

# **PUBLIC DISCLOSURE**

July 13, 2009

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Security Federal Bank  
238 Richland Avenue West  
Aiken, South Carolina 29801  
Docket #: 06380**

**Office of Thrift Supervision  
Southeast Region  
1475 Peachtree Street, N.E.  
Atlanta, Georgia 30309**

**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.



## Office of Thrift Supervision

Department of the Treasury

*Southeast Region*

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October 16, 2009

Board of Directors  
Security Federal Bank  
238 Richland Avenue West  
Aiken, South Carolina 29801

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of July 13, 2009. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), your institution must make this evaluation and your institution's CRA rating available to the public.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Valorie Owen  
Compliance Review Examiner V

Enclosure

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## **General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Security Federal Bank (Security or Institution). The Office of Thrift Supervision (OTS) prepared the evaluation as of July 13, 2009. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

## **Institution**

### **Overall Rating**

**INSTITUTION'S CRA RATING:** **Satisfactory**  
**The Lending Test is rated:** **Satisfactory**  
**The Community Development Test is rated:** **Satisfactory**

Security is rated "Satisfactory record of meeting community credit needs".

During the current review period, Security maintained a strong loan-to-deposit (LTD) ratio that averaged 91.1 percent, although this is somewhat lower than that of similarly sized savings associations within the OTS's Southeast Region.

Other measures of lending activity indicated that the Institution originated an adequate volume of loan products, based upon its average asset size and in comparison to similarly sized OTS-regulated institutions. The Institution is a community savings association and originates a variety of lending products, including residential mortgage, nonresidential real estate, and commercial loans.

The majority of the 1-4 family residential loan origination activity (86.8 percent) was secured by properties located within the combined assessment area. The Institution's overall record of lending to LMI borrowers within the combined assessment area is considered acceptable compared to area demographics and to the lending record of similar mortgage lenders within the combined assessment area. The Institution's record of lending within the LMI census tracts (CTs) within the combined assessment area is also considered acceptable compared to area demographics and to the lending record of similar mortgage lenders within the combined assessment area.

### **Scope of Examination**

At the preceding evaluation, conducted as of January 29, 2007, Security was assigned a CRA rating of "Satisfactory record of meeting community credit needs". The Institution's performance for this evaluation is based upon the standards for an intermediate small savings association.

### ***Institution (continued)***

On July 1, 2007, the OTS implemented a revised evaluation format for “intermediate small savings associations” (ISSA). To meet the ISSA definition, an institution must have total assets between \$250 million and \$1 billion on December 31 of each of the two calendar years prior to the current evaluation. The OTS also expanded the evaluation criteria to add a community development test to the existing small savings association criteria. Given Security’s asset size during the review period, its performance for this evaluation is based upon the standards for an ISSA.

The time period reviewed for this evaluation is from January 1, 2007, through December 31, 2008. Products reviewed included purchase and refinance mortgage loans, home equity lines of credit, and home improvement loans originated during this period that were reportable under the Home Mortgage Disclosure Act (HMDA). Security’s community development lending, investments, and services were also reviewed to arrive at the assigned overall rating.

### **Description of Institution**

Security is a federally chartered, stock savings association with total assets of approximately \$984.5 million as of March 31, 2009, and is located in Aiken, Aiken County, South Carolina. The Institution operates 13 branch offices in four counties and two states. Branches are located in Aiken (9), Lexington (2 -Lexington and West Columbia), and Richland (Columbia) Counties, South Carolina, and Columbia (Evans) County, Georgia. Four branches are located in moderate-income CTs; four branches are located in middle-income CTs; and four branches are located in upper-income CTs. One branch is located in a CT that does not have an income designation. The Institution is a subsidiary of Security Federal Corporation, Aiken, South Carolina, and has 238 employees, 211 full-time and 27 part-time.

Security operates Automated Teller Machines (ATMs) at all branches. In addition, the Institution operates an ATM not connected with a branch on the University of South Carolina Aiken campus. None of the ATMs accept deposits. The Institution’s ATM cards permit its customers to access their accounts through other institutions’ ATM locations through the PASSPORT network system.

Security operates as a traditional savings association, concentrating its operations in the origination of mortgage loans and the acceptance of deposits. With respect to mortgage lending, Security primarily engages in the origination of residential real estate loans. As of March 31, 2009, 85.2 percent of the Institution’s total assets consisted of mortgage loans secured by permanent mortgages on single-family residences, multi-family dwellings, nonresidential property, home improvements, and mortgage backed securities. In addition, 3.9 percent of total assets are invested in non-mortgage loans and 5.2 percent of total assets are invested in other types of securities.

### ***Institution (continued)***

Security offers conventional fixed- and adjustable-rate first and second mortgages for the purchase, refinance, improvement, and construction of single-family residences, as well as commercial mortgages. Loans secured by customer deposits, consumer loans, multi-family, home equity loans, and loans with private mortgage insurance are also available. The Institution retains the majority of its adjustable-rate mortgage loan production in its portfolio and sells the majority of its fixed-rate mortgage loans in the secondary market.

### **Description of Combined Assessment Area**

Security's combined assessment area consists of all of Aiken, Lexington, and Richland Counties, South Carolina and Columbia County, Georgia. According to the 2000 Census, the area was comprised of 158 CTs with income designations including nine low-income, 38 moderate-income, 61 middle-income, and 50 upper-income CTs. The 2000 Census data will be used for an analysis of the Institution's 2007 and 2008 mortgage lending activity. The combined assessment area is located in central and southwestern South Carolina and eastern middle Georgia.

The counties comprising the combined assessment area are part of two Metropolitan Statistical Areas (MSAs). Aiken, South Carolina and Columbia County, Georgia are part of the Augusta, Georgia/Aiken, South Carolina MSA. Lexington and Richland Counties are part of the Columbia, South Carolina MSA.

A low-income CT is one with a median family income (MFI) of less than 50.0 percent of the MFI of a non-metropolitan area of a state or an MSA, a moderate-income CT is one with a MFI of at least 50.0 percent, and less than 80.0 percent of the MFI of a non-metropolitan area of a state or an MSA, a middle-income CT is one with a MFI of at least 80.0 percent, and less than 120.0 percent, of the MFI of a non-metropolitan area of a state or an MSA, and an upper-income CT is one with a MFI of 120.0 percent or more of the MFI of a non-metropolitan area of a state or an MSA.

