



## **PUBLIC DISCLOSURE**

March 5, 2018

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

Pickens Savings and Loan Association, FA  
Charter Number: 706359

205 East Cedar Rock Street  
Pickens, SC 29671-2409

Office of the Comptroller of the Currency

201 South Tryon Street, 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.

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## **Overall CRA Rating: Satisfactory**

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

The major factors supporting this rating include:

- The bank's quarterly average loan-to-deposit (LTD) ratio meets standards for satisfactory performance based upon the bank's size, financial condition, and relevant competitive factors.
- The bank originates a majority of its loans inside the assessment area (AA).
- The bank's distribution of loans to borrowers of different income levels reflects reasonable penetration.
- The bank's geographic distribution of loans reflects poor dispersion throughout the AA.
- There were no CRA complaints against the bank during the evaluation period.

## 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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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:** 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 multi-family (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 five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

Pickens S & LA, FA (“Pickens” or “the bank”) is a federal stock institution headquartered in Pickens, South Carolina. As of December 31, 2017, Pickens reported total assets of \$92.8 million and tier one capital of \$10.2 million. Pickens has one branch located in Pickens County. The bank is a single state institution that operates as a traditional thrift, primary originating loans secured by one-to-four family dwellings. The bank does not have any ATMs. The institution is not a subsidiary of a holding company and does not have any affiliates for CRA exam purposes. The bank’s assessment area (AA) is comprised of Pickens County. Refer to Appendix B for the demographic composition of the AA.

The bank also offers a full range of loan and deposit services. Pickens offers residential mortgages, residential construction loans, home equity lines of credit (HELOC), and second mortgages. Vehicle loans and overdraft lines of credit are also available. Additionally, Pickens offers owner-occupied commercial real estate loans and a number of personal deposit accounts, including low cost checking accounts and business deposit products.

There were no legal or regulatory impediments that adversely affected Pickens’ ability to meet community credit needs during the current evaluation period. Pickens’ rating at the preceding CRA examination dated September 28, 2012 was “Satisfactory.”

## **Scope of the Evaluation**

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

This performance evaluation (PE) assesses Pickens performance under the Small Bank Community Reinvestment Act (CRA) examination procedures. The examination procedures includes a Lending Test, which evaluates the bank’s performance in meeting the credit needs of its AA through its lending activities. The lending test was limited to home purchase loans and home mortgage refinance loans which are the bank’s primary products. The scope of review also included an assessment of several community development loans.

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. The evaluation period for the loan-to-deposit ratio is September 30, 2012 through December 31, 2016.

### **Data Integrity**

In October 2017, we performed a data integrity examination to assess the information submitted by the bank under the Home Mortgage Disclosure Act (HMDA). Our examination consisted of testing the accuracy of the bank’s HMDA data by comparing



the original documents in the bank's loan files to information reported on the HMDA Loan Application Register (LAR). We also evaluated the bank's policies and procedures for ensuring the accurate and timely submission of HMDA data. Our data integrity examination revealed that the bank's HMDA data was accurate and reliable for the purposes of this CRA performance evaluation.

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

We conducted a full-scope review of the bank's lending performance in Pickens County AA. Refer to the table in Appendix A for more information.

### **Ratings**

The bank's overall rating is based on the bank's AA of Pickens County that received a full-scope review.

### **Other Performance Data**

In addition to the bank's performance under the lending test in the bank's AA, we considered other lending activities by the bank through a regional lending consortium. These loans help to address affordable housing needs in a regional area that includes the bank's AA.

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

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank'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, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

Pickens' performance under the lending test is "Satisfactory" relative to the AA's demographic profile and economic conditions. The bank's loan-to-deposit ratio was reasonable throughout the evaluation period. Additionally, the majority of residential mortgage loans originated were secured by properties located in the bank's AA. The distribution of borrowers reflects reasonable penetration among individuals of different income levels. While the geographic distribution of loans reflects poor dispersion throughout the AA, our evaluation considered other lending activity by the bank.

