



PUBLIC DISCLOSURE

October 13, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First FS&LA of Valdosta
Charter Number 703019

411 N Patterson St
Valdosta, GA 31601-4605

Office of the Comptroller of the Currency

8375 Dix Ellis Trail, Suite 403
Jacksonville, FL 32256-8273

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors supporting this rating include the following:

- The loan-to-deposit ratio exceeds the standards for satisfactory performance.
- A majority of loans were originated in the assessment area (AA).
- Lending activities represent reasonable penetration of borrowers of different income levels.
- Geographic distribution of lending activities reflects reasonable dispersion.

SCOPE OF EXAMINATION

The evaluation assesses First Federal Savings and Loan Association of Valdosta's (First Federal) performance in meeting the credit needs of the communities in which it serves. We evaluated First Federal using Small Bank examination procedures, which includes the Lending Test. The evaluation period for First Federal's lending test includes Home Mortgage Disclosure Act (HMDA) reported loans from January 1, 2012 to October 6, 2014.

First Federal's primary loan products are 1-4 family home loans. First Federal reports data under the requirements of the HMDA. An independent third party reviews the HMDA data on an annual basis, and found it to be accurate. Therefore, we used HMDA data to evaluate First Federal's home loan performance.

DESCRIPTION OF INSTITUTION

First Federal is a mutual savings association with \$164 million in total assets as of June 30, 2014. It was founded in 1934 and currently has four locations, three in Valdosta, Georgia and one in Lake Park, Georgia. First Federal offers full service banking, which includes drive-up facilities, automated teller machines, on-line banking, and safe deposit rentals.

Deposit products include personal and business checking accounts, savings, certificates of deposit, individual retirement accounts, and health savings accounts.

First Federal offers a selection of fixed and variable rate loans that include first and second mortgages for the purchase, refinance, improvement, and construction of 1-4 family homes. As of June 30, 2014, real estate loans accounted for 80 percent of First Federal's total assets. First Federal's primary lending product is 1-4 family residential loans, representing 90 percent of its average gross loans as of June 30, 2014. First Federal is a portfolio lender; therefore, loans are not sold in the secondary market.

Loan Portfolio Summary by Loan Product June 30, 2014	
Loan Category	% of Outstanding Dollars
Residential Real Estate	90%
Commercial and Commercial Real Estate	3%
Construction, Development & Other	5%
Consumer Loans	2%

Source: Report of Condition dated June 30, 2014

The local economy in Georgia was significantly impacted by the economic downturn. Consequently, First Federal’s ability and opportunities to lend have been negatively impacted by a weak economy.

There are no financial or legal obstacles affecting First Federal’s ability to meet its community credit needs.

First Federal received an overall rating of “Outstanding” during its previous CRA evaluation dated August 25, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

First Federal has one defined AA that consists of Lowndes County, Georgia. According to the 2010 U.S. Census, the population of Lowndes County is 109,233. Lowndes County is included in the Valdosta Georgia Metropolitan Statistical Area (MSA). Valdosta is the largest city and county seat of Lowndes County and the 14th largest city in the state of Georgia.

Lowndes County is located in south central Georgia along the Florida border. Lowndes County offers easy access to major interstates and has access to a commercial airport, making it a strategic location for warehousing and distribution. Lowndes County is also a major educational, manufacturing, and commercial center.

Lowndes County produces considerable forest products, and the north and south portions of the county are important producers of cotton, peanuts, soybeans, and tobacco. Major industries include healthcare, education, retail, and leisure and hospitality services. Top employers in the AA include Lowe’s Distribution Center, Convergys Corporation, Fresh Beginnings, Langdale, Packaging Corporation of America, and ADM. Moody Air Force Base lies ten miles northeast of the city of Valdosta. The base has approximately 4,278 military and 375 civilian employees. The Major Command at Moody is the Air Combat Command.

Lowndes County is home to Valdosta State University and Wiregrass Georgia Technical College. Valdosta State is ranked among the top regional universities in the South and offers programs in the arts, business, education, nursing, and more. Wiregrass Georgia Technical College offers programs ranging from associate degrees to technical certificates of credit with four campus locations serving an eleven-county area.

The 2010 U.S. Census shows there were 25,490 total families and 38,358 total households in Lowndes County. The weighted average of median family and household income were \$49,863 and \$42,294, respectively. The weighted average monthly gross rent was \$700 while the weighted average of median housing was \$124,929.

According to the Georgia Department of Labor and the U.S. Bureau of Labor Statistics, the average unemployment rate in Lowndes County for the year 2013 was 8.2%. The unemployment rate for the State of Georgia was comparable at 8.2%. As of August 2014, the preliminary unemployment rate for Lowndes County increased to 8.6%.

Banking competition in First Federal’s AA is moderately aggressive and consists of competition from other community banks in the area as well as competition from larger regional and national banks.

The AA meets the requirements of the regulation and does not arbitrarily exclude Low- or Moderate-Income (LMI) census tracts.