The combined assessment area's economies appear to be diversified and not heavily dependent upon any one industry or employer. However, the Savannah River Site and related companies heavily influence the local economy of Aiken County. Some of the areas' other largest employers are Kimberly Clark, University of South Carolina, Fort Gordon, Bridgestone/Firestone, Advanced Glassfiber Yarn, Palmetto Health, Blue Cross Blue Shield, South Carolina Electric & Gas, Club Car, John Deere Commercial Products, Quebecor, as well as numerous service industry businesses; federal, state, municipal, educational systems; and other medical systems throughout the combined assessment area.

***Institution (continued)***

A summary of certain demographic characteristics for the combined assessment area based upon 2000 Census data is as follows:

DEMOGRAPHICS OF CTs			FAMILY DISTRIBUTION	
CT Category	Population	Owner Occupied Housing Units	Income Category	Distribution of Families
Low	20,771	0.8%	Low	18.6%
Moderate	159,025	16.8%	Moderate	16.3%
Middle	308,576	41.6%	Middle	21.3%
Upper	<u>274,955</u>	<u>40.8%</u>	Upper	<u>43.8%</u>
<b>Total</b>	<b>763,327</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>

The examiner’s review of 2000 Census data disclosed the following additional information about the combined assessment area:

Total Population	763,327
Population 16 and older	593,477 (77.2%)
Population Over 65	78,881 (10.3%)
Total Housing Units	316,079
Owner-Occupied Housing Units	205,634 (65.1)
Rental Occupied Units	84,414 (26.7%)
1 - 4 Family Units	281,560(89.21%)
Multi-Family Units	34,519 (10.9%)
Total Families	202,046
Families Below the Poverty Level	16,803 (8.3%)

In addition, the Institution encounters substantial competition from many other financial institutions within the combined assessment area. Specifically, as of June 30, 2008, the latest information available, a total of 27 commercial banks and six savings associations, which includes Security, maintained a total of 241 offices within the combined assessment area. This included several institutions that are multi-state, regional, national, or larger institutions with several branches outside of the combined assessment area such as Bank of America, N.A., National Bank of South Carolina., Wachovia Bank N.A., Branch Banking & Trust Company, Carolina First Bank, Regions Bank, SunTrust Bank, and First Citizens Bank & Trust Company. As of June 30, 2008, all institutions held approximately \$15.5 billion in deposits within the assessment area. Security held approximately 3.7 percent of the combined assessment area’s total deposits.



***Institution (continued)***

The examiner concludes that the combined assessment area is consistent with regulatory requirements.

**Conclusions With Respect To Performance Tests**

**Lending Test**

Loan-to-Deposit Ratio

Information compiled from the OTS's Thrift Financial Reports disclosed that Security's LTD ratio averaged 91.1 percent over the review period. This ratio is somewhat lower than the average LTD ratio of 101.4 percent during this period for similarly sized institutions within the Southeast Region of the OTS.

Notwithstanding that Security's LTD ratio is less than that of the peer group the examiner concludes that the Institution's LTD ratio exceeds the standard for satisfactory performance for this criterion.

Lending within the Assessment Area

Security is subject to the HMDA and maintained a loan/application register during the review period. After reviewing these records, the examiner determined that the Institution originated a total of 840 HMDA reportable mortgage loans between January 1, 2007, and December 31, 2008. The examiner further determined that the majority of the originated mortgage loans were secured by property located within the combined assessment area as described below:

<b>LOAN APPROVALS/ORIGINATIONS DURING THE REVIEW PERIOD</b>				
<b>Approvals/Originations</b>	<b>Number</b>	<b>Pct. No.</b>	<b>Volume (000s)</b>	<b>Pct. Of \$</b>
<b>Inside Assessment Area</b>	729	86.8%	\$127,788	84.0%
<b>Outside Assessment Area</b>	<u>111</u>	<u>13.2%</u>	<u>24,368</u>	<u>16.0%</u>
<b>Total</b>	<b>840</b>	<b>100.0%</b>	<b>\$152,156</b>	<b>100.0%</b>

***Institution (continued)***

The majority of Security’s mortgage loan originations are generated within the Augusta/Aiken MSA assessment area. The following table presents the Institution’s overall mortgage lending activity during the review period separated by assessment area:

Assessment Area	Originations
Augusta/Aiken MSA	635/ 87.1%
Columbia MSA	94/ 12.9%
Totals	729/100.0%

Based upon the data referenced above, the examiner concludes that Security’s level of mortgage lending within the combined assessment area exceeds the standard for satisfactory performance for this criterion.

Lending to Borrowers of Different Income Levels

In order to evaluate Security’s record of lending to borrowers of different income levels for 2007 and 2008, family income levels were stratified as a percentage of the updated MFI for the Augusta/Aiken and Columbia MSAs. The updated MFI figures, as provided by the Department of Housing and Urban Development, for the Augusta/Aiken and Columbia MSAs for 2007 and 2008 were \$52,600 and \$54,300, respectively; and \$58,200 and \$59,200, respectively.

From information contained in the Institution’s records, the examiner compiled the following borrower income distribution statistics:

Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000s)	Pct. of \$	Distribution Of Families
<b>Low</b>	<50%	67	9.7%	7,416	6.2%	18.6%
<b>Moderate</b>	≥50-<80%	120	17.3%	12,212	10.3%	16.3%
<b>Middle</b>	≥80-<120%	127	18.3%	15,812	13.3%	21.3%
<b>Upper</b>	≥120%	380	54.7%	83,425	70.2%	43.8%
<b>Total</b>		<b>694*</b>	<b>100.0%</b>	<b>\$118,865</b>	<b>100.0%</b>	<b>100.0%</b>

\*Applicant income was not available for 35 originations totaling approximately \$8.9 million.

