



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 01, 2012**

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

State-Investors Bank  
Charter Number 700016

1041 Veterans Memorial Blvd  
Metairie, LA 70005-2848

Office of the Comptroller of the Currency

ADC-NEW ORLEANS Field Office  
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.**

Major factors supporting the assigned rating are as follows:

- The loan-to-deposit ratio is more than reasonable and exceeds the standards for satisfactory performance.
- A substantial majority of the loan originations are in the bank's assessment area (AA).
- The distribution of lending reflects a reasonable penetration among individuals of different income levels.
- The geographic distribution of loans demonstrates a reasonable dispersion among low- and moderate-income census tracts.

**SCOPE OF EXAMINATION**

Evaluation of the bank is done using the Small Bank examination procedures, which primarily focuses on a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The lending test for State Investors Bank (SIB) covers its performance from January 1, 2007 through September 30, 2011.

SIB's primary business strategy is to originate fixed-rate and variable-rate conventional and government sponsored mortgage loans for the construction, purchase, refinance, or improvement of one-to-four family dwellings. The bank is a Home Mortgage Disclosure Act (HMDA) reporter; therefore HMDA data was utilized to evaluate the bank's loan performance. HMDA loans were analyzed for years 2009, 2010, and the nine months ended September 30, 2011.

**DESCRIPTION OF INSTITUTION**

SIB is a \$244 million (as of December 31, 2011) federally chartered, stock bank headquartered in Metairie, Louisiana. In addition to the main office there are 3 branches located in New Orleans, Mandeville and Harahan, Louisiana. All locations are full service facilities with traditional operating hours and drive-up facilities. In July 2011, SIB converted from a mutual to a stock-owned thrift and is now 100% owned by State Investors Bancorp, a non-complex, single entity holding company. SIB provides a full range of loan products as well as deposits (limited to Certificates of Deposit), funds transfer, and safe deposit services. Loan products offered include residential mortgages, residential construction, consumer, commercial mortgage, business non-mortgage, and land loans. As of our evaluation date, SIB had no legal or regulatory impediments identified that would impact its lending activities or impede the bank's ability to meet the credit needs within the AA. The bank was rated "Satisfactory" during the prior CRA Examination dated October 30, 2006.

The following table provides information related to various balance sheet components:

<b>Table 1 - Major Components of Assets, Liabilities and Capital</b>			
<b>As of 12/31/2011</b>			
<b>Balance Sheet Component</b>	<b>Balance Sheet \$ Amount</b>	<b>% of Total Assets</b>	<b>\$ or % Growth in Period</b>
<b>Loans</b>	<b>\$176,223</b>	<b>72.4%</b>	<b>-16.2%</b>
1-4 Family Permanent Mortgages	128,700	52.8%	-2.7%
1-4 Family Construction Loans	3,277	1.3%	1.2%
Multi-Family & Nonresidential Mortgages	39,239	16.1%	-13.8%
Land Permanent Mortgages	3,371	1.4%	-0.5%
Consumer Loans	1,636	0.7%	-0.4%
<b>Investments</b>	<b>48,625</b>	<b>20.0%</b>	<b>20.0%</b>
Interest-Earning Deposits in FHLB	1,157	0.5%	0.1%
US Agencies Mortgage Pool Securities	47,368	19.5%	15.4%
<b>Total Assets</b>	<b>243,533</b>	<b>100.0%</b>	<b>28.8%</b>
<b>Liabilities &amp; Capital (LC)</b>		<b>% of Total LC</b>	
Deposits and Escrows	164,189	67.4%	8.7%
Advances from FHLB	42,308	17.4%	-14.0%
<b>Total Liabilities</b>	<b>207,224</b>	<b>85.1%</b>	<b>-5.4%</b>
Common Stock	13,966	5.7%	5.7%
Retained Earnings	22,197	9.1%	-0.4%
<b>Total Capital</b>	<b>36,309</b>	<b>14.9%</b>	<b>5.4%</b>

Source: Thrift Financial Report

SIB originated 574 real estate mortgage loans totaling approximately \$101 million between January 1, 2008 and September 30, 2011. Historically, the bank's activity in consumer lending has been limited. As of December 31, 2011 residential real estate mortgage comprise 75% of total loans representing the bank's most significant lending type.

