

## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Secor Bank, FSB, Birmingham, Alabama, prepared by the Office Of Thrift Supervision - Southeast Region, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of August 17, 1992. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

**Identification of Ratings:**

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

**Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

### Institution's Rating:

This institution is rated "Satisfactory record of meeting community credit needs", based upon the findings presented below.

#### I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

**Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding credit services being provided by the institution.**

The institution has implemented efforts to ascertain its communities' credit needs, including contacts with local government, realtors, and economic development groups. The institution regularly contacts local realtors to inform them of the loan products offered by the institution.

Employees have ongoing involvement with various local civic and community groups; the institution has used the credit-related information from these affiliations and memberships in its ascertainment and product development efforts. The examiner notes, however, that the majority of these organizations are civic in nature and few of them would help the institution to learn more about the credit needs of low- and moderate-income neighborhoods. Further, systematic oversight of ascertainment efforts is lacking.

The institution did not perform any type of analysis of its lending activity during the review period. A quarterly analysis was begun in 1992 with the results reported to the board of directors by the Compliance/CRA Officer. However, the institution has yet to perform an analysis of its 1990 and 1991 HMDA Statements.

**Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

The board's documented participation, oversight and review of the institution's CRA program has been limited primarily to the annual review and adoption of the CRA Statement.

Minutes of board meetings do not indicate the board's formulation or oversight of activities designed to help meet the institution's CRA obligations. The board has not adopted a formal CRA policy or plan with goals, objectives and a stated methodology for assessing the institution's performance relative to the CRA.

The CRA Statement is reviewed annually by the board and the current Statement complies with applicable regulatory requirements. It does not contain all of the expanded information recommended by the FFIEC's Interagency CRA Policy Statement and related OTS regulations.

## II. **MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

### **Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of credit services offered by the institution.**

The institution has effectively utilized the print media and radio to promote its credit products and general financial services to all segments of the local community. However, the limited demographic analysis performed by the examiner on applications received in 1990 and 1991, indicate that all segments of the institution's communities are not commensurately represented regarding other applications received from, or loans made to, those segments, relative to demographics of the areas served by the institution.

The institution uses general circulation newspapers, magazines, trade shows and radio advertising to promote its products and services throughout the local communities. Given the dispro-portionately small number of minority applications, we encourage the institution to consider greater use of media targeted to minorities as well as other methods to increase the level of applications from minorities and low- and moderate-income areas.

### **Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.**

The institution has addressed community credit needs primarily through the origination of residential mortgage loans. The dollar volume of residential loan originations in 1991 increased significantly over the volume originated in 1990 to a level commensurate with the institution's size and resources. Total originations for 1990 and 1991 went from \$137.1 million or 6.7

percent of assets to \$253.4 million, or 12.4 percent of assets. Further review disclosed that the majority of the institution's loan originations were secured by properties located within its delineated communities. In 1990 and 1991, the institution originated 74.15 and 77.94 percent of its residential mortgage loans in its delineated community which amounted to 76.49 percent (\$104,894,000), and 70.47 (\$178,573,000) percent of total dollar volume, respectively.

The current CRA Statement accurately lists the types of credit the institution is prepared to extend to members of its local community. The institution offers permanent financing for one-to-four family dwellings and commercial property. It is also willing to extend credit at loan-to-value ratios in excess of 80 percent if private mortgage insurance can also be obtained.

**Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.**

The institution offers FHA and VA loans as well as, Alabama and Louisiana Bond loans, and Birmingham Residential Mortgage Plan Loans. Over \$55 million in FHA/VA loans were originated in 1990 and more than \$31 million in 1991. Almost 70 percent of these loans were extended within the delineated communities in 1990 and almost 80 percent in 1991. The institution does not offer any governmentally-sponsored loan programs for small businesses or small farms.

**III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Reasonableness of Delineated Community**

The institution has delineated 20 separate local communities for CRA purposes in Alabama, Louisiana, and Florida, utilizing the existing geographic boundaries of Metropolitan Statistical Areas (MSAs), wherever possible. Where a branch office is located in an area other than a MSA, the institution has utilized county or parish boundaries.

The method of delineation, has not arbitrarily excluded low- and moderate-income areas. Further, given the location of deposit facilities (branch offices), the geographic distribution of lending activities, local competition, and the resources available to the institution to help meet local credit needs, the current delineations are considered reasonable.

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

The institution has not periodically reviewed the geographic distribution of the loans in its portfolio and current lending activity. As noted under Assessment Factor I, in 1990 and 1991, the institution originated 74.15 and 77.94 percent, respectively, of its residential mortgage loans in its delineated communities. The examiner notes that the various delineated communities are both within and outside of Metropolitan Statistical Areas (MSAs). The number of mortgage loans made in low- and moderate-income census tracts (i.e., in MSAs) in both 1990 and 1991 was very low (8.11 percent in 1990 and 6.8 percent in 1991) and, overall does not reflect adequate penetration of these areas within the institution's various delineated communities. The examiner notes, however, that the number of loans made to low- and moderate-income individuals (according to the 1990 and 1991 HMDA Disclosure Reports) made up a more significant portion of the loans made in those years (16 percent in 1990 and 12.5 percent in 1991).

**Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.**

The institution has either sold or consolidated six branches during the review period.

All offices offer a full range of deposit and credit services. Office hours vary depending on location. The institution's offices are considered to be reasonably accessible to all areas in each respective delineated community.

**IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

**Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).**

A review of the institution's loan underwriting guidelines, loan policies, and interviews with lending personnel regarding loan procedures disclosed no evidence of any policies or practices intended to discourage individuals from applying for credit products offered by the institution.

**Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.**

A sample of loan applications was reviewed to determine the level of compliance with the ECOA, the HMDA, the FHA, and the OTS Nondiscrimination Regulations. The review disclosed no violations of the substantive provisions of these laws and regulations.

**V. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The institution has not participated in any programs or activities related to community development.

**Assessment Factor K - The institution's ability to meet various community credit needs, based on its financial condition and size, legal impediments, local economic conditions and other factors.**

The examination disclosed no factors which would adversely affect the institution's ability and efforts to meet community credit needs.

Based on its asset size, capital position, and resources currently available, no financial or regulatory constraints have been placed on the institution's lending activities. Local economic conditions reflect the state of the national economy.

**Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which the institution is helping to meet the credit needs of its entire community.**

None noted.