



PUBLIC DISCLOSURE

March 22, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Jarrettsville FS&LA
Charter Number 706351

3706 Norrisville Rd
Jarrettsville, MD 21084-1419

Office of the Comptroller of the Currency

400 7th Street S.W.
Washington, DC 20291

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: This institution is rated Outstanding.

The following major factors support the institution's rating:

- The average loan-to-deposit ratio (LTD) is more than reasonable given the Bank's size, financial condition, and assessment area (AA) credit needs;
- The Bank originated a majority of home mortgage loans within its delineated AA;
- The distribution of home mortgage loans represents excellent distribution among borrowers of different income levels;
- The Bank did not receive any CRA-related complaints 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 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 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

Jarrettsville Federal Savings and Loan Association (JFSLA, Bank, or Institution) is a federally chartered mutual savings association headquartered in Jarrettsville, Maryland. The institution operates one full-service branch office and a deposit accepting ATM located in an upper-income census tract in Harford County. It does not have any affiliates or subsidiaries.

As of December 31, 2017, JFSLA had total assets of \$123.6 million and Tier 1 capital of \$16.8 million. As of the same date, JFSLA had net loans and leases of \$88.3 million and total deposits of \$96.4 million.

JFSLA offers standard loan and deposit products for individuals and businesses. Loan products include conventional fixed-rate first and second mortgage loans for the purchase, refinance, or construction of single-family residences. The institution also originates a limited number of consumer loans and loans to purchase unimproved real estate (lot loans). JFSLA portfolios and services all of its mortgage loan originations. Deposit products include checking and passbook savings accounts, certificates of deposit, individual retirement accounts, business checking, and business savings accounts. The Bank also provides online banking services to its customers. These services enable customers to pay bills, make transfers, check account balances, and set up automatic payments. The Bank's website, <http://jarrettsvillefederal.com>, provides additional information on its services.

There are no financial or legal impediments to hinder JFSLA's ability to help meet the credit needs of the communities it services. The Bank received a "Satisfactory" rating under the "Small Bank" rating criteria at the previous CRA evaluation, dated September 17, 2012.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This evaluation assesses the performance of JFSLA pursuant to the Community Reinvestment Act (CRA) during the review period, which spanned from January 1, 2015 through December 31, 2016. The OCC evaluated the Bank using Small Bank performance criteria, which includes a Lending Test. The Lending Test considers the Institution's performance pursuant to the following criteria: LTD Ratio Analysis; AA Concentration; Geographic Distribution; Borrower Profile; and Response to CRA Complaints. This evaluation did not include an analysis of lending by geographic distribution as the assessment area contains no low- or-moderate income census tracts.

JFSLA's primary loan product based on originations and purchases during the evaluation period is residential mortgages. The Bank is not subject to the data collection and reporting requirements of the Home Mortgage Disclosure Act. However, the institution

maintains an internal Loan/Application Register (LAR) and information on the LAR served as the basis for the current CRA evaluation.

Demographic information was extracted from the 2010 Census data, and peer data was taken from 2016 aggregate HMDA information (the most recent year available) for HMDA reporting financial institutions that reported lending activity within the AA.

Refer to the table in Appendix A for more information on the scope of review.

Data Integrity

Prior to the examination, we tested the accuracy of the Bank's LAR data and determined the information to be accurate.

Selection of Areas for Full-Scope Review

The Bank has one AA located within the Baltimore-Towson, Maryland (MD) Metropolitan Statistical Area (MSA) 12580. We performed a full-scope review on this AA.

Please refer to the table in Appendix B that provides demographic data for the AA.

Ratings

The Bank's overall rating is based solely on the full-scope review of its one 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

JFSLA's performance under the lending test is Outstanding. The LTD ratio is more than reasonable. The Bank originated a majority of its loans inside its AA. The record of lending to borrowers of different incomes reflects excellent proportion given the performance context. A geographic distribution analysis is not meaningful as the AA contains no low- or -moderate income census tracts. All lending test criteria are listed below:

Loan-to-Deposit Ratio

JFSLA's quarterly average net LTD ratio is more than reasonable and exceeds the standards for satisfactory performance. The Bank's quarterly average LTD ratio over the twenty-two quarter review period was 95.77 percent. During this twenty-two quarter period, this ratio ranged from a quarterly low of 86.15 percent to a quarterly high of 101.49 percent. The quarterly average net LTD ratio for a peer group of six (6) similarly situated institutions with assets ranging from \$108.5 million to \$352.3 million and located in the same MSA was 82.47 percent over the same period. The peer group's ratio ranged from a quarterly low of 68.96 percent to a quarterly high of 94.52 percent during that time period.

