



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 28, 2012

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

Pickens S&LA, FA  
Charter Number 706359

205 E. Cedar Rock Street  
Pickens, SC 29671-2409

Office of the Comptroller of the Currency

212 South Tryon, 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, 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: is rated Satisfactory**

The major factors that support this rating include:

- Pickens Savings' quarterly average loan-to-deposit ratio exceeds standards for satisfactory performance based upon the bank's size, financial condition, and relevant competitive factors;
- A substantial majority of the bank's loans are made within its assessment area (AA);
- Pickens Savings' percentage of loans to borrowers of different income levels and to businesses of different sizes exceeds standards for satisfactory performance;
- Pickens Savings' geographic distribution of loans within the AA meets standards for satisfactory performance.
- No fair lending complaints were received during this evaluation period.

## **SCOPE OF EXAMINATION**

We performed a full-scope evaluation of Pickens Savings and Loan Association's (Pickens Savings) performance using small bank Community Reinvestment Act examination procedures. Our review covered the bank's CRA performance from December 6, 2006 through December 31, 2011. Based upon the bank's business strategy and the loans originated during the evaluation period, we determined that residential mortgage loans and small business loans are the bank's primary loan products. As a result, we reviewed the residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2009 through December 31, 2011. We also reviewed a sample of 20 commercial loans originated between January 1, 2009 and December 31, 2011.

In June 2012, we conducted an evaluation of the integrity of Pickens Savings' publicly filed HMDA information to verify the accuracy of the data. The bank's processes, procedures, and internal controls for HMDA data collection, verification, and reporting are satisfactory. No systemic reporting errors or problems were identified. The current CRA examination was based on accurate data.

## DESCRIPTION OF INSTITUTION

Pickens Savings is a federal stock institution with approximately \$101 million in total assets as of June 30, 2012. The bank's total tier one capital is \$8.2 million and the bank's risk based capital is \$9.0 million. The Institution operates from its sole office located in Pickens, South Carolina. Historically, Pickens Savings has operated as a traditional thrift, primarily originating loans secured by one-to-four family dwellings in its local community, and deriving funding through local retail deposits. However, in recent years, the bank increased its commercial lending. As a result of increased commercial lending, the bank's assets grew from \$82 million in December 2006 to a high of \$105 million in December 31, 2010. With the decline in local economic conditions, the volume of commercial lending decreased in 2011.

Pickens Savings offers conventional residential mortgage loans for the purchase, refinance, and construction of single family homes. Home equity lines of credit and loans for personal consumer purposes are also available. In addition, Pickens Savings offers commercial loans. A number of personal deposit accounts, including low cost checking accounts, and business deposit products are available. The table below reflects the distribution of Pickens Savings' loan portfolio as of June 30, 2012.

<b>Pickens Savings and Loan Association</b>		
<b>Distribution of Loan Portfolio as of June 30, 2012</b>		
<b>Loan Type</b>	<b>Dollars of Loans (\$000s)</b>	<b>% by Dollars of Loans</b>
<i>Commercial Real Estate including Commercial &amp; Industrial</i>	\$21,666	30.02%
Non-farm Non-residential Properties	\$ 11,693	
Construction and Land Development	\$ 5,438	
Commercial and Industrial	\$ 4,535	
<i>Residential Real Estate, including Multifamily</i>	\$49,013	67.91%
Secured by 1-4 Family Residential by 1 <sup>st</sup> liens	\$ 37,384	
Secured by 1-4 Family Residential by junior liens	\$ 112	
Secured by 1-4 Family Residential, open-end	\$ 10,717	
Construction 1-4 Family	\$ 575	
Secured by Multifamily (5 or more) Residential	\$ 225	
<i>Consumer</i>	\$ 1,492	2.07%
<i>Total</i>	\$72,171	100.00%

Source: Consolidated Report of Condition & Income)

During the current evaluation period, there were no legal or regulatory impediments that adversely affected Pickens Savings' ability to meet community credit needs during the current evaluation period. However, Pickens Savings does face considerable competition from other financial institutions. According to retail deposit data as of June 30, 2012, from the Federal Deposit Insurance Corporation (FDIC), Pickens Savings' retail deposits totaled approximately \$79 million and represented 4.8% (10<sup>th</sup> out of 14) of the total market share of deposits in Pickens County. According to June 2012 FDIC's

deposit market information, there were 13 other federally insured depository institutions operating 33 branch offices in Pickens County. Certus Bank, Wells Fargo, Sun Trust Bank, and Bank of America have approximately 49% of the deposit market share in Pickens County.

