



Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

January 06, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Belmont FS & LA
Charter Number 700773

210 Park Street
Belmont, NC 28012

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: This institution is rated Satisfactory.

The major factors that support this rating include:

- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable based on the bank's size, financial condition, and relevant competitive factors;
- A majority of the bank's loans are made within its assessment area (AA);
- The distribution of borrowers reflects reasonable penetration among borrowers of different income levels within the AA;
- The geographic distribution of loans reflects reasonable dispersion throughout the AA; and
- The bank received no complaints about its performance in helping to meet the credit needs of the AA.

SCOPE OF EXAMINATION

We performed a full-scope evaluation of Belmont Federal Savings and Loan Association's (Belmont Federal) performance using small bank Community Reinvestment Act (CRA) examination procedures. Our review covered the bank's CRA performance from January 1, 2011 through September 30, 2013. Based upon the bank's business strategy and the loans originated during the evaluation period, we determined that residential mortgage loans are the bank's primary loan product. As a result, we reviewed the residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2011 through September 30, 2013. We used 2000 U.S. Census data to analyze the bank's residential mortgage lending for the period from January 1, 2011 through December 31, 2011. For lending activity from January 1, 2012 through September 30, 2013, we used data from the U.S. Census 2006 – 2010 American Community Survey.

In July 2013, we conducted an evaluation of the integrity of Belmont Federal's publicly filed HMDA information to verify the accuracy of 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. This CRA evaluation is based on accurate data.

DESCRIPTION OF INSTITUTION

Belmont Federal is a federally insured mutual savings association with total assets of approximately \$106 million as of September 30, 2013. The bank's Tier One Capital is \$16.3 million and Total Risk Based Capital is \$16.6 million.

Belmont Federal conducts business from its sole office in the city of Belmont, North Carolina, which is located in Gaston County. The hours of operation are from 9:00 a.m. to 5:00 p.m. Monday through Thursday and until 6:00 p.m. on Friday. Belmont Federal operates one automated teller machine (ATM) and a drive-up teller window. In addition, the bank offers online banking and bill pay. Online, customers can make balance and transaction inquiries, transfer funds between accounts, and pay bills.

As a traditional savings association, Belmont Federal concentrates its operations in the origination of mortgage loans and acceptance of deposits. The institution offers fixed-rate mortgage loans for the purchase, refinance, and construction of single-family dwellings. As a small community bank, Belmont Federal does not originate mortgage loans for sale on the secondary market, but retains all originated mortgage loans in the bank's portfolio. As such, Belmont Federal adheres to conservative loan underwriting guidelines. The institution also offers home equity loans, as well as loans secured by deposit accounts. It offers a wide range of deposit products including checking accounts, certificate of deposits, and money market accounts. Residential real estate loans represent a substantial majority of the bank's loan portfolio. The table below reflects the distribution of Belmont Federal's loan portfolio as of September 30, 2013.

Belmont Federal Savings and Loan Association Distribution of Loan Portfolio as of September 30, 2013			
Loan Type	Amount by Loan Type (\$000s)	Total Amount of Loans (\$000s)	% of Total Loans
<i>Commercial Real Estate including Commercial & Industrial</i>		\$3,002	5.15%
Non-farm Non-residential Properties	\$2,392		
Construction and Land Development	\$610		
Commercial and Industrial	\$0		
<i>Residential Real Estate, including Multifamily</i>		\$55,279	94.76%
1-4 Family Residential Secured by 1 st liens	\$51,422		
1-4 Family Residential Secured by junior liens	\$302		
1-4 Family Residential, open-end	\$1,395		
Multifamily (5 or more) Residential	\$1,304		
Construction 1-4 Family	\$856		
<i>Consumer</i>	\$53	\$53	0.09%
Total Loans		\$58,334	100%

DESCRIPTION OF ASSESSMENT AREA(S)

Belmont Federal's AA consists of 27 contiguous census tracts in the eastern portion of Gaston County, North Carolina. The AA meets the technical requirements of the CRA and does not arbitrarily exclude low- or moderate-income census tracts. Gaston County is part of the Charlotte-Gastonia-Rock Hill, NC-SC Metropolitan Statistical Area (MSA).

