Address Service Area	Drive Up Facility Yes/No	Branch/ATM hours	Census Tracts & Income	
1020 HWY 15 S	No	Inside Cashwise (24 hour accessible)	9503.00	
Hutchinson, MN 55350			Middle	
ATM ONLY	No	Same hours as Store	7810.00	
Westside Liquor Store			Middle	
1600 E. HWY 12				
Willmar, MN 56201				
ATM ONLY	No	Same hours as Uptown Mall	7810.00	
Uptown Mall			Middle	
1605 1st ST S				
Willmar, MN 56201				

#### **HOME STATE BANK**

#### **BRANCH OPENINGS AND CLOSINGS**

		02001100
Closed	Date	Tract #
Hutchinson Cashwise	7/29/2016	9503.00 Middle
Branch/ATM		
Willmar – Westside Liquor ATM	7/1/2018	7810.00 Middle
Opened		
Willmar – Uptown Mall ATM	4/22/2020	7810.00 Middle

# **Available Loan and Deposit Products**

#### Non-Traditional Loan

- SBA Express Loan Program
- SBA 7(a)
- SBA Export Express
- SBA 504

#### Home State Bank Loan Services

- Residential Mortgage Loans for 1 4 dwelling units
- MHFA Fix-Up Funds loans
- Rural Development 1<sup>ST</sup> Time Home Buyers
- Secondary Market Loans
- Refinance Loans
- Construction Loans
- Home Equity Loans and Lines of Credit
- 2<sup>nd</sup> Mortgages
- Home Improvement Loans
- Personal Loans

#### Home State Bank Deposit Services

- Checking Accounts
- Savings Accounts
- Health Savings Accounts
- Certificate of Deposits
- ATM

- New and Used Vehicle Loans
- Recreational Equipment Loans
- Small Business Loans and Lines of Credit
- Community Development Loans
- Commercial and Industrial Real Estate Loans
- Agriculture Loans
- Leasing
- Ready Reserve Lines of Credit
- Debt Consolidation Loan
- Online Banking/Mobiliti
- E-Business with ACH Capabilities
- Remote Deposit Capture
- E-Business Bill Pay
- E-Statements

- Bill Pay / Account to Account Transfer
- Small Business and Business Checking
- Cash Management
- Visa Gift Cards
- Visa Credit Cards
- **Business Debit Cards**
- Consumer Debit Cards

#### Card Valet Cetera Investment Services (provided through Zephyrus) within HSB as a Non-Affiliated Third Party

- Bonds-Corp, Muni, Gov't
- Mutual Funds-All approved companies
- Annuities-Fixed, Variable, Fixed Indexed & **Immediate**
- Fee Based Advisory
- Brokered CD's
- Gov't agencies (T-Bills, Bonds, Notes, TVA, Freddie, Fannie & Ginnie Mae)
- Life Insurance

Long Term Care Insurance

**Clover Merchant Services** 

IRA's (Traditional, Roth)

Safe Deposit Boxes

Main Street Checks

Mobile Deposit Notifi Alerts

- Disability Insurance
- IRA's (Traditional, Roth, Coverdell, Self-Directed, Deferred Comp)
- Qualified Plans (401k, 403b, SEP, Simple)
- 529 Plans
- Stocks
- UIT's (Unit Investment Trusts)
- ETF's (Exchange Traded Fund)

Money Orders: \$3.00 per check

# **Transaction Fees and Charges**

#### Bank Checks

Cashier Checks: \$8.00 per check

Counter Checks: \$0.25 per check

#### Checking and Savings Requests

Account activity printout: \$2.00 per page

Account Research: \$50.00 Minimum \$50.00 per hour

Balance inquiry by phone: \$1.00

Account balancing assistance: Minimum \$25.00 per hour

Account closed within 90 days of opening: \$25.00

Duplicate Statements: \$5.00 per statement

Funds Transfer Request by phone: \$1.00

#### Copies and Faxes

Copy of a Check, Deposit, or Statement: \$5.00 per item

Photocopies: \$0.25 per page

Incoming/Outgoing Faxes: \$2.00 for 1st page, \$0.25/additional page

#### Debit Card

#### **Business Debit Cards:**

The first two cards are free; additional cards: \$10.00 per card

Annual fee per Business Checking Account: \$15.00

Replacement Fee for Damaged/Worn Card: \$15.00

Rush Order Fee: \$75.00

#### Consumer Debit Cards:

Replacement Fee for Damaged/Worn Card: \$15.00

Rush Order Fee: \$75.00

#### Deposit Bags

Deposit Bags Locking \$15.00

Deposit Bags Non-Locking \$5.00

## Non-sufficient Funds (NSF)

- Item Paid Fee: \$32.00
- Item Returned Fee: \$32.00
- NSF Item Fees may be imposed on checks, drafts, withdrawals made in person, via ACH debits, or by other electronic means, as applicable. NSF Returned Items may be presented multiple times. NSF Returned Items will be charged an NSF Returned Item Fee each time the item is presented for payment.
- Continuous Overdraft Fee: \$30.00/7 business days

#### **Overdraft Protection Options**

- Ready Reserve Line of Credit: Annual Fee \$30.00
- Automatic Transfer Fee: \$5.00 per transfer

#### Wire Transfers

- Domestic Outgoing Wires: \$25.00
- Domestic Incoming Wires: \$15.00

#### Online Services

• Bill Pay Rush Deliver: \$9.95-\$14.95

#### Safe Deposit Box Rental

- Drilling of a box: minimum of \$200.00
- Key Deposit When Box Opened: \$10.00
- Additional charge for statement billed boxes: \$10.00
- Late Fee for Statement billed boxes: \$15/month
- Cosmos 3X5: \$15.00 annually
- Cosmos 5X5: \$25.00 annually
- Cosmos 5X10: \$30.00 annually

#### Services

- Affidavit of Personal Property: \$10.00
- Coin/Currency Exchange: \$5.00 (non-customer)
- Deposit Correction Fee: \$5.00/Deposit
- Escheat Processing: \$50.00
- Indemnity Bond: \$10.00
- IRA Rollover/Transfer Fee: \$50.00
- Levy/Garnishment Fee: \$100.00
- Notary: \$5.00 (non-customer)

- International Outgoing Wires: \$60.00
- International Incoming Wires: \$60.00
- Account to Account: Next Day \$3.00
   ACH Credit Return \$25.00
- Litchfield 3X10: \$20.00 annually
- Litchfield 5X10: \$30.00 annually
- Litchfield 10X10: \$35.00 annually
- Willmar 3X5: \$23.00 annually
- Willmar 5X5: \$25.00 annually
- Willmar 3X10: \$36.00 annually
- Willmar 5X10: \$50.00 annually
- Hutchinson 3X10: \$30.00 annually
- Hutchinson 5X10: \$45.00 annually
- Returned Deposited Check fee: \$10.00
- Main Street Checks: fee varies per style
- Returned Mail: \$5.00/month after 1<sup>st</sup> month
- Stop Payment: \$30.00 per item
- Visa Gift Cards: \$3.50 Charge per card. (Minimum balance per card \$10.00; maximum balance per card \$500.00.)
- Foreign Check Collection Fee: \$10.00

#### **Business Online Banking Services**

- Business Bill Pay: \$7.00 per month for up to 20 payments, \$0.50 per each additional item
- E-Business ACH Set Up Fee: \$50.00
- ACH Same Day Processing Fee \$10.00
- E-Business ACH Monthly Fee:
  - o Tier 1: \$30.00 per month up to 3 ACH files, \$15.00 per additional file
  - o Tier 2: \$60.00 per month unlimited files
- Remote Deposit Set Up Fee \$50.00
  - o \$50.00 Monthly Fee
- Online Stop Payment: \$20.00

# **Delivery Systems**

HSB offers the capability to perform banking functions through various channels. Some or all of these channels are widely available to all customers. Traditional avenues (personal visits) are enhanced by Home State Bank's generous hours of operation. Teller services are available 51 hours per week at Willmar, 31 hours per week in Cosmos, 48.50 hours per week in Litchfield, and 48.50 hours per week in Hutchinson.

In addition, HSB maintains a web site that is for informational purposes. On the website, a customer may view bank information including, but not limited to, product and service descriptions, bank news, bank history and a customer also has "contact-us" capabilities via e-mail. Individuals can open deposit accounts and submit consumer loan applications through our website. Included on the web site is a link for HSB online banking.

HSB online banking features include retrieving balances, transferring funds between HSB accounts or to external accounts they own, making loan payments, printing statements, accessing account histories, viewing check images, and utilizing bill payment services, controlling debit card functionality and account alerts.

**Hours of Operation** 

Facility	Lobby Hours	Drive-up Hours
		8:00 – 5:30 Mon - Thurs
1610 E Highway 12		7:30 – 5:30 Fri
Willmar MN 56201	9:00 – 4:00 Mon - Fri	9:00 – 12:00 Sat
200 Milky Way St S	9:00 – 12:30 1:00 – 3:00 Mon – Thurs	Not Applicable
Cosmos MN 56228	9:00 – 12:30 1:00 – 4:00 Fri	
		8:00 – 5:00 Mon – Thurs
1435 E Highway 12	9:00 – 4:00 Mon – Thurs	8:00 – 5:30 Fri
Litchfield MN 55355	9:00 – 5:00 Fri	9:00 – 12:00 Sat
		8:00 – 5:00 Mon. – Thurs
745 Highway 7 W	9:00 – 4:00 Mon – Thurs	8:00 – 5:30 Fri
Hutchinson MN 55350	9:00 – 5:00 Fri	9:00 – 12:00 Sat

#### Online Banking

- Home State Bank's Online system access to Bank by Internet
- Account balance information deposit and loan accounts
- Funds transfer
- Account histories
- Check Images
- E-Statements
- Bill payment/Pop Money/Account to Account
- No-charge for Online Banking services except Pop Money and Bill Pay rush services.
- HSB Branded App
- Card Valet
- Notifi Account alerts

#### E-Business (requires HSB enrollment assistance)

- Online Banking plus the following
- Initiate ACH debits and credits
- Bill Pay Enrollment on E-Business accounts
- Remote Deposit Capture
- Stop payments

#### Bank by Mail

• 24-hour night drops at all facilities and bank-by-mail

# **Community Development Services**

HSB management and staff participate in a variety of community organizations:

Lori Dinnis: United Way of South Central Minnesota - Treasurer Laura Warne: Kandiyohi County Area YMCA - Finance Committee Matt Behm: Willmar/Kandiyohi County EDC - Finance Committee Dion Warne: Willmar Area Community Foundation - Board Member

Employees that didn't respond: None

# Innovativeness and Responsiveness of Community Development Services

Although HSB's assessment area does not offer many opportunities for innovative community development services, HSB has proved to be responsive to identified needs of those low and moderate-income individuals residing within the middle- and upper-income census tracts. HSB offers MHFA Fix up Fund Loans and RD -1<sup>st</sup> time Home Buyer loans that are for low – moderate income ranges. In 2023, there were 19 MHFA, 3 RD Loans and 0 SBA Loan made in HSB geographic trade area.

## **INVESTMENT TEST**

HSB has always maintained an ongoing high level of community development participation. HSB purchases, as part of their municipal portfolio, non-rated municipal bonds that are issued from Minnesota municipalities; many are within a 100-mile range of our trade territory. Home State Bank works diligently to meet the needs of small to medium size businesses, including applicants of color.

#### **LENDING TEST**

#### ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

#### **Product Development**

HSB has Deposit, Loan, Technology, Leadership and Executive committees that meet as needed to discuss new product ideas, including loan products. The various committees are comprised of lenders, upper management, operations staff, compliance, and marketing to ensure full input as to customer needs and product feasibility.

#### Senior Management

The HSB Loan Committee (which is made up of executive and senior management) meets weekly to discuss loan requests and regularly reviews lending services and policies.

#### MARKETING AND TYPES OF CREDIT OFFERED & EXTENDED

HSB's marketing and advertising programs are approved, reviewed and monitored by senior. The programs inform all segments of the community of general financial products and services offered, including those that have been developed to meet the identified needs of the community.

HSB subscribes to various compliance sources and all advertising and marketing materials are reviewed for compliance prior to implementation.

HSB's methods of informing the community about credit product availability and rate information includes, but is not limited to:

#### **♦ HSB Web Site**

Posting of credit product specials available to all.

#### Newspaper Ads

HSB maintains a consistent advertising program in a local newspaper that reach consumers in our delineated market area of Cosmos, the Galactic Gazette.

#### ♦ Digital Campaign

HSB maintains a consistent advertising Digital Campaign program that reach consumers in our delineated market area. These include but are not limited to: Digital Display Ads, Search Engine Marketing, social media including Facebook, Instagram, and YouTube. Deposit products and credit offerings are primarily promoted in these advertisements.

#### ♦ Radio

HSB also advertises on local radio stations in each of our communities throughout the year. These include but are not limited to: 102.5 – Q102-KQIC and 94.1 – The Loon- KKLN.

#### Direct Mail

HSB advertises using postcards mailed directly to individuals in our delineated market area. These communities include but not limited to Willmar, Kandiyohi, Atwater, Grove City, Litchfield, Darwin, Dassel, Hutchinson, Cosmos and Lake Lillian.

#### **♦** Miscellaneous Advertising

HSB also has advertisements in the following locations to reach consumers in our delineated market area. These include but are not limited to: the West Central Realtors Association Home Plus Magazine, Billboard in Litchfield through Lamar Advertising, Placemats and display board at the Cosmos Mug Shots.

HSB does in-house advertising with lobby posters, teller mats, drive thru posters and banners, brochures, and a lobby video in Willmar.

# **♦** In-House Assistance

HSB's personal lenders work primarily inside the bank and routinely provide assistance to individuals in understanding and applying for credit.

HSB currently uses Encompass system to provide quick response to area homebuyers. Encompass will provide instant credit evaluations.

# GEOGRAPHIC DISTRIBUTION OF HSB ASSESSMENT AREA

• HSB's Assessment Area was last revised in 2014. The following Census Tracts make up our Assessment Area.

Our delineated community fully meets the purpose of the CRA and does not exclude any low-moderate income neighborhoods. The census tracts (28) included in our assessment area are:

COUNTY	CENSUS TRACT CODE	TRACT MINORITY %	TRACT INCOME CATEGORY	PERCENT MEDIAN FAMILY INCOME	TRACT INCOME LEVEL
Kandiyohi	7709	45.88%	50% - <80%	59.77%	Moderate
Kandiyohi	7801	5.76%	80% - <120%	118.74%	Middle
Kandiyohi	7802	3.16%	80% - <120%	116.85%	Middle
Kandiyohi	7803	5.61%	≥120%	123.94%	Upper
Kandiyohi	7804	7.33%	≥120%	129.07%	Upper
Kandiyohi	7805	46.58%	50% - <80%	74.68%	Moderate
Kandiyohi	7806	14.47%	≥120%	125.81%	Upper
Kandiyohi	7807	26.87%	80% - <120%	97.00%	Middle
Kandiyohi	7808	56.82%	50% - <80%	79.11%	Moderate
Kandiyohi	7810	41.20%	50% - <80%	79.23%	Moderate
Kandiyohi	7811	8.18%	80% - <120%	105.30%	Middle
Kandiyohi	7812	9.77%	80% - <120%	102.59%	Middle
COUNTY	CENSUS TRACT CODE	TRACT MINORITY %	TRACT INCOME CATEGORY	PERCENT MEDIAN FAMILY INCOME	TRACT INCOME LEVEL

McLeod	9501	7.81%	80% - <120%	106.78%	Middle
McLeod	9502	5.75%	≥120%	136.19%	Upper
McLeod	9503.01	11.65%	80% - <120%	115.10%	Middle
McLeod	9503.02	11.39%	≥120%	121.57%	Upper
McLeod	9504.01	12.98%	80% - <120%	103.86	Middle
McLeod	9504.02	10.73%	80% - <120%	88.32%	Middle
McLeod	9505	6.63%	80% - <120%	107.87%	Middle
McLeod	9506	9.68%	80% - <120%	115.40%	Middle
McLeod	9507	21.10%	80% - <120%	98.05%	Middle
COUNTY	CENSUS TRACT	TRACT	TRACT INCOME	PERCENT	TRACT INCOME
	CODE	MINORITY %	CATEGORY	MEDIAN	LEVEL
				FAMILY	
				FAMILY INCOME	
Meeker	5601	5.07%	80% - <120%		Middle
Meeker Meeker	5601 5602	5.07% 5.81%	80% - <120% 80% - <120%	INCOME	Middle  Middle
				112.89%	
Meeker	5602	5.81%	80% - <120%	112.89% 118.61%	Middle
Meeker Meeker	<b>5602</b> 5603	<b>5.81%</b> 10.92%	80% - <120% 80% - <120%	112.89% 118.61% 86.22%	Middle  Middle
Meeker Meeker Meeker	5602 5603 5604	5.81% 10.92% 15.52%	80% - <120% 80% - <120% 80% - <120%	112.89% 118.61% 86.22% 99.06%	Middle  Middle  Middle

#### **DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

- ♦ HSB does not discriminate in any of its lending. Training programs are in place to ensure compliance with applicable regulations. A written policy exists in HSB's Loan Policy Manual regarding the prohibition of illegal discrimination of credit applicants. HSB's Compliance Officer and Human Resource Manager keep track of all training being done and ensure that this compliance training is performed according to a set schedule. (**Teresa Johnson and Jennifer Unterburger**)
- ♦ HSB is in substantial compliance with all provisions of the anti-discrimination laws and regulations, including Equal Credit Opportunity Act, Fair Housing Act and any agency regulations regarding the non-discriminatory treatment of credit applicants.
- ♦ HSB's legal lending limit is \$2,076,476. This enables it to fulfill the needs of community residents and small to mid-size businesses within the area.
- HSB is well capitalized and a safe and sound financial institution. The served community is primarily middle upper income families with an average senior population.
- ♦ HSB has established good working relationships and is known as being the lead bank of the community with an excellent record of corporate citizenship and community service.

•	There are many informal activities that assist HSB in meeting its community credit needs. The majority of employees and board members live in the community or engage in community activities that provide a forum for discussion about HSB services. The bank is well known for its charitable donations and civic contributions and this knowledge makes it easy for individuals and organizations to approach the bank for special credit needs or financial assistance.

# **PUBLIC DISCLOSURE**

October 29, 2018

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home State Bank Certificate Number: 9745

1435 East Highway 12 Litchfield, Minnesota 55355

Federal Deposit Insurance Corporation Division of Depositor and Consumer Protection Kansas City Regional Office

> 1100 Walnut Street, Suite 2100 Kansas City, Missouri 64106

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 RATING

**INSTITUTION'S CRA RATING:** This institution is rated <u>Satisfactory</u>. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Home State Bank's satisfactory Community Reinvestment Act (CRA) performance under the applicable criteria supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize Home State Bank's performance.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- The bank made a majority of its small business, small farm, and home mortgage loans in its assessment area.
- The geographic distribution of loans reflects an overall reasonable dispersion throughout the assessment area.
- The distribution by borrowers reflects an overall reasonable penetration of loans among businesses and farms of different revenue sizes and individuals of different income levels.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

#### SCOPE OF EVALUATION

#### **General Information**

This evaluation covers the period from the previous evaluation dated January 22, 2013, to the current evaluation dated October 29, 2018. Examiners used the Interagency Small Institution Examination Procedures, which considered Home State Bank's performance according to the following criteria.

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

This evaluation does not include any lending activity performed by affiliates.

# **Loan Products Reviewed**

Examiners determined that the bank's major product lines are commercial, agricultural, and home mortgage loans. This conclusion considered the bank's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the bank's Consolidated Reports of Condition and Income (Report of Condition). The June 30, 2018, Report of Condition reflects that commercial, home mortgage, agricultural, and consumer loans represent 46.0 percent, 19.9 percent, 15.7 percent, and 5.1 percent of total loans, respectively.

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. Therefore, examiners reviewed a sample of small business, small farm, and home mortgage loans originated or renewed between January 1, 2017, and December 31, 2017. This period of time (2017) was considered representative of performance during the entire evaluation period. D&B data for 2017 provided a standard of comparison for the bank's small business and small farm lending performance. For home mortgage loans, 2015 American Community Survey (ACS) data provided a standard of comparison. Small business lending received the most weight in the analysis, which is consistent with the primary commercial lending focus of the institution, according to bank management and the loan portfolio. Following small business lending, small farm and home mortgage lending received equal weight when arriving at overall conclusions based upon the loan portfolio. Examiners did not evaluate consumer loans due to its small portion (5.1 percent) of the loan portfolio.

The following table provides the loan universe and the loan review information.

Loan Products Reviewed					
	Universe		Reviewed		
Loan Category	#	\$(000s)	#	\$(000s)	
Small Business	140	16,347	33	1,959	
Small Farm	31	4,297	16	2,132	
Home Mortgage	58	3,123	25	1,176	

Examiners considered the number and dollar volume of small business, small farm, and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses, farms, and individuals served.

## **DESCRIPTION OF INSTITUTION**

#### **Background**

Home State Bank is wholly-owned by Kandiyohi Bancshares, Inc., a one-bank holding company. Home State Bank received a "Satisfactory" rating at its January 22, 2013 FDIC Performance Evaluation based on Interagency Small Institution Examination Procedures.

## **Operations**

Home State Bank operates four full-service branches in Minnesota. Branches in south central Minnesota include the main office located in Litchfield with full-service branches located in Cosmos, Hutchinson, and Willmar. Home State Bank operates an automated teller machine (ATM) at its Litchfield, Willmar, and Hutchinson branches. Since the previous examination, the bank closed its retail branch located in the Hutchinson Cash Wise supermarket, which is located in a middle-income census tract. Home State Bank has not opened any branches nor had any merger or acquisition activities since the prior evaluation.

Home State Bank offers various loan products including commercial, agricultural, home mortgage, and consumer loans, primarily focusing on commercial lending. Additionally, Home State Bank originates loans through programs offered by the Small Business Administration, U.S. Department of Agriculture, and Minnesota Housing Finance Agency. The bank also assists with gap financing in conjunction with the following organizations: Southwest Initiative Foundation, Kandiyohi County and City of Willmar Economic Development Corporation, Midwest Minnesota Community Development Corporation, and Meeker County Economic Development Corporation. These loan programs and organizations are generally designed to assist small businesses and individuals who may not qualify for loans through conventional financing methods. Furthermore, Home State Bank continues to originate mortgage loans that are subsequently sold through secondary-market relationships. Since the prior CRA Evaluation, Home State Bank originated 372 secondary-market loans totaling over \$82.7 million.

