

# **PUBLIC DISCLOSURE**

January 14, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Templeton Savings Bank  
RSSD# 366247

103 South Main Street  
Templeton, Iowa 51463

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

**NOTE:** This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

**TABLE OF CONTENTS**

**PERFORMANCE EVALUATION ..... 2**

**SCOPE OF EXAMINATION ..... 2**

**DESCRIPTION OF INSTITUTION..... 3**

**DESCRIPTION OF ASSESSMENT AREA ..... 4**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA .....12**

**LENDING TEST .....12**

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....16**

**APPENDIX A – MAP OF ASSESSMENT AREA.....17**

**APPENDIX B – SCOPE OF EXAMINATION .....18**

**APPENDIX C – GLOSSARY .....19**

## BANK'S CRA RATING

Templeton Savings Bank is rated **Satisfactory**.

The loan-to-deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs. A majority of the loans were originated inside the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and reasonable penetration among individuals of different income levels and among businesses and farms of different sizes. Neither Templeton Savings Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

## SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC) Interagency Examination Procedures for Small Institutions were utilized to evaluate Templeton Savings Bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, and market competition, as well as the assessment area demographic, economic characteristics, and credit needs. Lending performance was assessed within the bank's single, non-metropolitan assessment area, Non-MSA Iowa – Carroll County (Iowa Non-MSA, comprised of 10 contiguous census tracts in Carroll, Audubon, Crawford, and Shelby Counties in west-central Iowa. Lending activities were reviewed for the bank's major products which include home mortgage, small farm and small business loans.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio ending September 30, 2018, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – Home mortgage, small business, and small farm loans originated from January 1, 2017 to December 31, 2017 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – Home mortgage, small business, and small farm loans originated from January 1, 2017 to December 31, 2017 were reviewed to determine the extent to which the bank is making loans in geographies of different income levels.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – Home mortgage, small business, and small farm loans originated from January 1, 2017 to December 31, 2017 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to

businesses with different revenue sizes.

- **Response to Substantiated Complaints** – Neither Templeton Savings Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition, two community representatives representing affordable housing and economic development were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area.

## DESCRIPTION OF INSTITUTION

Templeton Savings Bank is a community bank headquartered in Templeton, Iowa, which is approximately 80 miles northwest of Des Moines, Iowa, with total assets of \$119.3 million as of September 30, 2018, according to the Uniform Bank Performance Report (UBPR). In addition to its main office in Templeton, the bank has one additional branch located in Manning, Iowa. Cash-dispensing only automated teller machines (ATMs) are offered at each office location. No branches or ATMs have been opened or closed since the previous evaluation.

The bank offers a standard variety of loan products including commercial, residential real estate, and consumer loans; however, the bank’s primary business focus is agricultural lending. The bank also maintains a standard suite of deposit accounts including checking, NOW, money market, savings, and certificates of deposit. Customers may access and conduct online banking transactions through the institution’s website, [www.templetonsavingsbank.com](http://www.templetonsavingsbank.com), or via the bank’s mobile application. Details of the allocation of the bank’s loan portfolio are provided in the following table:

<b>Composition of Loan Portfolio as of September 30, 2018</b>		
<b>Loan Type</b>	<b>\$(000)</b>	<b>%</b>
Agriculture	46,904	52.0
Commercial	20,860	23.1
Residential Real Estate	18,703	20.7
Consumer	3,228	3.6
Other	490	0.5
Gross Loans	90,185	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on October 6, 2014.

## DESCRIPTION OF ASSESSMENT AREA<sup>1</sup>

Templeton Savings Bank serves western portions of non-metropolitan Iowa through two locations, its main office and one branch, both located in Carroll County, Iowa. Each location offers a cash-dispensing only ATM. The assessment area consists of Carroll County in its entirety, in which it operates its deposit facilities, as well as portions of three contiguous counties: census tracts 0701.00 and 0702.00 in Audubon, census tract 0705.00 in Crawford, and census tract 9601.00 Shelby (see **Appendix A** for an Assessment Area (“AA”) map).