On May 7, 2012, Pickens Savings entered into a Formal Agreement with the Office of the Comptroller of the Currency (OCC). The Formal Agreement requires the Board to develop various plans to address credit risk management, asset quality, liquidity risk, risk management and earning performance.

Pickens Savings rating at the preceding CRA examination, dated December 4, 2006, was "Satisfactory."

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Pickens Savings' assessment area (AA) meets the technical requirements of the CRA and does not arbitrarily exclude low-income or moderate-income census tracts. Pickens Savings' AA includes the entire county of Pickens, which is part of the Greenville-Spartanburg-Anderson, South Carolina Metropolitan Statistical Area. According to 2000 Census data, the total population of the AA is 110,757. Pickens County consists of a total of 26 census tracts, four moderate-income census tracts, 19 middle-income census tracts, and three upper-income census tracts. There are no low-income census tracts in the AA.

The five largest employers in Pickens County are the State of South Carolina, Clemson University, the School District of Pickens County, Aramark Services, and Pickens County Government. As of August 2012, the unemployment rate in Pickens County was 8.9 percent which was slightly less than the unemployment rate for the state of South Carolina of 9.4 percent.

According to information obtained from a community contact, there is a significant shortage of affordable rental housing in Pickens County. In particular public subsidized housing is very limited in Pickens County.

The following table highlights certain demographic characteristics in Pickens County:

<b>PICKENS SAVINGS AND LOAN ASSOCIATION ASSESSMENT AREA DEMOGRAPHICS BASED UPON 2000 CENSUS DATA</b>						
<b>CENSUS TRACT INCOME LEVEL<sup>1</sup></b>						
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
<b>CENSUS TRACTS/BNAs</b>	<b>#</b>	26	0	4	19	3
<b>POPULATION BY LOCATION</b>	<b>#</b>	110,757	0	22,039	71,625	17,093
		100.00%	0.00%	19.90%	64.67%	15.43%
<b>% OWNER OCCUPIED</b>		100.00%	0.00%	14.22%	75.37%	10.41%
<b>% RENTER OCCUPIED</b>		100.00%	0.00%	44.16%	44.50%	11.35%
<b>% VACANT</b>		100.00%	0.00%	25.46%	66.13%	8.41%
<b>MEDIAN HOUSING VALUE</b>		\$86,463	NAP	\$82,766	\$81,700	\$125,059
<b>2011 MEDIAN FAMILY INCOME</b>		\$58,300				
<b>% OF FAMILIES BELOW POVERTY LEVEL</b>		7.76%				

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

Throughout the review period, Pickens Savings' loan-to-deposit (LTD) ratio exceeded the standards for satisfactory performance. In addition, a substantial majority of Pickens Savings' residential mortgage loans and commercial loans were within the AA. The bank's mortgage lending to low-income and moderate-income borrowers exceeded area demographic characteristics. Pickens Savings' percentage of lending to low-income borrowers exceeded the performance of other lenders in the AA in 2009 and 2010. The bank's record of lending to moderate-income borrowers was commensurate with other lenders in 2009, and exceeded other lenders in 2010. Further, the bank's distribution of loans throughout the various geographies was reasonable. Pickens Savings' penetration of residential mortgage loans in moderate-income census tracts was commensurate with area demographics. While the bank's lending in moderate-income census tracts was below the performance of other lenders in the AA for 2009, the bank's performance exceeded the percentage of lending of other lenders in 2010. The bank's percentage of commercial lending in moderate-income was below area demographic characteristics.

<sup>1</sup> The Median Family Income (MFI) of a low-income census tract is <50% of the MFI of the MSA in which it is located. Similarly, a moderate-income tract is ≥50%, but <80%; a middle-income tract is ≥80%, but <120%; and an upper-income tract is ≥120%.

## Loan-to-Deposit Ratio

Pickens Savings' average LTD ratio exceeds standards for satisfactory performance considering the size of the bank and the competition in the AA. The bank's quarterly average LTD ratio for the 23 quarters since the bank's preceding CRA examination in December 2006 was 100.23%. In comparison, the quarterly average LTD ratio among banks of similar size in South Carolina was 84.23%.

## Lending in Assessment Area

During the review period, a substantial majority of Pickens Savings' residential and commercial loans were inside the AA. Based upon the high percentage of lending the AA, the bank's performance exceeds standards for satisfactory performance.