Home State Bank provides a variety of deposit services including checking, savings, individual retirement accounts, and certificates of deposit. In addition, customers have access to internet banking, mobile banking, bill pay, and electronic periodic statements.

# **Ability and Capacity**

Assets totaled \$142,587,000 as of June 30, 2018, representing an 8.8 percent increase since the September 30, 2012, Report of Condition. Total deposits equaled \$117,827,000, demonstrating a 15.1 percent increase, and total loans equaled \$85,912,000, representing a 13.0 percent increase during the same period.

Since the previous CRA Evaluation, residential real estate loans have decreased 15.9 percent, commercial loans have increased 10.5 percent, and agricultural loans have increased 40.4 percent. According to management, the decrease in home mortgage lending is attributed to borrowers requesting lower rate secondary market loans that the bank does not retain in its loan portfolio. The commercial loan growth is organic and the agricultural loan growth is attributed to economic conditions, existing business relationships, and loan demand. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as o	of 6/30/2018	
Loan Category	\$(000s)	9/0
Construction and Land Development	5,353	6.2
Secured by Farmland	7,203	8.4
Secured by 1-4 Family Residential Properties	17,002	19.8
Secured by Multifamily (5 or more) Residential Properties	45	0.1
Secured by Nonfarm Nonresidential Properties	20,599	24.0
Total Real Estate Loans	50,202	58.5
Commercial and Industrial Loans	18,933	22.0
Agricultural Loans	6,293	7.3
Consumer Loans	4,369	5.1
Other Loans	6,115	7.1
Less: Unearned Income	0	0
Total Loans	85,912	100.0
Source: Report of Condition	-	<u> </u>

Examiners did not identify any legal, financial, or other impediments that affect Home State Bank's ability to meet the credit or retail needs of its assessment area.

#### **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires financial institutions to define one or more assessment areas within which examiners will evaluate Home State Bank's CRA performance. Since the previous examination, management revised its assessment area. Due to a decrease in lending activity from borrowers located in Renville County, management removed this county from its assessment area.

The following section discusses demographic and economic information, as well as credit needs and opportunities for the assessment area.

#### **Economic and Demographic Data**

Home State Bank has designated one contiguous assessment area that includes all of Kandiyohi, Meeker, and McLeod counties. All three counties are part of nonmetropolitan Minnesota. Additionally, all of the bank's full service branches are located in a middle-income census tract.

According to the 2015 ACS, the assessment area includes 1 moderate-income census tract, 21 middle-income census tracts, and 3 upper-income census tracts. Since the previous CRA Evaluation, (based on the 2000 U.S. Census) the Willmar branch (census tract 7810 in Kandiyohi County) changed from a moderate-income geography to a middle-income geography. Other census tract changes include census tract 7805 in Kandiyohi County, which changed from a middle-income geography to a moderate-income geography. The following table illustrates select demographic characteristics of the assessment area.

Demogra	phic Inform	nation of t	he Assessment	Area		
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	0.0	4.0	84.0	12.0	0.0
Population by Geography	101,619	0.0	4.9	83.6	11.5	0,0
Housing Units by Geography	46,003	0.0	4.5	84.1	11.5	0.0
Owner-Occupied Units by Geography	30,774	0.0	2.9	84.3	12.7	0.0
Occupied Rental Units by Geography	9,920	0.0	9.5	85.1	5.4	0.0
Vacant Units by Geography	5,309	0.0	4.0	80.5	15.4	0.0
Businesses by Geography	6,694	0.0	3.5	84.7	11.8	0.0
Farms by Geography	1,058	0.0	0.7	79.7	19.7	0.0
Family Distribution by Income Level	27,705	16.6	16.9	24.3	42.2	0.0
Household Distribution by Income Level	40,694	20.6	15.4	19.3	44.7	0.0
Median Family Income Non-Metropolitan Minnesota		\$63,182	Median Housi	ng Value		\$160,413
			Median Gross	Rent		\$671
			Families Belo	w Poverty Le	evel	6.7%

Source: 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0

(\*) The NA category consists of geographies that have not been assigned an income classification.

According to 2017 D&B data, there were 1,058 farms in the assessment area. Gross annual revenues (GARs) for these farms are as follows:

- 96.5 percent have \$1 million or less.
- 2.0 percent have more than \$1 million.
- 1.5 percent have unknown revenues.

According to 2017 D&B data, there were 6,694 businesses in the assessment area. GARs for these businesses are as follows:

- 79.9 percent have \$1 million or less.
- 7.2 percent have more than \$1 million.
- 12.9 percent have unknown revenues.

The analysis of small farm and small business loans under the Borrower Profile criterion compares the distribution of farms and businesses by GAR level. According to 2017 D&B data, service industries represent the largest portion of businesses at 37.1 percent; followed by agriculture, forestry, and fishing (13.7 percent); retail trade (11.7 percent); and construction (10.1 percent). In addition, 71.7 percent of area businesses have 4 or fewer employees, and 87.4 percent operate from a single location. Management indicated that some of the largest employers in this assessment area include 3M Corporation; Sparboe Farms; Jennie-O Turkey; Towmaster Trailers; and First District Association; in addition to school districts, hospitals, and county and city government entities.

The 2017 Federal Financial Institutions Examination Council (FFIEC) updated median family income levels were used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories for non-metropolitan Minnesota are presented in the following table.

Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2017	<\$32,650	\$32,650 to <\$52,240	\$52,240 to <\$78,360	≥\$78,360

Based upon 2015 ACS data, there are 46,003 housing units in the assessment area. Of these, 66.9 percent are owner-occupied, 21.6 percent are occupied rental units, and 11.5 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor Statistics, presented in the following table, shows that unemployment rates have generally declined from 2013 to 2017, both locally and nationwide, which indicates economic improvement. The 2017 average annual unemployment rates for McLeod and Kandiyohi counties are comparable to the statewide rate and lower than the national rate. However, the 2017 average annual unemployment rate for Meeker County is higher than the statewide rate and comparable to the national rate.

Unemployment Rates								
Area	2013	2014	2015	2016	2017			
	%	%	%	%	%			
Kandiyohi County	4.8	4.2	3.7	3.8	3.3			
McLeod County	5.6	4.6	3.9	4.4	3.8			
Meeker County	5.5	4.6	4.2	4.5	4.1			
State of Minnesota	5.0	4.2	3.7	3.9	3.5			
National Average	7.4	6.2	5.3	4.9	4.4			

#### Competition

Home State Bank operates in a competitive market for credit products and financial services. According to 2018 Report of Condition data filed by financial institutions, there are 24 financial institutions operating 47 locations within the assessment area. These institutions range from small community banks to larger financial institutions. Home State Bank is ranked 8<sup>th</sup> with 4.8 percent of the deposit market share. Management stated that during the CRA evaluation period, there has been competition for all loan types from these financial institutions.

#### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. Examiners reviewed comments from two previously conducted interviews with representatives of an economic development organization and an agribusiness-related organization.

The economic development organization contact stated that there has been an influx in start-up businesses in recent years, which evidences growth. The contact stated that unemployment for the area is extremely low; although, there is a need for more skilled labor for manufacturing-related jobs. In addition to the manufacturing sector, there are also employment vacancies within the medical and trucking industries. The contact also mentioned that wages have been stagnant, but was optimistic about future wages because unemployment remains low, and employers may be pressured to increase wages.

Regarding the housing economy, the contact stated there is a need for more affordable housing, including rental housing. The contact mentioned that the area has not fully recovered from the 2008-2009 housing crisis. In addition to the lack of skilled workforce and affordable housing, there is also a lack of childcare facilities for young working families.

Overall, the contact mentioned local credit needs include the following: agricultural loans to mid-sized farming entities and those farmers with less equity, commercial loans for entrepreneurs and start-ups, and home mortgage loans such as for home purchase and refinance. Lastly, the contact stated that financial institutions have been responsive to the credit needs.

The agribusiness-related contact described the overall economy as unstable. The individual added that the area is dependent on agriculture and agricultural-related industries, yet there has been a decline in all sectors of this industry. The contact added that there are fewer family farms, as they are being taken over by larger corporate operations. Finally, the individual believes that area financial institutions are doing what they can to serve their customers and communities.

# **CONCLUSIONS ON PERFORMANCE CRITERIA**

Home State Bank demonstrated satisfactory performance under the Lending Test. The bank's reasonable performance under each of the following criterion supports this conclusion.

# **LENDING TEST**

#### Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 65.7 percent over the past 22 calendar quarters from March 31, 2013, to June 30, 2018. The ratio ranged from a low of 53.0 percent as of March 31, 2014, to a high of 74.0 percent as of September 30, 2017. Home State Bank's net loan-to-deposit ratio has been generally consistent during the evaluation period with an overall increase of 10.7 percent. Overall, the bank's average net loan-to-deposit ratio is reasonable when compared to the ratios of similar institutions. Examiners selected similar institutions based on asset size, geographic location, and lending focus.

Bank	Total Assets as of 6/30/2018 (\$000s)	Average Net Loan-to-Deposit Ratio (%)	
Home State Bank Litchfield, Minnesota	142,587	65.7	
Center National Bank Litchfield, Minnesota	196,591	50.7	
Citizens Bank & Trust Co. Hutchinson, Minnesota	206,889	67.4	
Lake Region Bank New London, Minnesota	110,146	59.5	
North American State Bank Belgrade, Minnesota	95,598	72.1	
Perennial Bank Darwin, Minnesota	105,770	34.0	

#### **Assessment Area Concentration**

Home State Bank originated a majority of small farm, small business, and home mortgage loans within its assessment area, as shown in the following table.

		L	ending Ins	ide and Ou	tside of the	Assessment	Area			
		Number	Number of Loans			Dolla	rs Amount	of Loans \$	(000s)	
Loan Category	Ins	side	Ou	tside	Total Inside Outside		Total Inside		tside	Total \$(000s)
	#	%	#	%	7 77	\$	%	\$	0/0	3(0003)
Small Business	29	87.9	4	12.1	33	1,593	81.3	366	18.7	1,959
Small Farm	15	93.8	1	6.2	16	2,032	95.3	100	4.7	2,132
Home Mortgage	20	80.0	5	20.0	25	989	84.1	187	15.9	1,176
Source: 1/1/2017 - 12/3	1/2017 Bank	Data		· · ·	•				'	

# **Geographic Distribution**

Overall, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, and the bank's reasonable geographic dispersion of small business loans is the primary driver for this conclusion. Examiners analyzed the sample of small business, small farm, and home mortgage loans that were originated within the assessment area during the review period mentioned in the "Scope of the Evaluation" section. Home State Bank's assessment area does not include any low-income geographies; therefore, examiners placed particular emphasis under this criterion on lending in the moderate-income geography.

#### Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table shows that Home State Bank did not originate any of the sampled small business loans in the moderate-income geography. However, the geographic performance is considered reasonable as it is generally in line with comparable data. Furthermore, examiners confirmed through a review of the 2017 small business loan universe that the bank originated four small business loans in this moderate-income geography.

Geographic Distribution of Small Business Loans									
Tract Income Level	% of Businesses	#	%	\$(000s)	%				
Moderate	3.5	0	0.0	0	0.0				
Middle	84.7	21	72.4	1,337	83.9				
Upper	11.8	8	27.6	256	16.1				
Totals	100.0	29	100.0	1,593	100.0				

#### Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion. The following table shows that Home State Bank did not originate any of the sampled small farm loans in the moderate-income geography. Demographic data shows that 0.7 percent of assessment area farms are located in this moderate-income geography, which represents a total of seven farms. This low number of farms limits loan demand. Therefore, Home State Bank's geographic distribution of small farm loans is considered reasonable.

Geographic Distribution of Small Farm Loans								
Tract Income Level	% of Farms	#	0/0	\$(000s)	0/0			
Moderate	0.7	0	0.0	0	0.0			
Middle	79.7	13	86.7	1,819	89.5			
Upper	19.7	2	13.3	213	10.5			
Totals	100.0	15	100.0	2,032	100.0			

#### Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion. The following table shows that Home State Bank did not originate any of the sampled home mortgage loans in the moderate-income geography. However, the bank's performance is generally in line with comparable data. In addition, examiners confirmed through a review of the 2017 home mortgage loan universe that the bank originated three home mortgage loans in this moderate-income geography. Management also stated that the moderate-income geography includes a large number of rental units. Examiner's further analysis confirmed that 50.9 percent of the moderate-income housing units are rental properties located in the moderate-income geography, which limits loan demand. When considering these factors, the bank's geographic distribution of home mortgage loans is reasonable.

Geographic Distribution of Home Mortgage Loans									
Tract Income Level	% of Owner- Occupied Housing Units	#	%	\$(000s)	6/0				
Moderate	2.9	0	0.0	0	0.0				
Middle	84.3	19	95.0	902	91.2				
Upper	12.7	1	5.0	87	8.8				
Total	100.0	20	100.0	989	100.0				

Source: 2015 ACS Census, 1/1/2017 - 12/31/2017 Bank Data

Due to rounding, totals may not equal 100.0

#### **Borrower Profile**

Overall, the bank's lending performance reflects reasonable penetration among businesses and farms of different revenue sizes and individuals of different income levels. Home State Bank's excellent performance in small business lending and reasonable lending in small farm and home mortgage supports this conclusion. Examiners focused on the percentage of small business loans and small farm loans to operations with GARs of \$1 million or less. They also focused on the percentage of home mortgage loans to low-and-moderate income borrowers.

#### Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. The following table shows that 86.2 percent of the sampled small business loans were originated to businesses with GARs of \$1 million or less, which exceeds the percent of businesses in this revenue category. This level of lending reflects excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category								
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%			
<=\$1,000,000	79.9	25	86.2	1,328	83.4			
>1,000,000	7.2	4	13.8	265	16.6			
Revenue Not Available	12.9	0	0.0	0	0.0			
Total	100.0	29	100.0	1,593	100.0			

#### Small Farm Loans

The distribution of small farm loans within the assessment area reflects reasonable penetration of loans to farms with GARs of \$1 million or less. The following table shows that 93.3 percent of the sampled small farm loans were originated to farms with GARs of \$1 million or less, which is slightly lower than the percent of farms in this revenue category. However, there are factors that contribute to the lower performance. According to the 2012 Agricultural Census data (the most recently available) the percentage of farmers that did not pay interest in the assessment area was approximately 51 percent, which represents a large population of farms that do not appear to have credit needs. Furthermore, management stated that agricultural lending is not a primary business focus of the bank. Considering these factors, Home State Bank's distribution of lending reflects reasonable performance among farms of different revenue sizes.

Distribution of Small Farm Loans by Gross Annual Revenue Category									
Gross Revenue Level	% of Farms	#	%	\$(000s)	%				
<=\$1,000,000	96.5	14	93.3	1,832	90.2				
>1,000,000	2.0	1	6.7	200	9.8				
Revenue Not Available	1.5	0	0.0	0	0.0				
Total	100.0	15	100.0	2,032	100,0				

## Home Mortgage Loans

The distribution of sampled home mortgage loans to individuals of different income levels, including low-and-moderate income borrowers, is reasonable. Home mortgage lending to low-income borrowers, at 25.0 percent, exceeds demographic data. The bank's performance of lending to moderate-income borrowers, at 5.0 percent, is lower than demographic data. Management stated that the lack of affordable housing makes it difficult for low-and moderate-income families to purchase homes. The community contact confirmed the affordable housing shortage, which decreases the opportunity for lending to families of these income levels. Overall, the bank's home mortgage lending performance to borrowers of different income levels is reasonable when considering demographic and economic information.

Distribution of Home Mortgage Loans by Borrower Income Level									
Borrower Income Level	% of Families	#	0/0	\$(000s)	%				
Low	16.6	5	25.0	194	19.6				
Moderate	16.9	1	5.0	37	3.8				
Middle	24.3	3	15.0	100	10.1				
Upper	42.2	11	55.0	658	66.5				
Income Not Available	0.0	0	0.0	0	0.0				
Total	100.0	20	100.0	989	100.0				

Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data

Due to rounding, totals may not equal 100.0

# Response to Complaints

Home State Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

# DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect Home State Bank's overall CRA rating.

#### **GLOSSARY**

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic

branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

	Home State Bank, Litchfield									
Call Report Date	Net Loans to Deposits	Total Deposits	Net Loans	Total Assets						
3/31/2023	55.72%	\$171,160	\$95,373	\$198,131						
6/30/2023	56.58%	\$174,292	\$98,621	\$205,238						
9/30/2023	55.91%	\$174,629	\$97,638	\$199,283						
12/31/2023	59.41%	\$170,694	\$101,412	\$204,667						

COUNTY	CENSUS TRACT CODE	TRACT MINORITY %	TRACT INCOME CATEGORY	PERCENT MEDIAN FAMILY INCOME	TRACT INCOME LEVEL
Kandiyohi	7709	45.88%	50% - <80%	59.77%	Moderate
Kandiyohi	7801	5.76%	80% - <120%	118.74%	Middle
Kandiyohi	7802	3.16%	80% - <120%	116.85%	Middle
Kandiyohi	7803	5.61%	≥120%	123.94%	Upper
Kandiyohi	7804	7.33%	≥120%	129.07%	Upper
Kandiyohi	7805	46.58%	50% - <80%	74.68%	Moderate
Kandiyohi	7806	14.47%	≥120%	125.81%	Upper
Kandiyohi	7807	26.87%	80% - <120%	97.00%	Middle
Kandiyohi	7808	56.82%	50% - <80%	79.11%	Moderate
Kandiyohi	7810	41.20%	50% - <80%	79.23%	Moderate
Kandiyohi	7811	8.18%	80% - <120%	105.30%	Middle
Kandiyohi	7812	9.77%	80% - <120%	102.59%	Middle
COUNTY	CENSUS TRACT CODE	TRACT MINORITY %	TRACT INCOME CATEGORY	PERCENT MEDIAN FAMILY INCOME	TRACT INCOME LEVEL
McLeod	9501	7.81%	80% - <120%	106.78%	Middle
McLeod	9502	5.75%	≥120%	136.19%	Upper
McLeod	9503.01	11.65%	80% - <120%	115.10%	Middle
McLeod	9503.02	11.39%	≥120%	121.57%	Upper
McLeod	9504.01	12.98%	80% - <120%	103.86	Middle
McLeod	9504.02	10.73%	80% - <120%	88.32%	Middle
McLeod	9505	6.63%	80% - <120%	107.87%	Middle
McLeod	9506	9.68%	80% - <120%	115.40%	Middle
McLeod	9507	21.10%	80% - <120%	98.05%	Middle

COUNTY	CENSUS TRACT CODE	TRACT MINORITY %	TRACT INCOME CATEGORY	PERCENT MEDIAN FAMILY INCOME	TRACT INCOME LEVEL
Meeker	5601	5.07%	80% - <120%	112.89%	Middle
Meeker	<mark>5602</mark>	5.81%	80% - <120%	118.61%	Middle
Meeker	5603	10.92%	80% - <120%	86.22%	Middle
Meeker	5604	15.52%	80% - <120%	99.06%	Middle
Meeker	5605	3.76%	80% - <120%	106.60%	Middle
Meeker	<mark>5606</mark>	<mark>7.10%</mark>	80% - <120%	97.28%	Middle
Meeker	9999.99	7.62%	80% - <120%	105.40%	Middle

**Low** = <50% **Moderate** = 50% - <80% **Middle** = 80% - <120% **Upper** = ≥120% **Median income** = \$90,400

# **2023 FFIEC Census Report - Summary Census Demographic Information**

State: 27 - MINNESOTA (MN)
County: 067 - KANDIYOHI COUNTY



State Code		Tract Code	Tract Income Level	Distressed or Underserved Tract	Tract Median Family Income %	2023 FFIEC Est.MSA/MD non- MSA/MD Median Family Income	2023 Est. Tract Median Family Income	2020 Tract Median Family Income	Tract Population	Tract Minority %	Minority Population	Owner Occupied Units	1- to 4- Family Units
27	067	7709.00	Moderate	No	59.77	\$90,400	\$54,032	\$44,674	2962	45.88	1359	458	719
27	067	7801.00	Middle	No	118.74	\$90,400	\$107,341	\$88,750	2639	5.76	152	955	1714
27	067	7802.00	Middle	No	116.85	\$90,400	\$105,632	\$87,337	2374	3.16	75	959	1725
27	067	7803.00	Upper	No	123.94	\$90,400	\$112,042	\$92,633	4189	5.61	235	1443	1988
27	067	7804.00	Upper	No	129.07	\$90,400	\$116,679	\$96,467	3654	7.33	268	1311	1674
27	067	7805.00	Moderate	No	74.68	\$90,400	\$67,511	\$55,814	5180	46.58	2413	1163	1600
27	067	7806.00	Upper	No	125.81	\$90,400	\$113,732	\$94,034	5238	14.47	758	1580	1896
27	067	7807.00	Middle	No	97.00	\$90,400	\$87,688	\$72,500	4083	26.87	1097	1061	1507
27	067	7808.00	Moderate	No	79.11	\$90,400	\$71,515	\$59,130	2230	56.82	1267	280	585
27	067	7810.00	Moderate	No	79.23	\$90,400	\$71,624	\$59,219	5585	41.20	2301	1283	1759
27	067	7811.00	Middle	No	105.30	\$90,400	\$95,191	\$78,700	2691	8.18	220	935	1385
27	067	7812.00	Middle	No	102.59	\$90,400	\$92,741	\$76,675	2907	9.77	284	1014	1336

<sup>\*</sup> Will automatically be included in the 2024 Distressed or Underserved Tract List