The assessment area’s composition has changed since the 2014 performance evaluation; with one census tract designation shifting from upper-income to middle-income, as described in the table below. The entire assessment area is now comprised of ten middle-income census tracts. According to the FFIEC, nine out of the ten census tracts have been designated as underserved due to their rural location; two of those nine census tracts, 0701.00 and 0702.00 in Audubon County, were additionally designated as distressed due to population loss.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	0	0	0
Middle	9	10	1
Upper	1	0	-1
Unknown	0	0	0
<b>Total</b>	10	10	0

*Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010  
U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015*

As of the June 30, 2017 Federal Deposit Insurance Corporation (FDIC) Market Share Report, Templeton Savings Bank ranked ninth out of 19 FDIC-insured institutions with 4.9 percent of the deposit market share in the assessment area. By comparison, the top three financial institutions in the area include United Bank of Iowa with 16.2 percent; Shelby County State Bank with 11.1 percent; and Availa Bank with 8.7 percent. Overall, the banking environment in the assessment area is competitive, stemming from local community banks, credit unions, and branches of larger financial institutions located in the surrounding area. Demographic information regarding the assessment area is provided in the following table.

<sup>1</sup> Census tract designations are based on American Community Survey income data. For years 2017 and after, the designations are based on 2011-2015 ACS data. For years 2016 and before, the designations are based on 2006-2010 ACS data. For examinations that include performance before and after 2017, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Assessment Area: 2017 IA Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,429	17.5
Moderate-income	0	0.0	0	0.0	0	0.0	1,417	17.3
Middle-income	10	100.0	8,183	100.0	578	7.1	1,723	21.1
Upper-income	0	0.0	0	0.0	0	0.0	3,614	44.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>10</b>	<b>100.0</b>	<b>8,183</b>	<b>100.0</b>	<b>578</b>	<b>7.1</b>	<b>8,183</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	13,811	9,553	100.0	69.2	2,928	21.2	1,330	9.6
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>13,811</b>	<b>9,553</b>	<b>100.0</b>	<b>69.2</b>	<b>2,928</b>	<b>21.2</b>	<b>1,330</b>	<b>9.6</b>
	Total Businesses Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	1,794	100.0	1,595	100.0	169	100.0	30	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,794</b>	<b>100.0</b>	<b>1,595</b>	<b>100.0</b>	<b>169</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>
	Percentage of Total Businesses:			88.9		9.4		1.7
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	606	100.0	601	100.0	5	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>606</b>	<b>100.0</b>	<b>601</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	Percentage of Total Farms:			99.2		0.8		0.0

2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS

Note: Percentages may not add to 100.0 percent due to rounding

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

**Population Characteristics**

As presented in the table below, three out of the four counties comprising the assessment area experienced a population decline from 2010 to 2015 with the overall population of the assessment area decreasing by 1.7 percent. During the same time period, the population for the state of Iowa grew by 1.6 percent. Notably, Audubon County experienced the most significant decrease in population, at 4.1 percent, and was designated as distressed due to population loss by the FFIEC. The declining population for rural counties within the assessment area is consistent with the trend in non-metropolitan Iowa as a whole, which exhibited a population decline of 2.7 percent over the same time period. According to community representatives, the assessment area is a predominately-rural community with an aging and declining population, which was attributed to younger individuals migrating to larger cities for education and employment opportunities as well as a decreasing size in the average family in the area.

<b>Population Change</b>			
<b>Area</b>	<b>2010 Population</b>	<b>2011 - 2015 Population</b>	<b>Percentage Change</b>
Assessment Area	30,273	29,766	-1.7
Audubon County	6,119	5,869	-4.1
Carroll County	20,816	20,629	-0.9
Crawford County	17,096	17,252	0.9
Shelby County	12,167	11,992	-1.4
Non-Metropolitan Iowa	1,324,641	1,289,030	-2.7
State of Iowa	3,046,355	3,093,526	1.6
<i>Source: 2010 U.S. Census Bureau: Decennial Census                  2011-2015 U.S. Census Bureau: American Community Survey</i>			

**Income Characteristics**

The following table presents median family income (MFI) for families living in the assessment area, the individual counties in the assessment area, and the state of Iowa. The overall assessment area exhibited an increase of 9.4 percent in MFI from 2010 to 2015, which is comparable to the state of Iowa at 9.2 percent. Audubon County, which contains two of the ten assessment area census tracts, experienced significantly lower growth in MFI, at 4.4 percent, when compared to the rest of the assessment area and the state of Iowa; while Shelby County, containing one of ten census tracts, significantly outperformed the assessment area and state of Iowa with an increase of 16.7 percent. A representative of the community indicated that wage growth in the area has kept pace

with other similar counties in the state of Iowa and specifically attributed Shelby County’s MFI growth to employment opportunities provided by the opening of a regional home improvement distribution center within the county.

