



PUBLIC DISCLOSURE

November 24, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Federal Savings & Loan Association of Niles
Charter Number 701412

55 North Main Street
Niles, OH 44446-5003

Office of the Comptroller of the Currency
Cleveland Field Office
200 Public Square, Suite 1610
Cleveland, OH 44114-2301

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 Needs To Improve.

The major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is less than reasonable and does not meet the standard for satisfactory performance.
- The institution made the majority of its loans inside its assessment area (AA), meeting the standard for satisfactory performance.
- Lending to borrowers of different incomes reflects an inadequate proportion and does not meet the standard for satisfactory performance.
- The geographic distribution of loans reflects weak distribution and does not meet the standard for satisfactory performance.

SCOPE OF EXAMINATION

We evaluated Home Federal Savings and Loan Association of Niles (Home Federal or bank) using small bank Community Reinvestment Act (CRA) procedures. We evaluated the bank's performance in meeting the credit needs of its AA based on the lending test. Home Federal has one AA for review at this performance evaluation. See the ***Description of Assessment Area*** for additional information.

The scope of the evaluation is from July 9, 2009 through September 30, 2014. Lending data analyzed for the purposes of this examination is from January 1, 2012 through September 30, 2014. Home Federal is subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). Residential loans are the bank's primary lending product. Accordingly, our analysis includes all HMDA-reportable loans originated within the bank's AA. These loans include home purchase, home improvement, and home refinance.

We utilized other supporting information while evaluating the bank's CRA performance. As no changes occurred in the metropolitan statistical area (MSA) boundaries in 2014, loans were analyzed against 2010 United States (U.S.) Census data and 2014 MSA information. Additional supporting information includes bank records, deposit market share data, and information from governmental websites regarding the characteristics and economy of the bank's AA. We also considered information derived from members of the community through community contacts with local organizations, other institution's performance evaluations, and bank management.

DESCRIPTION OF INSTITUTION

Home Federal is a federally chartered thrift institution headquartered in Niles, Ohio, which operates a single retail office in a middle-income census tract (CT) in Trumbull County. The office is a full-service facility with drive-up service. No offices have been opened or closed during the evaluation period. Home Federal is a wholly-owned subsidiary of First Niles Financial Inc., a one-bank holding company also located in Niles, Ohio.

Home Federal is a traditional savings association with \$97.1 million in average total assets. The loan portfolio consists primarily of residential mortgage loans secured by one- to four-family dwellings, nonresidential mortgages, and consumer loans. Table 1 below shows a summary of the bank's loan portfolio as of September 30, 2014.

Table 1 - Total Loan Portfolio Summary by Loan Product			
Loan Category	Amount (\$000's)	Percentage of Total Loans	Percentage of Total Assets
Residential Mortgage	\$18,753	82.4%	19.3%
Nonresidential Mortgage	\$3,515	15.5%	3.6%
Commercial Nonmortgage	\$78	0.3%	0.0%
Consumer	\$420	1.8%	0.4%
Total	\$22,766	100.0%	23.4%

Source: September 30, 2014 Uniform Bank Performance Report

Home Federal's loan portfolio decreased from \$28.7 million to \$22.7 million during the review period. The decrease is primarily due to Home Federal's business strategy, which offered above market rates on home loans, limited mortgage product diversity, and included minimal marketing in the AA. The Board and management's concern regarding the risk of rising interest rates, competition, training, and complying with secondary market requirements led to this strategy. During this time, Home Federal took no specific actions to determine and meet the credit needs of the AA. Home Federal also initiated a commercial real estate loan program in 2012. However, we did not consider commercial real estate lending as part of this analysis as the volume of loans was not sufficient to conduct a meaningful analysis.

Home Federal offers a full range of deposit products and services including checking, savings, and certificates of deposits for individuals and businesses. Additional services include night deposit, on-line banking, wire transfers, money orders, and cashier's checks.

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the AA. The bank received a Satisfactory rating in its last CRA Performance Evaluation, dated July 8, 2009.