Lending in Assessment Area

JFSLA made a majority of home mortgage loans, by number and dollar volume, within its delineated AA, and meets the standard for satisfactory performance. The Bank originated 66.67 percent of the number of loans and 66.63 percent of the dollar volume within its delineated AA during the evaluation period. Analysis is limited to Bank only originations and purchases. Refer to the following table for more information:

Table 1 – Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	9	60.00	6	40.00	15	2,295	55.19	1,863	44.81	4,158
Home Refinance	18	69.23	8	30.77	26	4,374	71.45	1,748	28.55	6,122
Home Improvement	9	69.23	4	30.77	13	3,184	72.65	822	27.35	3,006
Totals	36	66.67	18	33.33	54	8,853	66.63	4,433	33.37	13,286

Source: JFSLA's Loan Application Data for calendar years of 2015 & 2016

Lending to Borrowers of Different Incomes

The distribution of loans reflects excellent distribution among individuals of different income levels, and JFSLA's record of lending to borrowers of different incomes exceeds the standard for satisfactory performance.

The Bank's percentage of mortgage loans granted to low-income borrowers was below the percentage of low-income families residing within the AA, but it exceeded the level of lending to low-income borrowers by other HMDA-reporting lenders. The percentage of lending to moderate-income borrowers was higher than both the AA demographics and the average of all HMDA-reporting lenders. Overall, JFSLA's lending to low- and moderate-income persons represented 25.00 percent of AA lending, which is slightly higher the demographic benchmark of 24.65 percent and much higher than the peer lending benchmark of 16.93 percent.

The table below shows the distribution of residential real estate loans in the AA among borrowers of different income levels for the period of January 1, 2015 through December 31, 2016. This is compared to the percentage of families in each income category as well as the aggregate peer performance in 2016, the most recent year for which data is available:

Table 2 - Borrower Distribution of Residential Real Estate Loans					Demographic Benchmarks	Peer Lending Benchmark
Income Level of Borrower	Number	No. Pct.	Dollar \$(000)	\$ Percent	Percent Families	2016 Aggr. HMDA
Low = <50%	2	5.56	150	1.69	10.52	3.70
Moderate = 50-79%	7	19.44	1,234	13.94	14.13	13.23
Middle = 80-119%	10	27.78	2,400	27.11	23.46	21.33
Upper = > 120%	17	47.22	5,069	57.26	51.89	40.75
Total	36	100.00	8,853	100.00	100.00	100.00

Source: JFSLA's Loan Application Data for calendar years of 2015 & 2016; 2010 U.S. Census data.

Geographic Distribution of Loans

The Bank does not have any low-or moderate-income census tracts within its AA; therefore, an analysis of the institution's record of residential real estate lending among AA geographies would not have been meaningful and was not performed.

Responses to Complaints

JFSLA has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation and loan products considered.

Time Period Reviewed	Lending Test: (01/01/2015 to 12/31/2016)	
Financial Institution		Products Reviewed
Jarrettsville FS&LA (JFSLA) Jarrettsville, Maryland		Residential Mortgage Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None Reviewed		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Baltimore-Towson, MD MSA 12580	Full-Scope	Portion of the Baltimore- Towson MD MSA 12580 comprised of: <i>26 census tracts in Harford County</i>

Appendix B: Community Profiles for Full-Scope Areas

Demographic Information for Full-Scope Area: JFSLA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	26	0.00	0.00	46.15	53.85	0.00
Population by Geography	113,406	0.00	0.00	44.59	55.41	0.00
Owner-Occupied Housing by Geography	35,712	0.00	0.00	42.85	57.15	0.00
Business by Geography	7,258	0.00	0.00	46.17	53.83	0.00
Farms by Geography	382	0.00	0.00	45.29	54.71	0.00
Family Distribution by Income Level	30,865	10.52	14.13	23.46	51.89	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	7,608	0.00	0.00	54.23	45.77	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016		99,693 86,700		Median Housing Value	350,203	
Households Below Poverty Level		3.68%		Unemployment Rate (2010 US Census)	4.7%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2016 FFIEC updated MFI

The Bank has one AA located within the Baltimore-Towson, Maryland (MD) Metropolitan Statistical Area (MSA) 12580. The AA consists of twenty-six contiguous census tracts (CT) in northern Harford County, of which twelve (12) are middle-income CTs (46.15 percent) and fourteen (14) are upper-income CT (53.85 percent). The AA contains no low- or moderate- income tracts. The AA meets regulatory guidelines by including whole geographies and not arbitrarily excluding low- and moderate-income areas.