According to 2010 Census data, Belmont's AA consists of two low-income census tracts, eight moderate-income census tracts, fourteen middle-income census tracts, and three upper-income census tracts. Because of changes from the 2000 Census to the 2010 Census, Belmont's Federal's AA increased from 18 census tracts to 27 census tracts. According to the 2000 Census, there were no low- or upper-income census tracts. The following table highlights certain demographic characteristics with Belmont's AA:

BELMONT SAVINGS AND LOAN ASSOCIATION ASSESSMENT AREA DEMOGRAPHICS						
Based upon 2010 Census Data						
	CENSUS TRACT INCOME LEVEL ¹					
	TOTAL	LOW	MODERATE	MIDDLE	UPPER	
CENSUS TRACTS/BNA	#	27	2	8	14	3
POPULATION	#	87,712	6,298	23,389	46,007	12,018
BY LOCATION		100.00%	7.18%	26.67%	52.45%	13.70%
% OWNER OCCUPIED		100.00%	33.17%	55.41%	71.47%	77.63%
% RENTER OCCUPIED		100.00%	47.75%	33.56%	19.21%	13.56%
% VACANT		100.00%	19.08%	11.03%	9.32%	8.81%
MEDIAN HOUSING VALUE		\$86,463	\$113,675	\$103,680	\$137,972	\$221,713
UPDATED MEDIAN FAMILIY INCOME FOR 2013		\$64,500				
% OF FAMILIES BELOW POVERTY LEVEL		7.61%				

The largest employers in Gaston County include the Gaston County School District, Caromont Healthcare, Freightliner, Wal-Mart Associates, County of Gaston, FKA Wix Filtration Group, and American & Efird, Inc. As of October 2013, the unemployment rate in Gaston County was 10.0 percent, which was slightly higher than the unemployment rate in the state of North Carolina (8.7 percent).

During this evaluation, we made a community contact to determine the credit needs and local economic conditions of the AA. The contact noted that the economic recession adversely affected Gaston County. In 2009, Gaston County lost approximately 5,600

¹ 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 $\geq 50\%$, but $<80\%$; a middle-income tract is $\geq 80\%$, but $<120\%$; and an upper-income tract is $\geq 120\%$.

jobs. Economic conditions are currently improving. In 2011, approximately 1,200 new jobs were created in Gaston County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Belmont Federal's LTD ratio is reasonable and meets standards for satisfactory performance. In addition, the majority of Belmont Federal's loans are within the AA. The bank's geographic distribution of loans reflects reasonable dispersion throughout the AA. The distribution of borrowers also reflects reasonable penetration among borrowers of different income levels.

Loan-to-Deposit Ratio

Belmont Federal's LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. The bank's quarterly average LTD ratio for the 23 quarters since the last CRA evaluation was 72.68 percent. The bank's LTD ratio ranged from a quarterly low of 61.73 percent to a quarterly high of 79.78 percent during this time period. In comparison, the quarterly average LTD ratio among similarly sized financial institutions in North and South Carolina is 79.86 percent. The peer average LTD ratio over the same 23 quarters ranged from a low of 67.45 percent to a high of 89.26 percent.

Lending in Assessment Area

During the evaluation period, a majority (64 percent of the total number of loans) of Belmont Federal's residential loans are inside the AA. Based on the percentage of lending in the AA, the bank's performance meets standards for satisfactory performance. The following table reflects Belmont Federal's record of HMDA-reportable loan originations inside and outside the AA from January 1, 2011 through September 30, 2013.

**Table 1 – Mortgage Loans Originated Within/Outside the AA
January 1, 2011 through September 30, 2013**

Originations	Number	Percentage	Dollar Amount (\$000)	Percentage
Within	106	64.63%	\$13,262	56.94%
Outside	58	35.37%	\$10,028	43.06%
TOTAL	164	100.00%	\$23,290	100.00%

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

The distribution of loans reflects reasonable penetration among borrowers of different income level and meets standards for satisfactory performance.

The bank's 2011 distribution of loans reflects reasonable penetration among borrowers of different income levels. Table 2 presents the percentage of lending to borrowers of different income levels within the AA and compares it to the percentage of families in each income category. The distribution of loans to low-income borrowers was poor compared to the percentage of low-income families in the AA. However, we considered that family poverty rates and economic conditions adversely affected lending opportunities among low-income borrowers. According to 2000 Census data, 6.38 percent of total families in the AA were below the poverty level. Families below poverty may lack financial resources to obtain mortgage loans. In addition, the unemployment rate in Gaston County in 2011 was 11.6 percent, which was higher than the state of North Carolina's rate of 9.9 percent. The distribution of loans to moderate-income borrowers exceeded the percentage of moderate-income families.

