



PUBLIC DISCLOSURE

January 6, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Oconee Federal Savings & Loan Association
Charter Number: 704769

115 East North Second Street
Seneca, South Carolina 29678

Office of the Comptroller of the Currency

ADC - Charlotte
212 South Tryon Street
Suite 700
Charlotte, NC 28281

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 Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable based on the bank's size, financial condition, and the assessment area's (AAs) credit needs;
- A majority of the bank's loans are made within its AA;
- The bank's percentage of loans to borrowers of different income levels is reasonable;
- No complaints were received during the evaluation period.

Scope of Examination

Oconee Federal Savings & Loan Association (Oconee Federal) was evaluated under the Intermediate Small Bank examination procedures, which include a Lending Test and a Community Development (CD) test. The Lending Test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The Community Development Test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The evaluation period for the Lending Test covers performance from January 1, 2011 through December 31, 2013, as this is representative of the bank's lending strategy. The evaluation period for the Community Development Test is from January 3, 2011 through January 6, 2014.

Oconee Federal is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). As a result, we selected a sample of home mortgage loans originated during the review period from the bank's loan application register (LAR) to ensure the accuracy of data. We did not find any significant errors in the loan data.

We used 2000 U.S. Census data to analyze the bank's home mortgage lending activity for the period from January 1, 2011 through December 31, 2011. For lending activity from January 1, 2012 through December 31, 2013, we used data from the U.S. Census 2006 – 2010 American Community Survey.

Description of Institution

Oconee Federal is a federally chartered, stock savings association headquartered in Seneca, South Carolina. The bank is a subsidiary of Oconee Federal Financial Corp., which is a subsidiary of Oconee Federal MHC. Both are located in Seneca, South Carolina. As of September 30, 2013, the bank had total assets of \$365.5 million with a loan portfolio approximating \$221.8 million, total deposits of \$290.8 million, and capital accounts aggregating \$71.9 million. Lending activity is centered in home mortgage loans, making up 92 percent of the total loan portfolio.

Oconee Federal operates four branch offices in South Carolina. Branch offices are located in Walhalla and Westminster, which are in middle-income census tracts, and two branch offices in Seneca, an upper-income census tract.

Oconee Federal operates as a traditional savings association, concentrating its operations in the origination of mortgage loans and the acceptance of deposits. The bank offers conventional fixed and adjustable rate first and second mortgages for the purchase, refinance, improvement, and construction of single-family residences and retains all of its mortgage loan production in its portfolio. The bank also offers unsecured, short-term installment loans to existing customers, as well as share loans secured by a savings account or certificate of deposit.

Additional products and services offered by the bank include money orders, cashier's checks, free notary services, drive-through windows, night depositories, an ATM, safe deposit boxes, online banking, and Bill Pay. In addition, the bank also participates in an Electronic Funds Transfer Account (ETA) program, whereby individuals can receive federal payments electronically.

The bank's four branch office lobbies and drive-through windows are open for business from 9:00 a.m. until 4:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. There are no Saturday or Sunday hours. These hours of operation are considered adequate and consistent with those of competitors in the various markets served.

There are no known legal, financial, or other factors impeding Oconee Federal's ability to help meet the needs of its community. The bank received a "Satisfactory" rating at its last CRA examination dated January 3, 2011.

Description of Assessment Area(s)

Oconee Federal has defined Oconee County as their AA, which is a Non-Metropolitan Statistical Area (Non-MSA). The AA includes fifteen census tracts comprised of nine middle-income and six upper-income census tracts. There are no low- or moderate-income census tracts in the AA. The bank's AA complies with the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

The following table summarizes certain demographic characteristics of the AA based on the 2010 U.S. Census data:

OCONEE FEDERAL SAVINGS AND LOAN ASSOCIATION ASSESSMENT AREA DEMOGRAPHICS BASED UPON 2010 CENSUS DATA						
CENSUS TRACT INCOME LEVEL 1						
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
CENSUS TRACTS/BNAs	#	15	-0-	-0-	9	6
POPULATION	#	74,273	-0-	-0-	49,241	25,032
BY LOCATION		100.00%	0.00%	0.00%	66.30%	33.70%
% OWNER OCCUPIED		100.00%	0.00%	0.00%	62.12%	37.88%
% RENTER OCCUPIED		100.00%	0.00%	0.00%	73.59%	26.41%
% VACANT		100.00%	0.00%	0.00%	58.11%	41.89%

¹ The Median Family Income (MFI) of a low-income census tract is <50% of the MFI of the MSA in which it is located. Similarly, a moderate-income tract is ≥50%, but <80%; a middle-income tract is ≥80%, but <120%; and an upper-income tract is ≥120%.

