



PUBLIC DISCLOSURE

August 25, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home City FSB of Springfield
Charter Number 701830

2454 N. Limestone Street
Springfield, OH 45503

Office of the Comptroller of the Currency

Westlake Center
4555 Lake Forest Drive, Suite 520
Cincinnati, OH 45242

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 City Federal Savings Bank (Home City or the bank) has a satisfactory record of meeting the community's credit needs.

- Home City's average loan-to-deposit ratio since the previous Community Reinvestment Act (CRA) evaluation is more than reasonable.
- A substantial majority of the loans originated during the evaluation period were in the assessment area (AA).
- The distribution of residential mortgage loans to borrowers among different income levels and to businesses of different sizes reflects a reasonable penetration.
- The geographic distribution of residential mortgage loans and business loans reflects a reasonable dispersion.

SCOPE OF EXAMINATION

We performed a small bank Community Reinvestment Act (CRA) evaluation of Home City using financial data as of June 30, 2014. The evaluation period for lending activity included loans originated from January 1, 2012 through December 31, 2013. We reviewed the loan-to-deposit (LTD) ratio using both the current ratio and a 20-quarter average ratio. Residential real estate and commercial loans are the bank's primary loan products. We analyzed the bank's lending performance inside the AA. We evaluated the borrower distribution and geographical distribution based on Home Mortgage Disclosure Act (HMDA) reportable residential mortgage loan origination data and sampled 40 commercial loans originated during the evaluation period. Home City received a satisfactory rating from its last performance evaluation dated August 4, 2010.

DESCRIPTION OF INSTITUTION

Home City is a \$150 million federal savings bank located in Springfield, Ohio. The institution is a wholly owned subsidiary of Home City Financial Corporation, a unitary non-diversified holding company. Home City conducts lending and deposit activities from two branches located in Springfield, Ohio. The AA consists of Clark County, Ohio.

Home City operates as a community bank with a loan portfolio primarily consisting of residential mortgage loans secured by one- to four-family dwellings. The bank grants residential mortgage loans for the purpose of home purchase, refinance, improvement, and construction. Home City also grants home equity and consumer loans, and there is a significant portfolio of commercial and commercial real estate loans. Home City retains most loans originated on its balance sheet, with secondary mortgage market activities being limited.

We identified no factors pertaining to Home City's financial condition, size, product offerings, or legal impediments, which would limit Home City's ability to help meet the credit needs of its AA. The following table indicates the bank's primary lending products (by dollar amount) based on June 30, 2014 financial information.

Table 1 – Loan Portfolio Mix (June 30, 2014)		
Loan Type	Dollar Volume (000s)	Percent of Gross Loans
Residential Real Estate Loans	\$ 84,281	70%
Consumer Installment Loans	\$ 1,116	1%
Commercial Loans	\$ 30,143	25%
Agricultural Loans	\$ 2,752	2%
Other Loans	\$ 2,241	2%
Total	\$ 120,533	100%

Source: June 30, 2014 consolidated report of condition and Uniform Bank Performance Report

DESCRIPTION OF ASSESSMENT AREA

Home City's AA includes the Springfield, OH Metropolitan Statistical Area (MSA), which is comprised entirely of Clark County. Based on its 2010 census, the U.S. Census Bureau divided Clark County into 44 census tracts (CTs), designating them in the following manner: six low-income CTs, nine moderate-income CTs, 16 middle-income CTs, and 13 upper-income CTs. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

Home City maintains a deposit market share of 7.37 percent according to the most recent FDIC market share report (June 30, 2013). Home City is ranked sixth out of 12 deposit-taking banks or thrifts. Competition is significant, with much of the competition coming from larger banks with more extensive branch networks. Home City maintains a mortgage market share of 2.79 percent according to our analysis of HMDA reporting institutions active in Clark County. Many competitors with larger mortgage market shares were much larger national or regional banks or thrifts, or secondary mortgage market participants.

