

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Griffin Federal Savings Bank ("Griffin Federal" or "Institution"), prepared by the Office of Thrift Supervision ("OTS").

The evaluation represents the OTS's current assessment and rating of Griffin Federal's CRA performance based on an examination conducted as of March 6, 1995. It does not reflect any CRA activities that may have been initiated or discontinued by the Institution after the completion of the examination.

The purpose of the CRA 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 CRA 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 federal financial supervisory agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of Griffin Federal'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:

Based upon the findings presented below, Griffin Federal is rated "Satisfactory record of meeting community credit needs."

CRA PERFORMANCE CATEGORIES

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.

Griffin Federal has demonstrated an above average record of determining the credit needs of its local community, although the efforts are not always centrally coordinated. The review of Institution records concerning contacts with the community revealed that several community leaders, government officials, and other organizations and individuals knowledgeable of the community needs were contacted during 1994. Specific groups contacted during 1994 include: Habitat for Humanity, Griffin Ministerial Alliance, McIntosh Trail Regional Development Center, Griffin Area Business Association, Griffin City Manager, Spalding County Manager, the City of Griffin Community Development Director, Griffin Spalding Chamber of Commerce, and the Griffin Board of Realtors. In addition, a manager/owner of low-income housing properties in the community was contacted.

The Institution's CRA Officer regularly contacts local realtors to inform them of the Institution's rates and products, and to discuss the needs of potential home buyers. She also attends the monthly meetings of the Griffin Board of Realtors and the County and City Commission meetings in order to stay informed of housing and community needs. Meetings with local builders have also been held.

Griffin Federal is a co-sponsor with the City of Griffin and five other area financial institutions in Griffin's Housing Partnership ("GHP") and Griffin's HOME Program. The CRA Officer has regular contact with this group and is currently the Acting Chairman for GHP. In connection with GHP activities, she is also in regular contact with the City Housing Director. The GHP program is part of an effort to reduce the amount of substandard housing in the City of Griffin by offering loans to owners of deteriorating homes. GHP activities are discussed further under Assessment Factor H.

During the review period, the CRA Officer also met with the Griffin Ministerial Alliance, which is comprised of local minority ministers. Topics of discussion included the need to clean up certain neighborhoods, the crime rate in low-income areas of the community, and the lack of affordable housing for loan- to moderate-income ("LMI") families.

Griffin Federal also has a formal officer call program. Retail Banking Officers (the CRA Officer and the loan officers) make calls on large and small businesses and organizations, which bring them into direct contact with members of the community. These contacts provide officers the opportunity to discuss and explore specific needs within the community. These contacts have resulted in revisions to two LMI loan products (i.e., allowing sellers to pay closing costs, a reduction in interest rate margins, and permitting part of the down payment to be from a gift), and a reduction in the minimum balance required to avoid service charges on a checking account program from \$200 to \$100.

Although not very successful in terms of attendance, Griffin Federal sponsored two Home Buyer Seminars and one follow-up session during the review period. Thirty-three reservations were made for one of the free seminars, which included a lunch prepared by the CRA Officer, but only six people actually attended the session. A follow-up meeting was attended by four of the six attendees. Management stated that another local financial institution held a similar seminar earlier that same week, which could explain the poor attendance.

Griffin Federal was one of the participants/exhibitors at the Griffin Area Business Association, Inc. ("GABA") EXPO 94. GABA is an organization of local minority businessmen interested in political, business, civic, and educational topics. The purpose of the EXPO was to inform the community, particularly students, of career opportunities and services offered by area businesses. Griffin Federal had a display which provided a list of products and services, brochures, pens and pencils. Six of Griffin Federal's officers attended the EXPO, and were available to answer questions.

As a result of previously developed ascertainment efforts, the Institution continues to offer two programs for LMI borrowers, living in Spalding County. These programs are discussed in Assessment Factor B. In addition, Management is considering participating in a reverse mortgage program with The Community Bank Mortgage Company. This program would allow a homeowner 62 years or older to borrow against the equity in their home and receive funds from Griffin Federal rather than making payments to Griffin Federal. There would be no repayment of the funds until the borrower no longer maintains permanent residence in the home.

