



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 15, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Beauregard FSB  
Charter Number 705195

122 Jefferson Ave  
Deridder, LA 70634-4028

Office of the Comptroller of the Currency

ADC-NEW ORLEANS Field Office  
3838 North Causeway Blvd. Suite 2890  
Metairie, LA 70002-8105

**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.**

Major factors contributing to the overall rating include the following:

- The bank's loan-to-deposit (LTD) ratio is reasonable, given its size, geographic location, competition within the AA, and lending structure, competition, and market loan demand.
- A substantial majority of loans originated by Beauregard FSB (Beauregard or bank) during the period of review were extended to borrowers within its assessment area (AA).
- The bank's distribution of loans to borrowers of different incomes is reasonable.

**SCOPE OF EXAMINATION**

The assessment of Beauregard's CRA performance is based on Interagency Small Institution CRA examination procedures, which primarily focuses on a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. This review is based on Beauregard's performance from January 1, 2007 through September 30, 2011.

Beauregard's primary business focus is the origination of consumer loans and to a lesser extent residential real estate loans. As a result, these two loan types will be the focus of our analysis. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter but does maintain a similar type report of all residential real estate and consumer loans. These reports were utilized in our analysis.

**DESCRIPTION OF INSTITUTION**

Beauregard is a \$53 million (as of September 30, 2011) federally chartered, stock bank headquartered in DeRidder, Louisiana. In addition to the main office, the bank has one branch. Both facilities are full service with traditional operating hours. Beauregard offers drive-up facilities and an on-site deposit-taking automated teller machine at its branch office. The bank has not opened any new branches since the previous CRA examination. There have not been any significant changes to Beauregard's corporate structure, including merger or acquisition activities, since the previous CRA examination. The bank is wholly-owned by Beauregard Bancshares, Inc., a one-bank holding company. Beauregard provides many types of banking services, including, residential mortgage, commercial real estate, and personal or consumer lending, as well as deposits (limited to Certificates of Deposit), funds transfer, and safe deposit services. The bank also originates residential construction, consumer, commercial mortgage, business non-mortgage, and land loans. As of our evaluation date, Beauregard had no legal, financial or regulatory impediments identified that would impact its lending activities or impede the bank's ability to meet the credit needs within the AA. The institution was rated "Satisfactory" at the October 31, 2006 CRA examination.

The following table provides information related to various balance sheet components:

<b>Table 1 - Major Components of Assets, Liabilities and Capital As of September 30, 2011</b>			
<b>Balance Sheet Component</b>	<b>Balance Sheet \$ Amount</b>	<b>% of Total Assets</b>	<b>\$ Growth in Period</b>
<b>Loans</b>			
Mortgage Loans secured by 1 <sup>st</sup> Liens	29,294,000	55.78%	+494,000
Nonmortgage Loans	6,993,000	13.32%	+268,000
<b>Other Assets</b>			
Repossessed Assets	204,000	0.39%	+191,000
Other Assets	94,000	0.18%	+32,000
<b>Cash &amp; Investments</b>			
US Agency Securities, MBS (GNMA)	15,101,000	28.75%	-2,130,000
Cash, Deposits, & Interest Bearing Bank Balances	831,000	1.58%	+494,000
<b>Total Assets</b>	<b>52,517,000</b>	<b>100.00%</b>	
<b>Liabilities &amp; Capital (LC)</b>			
Deposits	42,353,000	99.27%	-1,193,000
FHLB Advances	0		
A/P	310,000	0.73%	+123,000
<b>Total Liabilities</b>	<b>42,663,000</b>		
Retained Earnings	9,688,000	98.32%	+1,246,000
<b>Total Capital</b>	<b>9,854,000</b>	<b>100.00%</b>	

Source: Thrift Financial Report

Beauregard originated 212 mortgage and 1,312 consumer loans with original balances of approximately \$53 million between January 1, 2007 and September 30, 2011. Historically, Beauregard consumer lending represents a significant amount of the banks lending activity.

