

HOME FEDERAL BANCORP, INC. OF LOUISIANA
Form 10-K
September 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 2008

OR
 Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 000-51117

HOME FEDERAL BANCORP, INC. OF LOUISIANA
(Exact name of registrant as specified in its charter)

Federal
(State or Other Jurisdiction of Incorporation or
Organization)

86-1127166
(I.R.S. Employer Identification Number)

624 Market Street, Shreveport, Louisiana
(Address of Principal Executive Offices)

71101
(Zip Code)

Registrant's Telephone Number (318) 222-1145

Securities registered under Section 12(b) of the Exchange Act:	Title of each class	Name of exchange on which registered
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Securities registered under Section 12(g) of the Exchange Act:	Common Stock (par value \$.01 per share)	
	(Title of Class)	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yeso No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yeso No T

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 5(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of September 26, 2008, the aggregate value of the 891,319 shares of Common Stock of the Registrant issued and outstanding on such date, which excludes an aggregate of 2.5 million shares held by all directors and executive officers of the Registrant, the Registrant's Employee Stock Ownership Plan ("ESOP"), Employees' Savings and Profit Sharing Plan ("401(k) Plan"), Recognition and Retention Plan ("RRP") Trust and 2.1 million shares held by Home Federal Mutual Holding Company of Louisiana as a group, was approximately \$6.7 million. This figure is based on the closing sales price of \$7.50 per share of the Registrant's Common Stock on September 26, 2008. Although directors and executive officers, the ESOP, RRP and 401(k) Plan were assumed to be "affiliates" of the Registrant for purposes of this calculation, the classification is not to be interpreted as an admission of such status.

Number of shares of Common Stock outstanding as of September 26, 2008: 3,377,600

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated.

- (1) Portions of the Annual Report to Shareholders are incorporated into Part II, Items 5 through 8 and Part IV, Item 15 of this Form 10-K.
- (2) Portions of the Definitive Proxy Statement for the 2008 Annual Meeting of Shareholders are incorporated into Part III, Items 10 through 14.

Home Federal Bancorp Inc. of Louisiana
Form 10-K
For the Year Ended June 30, 2008

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PART I

Item 1. Business

General

On January 18, 2005, Home Federal Savings and Loan Association ("Home Federal Savings and Loan" or the "Association"), completed its reorganization to the mutual holding company form of organization and formed Home Federal Bancorp, Inc. of Louisiana ("Home Federal Bancorp" or the "Company") to serve as the stock holding company for the Association. In connection with the reorganization, the Company sold 1,423,583 shares of its common stock in a subscription and community offering at a price of \$10.00 per share. The Company also issued 60% of its then outstanding common stock in the reorganization to Home Federal Mutual Holding Company of Louisiana, or 2,135,375 shares. As of June 30, 2008, Home Federal Mutual Holding Company held 63.1% of Home Federal Bancorp's issued and outstanding common stock. The Association is a federally chartered, stock savings and loan association and is subject to federal regulation by the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. Services are provided to its customers by three offices, all of which are located in the City of Shreveport, Louisiana. The area served by the Association is primarily the Shreveport-Bossier City metropolitan area; however, loan and deposit customers are found dispersed in a wider geographical area covering much of northwest Louisiana. In addition, Home Federal Savings and Loan purchases packages of single family loans from a mortgage originator in Arkansas that are secured by properties primarily located in predominantly rural areas of Louisiana, Arkansas and Texas. At June 30, 2008, such loans amounted to \$10.3 million, or 36.0% of the total loan portfolio, and had an average age of approximately four years.

The Company's only business activities are to hold all of the outstanding common stock of Home Federal Savings and Loan. The Company is authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the issuance of additional shares of common stock to raise capital or to support mergers or acquisitions and borrowing funds for reinvestment in Home Federal Savings and Loan.

Home Federal Bancorp does not own or lease any property, but instead uses the premises, equipment and furniture of Home Federal Savings and Loan. At the present time, the Company employs only persons who are officers of Home Federal Savings and Loan to serve as officers of Home Federal Bancorp and may also use the support staff of Home Federal Savings and Loan from time to time. These persons are not separately compensated by Home Federal Bancorp.

Home Federal Savings and Loan is a federally chartered savings and loan association located in Shreveport, Louisiana, which is the parish seat of Caddo Parish. Home Federal Savings and Loan's business consists primarily of attracting deposits from the general public and using those funds to invest in securities and originate single-family and consumer loans.

On December 11, 2007, the Company entered into an Agreement and Plan of Merger with First Louisiana Bancshares, Inc., pursuant to which the Company would acquire First Louisiana Bancshares and its wholly-owned subsidiary, First Louisiana Bank (the "Merger"). Simultaneously with the adoption of the Agreement and Plan of Merger, Home Federal Mutual Holding Company adopted a Plan of Conversion and Reorganization whereby Home Federal Mutual Holding Company would convert from the mutual holding company form of organization to the fully public stock holding company form of organization and offer shares of a new holding company to its members and the general public in a subscription and community offering. At the close of the offering period, the orders received were not sufficient to reach the minimum of the offering range. As a result, the Company's second-step conversion and offering terminated and, as of August 14, 2008, the Company and First Louisiana Bancshares mutually agreed to terminate the Agreement and Plan of Merger. Completion of the merger was contingent on completion of the second-step

conversion.

