



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 3, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Jackson Federal Savings & Loan Association
Charter Number 705440

414 2nd Steet
Jackson, MN 56143

Office of the Comptroller of the Currency

4900 South Minnesota Avenue, Suite 300
Sioux Falls, SD 57108-2865

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

The major factors that support this rating include:

- The bank's average loan-to-deposit ratio of 68 percent is reasonable.
- A substantial majority of loans originated to borrowers are located in the assessment area (AA).
- The bank's distribution of loans represents satisfactory penetration among individuals of different income levels.

SCOPE OF EXAMINATION

Jackson Federal Savings and Loan Association (Jackson Federal) was evaluated under the small bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credits needs of its AA through its lending activities. The lending test for Jackson Federal covers its performance from January 1, 2010 through December 1, 2012.

The number and dollar volume of loans was determined by Jackson Federal's internal loan reports to determine the bank's primary products. The primary products were determined to be residential mortgages based on the number and volume of loans originated and consumer loans based on the number and volume of loans originated. To evaluate the bank's lending performance, we selected a sample of residential mortgages and consumer loans originated since January 1, 2010.

Jackson Federal offers traditional banking products. Net loans represent 42 percent of total bank assets. Jackson Federal's tier one leverage capital is 19 percent as of September 30, 2012. Table 1 below shows the breakdown of loans originated since January 1, 2010.

Table 1-Loan Portfolio Originations				
Loan Type	Originated Loans by Number		Originated Loans by Dollar	
	# of loans	% of loans	Volume of loans	% of volume
Residential Real Estate	58	20%	\$5,628,083	56%
Consumer	214	73%	2,486,347	25%
Commercial	19	6%	\$1,579,370	16%
Ag	2	1%	\$303,642	3%
Total	293	100.00%	\$9,997,442	100.0%

Description of Institution

Jackson Federal is a federally chartered stock savings and loan association with total assets of \$38 million as of September 30, 2012. The bank is 100 percent owned by the mutual holding company, Jackson Financial, MHC. The institution operates from one branch location in Jackson, Minnesota. The bank owns one automatic teller machine located at that branch. There have been no significant changes to Jackson Federal's corporate structure, including mergers or acquisition activities, since the last Community Reinvestment Act examination. The bank's primary lending activity is residential real estate loans for the purchase, refinance, or construction of single-family residences and consumer loans. As of March 31, 2012, the loan portfolio consisted of 65 percent residential real estate loans, 7 percent non-farm non-residential, 7 percent consumer, 11 percent farmland, and 10 percent commercial.

There are no legal or financial impediments to Jackson Federal's ability to meet the credit needs of it AA. The bank was rated "satisfactory" at its last CRA examination dated October 30, 2006.

Description of Assessment Area

Jackson Federal has one AA, which includes the three census tracts (CTs) in and surrounding the City of Jackson in Jackson County, which is located in Southwest Minnesota. CTs: 9801, 9803, and 9804 are all located in Jackson County. These tract numbers changed from the 2000 census when the tracts were 9401, 9403, and 9404. There are no low, moderate, or upper-income CTs in the AA, all three CTs tracts are middle income tracts. The AA is serviced by nine financial institutions based on the FDIC deposit market share report, with one of the nine being large (over \$1 billion). Jackson Federal ranks ninth in deposit market share.

According to the 2010 census, there were 7,973 people in the AA, consisting of 3,589 households. The 2012 HUD non-metropolitan statistical area (MSA) median family income for Minnesota is \$60,000. The distribution of family household income within the AA is 21 percent low, 16 percent moderate, 22 percent middle, and 41 percent high. Housing is primarily owner-occupied with units 70 percent owner-occupied, 21 percent renters, and 9 percent vacant.

Overall, the local economy is stable. The City of Jackson is located in a rural economic environment located in Jackson County in southwest Minnesota. According to the U.S. Bureau of Labor Statistics, the state of Minnesota and Jackson County unemployment rates as of October 2012 are 5.2 and 4.7 percent, respectively. Both rates are below the national unemployment rate of 7.9 percent for the same period. Jackson County has a large industrial park which includes major employers AGCO, Kozy Heat Fireplaces, HitchDoc, SF Holland, Pioneer, New Fashion Pork, Ziegler Ag Equipment, B&H Manufacturing, Heron Lake BioEnergy, and Jackson County School District. There are no distressed or underserved markets in the AA.