#### Loan-to-Deposit Ratio

During the evaluation period, the bank's loan-to-deposit ratio was reasonable given the demographic composition and economic condition of the AA, its financial conditions, and the availability of lending opportunities in the AA. The bank's average ratio for the 18 quarter period since the preceding CRA evaluation in September 2012 was 78.49 percent. The bank's LTD ranged from a high of 86.02 percent to a low of 74.04 percent. In comparison, the average ratio for similarly situated financial institutions operating in and near the AA was 77.61 percent. The ratio ranged from a high of 87.55 percent to a low of 68.13 percent for the aforementioned financial institutions.

#### Lending in Assessment Area

Pickens originates a substantial majority of its loans in the AA. During the evaluation period, the bank originated 82.4 percent of its loans within the AA. The following table details the bank's lending within the AAs by number and dollar amount of loans originated during the evaluation period.

Lending Inside and Outside of Pickens County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	34	64.15	19	35.85	53	4,603	56.52	3,541	43.48	8,144
Home Refinance	55	100	0	0	55	7,597	100	0	0	7,597
Totals	89	82.41	19	17.59	108	12,200	77.50	3,541	22.50	15,741

Source: HMDA Data.

#### Lending to Borrowers of Different Incomes

The distribution of loans reflects reasonable penetration among borrowers of different income levels. While the percentage of home purchase loans and home mortgage refinance loans is less than the percentage of low-income families in the AA, it exceeds the aggregate percentage of loans originated by all lenders in the AA. The percentage

of home mortgage refinance loans originated during the evaluation period to moderate-income borrowers exceeded the percentage of moderate-income families and aggregate percentage of loans originated by all lenders in the AA to borrowers at that income level. The percentage of home purchase loans originated during the evaluation period was only slightly below the percentage of moderate-income families.

<b>Borrower Distribution of Residential Real Estate Loans in Pickens County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.23	11.76	18.99	17.65	22.11	17.65	38.66	52.94
Home Refinance	20.23	9.09	18.99	23.64	22.11	23.64	38.66	43.64

Source: HMDA data; U.S. Census data.

### Geographic Distribution of Loans

The distribution of loans reflects poor dispersion throughout the AA. The bank's AA contains no low-income census tracts. The percentage of home purchase loans and home mortgage refinance loans originated in moderate-income census tracts was significantly lower than the percentage of owner-occupied housing units. The aggregate average of home purchase loans originated by all banks in moderate-income census tracts in the AA exceeds the percentage of owner-occupied housing units. Conversely, the aggregate average of refinance loans originated by all banks in moderate-income census tracts in the AA is slightly less than the percentage of owner-occupied housing units. The bank's poor dispersion of loans in moderate-income census tracts is reflective of the high level of competition in the eastern portion of the AA. There is a high concentration of bank branches in the eastern part of the AA, which is close to industrial areas, Clemson University, and metropolitan areas. These branches are closer to the moderate-income census tracts in the AA than Pickens.

<b>Geographic Distribution of Residential Real Estate Loans in Pickens County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	11.39	2.94	78.95	97.06	9.66	0
Home Refinance	0	0	11.39	5.45	78.95	92.73	9.66	1.82

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

### Other Lending Activity

During the evaluation period, Pickens' funded \$1.39 million in qualified community development loans to a lending consortium that provides affordable multi-family housing

throughout a regional area that includes the bank's AA. This consortium provides permanent financing to support the development of affordable multi-family housing in Georgia, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. Pickens also originated a \$175 thousand line of credit during the evaluation period to an organization that provides housing and education to homeless individuals. The proceeds from this loan will be used to develop affordable housing for low- and moderate-income individuals. Additionally, Pickens originated two qualified community development loans during a previous evaluation period that remain outstanding. As of December 31, 2016, the outstanding cumulative balance of the two loans was approximately \$103 thousand.