As indicated above, the percentage of mortgage loans granted to low-income borrowers was below the number of low-income families within the combined assessment area. However, Security’s ability to originate mortgage loans to low-income borrowers may be influenced by family poverty levels. The examiner noted that according to the 2000 Census, approximately 44.8 percent of the

***Institution (continued)***

low-income families residing within the combined assessment area have incomes below the poverty level (8.3 percent of all families living within the combined assessment area have incomes below the poverty level). However, the Institution’s level of mortgage lending to moderate-income borrowers was slightly higher than the percentage of moderate-income families residing within the combined assessment area for applications where the borrower’s income was recorded.

Security’s overall record of lending to borrowers of different income levels was also compared to the lending activity of other lenders subject to the CRA that maintained offices within the combined assessment area, focusing upon LMI borrowers. In accordance with the HMDA, creditors with total assets greater than \$250 million and a branch office located within an MSA, must submit certain information regarding mortgage loans for purchase, refinance, and home improvement purposes for all property locations. This information was derived from 2007 HMDA Aggregate information, the latest available.

Based upon the data shown below for 2007, Security’s combined record of lending to LMI borrowers was slightly higher than that of other lenders within the combined assessment area, but both were below the combined assessment area’s LMI demographics.

**2007 Aggregate HMDA Borrower Income Analysis for Mortgage Loan  
Originations of similar products by other lenders within the Combined Assessment Area**

<b>Income Category</b>	<b>Percent Of MFI</b>	<b>Security Fed Percent of No.</b>	<b>Other Lenders Percent of No.</b>	<b>Distribution Of Families</b>
<b>Low</b>	<50%	8.9%	6.6%	18.6%
<b>Moderate</b>	≥50-<80%	18.2%	19.7%	16.3%

Based upon the above data, including family poverty levels, the examiner determined that Security’s overall level of lending to borrowers of different income levels meets the standard for satisfactory performance for this criterion.

**Geographic Distribution of Loans**

The examiner also performed a review to determine the adequacy of dispersion of lending with regard to lending within the LMI areas of the combined assessment area for 2007 and 2008. Specifically, the examiner analyzed the percentage of residential mortgage loans, by number and dollar amount of the mortgage loans originated by Security within the LMI CTs compared to the percentage of owner-occupied housing units (OOHUs) located within those areas.

***Institution (continued)***

The analysis disclosed the following information concerning the Institution’s record of residential mortgage lending throughout the different CTs within the combined assessment area. The percentage of OOHUs is derived from the 2000 Census:

<b>Income Category</b>	<b>Percent of MFI</b>	<b>Number</b>	<b>No. Pct.</b>	<b>Volume (\$000s)</b>	<b>Pct. Of \$</b>	<b>Distribution of OOHUs</b>
<b>Low</b>	<50%	1	0.1%	88	0.1%	0.8%
<b>Moderate</b>	≥50-<80%	101	13.9%	12,260	9.6%	16.8%
<b>Middle</b>	≥80-<120%	419	57.5%	71,412	55.9%	41.6%
<b>Upper</b>	≥120%	<u>208</u>	<u>28.5%</u>	<u>44,028</u>	<u>34.4%</u>	<u>40.8%</u>
<b>Total</b>		<b>729</b>	<b>100.0%</b>	<b>\$127,788</b>	<b>100.0%</b>	<b>100.0%</b>

As indicated above, the Institution’s overall record of lending in the LMI areas was less than the combined assessment area’s demographics on a number basis, as well as below the combined area’s demographics on a dollar volume basis.

Security’s overall record of lending within the LMI CTs was also compared to the lending activity of other lenders subject to the CRA that maintained offices within the combined assessment area. This information was derived from the 2007 HMDA Aggregate information, the latest available. In order to provide a more accurate comparison, the lending activity was compiled for all types of mortgage loans for single-family dwellings originated by lenders subject to the CRA, focusing upon mortgage lending in the LMI CTs.

Based upon this data for 2007, Security’s level of lending within the LMI CTs was slightly higher than that of other lenders, but both were below the combined assessment area’s demographics as indicated below:

**2007 Aggregate HMDA Geographic Distribution Analysis for Mortgage Loan Originations of similar products by other lenders within the Combined Assessment Area**

<b>Income Category</b>	<b>Percent Of MFI</b>	<b>Security Fed Percent of No.</b>	<b>Other Lenders Percent of No.</b>	<b>Distribution Of O.O.H.U.</b>
<b>Low</b>	<50%	0.0%	0.7%	0.8%
<b>Moderate</b>	≥50-<80%	14.0%	11.8%	16.8%

Based upon the Institution’s overall level of lending within the LMI CTs, the examiner determined that Security’s overall geographic distribution of lending for the review period meets the standard for satisfactory performance for this criterion.

### ***Institution (continued)***

Based upon Security's overall record of lending within the assessment area, a rating of "Satisfactory" is assigned for the Lending Test. As noted, the majority of the mortgage loan originations were secured by properties located within the Institution's combined assessment area. Lending to LMI borrowers was acceptable compared with area demographics and that of other lenders originating HMDA reportable mortgage loans within the combined assessment area. Lending within LMI CTs was also acceptable compared with area demographics and that of other lenders originating HMDA reportable mortgage loans within the combined assessment area.

### ***Community Development Test***

#### ***Community Development Lending***

During the review period, Security originated 21 loans that qualify as community development loans totaling approximately \$7.4 million that were secured by properties located within the combined assessment area. Below is a description of the larger community development loans:

Aiken County Habitat for Humanity, Aiken, South Carolina, two loans totaling \$257,800. The loan proceeds were used for the construction of 1-4 family homes to be used by LMI occupants.

Community Development and Improvement Corporation (CDIC), Aiken, South Carolina, six loans totaling \$610,154. The loan proceeds were used for the acquisition and rehabilitation of apartments for LMI occupants. The CDIC was formed in 1996 as a subsidiary non-profit of the Aiken Housing Authority and its mission is to facilitate the creation of housing, homeownership, and economic opportunities for LMI families.

Friendship Community Improvement Corporation (FCIC), Aiken, South Carolina, six loans totaling \$610,154. The loan proceeds were used for the acquisition and rehabilitation of apartments for LMI occupants.

