



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

March 13, 2017

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Piedmont Federal Savings and Loan Association of Gaffney  
Charter Number 702502

1229 West Floyd Baker Blvd  
Gaffney, SC 29341-1413

Office of the Comptroller of the Currency

212 South Tryon St., Suite 700, Charlotte, NC 28281

**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, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>3</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>4</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>11</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>13</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>14</b>
LENDING TEST .....	14
COMMUNITY DEVELOPMENT TEST.....	18

## **Overall CRA Rating: Satisfactory**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

First Piedmont Federal Savings and Loan Association of Gaffney's performance rating is supported by the following factors:

- The bank's quarterly average loan-to-deposit ratio is more than reasonable based on the bank's size and relevant competitive factors.
- The bank originates a substantial majority of its loans inside its assessment area (AA).
- The distribution of loans to borrowers of different income levels reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- Community development activities reflect adequate responsiveness to the needs of the AA through CD loans, qualified investments, and services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

First Piedmont Federal Savings and Loan Association of Gaffney (First Piedmont or bank) is a federally chartered, mutual savings association, headquartered in Gaffney, South Carolina (SC). First Piedmont operates six full service branch offices. There are three branch offices located in the city of Gaffney within Cherokee County and three branch offices located in the cities of Spartanburg and Boiling Springs within Spartanburg County.

As of December 31, 2016, First Piedmont reported total assets of \$365.1 million, Tier 1 Capital of \$85.8 million, and total deposits of \$261.9 million. Total loans were \$342.8 million representing 93.87 percent of total assets. The distribution of the bank's loan portfolio is as follows; 68.60 percent in 1-4 residential mortgage loans, 14.70 percent in commercial real estate, 2.42 percent commercial loans and 2.42 percent in consumer loans. As indicated by the loan mix, First Piedmont is primarily a residential mortgage lender.

First Piedmont operates as a traditional savings association, concentrating its operations on residential mortgage loans and various deposit products. First Piedmont offers conventional fixed- and variable-rate mortgage loans, construction loans, and revolving equity lines of credit. In addition, the bank offers commercial and consumer loans. The bank offers a wide range of deposit products including consumer and business deposit accounts.

The bank's two assessment areas (AA) consist of Spartanburg County and Cherokee County. Spartanburg County is part of the Spartanburg, SC Metropolitan Statistical Area (MSA). Cherokee County is not part of a Metropolitan Statistical Area (non-MSA). Cherokee County is contiguous to Spartanburg County. Based on the 2010 U.S. Census data, Cherokee County consists of thirteen census tracts comprised of two moderate-income tracts, eight middle-income tracts, and three upper-income tracts. There are no low-income census tracts. All eight middle-income census tracts in Cherokee County are designated distressed due to high poverty rates. Spartanburg County consists of sixty-nine census tracts comprised of five low-income tracts, sixteen moderate-income tracts, thirty-two middle-income tracts, and sixteen upper-income tracts. The bank's AA did not arbitrarily exclude any census tracts from the Spartanburg and Cherokee Counties.

### Cherokee County AA

First Piedmont faces significant competition from numerous financial institutions in Cherokee County. According to June 30, 2016 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share data, First Piedmont's deposits in Cherokee County totaled \$188 million ranking the bank 1<sup>st</sup> out of seven depository institutions. Competition for mortgage loans is also significant. According to 2015 Peer Mortgage Data, First Piedmont ranked 1<sup>st</sup> out of 85 lenders with a market share of 17.79 percent. Midlands Mortgage Company (9.76 percent market share) and Quicken Loans (5.87



percent market share), and Wells Fargo National Bank (5.87 percent market share) ranked 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup>, respectively in market share. These other competing mortgage lenders have extensive resources and offer a wide range of mortgage loan products.

The following table highlights certain demographic characteristics of Cherokee County.