DESCRIPTION OF ASSESSMENT AREA

Table 2 below provides demographic information for the AA.

Table 2 - Demographic Information for the Niles AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	55	5.5	16.4	63.6	14.5
Population by Geography	210,312	3.6	14.5	65.6	16.3
Owner-Occupied Housing by Geography	64,534	2.3	11.9	67.1	18.7
Businesses by Geography	14,616	5.3	12.0	63.3	19.4
Farms by Geography	694	1.3	5.5	77.7	15.5
Family Distribution by Income Level	56,165	19.4	18.3	23.0	39.3
Distribution of Low- and Moderate-Income Families throughout AA Geographies	21,178	6.1	20.4	62.4	11.1
Median Family Income FFIEC Estimated 2014 Median Family Income Families Below the Poverty Level	= \$52,933 = \$52,700 = 11.5%			Median Housing Value = \$102,664 Monthly Unemployment Rate for September 2014: Trumbull County = 5.4% State of Ohio = 5.0%	

Source: 2010 U.S. Census, 2014 FFIEC updated MFI, and 2014 U.S. Bureau of Labor Statistics.

The bank's primary AA consists of Trumbull County, a part of the Youngstown-Warren-Boardman OH-PA Metropolitan Statistical Area (MSA). This AA has three low-income CTs and nine moderate-income CTs. Principal cities include Warren, Niles, and Howland Township. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income CTs.

Competition within the AA is strong. There are 14 insured depository institutions with a total of 64 offices. Financial institutions in the area include community, regional, and national banks. Home Federal ranked ninth in the AA with approximately a 2 percent deposit market share according to June 30, 2014 Federal Deposit Insurance Corporation (FDIC) deposit data.

Based on a 2013 Trumbull Ohio County Profile, the composition of businesses in this AA support primarily retail trade, transportation and utilities, education and health care, professional and business services, and local government. Major employers include General Motors, Trumbull County Government, West Corp, Valley Care Health System, and AVI Food Systems.

According to 2013 Moody's Analytics, auto manufacturing has rebounded and should continue to positively impact the economy. Out-migration of population has increased because of reduced job prospects and low incomes. Housing prices have not rebounded from the 2008 recession and remain lower than the U.S. average.

The U.S. Bureau of Labor Statistics reported that unemployment levels were high during the evaluation period and exceeded the State of Ohio unemployment levels. The average unemployment rate peaked at 14 percent in January 2011. In September 2014, the AA's unemployment rate of 5.4 percent slightly exceeded the State of Ohio non-seasonally adjusted unemployment rate of 5 percent. According to the 2010 U.S. Census, 28 percent of the population is retired with 35 percent of the population living on social security benefits.

In assessing the bank's performance, we used OCC and bank information to identify the needs of the community. We also contacted an official from an affordable housing organization. Non-profit organizations have struggled to maintain funding for operations due to the reduction of grant money received from state and federal programs. Participation by local financial institutions is needed to provide funds toward operating expenses, as well as production dollars to support new construction of affordable housing and existing programs affected by governmental budget cuts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's record of lending within the AA needs to improve and does not meet the standard for satisfactory performance. Our conclusions are based on all HMDA-reportable loans originated by the bank within its AA during the review period. As stated in the *Description of the Institution*, Home Federal's business strategy has prevented the bank from meeting the credit needs of its AA.

Loan-to-Deposit Ratio

Home Federal's net LTD ratio is less than reasonable given the bank's size, financial condition, and the credit needs of the AA. We identified one similarly situated institution in the bank's AA with total assets between \$50 and \$100 million. However, data regarding lending, constraints affecting lending opportunities, and successful CRA-related product offerings could not be extrapolated from the CRA performance evaluation. Home Federal's average quarterly LTD ratio for the 11-quarter period ending September 31, 2014 is 44.4 percent. This was well-below the 73.4 percent ratio experienced by its national peer group banks during the review period.