## DESCRIPTION OF ASSESSMENT AREA

SIB's AA is comprised of 275 contiguous census tracts located in Jefferson, Orleans, and St. Tammany Parishes, LA. The AA includes the cities of Metairie, Kenner, Harahan, and River Ridge in Jefferson Parish, the east bank of New Orleans, the entire parish of St. Tammany, and it covers a portion of the New Orleans MSA. The bank's AA meets all legal requirements as specified by the CRA.

The economy of the New Orleans MSA is primarily centered in maritime and related industries, healthcare, oil and petrochemical production, government, and tourism. Tourism is particularly important to the area. According to data provided by the Greater New Orleans Community Data Center, the tourism and convention industry typically provides 40% of the tax revenues for the City of New Orleans. Information obtained from public sources estimate that an average of 8.5 million people visits New Orleans annually, contributing over \$5 billion to the local economy. Unemployment in the New Orleans MSA as of December 31, 2011 was 6.4% which is lower than the state of Louisiana at 7% and the nation at 8.5%.

Since the 2006 CRA examination, New Orleans and the entire Gulf Coast region have continued in recovery efforts from the devastating effects of Hurricanes Katrina and Rita in 2005 and

Hurricanes Ike and Gustav in 2008. Residents, employers, and services have returned to the area in some capacity since the hurricanes, but weaknesses and shortfalls continue. As a result of these natural disasters, the banks AA has lost a significant number of its residents. New Orleans has lost approximately 141,000 or 29% of its residents since the 2000 census. Another factor hampering the AA’s recovery has been the lack of livable housing accommodations for returning residents. Estimates range as high as 70% of the city’s housing was either damaged or destroyed. Areas directly impacted included a significant amount of the cities lower and moderate income residences. Middle and upper income homeowners returning to the area benefitted from federal and state subsidies as well as insurance proceeds to rebuild or rehabilitate their properties to a pre-hurricane state.

While low and moderate income homeowners were able to avail themselves of similar programs, these income groups suffered the most. Home ownership among these groups was already significantly less than middle and upper income families. As shown in the table below owner-occupied housing in low- and moderate-income census tracts is much lower than middle- and upper-income census tracts.

Demographic Information for State Investors Bank Assessment Area						
Table 6						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Census Tracts	274	17.29%	22.90%	28.50%	31.31%	0.00%
Population by Tract	876,661	15.01%	19.73%	32.61%	32.66%	0.00%
Owner-Occupied Housing by Tract	125,775	5.41%	14.34%	35.75%	44.50%	0.00%
Family Distribution by Income Level	221,260	11.82%	17.25%	35.52%	35.40%	0.00%
Distribution of Low and Moderate Income Families throughout AA Tracts	221,260	24.28%	15.75%	18.12%	41.86%	0.00%
Median Family Income		46,940	Median Housing Value			117,059
HUD Adjusted Median Family Income for 2010		61,200	Unemployment Rate 12/31/2011			6.40%
Households Below Poverty Level		17.86%				
2010 HUD updated MFI						
(*) The NA category consists of Tracts that have not been assigned an income classification.						

Source: CRA Wiz reports and HUD updated information

One reason for the lack of more home ownership has been the escalating prices of single family residences affordable to low- and moderate-income individuals. The website Zillow.com reflected that the median value for a home in New Orleans as of February 2012 is \$162,000. Based on the secondary market standard of a maximum of 28% of income for a mortgage loan and the high range of income for low income families (\$30,549), the most that a low income family could afford to pay on a monthly basis is \$712. This figure does not include taxes and insurance which reduces the amount that a low and/or moderate income family could afford. Since Katrina and Rita, hazard insurance has more than doubled on real estate, with numerous insurers still refusing to write new policies in the New Orleans area.

Subsequent to Hurricane Katrina, demographic information significantly changed; however, the table below depicts demographic data prior to the hurricane based on the 2000 Census.

<b>Table 3 - Demographic Data Institution Assessment Area</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	876,661
Total Families	221,260
1-4 Family Units	314,514
Multi-family Units	66,342
% Owner-Occupied Units	52.04%
% Renter-Occupied Units	38.37%
% Vacant Housing Units	9.59%
Weighted Average Median Family Income	\$61,100

Source: CRA Wiz reports 2010 Activity Year

We discussed community-lending needs with the executive director of a local economic development non-profit agency who identified small business loans as the most prominent lending need in the AA. The contact stated that funding or contributions from local banks, which once supported large or major housing projects specifically designed for low- and moderate-income individuals, are no longer available. Community development organizations now operate on a case-by-case basis with individuals of need. He stated that perceptions of local financial institutions are the same.