<b>Median Family Income Change</b>			
<b>Area</b>	<b>2006-2010 Median Family Income (\$)</b>	<b>2011-2015 Median Family Income (\$)</b>	<b>Percentage Change</b>
Assessment Area	61,100	66,860	9.4
Audubon County	58,641	61,224	4.4
Carroll County	61,960	67,436	8.8
Crawford County	53,794	56,640	5.3
Shelby County	55,523	64,782	16.7
Non-Metropolitan Iowa	57,767	61,934	7.2
State of Iowa	61,804	67,466	9.2
<i>Source: 2006-2010 U.S. Census Bureau: American Community Survey 2011-2015 U.S. Census Bureau: American Community Survey</i>			

### Housing Characteristics

Based on the 2015 U.S. Census Bureau data, the assessment area is home to 8,183 families; 17.5 percent of these families are designated as low-income and 17.3 percent are designated as moderate-income. There are 13,811 housing units in the assessment area; 69.2 percent of these units are owner-occupied while 9.6 percent of units are vacant. Audubon County exhibited the highest owner-occupancy rate of counties within the assessment area, at 72.9 percent, which exceeds the state of Iowa owner-occupancy rate of 65.3 percent. Audubon County also exhibited the highest rate of vacant units at 11.5 percent, which is comparable to the state of Iowa. Conversely, Carroll County exhibited the lowest rate of owner-occupancy within the assessment area at 67.9 percent, which still exceeds to the state of Iowa at 65.3 percent. Community representatives attributed the overall high rate of owner-occupancy within the assessment area to the high proportion of single-family units and overall lack of available rental units.

The assessment area’s median housing value of \$103,395 and median gross rent value of \$545 is considerably less when compared to the state of Iowa’s median housing value and median gross rent of \$129,200 and \$697, respectively. Overall, the assessment area exhibited a 5.8 percent increase in median housing value from 2010 to 2015, which is below the 8.4 percent increase by the state of Iowa over the same time period. Conversely, the 18.7 percent increase in median gross rent for the assessment area outpaced the state of Iowa’s increase of 13.0 percent. Notably, Audubon County experienced a 10.8 percent decrease in median housing value, the only county in the assessment area to experience a declining value, while also exhibiting the greatest increase in median gross rent value at 22.9 percent. Community representatives attributed the declining housing value in Audubon County to a dwindling population and lack of employment opportunities within the county. Community representatives further attributed the significant increase in median gross rent to the lack of available rental housing, specifically multi-family

housing units. According to the 2015 U.S. Census Bureau data, multi-family housing units make up 12.1 percent of total housing units within the assessment area, which is below the 18.7 percent of multi-family housing units in the state of Iowa.

The affordability ratio is used to compare housing costs relative to median household income. An area with a higher affordability ratio generally has more affordable housing than an area with a low ratio. Based on the 2015 American Community Survey, all counties in the assessment area reported higher affordability ratio than the state of Iowa. Audubon County has the highest affordability ratio of .72, while Crawford County, Shelby County and Carroll County had affordability ratios of .53, .47 and .45, respectively. These compare favorably to the state of Iowa ratio of .41.

The table below illustrates recent housing cost trends within the assessment area and the state of Iowa.

Trends in Housing Costs						
Area	Median Housing Value (\$)		Percent Change	Median Gross Rent (\$)		Percent Change
	2006-2010	2011-2015		2006-2010	2011-2015	
Assessment Area	97,761	103,395	5.8	459	545	18.7
Audubon County	72,900	65,000	-10.8	445	547	22.9
Carroll County	106,700	113,200	6.1	465	542	16.6
Crawford County	81,500	90,200	10.7	472	541	14.6
Shelby County	103,100	108,800	5.5	582	600	3.1
Non-Metropolitan Iowa	94,970	102,580	8.0	527	595	12.9
State of Iowa	119,200	129,200	8.4	617	697	13.0
<i>Source: 2006-2010 U.S. Census Bureau: American Community Survey 2011-2015 U.S. Census Bureau: American Community Survey</i>						

### Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on the change in the foreclosure inventory rate (FIR) at the county level. The FIR measures the number of residential properties in some phase of foreclosure. It excludes properties that have completed the foreclosure cycle. Foreclosure inventory rates in all assessment area counties and the state of Iowa have declined since 2011. As of December 2015, the state of Iowa’s foreclosure inventory rate was 1.3 percent, which is higher than three of the four assessment area counties, with Shelby County being the lone assessment area county with a higher foreclosure inventory rate than the state of Iowa. Notably, Carroll County experienced the most significant drop in foreclosure inventory rate from 2.3 percent in 2011 to 0.4 percent in 2015. The smaller percentage of properties in the process of foreclosure indicates substantive improvement in the local economic environment.