The following table compares Pickens Savings' record of HMDA-reportable and commercial loan originations inside and outside the AA during the review period.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	132	88.59%	17	11.41%	149	\$13,858	80.58%	\$3,339	19.42%	\$17,197
Commercial Loans	18	90.00%	2	10.00%	20	\$1,638	93.23%	\$119	6.77%	\$1,757
<b>Totals</b>	<b>150</b>	<b>88.75%</b>	<b>19</b>	<b>11.24%</b>	<b>169</b>	<b>\$15,496</b>	<b>81.76%</b>	<b>\$3,458</b>	<b>18.24%</b>	<b>\$18,954</b>

Source: HMDA Data and Loan Sampling

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

### Residential Mortgage Loans

During the evaluation period, Pickens Savings' percentage of loans to low-income and moderate-income borrowers exceeded the percentage of low-income and moderate-income families in the AA. Table 2 presents Pickens Savings' percentage of lending to borrowers of different income levels within AA, and compares it to the percentage of families in each of the income categories.

Borrower Income Levels <sup>2</sup>	Table 2 Pickens Savings Mortgage Loan Volume: 2009, 2010, 2011				Benchmark
	Number	No. Pct.	\$(000)	\$ Pct	% Families <sup>3</sup>
Low-Income	23	21.10%	1,157	9.88%	20.60%
Moderate-Income	28	25.69%	2,530	21.61%	19.91%
Middle-Income	19	17.43%	1,622	13.85%	25.32%
Upper-Income	39	35.78%	6,398	54.65%	34.18%
<b>Total</b>	<b>109</b>	<b>100.00%</b>	<b>\$11,707</b>	<b>100.00%</b>	<b>100.00%</b>
Income Not Available	23		\$ 2,131		

Pickens Savings' record of lending to low-income and moderate-income borrowers was compared to the lending activity of other lenders. Table 3 compares Pickens Savings' lending in the AA to that of all federally regulated financial institutions for each year of the review period. Aggregate data is not yet available for 2011.

<sup>2</sup> A low-income individual is one whose income is <50% of the Median Family Income (MFI) of the MSA in which that person lives. Similarly, a moderate-income individual is one whose income is ≥50%, but <80%; a middle-income person is ≥80%, but <120%; and an upper-income person is ≥120%.

<sup>3</sup> Source: 2000 Census data. This column represents the percentage of families by income level within the boundaries of the assessment area.

	<b>Table 3 Pickens Savings and Peer Loan Originations in Assessment Area</b>				
	<b>2009</b>		<b>2010</b>		<b>2011</b>
<b>Borrower Income Levels</b>	<b>Pickens Savings</b>	<b>Aggregate HMDA</b>	<b>Pickens Savings</b>	<b>Aggregate HMDA</b>	<b>Pickens Savings</b>
Low-Income	16.67%	8.14%	23.53%	11.19%	18.75%
Moderate-Income	18.54%	20.45%	26.47%	20.55%	31.25%
Middle-Income	25.93%	25.45%	8.82%	23.65%	18.75%
Upper-Income	38.89%	45.97%	41.18%	44.62%	31.25%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Commercial Loans**

Pickens Savings’ distribution of commercial loans reflected an excellent distribution of loans to businesses of different sizes. Based upon our sample of commercial loans, a substantial majority of loans were to businesses with revenues of \$1 million or less. This distribution exceeded the percentage of businesses with revenues less than \$1 million in the AA. We also analyzed loan amounts as a proxy for lending to small businesses. Based upon our sample, a substantial majority of the total loans were for loan amounts of \$250 thousand or less. This analysis is presented in Table 4 and Table 5 below.

<b>Table 4 Borrower Distribution of Loans to Businesses in Pickens County</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
% of AA Businesses	66.70%	2.26%	31.03%	100.00%
% of Bank Loans in AA by #	83.33%	16.67%	0.00%	100.00%
% of Bank Loans in AA by \$	77.61%	22.39%	0.00%	100.00%