Lending in the Assessment Area

Home Federal originated a majority of its home mortgage loans inside the AA, and the bank's record of lending meets the standard for satisfactory performance. As shown in Table 3, the bank originated a combined total of 70 percent of its home mortgage loans by number and 52 percent by dollar amount within the AA during the review period.

Table 3 - Concentration of Home Federal HMDA Loans Originated In and Outside of the Reviewed AA		
	HMDA Loans	
	% of Loans	% of \$ Volume
Inside Assessment Area	70.0%	52.0%
Outside Assessment Area	30.0%	48.0%
Total # and \$	30	\$2,537

Source: 2012 - 2014 HMDA Data; CRA Wiz Reports

Lending to Borrowers of Different Incomes

Home Federal’s home mortgage lending to borrowers of different incomes within the AA reflects an inadequate proportion and does not meet the standard for satisfactory performance. We based our analysis on the bank’s home mortgage lending within its AA during the review period. For comparative purposes, we considered aggregate data and the family distribution in the AA. Aggregate data reflects the 2013 lending distribution for HMDA-reportable loans, the most recent data available. In evaluating the borrower distribution of residential loans, we considered that 11.5 percent of families live below the poverty level and the barriers this may have on home ownership. It is especially difficult for this segment of the low-income population living below the poverty level to afford and maintain a home.

Tables 4-6 show Home Federal’s distribution of HMDA loans made by product during the review period in the bank’s AA based on borrower income.

Table 4 - Distribution of Home Federal’s Home Purchase Loans By Borrower Income Level in the AA				
Borrower Income Category	% of Loans	% of \$ Volume	% of Aggregate (or Peers)	% Family Distribution
Low	11.1%	22.2%	11.6%	19.4%
Moderate	0.0%	0.0%	33.8%	18.3%
Middle	55.6%	32.4%	24.1%	23.0%
Upper	33.3%	45.4%	30.5%	39.3%
NA	0.0%	0.0%	0.0%	0.0%
Total # and \$	9	\$564	100%	56,165

Source: 2012 - 2014 HMDA Data; CRA Wiz Reports; 2013 Peer Mortgage Data

Although the bank’s percentage of home purchase loans to low-income borrowers appears comparable to the aggregate lender percentage levels in this category, it represents only one loan made to a low-income family during the review period. Otherwise, performance is substantially below the percentage of low-income families residing in the AA. In addition, Home Federal’s percentage of purchase loans to moderate-income borrowers reflects an inadequate proportion. The bank’s zero home purchase loans to moderate-income borrowers was substantially below both the aggregate lender levels in this category and the distribution of moderate-income families in the AA.

Table 5 - Distribution of Home Federal's Home Improvement Loans By Borrower Income Level in the AA				
Borrower Income Category	% of Loans	% of \$ Volume	% of Aggregate (or Peers)	% Family Distribution
Low	0.0%	0.0%	11.2%	19.4%
Moderate	50.0%	90.1%	28.6%	18.3%
Middle	0.0%	0.0%	28.0%	23.0%
Upper	50.0%	9.9%	32.2%	39.3%
NA	0.0%	0.0%	0.0%	0.0%
Total # and \$	2	\$151	100%	56,165

Source: 2012 - 2014 HMDA Data; CRA Wiz Reports; 2013 Peer Mortgage Data

Home Federal's percentage of home improvement loans to low-income borrowers reflects an inadequate proportion. The bank's zero home improvement loans to low-income borrowers was substantially below both the aggregate lender percentage levels in this category and the percentage of low-income families in the AA. Although the bank's percent of home improvement loans to moderate-income borrowers exceeds the aggregate lender percentage levels in this category, it represents one loan made to a moderate-income family during the review period.