Although no formal reporting system is in place to ensure that the CRA Officer is informed of the staff's CRA activities, information provided to the examiner indicates that a number of Griffin Federal's employees and members of the Board are active in the community. Several Board members and staff serve on the boards (or are members) of the: Griffin Spalding Chamber of Commerce, Chamber of Commerce Women's Council, Salvation Army, Spalding County United Way, Community Banker's Association (Regulatory and Compliance Committee), Griffin Downtown Council, and Griffin Board of

Realtors. In addition, one of the Institution's Assistant Vice Presidents is a participant in Leadership Griffin, an educational program for young members of the community that trains them for leadership roles in the community.

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 consists of eight individuals, the majority of which reside within Griffin Federal's delineated community. Discussions with Management indicate that the Board supports its efforts to fulfill the Institution's CRA responsibilities. A review of Board minutes revealed that CRA activities are regularly discussed, and it appears that the Board is actively involved in reviewing the Institution's CRA performance. In addition, it is noted that six Board members attended a "Director's/CEO's Forum" sponsored by the Alabama League of Savings Institutions on December 7, 1994. This forum included discussions of Fair Lending and CRA issues.

The Board has adopted an expanded CRA Statement describing efforts to ascertain and help meet community credit needs, as encouraged by the Federal Financial Institutions Examination Council. The Board last reviewed and approved the Institution's current CRA Statement on January 20, 1995.

Management considers the CRA Statement to be the Institution's CRA Policy. In addition, the Institution's Compliance Department Policy contains the job description for the Marketing/CRA Officer and states the following:

"The policy of this department is to ascertain if the Bank has an adequate compliance program(s) in place to assure compliance with consumer/safety and soundness regulatory provisions, including the Community Reinvestment Act ("CRA") and nondiscrimination requirements. This independent assessment function shall be designed to: ...

6. Assess the Bank's CRA performance and insure compliance with the letter and intent of CRA by:
 - a. assisting in the development of and recommending programs designed to meet community needs; and
 - b. analyzing lending and other relevant market penetration data; and,
 - c. coordination reviews of and changes to the bank's CRA Statement; and,
 - d. maintaining documentation supporting the Bank's CRA efforts."

The Compliance Manager performs periodic audits and evaluations of CRA efforts. In connection with the most recent audit performed, the Compliance Manager assigned a Satisfactory CRA rating.

Discussions with the Compliance Manager and CRA Officer indicate that there has been a breakdown in the communications and the flow of information between the two, which has resulted in a misunderstanding of the periodic analysis performed by each. It appears that the Compliance Manager has access to a large amount of information that the CRA Officer does not have access to, and thus the information provided to the CRA Officer (and used in her reports) does not accurately reflect complete lending information. For example, the Compliance Manager has the ability to track the receipt and disposition of applications for loans with loan to value ("LTV") ratios in excess of 80 percent from the delineated community; however, this is not routinely communicated to the CRA Officer.

During 1994, the CRA Officer submitted a quarterly report to the Board outlining CRA activities. In addition, the CRA Officer met with the Audit Committee on a monthly basis during 1994; however, this has been changed to a quarterly basis for 1995. The reports include an analysis of applications received from LMI borrowers for the quarter, but do not include cumulative data, or analysis of lending in LMI census tracts.

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.

Griffin Federal has implemented adequate marketing and advertising programs. These programs are designed to inform all segments of the local community of general financial products and services, and products that have been developed to address identified community credit needs. The Institution regularly places advertisements for credit and deposit services in the only local newspaper, on two local radio stations, on local cable TV, and on three billboards located in the delineated community. Griffin Federal also places advertisements in local school, civic, and community publications. In addition, Institution personnel attend local events and expositions to promote Griffin Federal's general image, and its products.

