



## **PUBLIC DISCLOSURE**

April 28, 2014

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Piedmont Federal Savings Bank  
Charter Number 700007

201 South Stratford Road, Winston-Salem, NC 27103

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 Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors that support this rating include:

- The loan-to-deposit ratio is reasonable based on the bank's size and financial condition, and the assessment area's credit needs;
- The bank originates a substantial majority of its loans within its assessment areas;
- The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels;
- The geographic distribution of home loans reflects reasonable dispersion throughout the assessment areas;
- The bank demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services.

## **Scope of Examination**

This Performance Evaluation assesses the bank's performance under the Lending Test and the Community Development (CD) Test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. In evaluating the bank's lending performance, we reviewed home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA). The Community Development Test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The evaluation period for the Lending Test covers performance from January 1, 2012 through December 31, 2013. The evaluation period for the loan-to-deposit ratio is June 30, 2011 through December 31, 2013. The evaluation period for the Community Development Test is April 15, 2011 through April 28, 2014.

### **Data Integrity**

As part of this CRA evaluation, the accuracy of the bank's publicly filed information on HMDA loans was tested. The test included an evaluation of the bank's processes to ensure that the data was reliable. We found no significant errors in the loan data. This evaluation is based on accurate data.

## Description of Institution

Piedmont Federal is a federally chartered mutual savings association headquartered in Winston-Salem, North Carolina. As of December 31, 2013, Piedmont Federal's assets totaled \$919 million and Tier 1 Capital equaled \$281 million or 59.94% of risk weighted assets. Piedmont Federal operates as a traditional thrift by funding home mortgage loans through the acceptance of local deposits. The bank offers a wide range of home mortgage loan products for the purchase, refinance, and construction of residential dwellings. The bank also offers various consumer deposit products, including checking and savings accounts. As of December 31, 2013, total net loans equaled \$531 million and total deposits were \$594 million. The bank's loan portfolio is comprised of approximately 97.75% of home mortgages on single-family residences.

Piedmont Federal operates 10 full service branch offices located in three counties located in Forsyth, Watauga and Wilkes Counties. The bank's eight branch offices in Forsyth County are located in the cities of Winston-Salem, Clemmons, and Kernersville. The majority of the bank's deposit and lending activity is within the Winston-Salem, NC MSA AA. There is one branch in Watauga County in the city of Boone and one branch in Wilkes County, in the city of North Wilkesboro.

There are no known legal, financial or other factors impeding Piedmont Federal's ability to help meet the credit needs of its AA. The bank received a "Satisfactory" rating at its last CRA Evaluation, dated April 25, 2011.

## Description of Assessment Area(S)

Piedmont Federal has two assessment areas (AAs). The first AA is the Winston-Salem North Carolina MSA which includes the four counties of Davie, Forsyth, Stokes, and Yadkin. The second AA consists of the two adjoining non-metropolitan counties of Wilkes and Watauga located in Western North Carolina. The bank's AAs meet the legal requirements of the regulation and do not arbitrarily exclude any low- or moderate-income census tracts.

### Winston-Salem, NC MSA AA

According to 2010 U.S. Census data, the AA contains 116 census tracts, including 11 low-income, 23 moderate-income, 46 middle-income, and 36 upper-income census tracts. Based upon data from the 2010 U.S. Census, the median family income (MFI) for the Winston-Salem, NC MSA was \$57,577. The updated 2012 and 2013 MFIs for the Winston-Salem, NC MSA was \$60,000 and \$59,500, respectively.

The following table summarizes certain demographic characteristics for the Winston-Salem, NC MSA.

<b>Demographic Information for Piedmont Federal Savings Bank Winston-Salem, NC MSA AA</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	116	9.48	19.83	39.66	31.03
Population by Geography	477,717	6.33	21.22	40.85	31.59
Owner Occupied Housing by Geography	210,858	2.39	16.17	45.44	36.01
Family Distribution by Income Level	123,967	21.58	17.43	20.47	40.52
2010 Census Median Family Income (MFI)		\$57,577	Median Housing Value		\$145,649
HUD Updated MFI: 2013		\$59,500	Families Below Poverty Level		9%