We did not identify an unmet credit needs in Jackson Federal's AA. Examiners made two community contacts during this CRA examination. The contacts indicated area financial institutions are perceived favorably and are involved in community initiatives. The community contacts did not identify any unmet credit needs in the area. The main credit needs for the area are residential real estate and consumer loans, which are the bank's main loan products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Jackson Federal's net loan-to-deposit ratio (LTD ratio) is reasonable given the bank's size, financial condition, area population, and lending opportunities in the AA. The bank's LTD ratio has decreased since the last CRA examination. The bank's September 30, 2012 LTD ratio is 63 percent, and the LTD ratio averaged 68 percent for the past 23 quarters since the last CRA examination. Jackson Federal's ratio ranged from a quarterly low of 60 percent to a high of 74 percent from March 31, 2007 to September 30, 2012.

Jackson Federal's LTD ratio is reasonable when compared to 10 similarly-situated banks with respect to location, product offerings, and size (total assets between \$18 million and \$45 million). The 10 similarly-situated banks have a 23-quarter average of 70 percent, ranging from a low of 36 percent to a high of 101 percent from March 31, 2007 to September 30, 2012.

Lending in Assessment Area

A substantial majority of loans were originated within the AA. We reviewed a sample of 38 residential mortgages loans and 40 consumer loans for both 2000 and 2010 census data to determine the bank's lending performance within the AA. All of the loans tested were originated between January 1, 2010 and December 1, 2012. We found that 92 percent of sampled loans, by number and volume, were originated within the AA.

Table 2 illustrates the bank's loans that were originated in the AA by number and dollar volume of loans.

Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgages	35	92%	3	8%	38	3,334	92%	300	8%	3,634
Consumer	37	93%	3	7%	40	446	90%	50	10%	496
Totals	72	92%	6	8%	78	3,780	92%	350	8%	4,130

Lending to Borrowers of Different Incomes

Overall borrower distribution is reasonable for residential real estate mortgages and consumer loans.

Jackson Federal’s distribution of residential real estate mortgages to low- and moderate-income families is reasonable. We reviewed a sample of 38 residential real estate mortgages originated since January 1, 2010 to determine the bank's lending to families of different income levels.

The bank originated 45 percent of its mortgage loans to low- and moderate- income families in 2010 and 2011, which reasonably compares to 38 percent of AA families with low- or moderate- incomes. See Table 3A for 2000 census income distribution for mortgages.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families
Residential RE Refinances	25%	16%	20%	22%	20%	32%	35%	30%

Source: Loan sample, 2000 census data

The bank originated 39 percent of its mortgage loans to low- and moderate- income families in 2012, which also reasonably compares to 36 percent of AA families with low or moderate incomes. See Table 3B for 2010 census income distribution for mortgages.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families
Residential RE Refinances	17%	18%	22%	18%	28%	27%	33%	37%

Source: Loan sample, 2010 census data

Jackson Federal’s distribution of consumer loans to households of low- and moderate-income levels is reasonable. We reviewed a sample of 40 consumer loans originated since January 1, 2010 to determine the bank's lending to individuals of different income levels.

The bank originated 60 percent of its consumer loans to low- and moderate- income families in 2010 and 2011, which reasonably compares to 41 percent of AA families with low- or moderate- incomes. See Table 4A for 2000 census income distribution for consumer loans.

Table 4A - Borrower Distribution of Consumer Loans in Assessment Area 2000								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households
Consumer Loans	20%	22%	40%	19%	20%	23%	20%	36%

Source: Loan sample, 2000 census data

The bank originated 40 percent of its mortgage loans to low- and moderate- income families in 2012, which also reasonably compares to 37 percent of AA families with low- or moderate- incomes. See Table 4B for 2010 census income distribution for consumer loans.

Table 4B - Borrower Distribution of Consumer Loans in Assessment Area 2010								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households
Consumer Loans	30%	21%	10%	16%	15%	22%	45%	41%

Source: Loan sample, 2010 census data

Responses to Complaints

Jackson Federal did not receive any CRA complaints during the evaluation period. We verified this through the most recent CAG report, which had no CRA related complaints.

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 AA 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.