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

### **Loan-to-Deposit Ratio**

SIB's loan-to-deposit (LTD) is more than reasonable and exceeds the standards for satisfactory performance. The bank's quarterly average LTD ratio was 131.4% since the previous CRA examination conducted in October 2006. As show in the table below SIB's LTD performance exceeds all similarly situated banks during the same time period.

<b>Table 7 – Loan to Deposit Ratio Data</b>				
<b>Thrift Institution</b>	<b>Average Total Assets</b>	<b># Branches</b>	<b>Basic LTDR</b>	
			<b># Quarters Average</b>	<b>% Change over Period</b>
State-Investors Bank	\$211,617	0	131.4%	69.0%
St Landry Homestead FSB	268,636	0	129.5%	78.3%
Home Federal Bank	165,738	0	56.9%	242.5%
MBL Bank	183,314	0	74.3%	67.3%
Florida Parishes Bank	165,458	0	99.6%	95.5%
Anthem Bank & Trust	78,320	0	62.5%	106.9%
Homeland Federal Savings Bank	130,311	0	95.0%	80.1%
<b>Group 3 Peer Median</b>	<b>\$171,914</b>		<b>91.6%</b>	<b>86.6%</b>

Source: CRA Wiz reports and HUD updated information

### **Lending in Assessment Area**

A substantial majority of the bank's lending activity is within its AA. As mentioned previously,

SIB is a traditional thrift primarily offering residential mortgage loans. Between January 1, 2008 and September 30, 2011 SIB originated 574 mortgage loans. The following table shows that a substantial majority of loans were originated in the AA.

Loan Type	% Inside Area		% Outside Area		Total	
	#	\$	#	\$	#	\$(000)
Mortgage Loans	82.8%	84.5%	17.2%	15.5%	574	\$100,658

Source: 2008–2011 HMDA-LAR

### **Lending to Borrowers of Different Incomes**

SIB's distribution of loans to borrowers of different incomes is reasonable in light of AA demographics and peer comparisons. The distribution of home loans to borrowers reflects adequate penetration among borrowers of different income levels after considering the rate of poverty in SIB's AA. The bank achieved a reasonable penetration of home loans to low- and moderate-income borrowers despite the high poverty level of 18% of the population in the AA. This high rate of poverty impedes this bank's and others ability to originate home loans to low-income borrowers given today's lending underwriting guidelines. A significant percentage of SIB's lending during the review period has been to middle and upper income individuals. One reason for this trend is attributable to SIB's lack of branches or deposit taking devices in low- and moderate-income census tracts. To offset this activity the bank periodically purchases loans located in low- and moderate-income tracts within its AA. Table 9 illustrates the distribution of home mortgage loans in relation to the number of families in the AA by income level compared to its peer during 2009, 2010, and the nine month period ended September 30, 2011.

Borrower Income Category	% of Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	19.4%	5.5%	24.6%	5.2%
Moderate	10.2%	5.0%	16.2%	13.1%
Middle	15.7%	12.0%	18.6%	20.3%
Upper	54.7%	77.5%	40.6%	61.4%
<b>Total # or \$</b>	<b>324</b>	<b>\$53,725</b>	<b>287,760</b>	<b>13,806</b>

Source: HMDA-LAR Report; CRA Wiz reports

### **Geographic Distribution of Loans**

The geographic distribution of loans in the AA reflects reasonable dispersion throughout census tracts of different income levels. It also compares favorably to other HMDA lenders. The following table illustrates the total number and percentage of mortgage loans originated by the bank in low, moderate, middle, and upper income census tracts compared to the aggregate percentage of loans originated by all HMDA lenders for the 33 month period ended September 30, 2011.

<b>Table 10 - Distribution of Thrift (Loan Type) Loans By Census Tract Income Level in the Assessment Area</b>				
<b>Census Tract Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Owner Occupied</b>	<b>% of Aggregate (or Peers)</b>
Low	3.1%	0.8%	10.9%	2.5%
Moderate	19.9%	9.9%	21.2%	8.9%
Middle	23.6%	20.9%	35.4%	31.7%
Upper	53.4%	68.4%	32.5%	56.9%
<b>Total # or \$</b>	<b>324</b>	<b>\$60,068</b>	<b>396,364</b>	<b>13,806</b>

Source: HMDA-LAR Report; CRA Wiz reports

**Responses to Complaints**

SIB has not received any CRA related consumer complaints during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

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