Foreclosure Inventory Rates (%)					
Region	2011	2012	2013	2014	2015
Audubon County	2.0	1.6	1.3	0.8	1.1
Carroll County	2.3	2.3	1.3	0.4	0.4
Crawford County	2.1	1.8	2.1	1.3	1.2
Shelby County	2.8	3.8	2.7	2.2	1.9
State of Iowa	2.6	2.7	2.3	1.5	1.3

*Source: Federal Reserve Bank of Chicago*

## Bankruptcy Rates

According to the Administrative Office of The U.S. Courts, bankruptcy filings fell in Carroll and Crawford Counties from 2013 to 2016, which contain seven out of the ten census tracts in the assessment area. Audubon and Shelby Counties experienced an increase in bankruptcy filings during the same time period. All counties within the assessment area generally compare favorably to the overall bankruptcy filing rate for the state of Iowa, with the exception of Shelby County.

Personal Bankruptcy Filing Rate (per 1,000 population)				
Region	2013	2014	2015	2016
Audubon County	0.8	0.8	1.4	0.9
Carroll County	1.3	1.0	1.0	1.1
Crawford County	0.9	0.5	0.7	0.6
Shelby County	1.0	1.5	1.0	1.6
State of Iowa	1.8	1.6	1.4	1.3

*Source: Administrative Office of The U.S. Courts*

## Employment Conditions

The following table presents the unemployment trends for the assessment area and state of Iowa from 2014 to 2017. Overall, the rate of unemployment has steadily declined in all assessment area counties and the state of Iowa during this time period, which is consistent with national trends due to favorable economic conditions. There was a significant spike in unemployment in Crawford County from 2015 to 2016, which was attributed to the closure and layoffs at the Tyson Food Processing facilities in 2015 according to a community representative. Community representatives indicated that there are employment opportunities within the area, but employers struggle to find qualified workers. This can result in difficulty with attracting new businesses to the area. Overall, community representatives indicated that the area has ample employment opportunities due to a strong economy comprised of agricultural, manufacturing, and healthcare sectors.

Unemployment Rates				
Region	2014	2015	2016	2017
Audubon County	4.5	4.0	3.3	3.1
Carroll County	3.3	2.7	2.6	2.3
Crawford County	4.3	4.3	5.6	4.1
Shelby County	3.3	2.9	3.0	2.4
State of Iowa	4.4	3.8	3.7	3.1

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

### Industry Characteristics

The following table illustrates the largest employers operating within the bank’s assessment area. The assessment area contains a diverse employment base comprised of many industries; however, it is heavily dependent upon meat packing, healthcare, grocers, and manufacturing. Community representatives confirmed that in addition to the notable presence of healthcare and manufacturing industries, there is a strong agricultural and retail presence. In 2015, approximately 400 workers were affected by the closure of Tyson Food Processing facilities in Crawford County. Additionally, the closure of the K-Mart retail store within Carroll County impacted approximately 46 workers in 2017. Community representatives further iterated that there is a need for skilled labor, namely welding, and the local community college offers training programs for skilled labor trades; however, there is difficulty filling these positions.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Smithfield Foods	1,500	Meat Packing
Central Cooperative West	800	Agricultural Consultants
Pella Manufacturing Plant	700	Windows-Manufacturers
St. Anthony Regional Hospital	546	Hospitals
Farner-Bocken Company	500	Grocers-Wholesale
Hy-Vee	400	Grocers-Retail
American Home Shield Corporation	400	Home Warranty Plans
Myrtue Medical Center	341	Hospitals
New Hope Village	300	Disability Services

*Source: Business information provided by Infogroup®, Omaha, NE*

### Community Representatives

Two community representatives, with a focus on economic development and affordable housing, were contacted to increase understanding of the credit needs and market conditions within the assessment area. As noted above, economic conditions are strong; aided by a diverse job sector throughout the assessment area. Wage growth in the assessment area has kept pace with other similar counties in the state of Iowa. A concern among the representatives was the overall need for affordable housing for families throughout the assessment area. While affordable housing programs are available to assist low- and moderate-income individuals, there is a lack of multi-family housing units available and a need for housing renovation of existing housing stock.