## DESCRIPTION OF ASSESSMENT AREA

Beauregard's AA is made up of contiguous geographies. The bank designated all seven census tracts in Beauregard Parish and the southern three census tracts in Vernon Parish, neither of which are not part of any Metropolitan Statistical Area (MSA). The AA meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. DeRidder is the seat of the parish, and is located within 25 miles of the Sabine River and Texas state line, 50 miles north of Lake Charles, 20 miles south of Fort Polk, and 75 miles southwest of Alexandria, Louisiana. Numerous financial institutions, mortgage banking companies, and credit unions also serve this AA with numerous HMDA reporters originating thousands of residential mortgage loans totaling hundreds of millions of dollars through out the review period. This represents a significant increase in the level of competition among financial services providers since the previous review period.

The table below illustrates select demographic data of the bank's AA:

Table 2 - Demographic Information for Beauregard's AA						
Demographic Characteristics	#	Low** % of #	Moderate* % of #	Middle % of #	Upper % of #	NA* % of #
Census Tracts	10			80.00%	20.00%	0.00%
Population by Tract	47,091			80.75%	19.25%	0.00%
Owner-Occupied Housing by Tract	13,899			80.95%	19.05%	0.00%
Family Distribution by Income Level	13,070			80.08%	19.92%	0.00%
Distribution of Low and Moderate Income Families throughout AA Tracts	13,070					
Median Family Income		37,601		Median Housing Value		55,605
				Unemployment Rate (***)		
				Beauregard Parish		6.9%
				Vernon Parish		6.0%
HUD Adjusted Median Family Income for 2010		39,700				
Households Below Poverty Level		15.74%				
2010 HUD updated MFI (*) The NA category consists of Tracts that have not been assigned an income classification. (**) There are no low or moderate income tracts within the banks AA. (***) Rates are those reported at November 2011.						

Source: CRA Wiz reports

Despite being a rural AA, competition is strong. Beauregard competes with several large national and regional banks or mortgage companies. As shown in the table below, Beauregard ranks third of six financial institutions in Beauregard Parishes with a deposit market share of 12.50% in the banks

Table 3 - Selected Market					June 30, 2011				
State:	Parish:	City:	Zip Code		Outside of Market		Inside of Market		
Louisiana	Beauregard	All	All		No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share
Institution Name	CERT	State (Hqtr d)	State/ Federal Charter		No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share
First NB In Deridder	14427	LA	Federal		6	0	6	138,274	40.04%
City Savings Bank & Trust	10534	LA	State		5	71,426	2	103,379	29.93%
Beauregard FSB	30339	LA	Federal		2	0	2	43,161	12.50%
JP Morgan Chase Bank NA	628	OH	Federal		5,430	743,231,844	1	36,156	10.47%
First Federal Bank Of LA	30441	LA	Federal		14	565,696	1	14,579	4.22%
Sabine State Bank & Trust	8141	LA	State		41	620,181	2	9,802	2.84%
Number of institutions in the Market – 6				TOTAL S	5,498	744,489,147	14	345,351	100.00%

Source: FDIC June 2011 Market Share Report

Beauregard's AA is often described as a "bedroom" community, as residents often commute to neighboring communities for employment and financial needs. The Army military base located at Fort Polk, just north of the bank's AA and City of Lake Charles south of the AA, contain most of the major employers all located in adjacent parishes. The leading industries in the tri-parish area include the military, oil and gas refineries, educational services, entertainment operations, recreation accommodation, and food services, all employing thousands of area individuals which reside in the AA. The Army military base located near Leesville, Louisiana (north of the AA) and the casino in Lake Charles are the major employers, with many employees residing in the bank's AA. Additionally, Boise Cascade paper mill located in Evans, Louisiana employs residents of Beauregard parish. As of November 2010, unemployment for Beauregard and Vernon parishes respectively was 6.8% and 6.0%, compared to 6.9% for Louisiana statewide and 8.6% for the U.S. The banks AA experienced a slight population growth since the previous review period. Many residents in and around the southwest coast of Louisiana migrated north to Beauregard and Vernon parish, causing an increase in the population. The indication is that they did so after experiencing the hurricanes that hit the coast of southwest Louisiana over the last several years.

