

## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Griffin Federal Savings Bank 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 June 24, 1991. 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, or 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 5 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 on 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 the credit services being provided by the institution.**

The institution has contacted local government officials, local realtors, and neighborhood representatives to inform them of its interest in identifying and attempting to address credit needs within the local community.

Several meetings have been conducted with the expressed purpose of identifying what unmet credit needs may exist, to establish lines of communication with minority groups, and to reaffirm with these groups the institution's commitment to meeting community credit needs consistent with safe and sound lending practices.

In addition to the contacts mentioned above, the institution participated in a seminar for displaced homemakers and single parents. The institution presented a segment concerning money management and credit and distributed brochures describing the institution's services and products.

Institution personnel are active members of the local chamber of commerce and board of realtors. Through these organizations, the institution is aware of general community needs as well as home financing needs. However, there has not been sufficient documentation maintained to indicate specific ways in which participation in the chamber or board of realtors has contributed to the institution's efforts under the CRA.

The institution offers a wide range of loan products. However, it has not offered any products with more flexible underwriting criteria than those used by investors in the secondary market to underwrite mortgage loans. In addition, it has not gathered and analyzed demographic data concerning its local community nor has it documented any analysis of its lending activities to ensure that the credit needs of all segments of the local community, including low-to-moderate income areas, are considered.

**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 of directors has demonstrated minimal documented participation in the formulation and implementation of a CRA program or plan for the institution.

While the board has annually adopted loan underwriting policies, a review of board minutes and other documentation concerning the institution's CRA activities revealed no evidence that the board has adopted a formal CRA program with goals, objectives, and a methodology for assessing the institution's performance relative to the CRA. In addition, there was no evidence that the board has participated in the planning and oversight of a program which would include a periodic review of loan policies and analysis of lending patterns to ensure equal access to credit throughout all segments of Griffin Federal's local community. Also, there was no evidence that these policies were reviewed to ensure nondiscriminatory effects of existing policies and practices.

Several individual directors are actively involved in local activities which would assist the institution in ascertaining and meeting local credit needs. These activities include participation in the local board of realtors, an economic development authority, and a nonprofit housing corporation for low- and moderate-income elderly and handicapped individuals. However, available documentation did not reveal how or to what extent these memberships have provided information that would assist the institution in its efforts to ascertain and meet the community's credit needs.

The board of directors has annually adopted a CRA Statement; the current Statement was adopted on December 20, 1990. The Statement generally complies with the CRA regulations and contains information strongly encouraged by the FFIEC's Interagency CRA Policy Statement.

**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 the credit services offered by the institution.**

The institution has implemented adequate marketing and advertising programs to inform members of the local community of the credit services offered.

Local newspapers, radio stations and billboards have been utilized to promote the institution's general financial services, including credit products and services. Specialized marketing efforts, such as church bulletins, have been used on an occasional basis to promote special deposit and credit programs. However, the institution has not developed and implemented programs, such as customer surveys, to ensure that all segments of its community have been reached.

Adequate records of advertisements have not been maintained. In addition, several violations of applicable advertising regulations were noted in a majority of the advertisements reviewed.

**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 substantial portion of lending activities designed to help meet local credit needs has involved residential mortgage and home improvement loans. However, because of the location of loan production offices, a substantial majority of loans originated in 1990 were secured by property located outside the local community.

The institution has seven loan production offices located outside of the community which originates most of the residential mortgage loans. Despite the volume of loans in other areas, the institution is the leading residential mortgage lender in the local community and lending levels, and loan volume in the local community have been adequate.

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

A significant portion of the institution's efforts to meet local credit needs has involved governmentally-assisted housing loan programs.

The institution is an active participant in FHA and VA lending. Of the 1,137 mortgage loan applications taken in 1990, 660 (58.1 percent) were FHA or VA loans. In addition, the institution actively participates in Georgia Residential Finance Authority (GRFA) loan programs, and has extended loans representing 100 percent of the funds allotted to it by the GRFA.

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

#### Reasonableness of Delineated Community

As set forth in the current CRA Statement, the institution has delineated Spalding County as its local community for the purposes of the CRA. Existing geographic boundaries (county lines) have been used as the method of delineation and the local community does not arbitrarily exclude low- and moderate-income areas. This method of delineation is acceptable and in accordance with the CRA regulations.

The institution has one full service office which accepts deposits and extends credit. This office is located in Griffin, Georgia, which is centrally located to all segments of Spalding County. The county is primarily rural in nature, with no major metropolitan concentrations. The population of Spalding County is approximately 55,000, with 28,000 in the city of Griffin.

Based on these factors, the geographic distribution of the institution's lending activities, and resources available to help meet local credit needs, the institution's delineation of Spalding County as its local community is deemed to be reasonable.

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

Based on a review of 1990 lending activities, the institution appears to have solicited applications and extended credit throughout the local community, including the low- and moderate-income areas. However, it has not developed and implemented procedures to track and review the demographic composition of credit applications received, or the distribution of its lending activities--particularly the disposition of mortgage loan applications, on a regular basis and has not documented any analysis in this regard. Management has access to this information, but has not used this information to evaluate its lending patterns.

The local community is located in the Atlanta, Georgia MSA; however, it is an untraced area based on 1980 census data. A review of the 1990 LAR disclosed that the institution solicited approximately 33 percent of its credit applications and granted approximately 29 percent of its loans to low- and moderate-income applicants; and the substantial majority of these applications were secured by property located within the local community. These figures indicate a reasonable penetration of all segments or areas of the local community.

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

The institution has not opened or closed any branch offices since the date of the previous examination. The existing deposit facility offers a full range of deposit and credit products and its location is reasonably accessible to all segments of the 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 loan underwriting guidelines and loan policies and interviews with loan personnel concerning lending procedures did not disclose any policies or practices which were intended to discourage applicants from applying for credit on a prohibitive basis.

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

A sample of loan application files was reviewed to determine the level of compliance with the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the Fair Housing Act, and the OTS Nondiscrimination Regulations. The review found no evidence of prohibited credit discrimination; however, the review disclosed numerous procedural, technical violations of the Home Mortgage Disclosure Act and the OTS Regulations regarding the gathering and reporting of lending data.

Management initiated action during the examination to correct the violations.

**V. COMMUNITY DEVELOPMENT**

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

The institution does not currently participate in community development projects.

In 1990, the institution granted a tax anticipation note to the Spalding County Board of Education for a line of credit in the amount of \$1,000,000 at a below-market rate.

**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 adverse factors which would inhibit the institution from meeting various community credit needs.

**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.

The institution has participated in a recent seminar regarding a first time homebuyers' loan program. Local advertising was conducted which included the use of flyers and approximately 20-25 local residents attended.