# **2023 FFIEC Census Report - Summary Census Demographic Information**

State: 27 - MINNESOTA (MN) County: 085 - MCLEOD COUNTY



State Code		Tract Code	Tract Income Level	Distressed or Underserved Tract	Tract Median Family Income %	2023 FFIEC Est.MSA/MD non- MSA/MD Median Family Income	2023 Est. Tract Median Family Income	2020 Tract Median Family Income	Tract Population	Tract Minority %	Minority Population	Owner Occupied Units	1- to 4- Family Units
27	085	9501.00	Middle	No	106.78	\$90,400	\$96,529	\$79,805	5378	7.81	420	1754	2117
27	085	9502.00	Upper	No	136.19	\$90,400	\$123,116	\$101,786	4036	5.75	232	1290	1471
27	085	9503.01	Middle	No	115.10	\$90,400	\$104,050	\$86,023	3408	11.65	397	941	1123
27	085	9503.02	Upper	No	121.57	\$90,400	\$109,899	\$90,864	3098	11.39	353	930	1069
27	085	9504.01	Middle	No	103.86	\$90,400	\$93,889	\$77,625	5831	12.98	757	1871	2135
27	085	9504.02	Middle	No	88.32	\$90,400	\$79,841	\$66,012	1864	10.73	200	545	659
27	085	9505.00	Middle	No	107.87	\$90,400	\$97,514	\$80,625	2715	6.63	180	885	1214
27	085	9506.00	Middle	No	115.40	\$90,400	\$104,322	\$86,250	4639	9.68	449	1443	1703
27	085	9507.00	Middle	No	98.05	\$90,400	\$88,637	\$73,285	5802	21.10	1224	1591	1878

<sup>\*</sup> Will automatically be included in the 2024 Distressed or Underserved Tract List

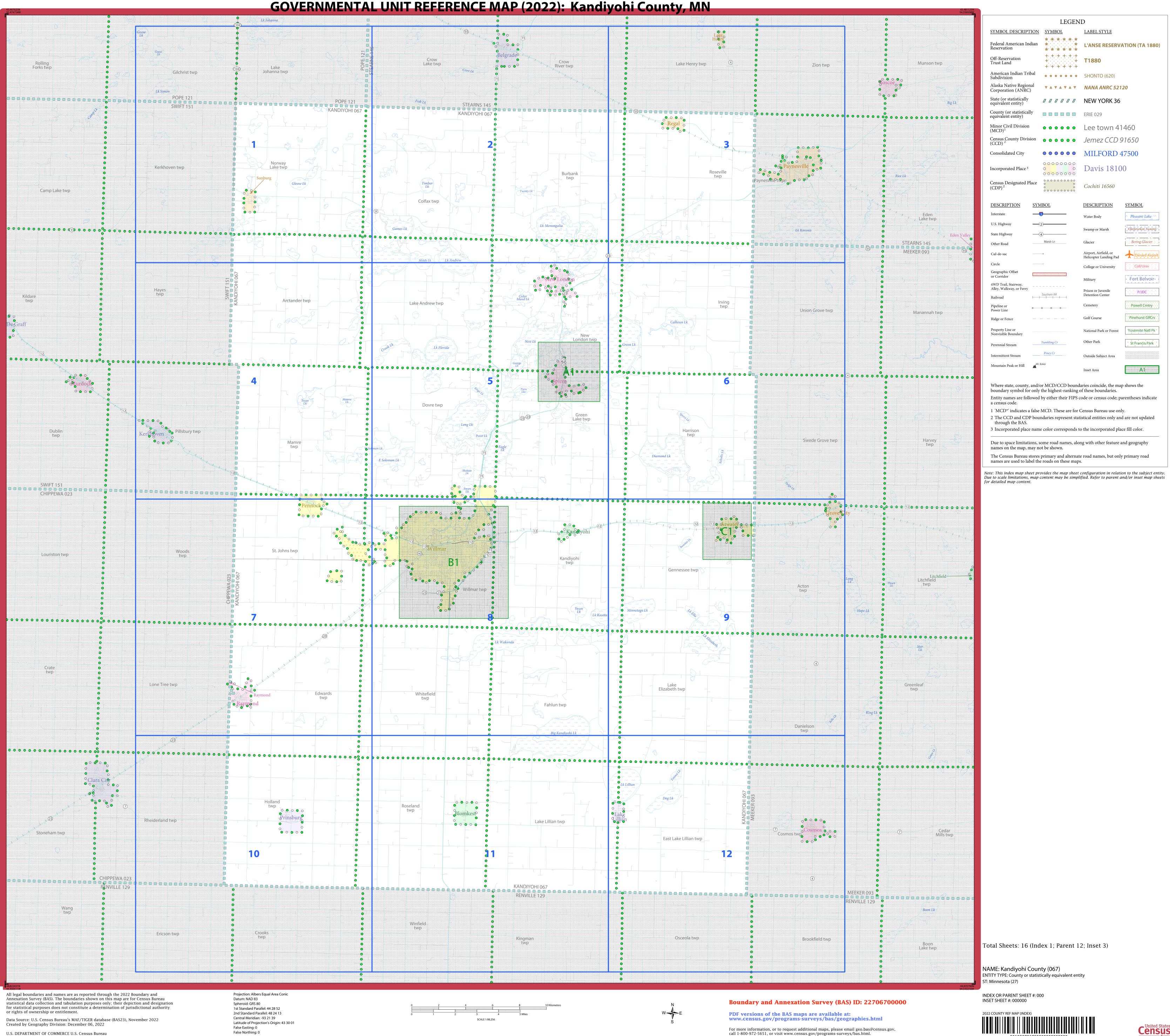
# 2023 FFIEC Census Report - Summary Census Demographic Information

State: 27 - MINNESOTA (MN) County: 093 - MEEKER COUNTY

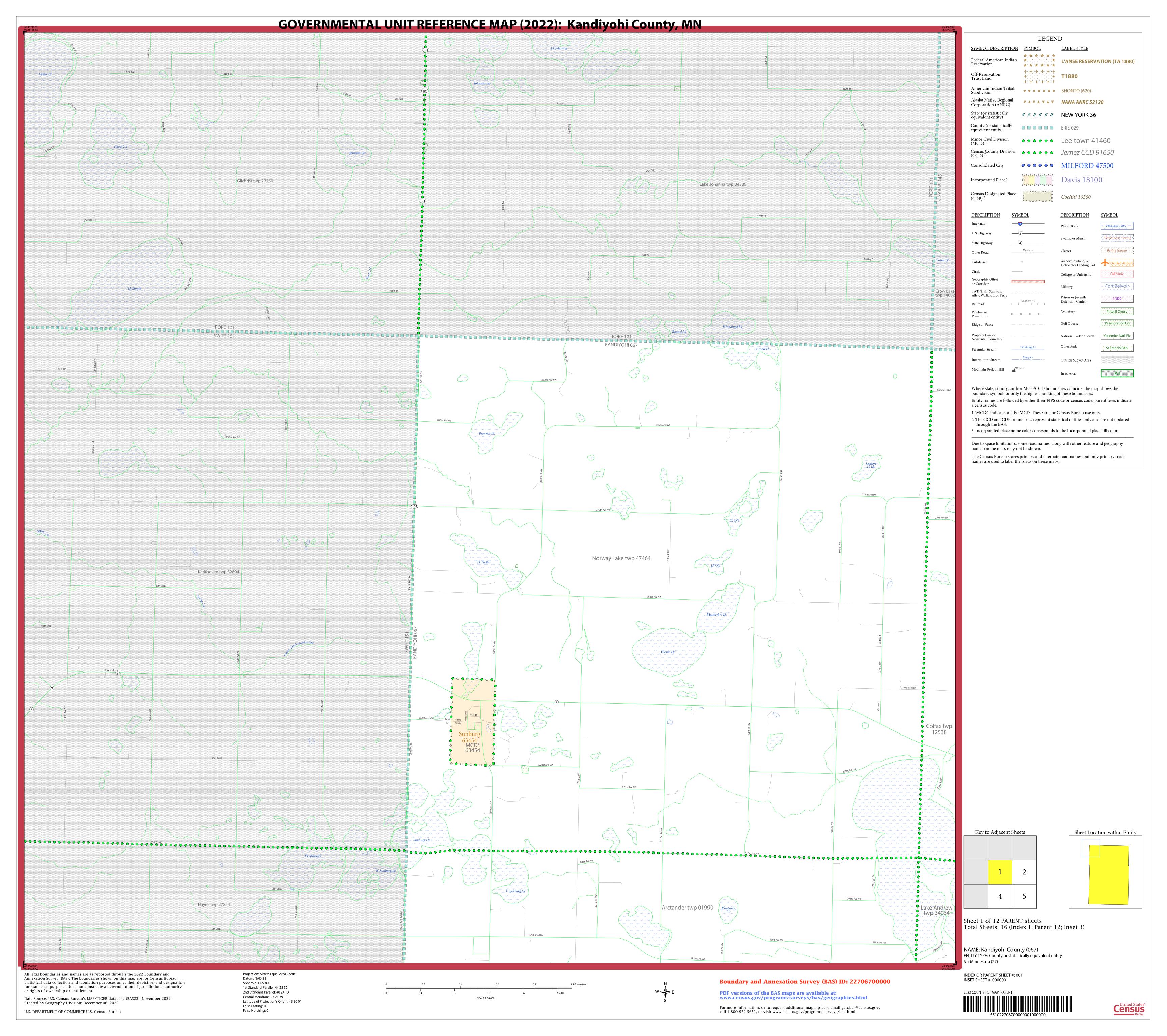


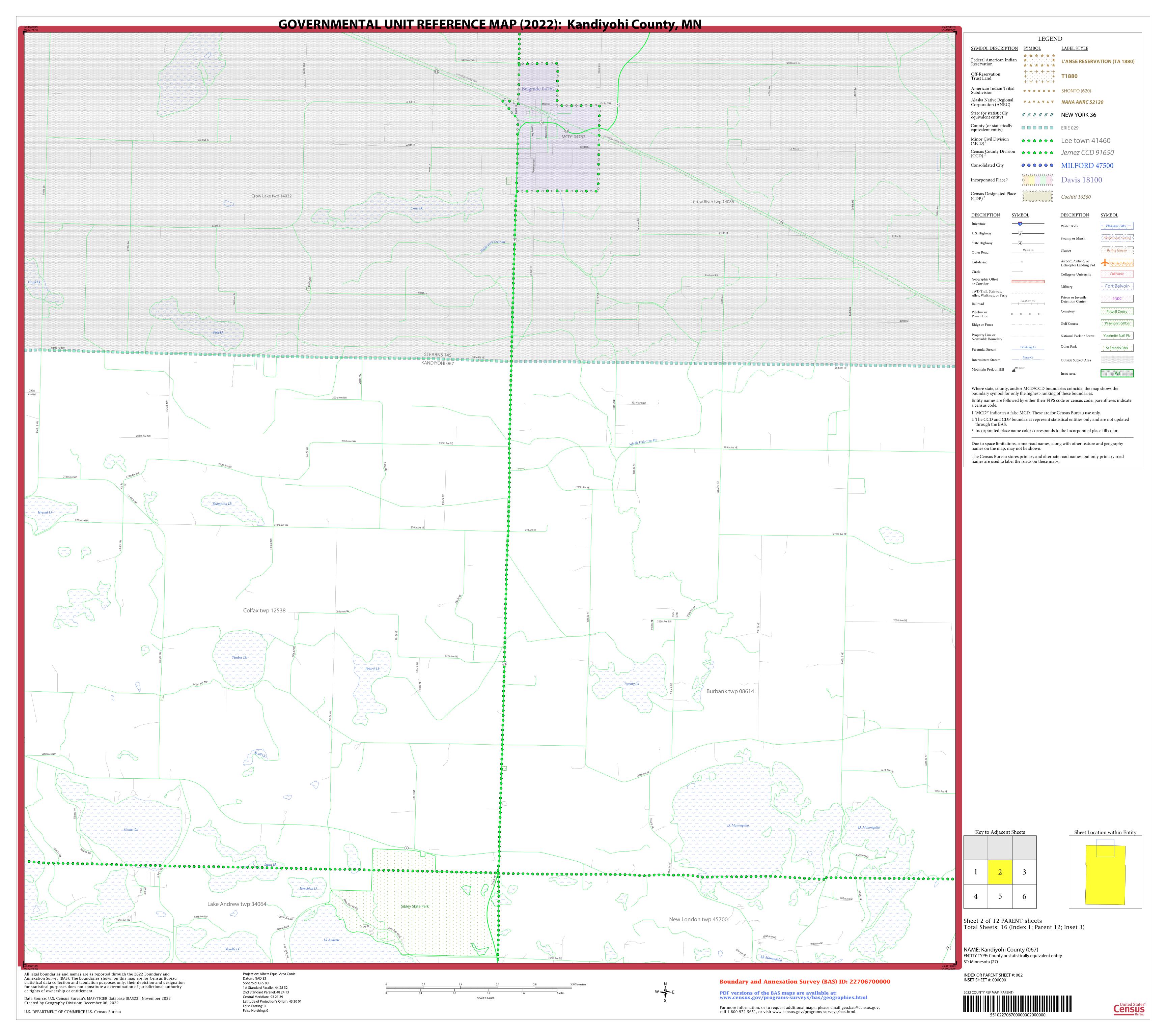
State Code		Tract Code	Tract Income Level	Distressed or Underserved Tract	Tract Median Family Income %	2023 FFIEC Est.MSA/MD non- MSA/MD Median Family Income	2023 Est. Tract Median Family Income	2020 Tract Median Family Income	Tract Population	Tract Minority %	Minority Population	Owner Occupied Units	1- to 4- Family Units
27	093	5601.00	Middle	No	112.89	\$90,400	\$102,053	\$84,375	5207	5.07	264	1540	2060
27	093	5602.00	Middle	No	118.61	\$90,400	\$107,223	\$88,650	5164	5.81	300	1697	2427
27	093	5603.00	Middle	No	86.22	\$90,400	\$77,943	\$64,442	3827	10.92	418	1202	1563
27	093	5604.00	Middle	No	99.06	\$90,400	\$89,550	\$74,038	3015	15.52	468	917	1191
27	093	5605.00	Middle	No	106.60	\$90,400	\$96,366	\$79,671	3214	3.76	121	1132	1560
27	093	5606.00	Middle	No	97.28	\$90,400	\$87,941	\$72,708	2973	7.10	211	958	1383
27	093	9999.99	Middle	No	105.40	\$90,400	\$95,282	\$78,776	23400	7.62	1782	7446	10184

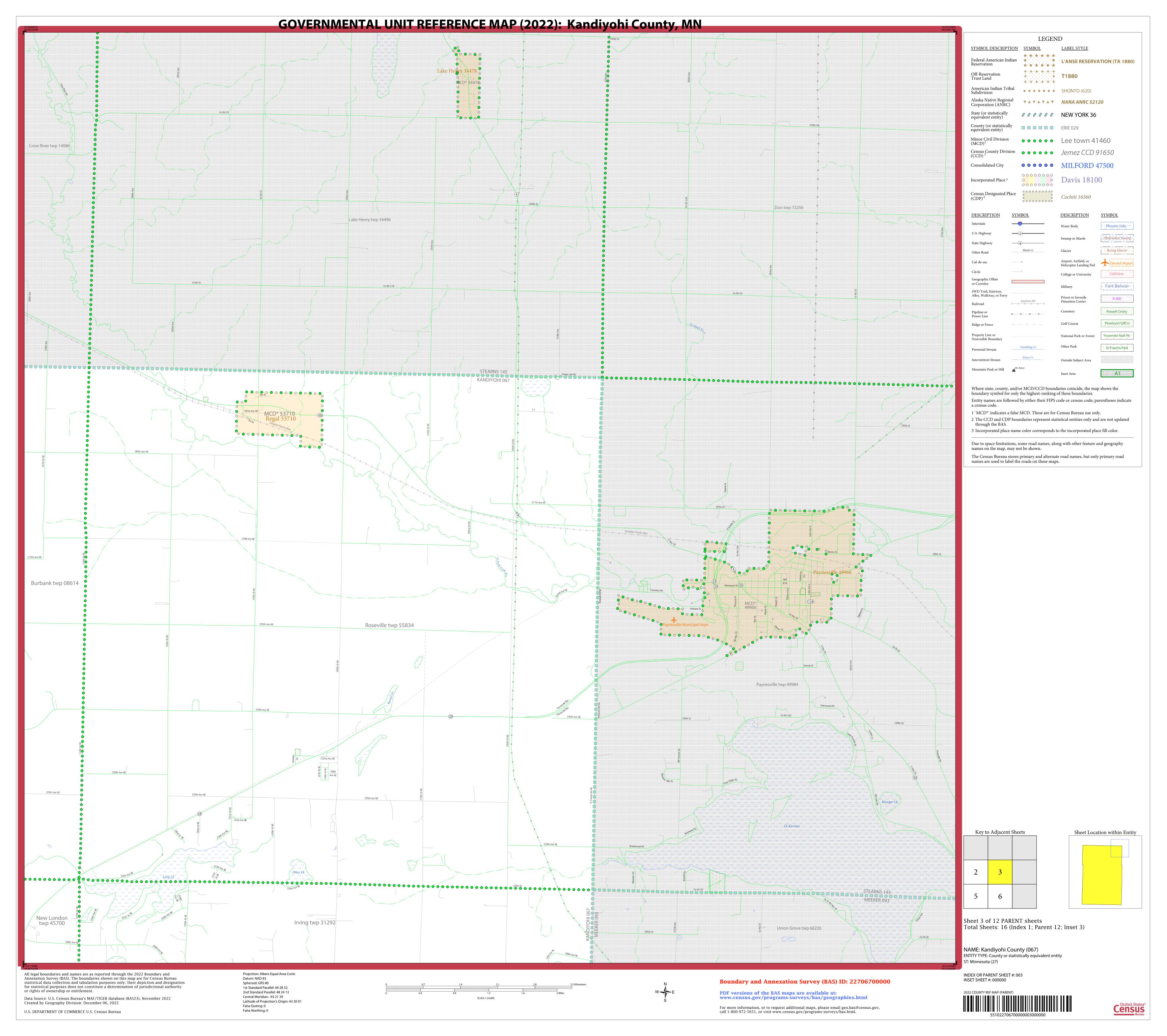
<sup>\*</sup> Will automatically be included in the 2024 Distressed or Underserved Tract List

