



PUBLIC DISCLOSURE

October 20, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Savings
Charter Number 700646

425 Main St
Caldwell, OH 43724-1323

Office of the Comptroller of the Currency
Cleveland Field Office
200 Public Square Suite 1610
Cleveland, OH 44114-2301

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 supporting this rating include:

- The bank's loan-to-deposit ratio is reasonable given its size and financial condition, and the credit needs of its community.
- The bank originates a majority of its loans inside its assessment area (AA).
- The bank's distribution of residential mortgage loans to borrowers of different incomes is reasonable.
- The bank's geographic distribution of loans to areas of different income levels is weak.

SCOPE OF EXAMINATION

We evaluated Community Savings' Community Reinvestment Act (CRA) performance using Small Bank CRA procedures. The evaluation period for our examination is June 8, 2009, through October 20, 2014, and the bank's primary lending product during the evaluation period was one-to-four family residential mortgage loans. Since the bank is not a Home Mortgage Disclosure Act (HMDA) reporter, we used a sample of 40 loans originated by the bank between January 1, 2012, and December 31, 2013, in our analysis. In evaluating the bank's performance, we considered the bank's level of lending inside versus outside its AA, the geographic distribution of its loans, the distribution of loans based on the income level of the borrower, and the bank's loan-to-deposit ratio. We also used other supporting information including 2010 United States (U.S.) Census data, bank records, Federal Deposit Insurance Corporation (FDIC) deposit market share data, and information from governmental websites regarding the AA's characteristics and economy. We also considered information obtained through community contacts with local organizations.

DESCRIPTION OF INSTITUTION

Community Savings is an intrastate mutual savings bank headquartered in Caldwell, Ohio. The bank offers traditional banking products through its main office located in Caldwell, and two branches located in Cambridge. It opened one branch during the evaluation period.

As of June 30, 2014, Community Savings reported \$70 million in total assets and \$30.7 million in loans. While the bank's primary loan product is residential mortgage loans (85.17 percent of the loan portfolio), it also offers commercial real estate loans (7.33 percent of the portfolio) and consumer installment loans (7.50 percent of the portfolio).

The bank’s Tier One Leverage and Total Risk Based capital ratios were 8.65 percent and 21.22 percent, respectively.

There are no legal or financial impediments limiting the bank’s ability to meet the credit needs of its AA. The bank was rated Satisfactory in its last performance evaluation, which was dated June 8, 2009.

DESCRIPTION OF ASSESSMENT AREA

Community Savings has one AA consisting of 13 contiguous geographies (census tracts) within Guernsey and Noble Counties. The AA meets the requirements of the regulation, consists of contiguous geographies, and does not arbitrarily exclude any low- or moderate-income areas.

The AA consists of no low-income census tracts, three moderate-income tracts, nine middle-income census tracts, and one upper-income census tract. Community Savings has two offices (including its main office) located in middle-income census tracts, and one office located in a moderate-income census tract. Opportunities to originate residential mortgage loans in the three moderate-income census tracts are somewhat limited, given the fact that 43 percent of the homes in those census tracts are either vacant or rental properties. Furthermore, within the three moderate-income census tracts, 19 percent of households live below the poverty line. It is especially difficult for this segment of the population to afford and maintain a home.

Table 1 presents demographic information for the AA, based on the 2010 U.S. Census.

Table 1 – Assessment Area Demographic Information	
Demographic	2010 U.S. Census Data
Population	54,732
Total Families	14,458
1-4 Family Units	20,313
Multi-family Units	1,346
Percent Owner-Occupied Units	61.30
Percent Rental-Occupied Units	22.27
Percent Vacant Housing Units	16.43
Weighted Average Median Housing	\$93,876

Source: 2010 U.S. Census Data

Tables 2 and 3 provide additional census data pertaining to the AA. Table 2 shows the distribution of census tracts by income level within the AA, and the distribution of families and owner-occupied housing units within those census tracts. Table 3 shows the distribution of families by income category within the AA.

Table 2 – Distribution of Census Tracts, Families, and Owner-Occupied Housing Units within the Assessment Area						
2010 Census Census Tract Income Level	Census Tracts		Total Census Tract Families		Owner-Occupied Housing Units	
	#	%	#	%	#	%
Low	0	0.00	0	0.00	0	0.00
Moderate	3	23.08	2,749	19.01	3,029	19.55
Middle	9	69.23	10,368	71.71	10,878	70.22
Upper	1	7.69	1,341	9.28	1,585	10.23
Total	13	100.00	14,458	100.00	15,492	100.00

Source: 2010 U.S. Census Data

Table 3 – Distribution of Families within the Assessment Area		
Family Income Category (% of non-MSA Median)	Assessment Area Families	
	#	%
Low (< 50%)	3,197	22.11
Moderate (50 < 80%)	2,975	20.58
Middle (80 < 120%)	3,160	21.86
Upper (≥ 120%)	5,126	35.45
Total	14,458	100.00

Source: 2010 U.S. Census Data

We based our evaluation of Community Savings' lending to borrowers of different income levels on the estimated weighted average median family income annually adjusted by the Federal Financial Institutions Examination Council (FFIEC). Table 4 shows the median family income figures for each year included in the review period. The median family income declined from 2012 to 2013.