Table 2 – Lending to Borrowers of Different Income Levels in AA January 1, 2011 through December 31, 2011						
Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000s)	Pct. of \$	Distribution of Families In AA
Low	<50%	1	3.45%	69	1.87%	21.22%
Moderate	≥50-<80%	7	24.14%	664	17.95%	23.16%
Middle	≥80-<120%	6	20.69%	755	20.41%	26.54%
Upper	≥120%	15	51.72%	2,211	59.77%	29.09%
Total		29	100.00%	\$3,699	100.00%	100.00%

*Source: 2011 HMDA Data and 2000 Census Data

Belmont Federal's percentage of lending to borrowers of different income levels was compared to the lending activity of other lenders. Table 3 compares Belmont Federal's lending to the lending activity of all federally regulated financial institutions. The bank's distribution of loans to low-income borrowers was poor compared to the percentage of loans originated by other lenders. As previously discussed, high employment and poverty rates may hinder lending opportunities to low-income borrowers. The bank's distribution of loans to moderate-income borrowers exceeded the percentage of lending to moderate-income borrowers by other lenders.

Table 3 Borrower Income Level	Belmont Federal (2011)		2011 Aggregate HMDA	Percent of Families In AA
	Number of Loans	Percent of Loans		
Low = <50%	1	3.45%	11.87%	21.22%
Moderate = 50-79%	7	24.14%	19.69%	23.16%
Middle = 80-119%	6	20.69%	25.28%	26.54%
Upper = ≥ 120%	15	51.72%	43.16%	29.09%
**Total	29	100.00%	100.00%	100.00%

Source 2011 HMDA Data and 2000 Census Data; Does not include loans for which borrower income was not considered

The bank's distribution of loans in 2012 and 2013 reflects reasonable penetration among borrowers of different income levels. Table 4 represents the bank's percentage of lending to borrowers of different income levels and compares it to the percentage of families in each income category. Belmont Federal's distribution of loans to low-income individuals was below the percentage of low-income families in the AA. As discussed previously, family poverty rates affect lending opportunities among low-income borrowers, which was considered as part of this evaluation. According to 2010 Census data, 7.61 percent of families are below poverty in the AA. The distribution of loans to moderate-income individuals nearly equaled the percentage of moderate-income families.

Table 4 – Lending to Borrowers of Different Income Levels In Belmont Federal Assessment Area January 1, 2012 through September 30, 2013						
Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000s)	Pct. of \$	Distribution of Families In AA
Low	<50%	7	9.21%	341	3.65%	23.70%
Moderate	≥50-<80%	14	18.42%	1,166	12.47%	18.95%
Middle	≥80-<120%	14	18.42%	1,580	16.89%	23.29%
Upper	≥120%	41	53.95%	6,266	66.99%	34.06%
Total		76	100.00%	\$9,353	100.00%	100.00%

Source: 2012 and 2013 HMDA Data and information does not include loans for which borrower income information was not considered

Belmont Federal's 2012 and 2013 lending activity was compared to the lending activity of other HMDA lenders in the AA. Table 5 compares Belmont's lending activity to lending activity of other lenders. Aggregate 2013 HMDA data is not yet available. The bank's distribution of loans to low-income individuals was near to the percentage of loans originated by other lenders. The bank's distribution of loans to moderate-income borrowers nearly equals the percentage of lending to moderate income borrowers by other lenders.

Table 5: Borrower Income Level	Belmont Federal (2012 & 2013)		2012 HMDA Aggregate	Percent of Families In AA
	Number of Loans	Percent of Loans		
Low = <50%	7	9.21%	11.57%	23.70%
Moderate = 50-79%	14	18.42%	20.19%	18.95%
Middle = 80-119%	14	18.42%	23.57%	23.29%
Upper = ≥ 120%	41	53.95%	44.67%	34.06%
**Total	76	100.00%	100.00%	100.00%

** Does not include loans for which income was not considered

Since the preceding evaluation, Belmont Federal continued its participation in the Community Investment Corporation of the Carolinas (CICCAR). CICCAR is an affordable housing loan consortium of the North Carolina Bankers Association that

provides long-term permanent financing for multi-family low- and moderate-income housing projects by selling participation interests to members of the organization. To qualify for financing, at least 51 percent of the housing units must provide housing for individuals earning no more than 60 percent of the area median family income. Additionally, residents cannot spend more than 30 percent of their monthly income on housing. Most of the CICCAR developments received an allocation of Federal low income housing tax credits and have some sort of subordinated debt. This leveraged funding comes from city, county, federal HOME funds, affordable housing grants, and state housing trust funds. Since the preceding CRA evaluation, Belmont Federal purchased eight CICCAR participation loans totaling \$250,000.