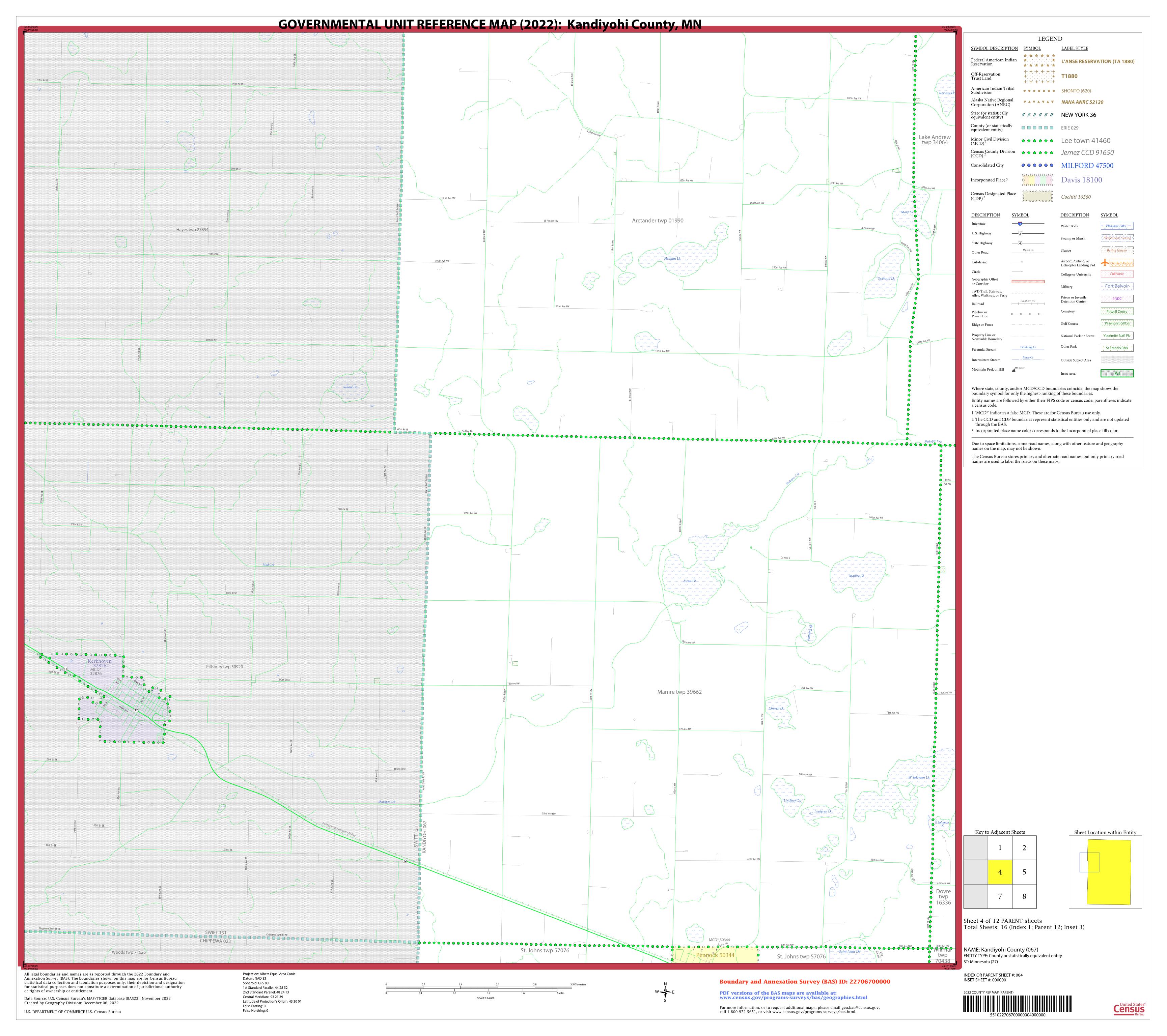


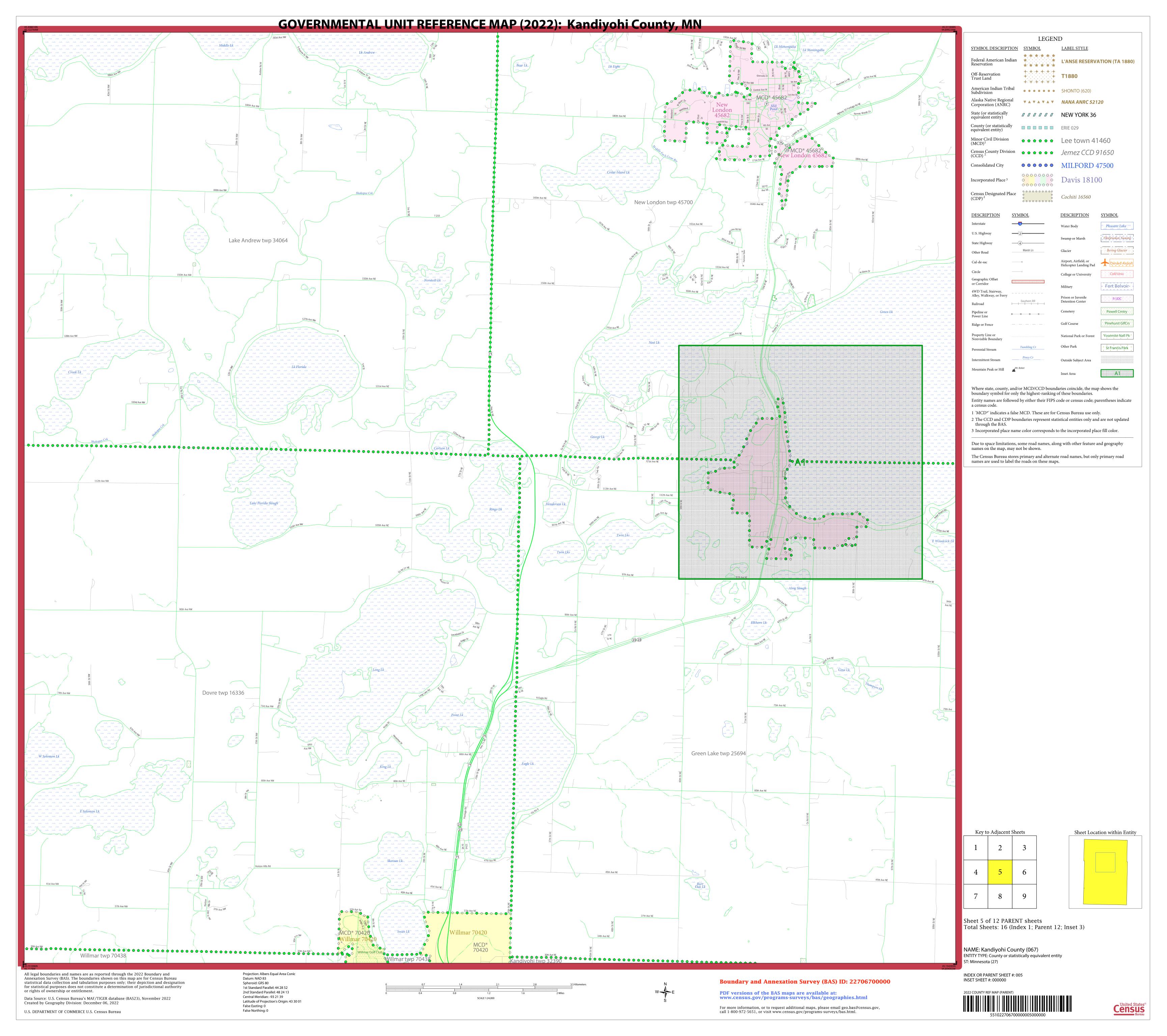
Census Bureau

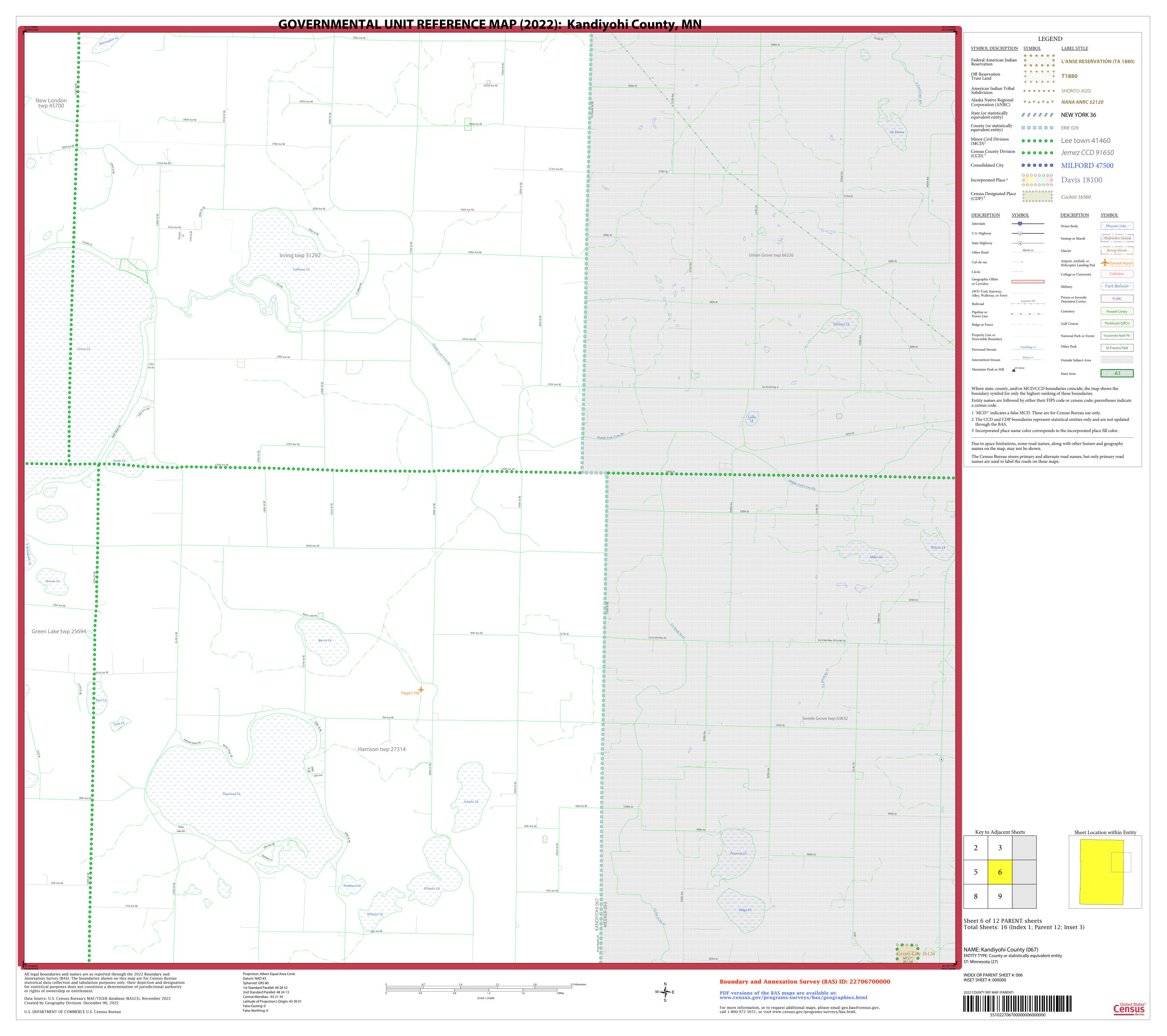


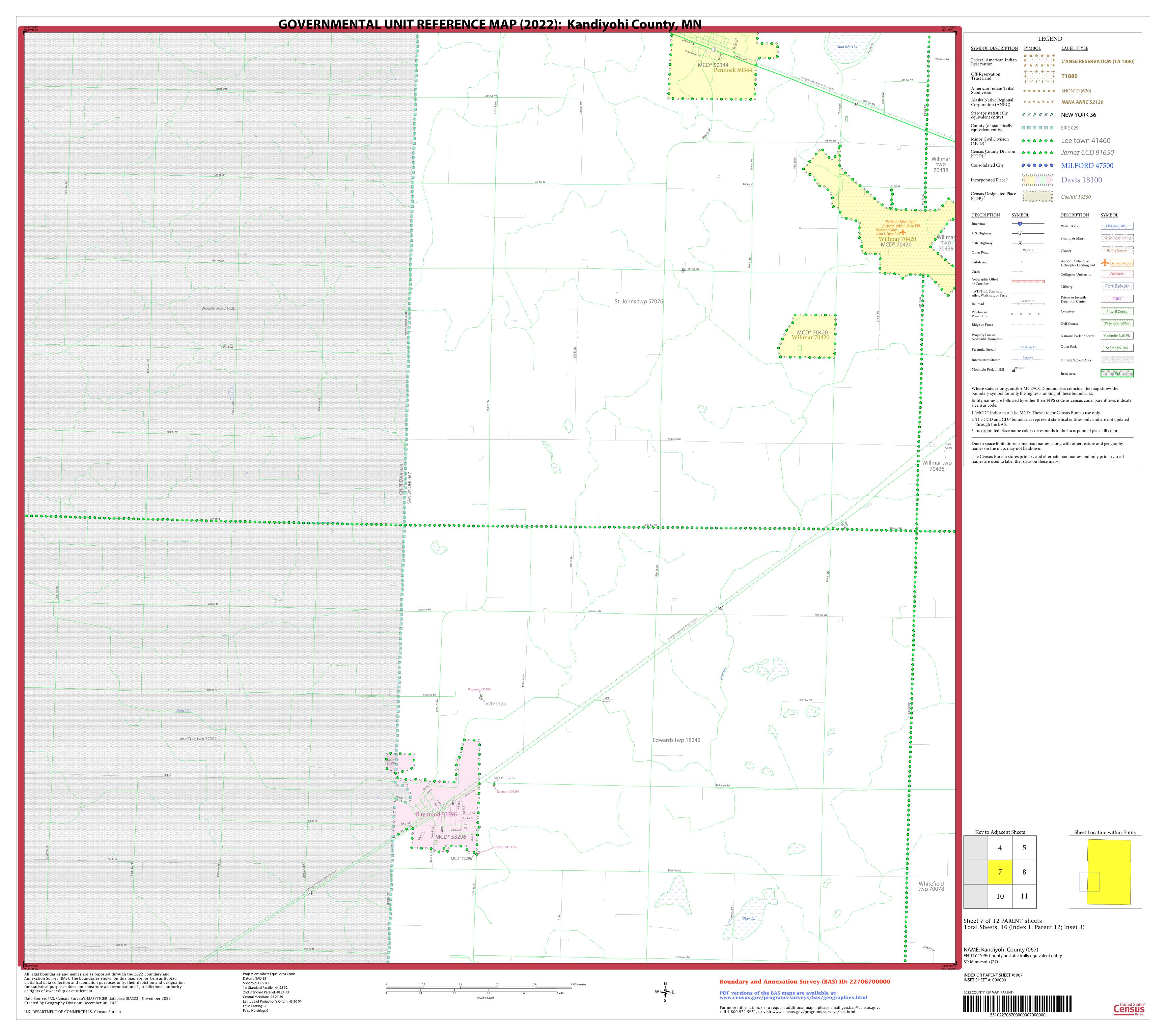


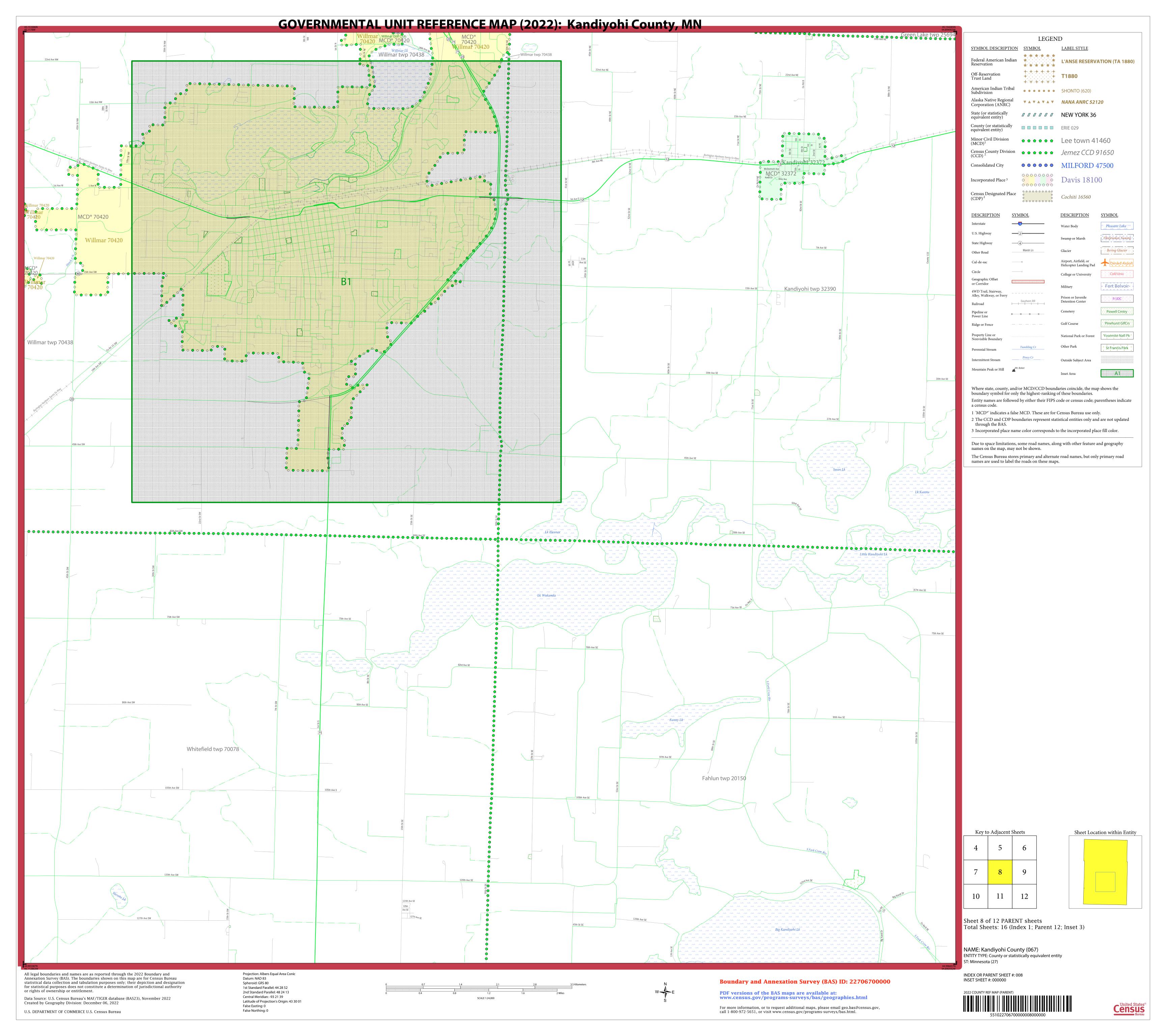


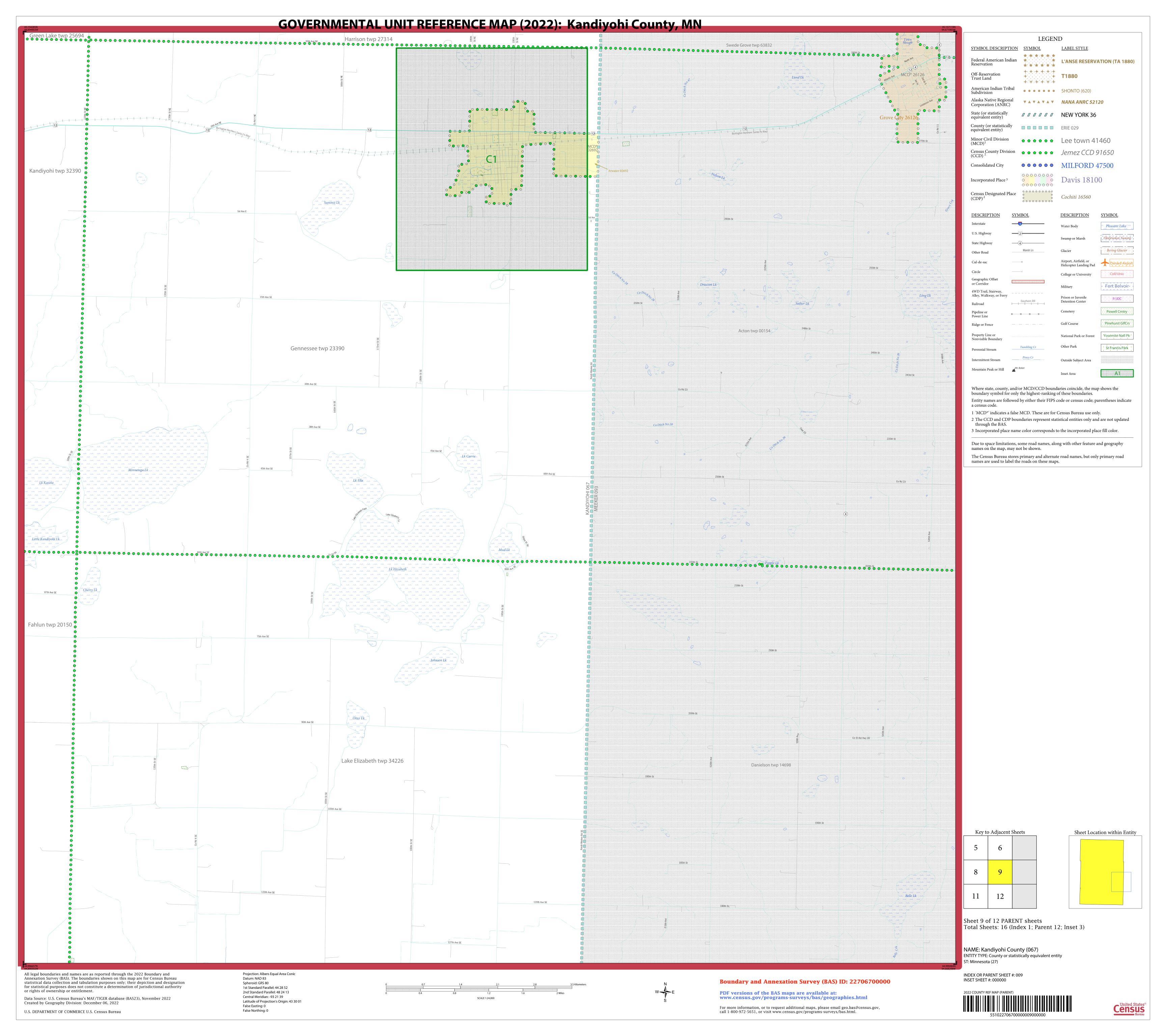


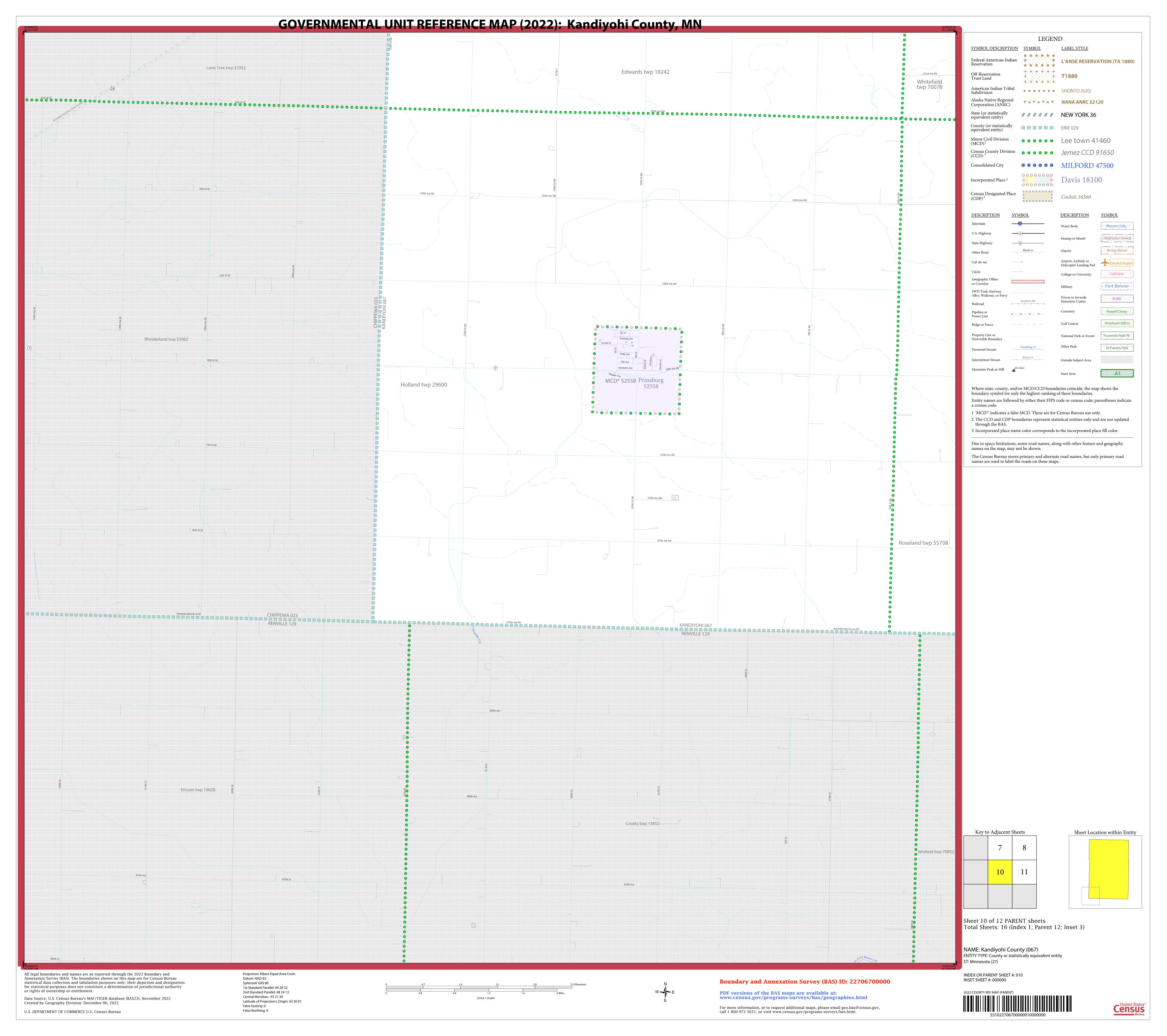


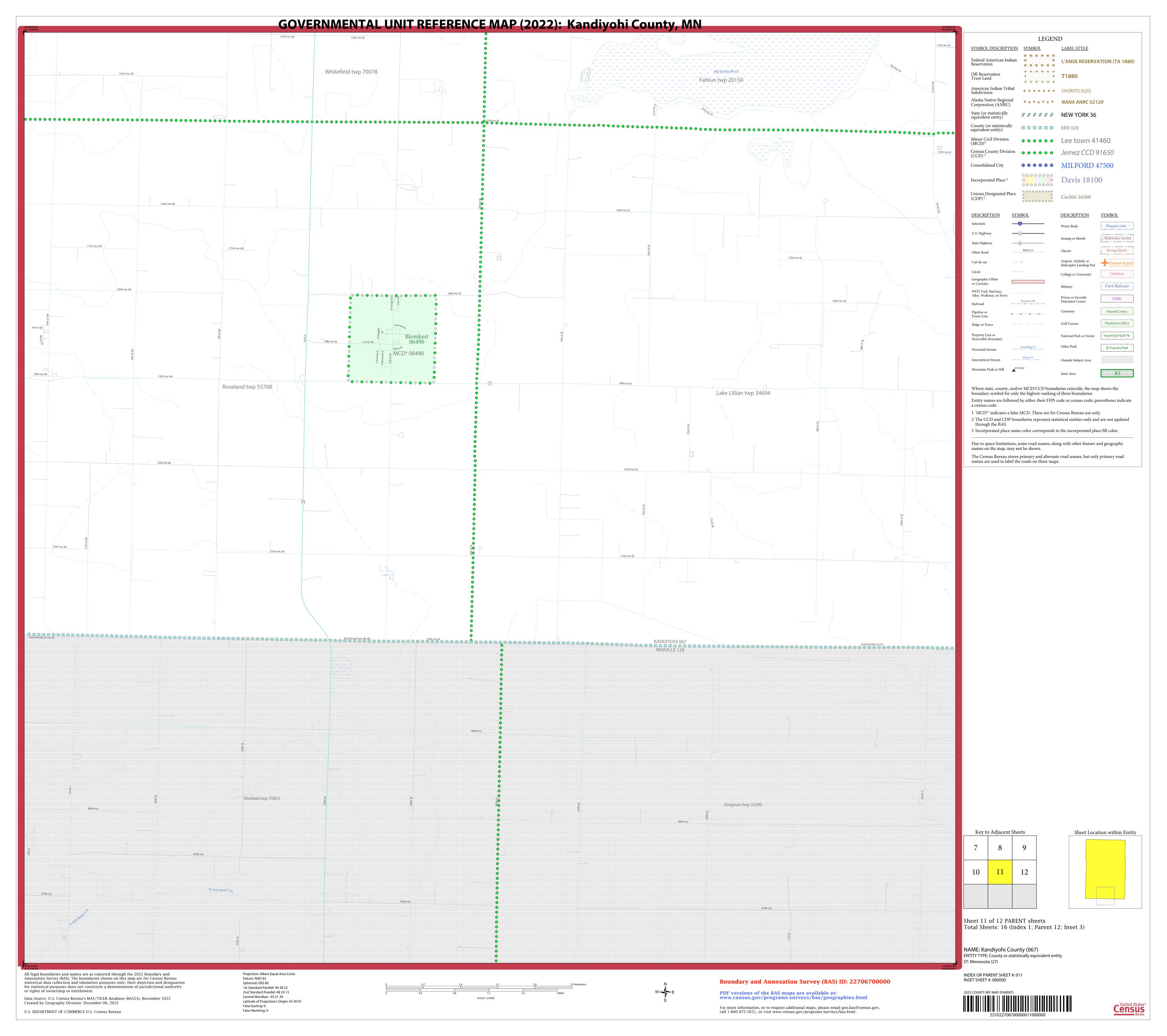


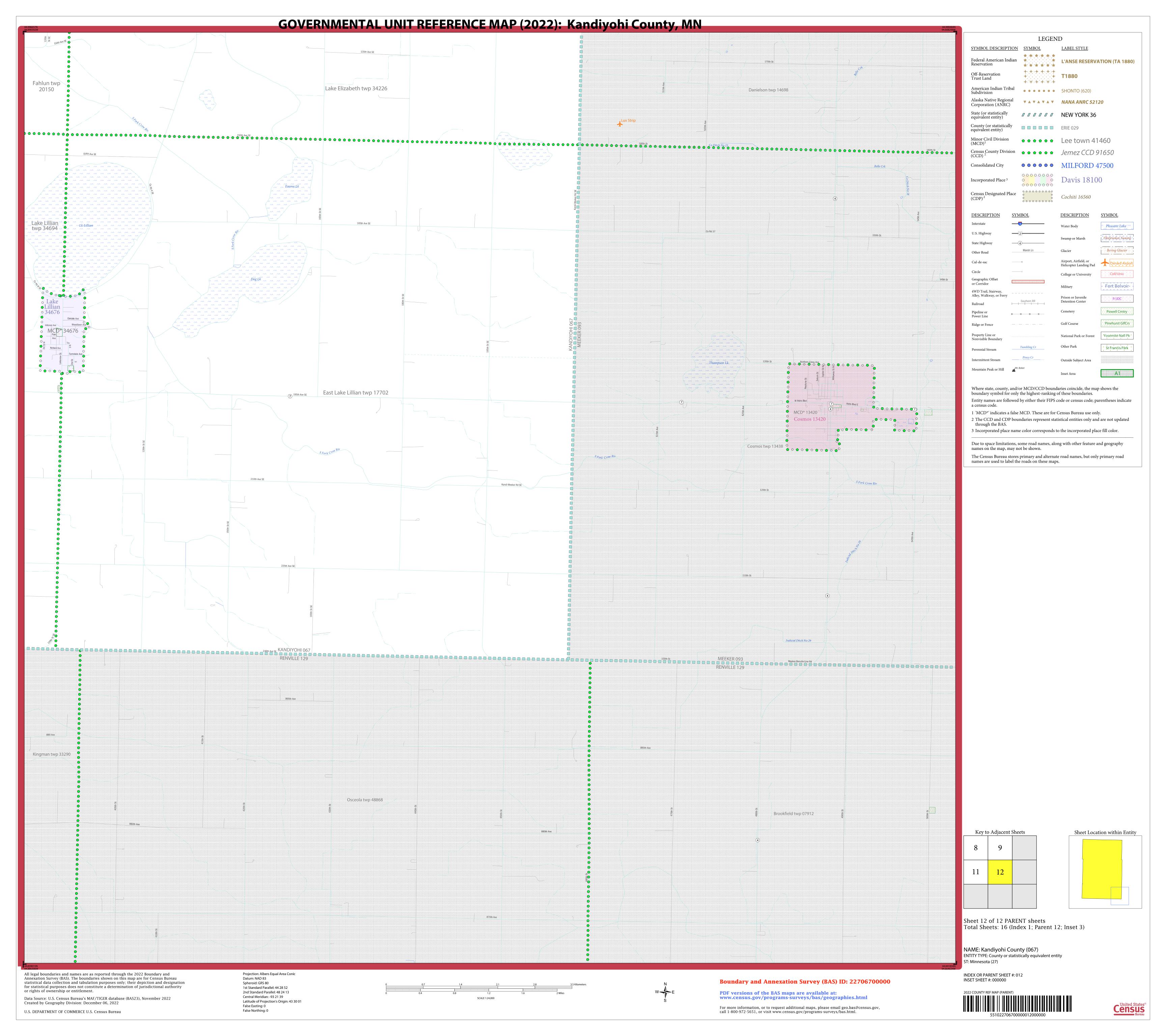




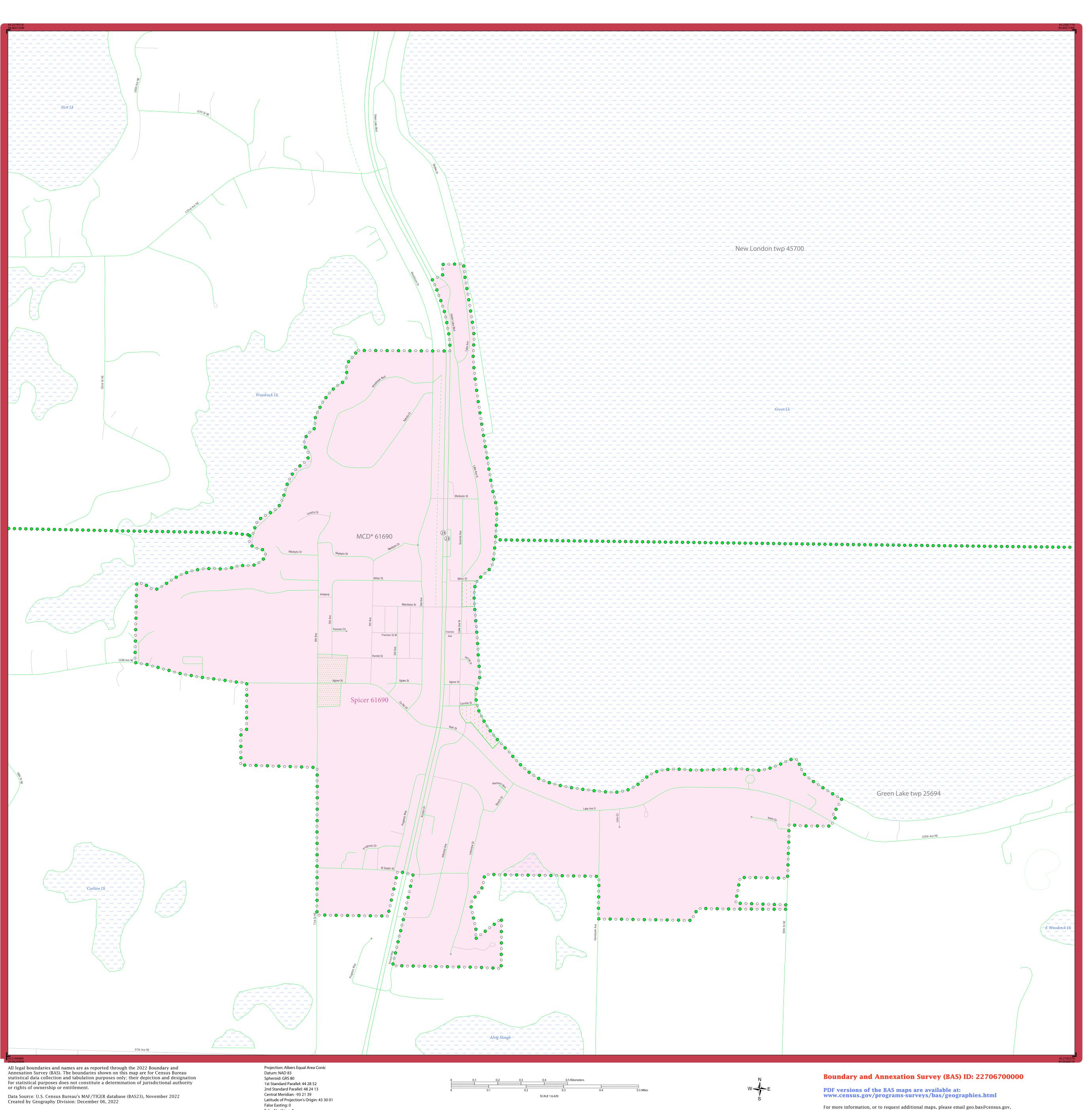








# **GOVERNMENTAL UNIT REFERENCE MAP (2022): Kandiyohi County, MN**

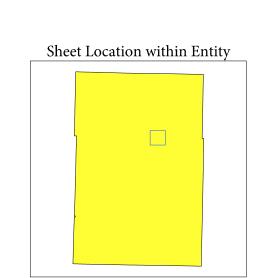


False Northing: 0

U.S. DEPARTMENT OF COMMERCE U.S. Census Bureau

LEGEND Trust Land +-+-+-+-+-+ American Indian Tribal Subdivision • • • • • • SHONTO (620) Alaska Native Regional Corporation (ANRC) **▼ ▲ ▼ ▲ ▼ ▲ ▼** NANA ANRC 52120 □□□□□□ NEW YORK 36 County (or statistically equivalent entity) ■ ■ ■ ■ ■ ERIE 029 • • • • • Lee town 41460 Census County Division (CCD) 2 Sense CCD 91650 • • • • • • MILFORD 47500 Incorporated Place 3 ^ Pleasant Lake ~ Okefenokee Swamp State Highway Bering Glacier Airport, Airfield, or Cul-de-sac Circle Coll/Univ College or University Geographic Offset or Corridor - Fort Belvoir-Prison or Juvenile P/JDC Pipeline or Power Line \_\_\_\_ Pinehurst GlfCrs Property Line or Nonvisible Boundary Yosemite Natl Pk St Francis Park Mountain Peak or Hill A1 Where state, county, and/or MCD/CCD boundaries coincide, the map shows the boundary symbol for only the highest-ranking of these boundaries. Entity names are followed by either their FIPS code or census code; parentheses indicate 1 'MCD\*' indicates a false MCD. These are for Census Bureau use only. 2 The CCD and CDP boundaries represent statistical entities only and are not updated 3 Incorporated place name color corresponds to the incorporated place fill color. Due to space limitations, some road names, along with other feature and geography names on the map, may not be shown.