Additional demographic and economic data from the U.S. Census Bureau is shown below:

2010 Demographic and Economic Characteristics of Lowndes County	
<i>Population</i>	
Total Population	109,233
Number of Families	25,490
Number of Households	38,358
<i>Geographies</i>	
Number of Census Tracts	25
% Low-Income Census Tracts	8%
% Moderate-Income Census Tracts	32%
% Middle-Income Census Tracts	20%
% Upper-Income Census Tracts	40%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$49,863
2010 HUD-Adjusted MFI	\$45,400
<i>Economic Indicators</i>	
Unemployment Rate	8.2%
Median Housing Value (2008-2012)	\$134,000
% of Households Below Poverty Level	23.4%

Source: 2010 Census data and HUD updated income data

Opportunities for Community Development

As a part of our review, we discussed Community Development needs of the AA with a local community contact. Our contact was with the local government, and had experience with Neighborhood Development programs. The contact stated that there

are Community Development and lending needs in the AA, especially with regard to affordable housing loans and economic development funding.

The contact indicated that despite offering several programs that encourage both, there had not been strong bank participation. The contact indicated that some local lenders are active in the area's revitalization zone; however, more bank participation is needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The bank's performance under the Lending Test rating is "Satisfactory."

First Federal's Loan-to-Deposit Ratio is more than reasonable. Lending in the AA is reasonable. Lending to Borrowers of Different Incomes reflects reasonable penetration. The Geographic Distribution of Loans represents reasonable dispersion.

While First Federal has a more than reasonable Loan-to-Deposit Ratio, more consideration was placed on the distribution of borrowers by both income/geography. These two categories demonstrate a clearer picture of where First Federal's lending activities occurred and who they benefitted. Since both of these area had reasonable results, First Federal's overall CRA rating is satisfactory.

First Federal also has a history of performing community development activities and continued to do so during the review period.

Loan-to-Deposit Ratio

First Federal's net loan-to-deposit ratio (LTD) is more than reasonable given First Federal's size, financial condition, and AA credit needs. First Federal's net LTD averaged 116% since the previous CRA evaluation. It peaked at 133% and reached a quarterly low of 103%.

The thrift's net loan-to-deposit ratio compares favorably with other similarly situated institutions. Of the six other institutions in the peer group, First Federal had the highest average net LTD. The next closest similar institution only had an LTD of 90%, and the lowest LTD was 69%.

Lending in Assessment Area

A majority of the institution's lending during the review period took place inside the AA. Eighty-seven percent of the loans made during the review period were made inside the AA and eighty-five percent of all dollars lent in the review period were lent inside the AA.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	142	88.8	18	11.2	160	18,840	88.8	2,382	11.2	21,222
Home Improvement	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Home Refinance	106	85.5	18	14.5	124	13,564	79.2	3,568	20.8	17,132
Totals	248	87.3	36	12.7	284	32,404	84.5	5,950	15.5	38,354

Source: HMDA Reported Data for 2012, 2013 and YTD 2014

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The overall borrower distribution is satisfactory, and represents reasonable penetration of borrowers of different income levels. First Federal had reasonable coverage of borrowers with Low- to Moderate-incomes for Home Purchases, and more than reasonable coverage of LMI borrowers for Home Refinances. First Federal did not make any traditional Home Improvement loans in the review period. Management explained that more often than not, borrowers would seek them as a part of either a refinance or a home equity line of credit.

Affordable housing is a key need of this AA, so the loans for purchases are beneficial. However, First Federal's actual level of home purchase loans was below the aggregate amount of loans per HMDA data.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	5.2	5.0	17.8	10.0	25.1	15.7	34.7	68.6
Home Improvement	15.2	0.0	16.6	0.0	21.4	0.0	37.9	0.0
Home Refinance	4.2	12.5	8.0	25.0	13.1	14.4	40.0	44.2

Source: HMDA Reported Data for 2012, 2013 and YTD 2014. Income is NA for 0.7% of home purchase and 3.9% of refinance loans and for aggregate income is NA for 17.2% of home purchase, 8.9% of home improvement and 34.7% of refinance loans.

Geographic Distribution of Loans

The Geographic Distribution of Loans in the AA represents reasonable dispersion across the census tract of different income levels. As there are more moderate-income census tracts than low-income census tracts, First Federal’s level of lending is higher for those areas. For both Home Purchase and Home Refinance loans, First Federal’s performance falls within a reasonable range above the aggregate level of lending in the AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	1.0	1.4	14.5	20.7	25.9	20.7	58.6	57.2
Home Improvement	2.1	0.0	15.8	0.0	23.5	0.0	58.6	0.0
Home Refinance	1.6	2.9	15.1	16.3	23.1	25.0	60.2	55.8

Source: Data Reported under HMDA for 2012, 2013 and YTD 2014; HMDA 2011 aggregate

Responses to Complaints

FNB did not receive any complaints regarding its performance under CRA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.