Overall, the representatives noted that financial institutions in the assessment area are supportive and held in high regard.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.*

### LENDING TEST

Templeton Savings Bank's performance relative to the lending test is rated satisfactory. The loan-to-deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs. A majority of the loans are in the assessment area. The bank's lending reflect reasonable penetration among individuals of different income levels and businesses and farms of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Neither Templeton Savings Bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

#### Loan-to-Deposit Ratio

Templeton Savings Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank operates in a competitive market, served by a number of local community banks, credit unions, and local branches of larger financial institutions. As of June 30, 2017, the bank's combined market share of 4.9 percent of FDIC-insured deposits in its assessment area ranked 9<sup>th</sup> out of 19 institutions within the assessment area.

As of September 30, 2018, the bank's LTD ratio was 90.9 percent with a 16-quarter average of 83.6 percent from December 30, 2014, through September 30, 2018. When comparing this bank's LTD ratio performance against five local community bank competitors, Templeton Savings Bank exceeds the performance of two local competitors, is below two local competitors and is comparable to the remaining competitor. The bank's LTD ratio has increased since the previous evaluation ratio of 77.3 percent, which can primarily be attributed to the growth in commercial and home mortgage lending. The following table lists the bank's average LTD ratio for the 16-quarters following the previous evaluation, as well as similar ratios for its comparable market competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Templeton Savings Bank	83.6
<b>Competitors</b>	
The First National Bank of Manning	65.7
Availa Bank	74.8
Commercial Savings Bank	85.8
United Bank of Iowa	94.9
Westside State Bank	102.7

### Assessment Area Concentration

Templeton Savings Bank originated a majority of its home mortgage, small business, and small farm loans in the assessment area. As presented in the table below, the bank originated 86.8 percent of all loans by number and 84.6 percent of all loans by dollar amount within the assessment area. For comparison, during the previous evaluation, 85.2 percent of loans by number, and 83.7 percent of loans by dollar amount were made within the assessment area. The bank’s lending in the assessment area, with emphasis on the percentage by number of loans, indicates the bank is actively serving the needs of its communities. The following table summarizes the bank’s lending inside and outside the assessment area by loan type.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	32	78.0	3,439	71.2	9	22.0	1,388	28.8
Small Business Loans	74	90.2	7,674	93.0	8	9.8	581	7.0
Small Farm Loans	91	87.5	7,520	84.0	13	12.5	1,432	16.0
<b>Total Loans</b>	<b>197</b>	<b>86.8</b>	<b>18,633</b>	<b>84.6</b>	<b>30</b>	<b>13.2</b>	<b>3,401</b>	<b>15.4</b>

*Note: Percentages may not add to 100.0 percent due to rounding.*

### Geographic Distribution of Loans

The assessment area is comprised only of middle-income census tracts and therefore a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts.

## Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Since the bank is predominantly an agricultural lender, small farm loan activity is weighted more heavily than home mortgage and small business loans for this lending analysis

### Home Mortgage Loans

The table below reflects reasonable penetration of home mortgage lending among borrowers of different income levels. In 2017, the bank made a combined 31.2 percent of its home mortgage loans by volume to low- and moderate-income borrowers, at 15.6 percent each. This level of lending is slightly below the demographic of low- and moderate-income families in the assessment area at 17.5 percent and 17.3 percent, respectively. The bank made the remaining 68.8 percent of its home mortgage loans to middle- and upper-income borrowers, at 34.4 percent each. This distribution exceeds the 21.1 percent of middle-income families in the assessment area, while falling below the 44.2 percent of upper-income families. Lending is consistent with current market conditions and the number of available homes in the area.

<b>Borrower Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2017 IA Non MSA</b>						
	<b>Borrower Income Levels</b>	<b>Bank &amp; Demographic Comparison 2017</b>				<b>Families by Family Income %</b>
		<b>Count</b>		<b>Dollar</b>		
		<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	
<b>Totals</b>	Low	5	15.6	409	11.9	17.5
	Moderate	5	15.6	339	9.9	17.3
	Middle	11	34.4	821	23.9	21.1
	Upper	11	34.4	1,869	54.4	44.2
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>		<b>32</b>	<b>100.0</b>	<b>3,438</b>	<b>100.0</b>
2017 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

### Small Business Lending

The distribution of small business loans by revenue and loan size is reasonable. In 2017, the bank made 91.9 percent of its small business loans to businesses reporting annual revenues of \$1 million or less, which exceeds the assessment area demographics which reports that 88.9 percent of businesses are small businesses reporting revenues of \$1 million or less. Further, the bank made 83.8 percent of those small business loans to borrowers in amounts of \$100,000 or less, which are

considered most beneficial to small businesses, demonstrating the bank’s willingness to meet the small business credit needs within the assessment area. The table below presents the distribution of small business loans in the assessment area.

