



Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

May 02, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eureka Homestead
Charter Number 703193

1922 Veterans Boulevard
Metairie, LA 70005

Office of the Comptroller of the Currency

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

Eureka Homestead (Eureka or Institution)

- The average loan-to-deposit ratio is more than reasonable given the institution's size, competition, and economic environment.
- Eureka originated a majority of loans inside the assessment area (AA).
- Loan analysis indicates the distribution of loans to borrowers of different income levels exhibits a reasonable penetration.
- Loan analysis indicates that the geographic dispersion of loans reflects a reasonable penetration in low- and moderate-income census tracts.
- The institution did not receive any CRA-related complaints during the review period.

SCOPE OF EXAMINATION

We evaluated Eureka's CRA performance utilizing the interagency Small Bank CRA procedures, which focus on the analysis of the institution's primary loan products. The lending test analysis covered Eureka's performance from January 1, 2014 to December 31, 2016, and evaluated the institution's record of meeting the credit needs of its AA through lending activities.

Prior to conducting the CRA Performance Evaluation, in September of 2016, the performance of the Home Mortgage Disclosure Act (HMDA) loans was assessed for the time period of January 1, 2014 through September 30, 2016. We evaluated Eureka's data and found it to be accurate.

We conducted our last CRA Performance Evaluation on October 24, 2011. At that time, Eureka received a "Satisfactory" rating.

DESCRIPTION OF INSTITUTION

Eureka is a \$92 million, mutually-owned financial institution, headquartered in Metairie, Louisiana. The institution is a small, conservative thrift that focuses on residential lending. Eureka operates exclusively within Louisiana, more specifically in the New Orleans-Metairie Metropolitan Statistical Area (MSA). The institution has two facilities, a main office located in Metairie of Jefferson Parish, and a Loan Production Office (LPO) in New Orleans of Orleans Parish. Since the previous examination, the institution closed a branch which was located in a middle-income census tract in Gretna, Louisiana of Jefferson Parish.

Both the main office and LPO are full-service facilities with traditional operating hours. Deposits are not taken at the LPO. Eureka's delivery channels are limited, with a drive-up window at its main office being the institution's only alternative method of product delivery. Eureka has an Internet web site (www.eurekahomestead.com), but it only exists to provide information regarding the institution and its services/product offerings.

The institution's strategic plan consists of originating mortgage loans (majority are sold to the secondary market) through retail deposits and Federal Home Loan Bank advances.

As of December 31, 2016, residential mortgage loans comprised 96.5 percent of the institution's total loan portfolio. Eureka offers Federal National Mortgage Association (FNMA), Veterans Administration (VA), and Federal Housing Administration (FHA) mortgages. The institution offers several programs that include loans to low- and moderate-income persons, inclusive of first-time homebuyers and "little down payment requirements". Eureka does not offer land development, commercial, or home improvement loans. Consumer loans comprise of loans on deposits, only. There have not been any significant changes to the institutions's corporate structure, including merger or acquisition activities, since the prior CRA Evaluation.

There were no financial or legal impediments to prevent Eureka from meeting the credit needs of the community.

As of December 31, 2016, the institution's primary loan products consisted of mortgage loans.

Table 1-Eureka Homestead's Bank Loan Portfolio		
Loan Category	Dollars (000)	Percentage
1-4 Residential Properties	\$69,428	96.5%

Source: Call Report as of 12-31-16

DESCRIPTION OF ASSESSMENT AREA(S)

Eureka has designated portions of the New Orleans-Metairie MSA as its AA. The MSA is centered around New Orleans and encompasses eight parishes. However, because of limited facilities compared to the size of the overall MSA, management has chosen a smaller section of this area to serve. The institution chose portions of Jefferson and Orleans parishes (where its offices are located) as its AA. The Mississippi River bisects the Parishes into two parts that are locally termed, the Eastbank and the Westbank. Eureka chose the Eastbank of Jefferson and Orleans parishes as its AA. Eureka's AA meets CRA regulatory requirements and consists of complete political subdivisions in the form of Parishes.

