



PUBLIC DISCLOSURE

April 2, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Jackson Federal Savings and Loan Association
Charter Number 705440

414 2nd St
Jackson, MN 56143-1642

Office of the Comptroller of the Currency
Sioux Falls Field Office
4900 South Minnesota Avenue
Suite 300
Sioux Falls, SD 57108

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.

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Overall CRA Rating: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

- A substantial majority of Jackson Federal Savings and Loan Association's (Jackson Federal's) loans are originated to borrowers located in the assessment area (AA).
- The bank's distribution of loans to borrowers of different income levels is reasonable.
- The bank's average loan-to-deposit (LTD) ratio is reasonable when considering the bank's size, financial condition, and the credit needs of its AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas (MA's). CT's generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CT's are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA's or outside the AA's provided the bank has adequately addressed the community development needs of its AAs.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

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, which 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).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT 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 conduct business or have banking offices in a metropolitan statistical area (MSA) 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, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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 MA/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties 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.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state MA. 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 multi-state MA, the institution will receive a rating for the multi-state MA.

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

Small Loan(s) to Farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries

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

Description of Institution

Jackson Federal is a federally chartered stock savings and loan association with total assets of \$39.5 million as of December 31, 2017. 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 CRA examination.

Jackson Federal is a single state institution, operating entirely within Minnesota. The bank has one AA--the Jackson AA. The bank's business strategy is primarily focused on 1-4 family residential real estate and consumer loans.

Jackson Federal offers traditional banking products. 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 December 31, 2017, net loans represent 44 percent of total bank assets. As of December 31, 2017, the loan portfolio consisted of approximately 61 percent residential real estate, 17 percent commercial, 15 percent farm, and 7 percent consumer loans.

There are no legal or financial impediments to Jackson Federal's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its prior CRA examination dated December 3, 2012.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Jackson Federal was evaluated under the Small Bank CRA examination procedures, which includes a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The Lending Test for Jackson Federal covers its performance from January 1, 2015 through November 30, 2017, as this is representative of its lending strategy since the previous CRA examination.

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 real estate mortgages and consumer loans based on the number and dollar volume of loans originated. To evaluate the bank's lending performance, we selected a sample of residential real estate mortgages and consumer loans originated between January 1, 2015 and November 30, 2017.

Table 1 below shows the breakdown of loans originated during the evaluation period.

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	63	22.99%	\$5,714,900	47.2%
Consumer	185	67.52%	2,998,634	24.76%
Commercial	23	8.39%	\$2,243,947	19%
Ag	3	1.09%	\$1,152,500	10%
Total	274	100.00%	\$12,109,981	100.0%

Source: Bank loan data from January 1, 2015 to November 30, 2017.

Selection of Areas for Full-Scope Review

Jackson Federal has one AA, which includes the three CT's in and surrounding the City of Jackson in Jackson County located in Southwest Minnesota. The CTs included in the AA are 4801, 4803, and 4804 and are all located in Jackson County. The bank does not include CT 4802 in Jackson County in their AA as it is served by other institutions. We completed a full scope review of this AA. The bank's overall rating is based entirely on its performance in this single AA. Refer to Appendix B-1 for additional information about the bank's AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Jackson Federal's performance under the Lending Test is satisfactory.

Loan-to-Deposit Ratio

Jackson Federal's net 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 remained stable since the last CRA examination. The December 31, 2017 LTD ratio is 64 percent and the LTD ratio at the last CRA examination on August 20, 2013 was 63 percent. The average LTD ratio over the 21 quarters since the last CRA examination is 64 percent with a quarterly low of 58 percent and a high of 68 percent. Jackson Federal's LTD ratio is reasonable when compared to 10 similarly-situated banks with respect to location, product offerings, and size. The 10 similarly-situated banks had a 21 quarter average of 55 percent, ranging from a low of 19 percent to a high of 81 percent from September 31, 2012 to December 31, 2017. LTD ratios are calculated on a bank-wide basis.

Lending in Assessment Area

A substantial majority of loans were originated within the AA. We reviewed a sample of 20 residential mortgages loans and 20 consumer loans to determine the bank's lending performance within the AA. We found that 83 percent of sampled loans by number and 77 percent sampled by dollar 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 Real Estate	15	75%	5	25%	20	1,564	76%	486	24%	2,050
Consumer	18	90%	2	10%	20	237	85%	43	15%	280
Totals	33	83%	7	17.5%	40	1,801	77%	529	23%	2,330

Source: Loan sample.

Lending to Borrowers of Different Incomes

The overall distribution of residential real estate mortgages and consumer loans to borrowers of different income levels reflects reasonable distribution compared to AA demographics.

Jackson Federal's distribution of residential real estate mortgages to low- and moderate-income borrowers is reasonable. We reviewed a sample of 20 residential real estate mortgages to determine the bank's lending to borrowers of different income levels. The bank originated 36 percent of sampled residential real estate mortgage loans to low- and moderate- income borrowers, which reasonably compares to 35 percent of AA families with low- or moderate- incomes.

Table 3 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% 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
Residential Real Estate	18%	0	18%	35%	26%	20%	38%	45%

Source: 2010 U.S. Census data; Loan Sample.

Jackson Federal's distribution of consumer loans to borrowers of low- and moderate-income levels is reasonable. We reviewed a sample of 20 consumer loans to determine the bank's lending to borrowers of different income levels. The bank originated 35 percent of sampled consumer loans to low- and moderate- income borrowers, which reasonably compares to 40 percent of AA households with low- or moderate- incomes.

Table 4 - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% 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
Consumer Loans	22	15	18	20	20	25	40	40

Source: 2010 U.S. Census data; Loan Sample.

Geographic Distribution of Loans

We did not complete a geographic distribution of loans as there are no low- or moderate-income CTs in the AA.

Responses to Complaints

Neither the bank nor the OCC received any complaints regarding Jackson Federal's CRA performance during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”).

Time Period Reviewed	Lending Test: 01/01/15 to 11/30/17	
Financial Institution		Products Reviewed
Jackson Federal Savings and Loan Association (Jackson Federal) Jackson, MN		Residential Real Estate and Consumer Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Jackson AA (nonmetropolitan MN)	Full-Scope	The bank has only a single AA.

Appendix B: Community Profiles for Full-Scope Areas

Jackson AA

Demographic Information for Full Scope Area: Jackson AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0.00	0.00	100.00	0.00	0.00
Population by Geography	7,973	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	2,778	0.00	0.00	100.00	0.00	0.00
Business by Geography	620	0.00	0.00	100.00	0.00	0.00
Farms by Geography	208	0.00	0.00	37.56	0.00	0.00
Family Distribution by Income Level	2,353	17.47	18.19	25.92	38.42	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	839	0.00	0.00	100.00	0.00	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below Poverty Level		57,683 65,300 11%	Median Housing Value Unemployment Rate		105,817 2.51%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2017 FFIEC updated MFI.

The Jackson AA includes three CTs in and surrounding the City of Jackson in Jackson County located in Southwest Minnesota. The AA includes two middle-income and one upper-income CT. There are no low or moderate income CTs in the AA.

The AA is serviced by nine financial institutions based on the June 30, 2017 Federal Deposit Insurance Corporation deposit market share report. Jackson Federal ranks fourth in deposit market share at nine percent. These other institutions provide competition for Jackson Federal.

According to the 2010 US Census, there were 7,973 people in the AA consisting of 3,589 households. The 2017 FFIEC Adjusted Median Family Income is \$65,300. The distribution of families within the AA is 18 percent low-income, 18 percent moderate-income, 26 percent middle-income, and 38 percent upper-income. Housing is primarily owner-occupied with units 70 percent owner-occupied units and 21 percent renter-occupied units.

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 Minnesota average state unemployment rate as of February 2018 was 3.2 percent, below the national unemployment rate of 4.1 percent.

There are no distressed or underserved markets in the AA. We did not identify any unmet credit needs in this AA. Examiners made one community contact during this CRA examination. The contact indicated area financial institutions are perceived favorably and are involved with several community events. The contact indicated that they are pleased with financial institutions' support of the community. The community contact did not identify any unmet credit needs in the area and said the local town is doing well and actually expanding. The main credit needs for the area are residential real estate and consumer loans, which are the bank's main loan products.