Geographic Distribution of Loans

Belmont Federal's distribution of loans in the AA is reasonable and meets standards for satisfactory performance.

Belmont Federal's 2011 geographic distribution of loans reflects reasonable dispersion in the AA. Based on 2000 Census data, there are no low-income census tracts in the AA. Table 6 represents the geographic distribution of loans compared to the percentage of owner-occupied housing units in each census tract. The distribution of loans in moderate-income census tracts was below the percentage of owner-occupied housing units in moderate-income census tracts. The bank's 2011 geographic distribution received less weight than the bank's 2012 and 2013 geographic distribution. The bank's lending activity in 2011 was significantly less than the lending activity in 2012 and 2013. Management attributed the low distribution of loans in moderate-income census tracts during 2011 to poor local economic conditions. As previously mentioned, Gaston County's unemployment rate was 11.6 percent in 2011.

Table 6 – Geographic Distribution of Loans In Belmont Federal Assessment Area January 1, 2011 through December 31, 2011						
Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000)	Pct. of \$	Distribution of OOHUs in AA
Low	<50%	0	0.00%	0	0.00%	0.00%
Moderate	≥50-<80%	4	13.79%	401	10.84%	23.71%
Middle	≥80-<120%	25	86.21%	3,298	89.16%	76.29%
Upper	≥120%	0	0.00%	0	0.00%	0.00%
Total		29	100.00%	3,699	100.00%	100.00%

Belmont's geographic distribution of loans was compared to lending activity of HMDA lenders. Table 7 compares the bank's distribution in the AA to other HMDA lenders. The bank's distribution of loans in moderate-income census tracts was slightly below the aggregate percentage of other lenders.

Table 7 Income Category	Belmont Federal (2011)		2011 Aggregate HMDA	Distribution of OOHU In AA
	Number of Loans	Percent of Loans		
Low = <50%	0	0.00%	0.00%	0.00%
Moderate = 50-79%	4	13.79%	19.04%	23.71%
Middle = 80-119%	25	86.21%	80.96%	76.29%
Upper = ≥ 120%	0	0.00%	0.00%	0.00%
Total	29	100.00%	100.00%	100.00%

Belmont Federal's 2012 and 2013 geographic distribution reflects reasonable dispersion in the AA. Table 8 presents the geographic distribution of loans in 2012 and 2013 compared to the percentage of owner-occupied housing units in the AA. The distribution of loans in low-income census tracts was below the percentage of owner-occupied housing units. The poor distribution of loans in low-income tracts may be a factor of the bank's distance from the low-income census tracts. The two low-income census tracts are located in the western portion of the AA, closer to the city of Gastonia. The bank's ability to effectively serve the low-income census tracts may be affected by the distance from these areas. The distribution of loans in moderate-income tracts was near to the percentage of owner occupied housing units in the moderate-income census tracts.

Table 8 - Geographic Distribution of Loans In Belmont Federal Assessment Area January 1, 2012 through September 30, 2013						
Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000)	Pct. of \$	Distribution of OOHUs in AA
Low	<50%	0	0.00%	0	0.00%	4.01%
Moderate	≥50-<80%	18	23.38%	1,921	20.09%	24.05%
Middle	≥80-<120%	37	48.05%	3,676	38.44%	55.88%
Upper	≥120%	22	28.57%	3,966	41.47%	16.06%
Total		77	100.00%	9,563	100.00%	100.00%

Belmont Federal's 2012 and 2013 geographic distribution of loans was compared to lending Aggregate 2012 HMDA data. Aggregate HMDA Data for 2013 is not yet available. Table 9 compares the bank's distribution in the AA to other lenders. The bank's distribution of loans in low-income census tracts was below the percentage of lending of other lenders. The bank's distribution of loans in moderate-income census tracts was slightly below the percentage of loans in moderate-income census tracts made by other lenders.

Table 9 - Geographic Distribution of Loans				
Table 9 Income Category	Belmont Federal (2012 & 2013)		2012 Aggregate HMDA	Distribution of OOHU In AA
	Number of Loans	Percent of Loans		
Low = <50%	0	0.00%	3.27%	4.01%
Moderate = 50-79%	18	23.38%	15.32%	24.05%
Middle = 80-119%	37	48.05%	56.88%	55.88%
Upper = ≥ 120%	22	28.57%	24.53%	16.06%
Total	77	100.00%	100.00%	100.00%

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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