Market Area

Our primary market area for loans and deposits is in northwest Louisiana, particularly Caddo Parish. Shreveport is the parish seat for Caddo Parish. Our operating strategy is based on strong community service.

Our primary market area is suburban in nature, as indicated by the population density of Caddo and Bossier Parishes. Shreveport is the largest population center in the regional market area served by us. Services, wholesale/retail trade, manufacturing, casino gaming and government constitute the basis of a fairly diversified local economy. Competition for financial services in our primary market area is intense.

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Competition

We face significant competition both in attracting deposits and in making loans. Our most direct competition for deposits has come historically from commercial banks, credit unions and other savings institutions located in the primary market area, including many large financial institutions which have greater financial and marketing resources available to them. In addition, we face significant competition for investors' funds from short-term money market securities, mutual funds and other corporate and government securities. We do not rely upon any individual group or entity for a material portion of our deposits. Our ability to attract and retain deposits depends on our ability to generally provide a rate of return, liquidity and risk comparable to that offered by competing investment opportunities.

Our competition for real estate loans comes principally from mortgage banking companies, commercial banks, other savings institutions and credit unions. We compete for loan originations primarily through the interest rates and loan fees we charge, and the efficiency and quality of services we provide borrowers. Factors which affect competition include general and local economic conditions, current interest rate levels and volatility in the mortgage markets. Competition may increase as a result of the continuing reduction of restrictions on the interstate operations of financial institutions.

Subsidiaries

At June 30, 2008, the Company had one subsidiary, the Association. The Association's only subsidiary at such date was Metro Financial Services, Inc., an inactive, wholly-owned subsidiary.

Employees

Home Federal Savings and Loan had 17 full-time employees and 1 part-time employee at June 30, 2008. None of these employees are covered by a collective bargaining agreement, and we believe that we enjoy good relations with our personnel.

Lending Activities

General. At June 30, 2008, our net loan portfolio amounted to \$28.3 million, representing approximately 20.5% of total assets at that date. Historically, our principal lending activity has been the origination of one- to four-family residential loans. At June 30, 2008, one- to four-family residential loans amounted to \$18.7 million, or 65.5% of the total loan portfolio. As part of our desire to diversify the loan portfolio, we also offer consumer loans, which includes home equity loans, second mortgage loans and lines of credit and amounted to \$4.9 million, or 17.2% of the total loan portfolio at June 30, 2008.

The types of loans that we may originate are subject to federal and state laws and regulations. Interest rates charged on loans are affected principally by the demand for such loans and the supply of money available for lending purposes and the rates offered by our competitors. These factors are, in turn, affected by general and economic conditions, the monetary policy of the federal government, including the Federal Reserve Board, legislative and tax policies, and governmental budgetary matters.

A savings institution generally may not make loans to one borrower and related entities in an amount which exceeds 15% of its unimpaired capital and surplus, although loans in an amount equal to an additional 10% of unimpaired capital and surplus may be made to a borrower if the loans are fully secured by readily marketable securities. In addition, upon application the Office of Thrift Supervision permits a savings institution to lend up to an additional 15% of unimpaired capital and surplus to one borrower to develop domestic residential housing units. At June 30, 2008, our regulatory limit on loans-to-one borrower was \$4.2 million and the five largest loans or groups of loans-to-one borrower, including related entities, aggregated \$4.5 million, \$440,000, \$418,000, \$353,000 and

\$304,000. Each of our five largest loans or groups of loans was performing in accordance with its terms at June 30, 2008. For our largest loan to one borrower, we utilized the higher limit applicable for domestic residential housing units upon approval by the Office of Thrift Supervision. The \$4.5 million group of loans is to a limited partnership established by the Housing Authority of Bossier City, Louisiana. The loans are secured by a first mortgage lien on real estate and low to moderate income rental units in Bossier City, Louisiana as well as a conditional assignment of rents.

Loans to or guaranteed by general obligations of a state or political subdivision are not subject to the foregoing lending limits.

Loan Portfolio Composition. The following table shows the composition of our loan portfolio by type of loan at the dates indicated.

	2008		June 30, 2007	
	Amount	%	Amount	%
	(Dollars in Thousands)			
Real estate loans:				
One- to four-family residential	\$ 18,736	65.48%	\$ 16,669	65.27%
Other mortgage	4,945	17.28	3,650	14.29
Total real estate loans	23,681	82.76	20,319	79.56
Consumer loans:				
Home equity loans and second mortgage loans	3,848	13.45	4,454	17.43
Savings accounts	573	2.00	283	1.11
Equity lines of credit	461	1.61	427	1.67
Other	51	.18	57	.23
Total consumer loans	4,933	17.24	5,221	20.44
Total loans	28,614	100.00%	25,540	100.00%

Less: