



PUBLIC DISCLOSURE

August 12, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cumberland Federal Bank, FSB
Charter Number 703234

1390 Second Avenue
Cumberland, WI 54829

Office of the Comptroller of the Currency

Campbell Mithun Tower
222 South Ninth Street
Suite 800
Minneapolis, MN 55402-3393

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors supporting this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size and the credit needs of its assessment area (AA).
- A majority of loans are originated inside the bank's AA.
- The distribution of loans reflects reasonable penetration among individuals of different income levels.

SCOPE OF EXAMINATION

We assessed Cumberland Federal Bank's (CFB) record of meeting the credit needs of the community, consistent with the provisions set forth in the Community Reinvestment Act (CRA).

This examination consisted of a full scope review of the bank's AA. To determine the bank's lending performance, we selected primary loan products for the AA by reviewing loan originations from January 1, 2011 through June 30, 2013. Based on this analysis, we determined residential real estate loans to be the bank's primary loan product with \$84 million or 78 percent of total loan originations during the evaluation period. We selected a random sample of 20 residential real estate loans originated in 2011 and 20 residential real estate loans originated in 2012 and 2013 to perform our analysis.

We used call report information to determine the bank's quarterly LTD ratio and annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to find similarly situated banks. The most recent deposit information is as of June 30, 2012.

DESCRIPTION OF INSTITUTION

CFB is a \$90 million federally chartered mutual savings bank located in Cumberland, Wisconsin. The institution is wholly owned by its members. The bank has no branches or deposit-taking automated teller machines.

CFB is a full service bank offering a variety of loan and deposit products. The bank's primary business focus is residential mortgage lending. As of June 30, 2013, the loan portfolio totaled \$46 million, representing 51 percent of total assets. The loan portfolio is comprised of residential real estate mortgages (56 percent), commercial loans (25 percent), agriculture loans (14 percent), and consumer loans (5 percent). CFB is a Federal Home Loan Bank (FHLB) Participating Financial Institution in the Mortgage Partnership Finance Xtra program and sells fixed-rate 15, 20, and 30 year conventional loans on the secondary market. CFB also offers other loans under government agency and economic development programs, including: FHLB Down Payment Plus, Small

Business Administration (SBA), Farm Service Administration (FSA), and Wisconsin Home Economic Development Authority (WHEDA).

There are no legal, financial, or other factors that impede the bank’s ability to serve the credit needs of its AA. CFB received a “Satisfactory” rating at its November 3, 2008 CRA evaluation.

DESCRIPTION OF ASSESSMENT AREA

CFB’s AA includes three contiguous non-Metropolitan Statistical Area (non-MSA) census tracts located in the northwest quarter of Barron County. It includes census tracts where the bank is located as well as the surrounding census tracts the bank can reasonably service. CFB’s AA consists entirely of middle-income census tracts and does not arbitrarily exclude any low- or moderate-income areas.

The following tables summarize the key information for the AA using both 2000 and 2010 census data:

Demographic and Economic Characteristics of CFB AA for 2000 Census	
Population	
Number of Families	3,501
Number of Households	4,876
% of Low-Income Families	18.65
% of Moderate-Income Families	20.45
% of Middle-Income Families	26.14
% of Upper-Income Families	34.76
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	0.00
% Middle-Income Census Tracts/BNA	100.00
% Upper-Income Census Tracts/BNA	0.00
Median Family Income (MFI)	
2000 MFI for AA	\$44,064
2011 HUD-Adjusted MFI	\$59,100
Economic Indicators	
2011 Annual Unemployment Rate	Barron County: 8.0% State of Wisconsin: 7.5%
2000 Median Housing Value	\$83,672
% of Households Below Poverty Level	9.86

Source: 2000 US Census Data & 2011 HUD Updated MFI

Demographic and Economic Characteristics of CFB AA for 2010 Census	
Population	
Number of Families	3,522
Number of Households	4,997
% of Low-Income Families	18.23
% of Moderate-Income Families	21.64
% of Middle-Income Families	24.16
% of Upper-Income Families	35.97
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0.00
% Moderate-Income Census Tracts/BNA	0.00
% Middle-Income Census Tracts/BNA	100.00
% Upper-Income Census Tracts/BNA	0.00
Median Family Income (MFI)	
2010 MFI for AA	\$54,791
2012 HUD-Adjusted MFI	\$59,900
Economic Indicators	
2012 Annual Unemployment Rate	Barron County: 7.6% State of Wisconsin: 6.9%
2010 Median Housing Value	\$151,725
% of Households Below Poverty Level	12.01%

Source: 2010 US Census Data & 2012 HUD Updated MFI

Economic conditions in the AA have slightly improved. According to the Bureau of Labor Statistics, unemployment rates fell year-over-year for both Barron County and the State of Wisconsin from 2011 to 2012. Annual unemployment in Barron County fell from 8.0 percent in 2011 to 7.6 percent in 2012, and annual unemployment in Wisconsin fell from 7.5 percent in 2011 to 6.9 percent in 2012. However, the percentage of households below the poverty level increased from 9.9 percent to 12 percent, respectively.