Clark County has experienced improving economic trends in terms of declining unemployment. The AA is primarily urban, but still with a significant amount of small towns and rural areas with an agricultural focus. Larger non-government employers include insurance company, Assurant, Inc.; local healthcare provider, Community Mercy Health Providers; manufacturer, Dole Fresh Vegetables; truck manufacturer, Navistar; Marathon/Speedway/SuperAmerica, LLC; and Gordon Food Services. Per the U.S. Bureau of Labor Statistics' June 2014 data, the unemployment rate for Clark County was generally declining throughout the current review period. At June 30, 2014, the Clark County unemployment rate was 5.2 percent, which compares favorably to the 5.9 percent unemployment rate for the state of Ohio. While the unemployment statistics on the surface are positive, median-family incomes in the AA have actually declined since the prior CRA evaluation, from \$56,800 in 2010 to \$53,500 in 2013. Table 2 on the next page describes the distribution of families and CTs in the AA.

Table 2 - AA Income Composition by Families and CTs								
Income Level	Low-Income		Moderate-Income		Middle-Income		Upper Income	
	#	%	#	%	#	%	#	%
Families	14,329	15.02%	22,375	18.11%	56,833	23.75%	44,796	43.12%
CTs	6	13.64%	9	20.45%	16	36.36%	13	29.55%

As of the 2010 Census, the population of the AA is 138,333. Of the AA's 61,574 housing units, 62.91 percent (38,735) are owner-occupied. The average weighted median housing cost is \$109,703. Based on 2013 Dunn and Bradstreet data, there are 8,120 businesses located in the AA. Community contact interviews revealed there are needs for financial literacy, affordable housing, and new business start-up financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Home City's performance under the lending test is satisfactory.

Loan-to-Deposit Ratio

Home City's LTD ratio reflects more than reasonable performance. For analysis purposes, we compared both Home City's current and 16-quarter average LTD ratios with a custom peer group consisting of six FDIC insured community banks located in Clark and bordering counties. At June 30, 2014, the bank's LTD ratio is 105.79 percent, which is more than reasonable when compared to the peer group's average of 87.80 percent at June 30, 2014. Home City's average LTD ratio over the last 16 quarters since the prior CRA evaluation (July 1, 2010 through June 30, 2014) was 104.86 percent, which is also more than reasonable compared to the 16-quarter average LTD ratio of the peer group, which was 86.79 percent.

Lending in Assessment Area

The bank's lending performance within the AA shows a substantial majority of loans inside the bank's AA. This is based on our review of the residential real estate loans reported on the HMDA Loan Application Register and our sample of 40 commercial loans. Table 3 on the next page reflects the bank's lending within the AA by number of residential purchase loans, residential refinance loans, and business loans. The amount of residential home improvement lending was insufficient for meaningful analysis.

Table 3 - Lending in the AA					
Loan Type	Number of Loans				Total
	Inside		Outside		
	#	%	#	%	
Residential Purchase	89	82.41%	19	17.59%	108
Residential Refinance	132	85.71%	22	14.29%	154
Business	39	97.50%	1	2.50%	40
Totals	260	86.09%	42	13.91%	302

Source: HMDA reported loans, and business loan sample

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

Home City's lending to borrowers of different incomes and to businesses of different sizes reflects reasonable penetration.

The borrower distribution of home purchase loans is reasonable. The bank's percentage of purchase loans to low-income borrowers was modestly below that of other AA lenders. However, U.S. Census Bureau data reflects the poverty level for the AA at 14 percent indicating limited opportunities to lend to low-income borrowers since these families may have difficulty meeting traditional underwriting standards. The bank's percentage of purchase loans to moderate-income borrowers was also modestly below that of other AA lenders, but compared favorably to the percentage of moderate-income families.

The borrower distribution of home refinance loans is reasonable. The bank's percentage of refinance loans to low-income borrowers was modestly below that of other AA lenders. However, the 14 percent poverty level impacts the bank's ability to lend to low-income borrowers. The bank's percentage of refinance loans to moderate-income borrowers is also reasonable. Table 4A demonstrates the bank's distribution of home loans by borrower income and compares this to both the performance of other AA lenders and to the percentage of families in each income level within the AA.

Table 4A - Borrower Distribution of Residential Mortgage Loans in the AA					
Borrower Income Level	% of Home City's Loans		% of AA Lender Loans		% Of AA Families
	Purchase	Refinance	Purchase	Refinance	
Low	5.75%	4.69%	14.79%	7.87%	19.82%
Moderate	22.99%	12.50%	30.19%	16.39%	17.52%
Middle	11.49%	25.78%	26.14%	27.03%	22.90%
Upper	59.77%	57.03%	28.88%	48.71%	39.76%

Source: Loan Sample, 2010 U. S. Census Data, 2012 and 2013 FFIEC median family incomes

The borrower distribution of small loans to businesses is more than reasonable. A large majority (85 percent) of business loans sampled were to businesses with reported revenues less than \$1 million, which exceeds the percentage of businesses in the AA known to have revenues of \$1 million or less. Table 4B below lists the number of small loans made to businesses of different sizes.