We discussed community-lending needs with the director of a local economic development government agency who identified community development block grants, home investment partnerships, and small business loans as the most prominent lending need in the AA and southwest Louisiana. Our contact stated that there are several specific community development projects for local financial institutions to get involved with. Specifically mentioned were the following programs:

- Housing Rehabilitation for Owner-Occupied Units
- Affordable Housing Subsidy for first-time homebuyers
- Homebuyer Assistance Program for down payment/closing cost for first-time Homebuyer
- Economic Development Assistance Program
- Homeless Management Information Services Assistance
- Handicap Ramp Assistance
- Infrastructure
- Rehabilitation/Reconstruction Programs

Our contact stated that local banks have been conservative with any type of outreach and hesitant to get involved with these types of programs given the current economic conditions. The contact stated that perceptions of local financial institutions are the same, with no one institution viewed more or less favorably than the other.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

Beauregard's LTD ratio is reasonable given the bank's size, competition, and market loan demand. The bank's quarterly average LTD ratio was 81.94% since the prior CRA examination.

This compares favorably with similarly situated banks in Louisiana as illustrated in the following table:

Table 4 – Loan to Deposit Ratio							
Thrift	Total Assets			Branches	Basic LTD Ratio		
	Average	Period End	Beginning		Period Average	Period End	Period Beginning
Beauregard FSB	\$48,487	\$52,819	\$49,317	2	81.94%	81.04%	73.89%
Rayne B & LA	\$53,933	\$65,369	\$50,265	1	63.58%	50.10%	61.87%
Union S & LA	\$78,940	\$87,912	\$79,147	2	70.10%	61.08%	57.02%
Eureka Homestead	\$102,142	\$93,679	\$108,123	2	132.61%	82.31%	123.08%
<b>Peer Median</b>					<b>89.80%</b>	<b>81.15%</b>	<b>95.23%</b>

Source: OTS Peer Comparison

**Lending in Assessment Area**

A substantial majority of the bank’s lending activity is within its AA. Nearly 88% of the number and 85% of the dollar volume of loans originated from January 1, 2009 to September 30, 2011 were made to borrowers within the AA. Beauregard is a thrift that primarily offers residential mortgage and consumer loans. The following table details the bank’s lending within the AA by number and dollar amount of loans originated during the evaluation period.

Table 5 - Lending in Beauregard’s AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Real Estate	51	65.38	27	34.62	78	10,507	83.92	2,014	16.08	12,521
Residential Real Estate	173	84.39	32	15.61	205	16,800	84.15	3,164	15.85	19,964
Consumer Loans	657	91.25	63	8.75	720	7,877	88.58	1,016	11.42	8,893
<b>Totals</b>	<b>881</b>	<b>87.84</b>	<b>122</b>	<b>12.16</b>	<b>1,003</b>	<b>35,184</b>	<b>85.03</b>	<b>6,194</b>	<b>14.97</b>	<b>41,378</b>

Source: Loan Sample

**Lending to Borrowers of Different Incomes**

Beauregard’s distribution of mortgage and consumer lending to borrowers of different incomes is reasonable given the demographics of the AA. The median cost of housing is \$81,000 while a low-income person earns less than \$41,000 based on the HUD updated 2010 median family income. Additionally, 14% of the households in the AA live below the poverty level with unemployment averaging nearly 7%. The community contact also noted economic conditions have significantly impacted the area with little movement in housing stock. We considered these mitigating factors in our lending analysis to low- and moderate-income borrowers. As show in the following table, the origination of residential loans to low- and moderate-income borrowers is low when compared to AA demographics.

<b>Table 6 - Distribution of Residential Real Estate Loans By Borrower Income Level in the Assessment Area</b>		
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% Family Distribution</b>
Low	5.03	16.68
Moderate	9.05	15.97
Middle	17.09	19.79
Upper	68.83	47.50
<b>Total</b>	<b>199</b>	<b>13,070</b>

Source: 2007 – 2011 bank provided report

The low residential real estate lending is also mitigated by the strong level of consumer lending. The following table shows a reasonable level of lending to low- and moderate-income borrowers when compared to AA household distribution.

<b>Table 7 - Distribution of Consumer Loans By Borrower Income Level in the Assessment Area</b>		
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% Household Distribution</b>
Low	17.62	19.30
Moderate	14.51	13.91
Middle	20.33	17.34
Upper	47.54	49.46
<b>Total</b>	<b>1,220</b>	

Source: 2007 – 2011 bank provided report

**Geographic Distribution of Loans**

The bank’s AA does not contain any low- or moderate-income census tracts. Therefore, a geographic analysis of Beauregard’s lending within the AA was not performed.

**Responses to Complaints**

The bank did not receive any complaints related to CRA performance during the review period.

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

We found no evidence of discriminatory or illegal credit practices inconsistent with helping to meet community credit needs.