Source: 2010 U.S. Census data

- As of June 30, 2013, Piedmont Federal ranked 3<sup>rd</sup> out of 20 financial institutions for its market share of deposits and had 1.82 percent deposit market share based upon FDIC Summary of Deposit Market Share Report. Major banking competitors in the AA include: Branch Banking and Trust Company (BB&T) ranks 1<sup>st</sup> in deposit market share (83.39 percent) with 19 offices;
- Wells Fargo Bank, NA ranks 2<sup>nd</sup> in deposit market share (6.55 percent) with 22 offices; and
- SunTrust bank ranks 4<sup>th</sup> in deposit market share (1.77 percent) with 11 offices

According to data from the 2012 Peer HMDA Mortgage data, 293 lenders originated home loans in the Winston-Salem, NC MSA AA. These lenders include large regional commercial banks, credit unions, and mortgage companies. Wells Fargo National Bank ranks 1<sup>st</sup> in market share (18.59 percent) and BB&T ranks 2<sup>nd</sup> in market share (16.23 percent). In comparison, Piedmont Federal ranks 10<sup>th</sup> with a market share of 2.74 percent. The 2013 Peer Mortgage Data is not yet available.

The Winston-Salem, NC MSA AA is beginning to recover from the recent slow economic conditions. Job gains, specifically in the service and retail industry, as well as in the healthcare, education, and local government sectors, have helped to lower the unemployment rate at a faster pace than both state and national levels. Local housing markets have stabilized, with foreclosures significantly reduced. However, prices have yet to rise meaningfully and new starts remain sluggish. The economy continues to shift away from the region's traditional manufacturing base towards knowledge-intensive industries, including medicine and biotech research, which is supported by the local hospitals and Wake Forest University. The unemployment rate for the Winston-Salem, NC MSA is 6.1 percent, compared to the state of North Carolina unemployment rate of 6.3 percent. Major employers include North Carolina Baptist Hospital, Winston-Salem Forsyth County Schools, Forsyth Memorial Hospital, Wake Forest University, and the City of Winston-Salem.

During our examination, we reviewed information from a representative of an affordable housing organization in Forsyth County. This community contact provided information regarding the credit needs of the community. According to the contact, low-income borrowers face difficulty accessing credit, particularly for mortgage loans. In addition, a large number of unbanked persons do not have established relationships with financial institutions. The contact noted that given the number of unbanked individuals and the existence of predatory payday lenders in the area, there is a need for financial literacy education among low-income and moderate-income individuals.

**Wilkes-Watauga Counties Non-MSA AA**

The AA is comprised of Wilkes County and Watauga County in North Carolina, which is a Non-Metropolitan Statistical Area (Non-MSA). Based upon 2010 U.S. Census data, the AA contains 27 census tracts, including 4 moderate-income, 16 middle-income, and 7 upper-income census tracts. There are no low-income census tracts. Based upon the 2010 U.S. Census, the median family income (MFI) for the Wilkes-Watauga was \$48,939. The updated 2012 and 2013 MFIs for Wilkes and Watauga Counties was \$50,200 and \$58,300, respectively.

The following table summarizes certain demographic characteristics for the Wilkes-Watauga Counties Non-MSA AA.

Demographic Information for Piedmont Federal Savings Bank Wilkes-Watauga Counties Non-MSA AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	27	0.00	14.81	59.26	25.93
Population by Geography	120,419	0.00	13.52	63.89	22.58
Owner Occupied Housing by Geography	63,348	0.00	14.06	68.52	17.42
Family Distribution by Income Level	30,758	24.79	17.06	19.39	38.75
2010 Census Median Family Income (MFI)		\$48,939	Median Housing Value		\$172,880
HUD Updated MFI: 2013		\$48,300	Families Below Poverty Level		14%

Source: 2010 U.S. Census data

Based upon information from the Financial Institution Federal Examination Council, all nine middle-income census tracts in Wilkes County were designated as distressed in 2013 due to high poverty rates. For 2012 and 2013, all seven middle-income census tracts in Watauga Counties were designated distressed because of high poverty rates.

There is substantial banking competition for both loans and deposits in the Wilkes-Watauga Counties Non-MSA AA. A total of 15 other financial institutions operate 34 branches in the AA. Piedmont Federal ranks 9<sup>th</sup> out of 16 financial institutions for its market share of deposits and has 2.96 percent deposit market share based upon the June 30, 2013 FDIC Summary of Deposit Market Share Report. Major banking competitors in the AA include:

- Wells Fargo Bank, NA ranks 1<sup>st</sup> in deposit market share (23.62 percent) with 7 offices;
- Branch Banking and Trust Company (BB&T) ranks 2<sup>nd</sup> in deposit market share (18.15 percent) with 4 offices; and
- Yadkin Bank ranks 3<sup>rd</sup> in deposit market share (13.01 percent) with 4 offices.

