



## **PUBLIC DISCLOSURE**

January 08, 2018

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

Elberton Federal Savings and Loan Association  
Charter Number 702849

6 Church Street  
Elberton, GA 30365-0897

Office of the Comptroller of the Currency

Three Ravinia Drive  
Suite 1950  
Atlanta, GA 30346

**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**

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

- The average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs and represents satisfactory performance.
- The geographic distribution of loans reflects a reasonable dispersion within the AA and meets the standards for satisfactory performance.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels given the demographics of the AA. This meets the standard for satisfactory performance.

## 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**

Elberton Federal Savings and Loan Association (Elberton Federal or “the bank”) is a federally chartered, mutual savings association with total assets of approximately \$24 million as of September 30, 2017. At the preceding evaluation conducted September 10, 2012, Elberton Federal was assigned a CRA rating of “Satisfactory” in meeting community credit needs. The bank is located in Elberton, Elbert County, Georgia, and operates one office. The bank’s AA area consists of five moderate- and middle-income census tracts (CT). Four of the census tracts are considered distressed and underserved in 2017. No branches were opened or closed during the review period. Elberton Federal does not operate Automated Teller Machines (ATM), nor does the bank issue ATM cards that permit its customers to access their accounts through the ATM systems of other banks. Elberton Federal does not have a holding company or any affiliates, or subsidiaries. The bank has five full-time employees.

As a traditional savings association, Elberton Federal has concentrated its business strategy in the origination of mortgage loans and the acceptance of deposits. As a small institution, Elberton Federal has 5 percent of the deposit market share in Elbert County. Major competitors in the area include Pinnacle Bank, Regions Bank, and Northeast Georgia Bank. Elberton Federal offers conventional, fixed-rate first and second mortgages for the purchase, refinance, and home improvement of single-family residences. Loans secured by customer deposits and multi-family residences are also available. The bank retains all of its own mortgage loan production in its portfolio. Residential mortgages make up about 93 percent of the loan portfolio.

Other than the small size of the bank, there are no financial conditions, legal constraints, or other factors that hinder the bank’s ability to meet the credit needs in the AA.

## **Scope of the Evaluation**

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

CRA performance was determined by analyzing the bank’s primary lending activities. The evaluation period for this assessment was January 1, 2012 to September 30, 2017. Lending data was evaluated using the 2010 census. The lending test covered the period from January 1, 2015 to December 31, 2016. To evaluate the bank’s lending performance, we selected a random sample of 20 home loan originations. The bank has no lending affiliates.

### **Data Integrity**

Elberton Federal is not subject to the Home Mortgage Disclosure Act (HMDA) because the bank does not have an office or a deposit-taking ATM located within a Metropolitan Statistical Area (MSA). Examiners relied on loan sampling to evaluate the bank’s CRA performance which was compared to 2016 demographics.

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

Examiners conducted a full-scope review of the bank's assessment area (AA), Elbert County. Refer to Appendix A for more information.

## **Ratings**

The bank's overall rating is based on the full-scope review of the 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.

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

Elberton Federal's performance under the small bank test is satisfactory.

This conclusion is based on the following: a reasonable loan-to-deposit ratio, a majority of loans being in the institution's AA, a reasonable penetration of lending to borrowers of different incomes in the AA, and a reasonable dispersion of loans within the AA. Details regarding these findings are addressed below.

### LENDING TEST

Lending test is rated satisfactory.

#### Loan-to-Deposit Ratio

Elberton Federal's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's quarterly LTD ratio averaged 95.8 percent over the 23 quarters since the last CRA evaluation. This ratio exceeds its peer group average of 94.7 percent. The institutions analyzed for comparison purposes were thrift institutions in the Southeast U.S. with similar levels of deposits, assets, and branches (i.e. one branch). The LTD ratio for these four banks had a low average of 80.7 percent and a high average of 113.4 percent. Elberton Federal's LTD ratio is also reasonable compared to the three other banks (Pinnacle Bank, Northeast Georgia Bank, and Regions Bank) that serve in the AA. The LTD ratio for these three banks averaged 67.3 percent with high average of 79.1 percent.

#### Lending in Assessment Area

A majority of the bank's lending activities are within the AA. This represents satisfactory performance given 65 percent of the number of loans in the sample were made to borrowers within the AA.

| Lending in Elbert County Assessment Area |                 |    |         |    |       |                  |    |         |    |           |
|--|-----------------|----|---------|----|-------|------------------|----|---------|----|-----------|
| Loan Type                                | Number of Loans |    |         |    |       | Dollars of Loans |    |         |    |           |
|  | Inside          |    | Outside |    | Total | Inside           |    | Outside |    | Total     |
|  | #               | %  | #       | %  |       | \$               | %  | \$      | %  |           |
| Home Loans                               | 13              | 65 | 7       | 35 | 20    | 1,066,600        | 57 | 797,500 | 43 | 1,864,100 |
| Totals                                   | 13              | 65 | 7       | 35 | 20    | 1,066,600        | 57 | 797,500 | 43 | 1,864,100 |

Source: Loan sample.