The following chart provides a breakdown of the 93/94 and 94/95 Marketing Expenses and Budget approved by the Board:

	<u>July 1993- June 1994</u>	<u>July 1994- June 1995</u>
Advertising	\$66,846	\$48,500
Contributions	13,913	7,800
Incentives	<u>10,736</u>	<u>4,700</u>
SUBTOTAL	\$91,495	\$61,000
Loan Production	<u>44,183</u>	<u>29,500</u>
GRAND TOTALS	\$135,678 =====	\$90,500 =====

The Institution has developed two loan programs targeted towards LMI individuals. Both programs are limited to properties located within Spalding County. The "Community Loan Program" is for individuals with a total gross income of \$28,000 or less. No down payment is required, closing costs are one-half of a percent (minimum \$200) of the origination fee plus out of pocket expenses, and private mortgage insurance ("PMI") is not required. During 1994, three loans totaling \$133,000 were closed under this program. The "Loan Program for Median Income" is for individuals with a total gross income of \$35,000 or less. A down payment of five percent is required, but it may be a gift from a blood relative. Closing costs are low (one-half of a percent (minimum \$200) of the origination fee plus out of pocket expenses), and PMI is not required. During 1994, seven loans totaling \$337,000 were closed under this program.

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.

Griffin Federal offers a variety of credit products, including fixed- and adjustable-rate single family mortgage loans, construction loans, home improvement loans, consumer loans, and loans to small businesses. However, Management does not track the number and dollar volume of housing rehabilitation, small business, or consumer loans made within the delineated community, and just recently began gathering this information for home improvement loans. Discussions with Management also disclosed that the Institution has not originated any small farm loans.

The following chart summarizes the Institution's loan originations for 1994.

<u>Type</u>	<u>Dollar Volume</u>	<u>Number</u>
Mortgage Loans	\$278,423,618	2,907
Construction Loans	31,747,000	217
Consumer Loans	<u>5,757,000</u>	<u>431</u>
TOTALS	\$315,927,618	3,555
	=====	=====

Mortgage loan programs include Federal Housing Administration ("FHA"), Veterans Administration ("VA"), Farmers Home Administration ("FmHA"), high LTV loans with PMI, and, as discussed under Assessment Factor B, two special programs allowing high LTV loans without PMI to qualified LMI borrowers in Spalding County. According to internal records, Griffin Federal originated 1,981 loans with LTV ratios greater than 80 percent, which represents approximately 68 percent of all mortgage loan originations, excluding construction loans, during 1994. Within its delineated community, internal records indicate that 92 of the 197 applications acted upon during 1994 were for loans with LTV ratios in excess of 80 percent. Sixty-five of the 92 (70.7 percent) were originated.

Griffin Federal functions primarily as a mortgage banking operation with only one deposit taking facility. As a result of its mortgage banking activities, the Institution's residential construction and permanent mortgage loan volume is considered very strong compared to savings associations of similar size ("peer group"). Consumer loan originations also compare favorably with peer group. At December 31, 1994, the Institution's portfolio of residential mortgage loans totaled \$50.9 million, or 53.7 percent of total assets, and residential construction loans totaled \$19 million, or 20 percent of total assets.

During the review period, the Institution had LPOs located in and around metropolitan Atlanta, Georgia, in Birmingham and Huntsville, Alabama, and in Jacksonville and St. Augustine, Florida. As a result, a substantial majority of applications for mortgage loans acted upon during 1994 were secured by properties outside the Institution's delineated community of Spalding County Georgia. Griffin Federal received 4,323 mortgage loan applications in 1994, of which only 197 (4.6 percent) were for loans secured by properties located in the delineated community, compared to 5.2 percent in 1993. Of the 197 mortgage loan applications received within Griffin Federal's delineated community, 156 were originated, 79.2 percent, totaling \$10.4 million.