#### ***Community Development Investments***

During the review period, Security made a relatively high level of charitable contributions, primarily within the combined assessment area. Specifically, Security made charitable grants/contributions totaling \$952,741 during the review period. Based upon the examiner's review of an itemized list of the recipients of these contributions, it was determined that the majority of the contributed funds were to non-profit organizations. However, only a small percentage of these contributions met the definition of community development investments. The examiner was able to determine that monetary contributions/grants totaling \$46,765 were to organizations that addressed these needs.

***Institution (continued)***

In addition to the above, the Institution donated 18 Compaq computers to the Little Horse Creek American Indian Association and Cultural Center for use in an after school education project and Graduate Equivalency Degree program. The computers were valued at approximately \$2,880.

Community Development Services

***Security Federal Branch Office/ATM Locations***

<b>County</b>	<b>City Location</b>	<b>Income Level of Geography</b>	<b>ATM</b>
<b>Aiken, SC</b>	Aiken	Moderate	Yes
	Aiken	Middle	Yes
	Aiken (2)	Upper	Both Yes
	Clearwater	Upper	Yes
	Graniteville	Moderate	Yes
	Langley	Middle	Yes
	North Augusta	Moderate	Yes
	Wagener	Middle	Yes
<b>Lexington, SC</b>	Lexington	Upper	Yes
	West Columbia	Moderate	Yes
<b>Richland, SC</b>	Columbia	N/A	Yes
<b>Columbia, GA</b>	Evans	Upper	Yes
<b>Total</b>	<b>13 Branch Offices</b>		<b>13 ATMs</b>

Four branches (Aiken (main office), Graniteville, North Augusta, and West Columbia) are located in moderate-income CTs, four branches are located in middle-income CTs, and four are located in upper-income CTs. The branch located in Columbia is in a CT which does not have an income designation.

Since the preceding evaluation, Security opened two full service branch offices – Columbia, South Carolina (November 2007) and Evans, Georgia (December 2007). No branches were closed during the review period; however, the Institution has adopted a branch closing policy that outlines certain procedures to be followed in the event of a branch closing.

### ***Institution (continued)***

The lobbies of Security's offices are open for business from 9:00 a.m. until 5:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. The drive-ins for 11 of the 13 offices are open for business from 8:30 a.m. until 5:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. The downtown Aiken and Graniteville offices do not have drive-ins. The lobbies of three offices are open on Saturday, Aiken (1), Evans, and Lexington, opening from 9:00 a.m. until 4:00 p.m. The drive-ins of these three offices and the Wagener office open on Saturday at 8:30 and close at 4:00 p.m. except the Wagener office that closes at 12:30 p.m. In addition, three offices are open on Sunday, Aiken (1), Lexington, and Evans. The lobbies and drive-ins are open on Sunday from 1:30 p.m. to 4:00 p.m. The hours of operation are considered adequate and consistent with those of the Institution's competitors in the various markets it serves.

Security offers a wide range of deposit products including personal and commercial checking accounts. Although not specifically targeted to LMI individuals, the Institution offers a checking account, Free Personal Checking Account, which should be attractive to LMI individuals. The Free Personal Checking Account has no minimum balance requirement, no monthly service charge, free online banking, and an opening deposit requirement of \$100.00. As of the start of this evaluation, the Institution had 1,610 Free Personal Checking Accounts with balances totaling approximately \$2.1 million. Although no interest is paid on this account, it is the examiner's opinion that this account would be attractive to LMI individuals.

Security has developed an interest bearing checking account targeted toward customers at least 50 years old, the Value 50 Checking account. This account can be opened for \$100.00, there is no minimum balance requirement, and no monthly service charge. Interest is payable on balances of \$500.00 or more. As of the start of this evaluation, the Institution had 6,500 Value 50 Checking accounts with balances totaling approximately \$25.9 million.

Security has developed a checking account targeted toward students, the Student Checking account. This account has a minimum opening deposit requirement of \$10.00, no minimum balance requirement, and a limit of 150 items processed a month. Interest is not payable on this account. As of the start of this evaluation, the Institution had 887 Student Checking accounts with balances totaling approximately \$654,000.

Security has developed a savings account that should be attractive to LMI individuals, the Regular Savings account. This account has a minimum opening deposit requirement of \$100.00 and a minimum balance requirement of \$100.00 to earn interest. There is a \$3.00 monthly charge if the minimum balance is not maintained. As of the start of this evaluation, the Institution had 4,010 Regular Savings accounts with balances totaling approximately \$15.8 million.

***Institution (continued)***

Security has developed a savings account targeted toward individuals between the ages of 12 and 17, the Young Savers Savings account. This account has a minimum opening deposit requirement of \$25.00 and a minimum balance requirement of \$25.00 to earn interest. There is a \$3.00 monthly charge if the minimum balance is not maintained. As of the start of this evaluation, the Institution had 997 Young Savers accounts with balances totaling approximately \$553,000.

Lastly, Security has developed a savings account targeted toward children below 12 years of age, the Looney Tunes Savings account. This account has a minimum opening deposit requirement of \$5.00, no minimum balance requirement to earn interest, and no monthly service charge. The Institution makes depositing funds into the program available in 21 elementary schools within the combined assessment area. As of the start of this evaluation, the Institution had 2,354 Looney Tunes Savings accounts with balances totaling approximately \$550,000.

In addition, Security employees and directors are active in official capacities in several civic organizations that are engaged in community development activities. Below is a partial list of the official capacities in which Institution individuals serve:

- Board Member – United Way of the Midlands
- Board Member – Friendship Baptist Church Development Corporation
- Member – Financial Assessment Committee, Habitat for Humanity Chapters in Aiken, Columbia and North Augusta
- Director – Free Medical Clinic of Aiken
- Financial Assessment Committee Member – Aiken Habitat for Humanity
- Financial Assessment Committee Member – Columbia Habitat for Humanity
- Financial Assessment Committee Member – North Augusta Habitat for Humanity
- Teacher – Lexington County Department of Social Services
- Teachers – NAACP Housing Forum
- Teachers – Numerous Homeownership Education Classes
- Counselor – Housing Development Center - Columbia

In addition to the above, Security offers a financial counseling service and works with 16 community partners in order to reach as many individuals/families as possible. The service is a free, one-on-one program designed to help its participants reduce debt, improve their credit ratings, and ultimately qualify for loans. The program teaches basic financial skills such as how to establish a budget and develop good savings habits, how to open a bank account and balance a checkbook, as well as how to develop and achieve long and short term financial goals and establish a relationship with a banker/lender.