Table 6 - Distribution of Home Federal's Home Refinance Loans By Borrower Income Level in the AA				
Borrower Income Category	% of Loans	% of \$ Volume	% of Aggregate (or Peers)	% Family Distribution
Low	0.0%	0.0%	6.7%	19.4%
Moderate	0.0%	0.0%	21.7%	18.3%
Middle	10.0%	17.2%	29.9%	23.0%
Upper	70.0%	64.9%	41.7%	39.3%
NA	20.0%	17.9%	0.0%	0.0%
Total # and \$	10	\$604	100%	56,165

Source: 2012 - 2014 HMDA Data; CRA Wiz Reports; 2013 Peer Mortgage Data

Home Federal's percentage of home refinance loans to low- and moderate-income borrowers also reflects an inadequate proportion. Performance is substantially below both aggregate lender percentage levels and the percentage of low- and moderate income families residing in the AA, as the bank made no loans to borrowers in these income categories.

Geographic Distribution of Loans

The geographic distribution of home mortgage loans reflects weak distribution and does not meet the standard for satisfactory performance. We based our analysis on the bank's home mortgage lending within the AA during the review period, which is categorized by location of the properties securing the bank's loans. For comparative purposes, we considered aggregate data and the percentage of owner-occupied housing units within the AA. Aggregate data reflects the 2013 lending distribution for HMDA-reportable loans, the most recent data available.

Tables 7-9 show the bank’s geographic distribution of home mortgage lending in the AA during the review period. The analysis reflects lending in approximately 25 percent of the CTs of the AA.

Table 7 - Distribution of Home Federal’s Home Purchase Loans By CT Income Level in the AA				
Borrower Income Category	% of Loans	% of \$ Volume	% of Aggregate (or Peers)	% Owner-Occupied
Low	0.0%	0.0%	0.5%	2.3%
Moderate	0.0%	0.0%	5.3%	11.9%
Middle	100.0%	100.0%	70.1%	67.1%
Upper	0.0%	0.0%	24.1%	18.7%
NA	0.0%	0.0%	0.0%	0.0%
Total # and \$	9	\$564	100%	64,534

Source: 2012 - 2014 HMDA Data; CRA Wiz Reports; 2013 Peer Mortgage Data

Table 8 - Distribution of Home Federal’s Home Improvement Loans By CT Income Level in the AA				
Borrower Income Category	% of Loans	% of \$ Volume	% of Aggregate (or Peers)	% Owner-Occupied
Low	0.0%	0.0%	0.6%	2.3%
Moderate	0.0%	0.0%	11.1%	11.9%
Middle	100.0%	100.0%	70.6%	67.1%
Upper	0.0%	0.0%	17.7%	18.7%
NA	0.0%	0.0%	0.0%	0.0%
Total # and \$	2	\$151	100%	64,534

Source: 2012 - 2014 HMDA Data; CRA Wiz Reports; 2013 Peer Mortgage Data

Table 9 - Distribution of Home Federal’s Home Refinance Loans By CT Income Level in the AA				
Borrower Income Category	% of Loans	% of \$ Volume	% of Aggregate (or Peers)	% Owner-Occupied
Low	0.0%	0.0%	0.3%	2.3%
Moderate	0.0%	0.0%	6.7%	11.9%
Middle	100.0%	100.0%	70.7%	67.1%
Upper	0.0%	0.0%	22.3%	18.7%
NA	0.0%	0.0%	0.0%	0.0%
Total # and \$	10	\$604	100%	64,534

Source: 2012 - 2014 HMDA Data; CRA Wiz Reports; 2013 Peer Mortgage Data

Home Federal’s percent of home mortgage loans in the low- and moderate-income CTs reflects weak distribution. The bank did not make any loans in these geographies during the review period. As a result, Home Federal’s home mortgage lending is below both aggregate lender performance and the percentage level of owner-occupied housing units. Similar to the bank’s performance in lending to borrowers of different incomes, the weak distribution is attributed to the bank’s business strategy, which

prevented the bank from generating sufficient home mortgage loans to meet the credit needs of its AA.

Responses to Complaints

During the review period, Home Federal received no known written complaints pertaining to its performance in helping meet the credit needs within its AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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