

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Fidelity Federal Savings Bank, Dalton, Georgia prepared by the Office Of Thrift Supervision - Southeast Region (OTS), 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 November 16, 1992. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

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

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

Basis for the Rating

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

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

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

The institution has implemented meaningful and productive efforts to ascertain community credit needs, including contacts with local government, realtors, and economic development groups.

Directors and employees have ongoing involvement with various local civic and community groups, and have used credit related information from these affiliations and memberships to help ascertain credit needs in the local community. In addition, the institution regularly contacts local realtors to inform them of the loan products offered by the institution.

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

The board's documented participation, oversight, and review of the institution's CRA program has included at least quarterly reports on CRA related activity in addition to the annual review and adoption of the CRA Statement.

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

The CRA Statement is reviewed annually by the board, complies with applicable regulatory requirements, and contains information regarding the institution's efforts to help meet local credit needs. However, it does not contain all of the expanded information recommended by the FFIEC's Interagency CRA Policy Statement and the CRA regulations.

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

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

The institution has effectively utilized newspaper, radio, and television to promote its credit products and general financial services to all segments of the local community.

The institution uses general circulation newspapers, one radio station, and cable television advertising to promote its products and services throughout the local community.

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

The institution has addressed community credit needs primarily through the origination of a strong volume of residential mortgage loans. The institution operates as a mortgage banker, and in 1992, the total volume of one-to-four family loans originated by the institution exceeded its total assets. The total volume of one-to-four family dwelling loans originated in 1992 amounted to approximately \$250 million, and in 1991, approximately \$159 million. Review of these loans disclosed that the majority are secured by properties located in the delineated community.

The CRA Statement accurately lists the types of credit the institution is prepared to extend to members of its local community. The institution offers permanent financing for one-to-four and five or more family dwellings, commercial property, residential farms, and land lots. The institution also offers Federal Housing Administration (FHA) and Veterans Administration (VA) loans and construction-permanent loans to builders and individuals. In addition, second mortgage loans are available for home improvement and other consumer purposes.

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

The institution currently offers FHA and VA loans. It does not offer any governmentally-sponsored loan programs for small businesses or small farms.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The institution maintains three deposit facilities, the home office and one branch office in Whitfield County, Georgia, and one branch office in Murray County, Georgia.

As described in the CRA Statement, the institution's delineated community consists of Whitfield and Murray Counties, Georgia. Existing geographic boundaries (county lines) have been used as the method of delineation, and low- and moderate-income areas have not been arbitrarily excluded from the delineation. The delineation must be reasonable in light of the location of deposit facilities (branch offices), the geographic distribution of lending activities, local competition, and the resources available to the institution to help meet local credit needs. Based upon these criteria, the current delineation is deemed to be reasonable.

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

As noted in Assessment Factor A, the institution has periodically reviewed the geographic distribution of the loans in its portfolio and current lending activity, and the majority of residential mortgage loan applications and originations are secured by property inside the delineated community.

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

The institution has neither opened nor closed a branch office during the review period. A full range of deposit and credit services and products is available at all branch offices, including the acceptance of mortgage loan applications.

Branch office locations are considered to be reasonably accessible to all areas 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.

A review of the institution's loan underwriting guidelines, loan policies, and interviews with lending personnel regarding loan

procedures, disclosed no evidence of any policies or practices which would discourage individuals from applying for credit products offered by the institution.

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

A sampling of mortgage loan applications 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 disclosed no violations of the substantive provisions of these laws and regulations.

V. COMMUNITY DEVELOPMENT

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

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

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

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

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

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

The institution is an active supporter of local civic and charitable activities and has extended loans to community organizations.