MEDIAN HOUSING VALUE		\$138,100	-0-	-0-	\$108,564	\$189,246
2011 MEDIAN FAMILY INCOME		\$53,979				
% OF FAMILIES BELOW POVERTY LEVEL		11.81%				

*Source: 2010 U.S. Census Data

Oconee County's economy is diversified with manufacturing jobs, service industries, wholesale/retail trade, and government entities providing employment to the area. Some of the area's largest employers are the Oconee County School District, Duke Energy, Oconee Memorial Hospital, Schneider Electric, Itron Inc., as well as numerous federal, state, municipal, and other educational and medical systems throughout the AA. Although not located within the AA, Clemson University is only seven miles from Seneca and numerous workers commute to the Clemson vicinity daily from Oconee County.

According to information obtained from a community contact, the overall economy of Oconee County has significantly improved. The contact stated that many of the large existing manufacturing companies in the area have announced or completed expansion initiatives, bringing more jobs into the area. Due to declines in unemployment, they believe the real estate market is rebounding and home building and commercial construction is coming back to the area.

According to the U.S. Bureau of Labor Statistics, unemployment rates for the Oconee County Non-MSA were 9.4 percent, 8.5 percent, and 7.0 percent in 2011, 2012, and 2013, respectively. In comparison, unemployment rates in the state of South Carolina were 9.7 percent, 8.3 percent, and 6.7 percent in 2011, 2012, and 2013, respectively.

The bank faces substantial competition from other financial institutions within the AA. In 2012, there were a total of 30 reportable HMDA institutions present in Oconee County that held 74 percent of the area's total market share. This includes several institutions that are multi-state, regional, national, or larger institutions with several branches outside the AA such as Wells Fargo, First Citizens Bank, Branch Banking and Trust, and South Carolina Bank & Trust who holds the largest market share in the area.

Conclusions with Respect to Performance Tests

LENDING TEST

The Lending Test is rated "Satisfactory." The bank's loan-to-deposit (LTD) ratio is reasonable and a majority of home mortgage loans were made within the bank's AA.

Loan-to-Deposit Ratio

Oconee Federal's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the AA. The bank's quarterly average LTD ratio beginning December 31, 2010 to September 30, 2013 is 83 percent. In comparison, the average LTD ratio of the bank's peer group is 72 percent. The peer group consisted of similarly sized institutions in South Carolina. During the 12-quarter period, the bank's LTD ratio ranged from a low of 75 percent to a high of 89 percent. The bank's peer group LTD ratios ranged from a low of 50 percent to a high of 89 percent.

Lending in Assessment Area

The majority of Oconee Federal's home mortgage loans were made within the bank's AA. Based upon our review, 72 percent of the total number and 70 percent of the total dollar amount were within the bank's AA.

Table 2 compares the bank's mortgage loan originations inside and outside the AA from January 1, 2011 through December 31, 2013.

Table 2 Mortgage Loans Originated Within/Outside Assessment Area January 1, 2011 through December 31, 2013				
Originations	Number	Percentage	Dollar Amount (\$000)	Percentage
Within	393	72.24%	\$72,368	69.62%
Outside	151	27.76%	\$31,580	30.38%
TOTAL	544	100.00%	\$103,948	100.00%

Lending to Borrowers of Different Incomes

Overall, the bank's distribution of loans reflects reasonable penetration among borrowers of different income levels.

The distribution of loans for 2011 reflects reasonable penetration among borrowers of different income levels. The bank's distribution of loans to low-income borrowers was poor compared to the percentage of low-income families in the AA. However, the bank's ability to originate mortgage loans to low-income borrowers may be impacted by family poverty levels in the AA. According to the 2000 U.S. Census data, approximately 7.56% of all families in the AA had incomes below the poverty level. The bank's percentage of lending to moderate-income borrowers was near to the percentage moderate-income families in the AA.

Table 3 presents Oconee Federal's percentage of lending to borrowers of different income levels within AA, and compares it to the percentage of families in each of the income categories.

Income Category	Percent of MFI	No. of Loans	No. Pct.	Volume (\$000s)	Pct. of \$	Distribution of Families
Low	<50%	3	1.97%	200	0.66%	15.40%
Moderate	≥50 -<80%	22	14.47%	1,720	5.71%	16.74%
Middle	≥80- <120%	20	13.16%	2,290	7.60%	22.77%
Upper	≥120%	107	70.39%	25,922	86.03%	45.10%
Total		152	100.00%	\$30,132	100.00%	100.00%

**Does not include loans for which borrower income was not considered*

Oconee Federal's lending activity to borrowers of different income levels was compared to the lending activity of other lenders subject to HMDA reporting requirements in the AA.

The bank's 2011 distribution of loans to low-income borrowers was poor compared to the percentage of lending to low-income borrowers by other lenders. The bank's percentage of loans to moderate-income borrowers exceeded the percentage of lending to moderate-income borrowers by other lenders.