Eureka's AA is made up of 192 contiguous census tracts located in Jefferson and Orleans Parishes, Louisiana. Of the 192 tracts, 33 are designated as low-income tracts; 49 are designated as moderate-income tracts; 50 are designated as middle-income tracts; 62 are designated as upper-income tracts and information was not available for three tracts.

While the population in Jefferson Parish has increased, the population in Orleans Parish has drastically decreased since 2005 (due to the devastating effects of Hurricane Katrina); however, the property values have significantly increased. At the previous

CRA examination, the median housing value within the MSA was \$122,548. As of this examination, the median housing value was \$223,587 (see table below).

New Orleans-Metairie, Louisiana MSA

Table 2 below illustrates select demographic data of the bank's AA:

Table 2 - Demographic Information for Eureka Homestead's Assessment Area: Jefferson and Orleans Parishes, LA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Census Tracts	192	17.28%	23.04%	26.18%	31.93%	1.57%
Population by Tract	443,007	10.67%	21.53%	33.04%	34.07%	0.69%
Owner-Occupied Housing by Tract	93,818	5.10%	15.46%	36.59%	42.84%	0.01%
Family Distribution by Income Level	96,138	22.96%	16.07%	18.16%	42.81%	0.00%
Median Family Income	59,212	Median Housing Value			\$223,587	
FFIEC Adjusted Median Family Income for 2016	60,000	% of Vacant Housing			19.78%	
Households Below Poverty Level		15.31%				

(*) The NA category consists of Tracts that have not been assigned an income classification.

Source: U.S. Census 2010

The AA's economy is dominated by four major sectors: oil/gas and related activities; tourism; the port and ship/boat building and aerospace manufacturing. While tourism continues to be the driving force of the economy, the presence of universities, hospitals, legal/accounting and other professional services, further diversify the economic base.

Competition among financial institutions in the AA remains intense, with Eureka vying for loans with several large national, regional and local banks. According to the Federal Deposit Insurance Corporation's (FDIC) June 30, 2016 deposit market share report, Eureka ranked 18th of 24 lenders and commanded less than one percent (0.16) of the market share. The top three institutions accounted for 62.56 percent of total deposits in the AA. As a result, Eureka had significant competition within the AA.

The FFIEC's median family income for the New Orleans MSA was \$60,000. Low income is defined as less than 50 percent of the median family income. Moderate income is defined as 50 percent to less than 80 percent of the median family income. Middle income is defined as 80 percent to less than 119 percent of the median family income. Upper income is defined as income of 120 percent and over the median family income.

Income classification categories are listed in the following table:

Table 3 – Income Categories			
Low	Moderate	Middle	Upper
< \$30,000	\$30,001 – \$48,000	\$48,001 – \$71,400	> \$72,000

Source: 2010 U.S. Census data

From the combined information presented, approximately 15.31 percent of households in this AA lived at or below the poverty level. The median value of a home in the AA was reflected in CRA Wiz data at \$223,587. This poses a barrier to home ownership for low- and moderate-income families in the AA. This value is eight times the amount of the upper range of low income families.

The AA's unemployment rate as of December 31, 2016 was 5.1 percent. This figure compares favorably to a state average of 6.0 percent for the same aforementioned period.

Additionally, an agency within the AA was contacted to obtain feedback on the area's demographics, perceived credit needs, and financial institution responsiveness relating to the CRA. The contact stated that affordable housing was the number one need within Eureka's AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

As of December 31, 2016, Eureka's quarterly average LTD ratio of approximately 114.7 percent is more than reasonable relative to the bank's size, competition, and financial condition.

Since the previous CRA Performance Evaluation, the institution's quarterly, average LTD ratio ranged from a low of 84.4 percent to a high of 156.5 percent. Eureka's overall average LTD ratio of 114.7 percent is excellent when compared to similarly-situated financial institutions, which had a quarterly average LTD ratio of 105.4 percent during the same time period. Refer to Table 4 for details.