### **Responses to Complaints**

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

# Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/14 to 12/31/16)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
(Pickens Savings and Loan Association, FA (Pickens) Pickens, SC)	Home Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not applicable	Not applicable	Not applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Pickens AA	Full-Scope	All of Pickens County

## Appendix B: Community Profiles for Full-Scope Areas

### Pickens County AA

Demographic Information for Full-Scope Area: Pickens County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	28	0	14.29	71.43	14.29	0
Population by Geography	119,224	0	16.52	68.58	14.91	0
Owner-Occupied Housing by Geography	31,096	0	11.39	78.95	9.66	0
Businesses by Geography	5,741	0	12.92	73.61	13.46	0
Farms by Geography	184	0	13.04	78.80	8.15	0
Family Distribution by Income Level	29,035	20.23	18.99	22.11	38.66	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	11,390	0	18.90	75.75	5.35	0
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below the Poverty Level	= \$54,957 = \$58,600 = 15.91%	Median Housing Value Unemployment Rate		= \$124,132 = 4.1%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

Pickens sole AA is comprised of Pickens County, part of the Greenville-Spartanburg-Anderson, South Carolina metropolitan statistical area (MSA). Taking into account the institution's size, branching structure, and financial condition, Pickens' AA meets the technical requirements of the CRA. The bank does not arbitrarily exclude any low- or moderate-income areas in its AA. Pickens County consists of 28 census tracts (CTs), only four of which are moderate-income. The bank's AA does not have any low-income CTs. According to 2010 U.S. Census data, the total population of Pickens County is 119,224 and the median housing value is \$124,132.

The local economy of Pickens County is improving as demonstrated by its industry growth and declining unemployment rate. According to U.S. Bureau of Labor Statistics data as of December 2016, Pickens County's unemployment rate was 4.1 percent, slightly lower than the state of South Carolina at 4.5 percent. While formerly a textile county, the major industries in Pickens today are manufacturing and production. The two largest employers in Pickens County are the State of South Carolina and Clemson University.

Pickens faces considerable competition from other financial institutions. According to deposit market data as of June 30, 2016 from the Federal Deposit Insurance Corporation (FDIC), Pickens' retail deposits totaled approximately \$73.6 million and represented 4.17 percent of the total market share of deposits in Pickens County. Of the 15 other federally insured depository institutions, operating in 30 branch offices in Pickens County, Pickens was ranked 9<sup>th</sup> in deposit market share. Wells Fargo (15.98 percent), Branch Banking and Trust (15.20 percent), Bank of America (14.10 percent), First-Citizens (11.49 percent), and Sun Trust (10.17 percent) possess approximately 67 percent of the deposit market share in Pickens County.

During our evaluation, we contacted one representative of a community development organization and one of an economic development organization. The contacts identified transportation and affordable housing as the primary needs in Pickens County.

The first organization contacted is an economic development organization that focuses on recruiting industries and increasing the number of jobs in Pickens County. A representative from this organization stated that Pickens County has large geographic areas of "small town" poverty. The economic condition of the county is improving and the unemployment rate is the lowest it has been since the recession. There has been great success in recruiting new industries into the county, which has brought an influx of job opportunities; however, the greatest problem for low- to moderate-income individuals in Pickens County is the lack of public transportation. The contact stated that the local university does a good job at bringing students to the area and retaining a portion of them after graduation.

The second organization contacted is a non-profit, faith-based organization in Pickens County that offers a mentoring program to homeless and poverty-stricken individuals to holistically enhance their lives. Approximately 1,200-1,500 individuals participate in their program annually. A representative from this organization stated that Pickens County is improving due to new leadership at the county level that is focusing on attracting new industries and job opportunities to the area. This individual expressed that the greatest issues for low- to moderate-income individuals in Pickens County are lack of affordable housing and transportation. A huge barrier to employment and skill development, despite increasing job opportunities, is that Pickens County does not have public transportation. Additionally, there is a mass shortage of affordable housing, leading to long waitlists. The community contact stated that the individuals targeted by their organization have a greater need to focus on paying off existing debt than obtaining credit from financial institutions. However, plenty of opportunities exist for financial institutions to get involved, including donating time and money to help local organizations committed to developing affordable housing and public transportation.