### ***Institution (continued)***

Also, the Institution services approximately 260 mortgage loans for approximately \$7.3 million for Habitat for Humanity within the combined assessment area. No servicing fee is charged.

Based upon Security's overall record within the assessment area, a rating of "Satisfactory" is assigned for the Community Development Test. The rating was based upon Security's level of community development lending, investments, and services.

### **Fair Lending or Other Illegal Credit Practices Review**

#### Record of Compliance with Anti-discrimination Laws and Regulations

A sample of loan application files was reviewed at the Institution's most recent compliance examination to determine the Institution's level of compliance with anti-discrimination laws and regulations, including the OTS Nondiscrimination Regulations; the Equal Credit Opportunity Act and its implementing regulation, Regulation B; and the Fair Housing Act. That review disclosed no evidence of prohibited discriminatory lending practices, and it appeared that all applicants were treated consistently and in accordance with the Institution's written underwriting guidelines.

#### Response to Community Complaints

No complaints concerning Security's performance in meeting the credit needs of the combined assessment area have been received since the preceding evaluation.

## ***Institution (continued)***

### ***State***

### ***Summary***

#### CRA Rating for South Carolina

**CRA RATING<sup>1</sup>:**

**The Lending Test is rated:**

**Satisfactory**

**The Community Development Test is rated:**

**Satisfactory**

**Satisfactory**

During the review period, Security's record of meeting community credit needs was reasonable relative to the Institution's resources and local economic conditions within the Columbia MSA assessment area. During the review period, Security originated 94 HMDA reportable loans in this area totaling approximately \$16.7 million. The Institution's overall percentage of residential loans to LMI borrowers was adequate in relationship to area demographics and peer lending activity. Security's overall percentage of residential loans within the LMI CTs was adequate in relationship to area demographics and peer lending activity. Security's level of community development activities was considered adequate given the Institution's lending capacity and resources within the Columbia assessment area.

#### Scope of Examination

A review of Security's CRA performance within this assessment area was conducted for the period beginning January 31, 2007 and ending December 31, 2008. Lending and community development activities were also included in this review.

For one fourth of the review period, Security operated under the small institution CRA examination procedures. As a small institution, Security was not subject to the community development activities test. Consequently, Security's level of community development loans, qualified investments, and community development services may have been impacted.

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<sup>1</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

***Institution (continued)***

**Description of Institution's Operations in South Carolina, Columbia MSA Assessment Area**

Security operates a total three offices in the Columbia MSA, two in Lexington County (Lexington and West Columbia), and one in Richland County (Columbia). One branch is located in a moderate-income CT and one is located in an upper-income CT. The remaining branch, (Columbia) is located in CT that has not been assigned an income designation.

The lobbies of Security's offices in this assessment area are open for business from 9:00 a.m. until 5:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. The drive-ins for offices in this assessment area are open for business from 8:30 a.m. until 5:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. The lobby of one office, Lexington, is open on Saturday from 9:00 a.m. until 4:00 p.m. The drive-ins of the Lexington office open on Saturday at 8:30 and close at 4:00 p.m. In addition, the Lexington office is open on Sunday. The lobby and drive-ins are open on Sunday from 1:30 p.m. to 4:00 p.m.

**Description of South Carolina, Columbia MSA Assessment Area**

Security's Columbia MSA assessment area comprises all of Lexington and Richland Counties, South Carolina. This assessment area included 119 CTs with income designations, nine low-income, 33 moderate-income, 42 middle-income, and 35 upper-income tracts as of the 2000 Census.

The 2000 Census data will be used to evaluate the Institution's lending to borrowers of different incomes and geographic distribution for the Institution's 2007 and 2008 mortgage lending activity.

A summary of certain geographic characteristics for the assessment area based upon 2000 Census data is as follows:

DEMOGRAPHICS OF CTs			FAMILY DISTRIBUTION	
CT Category	Population	Owner-Occupied Housing Units	Income Category	Distribution of Families
Low	20,771	1.2%	Low	19.4%
Moderate	136,252	20.9%	Moderate	17.1%
Middle	190,869	36.9%	Middle	21.9%
Upper	183,595	41.0%	Upper	41.6%
<b>Total</b>	<b>531,487</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>

### ***Institution (continued)***

The examiner's review of 2000 Census data disclosed the following additional information about this assessment area:

Total Population	531,487
Population 16 and older	418,095 (77.9%)
Population Over 65	53,464 (9.9%)
Total Housing Units	220,771
Owner-Occupied Housing Units	138,033 (62.5)
Rental Occupied Units	65,308 (29.6%)
1 - 4 Family Units	190,058 (86.1%)
Multi-Family Units	30,713 (13.9%)
Total Families	137,049
Families Below the Poverty Level	11,559 (8.4%)

In addition, the Institution encounters substantial competition from many other financial institutions within this assessment area. Specifically, as of June 30, 2008, the latest information available, a total of 21 commercial banks and four savings associations, which includes Security, maintained a total of 177 offices within this assessment area. This included several institutions that are multi-state, regional, national, or larger institutions with several branches outside of the combined assessment area such as Bank of America, N.A., National Bank of South Carolina., Wachovia Bank N.A., Branch Banking & Trust Company, Carolina First Bank, and First Citizens Bank & Trust Company. As of June 30, 2008, all institutions held approximately \$12.2 billion in deposits within this assessment area. Security held approximately 0.7 percent of this assessment area's total deposits.

### **Conclusions with Respect to Performance Tests in South Carolina, Columbia MSA Assessment Area**

#### Lending to Borrowers of Different Income Levels

In order to evaluate Security's record of lending to borrowers of different income levels for 2007 and 2008, family income levels were stratified as a percentage of the updated MFI for the Columbia MSA. The updated MFI figures, as provided by the Department of Housing and Urban Development, for the Columbia MSA for 2007 and 2008 were \$58,200 and \$59,200, respectively.