Management is provided with a monthly report concerning the number and dollar volume of deeds recorded in Spalding County. A review of these reports disclosed that Griffin Federal primarily competes with one mortgage company and two banks for mortgage loans within the community. An analysis of these reports for 1994 indicates that Griffin Federal has a 21.7 percent market share based on the number of deeds recorded, and a 22.9 percent share based on dollar volume. According to Management, these market share numbers indicate that Griffin Federal is the number two mortgage lender in Spalding County.

The examiner notes that Griffin Federal originated a \$584,000 loan to a local church and participated with a commercial bank in Griffin in a \$1,000,100 construction loan to another local church. Griffin Federal also participated with another local commercial bank in making a loan to the local Salvation Army, for the purpose of relocating to a new facility. The Board also approved a \$160,000 construction-permanent loan to a builder to construct six homes in low-income neighborhoods.

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

As illustrated in the chart below, the Institution actively participated in such programs for housing during 1994. In addition to FHA, VA, and FmHA programs, the Institution has also participated in the Georgia Housing and Finance Authority ("GHFA") program. The GHFA is a state sponsored loan program for first time homebuyers in the LMI range.

<u>Loan Program</u>	<u>Number of Loans Closed</u>	<u>Dollar Volume</u>	<u>% of Total Loans Closed</u>	<u>% of Total Dollar Volume</u>
FHA	706	\$51,063,825	24.3	18.3
VA	398	34,567,174	13.7	12.4
FmHA	64	5,108,341	2.2	1.8
GHFA	73	4,688,522	2.5	1.7
TOTALS	<u>1,241</u>	<u>\$95,427,862</u>	<u>42.7</u>	<u>34.2</u>
	=====	=====	====	====

Griffin Federal does not participate in government-insured, -guaranteed or -subsidized loan programs for small businesses or small farms.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

Management has utilized geographic boundaries as its method of delineation. Griffin Federal continues to designate all of Spalding County as its delineated community. The Institution's only deposit taking facility is located in the middle of Spalding County, and the use of

geographic boundaries, such as county lines, is an acceptable method of delineation. The examiner's review indicates that this delineation meets the purposes of the CRA, does not exclude LMI neighborhoods, does not exclude low- and moderate-income areas, and is reasonable given the distribution of loan applications and originations.

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

The examiner's review disclosed that the distribution of Griffin Federal's credit extensions, applications, and denials demonstrates a reasonable penetration of all segments of its delineated community, including LMI neighborhoods.

According to 1990 census data, Spalding County is divided into 12 census tracts, of which 7, or approximately 58.3 percent, are identified as LMI tracts. However, Management has data as of 1992 that indicates that an additional tract has been designated as LMI. The inclusion of this tract means that 66.7 percent of the census tracts in the delineated community are designated LMI. Utilizing the 1992 data, the examiner's analysis indicates that approximately 66.6 percent of the population lives in, and 59.9 percent of the owner-occupied housing units are located in, the LMI census tracts of the delineated community.

The Institution took action on 197 applications involving properties located within Spalding County during 1994, and 15 during the first two months of 1995. The following chart illustrates the actions taken from the LMI census tracts within the community:

<u>ACTION:</u>	<u>1994</u> <u>12 months</u>	<u>1995</u> <u>Jan.-Feb.</u>
Originated	80	6
Not Accepted	1	1
Denied	17	1
Withdrawn	8	1
Incomplete	8	0
TOTALS	<u>114</u>	<u>9</u>
	===	===

These figures indicate that during 1994, 57.9 percent of the applications from within the community were from LMI census tracts, and 70.2 percent of those were originated. For the two-month period ended February 28, 1995, 60 percent of the applications from within the community were from LMI census tracts, and 66.7 percent of those were originated.

The examiner also analyzed applications from LMI borrowers (using 80 percent of the HUD estimated MSA median family income for 1994 for the Atlanta MSA which is \$39,000). A total of 94 applications from LMI borrowers in the community were acted upon during 1994, which represents 47.7 percent of all the applications from the delineated community. Of these, 62 (66 percent) were originated. For 1995, these figures were 33.3 percent and 80 percent, respectively.