The local economy consists of a mix of various sectors, including: agriculture, manufacturing, healthcare, education, and residential construction. Agricultural activities include local dairy and crop farming in addition to production and canning of frozen beans by Seneca Foods, Inc. Other significant employers include Cumberland Memorial Hospital & Extended Care Unit, Inc., 3M Company, Inc., Cumberland School District, and Ardisam Inc.

Competition from other financial institutions is high. As of the June 30, 2012 FDIC Market Share Report, CFB ranks fourth in deposit market share among thirteen financial institutions in Barron County with \$70 million in deposits or 7.66 percent market share. We contacted an economic development official during the examination. The official indicated that the primary credit needs of the AA are commercial loans for small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CFB's quarterly LTD ratio is reasonable given the bank's size and the credit needs of its AA. CFB's LTD ratio averaged 67.17 percent over the 22 quarters since the previous examination. CFB's quarterly LTD ratio is reasonable compared to similarly situated financial institutions located within the AA. CFB sells a significant portion of residential real estate mortgages on the secondary market, which are not reflected in the average LTD ratio. The following table shows LTD details and rankings:

LTD for Similarly Situated Banks in CFB AA		
Institution	Assets (as of 6/30/2013)	Average Loan-to-Deposit Ratio (1Q08-2Q13)
Community Bank of Cameron	\$101 million	93.10%
Cumberland Federal Bank	\$90 million	67.17%
Bank of Turtle Lake	\$64 million	57.38%
First National Bank & Trust	\$46 million	73.65%

Source: June 30, 2013 Call Report Data

Lending in Assessment Area

CFB originates a majority of its loans to borrowers inside its AA. Loans originated to individuals within the AA totaled 80.00 percent by number and 84.03 percent by dollar volume. The following table shows lending inside and outside of the bank's AA:

Lending in CFB's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	32	80.00	8	20.00	40	3,493,321	84.03	663,795	15.97	4,157,116
Totals	32	80.00	8	20.00	40	3,493,321	84.03	663,795	15.97	4,157,116

Source: OCC Loan Sample

Lending to Borrowers of Different Incomes

The distribution of home loans reflects reasonable penetration throughout census tracts of different income levels. Loans originated and purchased in 2011 were compared to 2000 U.S. Census data, and loans originated and purchased in 2012 and 2013 were compared to 2010 U.S. Census data.

Borrower Distribution in 2011

The distribution of home loans reflects reasonable penetration among individuals of different income levels when compared to the AA’s demographics. Lending to low- and moderate-income borrowers is near the demographic comparative. Our assessment considered the AA’s poverty level of 9.9 percent. The following table shows the distribution of home loans among borrowers of different income levels:

2011 Borrower Distribution of Residential Real Estate Loans								
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
Home Loans	18.65	10.00	20.45	15.00	26.14	40.00	34.76	35.00

Source: OCC Loan Sample & 2000 U.S. Census Data

The distribution of home loans reflects reasonable penetration compared to other HMDA lenders in the AA. CFB’s lending to low- and moderate-income borrowers is near other area lenders. The following table shows the distribution of home loans compared to HMDA lenders:

2011 Borrower Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans
Home Loans	8.93	10.00	14.99	15.00	20.46	40.00	46.97	35.00

Source: OCC Loan Sample & 2011 Peer Mortgage Data (Income data not reported = 8.65%)

Borrower Distribution in 2012 and 2013

The distribution of home loans reflects reasonable penetration among individuals of different income levels when compared to the AA’s demographics. Lending to low- and moderate-income borrowers is near the demographic comparative. The following table shows the distribution of home loans among borrowers of different income levels:

2012-2013 Borrower Distribution of Residential Real Estate Loans								
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
Home Loans	18.23	15.00	21.64	20.00	24.16	15.00	35.97	50.00

Source: OCC Loan Sample & 2010 U.S. Census Data

The distribution of home loans reflects excellent penetration compared to other HMDA lenders in the AA. Lending to low- and moderate-income borrowers significantly exceeds other area lenders. The following table shows the distribution of home loans compared to HMDA lenders:

2012-2013 Borrower Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans
Home Loans	8.93	15.00	14.99	20.00	20.46	15.00	46.97	50.00

Source: OCC Loan Sample & 2011 Peer Mortgage Data (Income data not reported =8.65%)

Geographic Distribution of Loans

The geographic distribution of loans does not provide a meaningful analysis as the bank's AA does not contain any low- or moderate-income census tracts.

Responses to Complaints

There were no CRA related customer complaints received since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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

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