***Institution (continued)***

From information contained in the Institution’s records, the examiner compiled the following borrower income distribution statistics:

<b>Income Category</b>	<b>Percent of MFI</b>	<b>Number</b>	<b>No. Pct.</b>	<b>Volume (\$000s)</b>	<b>Pct of \$</b>	<b>Distribution Of Families</b>
<b>Low</b>	<50%	5	6.3%	365	4.8%	19.4%
<b>Moderate</b>	≥50-<80%	12	15.2%	1,161	9.9%	17.1%
<b>Middle</b>	≥80-<120%	10	12.7%	1,705	18.5%	21.9%
<b>Upper</b>	≥120%	<u>52</u>	<u>65.8%</u>	<u>10,549</u>	<u>66.8%</u>	<u>41.6%</u>
<b>Total</b>		<b>79*</b>	<b>100.0%</b>	<b>\$13,780</b>	<b>100.0%</b>	<b>100.0%</b>

\*Applicant income was not available for 15 originations totaling approximately \$2.9 million

As indicated above, the percentage of mortgage loans granted to low-income borrowers was below the number of low-income families within this assessment area. However, First Palmetto’s ability to originate mortgage loans to low-income borrowers may be influenced by family poverty levels. The examiner noted that according to the 2000 Census, approximately 43.6 percent of the low-income families residing within this assessment area have incomes below the poverty level (8.4 percent of all families living within this assessment area have incomes below the poverty level). The Institution’s level of mortgage lending to moderate-income borrowers was somewhat below the percentage of moderate-income families residing within this assessment area.

Security’s overall record of lending to borrowers of different income levels was also compared to the lending activity of other lenders subject to the CRA that maintained offices within this assessment area, focusing upon LMI borrowers. In accordance with the HMDA, creditors with total assets greater than \$250 million and a branch office located within an MSA, must submit certain information regarding mortgage loans for purchase, refinance, and home improvement purposes for all property locations. This information was derived from the 2007 HMDA Aggregate information, the latest available.

***Institution (continued)***

Based upon the data shown below, Security’s overall record of lending to LMI borrowers was somewhat lower than that of other lenders within this assessment area, but both were lower than this assessment area’s demographics.

**2007 Aggregate HMDA Borrower Income Analysis for Mortgage Loan  
Originations of similar products by other lenders within the Columbia MSA Assessment Area**

<b>Income Category</b>	<b>Percent Of MFI</b>	<b>Security Fed Percent of No.</b>	<b>Other Lenders Percent of No.</b>	<b>Distribution of Families</b>
<b>Low</b>	<50%	5.4%	7.5%	19.4%
<b>Moderate</b>	≥50-<80%	18.9%	21.8%	17.1%

Geographic Distribution of Loans

The examiner also performed a review to determine the adequacy of dispersion of lending with regard to lending within the LMI areas of this assessment area for 2007 and 2008. Specifically, the examiner analyzed the percentage of residential mortgage loans, by number and dollar amount of the mortgage loans originated by Security within the LMI CTs compared to the percentage of owner-occupied housing units (OOHUs) located within those areas.

The analysis disclosed the following information concerning the Institution’s record of residential mortgage lending throughout the different CTs within this assessment area for 2006 and 2007. The percentage of OOHUs is derived from the 2000 Census:

<b>Income Category</b>	<b>Percent of MFI</b>	<b>Number</b>	<b>No. Pct.</b>	<b>Volume (\$000s)</b>	<b>Pct of \$</b>	<b>Distribution of OOHUs</b>
<b>Low</b>	<50%	1	1.1%	88	0.5%	1.2%
<b>Moderate</b>	≥50-<80%	18	19.1%	2,044	12.2%	20.9%
<b>Middle</b>	≥80-<120%	36	38.3%	5,232	31.3%	36.9%
<b>Upper</b>	≥120%	<u>39</u>	<u>41.5%</u>	<u>9,368</u>	<u>56.0%</u>	<u>41.0%</u>
<b>Total</b>		<b>94</b>	<b>100.0%</b>	<b>\$16,732</b>	<b>100.0%</b>	<b>100.0%</b>

As indicated above, the Institution’s overall record of lending in the LMI areas was generally commensurate with this assessment area’s demographics on a number basis, but not on a dollar volume basis.

***Institution (continued)***

Security’s overall record of lending within different geographic areas was also compared to the lending activity of other lenders subject to the CRA that maintained offices within this assessment area. This information was derived from the 2007 HMDA Aggregate information, the latest available. In order to provide a more accurate comparison, the lending activity was compiled for all types of mortgage loans for single-family dwellings originated by lenders subject to the CRA, focusing upon mortgage lending in the LMI CTs.

Based upon this data, Security’s level of lending within the LMI geographies of this assessment area was higher than that of other lenders, as well as this assessment area’s demographics as indicated below even though no loans were originated within the low-income CT:

***2007 Aggregate HMDA Geographic Distribution Analysis for Mortgage Loan Originations of similar products by other lenders within the Columbia MSA Assessment Area***

<b>Income Category</b>	<b>Percent of MFI</b>	<b>Security Fed Percent of No.</b>	<b>Other Lenders Percent of No.</b>	<b>Distribution of O.O.H.U.</b>
<b>Low</b>	<50%	0.0%	1.1%	1.2%
<b>Moderate</b>	≥50-<80%	25.0%	15.2%	20.9%

***Community Development Test***

***Community Development Lending***

During the review period, Security originated one loan that qualifies as a community development loan totaling approximately \$3.5 million that were secured by properties located within this assessment area. This loan was for the rehabilitation of an community center located within a low-income CT.

***Community Development Investments***

During the review period, Security made a relatively high level of charitable contributions within this assessment area, although only a small percentage of these contributions met the definition of community development investments. Given the nature of the available information, the examiner was not able to determine which organizations that addressed these needs were located within this assessment area.

***Institution (continued)***

Community Development Services

Security offers a level of banking services within this assessment area that are consistent with those described in the “Main” Community Development Service discussion.