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

Griffin Federal has not opened or closed any deposit taking branches during the review period. As discussed under Assessment Factor I, only the Institution's main office located in Griffin accepts deposits. The office is reasonably accessible to all members of the community, and business hours are similar to those of other financial institutions in the community. It is noted that the Institution has a Branch Effectiveness Evaluation Policy that takes into consideration customers' needs, and the availability of deposit and credit products and services in the event of a branch office closing.

The Institution closed 11 LPOs during the review period, and as of this examination, the Institution has six LPOs still open. The LPOs are all in Georgia, and are located in Austell, Fayetteville, Jonesboro, North Atlanta, Peachtree City, and Warner Robbins.

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.

The examiner did not note any practices intended to discourage applications during this review. The Institution generally solicits credit applications from all segments of its community, including LMI neighborhoods. The Board and Management have developed adequate policies and procedures supporting nondiscrimination in lending and credit activities.

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 nondiscrimination regulations. No evidence of a pattern of prohibited discriminatory or other illegal credit practices was revealed.

V. COMMUNITY DEVELOPMENT

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

As discussed under Assessment Factor A, the Institution is a co-sponsor with the City of Griffin and five other area financial institutions in GHP's HOME Program. According to information provided to the examiner, the program is funded by a "partnership" between the GHFA and a local bank consortium consisting of Bank South, the Bank of Spalding County, First National Bank of Griffin, First Union National Bank of Georgia, Griffin Federal, United Bank, and the City of Griffin. Collectively, \$800,000 is available to finance home repairs and improvements. The program offers low interest rate loans for the purpose of making repairs needed to bring the dwellings up to minimum property standards. Once approved for a loan under this program, applicants choose which financial institution they want to originate the loan. Unfortunately, the HOME program has not been as successful as was hoped, and very few loans have actually closed. As of March 1995, Griffin Federal had not originated any loans under the program. The National Association of Development Organizations recognized the program and issued it an Innovation Award in 1994.

In addition to the HOME program, other projects considered by the GHP are the creation of a consumer credit counseling agency and the "Solomon Street" project. The City of Griffin has received a block grant for improvements in the Solomon Street area, which serves as one of the main entrances to Griffin and is in very poor condition.

CRA Officer attended a seminar on community credit needs conducted by representatives from the Federal Home Loan Bank of Atlanta ("FHLBA"). In addition, she met with FHLBA representatives to discuss Affordable Housing Program options available to Griffin Federal through the FHLBA. However, Griffin Federal has not applied for any of the FHLBA affordable housing programs.

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 Griffin Federal's ability and efforts to meet 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.

Management stated that there has been little new construction activity in the community. The CRA Officer Stewart provided the examiner with a copy of a March 5, 1995, newspaper article from the Griffin Daily News which supports this statement. The article states that there is practically no

new real estate developments being constructed in Spalding County, but also states that there is not a consensus as to why. Both the newspaper article and Management indicate that some of the lack of growth is due to new building restrictions which require homes to be built on two acre lots and have 1,300 square feet of area and side entrance garages. These restrictions have supposedly added to the cost of construction, and weakened demand.

During 1994, the Federal Housing Finance Board completed a review of Griffin Federal's Community Support Statement. Their analysis indicated that the Institution has demonstrated a commitment to community investment and service and meets the regulatory standard for Community Support.

In addition to making cash contributions to a number of worthy charities and causes within the community, the examiner notes that the Institution's staff participated in a number of civic and charitable organizations during the review period. These include: American Cancer Society's Relay for Life, Run for Griffin, Partner-in-Education Programs, Rehabilitation of a home in connection with American Home Week sponsored by Griffin Board of Realtors, Salvation Army, Kiwanis Club of Griffin, Griffin Elks Club, and the clean up of a highway for the Griffin Federal Adopt-a-Highway mile and the Chamber of Commerce mile.