



## **PUBLIC DISCLOSURE**

December 11, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

WCF Financial Bank  
Charter Number 702731

401 Fair Meadow Drive  
Webster City, IA 50595-0638

Office of the Comptroller of the Currency

1089 Jordan Creek Parkway  
Suite 230  
West Des Moines, IA 50266

**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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>3</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>4</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>8</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>10</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>11</b>
<b>LENDING TEST .....</b>	<b>11</b>
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>APPENDIX A-1</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS.....</b>	<b>APPENDIX B-13</b>

## Overall CRA Rating

### The Lending Test is rated: **Satisfactory**

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, competition, and assessment areas (AAs).
- A majority of both the number and dollar amount of sampled loan originations in 2015 and 2016 are located in the bank's AAs.
- The distribution of loans to borrowers of different incomes reflects reasonable penetration.
- There have been no CRA-related complaints since the prior CRA examination.

## 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/assessment area.

**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. Census tracts 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. Census tracts 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 assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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 census tract 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 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/assessment area.

**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 Metropolitan Statistical Area 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 metropolitan area. 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 metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**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**

WCF Financial Bank (WCF) is a \$112 million federal savings association (FSA) with offices in Webster City, Iowa and Independence, Iowa. WCF added the Independence branch since the prior CRA examination due to their acquisition of Independence FSA in January 2014. WCF is a wholly owned subsidiary of WCF Bancorp, Inc. (WCFB), a one-bank holding company headquartered in Webster City. As of July 2016, WCFB is a publicly traded entity on the NASDAQ stock exchange as a result of a conversion from a mutual to a stock holding company. WCF is a single state institution. Tier 1 capital totals \$19.3 million and represents 16.4 percent of adjusted average assets and net loans represent 53 percent of total assets as of September 30, 2017.

The bank operates three automated teller machines (ATMs), two of which accept deposits. There is one located at each branch and one located at the Van Diest Medical Center in Webster City. WCF operates as a traditional FSA and primarily originates owner-occupied residential real estate loans. WCF received a “satisfactory” rating during their last CRA examination dated August 21, 2012.

WCF has designated two separate assessment areas (AAs); Hamilton County and Buchanan County. All CTs in both AAs are classified as middle-income CTs. The designated AAs comply with applicable regulatory requirements and do not arbitrarily exclude low- or moderate-income areas.

Competition within Hamilton County is moderate. There are a total of five institutions with eight offices in the county. WCF is third with 18 percent of the deposit market share. Primary competitors include First State Bank and Availa Bank; both of these institutions have stronger loan demand compared to WCF due to their significant agricultural loan portfolios.

There are no legal or financial factors that impede WCF’s ability to help meet the credit needs of the AA.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This evaluation was completed based on loan origination data from January 1, 2015, to December 31, 2016. Residential real estate loans originated during this period represented 63 percent of total originations by dollar amount and 17 percent by number. Consumer loans represented 82 percent by number and 32 percent by dollar amount. As of September 30, 2017, residential real estate loans totaled 83 percent of average gross loans while consumer loans represent 10 percent. Given this, we concluded that residential real estate is WCF’s primary lending product.

<b>Loan Originations by Loan Type</b>				
<b>Loan Category</b>	<b>(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Residential Real Estate	\$ 21,502	63%	272	17%
Consumer	\$ 10,959	32%	1336	82%
Commercial Real Estate	\$ 1,894	6%	30	2%
<b>Total</b>	<b>\$ 34,355</b>	<b>100%</b>	<b>1638</b>	<b>100%</b>

*Source: All loan originations from January 1, 2015 to December 31, 2016*

We initially selected 20 owner-occupied residential real estate loans originated between January 1, 2015, and December 31, 2016, to assess lending in the AAs. We expanded the sample to include 20 loans in each of WCF's two AAs to evaluate borrower income distribution.

### **Selection of Areas for Full-Scope Review**

We completed a full review for the Hamilton County AA and a limited review of the Buchanan County AA. The Hamilton County AA consists of all five CTs in Hamilton County and the Buchanan County AA consists of all six CTs in Buchanan County. All CTs identified are whole and complete tracts. Refer to Appendix A of this evaluation for additional information.

We did not perform a geographic distribution test as all CTs within both AAs are middle-income tracts. We did not review optional community development activities as WCF does not maintain appropriate documentation to substantiate potential activities.

### **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. We completed a full-scope review for the Hamilton County AA, as the majority of deposits and loans are located in Hamilton County.

## **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 assessment area 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

WCF's CRA performance is satisfactory.

### LENDING TEST

WCF meets the standard for satisfactory performance under the Lending Test. The LTD ratio is reasonable, the majority of loans were originated within the assessment areas, and borrower distribution reflects reasonable penetration.

#### Loan-to-Deposit Ratio

WCF's lending level is reasonable and meets the criteria for satisfactory performance. WCF's LTD ratio as of September 30, 2017, was 68 percent. Since the prior CRA examination, WCF's quarterly average LTD ratio was 60 percent. This ratio is below the quarterly average LTD ratio of 84 percent at two similarly situated institutions. WCF's lending level remains reasonable as the two comparable institutions are primarily agricultural lenders and have a significantly higher deposit market share than WCF in Hamilton County.

#### Lending in Assessment Area

WCF originates a majority of residential real estate loans inside its AA, which meets the standard for satisfactory performance. In our initial sample, 75 percent of the loans by number and 73 percent by dollar amount were made to borrowers located in the AA.

Table 1 - Lending in Hamilton and Buchanan County										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	15	75%	5	25%	20	\$979	73%	\$362	27%	\$1,341

Source: Sample of 20 loan originations from January 1, 2015 to December 31, 2016.

#### Lending to Borrowers of Different Incomes

The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income), thus meeting the standard for satisfactory performance.

##### Hamilton County Assessment Area

The distribution of loans to borrowers of different income levels reflects reasonable penetration. WCF's percentage of residential real estate lending to low-income borrowers is poor, as WCF is below the demographic comparator. However, the

percentage of residential real estate lending to moderate-income borrowers exceeds the demographic comparator and is considered excellent.

Table 2a - Borrower Distribution of Residential Real Estate Loans in Hamilton County								
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 RE	18%	10%	19%	25%	28%	15%	35%	50%

Source: Sample of 20 loan originations in Hamilton County from January 1, 2015 to December 31, 2016 & 2010 U.S. Census data.

### Buchanan County Assessment Area

The distribution of loans to borrowers of different income levels reflects reasonable penetration. Residential real estate lending to low-income borrowers is very poor as WCF had zero loans in our sample to low-income borrowers. This is below the demographic comparator. However, the percentage of residential real estate lending to moderate-income borrowers exceeds the demographic comparator and is considered excellent. Lending to low-income households in Buchanan County is less reflective of overall performance, as WCF originates the majority of loans and deposits in Hamilton County.

Table 2b - Borrower Distribution of Residential Real Estate Loans in Buchanan County								
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 RE	14%	0%	15%	20%	24%	50%	47%	30%

Source: Sample of 20 loan originations in Buchanan County from January 1, 2015 to December 31, 2016 & 2010 U.S. Census data.

### **Responses to Complaints**

WCF did not receive any CRA-related complaints during this 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”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/2015 to 12/31/2016	
<b>Financial Institution</b>		<b>Products Reviewed</b>
WCF Financial Bank Webster City, Iowa		Residential real estate loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Hamilton County	Full-scope	
Buchanan County	Limited-scope	