### **Multistate Metropolitan Area**

*(Complete for each multistate metropolitan area where an institution has branches in two or more states within the multistate metropolitan area)*

CRA Rating for Augusta, Georgia/Aiken, South Carolina MSA

<b>CRA RATING<sup>2</sup>:</b>	<b>Satisfactory</b>
<b>The Lending Test is rated:</b>	<b>Satisfactory</b>
<b>The Community Development Test is rated:</b>	<b>Satisfactory</b>

During the review period, Security's record of meeting community credit needs was reasonable relative to the Institution's resources and local economic conditions within this assessment area. During the review period, Security originated 635 HMDA reportable loans within this area totaling approximately \$111.1 million. The Institution's overall percentage of residential loans to LMI borrowers was adequate in relationship to area demographics and peer lending activity. Security's overall percentage of residential loans within the moderate-income CTs was adequate in relationship to area demographics and peer lending activity. Security's level of community development activities was considered adequate given the Institution's lending capacity and resources within this assessment area.

### **Scope of Examination**

A review of Security's CRA performance within this assessment area was conducted for the period beginning January 31, 2007 and ending December 31, 2008. Lending and community development activities were also included in this review.

For one fourth of the review period, Security operated under the small savings association CRA examination procedures. As a small savings association, Security was not subject to the community development activities test. Consequently, Security's level of community development loans, qualified investments, and community development services may have been impacted.

<sup>2</sup> This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Description of Institution's Operations in Augusta, Georgia/  
Aiken, South Carolina MSA

Security operates a total ten offices in the Augusta/Aiken MSA, nine in Aiken County, South Carolina (Aiken (4), Clearwater, Graniteville, Langley, North Augusta, and Wagener) and one in Columbia County, Georgia (Evans). Three branches are located in moderate-income CTs, four are located in middle-income CTs, and three are located in upper-income CTs.

The lobbies of Security's offices in this assessment area are open for business from 9:00 a.m. until 5:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. The drive-ins for eight of the 10 offices are open for business from 8:30 a.m. until 5:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. The downtown Aiken and Graniteville offices do not have drive-ins. The lobbies of two offices are open on Saturday, Aiken (1) and Evans, opening from 9:00 a.m. until 4:00 p.m. The drive-ins of these offices and the Wagener office open on Saturday at 8:30 and close at 4:00 p.m. except the Wagener office that closes at 12:30 p.m. In addition, two offices are open on Sunday, Aiken (1) and Evans. The lobbies and drive-ins are open on Sunday from 1:30 p.m. to 4:00 p.m.

Description of Augusta, Georgia/Aiken, South Carolina  
MSA Assessment Area

Security's Augusta/Aiken MSA assessment area comprises all of Columbia County, Georgia and Aiken County, South Carolina. This assessment area includes 39 CTs with income designations, no low-income, five moderate-income, 19 middle-income, and 15 upper-income tracts as of the 2000 Census.

The 2000 Census data will be used to evaluate the Institution's lending to borrowers of different incomes and geographic distribution for the Institution's 2007 and 2008 mortgage lending activity.

A summary of certain geographic characteristics for the assessment area based upon 2000 Census data is as follows:

DEMOGRAPHICS OF CTs			FAMILY DISTRIBUTION	
CT Category	Population	Owner-Occupied Housing Units	Income Category	Distribution of Families
Low	-0-	0.0%	Low	16.8%
Moderate	22,773	8.4%	Moderate	14.6%
Middle	117,707	51.2%	Middle	20.1%
Upper	<u>91,360</u>	<u>40.4%</u>	Upper	<u>48.5%</u>
<b>Total</b>	<b>231,840</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>

The examiner’s review of 2000 Census data disclosed the following additional information about this assessment area:

Total Population	231,840
Population 16 and older	175,382 (75.6%)
Population Over 65	25,417 (10.9%)
Total Housing Units	95,308
Owner-Occupied Housing Units	67,601 (70.9)
Rental Occupied Units	19,106 (20.1%)
1 - 4 Family Units	91,502 (96.0%)
Multi-Family Units	3,806 (3.9%)
Total Families	64,997
Families Below the Poverty Level	5,244 (8.1%)

In addition, the Institution encounters substantial competition from many other financial institutions within this assessment area. Specifically, as of June 30, 2008, the latest information available, a total of 12 commercial banks and four savings associations, which includes Security, maintained a total of 64 offices within this assessment area. This included several institutions that are multi-state, regional, national, or larger institutions with several branches outside of the combined assessment area such as Bank of America, N.A., Wachovia Bank N.A., Regions Bank, SunTrust Bank, and First Citizens Bank & Trust Company. As of June 30, 2008, all institutions held approximately \$3.2 billion in deposits within this assessment area. Security held approximately 15.4 percent of this assessment area’s total deposits.

**Conclusions with Respect to Performance Tests in Augusta, Georgia/Aiken South Carolina MSA**

Lending to Borrowers of Different Income Levels

In order to evaluate Security’s record of lending to borrowers of different income levels for 2007 and 2008, family income levels were stratified as a percentage of the updated MFI for the Augusta/Aiken MSA. The updated MFI figures, as provided by the Department of Housing and Urban Development, for the Augusta/Aiken MSA for 2007 and 2008 were \$52,600 and \$54,300, respectively.

From information contained in the Institution’s records, the examiner compiled the following borrower income distribution statistics:

<b>Income Category</b>	<b>Percent of MFI</b>	<b>Number</b>	<b>No. Pct.</b>	<b>Volume (\$000s)</b>	<b>Pct of \$</b>	<b>Distribution Of Families</b>
<b>Low</b>	<50%	62	10.1%	7,051	6.7%	16.8%
<b>Moderate</b>	≥50-<80%	108	17.6%	11,051	10.5%	14.6%
<b>Middle</b>	≥80-<120%	117	19.0%	14,107	13.4%	20.1%
<b>Upper</b>	≥120%	<u>328</u>	<u>53.3%</u>	<u>72,876</u>	<u>69.4%</u>	<u>48.5%</u>
<b>Total</b>		<b>615*</b>	<b>100.0%</b>	<b>\$105,085</b>	<b>100.0%</b>	<b>100.0%</b>

\*Applicant income was not available for 20 originations totaling approximately \$5.9 million

As indicated above, the percentage of mortgage loans granted to low-income borrowers was below the number of low-income families within this assessment area. However, Security’s ability to originate mortgage loans to low-income borrowers may be influenced by family poverty levels. The examiner noted that according to the 2000 Census, approximately 47.9 percent of the low-income families residing within this assessment area have incomes below the poverty level (8.1 percent of all families living within this assessment area have incomes below the poverty level). However, the Institution’s level of mortgage lending to moderate-income borrowers was higher than the percentage of moderate-income families residing within this assessment area.