<b>Demographic Information for Full Scope Area: Cherokee County AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	13	0.00	15.38	61.54	23.08
Population by Geography	55,342	0.00	17.12	55.63	27.26
Owner Occupied Housing by Geography	14,360	0.00	11.16	59.87	28.97
Family Distribution by Income Level	13,569	19.34	17.47	19.57	43.63
2010 Census Median Family Income (MFI)		\$46,303	Median Housing Value		\$82,748
FFIEC Updated MFI: 2016		\$44,200	Families Below Poverty Level		14.34%
<i>Source: 2010 U.S. Census Data;</i>					

### Spartanburg County AA

First Piedmont's faces significant competition for deposit and loans from numerous depository institutions and lenders in the Spartanburg County AA. According to June 30, 2016 FDIC Deposit Market Share data, First Piedmont's deposits in Spartanburg equaled \$69 million ranking 14<sup>th</sup> out of 18 financial institutions. In addition, competition from mortgage loans is substantial. According to 2015 Peer Mortgage Data, the bank ranked 8<sup>th</sup> out of 261 lenders with a market share of 3.05 percent of HMDA loans. The top lenders include these mortgage companies: Ark-LA Tex Financial Services (1<sup>st</sup> with 8.09 percent market share), Quicken Loans (2<sup>nd</sup> with 6.06 percent market share), and PrimeLending (3<sup>rd</sup> with 5.50 percent market share).

The following table highlights certain demographic characteristics of Spartanburg County.

<b>Demographic Information for Full Scope Area: Spartanburg County AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	69	7.25	23.19	46.38	23.19
Population by Geography	284,307	4.27	20.76	49.49	25.49
Owner Occupied Housing by Geography	106,397	1.73	15.92	53.35	29.00
Family Distribution by Income Level	74,223	3.43	19.26	50.72	26.59
2010 Census Median Family Income (MFI)		\$53,149	Median Housing Value		\$117,404
FFIEC Updated MFI: 2016		\$52,000	Families Below Poverty Level		11.04%
<i>Source: 2010 U.S. Census Data;</i>					

Based on data from the United States Bureau of Labor Statistics, unemployment rates in the AA have improved. In Cherokee County, unemployment rates declined from 6.6 percent as of December 31, 2013, to 4.8 percent as of December 31, 2016. In Spartanburg County, the unemployment rate declined from 5.0 percent as of December 31, 2016, to 4.4 percent as of December 31, 2016. Unemployment rates in both AAs compare favorably with the State of South Carolina unemployment rate of 4.3 and national unemployment rate of 4.7 as of December 31, 2016. Manufacturing, government, health care, and retail services primarily support the local economies for both counties.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs of its assessment area. First Piedmont's CRA performance was rated "Satisfactory" at the last public evaluation dated May 19, 2014.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

First Piedmont's performance was evaluated under the Intermediate Small Bank CRA examination procedures. This evaluation includes a Lending Test and a Community Development (CD) Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD Test evaluates the bank's responsiveness to community development needs in the AA through qualified lending, investments, and service activities in the AA.

Based on our analysis of the bank's lending activity, we determined that home mortgage lending represents the bank's primary lending product. We analyzed home mortgage loans that the bank reported under the Home Mortgage Disclosure Act (HMDA) for the period of January 1, 2014 through December 31, 2016. We reviewed CD loans, investments, and services for the period from May 19, 2014 through March 13, 2017.

### **Data Integrity**

In December 2016 we tested the accuracy of the bank's HMDA data reported for calendar years 2014 through 2016. The bank's processes, and procedures for HMDA data collection, verification, and reporting are adequate. Our review found the bank's HMDA data to be reliable in evaluating the bank's CRA performance.

### **Selection of Areas for Full-Scope Review**

We selected First Piedmont's two AAs of Spartanburg County and Cherokee County, SC for full-scope reviews. Spartanburg County is part of the Spartanburg, SC MSA. Cherokee County is a non-MSA and is contiguous to Spartanburg County.

### **Ratings**

The bank's overall rating is based primarily on those areas that received a full-scope review.

We assigned greater weight to the bank's performance under the Lending Test than the CD Test. The bank's primary business strategy is home mortgage lending. There is some CD lending and investments but it is limited.

We determined that the bank's performance in Spartanburg County AA represents the highest concentration of home mortgage loan originations. During the review period, the bank originated approximately 65 percent of the total home mortgage loans in Spartanburg County compared to 35 percent of total home mortgage loans in Cherokee County.

## **Other**

During our evaluation, we contacted a local business organization and an affordable housing organization to determine the community and credit needs of the AA. According to the contacts, there is a need for small business financing, financial literacy training, and financial grants to organizations serving low- and moderate-income individuals. Both contacts indicated that First Piedmont is supportive of community development needs. In addition, these community contacts stated that First Piedmont employees provide leadership and financial expertise to community development organizations.

## **Other Performance Data - Investment Test**

In addition to qualified investments made in the bank's AAs, we considered qualified investments that First Piedmont originated in the broader statewide area that includes the bank's AAs. These loans fell into one of two categories: 1) originated to organizations or used for activities with a purpose, mandate or function to serve one or more of the bank's AAs; or 2) originated to organizations or used for activities without a purpose, mandate or function to serve one or more of the bank's AAs.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c) and 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB).

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

As part of the Lending Test, we analyzed the bank's loan-to-deposit ratio, lending inside the AA, the borrower distribution, geographic dispersion, and complaints received. We also considered the demographic data, the local economy, competition, and the community contact data within the AAs.

### LENDING TEST

First Piedmont's performance under the Lending Test is rated Satisfactory. The conclusion is based on a full-scope review of the bank's performance in the Spartanburg County AA and Cherokee County AA.

### Loan-to-Deposit Ratio

First Piedmont's average loan-to-deposit (LTD) ratio is more than reasonable considering the bank's size and competition within the AAs. The bank's average LTD ratio for the 12 quarters since the last CRA examination in May 2014 is 98.91 percent. The ratio ranged from a low of 93.82 percent to a high of 102.95 percent. In comparison, the average LTD ratio of other similarly situated banks in South Carolina was 82.08 percent. The peer average ranged from a low of 58.62 percent to a high of 96.52 percent.

### Lending in Assessment Area

First Piedmont originates a substantial majority of loans inside the combined AAs. During the evaluation period, the bank originated 1,282 home mortgage loans totaling over \$210 million in the combined AAs. This total represents 93.24 percent of the total number and 91.49 percent of total dollar volume of loans is in the AA. The following table details this analysis.

Loans Originated In and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	1,282	93.24	93	6.76	1,375	210,713	91.49	19,544	8.51	229,717
Total	1,282	93.24	93	6.76	1,375	210,173	91.49	19,544	8.51	229,717

Source: All HMDA reported loans from January 1, 2014 through December 31, 2016

## Lending to Borrowers of Different Incomes

The bank's overall distribution of loans to borrowers of different income levels reflects reasonable penetration within the AAs. In evaluating borrower income distribution, we considered the impact of family poverty rates and the barrier that this may pose to home ownership. According to 2010 U.S. Census data, the family poverty rates in Cherokee County and Spartanburg County were 14.34 percent and 11.04 percent, respectively. We also considered the competition from other lenders. These factors may impact the bank's ability to originate home mortgage loans in the AAs.

### *Cherokee County AA*

The distribution of loans reflects reasonable penetration among borrowers of different income levels. The bank's percentage of lending to low-income borrowers was well below the percentage of low-income families. The bank's percentage of lending to low-income borrowers was below aggregate lending. The bank's percentage of lending to moderate-income borrowers was near to the percentage of moderate-income families. The bank's percentage of lending to moderate-income families was below aggregate lending. Further analysis of the 2015 Peer Mortgage Data, indicated that significant competition from other lenders may have impacted the bank's lending opportunities among low- and moderate-income borrowers. Based upon peer data, First Piedmont ranked 7<sup>th</sup> and 4<sup>th</sup> in market share with 5.56 percent and 7.48 percent of total loans to low-income and moderate-income borrowers, respectively. Top lenders include several mortgage companies and a large national bank.

The following table details the borrower income distribution of home mortgage.