<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2017 IA Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		2017		2017		Total Businesses	
Revenue	Loan Size	Count Bank	Dollar Bank				%
		#	%	\$ 000s	\$ %		
Small Business	\$1 Million or Less	68	91.9	5,823	75.9	88.9	
		Over \$1 Million or Unknown	6	8.1	1,851	24.1	11.1
		<b>Total</b>	<b>74</b>	<b>100.0</b>	<b>7,674</b>	<b>100.0</b>	<b>100.0</b>
	\$100,000 or Less	59	79.7	2,499	32.6		
		\$100,001 - \$250,000	6	8.1	947		12.3
		\$250,001 - \$1 Million	9	12.2	4,228		55.1
		<b>Total</b>	<b>74</b>	<b>100.0</b>	<b>7,674</b>		<b>100.0</b>
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	57	83.8	2,368	40.7	
		\$100,001 - \$250,000	4	5.9	652	11.2	
		\$250,001 - \$1 Million	7	10.3	2,803	48.1	
		<b>Total</b>	<b>68</b>	<b>100.0</b>	<b>5,823</b>	<b>100.0</b>	
	Originations & Purchases						
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

### Small Farm Lending

The distribution of small farm loans by revenue and loan size is reasonable. In 2017, the bank originated 96.7 percent of its small farm loans to farms reporting annual revenues of \$1 million or less, which is slightly below the presence of small farms operating in the assessment area of 99.2 percent. Further, the bank made 76.1 percent of those loans to borrowers in amounts of \$100,000 or less, demonstrating the bank’s willingness to meet the credit needs of small farms. The table below presents the distribution of small farm loans in the assessment area.

<b>Small Farm Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2017 IA Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		Count Bank		2017 Dollar Bank		Total Farms	
		#	%	\$ 000s	\$ %	%	
Small Farm	Revenue	\$1 Million or Less	88	96.7	6,761	89.9	99.2
		Over \$1 Million or Unknown	3	3.3	759	10.1	0.8
		<b>Total</b>	<b>91</b>	<b>100.0</b>	<b>7,520</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	67	73.6	2,066	27.5	
		\$100,001 - \$250,000	18	19.8	3,286	43.7	
		\$250,001 - \$500,000	6	6.6	2,168	28.8	
		<b>Total</b>	<b>91</b>	<b>100.0</b>	<b>7,520</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	67	76.1	2,066	30.6	
		\$100,001 - \$250,000	16	18.2	2,827	41.8	
		\$250,001 - \$500,000	5	5.7	1,868	27.6	
		<b>Total</b>	<b>88</b>	<b>100.0</b>	<b>6,761</b>	<b>100.0</b>	
	Originations & Purchases						
2017 FFIEC Census Data & 2017 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

### Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

### FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>		January 1, 2017 through December 31, 2017	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
Templeton Savings Bank Templeton, IA		Home Mortgages Small Business Small Farm	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
None	Not applicable	Not applicable	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA Iowa	Full scope	None	None

## APPENDIX C – Glossary

**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.

**Affordability ratio:** To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**American Community Survey Data (ACS):** The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.<sup>2</sup>

**Area Median Income (AMI):** AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment area:** Assessment area means a geographic area delineated in accordance with section 228.41

**Automated teller machine (ATM):** An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

**Bank:** Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

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<sup>2</sup> Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

**Branch:** Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSAs):** Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

**Community Development:** The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

**Community Development Loan:** A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
  - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
  - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

**Community Development Service:** A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

**Consumer loan:** 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

**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).

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

**Full review:** Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act:** The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

**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.

**Income Level:** Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;

- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an 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 census tract.

*Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).*

**Limited-purpose bank:** This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

**Limited review:** Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

**Loan location:** Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

**Loan product office:** This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

**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/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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:** A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

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

**Nonmetropolitan area:** This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

**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:** This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

**Small Bank:** This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

*Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.*

**Small Business Loan:** This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

**Small Farm:** This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

**Wholesale Bank:** This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).