Table 4 – Adjusted FFIEC Median Family Income	
Year	Median Family Income
2012	\$53,600
2013	\$53,000

Source: 2012 and 2013 FFIEC estimated Median Family Income

Both the national and local economies improved during the evaluation period. However, unemployment rates in Guernsey County and Noble County are higher than both state and national averages. According to the FDIC Regional Economic Conditions (RECON) report using U.S. Bureau of Labor Statistics data, the seasonally unadjusted annual employment rate in Guernsey County peaked in 2009 at 11.9 percent, and the seasonally unadjusted annual unemployment rate in Noble County peaked in 2010 at 14.2 percent. The unemployment rates declined to 8.2 percent and 9.7 percent, respectively, in 2013 but they remain high in comparison to state and national rates of 7.3 percent and 7.4 percent, respectively. The area's population is stable. Cambridge City, Olive Township, Cambridge Township, and Jackson Township have the largest populations in the AA.

The manufacturing, medical, and education industries provide a majority of the employment opportunities in the area. According to bank management, major employers in the AA include Magnum Magnetics, Colgate Palmolive, South Eastern Ohio Regional Medical Center, Caldwell Exempted School Village, and the counties' governments.

Competition from other financial institutions in the AA is strong, given the AA's population. Financial institutions in the AA range from local community banks to large regional and national companies. Deposit data from the FDIC as of June 30, 2014 reflected that nine depository institutions operate 18 offices within the two counties that have a total population of 54,732 (according to the 2010 U.S. Census). The data also showed that Community Savings ranked sixth in deposit share among the nine institutions, with 7.69 percent of the deposits in the area.

In assessing the bank's performance, we used OCC and bank information to identify the credit-related needs of the community. We also contacted an official from a local affordable housing agency, who indicated that the agency's clients need more affordable housing. Its clients include low- and moderate-income families. The official indicated that the organization has received some funding and volunteering from Community Savings, but that there are additional opportunities for involvement through donations and sponsorship.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's record of lending within its AA meets the standard for satisfactory performance. Our evaluation concentrated on the bank's record of originated residential mortgage loans, its primary loan product. In drawing our overall conclusions, we placed more weight on the bank's performance in lending to borrowers of different incomes than to its geographic distribution of loans. There are no low-income census tracts in the AA, and moderate-income census tracts do not represent a substantial portion of the bank's AA. Significant competition further impacts the bank's opportunities to lend in moderate income census tracts. We also considered the bank's loan-to-deposit (LTD) ratio, its degree of lending inside versus outside its AA, and its history of consumer complaints.

Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable given its size and financial condition and the credit needs of the community, and meets the standard for satisfactory performance. During the evaluation period of June 30, 2009, through June 30, 2014, the bank's average quarterly LTD ratio was 76.78 percent. The ratio ranged from a low of 47.60 percent to a high of 124.58 percent during the evaluation period. We evaluated the bank's average LTD ratio to ratios of local competitors, which consisted of five FDIC-insured depository institutions in the AA with total assets ranging from \$103 million to \$6.3 billion. During the same period, the average ratio for this group was 65.66 percent.

Lending in Assessment Area

The bank’s record of lending inside versus outside its AA meets the standard for satisfactory performance, as a majority of the bank’s loans have been originated inside its AA. This conclusion was based on a sample of 40 residential mortgage loans originated during 2012 and 2013. The sampling method was used because the bank is not a HMDA-reporter. Of these 40 loans, 34 (or 85 percent) were secured by properties located within the bank’s AA. In terms of dollars, \$2.18 million of the loans (or 73.22 percent) were secured by properties located within the bank’s AA.

Lending to Borrowers of Different Incomes

The bank’s record of lending to borrowers of different incomes is reasonable, and meets the standard for satisfactory performance. Our analysis was based on the 34 residential mortgage loans in our sample that were originated during 2012 and 2013, and secured by properties located within the bank’s AA.

Table 5 shows the distribution of the 34 loans in our sample, based on borrower income. The table also shows the aggregate percentages of loans from all depository lenders that originated loans in the AA during the same period.

Table 5 – Distribution of HMDA-Reportable Loans By Borrower Income Level (2012 & 2013)			
Borrower Income Category	Community Savings		Aggregate Lenders (%)
	#	%	
Low	2	5.88	8.25
Moderate	9	26.47	20.85
Middle	11	32.35	25.26
Upper	12	35.29	35.4
N/A	0	0.00	10.24
Total	34	100	100

Sources: 2012 and 2013 sample loan data, and 2012 and 2013 Peer Aggregate HMDA Data

The bank’s percentage of loans to low-income borrowers is slightly below the aggregate percentage of loans to borrowers in this income category. However, the bank’s percentage of loans to moderate-income borrowers exceeds the aggregate percentage of loans to moderate-income borrowers.

Geographic Distribution of Loans

The bank’s geographic distribution of loans is weak, and does not meet the standard for satisfactory performance.

Table 6 shows the overall geographic distribution of the 34 loans in our sample that the bank originated during 2012 and 2013 within its AA. The table also shows the

aggregate percentages of loans from all depository lenders that originated loans in the AA during the same period.

Table 6 – Distribution of HMDA-Reportable Loans By Census Tract Income Level (2012 & 2013)			
Census Tract Income Category	Community Savings		Aggregate Lenders (%)
	#	%	
Low	0	0	0
Moderate	1	2.94	21.23
Middle	29	85.29	69.38
Upper	4	11.76	9.38
Total	34	100	100

Sources: 2012 and 2013 sample loan data, and 2012 and 2013 Peer Aggregate HMDA Data

The percentage of loans that the bank originated in moderate-income census tracts was significantly less than the aggregate percentage of loans in these census tracts. As previously noted, there is strong competition from other financial institutions in the AA. Furthermore, there are somewhat limited opportunities to lend in moderate-income census tracts, as discussed in the Description of Assessment Area section of this evaluation.

Responses to Complaints

Community Savings has not received any written complaints related to its CRA performance during this evaluation period.

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.