<b>Borrower Income Distribution of Home Mortgage Loans in Cherokee County AA</b>				
<b>Borrower Income Category</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>% of Families Distribution</b>	<b>% Aggregate HMDA</b>
<b>Low</b>	9	2.10	19.34	6.74
<b>Moderate</b>	54	12.62	17.47	20.04
<b>Middle</b>	119	27.80	19.57	25.84
<b>Upper</b>	246	57.48	43.63	47.38
<b>Total</b>	<b>428</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<i>Source: 2014-2016 HMDA Data, 2010 Census Data, and 2015 Aggregate HMDA Data; Does not include loans for which borrower income was not reported.</i>				

### *Spartanburg County AA*

The distribution of loans reflects reasonable penetration among borrowers of different income levels. The bank's percentage of lending to low-income borrowers was well below the percentage of low-income families. The bank's percentage of lending to low-income borrowers was below aggregate lending. The bank's percentage of lending to

moderate-income borrowers was below the percentage of moderate-income families. The bank’s percentage of lending to moderate-income families was below aggregate lending. Further analysis of the 2015 Peer Mortgage Data, indicated significant competition from other lenders may have impacted First Piedmont’s lending opportunities to low-income and moderate-income borrowers. According to 2015 Peer Mortgage Data, First Piedmont ranked 13th and 14<sup>th</sup> with 1.98 percent and 1.52 percent of the market share of loans to low-income and moderate-income borrowers, respectively. The top lenders included several mortgage companies and a large national bank.

The following table details borrower income distribution of home mortgage.

<b>Borrower Income Distribution of Home Mortgage Loans in Spartanburg County AA</b>				
<b>Borrower Income Category</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>% of Families Distribution</b>	<b>% Aggregate HMDA</b>
<b>Low</b>	31	4.22	20.78	7.87
<b>Moderate</b>	77	10.48	17.29	25.05
<b>Middle</b>	166	22.59	20.25	26.75
<b>Upper</b>	461	62.72	41.68	40.33
<b>Total</b>	<b>735</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<i>Source: 2014-2016 HMDA Data, 2010 Census Data, and 2015 Aggregate HMDA Data; Does not include loans for which borrower income was not considered</i>				

**Geographic Distribution of Loans**

The bank’s overall geographic distribution of loans reflects reasonable dispersion throughout the AAs.

*Cherokee County AA*

The geographic distribution of loans reflects reasonable dispersion throughout the AA. According to the 2010 U.S. Census data, there is no low-income census tracts in Cherokee County. The bank’s percentage of lending in moderate-income census tracts was below the percentage of owner-occupied housing units in moderate-income census tracts. The bank’s percentage of lending in moderate-income census tracts was below aggregate lending. Further analysis of the 2015 Peer Mortgage Data, reflected limited lending activity and significant competition from other lenders in the AA. First Piedmont ranked 1<sup>st</sup> out of 19 other lenders with 15.22 percent of the market share of loans in moderate-income census tracts. Other mortgage companies obtained market shares of 13.04 percent, 10.87 percent, and 8.70 percent in low-income and moderate-income census tracts.



The following table details the geographic distribution of loans.

<b>Geographic Distribution of Home Mortgage Loans Cherokee County AA</b>				
<b>Census Tract Income Level</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>% Owner Occupied*</b>	<b>% Aggregate HMDA</b>
<b>Low</b>	0	0.00	0.00	0.00
<b>Moderate</b>	20	4.43	11.16	8.19
<b>Middle</b>	203	45.62	59.87	52.31
<b>Upper</b>	222	49.89	28.97	39.50
<b>Total</b>	<b>445</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<i>Source: 2014-2016 HMDA Data, 2010 Census Data, and 2015 Aggregate HMDA Data; *Owner Occupied Housing Units</i>				

### *Spartanburg County AA*

The geographic distribution of loans reflects a reasonable dispersion throughout the AA. The bank's percentage of loans in low-income census tracts is well below the percentage of owner-occupied housing units in low-income census tracts. The bank's percentage of lending in low-income census tracts is well below aggregate lending. The limited percentage of lending in low-income census tracts may be a factor of the high concentration of rental properties in these geographies. Based upon 2010 U.S. Census data, 57.64 percent of the total housing units in the low-income census tracts are rental properties. The bank's percentage of lending in moderate-income census tracts is below the percentage of owner-occupied housing units. The bank's percentage of lending in moderate-income census tracts is near to aggregate lending data.

The following table details the geographic distribution of loans.