Table 4 compares Oconee Federal's distribution of loans to the lending activity of other lenders.

Table 4 Borrower Income Level	Oconee Federal (2011)		2011 HMDA Aggregate	Percent of Families
	Number of Loans	Percent of Loans		
Low = <50%	3	1.97%	4.03%	15.40%
Moderate = 50-79%	22	14.47%	12.27%	16.74%
Middle = 80-119%	20	13.16%	15.92%	22.27%
Upper = ≥ 120%	107	70.39%	67.79%	45.10%
**Total	152	100.00%	100.00%	100.00%

**** Does not include loans for which borrower income was not considered**

The bank's distribution of loans in 2012 and 2013 reflects reasonable penetration among borrowers of different income levels. The bank's percentage of lending to low-income borrowers is poor compared to the percentage of low-income families in the AA. In evaluating the bank's lending activity, we considered family poverty rates as a mitigating factor, which would impact lending opportunities among low-income borrowers. According to the 2010 U.S. Census data, 11.81% of all families living with in AA were below poverty. The distribution of loans to moderate-income borrower is poor compared to the percentage of moderate-income families.

Table 5 compares the bank’s distribution of loans to borrowers of different income levels to the percentage of families in each income level.

Table 5 Lending to Borrowers of Different Income Levels January 1, 2012 through December 31, 2013						
Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000s)	Pct. of \$	Distribution of Families
Low	<50%	14	6.03%	818	2.00 %	16.97 %
Moderate	≥50 -<80%	21	9.05%	1,642	4.01%	17.42%
Middle	≥80- <120%	48	20.69%	5,181	12.64%	18.83%
Upper	≥120%	149	64.22%	33,355	79.36%	46.78%
Total		232	100.00%	40,996	100.00%	100.00%

Oconee Federal’s 2012 and 2013 lending activity to borrowers of different income levels was compared to the lending activity of other lenders. The bank’s distribution of loans to low-income borrowers exceeded the percentage of loans to low-income borrowers originated by other lenders. The bank’s percentage of loans to moderate-income borrowers was near the percentage of loans by other lenders.

Table 6 compares Oconee Federal’s distribution of loans to the lending activity of other lenders

Table 6 Borrower Income Level	Oconee Federal (2012-2013)		2012 HMDA Aggregate	Percent of Families
	Number of Loans	Percent of Loans		
Low = <50%	14	6.03%	3.11%	16.97%
Moderate = 50-79%	21	9.05%	9.78%	17.42%
Middle = 80-119%	48	20.69%	17.06%	18.83%
Upper = ≥ 120%	149	64.22%	70.05%	46.78%
**Total	232	100.00%	100.00%	100.00%

** Does not include loans for which borrower income was not considered

Geographic Distribution of Loans

Oconee Federal’s AA is solely comprised of middle- and upper-income census tracts. Therefore, geographic distribution was not considered as it will not render a meaningful analysis.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated “Satisfactory.” The bank has exhibited adequate responsiveness to community development (CD) of its AA through CD lending, investments, and services.

Number and Amount of Community Development Loans

During the review period, Oconee Federal originated eighteen loans (totaling approximately \$1.27 million) that qualify as CD loans. These loans were made through the bank's affordable homeownership program, which provides financing for low- and moderate-income borrowers for the purchase of a single-family residence. Special loan terms include a maximum loan-to-value of 95% with no requirement for private mortgage insurance, a reduced loan origination fee of 0.5%, and a maximum loan amount of \$95,000. In order to qualify for this program, applicants must make less than 80% of the median income for the area.

Number and Amount of Qualified Investments

In January 2011, the bank formed the Oconee Federal Charitable Foundation (OFCF), funded with \$1.7 million in cash and shares of Oconee Federal Financial Corp. common stock. The bank uses this foundation to donate to a variety of charities operating within Oconee County.

During the evaluation period, OFCF donated approximately \$100 thousand to five organizations that qualified as CD investments since they helped the needs of the AA. These organizations distributed food as outlined in the federal poverty guidelines; provided affordable housing, health care, health education and assistance, job training, and family counseling to low- moderate-income families; and transportation for the homeless.

In addition, in January 2013, the bank purchased a \$1.0 million CRA qualified mortgage-backed security pool investment composed of loans to low- to moderate-income borrowers in four Upstate South Carolina Counties outside the bank's AA.

Extent to Which the Bank Provides Community Development Services

Community development services are limited. The President serves on the Board of the Oconee Medical Center Foundation that has specific initiatives to provide low-income, uninsured adults with access to quality care and support services. Oconee Federal employees and directors are active in official capacities in several civic organizations that are engaged in community development activities. However, those activities could not be counted as community development services for CRA purposes.

Response to Complaints

During the evaluation period, there were no complaints related to the bank's performance in meeting the needs of the AA.

Fair Lending or Other Illegal Credit Practices Review

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

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