The Census Bureau stores primary and alternate road names, but only primary road names are used to label the roads on these maps.



Sheet A1 of 3 INSET sheets Total Sheets: 16 (Index 1; Parent 12; Inset 3)

NAME: Kandiyohi County (067) ENTITY TYPE: County or statistically equivalent entity

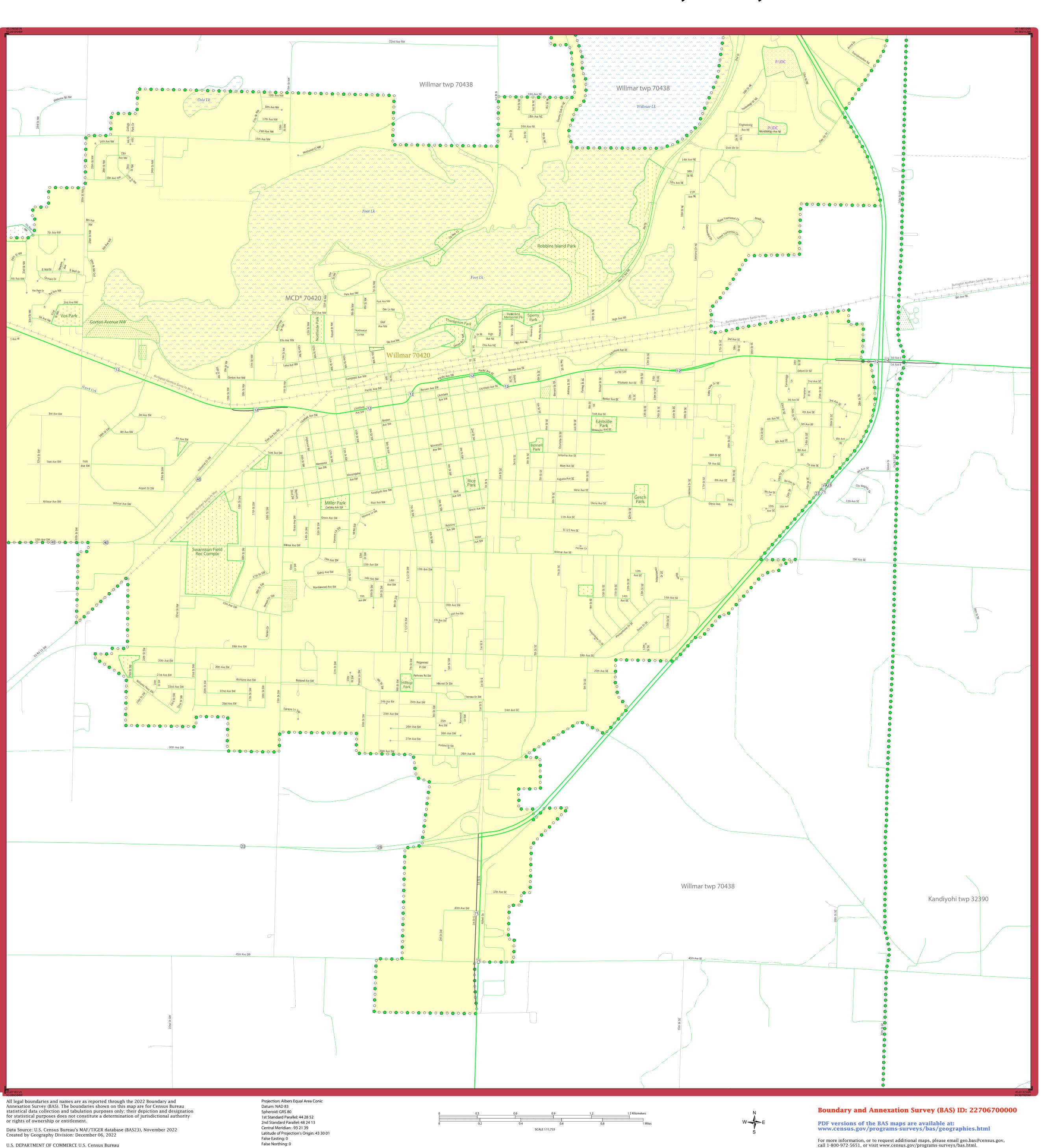
INDEX OR PARENT SHEET #: 005

ST: Minnesota (27)





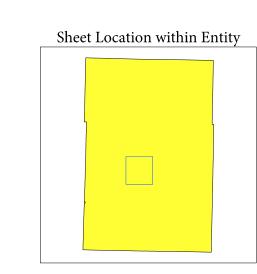
## **GOVERNMENTAL UNIT REFERENCE MAP (2022): Kandiyohi County, MN**



LEGEND American Indian Tribal Subdivision Alaska Native Regional Corporation (ANRC) **▼ ▲ ▼ ▲ ▼ ▲ ▼** NANA ANRC 52120 □□□□□□ NEW YORK 36 County (or statistically ■ ■ ■ ■ ■ ERIE 029 equivalent entity) • • • • • Lee town 41460 • • • • • • Jemez CCD 91650 ● ● ● ● ● ● MILFORD 47500 Incorporated Place 3 ^ Pleasant Lake ~ Okefenokee Swamp State Highway Bering Glacier Airport, Airfield, or Cul-de-sac Circle Coll/Univ College or University Geographic Offset or Corridor - Fort Belvoir-Prison or Juvenile P/JDC Pipeline or Power Line \_\_\_\_ Pinehurst GlfCrs Ridge or Fence Property Line or Nonvisible Boundary Yosemite Natl Pk St Francis Park A1 Where state, county, and/or MCD/CCD boundaries coincide, the map shows the boundary symbol for only the highest-ranking of these boundaries. Entity names are followed by either their FIPS code or census code; parentheses indicate 1 'MCD\*' indicates a false MCD. These are for Census Bureau use only. 2 The CCD and CDP boundaries represent statistical entities only and are not updated 3 Incorporated place name color corresponds to the incorporated place fill color.

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Sheet B1 of 3 INSET sheets Total Sheets: 16 (Index 1; Parent 12; Inset 3)

NAME: Kandiyohi County (067) ENTITY TYPE: County or statistically equivalent entity

INDEX OR PARENT SHEET #: 008 INSET SHEET #: 006601

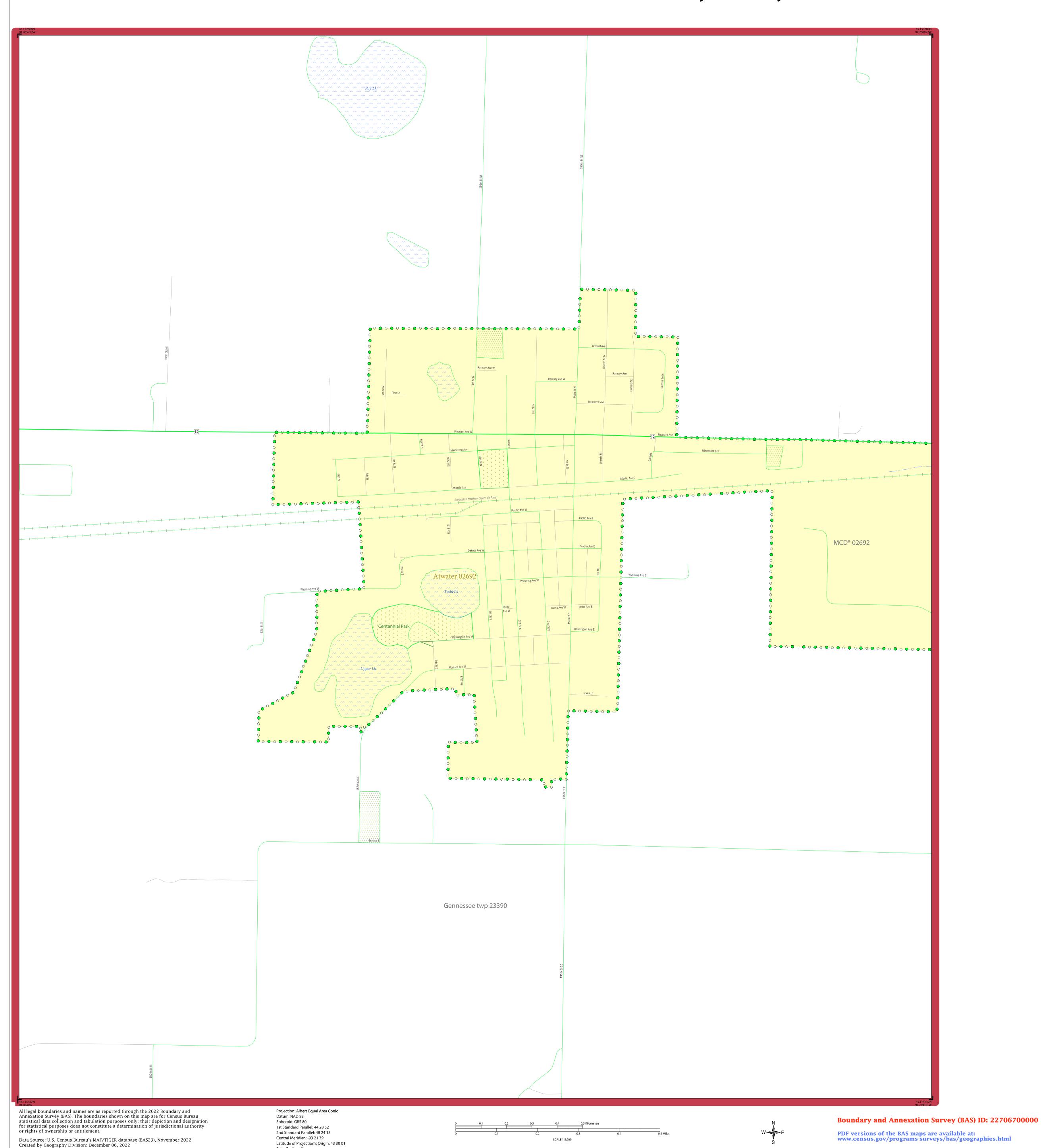
ST: Minnesota (27)







# **GOVERNMENTAL UNIT REFERENCE MAP (2022): Kandiyohi County, MN**



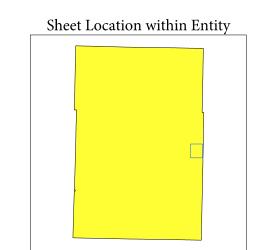
False Easting: 0

False Northing: 0

U.S. DEPARTMENT OF COMMERCE U.S. Census Bureau

LEGEND Off-Reservation **+**:::::::::::: **T1880** Trust Land +-+-+-+-+-+ American Indian Tribal Subdivision • • • • • • SHONTO (620) Alaska Native Regional Corporation (ANRC) **▼ ▲ ▼ ▲ ▼ ▲ ▼** *NANA ANRC 52120* equivalent entity) County (or statistically ■ ■ ■ ■ ■ ERIE 029 equivalent entity) • • • • • Lee town 41460 Census County Division (CCD) 2 Sense CCD 91650 • • • • • • MILFORD 47500 Consolidated City Incorporated Place 3 <u>SYMBOL</u> ^ Pleasant Lake ~ U.S. Highway Ökefenokee Swamp State Highway -4-Bering Glacier Airport, Airfield, or Cul-de-sac Helicopter Landing Pad Circle Coll/Univ College or University Geographic Offset or Corridor - Fort Belvoir-Prison or Juvenile P/JDC Pipeline or Power Line · · Powell Cmtry · · \_\_\_\_ Golf Course Pinehurst GlfCrs Ridge or Fence Property Line or Nonvisible Boundary Yosemite Natl Pk \* \* St Francis Park Mountain Peak or Hill A1 Where state, county, and/or MCD/CCD boundaries coincide, the map shows the boundary symbol for only the highest-ranking of these boundaries. Entity names are followed by either their FIPS code or census code; parentheses indicate 1 'MCD\*' indicates a false MCD. These are for Census Bureau use only. 2 The CCD and CDP boundaries represent statistical entities only and are not updated 3 Incorporated place name color corresponds to the incorporated place fill color. Due to space limitations, some road names, along with other feature and geography names on the map, may not be shown.

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Sheet C1 of 3 INSET sheets
Total Sheets: 16 (Index 1; Parent 12; Inset 3)

NAME: Kandiyohi County (067)
ENTITY TYPE: County or statistically equivalent entity

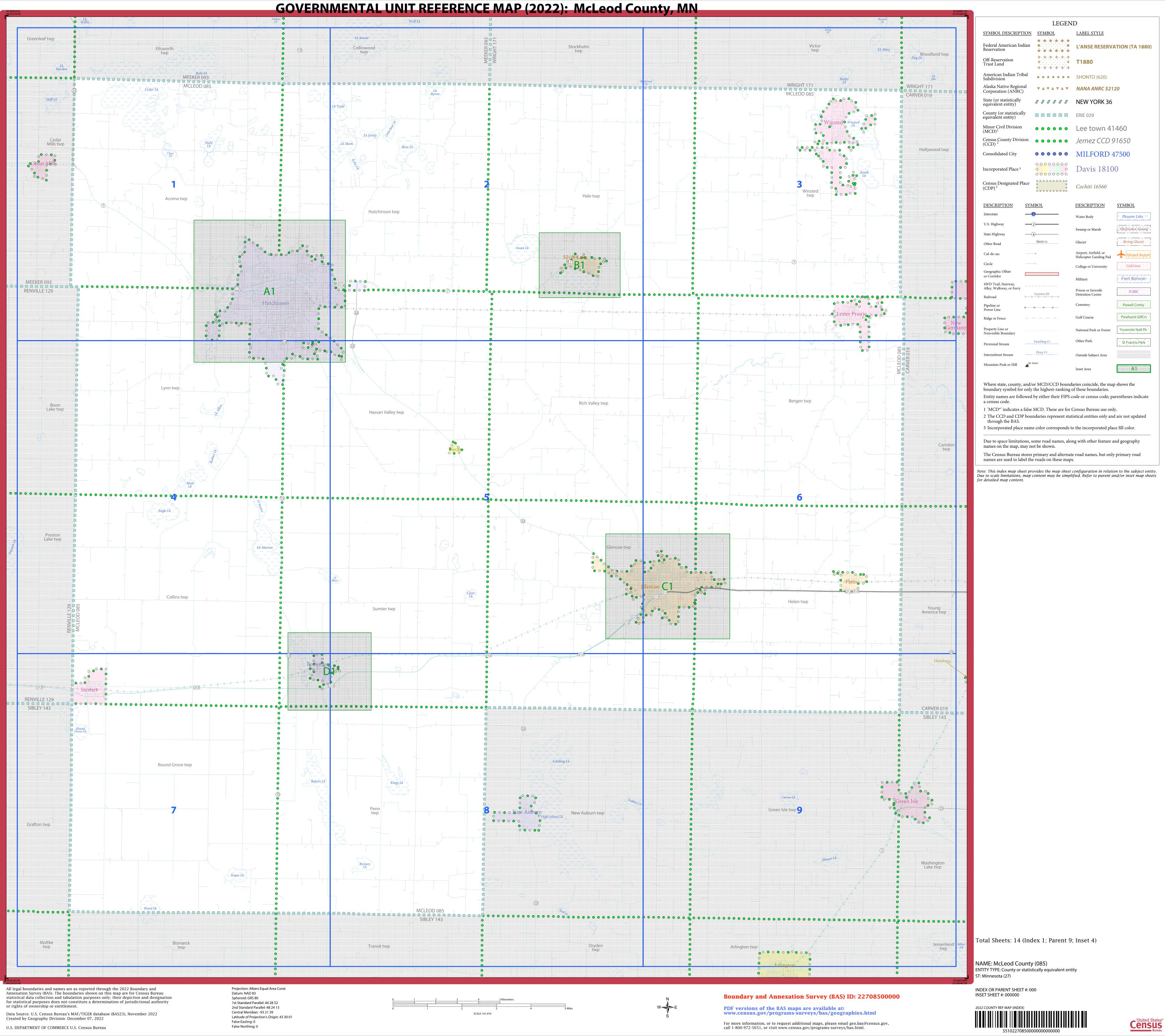
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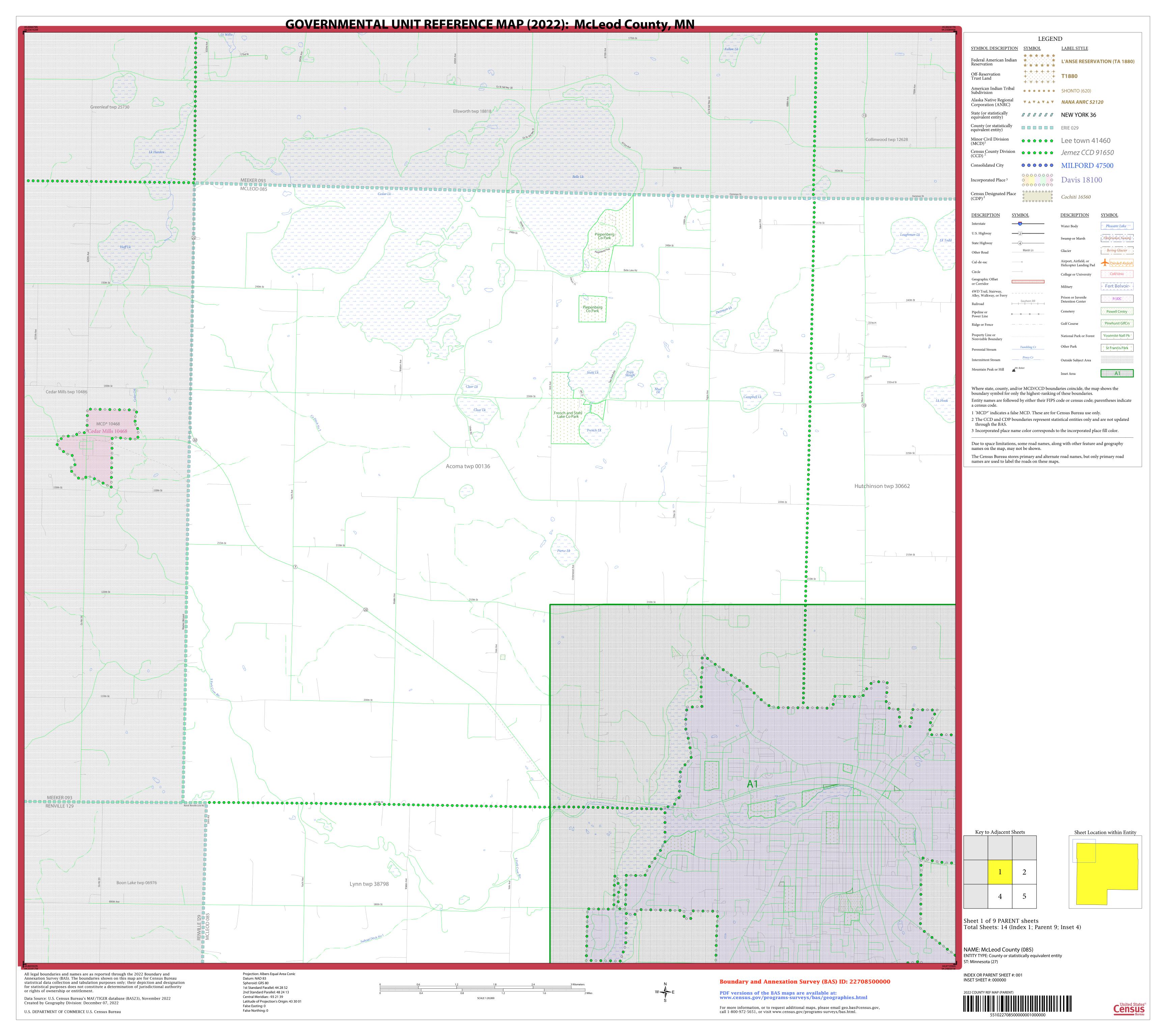
ST: Minnesota (27)

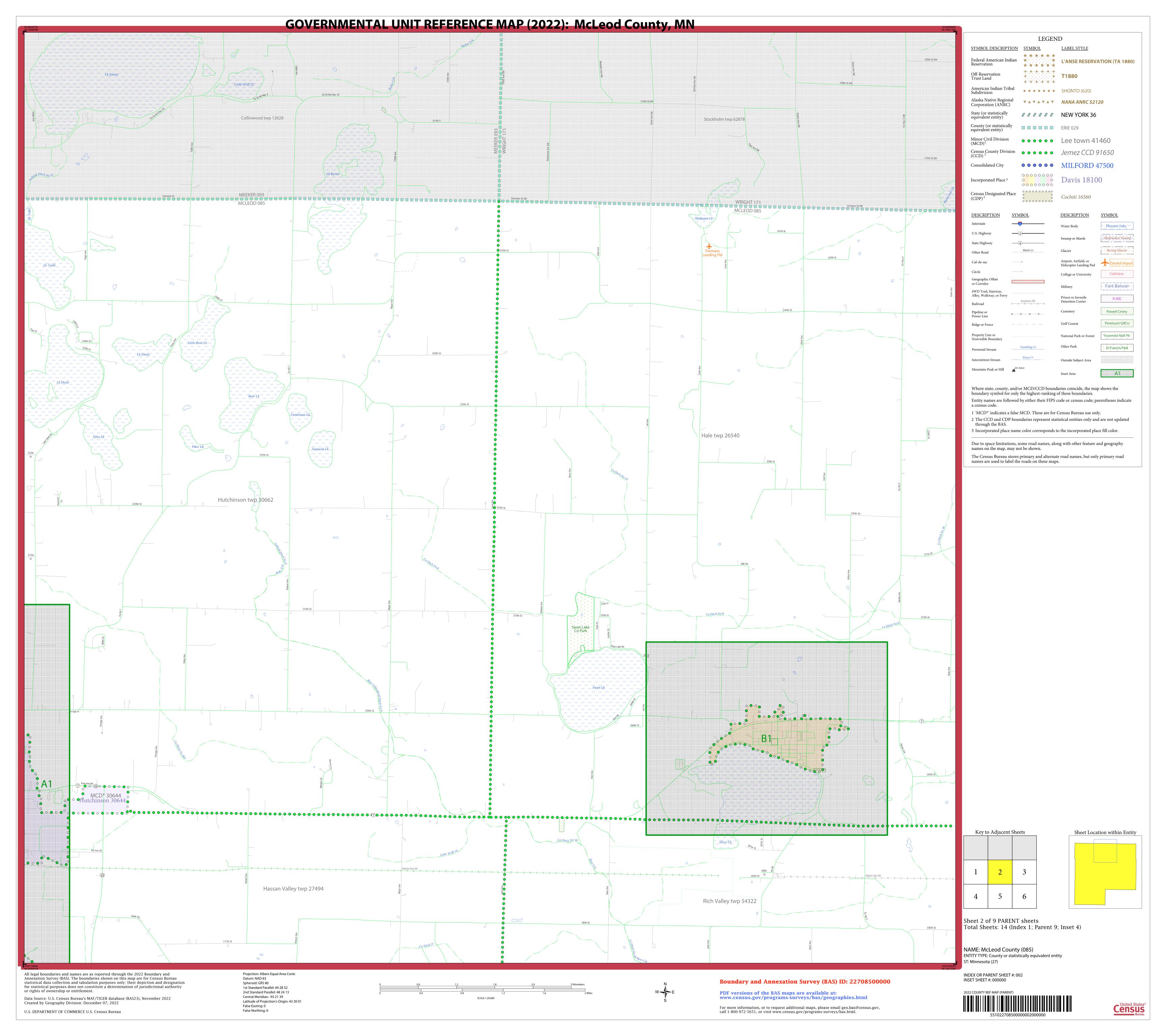
For more information, or to request additional maps, please email geo.bas@census.gov,