*Source: Sample of loans & Dunn and Bradstreet data*

<b>Table 5 Borrower Distribution of Loans to Businesses by Loan Size in Pickens-County</b>				
<b>Loan Size (000's)</b>	<b># of Loans</b>	<b>% of Number</b>	<b>\$ Volume of Loans (000)</b>	<b>% of \$ Volume</b>
\$0 - \$100,000	13	72.22%	\$ 532	32.47%
\$100,001 - \$250,000	3	16.67%	\$ 381	23.28%
\$250,001 - \$500,000	2	11.11%	\$ 725	44.25%
\$500,001 - \$1,000,000	0	0.00%	\$ 0	0.00%
Over \$1,000,000	0	0.00%	\$ 0	0.00%
<b>Total</b>	<b>18</b>	<b>100.00%</b>	<b>\$1,638</b>	<b>100.00%</b>

*Source: Sample of loans*

## Geographic Distribution of Loans

Pickens Savings' distribution of loans throughout different geographies in the AA was reasonable and meets standards for satisfactory performance.

### *Residential Mortgage Loans*

Pickens Savings' penetration of moderate-income census tracts was reasonable compared to area demographic characteristics and the lending activity of other lenders in the AA. Table 6 below reflects the bank's geographic distribution of residential mortgage loans compared to the percentage of owner occupied housing units located in each census tract.

	<b>Table 6 Pickens Savings' Residential Mortgage Loan Volume: 2009, 2010, 2011</b>				<b>Benchmark</b>
<b>Census Tracts<sup>4</sup></b>	<b>Number</b>	<b>No. Pct.</b>	<b>\$(000)</b>	<b>\$ Pct</b>	<b>% OOHUs<sup>5</sup></b>
Low-Income	0	0.00%	0	0.00%	0.00%
Moderate-Income	15	11.36%	695	5.02%	14.22%
Middle-Income	116	87.88%	13,068	94.30%	75.37%
Upper-Income	1	0.76%	95	0.69%	10.41%
Total	132	100.00%	\$13,856	100.00%	100.00%

Table 7 below compares the geographic distribution of Pickens Savings' mortgage lending in the AA to that of federally regulated financial institutions reporting HMDA data in the AA. While the bank's lending in moderate-income census tracts was below the performance of other lenders in 2009, the bank's distribution of loans in moderate-income census tracts exceeded the percentage of lending by other lenders. Aggregate 2011 HMDA lending data is not yet available.

<sup>4</sup> A low-income census tract is one in which the median family income (MFI) is <50% of the MFI of the MSA in which that census tract is located. Similarly, a moderate-income census tract is one with a MFI of ≥50%, but <80%; a middle-income census tract is ≥80%, but <120%; and an upper-income census tract is ≥120%.

<sup>5</sup> Source: 2000 Census data. This column represents the percentage of all owner-occupied housing units located within each census tract category.

	<b>Table 7 Pickens Savings and Peer Loan Originations in Assessment Area</b>				
	<b>2009</b>		<b>2010</b>		<b>2011</b>
<b>Income Level of Census Tract</b>	<b>Pickens Savings</b>	<b>Aggregate HMDA</b>	<b>Pickens Savings</b>	<b>Aggregate HMDA</b>	<b>Pickens Savings</b>
Low –Income	0.00%	0.00%	0.00%	0.00%	0.00%
Moderate-Income	5.56%	13.90%	20.00%	13.41%	9.09%
Middle- Income	92.59%	68.12%	80.00%	70.11%	90.91%
Upper-Income	1.85%	17.99%	0.00%	16.48%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

### *Commercial Loans*

Pickens Savings' percentage of commercial loans within moderate-income census tracts was poor compared to area demographics. Based upon our sample of 20 commercial loans, there were no loans originated in moderate-income census tracts. This percentage was well below the percentage of businesses located in moderate-income census tracts in the assessment. According to recent demographic information, 18 percent of the total businesses in the AA are located in moderate-income census tracts.

### *Community Development Loan*

In 2011 Pickens Savings partnered with a local nonprofit housing organization, Allen Temple Community Economic Development Corporation (ATCEDC) to construct four affordable single family homes in Pickens, South Carolina. ATCEDC, a 501(c)(3) organization provides affordable rental housing opportunities for families at 50%-60% or below the area median family income. Initially, the bank funded \$28,000 for the purchase of lots and then the bank provided a \$293,648 construction loan. Upon completion of the houses, ATCEDC received \$299,000 in grants from the South Carolina State Housing Finance and Development Authority and the Federal Home Loan Bank of Atlanta's Affordable Housing Program. After application of these financial grants, Pickens Savings provided permanent financing totaling \$61,446 for this project.

### **Responses to Complaints**

Management did not receive any CRA-related complaints since the last examination.

## **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.