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

Overall, Elberton Federal's lending to borrowers of different incomes, given the demographics of the AA, represents reasonable penetration and meets the standards for satisfactory performance.

The table below shows the percentage of home loans the bank originated to borrowers in the AA compared to the percentage of families by income level that reside in the AA. The level of home loans made to low- and moderate-income borrowers was below the percent of families that report low and moderate income in the AA. This is mitigated by the fact that only 57.6 percent of housing units in the AA are owner occupied. Additionally, performance is impacted by 24 percent of families in the AA being below the poverty level.

| <b>Borrower Distribution of Residential Real Estate Loans in Elbert County Assessment Area</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 Loans   | 25.42            | 10.00                | 24.99            | 5.00                 | 18.98            | 35.00                | 30.61            | 50.00                |

Source: Loan Sample and 2010 U.S. Census data.

### Geographic Distribution of Loans

Elberton Federal’s geographic distribution for home loans reflects reasonable dispersion throughout the census tracts within the AA and meets the standards for satisfactory performance.

The bank’s record of originating home loans in moderate-income census tracts within the AA is above the AA demographics while the bank’s home loan originations in the middle-income census tracts is slightly less than the AA demographics. This supports reasonable dispersion. The two moderate-income census tracts and two of the three middle-income census tracts in the bank’s AA are designated distressed or underserved. Additionally, 26 percent of families located in moderate-income census tracts are below the poverty level. There are no low-income census tracts within the bank’s AA.

| <b>Geographic Distribution of Residential Real Estate Loans in Elbert County Assessment Area</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 Loans   | 0.00                           | 0.00                 | 64.05                          | 80.00                | 35.95                          | 20.00                | 0.00                           | 0.00                 |

Source: Loan sample and 2010 U.S. Census data.

### Responses to Complaints

There were no complaints related to the bank’s CRA performance communicated to the institution or its supervisory agency.

## 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: 01/01/2015 to 12/31/2016<br>Investment and Service Tests and CD Loans: NA |                          |
| <b>Financial Institution</b>   | <b>Products Reviewed</b>  |                          |
| Elberton Federal Savings and Loan Association<br>(Elberton Federal or the bank)<br>Elberton, Georgia | Residential Mortgage Loans  |                          |
| <b>Affiliate(s)</b>  | <b>Affiliate Relationship</b>   | <b>Products Reviewed</b> |
| None   | N/A   | N/A                      |
| <b>List of Assessment Areas and Type of Examination</b>  |   |                          |
| <b>Assessment Area</b>   | <b>Type of Exam</b>   | <b>Other Information</b> |
| Elbert County, Georgia   | Full-Scope  | None                     |

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

### Elbert County, Georgia Assessment Area

| Demographic Information for Full-Scope Area                                 |            |                      |                    |                  |                 |               |
|---|------------|----------------------|--------------------|------------------|-----------------|---------------|
| Demographic Characteristics   | #          | Low<br>% of #        | Moderate<br>% of # | Middle<br>% of # | Upper<br>% of # | NA*<br>% of # |
| Geographies (Census Tracts/BNAs)  | 5          | 0.00                 | 60.00              | 40.00            | 0.00            | 0.00          |
| Population by Geography   |            | 0.00                 | 68.18              | 31.82            | 0.00            | 0.00          |
| Owner-Occupied Housing by Geography   |            | 0.00                 | 64.05              | 35.95            | 0.00            | 0.00          |
| Businesses by Geography   |            | 0.00                 | 79.06              | 20.94            | 0.00            | 0.00          |
| Farms by Geography  |            | 0.00                 | 41.67              | 58.33            | 0.00            | 0.00          |
| Family Distribution by Income Level   |            | 0.00                 | 67.07              | 32.93            | 0.00            | 0.00          |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies |            | 25.42                | 24.99              | 18.98            | 30.61           | 0.00          |
| Median Family Income  | = \$36,223 | Median Housing Value |                    |                  |                 | = \$82,105    |
| HUD Adjusted Median Family Income for XXXX                                  | = \$31,274 | Unemployment Rate    |                    |                  |                 | = 5.91%       |
| Households Below the Poverty Level  | = 1,483    |                      |                    |                  |                 |               |

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

The AA consists of only whole geographies located within and encompassing all of Elbert County, Georgia. The AA is determined to be reasonable and meets the technical requirements of the Act. It does not arbitrarily exclude low- or moderate-income census tracts. The AA has 5 census tracts (two middle-income and three moderate-income).

Elbert County is located in the northeastern part of Georgia approximately 35 miles east of Athens, Georgia, near the South Carolina state line. The county is well known for being a large producer of granite, primarily used for monuments and burial headstones, which is a mainstay of the economy. Manufacturing is the largest industry and accounts for the largest percent of employment in the county. The population of Elbert County has been in a long-term decline due to mechanization of the granite industry and the greater job opportunities afforded by Atlanta and Athens. In addition, the granite industry, has been adversely affected by the shift from burial to cremation. The county, which is outside the Atlanta and Athens economic areas, has not yet fully recovered from the Great Recession. The unemployment rate in the county is typically higher than the unemployment rate in Georgia.