<b>Geographic Distribution of Home Mortgage Loans Spartanburg County AA</b>				
<b>Census Tract Income Level</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>% Owner Occupied*</b>	<b>% Aggregate HMDA</b>
<b>Low</b>	0	0.00	1.73	0.42
<b>Moderate</b>	69	8.24	15.92	10.51
<b>Middle</b>	436	52.09	53.35	54.51
<b>Upper</b>	332	39.67	29.00	34.51
<b>Total</b>	<b>837</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<i>Source: 2014-2016 HMDA Data, 2010 Census Data, and 2015 Aggregate HMDA Data; *Owner Occupied Housing Units</i>				

### **Responses to Complaints**

First Piedmont did not receive any complaints related to the bank's performance in meeting the credit needs of the AA during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

First Piedmont's overall CD performance is rated "Satisfactory". The bank's CD activities reflect adequate responsiveness to the needs of the AA through CD loans, qualified investments, and services in relationship to the bank's capacity and opportunities.

### **Number and Amount of Community Development Loans**

The bank's overall CD lending activity reflects adequate responsiveness to community development needs in the AAs.

#### **Cherokee County AA**

First Piedmont's CD loan activities reflect reasonable responsiveness to community development needs in the Cherokee County AA. First Piedmont originated one community development loan totaling \$146 thousand. This loan provided financing for an affordable housing organization within the AA.

#### **Spartanburg County AA**

First Piedmont's CD lending reflects reasonable responsiveness to community development needs in the Spartanburg County AA. The bank committed \$100 thousand through a regional lending consortium to finance the renovation of a 98-unit senior citizen affordable housing development in the city of Spartanburg. This lending consortium provides long-term financing for multi-family housing projects for low- and moderate-income individuals. Additional financing for these consortium loan projects comes from federal low-income tax credits, as well as other federal and state grants.

### **Number and Amount of Qualified Investments**

The bank's overall level of qualified investments reflects adequate responsiveness to community development needs in the AAs.

#### **Cherokee County AA**

First Piedmont's level of qualified investments reflects reasonable responsiveness to community development needs in the Cherokee County AA. The bank made qualified donations and contributions to nine non-profit organizations totaling \$117 thousand. These organizations provide various social services to low- and moderate-income individuals and support economic development in the AA.

#### **Spartanburg County AA**

First Piedmont did not purchase any qualifying CD securities or make any CD grants or financial donations in Spartanburg County AA.

## Regional Area

First Piedmont made two financial grants totaling \$33,200 to two community development organizations serving the upstate region of South Carolina. One of these organizations operates homeless shelters and drug recovery programs in Spartanburg, Cherokee, Greenville, and Pickens Counties. The other regional organization provides social services to at risk and low-income youth.

### **Extent to Which the Bank Provides Community Development Services**

First Piedmont's overall CD services reflect adequate responsiveness to community credit needs in the AAs.

#### Cherokee County

First Piedmont's level of community development services reflects adequate responsiveness to community credit needs in the Cherokee County AA.

Bank personnel provide leadership and banking expertise to a number of community organizations. Five employees serve as board members or in leadership positions for six community development organizations. These organizations are involved in social services targeting LMI individuals and other economic development initiatives.

First Piedmont operates three full service branches in the city of Gaffney located in the Cherokee County AA. While there are no branch offices in moderate-income census tracts, two of the bank's branch offices are in distressed middle-income census tracts. One branch office is located in an upper-income geography.

#### Spartanburg County

First Piedmont's level of community development services reflects adequate responsiveness to community credit needs in the Spartanburg County AA.

Bank personnel provide technical and banking expertise to several community organizations providing social services and job training for LMI individuals. One employee serves on a board of community organization that provides services to homeless and other LMI individuals. Three other employees provide technical assistance to three organizations providing social services to LMI individuals.

There are three full service branches in Spartanburg County AA. There are no branches located in low-income or moderate-income census tracts. Two branch offices are located in upper-income census tracts and one branch is located in middle-income census tracts.

## **Responsiveness to Community Development Needs**

First Piedmont demonstrates adequate responsiveness to community development needs in the Cherokee and the Spartanburg County AAs. The bank's capacity and availability of community development opportunities AAs through qualified donations, community services, and community development loans. The bank's level of its community CD services and investments positively impacts community development needs including social services for low- and moderate-income individuals.