Table 4- Loan-to-Deposit Ratios of Select Competitors		
Institution	Assets (000s) (as of 12/31/16)	Quarterly, Average LTD Ratio
Eureka Homestead	\$92,279	114.7%
Mutual Savings and Loan Association	\$45,341	154.9%
Hibernia Bank NO	\$17,006	94.0%
Union Savings and Loan N.O.	\$74,998	67.3%

Source: FFIEC Uniform Bank Performance Reports

Lending in Assessment Area

During the review period, January 1, 2014 to December 31, 2016, Eureka originated 295 residential mortgage loans totaling \$81.0 million, with 242 residential mortgage loans, or 82.0 percent, totaling \$69.1 million within its AA:

Table 5 - Lending in AA											
Loan Type	Number of Loans				Total	Dollars of Loans				Total	
	Inside		Outside			\$	%	\$	%		
	#	%	#	%							
Purchase	144	83.72	28	16.28	172	40,845	86.91	6,153	13.09	46,998	
Refinance	98	79.67	25	20.33	123	28,158	83.00	5,768	17.00	33,926	
Totals	242	82.03	53	17.97	295	69,003	85.29	11,921	14.71	80,924	

Source: Eureka's Loan Application Data for calendar years of 2014, 2015 and 2016.

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

The distribution of home loans to borrowers in the institution's AA is reasonable.

Table 6 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of Aggregate	% of Number of Loans	% of Aggregate	% of Number of Loans	% of Aggregate	% of Number of Loans
Purchase	2.85	0.69	13.05	2.78	17.47	12.50	49.67	84.03
Refinance	4.08	2.04	9.71	5.10	15.27	13.27	50.73	79.59

Source: Eureka's Loan Application Data for calendar years of 2014, 2015 and 2016.

While Eureka's lending to low-income borrowers is less than peer; and, the percentage of loans to moderate-income borrowers is better than low-income borrowers, it still does not compare favorably to peer. In spite of these lower percentages, the institution's lending to both low-income and moderate-income families is reasonable.

Management calculated the maximum home affordability of low-income families based on market and economic information obtained for its AA. Management calculated that a low-income family could typically afford a \$61,760 home. Using an average income of \$21,970 taken from the low-income census tracts in its AA, management calculated a theoretical monthly mortgage payment of \$552 (based on the secondary market standard above). As of December 31, 2016, according to the web site www.realtor.com, there were only 47 houses for sale in the amount of \$64,000 within this AA.

In addition, management presented numerous articles written in the daily newspaper regarding the average prices of houses within the MSA. The following excerpts were taken from the web site www.nola.com:

- The average price of a house in New Orleans has climbed 46 percent since Hurricane Katrina, and the escalation shows no sign of slowing.
- The heated market in New Orleans continues to accelerate this year. In the last six months, the average price per square foot, increased 8.5 percent with a steady flow of sales activity.
- The average house sold for \$339,743 in the first half of 2015.
- The average house sold for \$356,000 in the last half of 2015.
- The fixer-upper in New Orleans is growing increasingly more costly. The cost of buying a house in need of renovation in New Orleans last year (2014) spiked by more than 40 percent.
- Our problem is that this is a market that historically has low rates of wage growth, of income growth, and our median income is still lower than the national median income.

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects a reasonable penetration.

While the percentage of lending in low-income census tracts is lower than peer, and the percentage of loans in moderate-income census tracts is better than low-income tracts, it still does not compare favorably to peer. However, Eureka's lending in low-income census tracts and moderate-income census tracts is reasonable based on its asset size, the number of locations, competition within the AA, the lack of affordable homes and the financial qualifications of low- and moderate-income borrowers.

The AA includes 33 low-income census tracts and 44 moderate-income census tracts. Eureka has only two locations. The institution competes with 186 other financial institutions for loans. Thus, there is a significantly high level of competition within this AA with only two branch locations.

Table 7 - Geographic Distribution of Residential Real Estate Loans in AA

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of Aggregate	% of Number of Loans	% of Aggregate	% of Number of Loans	% of Aggregate	% of Number of Loans	% of Aggregate	% of Number of Loans
Purchase	8.25	1.39	19.93	16.67	33.66	26.39	38.14	55.56
Refinance	5.44	2.04	16.71	12.24	31.92	30.61	45.93	55.10

Source: Loan Application Loan Data for calendar years of 2014, 2015 and 2016.

Fair Lending or Other Illegal Credit Practices Review

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