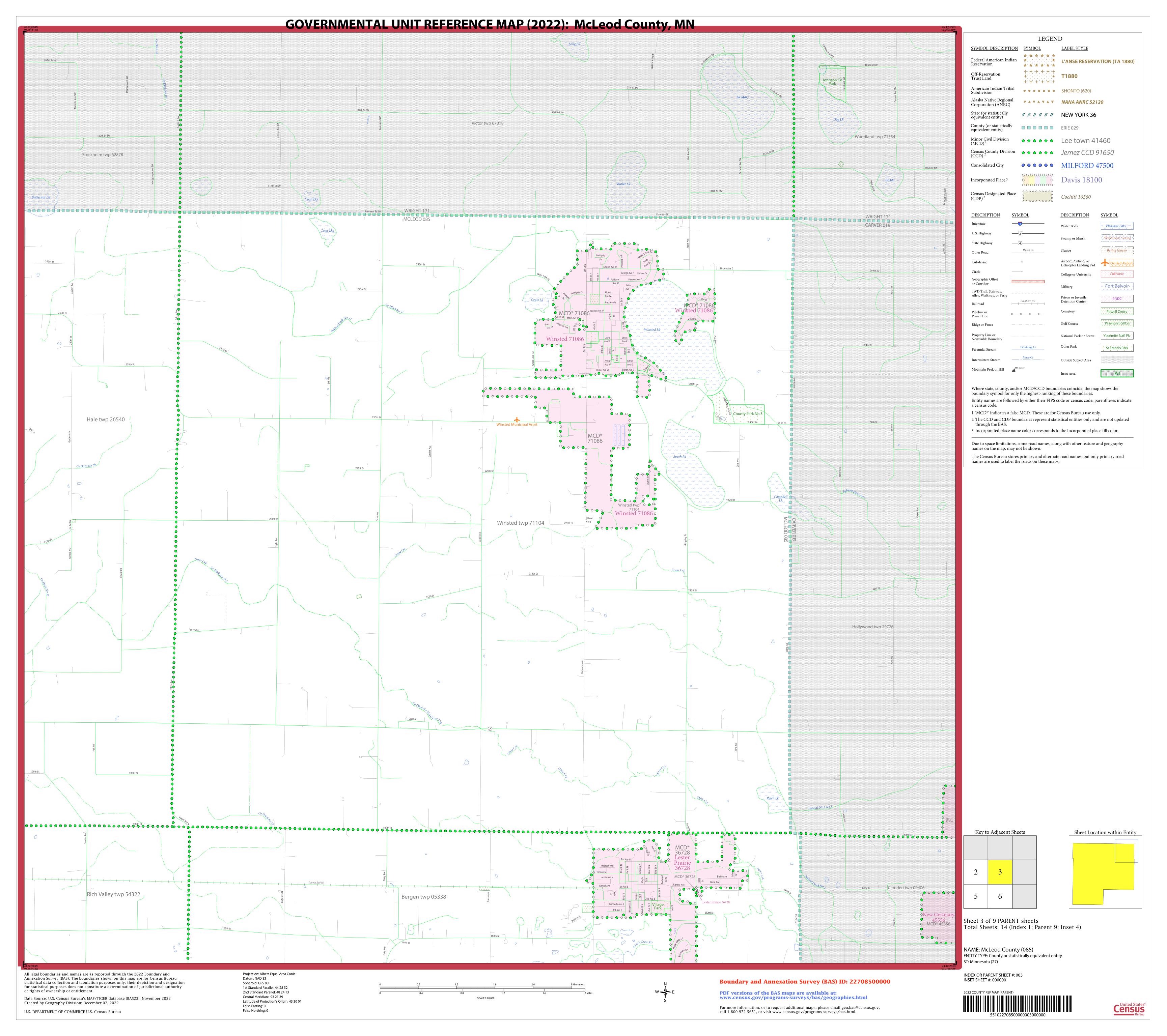


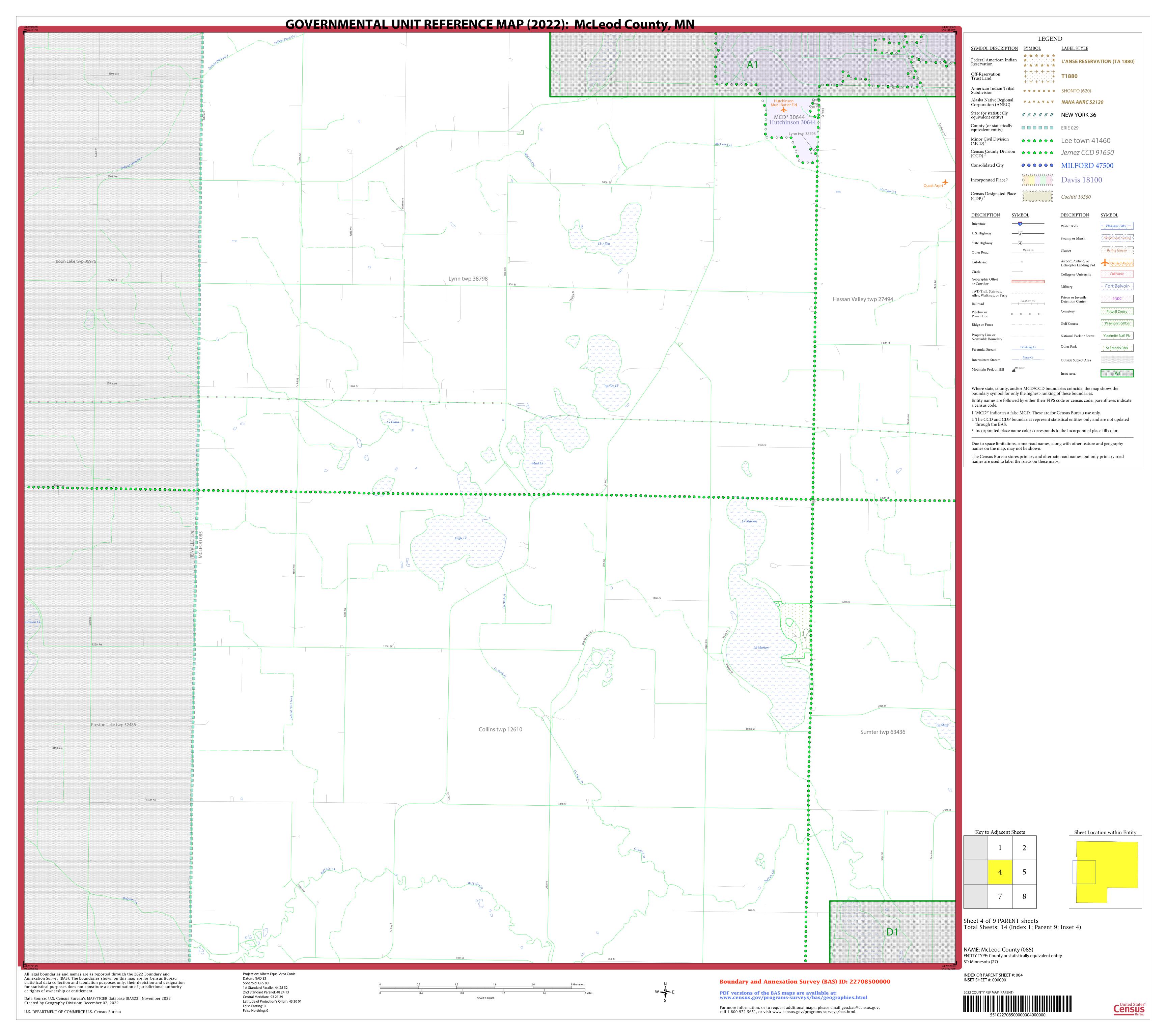


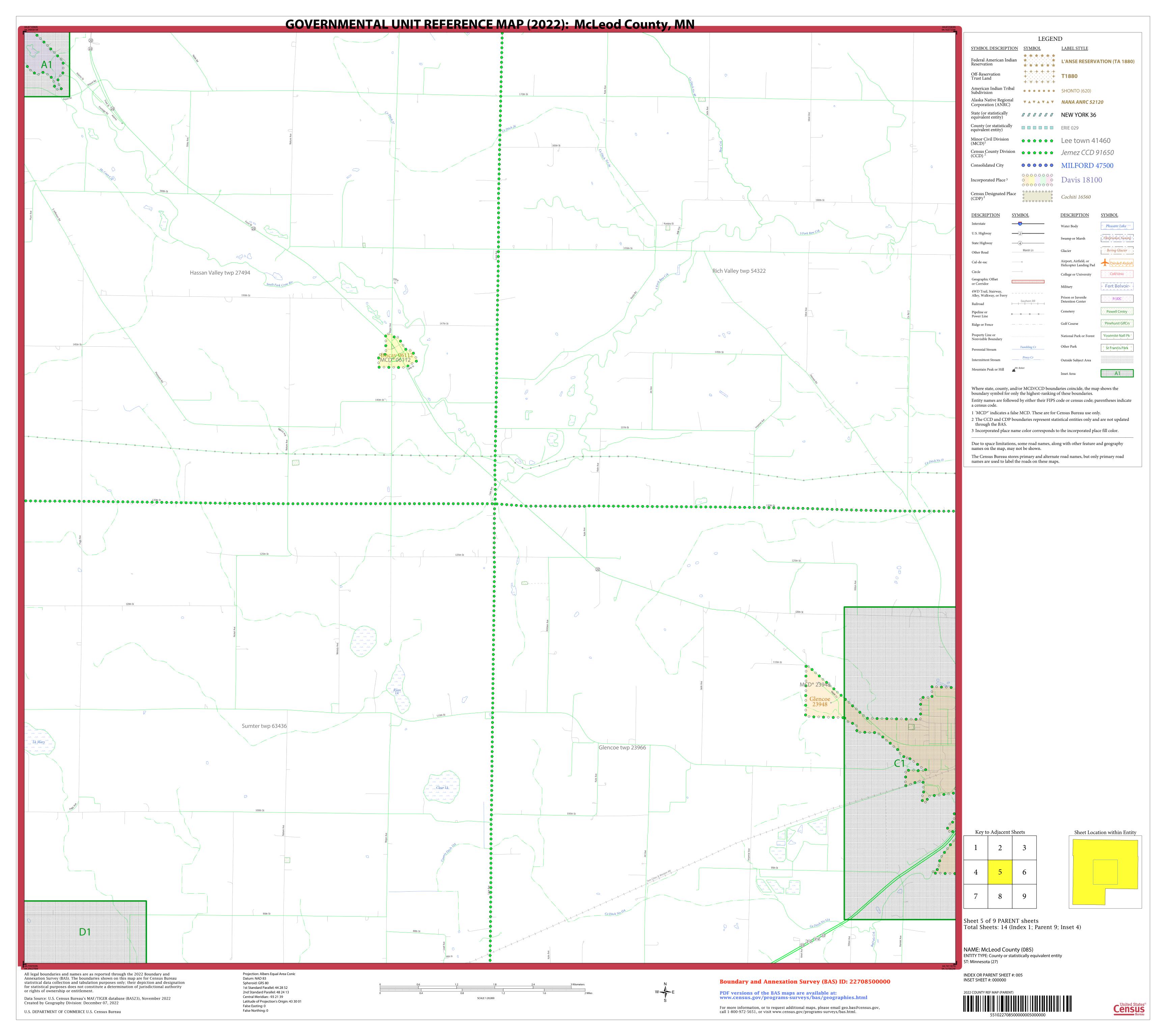


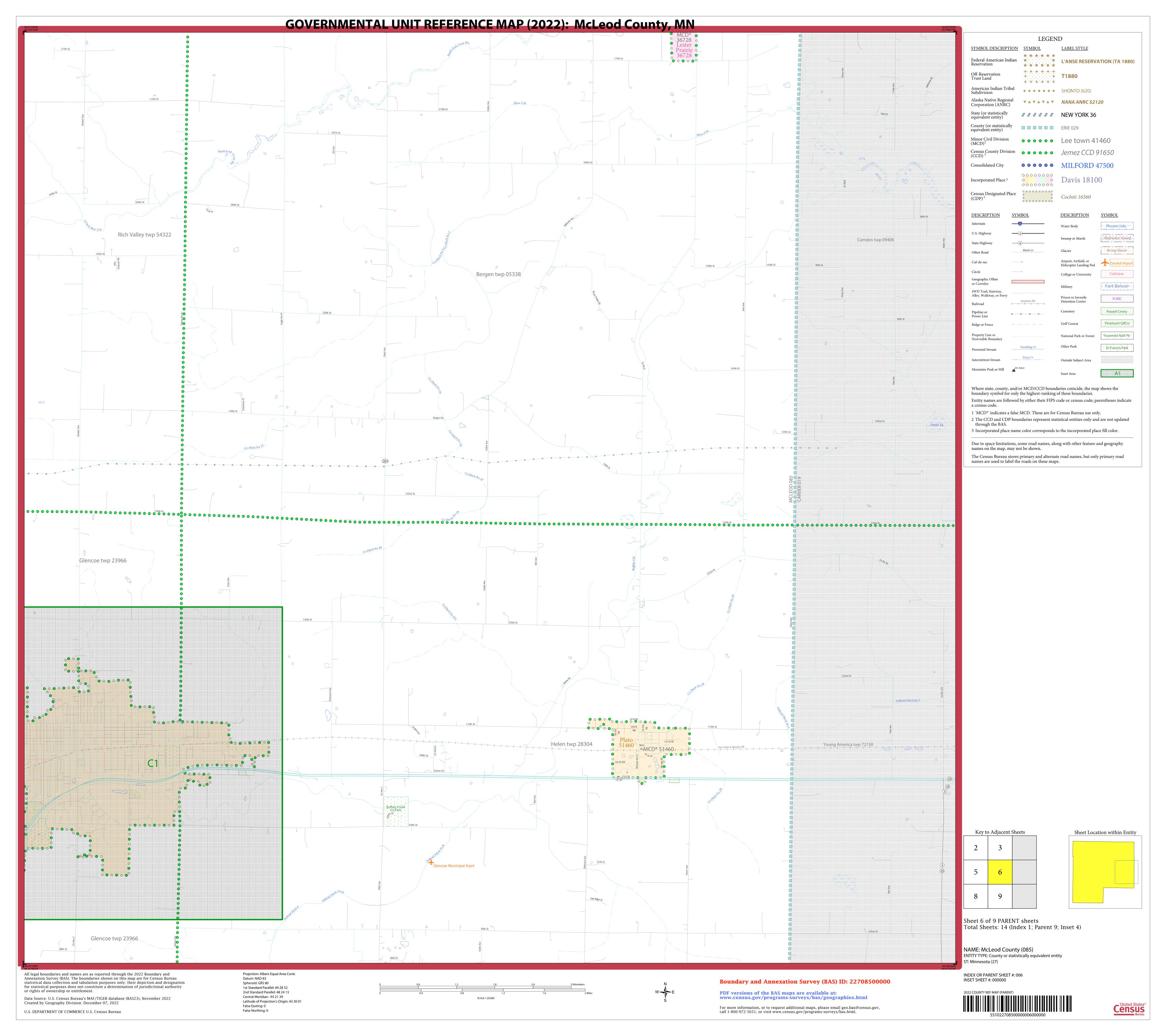


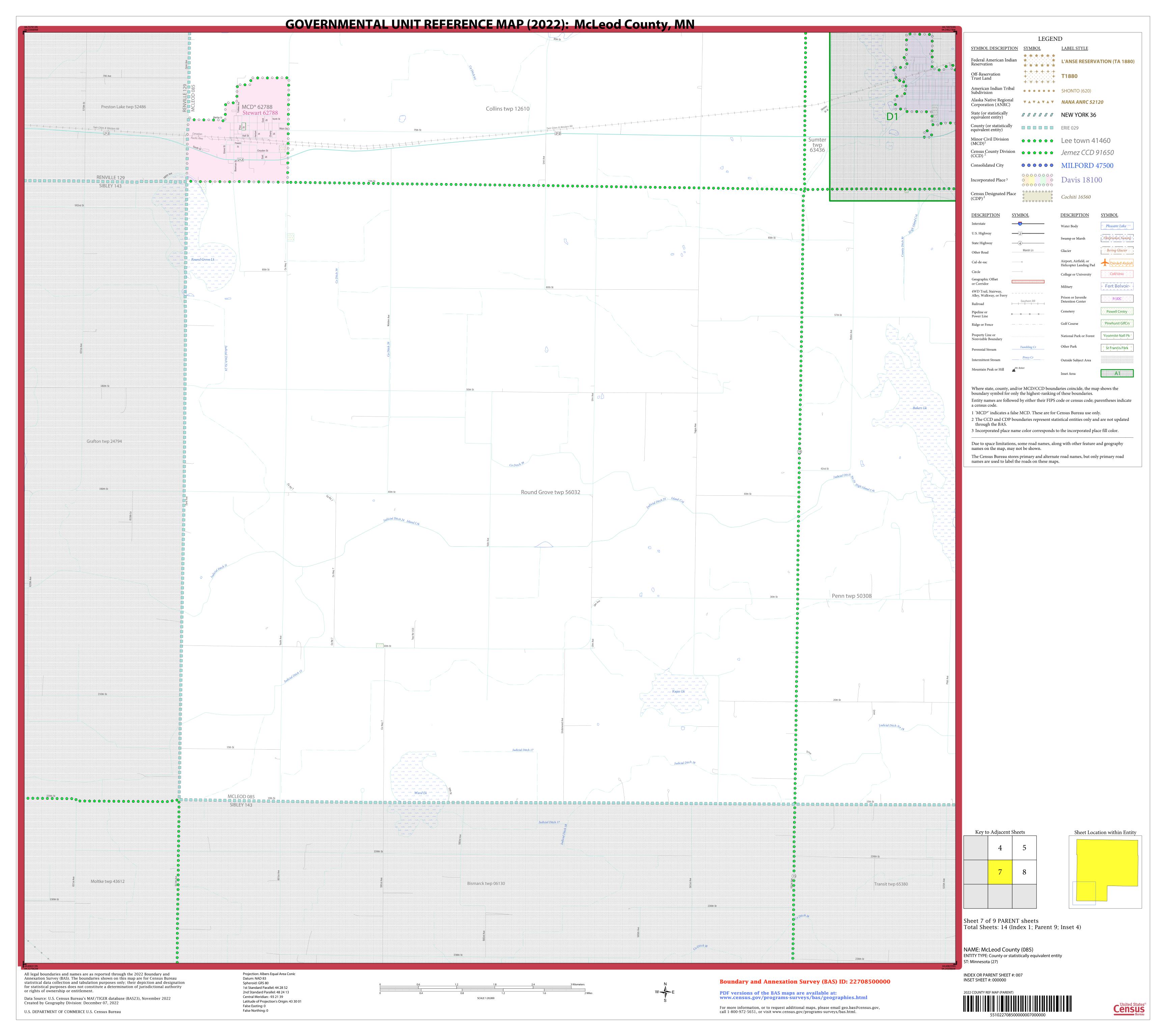


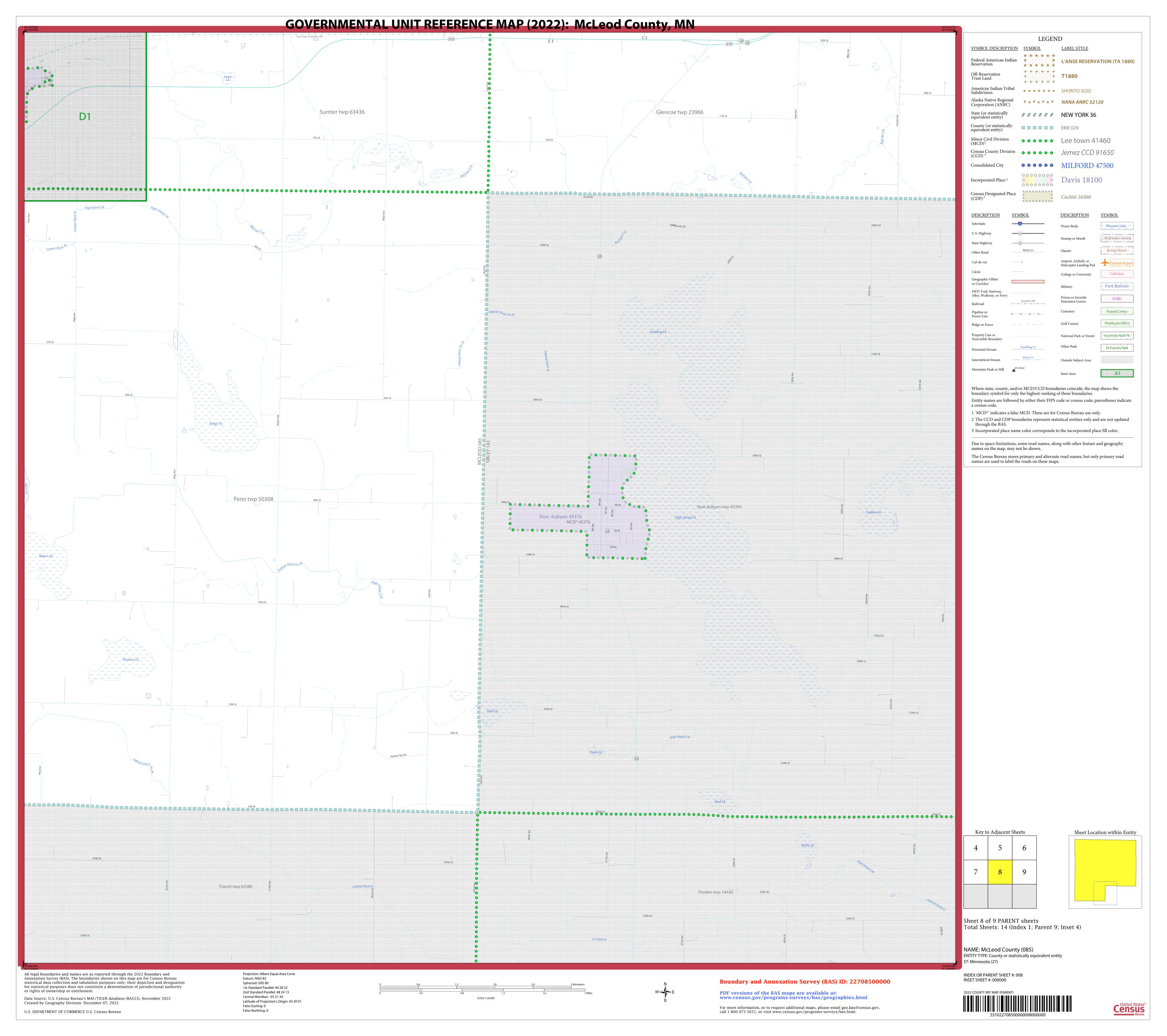


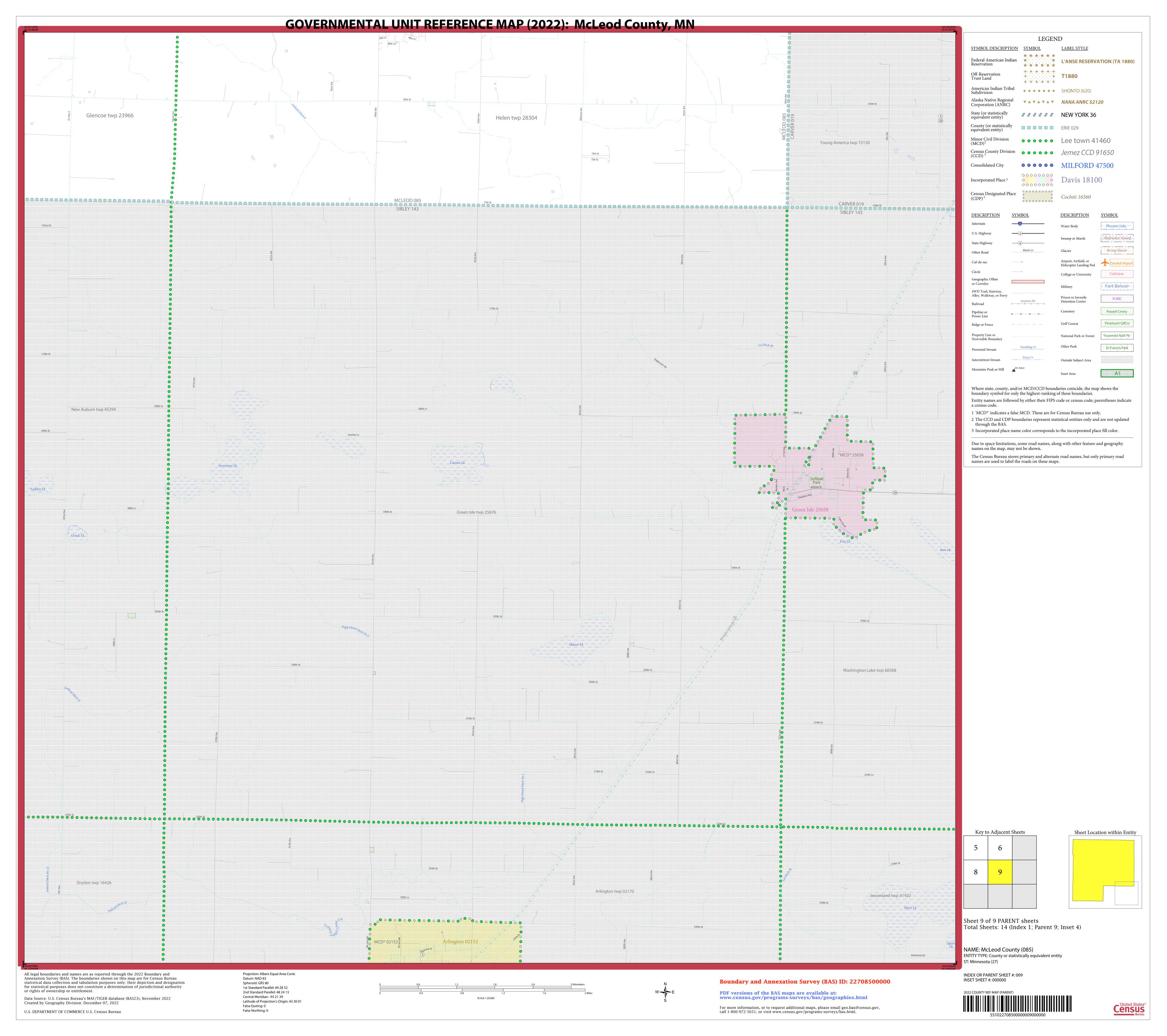


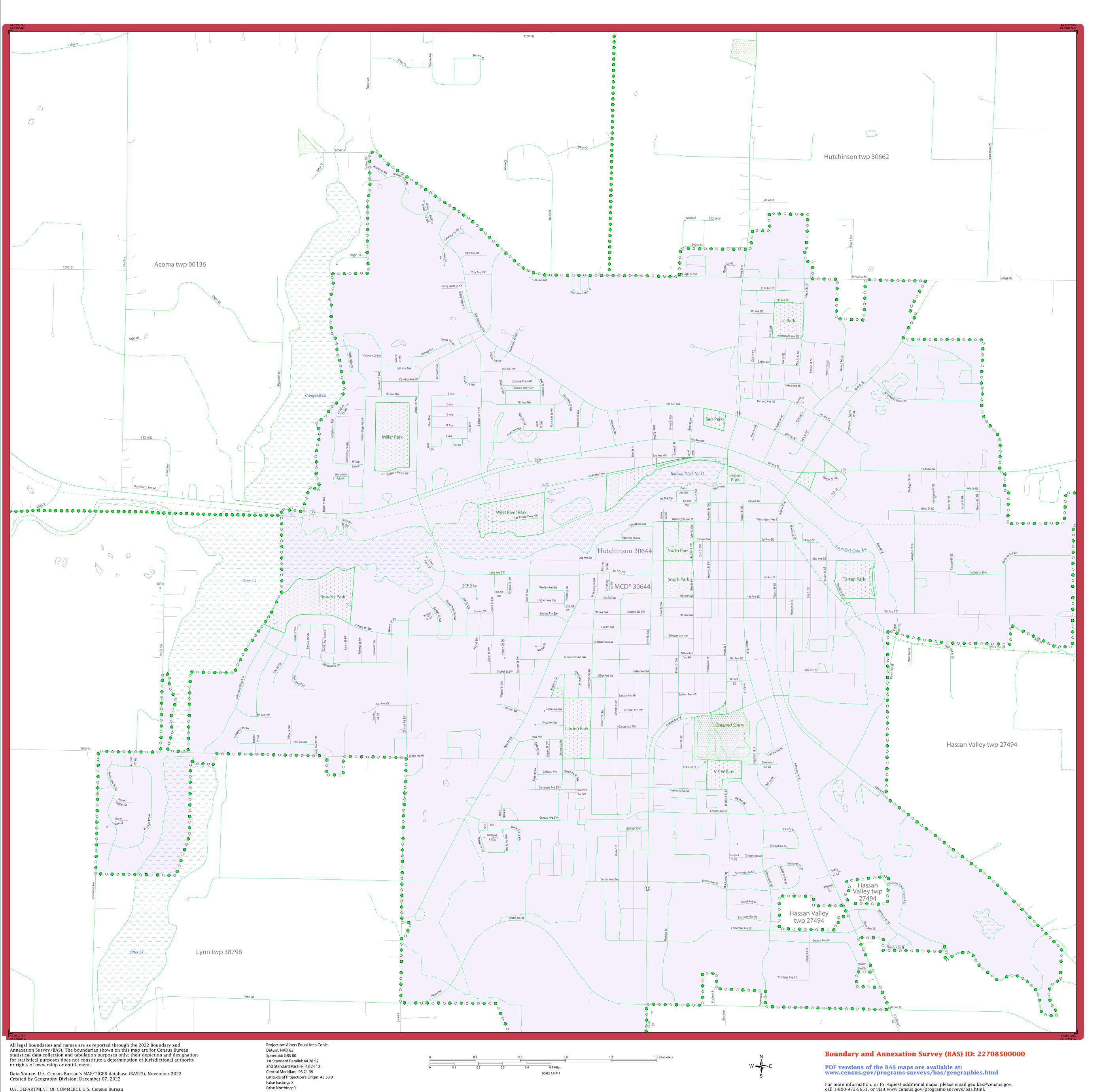


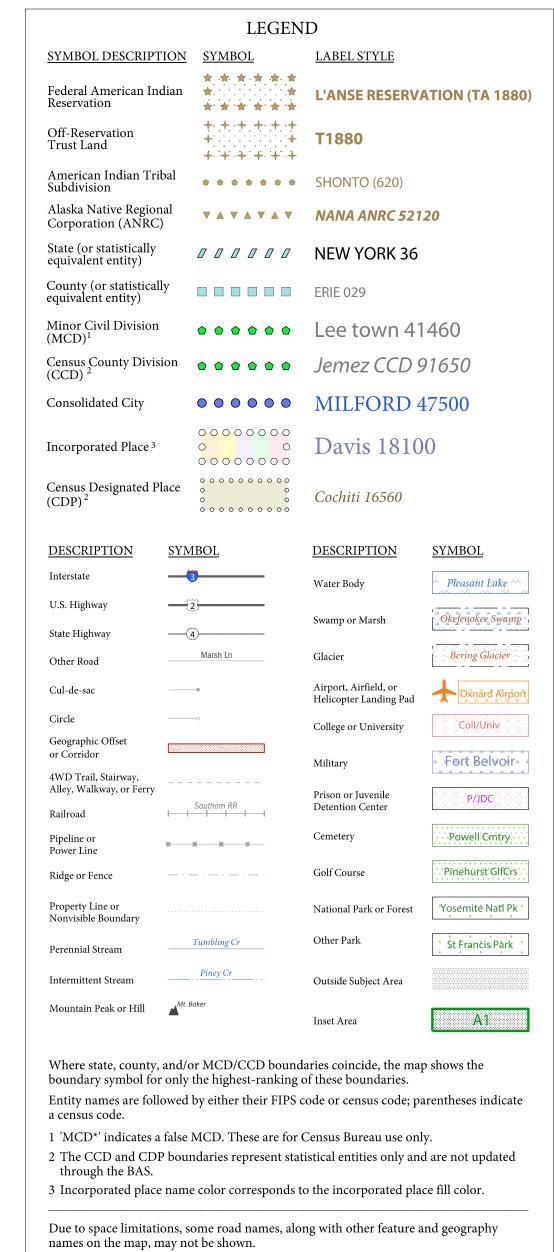












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Sheet Location within Entity