Table 4B - Borrower Distribution of Small Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.66%	4.54%	22.80%	100%
% of Bank Loans in AA by #	85.00%	12.50%	2.50%	100%

Source: Loan sample, 2013 Dunn and Bradstreet Data

Geographic Distribution of Loans

Home City’s lending to geographies of different income levels meets the standards for satisfactory performance.

The geographic distribution of home purchase loans is reasonable. The percentage of purchase loans in low-income CTs was near that of other AA lenders. The percentage of purchase loans in moderate-income CTs was modestly below that of other AA lenders. Less than five percent of owner-occupied housing units are located in the low-income CTs, which affects the opportunity to lend in low-income CTs.

The geographic distribution of home refinance loans is reasonable. The percentage of refinance loans in low-income CTs exceeds that of other AA lenders. The percentage of refinance loans in moderate-income CTs was slightly below that of other AA lenders. Given the level of competition with mortgage loan originators within the AA, the level of performance is reasonable.

Table 5A demonstrates the bank’s distribution of home loans by geographic income level and compares this to both the performance of other AA lenders and the number of owner-occupied housing units in each area.

Table 5A - Geographic Distribution of Residential Mortgage Loans in the AA					
Borrower Income Level	% of Home City Loans		% of AA Lender Loans		% Of Owner-Occupied Housing Units
	Purchase	Refinance	Purchase	Refinance	
Low	0.00%	2.27%	1.96%	1.37%	4.94%
Moderate	6.74%	5.30%	10.92%	7.11%	12.97%
Middle	50.56%	37.13%	47.96%	41.27%	44.52%
Upper	42.70%	55.30%	39.16%	50.25%	37.57%

Source: Loan Sample and U.S. Census Bureau

The geographic distribution of business loans is excellent. Business loans in the low-income CTs exceed the percentage of businesses in those low-income CTs. Business loans in the moderate-income CTs also exceed the percentage of businesses in those moderate-income CTs. Table 5B below lists the number of loans made to businesses of different sizes.

Table 5B - Geographic Distribution of Business Loans in the AA								
Geography Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Home City Loans	% of AA Businesses	% of Home City Loans	% of AA Businesses	% of Home City Loans	% of AA Businesses	% of Home City Loans
Business Loans	8.15%	15.00%	17.26%	22.50%	35.62%	25.00%	38.97%	37.50%

Source: Loan sample, 2013 Dunn and Bradstreet Data

Other Lending Information

During the 2012 through 2013 evaluation period, Home City granted five qualifying community development loans. Two economic development loans totaling \$295,000 were made in partnership with the Springfield Small Business Development Corporation (SBDC). One additional economic development loan was made to the Springfield SBDC itself for \$25,000. One affordable housing loan for \$153,000 was made to the local chapter of Habitat for Humanity, and one loan to fund operating costs was made to a local non-profit for \$100,000. That non-profit provides community development services in the form of drug and alcohol rehabilitation services to low- and moderate-income residents. Further, Home City modified four residential mortgage loans secured by primary residences for financially troubled borrowers.

Qualified Investments and CD Services

In addition to the lending activity, Home City helped meet the community needs through the following qualified investments and services. Home City made nine qualifying grants totaling \$56,910 to local non-profits that provide community services. Further, management made a \$10,000 commitment to provide donations for operating funds to the SBDC over 5 years, \$4,000 of which was fulfilled during 2013 and 2014.

Further, Home City referred six borrowers to "Save the Dream-Ohio". Save the Dream-Ohio is a non-profit organization that connects homeowners with HUD-approved credit counseling agencies, legal aid, and other resources to help homeowners prevent foreclosures. The borrowers were referred to one of the approved agencies in Clark County after encountering difficulty in meeting their mortgage loan obligations.

Home City also has two members of their management team that serve as board members on local non-profits that provide community development services.

Responses to Complaints

Home City did not receive any complaints during the review period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) 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.