Security’s overall record of lending to borrowers of different income levels was also compared to the lending activity of other lenders subject to the CRA that maintained offices within this assessment area, focusing upon LMI borrowers. In accordance with the HMDA, creditors with total assets greater than \$250 million and a branch office located within an MSA, must submit certain information regarding mortgage loans for purchase, refinance, and home improvement purposes for all property locations. This information was derived from the 2007 HMDA Aggregate information, the latest available.

Based upon the data shown below, Security’s overall record of lending to LMI borrowers was higher than that of other lenders within this assessment area, but both were lower than this assessment area’s demographics.

**2007 Aggregate HMDA Borrower Income Analysis for Mortgage Loan Originations of similar products by other lenders within the Augusta/Aiken MSA Assessment Area**

Income Category	Percent Of MFI	Security Fed Percent of No.	Other Lenders Percent of No.	Distribution of Families
Low	<50%	9.2%	4.9%	16.8%
Moderate	≥50-<80%	18.2%	15.4%	14.6%

**Geographic Distribution of Loans**

The examiner also performed a review to determine the adequacy of dispersion of lending with regard to lending within the LMI areas of this assessment area for 2007 and 2008. Specifically, the examiner analyzed the percentage of residential mortgage loans, by number and dollar amount of the mortgage loans originated by Security within the LMI CTs compared to the percentage of owner-occupied housing units (OOHUs) located within those areas.

The analysis disclosed the following information concerning the Institution’s record of residential mortgage lending throughout the different CTs within this assessment area for 2007 and 2008. The percentage of OOHUs is derived from the 2000 Census:

Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000s)	Pct of \$	Distribution of OOHUs
Moderate	≥50-<80%	83	13.1%	10,216	9.2%	8.4%
Middle	≥80-<120%	383	60.3%	66,180	59.6%	51.2%
Upper	≥120%	169	26.6%	34,660	31.2%	40.4%
<b>Total</b>		<b>635</b>	<b>100.0%</b>	<b>\$111,056</b>	<b>100.0%</b>	<b>100.0%</b>

As indicated above, the Institution’s overall record of lending in the moderate-income areas was higher than that of this assessment area’s demographics on a number basis, but not on a dollar volume basis.

Security’s overall record of lending within different geographic areas was also compared to the lending activity of other lenders subject to the CRA that maintained offices within this assessment area. This information was derived from the 2007 HMDA Aggregate information, the latest available. In order to provide a more accurate comparison, the lending activity was compiled for all types of mortgage loans for single-family dwellings originated by lenders subject to the CRA, focusing upon mortgage lending within the moderate-income CTs.

Based upon this data, Security’s level of lending within the LMI geographies was significantly higher than that of other lenders, as well as this assessment area’s demographics as indicated below:

**2007 Aggregate HMDA Geographic Distribution Analysis for Mortgage Loan Originations of similar products by other lenders within the Augusta/Aiken MSA Assessment Area**

<b>Income Category</b>	<b>Percent of MFI</b>	<b>Security Fed Percent of No.</b>	<b>Other Lenders Percent of No.</b>	<b>Distribution of O.O.H.U.</b>
<b>Moderate</b>	≥50-<80%	12.7%	4.8%	8.4%

**Community Development Test**

**Community Development Lending**

During the review period, Security originated 20 loans that qualify as community development loans totaling approximately \$4.0 million that were secured by properties located within this assessment area. Certain of these loans are detailed below:

Aiken County Habitat for Humanity, Aiken, South Carolina, two loans totaling \$257,800. The loan proceeds were used for the construction of 1-4 family homes to be used by LMI occupants.

Community Development and Improvement Corporation (CDIC), Aiken, South Carolina, six loans totaling \$610,154. The loan proceeds were used for the acquisition and rehabilitation of apartments for LMI occupants. The CDIC was formed in 1996 as a subsidiary non-profit of the Aiken Housing Authority and its mission is to facilitate the creation of housing, homeownership, and economic opportunities for LMI families.

Friendship Community Improvement Corporation (FCIC), Aiken, South Carolina, six loans totaling \$610,154. The loan proceeds were used for the acquisition and rehabilitation of apartments for LMI occupants.

### Community Development Investments

During the review period, Security made a relatively high level of charitable contributions within this assessment area, although only a small percentage of these contributions met the definition of community development investments. Given the nature of the available information, the examiner was not able to determine which organizations that addressed these needs were located within this assessment area other than described below.

The Institution donated 18 Compaq computers to the Little Horse Creek American Indian Association and Cultural Center for use in an after school education project and Graduate Equivalency Degree program. The computers were valued at approximately \$2,880.

### Community Development Services

Security offers a level of banking services within this assessment area that are consistent with those described in the “Main” Community Development Service discussion.

**Appendix A**

**Scope of Examination**

SCOPE OF EXAMINATION		
Full Scope		
<b>TIME PERIOD REVIEWED:</b>	January 1, 2007 through December 31, 2008	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>
Security Federal Bank		HMDA reportable loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED <sup>i</sup>	OTHER INFORMATION
Augusta/Aiken MSA	Full Scope	One	None
Columbia MSA	Full Scope	None	None

<sup>i</sup> There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.



**Appendix B**

Summary of State and Multistate Metropolitan Area Ratings

<b>State or Multistate Metropolitan Area Name</b>	<b>Lending Test Rating</b>	<b>Community Development Test Rating</b>	<b>Overall State Rating</b>
Augusta, GA/Aiken, SC MSA	Satisfactory	Satisfactory	Satisfactory
South Carolina (Columbia MSA)	Satisfactory	Satisfactory	Satisfactory

## **CRA Rating Definitions**

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.