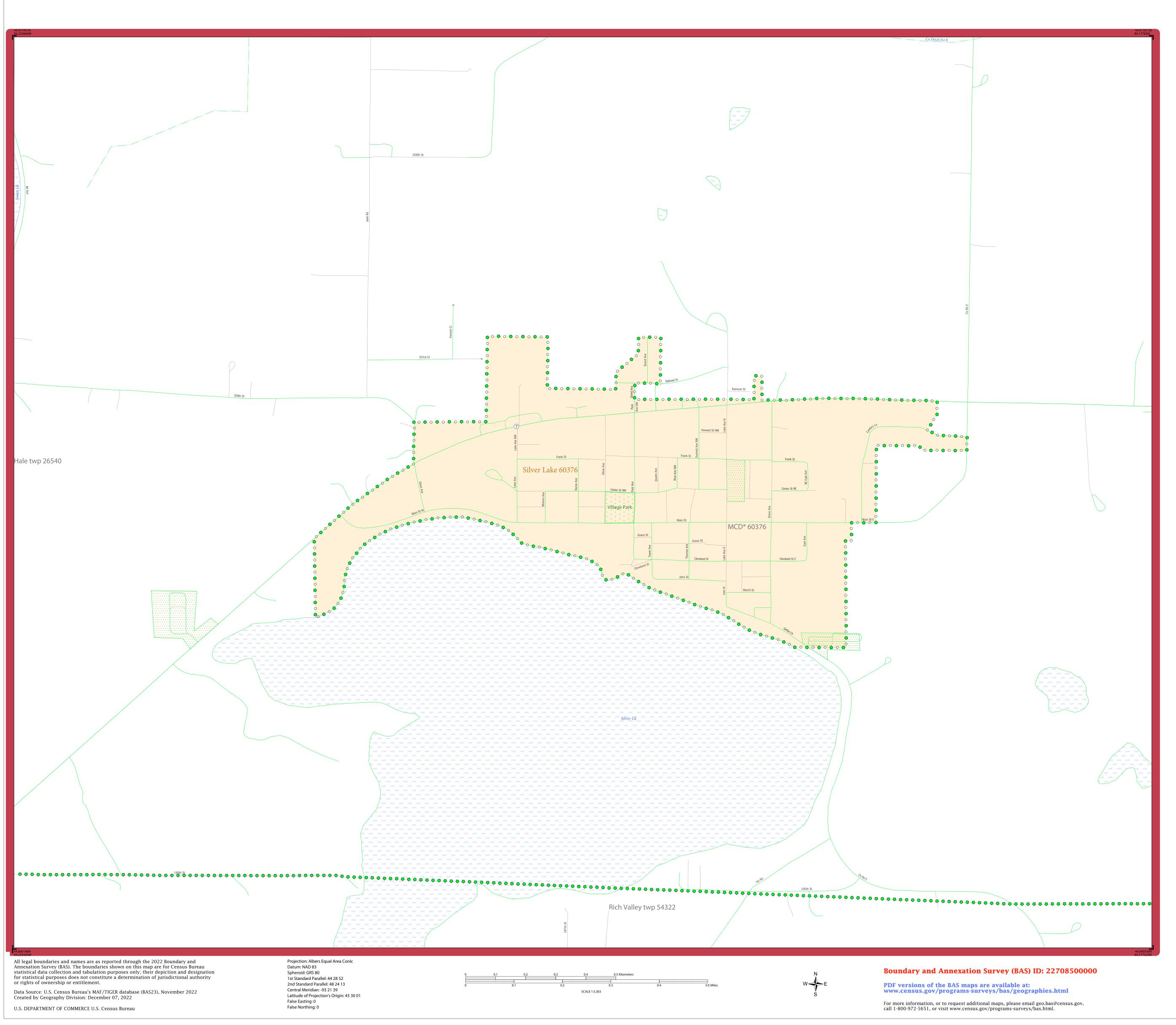
Sheet A1 of 4 INSET sheets
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NAME: McLeod County (085)
ENTITY TYPE: County or statistically equivalent entity
ST: Minnesota (27)

INDEX OR PARENT SHEET #: 001 INSET SHEET #: 006501







LEGEND Federal American Indian L'ANSE RESERVATION (TA 1880) Off-Reservation **+**:::::::::::: **T1880** Trust Land +-+-+-+-+ American Indian Tribal Subdivision • • • • • • SHONTO (620) Alaska Native Regional Corporation (ANRC) **▼ ▲ ▼ ▲ ▼ ▲ ▼** NANA ANRC 52120 □□□□□□ NEW YORK 36 equivalent entity) County (or statistically ■ ■ ■ ■ ■ ERIE 029 equivalent entity) • • • • • Lee town 41460 Census County Division (CCD) 2 Sense CCD 91650 • • • • • • MILFORD 47500 Consolidated City Davis 18100 Incorporated Place 3 Cochiti 16560 **SYMBOL** ^ Pleasant Lake ~ Water Body U.S. Highway State Highway -4-

Okefenokee Swamp Bering Glacier Airport, Airfield, or Cul-de-sac Helicopter Landing Pad Circle Coll/Univ College or University Geographic Offset or Corridor - Fort Belvoir-Alley, Walkway, or Ferry Prison or Juvenile P/JDC Powell Cmtry Pipeline or Power Line \_\_\_\_ Golf Course Pinehurst GlfCrs Ridge or Fence Property Line or Nonvisible Boundary Yosemite Natl Pk \* St Francis Park Mountain Peak or Hill A1

Where state, county, and/or MCD/CCD boundaries coincide, the map shows the boundary symbol for only the highest-ranking of these boundaries.

Entity names are followed by either their FIPS code or census code; parentheses indicate a census code.

'MCD\*' indicates a false MCD. These are for Census Bureau use only.
 The CCD and CDP boundaries represent statistical entities only and are not updated through the BAS.
 Incorporated place name color corresponds to the incorporated place fill color.

3 Incorporated place name color corresponds to the incorporated place fill color.

Due to space limitations, some road names, along with other feature and geography.

Due to space limitations, some road names, along with other feature and geography names on the map, may not be shown.

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Sheet Location within Entity

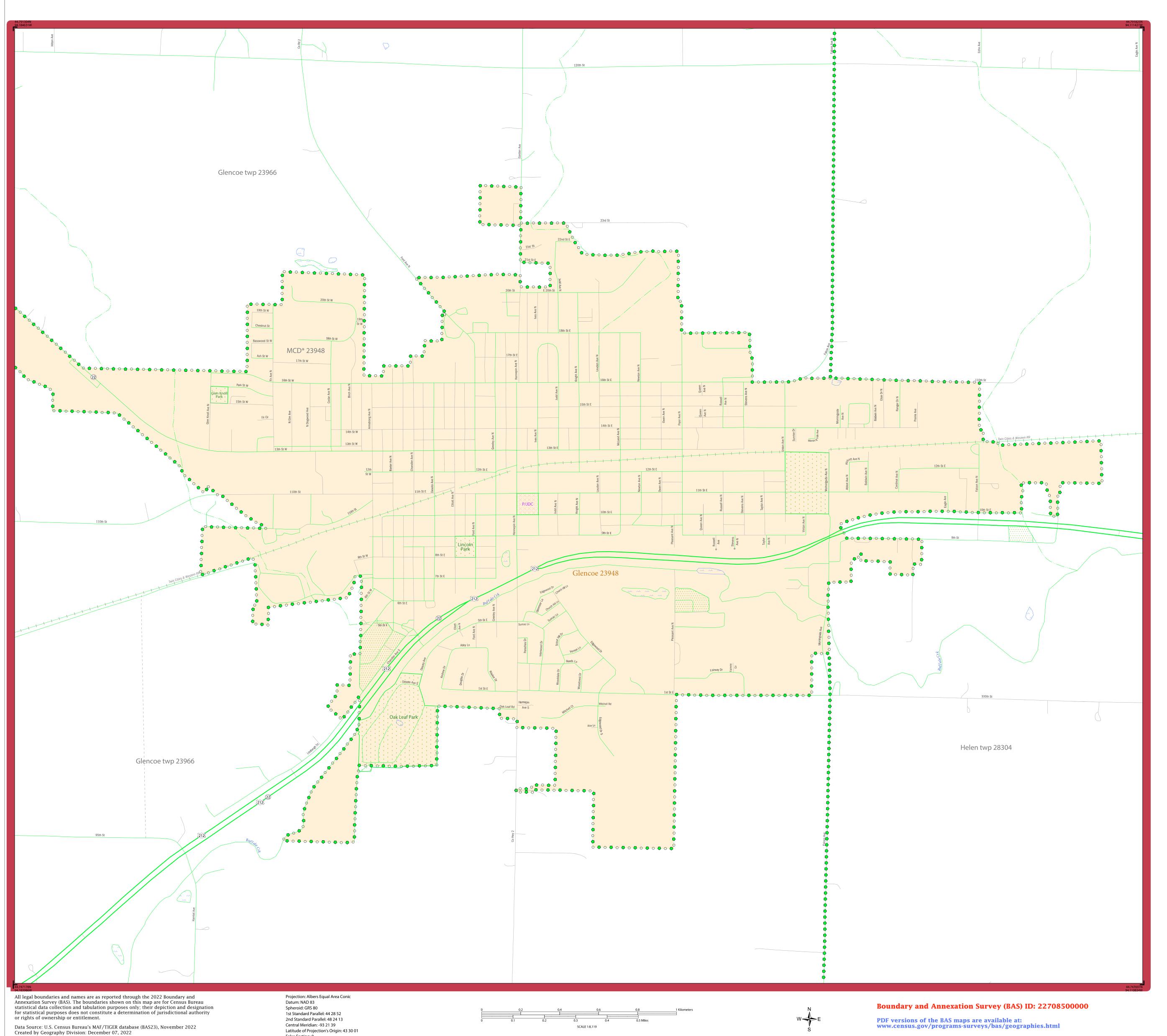
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Total Sheets: 14 (Index 1; Parent 9; Inset 4)

NAME: McLeod County (085) ENTITY TYPE: County or statistically equivalent entity ST: Minnesota (27)

INDEX OR PARENT SHEET #: 002 INSET SHEET #: 006601



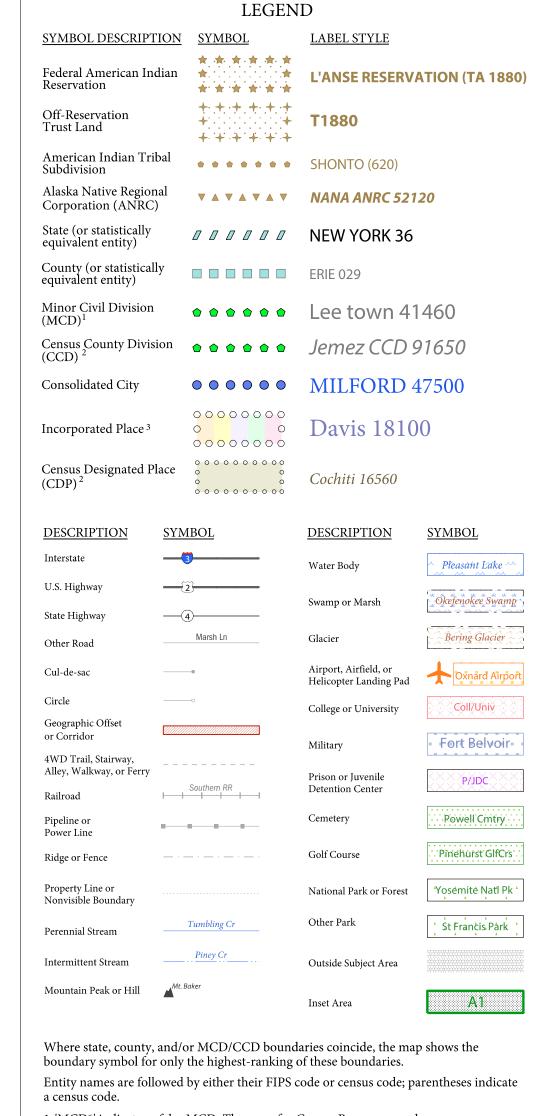




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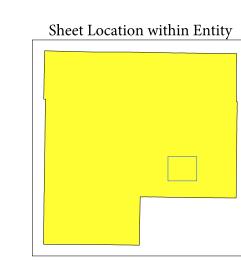
U.S. DEPARTMENT OF COMMERCE U.S. Census Bureau

False Northing: 0



- 1 'MCD\*' indicates a false MCD. These are for Census Bureau use only. 2 The CCD and CDP boundaries represent statistical entities only and are not updated
- 3 Incorporated place name color corresponds to the incorporated place fill color.

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Sheet C1 of 4 INSET sheets Total Sheets: 14 (Index 1; Parent 9; Inset 4)

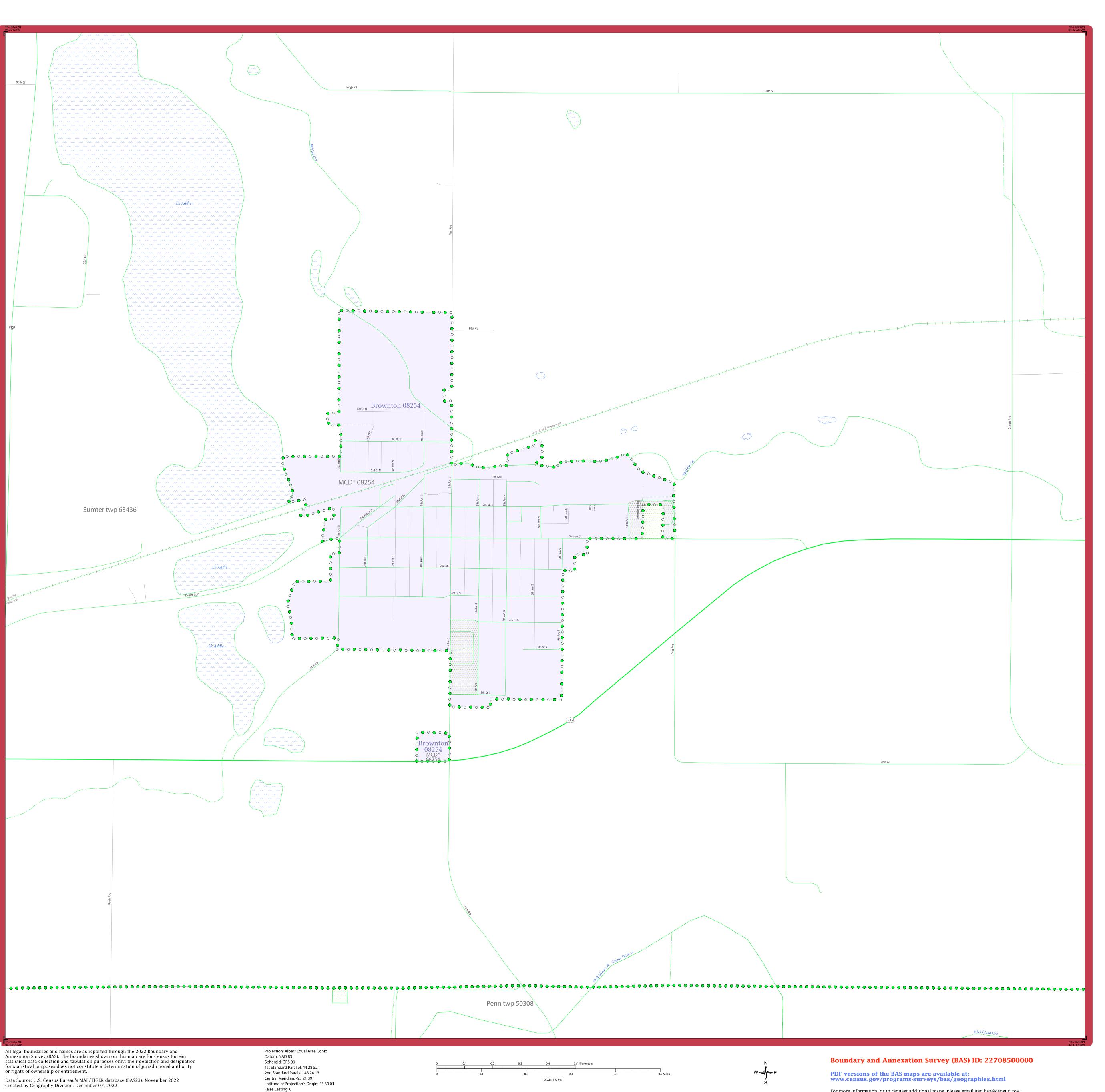
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INDEX OR PARENT SHEET #: 005 INSET SHEET #: 006701

For more information, or to request additional maps, please email geo.bas@census.gov,

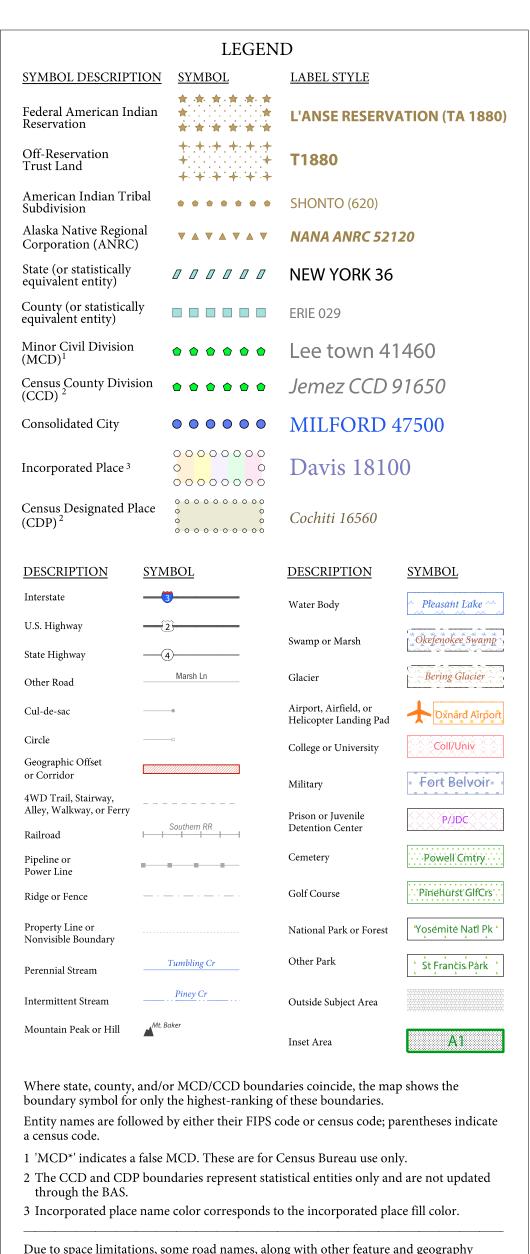






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U.S. DEPARTMENT OF COMMERCE U.S. Census Bureau



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Sheet Location within Entity

Sheet D1 of 4 INSET sheets Total Sheets: 14 (Index 1; Parent 9; Inset 4)

NAME: McLeod County (085) ENTITY TYPE: County or statistically equivalent entity ST: Minnesota (27)

INDEX OR PARENT SHEET #: 004 INSET SHEET #: 006801

For more information, or to request additional maps, please email geo.bas@census.gov,