The 2010 U.S. Census reported the total population of the AA at 113,406. Within the AA, there are 40,037 households and 30,865 families. There are 41,929 housing units, of which, 85.17 percent are owner-occupied, 10.32 percent are rental-occupied, and 4.51 percent are vacant housing units. Approximately 42.85 percent of owner-occupied housing is located in middle-income geographies, and 57.15 percent in upper-income geographies. The median housing cost is \$350,203.

The 2010 median income for this AA was \$99,693, and the 2016 FFIEC updated median family income is \$ 86,700. Approximately 10.52 percent of families are low-income, 14.13 percent are moderate-income, 23.46 percent are middle-income, and 51.89 percent are upper-income. Additionally, 27.37 percent of households received social security, 24.97 percent were retired, and 3.68 percent of households were below the poverty level.

Competition for mortgage loans is strong and includes local commercial and savings banks and branches of larger regional and nationwide banks. Based upon the most

recent 2016 Peer Mortgage Data, there were 312 lending institutions within JFSLA's AA competing for mortgage applications. JFSLA ranks 52 with a market share of 0.46 percent. The top five lenders are: Wells Fargo Bank, NA, loanDepot.com, LLC, Aberdeen Proving Ground FCU, and Quicken Loans.

Based on the June 30, 2017 FDIC Summary of Deposit Market Share report, JFSLA's deposit market share within the Baltimore-Columbia-Towson MD MSA was 0.13 percent, ranking JFSLA 37 out of 56 institutions in the MSA. The Bank's primary competitors are: Bank of America, NA (81 offices, 27.90 percent market share), Manufacturers and Traders Trust Company (99 offices, 21.60 percent market share), PNC Bank (94 offices, 10.62 percent market share), Wells Fargo Bank, NA (59 offices, 9.94 percent market share), and Branch Banking and Trust Company (78 offices, 7.60 percent market share).

According to the Bureau of Labor Statistics, the January 31, 2018 preliminary unemployment rate for the Baltimore-Columbia-Towson MD MSA was 4.7 percent. As of the same date, the unemployment rate for Harford County was 4.3 percent while the unemployment rate for the state of Maryland was 4.6 percent and the national unemployment rate was 4.1 percent.

Harford County is the 7th most populated county in Maryland and borders Baltimore County, MD; Cecil County, MD; Kent County, MD; Lancaster County, PA; and York County, PA. Major employers in the AA are Aberdeen Proving Ground, Upper Chesapeake Health Systems, Rite Aid, Kohl's, ShopRite of Maryland, Walmart, and Jacobs Technology.

As per November 2017 Moody's Analytics data, employment growth in Baltimore-Columbia-Towson has plateaued around 1% year over year, making the metro area a below-average performer among large economies in the Northeast. The expansion is firmly intact, however. Most major industries are adding jobs, and at 3.8%, the unemployment rate is the lowest in nearly a decade. Average weekly earnings have risen steadily over the year and are near a cyclical high. Multifamily permits are showing fresh signs of life after a doleful start to 2017. Single-family housing permits, on the other hand, are hovering around the same level of the past five years and are below the historical average. House prices are rising, but the pace lags the national average.

Moody's Analytics reports that the outlook for Baltimore-Columbia-Towson is sanguine. Housing will pick up as income growth strengthens and foreclosure inventories clear. Modest population additions and relatively high business costs limit upside potential. Long term, Baltimore's job and income gains will track those of the U.S.

In assessing the Bank's performance, we contacted a representative of a community organization in Harford County. The organization's mission is to help all Harford County residents experiencing financial hardships in meeting their housing, food, energy, heating, budget, and/or family counseling needs. According to the contact, there are a number of county residents who are food insecure and are struggling financially to meet day to day living expenses. Support for food pantries and other programs to help alleviate food

insecurity is a continued need. The contact mentioned that Jarrettsville Federal Bank appears to be active in the community supporting a number of charitable endeavors and fundraising events.