Based upon data from the 2012 Peer Mortgage data, 192 lenders originated home loans in the Wilkes-Watauga Counties Non-MSA AA. These lenders include regional commercial banks, credit unions, and mortgage companies. Branch Banking and Trust ranked 1<sup>st</sup> in market share (16.13 percent) and Wells Fargo ranked 2<sup>nd</sup> in market share (11.49 percent). The North Carolina State Credit Union ranked 3<sup>rd</sup> with a market share of 11.28 percent. In comparison, Piedmont Federal ranked 8<sup>th</sup> with a market share of 2.92 percent. Peer 2013 Mortgage Data is not yet available.

The Watauga-Wilkes Counties Non-MSA AA has been slower to rebound from the recent economic downturn. Although the local economy is reasonably diversified, the historical textile and manufacturing industries continue to downsize as the region transitions to high skilled information, education, and medical jobs. This transition adversely affects many older and low-income individuals due to the difficulty associated with adapting from less skilled manufacturing jobs to more highly skilled technology jobs. The unemployment rate for Watauga County is 6.2 percent, which is just below the North Carolina state unemployment rate of 6.3 percent, respectively. However, the unemployment rate for Wilkes County is 7.5 percent. Major employers in the AA include Appalachian State University, Tyson Farms, Lowe's, Appalachian Regional Healthcare System, and Wilkes County and Watauga County Schools.

## Conclusions with Respect to Performance Tests

### LENDING TEST

Piedmont Federal's performance under the Lending Test is "Satisfactory." The bank's quarterly average loan-to-deposit ratio is reasonable. A substantial majority of Piedmont Federal's home mortgage loans are within the bank's AAs. The distribution of home loans to borrowers reflects reasonable penetration among individuals of different income levels. The geographic distribution of home loans to borrowers reflects reasonable dispersion throughout low-income and moderate-income geographies. Piedmont Federal did not receive any CRA complaints during the evaluation period.

### Loan-to-Deposit Ratio

Piedmont Federal's quarterly average loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and community credit needs. The bank's quarterly average LTD ratio during the 11 quarters since the last CRA evaluation was 73.88 percent. The bank's LTD ratio ranged from a quarterly low of 73.12 percent to a quarterly high of 76.75 percent, during this period. The quarterly average LTD ratio for financial institutions of similar size was 79.24 percent. The peer average LTD ratios over the same 11 quarters ranged from a quarterly low of 69.75 percent to a quarterly high of 93.06 percent.

### Lending in Assessment Area

Piedmont Federal originates a substantial majority of home loans inside the combined AAs. During the evaluation period, approximately 84 percent of the number and 85 percent of the dollar amount of total home mortgage loans are inside the bank's AAs. Table 2 illustrates the bank's home mortgage lending inside the combined AAs.

<b>Table 2 Mortgage Loans Originated Within/Outside Assessment Areas January 1, 2012 through December 31, 2013</b>				
<b>Originations</b>	<b>Number</b>	<b>Percentage</b>	<b>Dollar Amount (\$000)</b>	<b>Percentage</b>
Within	952	84.17%	142,362	84.59%
Outside	179	15.83%	25,926	15.41%
<b>TOTAL</b>	<b>1,131</b>	<b>100.00%</b>	<b>\$168,288</b>	<b>100.00%</b>

### Lending to Borrowers of Different Incomes

The overall distribution of loans reflects reasonable penetration among borrowers of different income levels.

#### Winston-Salem, NC MSA AA

The bank’s distribution of loans reflects reasonable penetration among borrowers of different income levels, within the Winston-Salem, NC MSA AA. Table 3 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 bank’s distribution of loans to low-income borrowers is poor compared to the percentage of low-income families in the AA. However, we considered that family poverty rates may impact lending opportunities among low-income borrowers. According to 2010 U.S. Census data, 9.49 percent of the total families in the AA are below poverty. Families below poverty may lack financial resources to obtain mortgage loans. The distribution of loans to moderate-income borrowers exceeds the percentage of moderate-income families.

Piedmont Federal’s percentage of lending to borrowers of different income levels was compared to the lending activity of other lenders in the AA. As reflected below, the bank’s distribution of loans to low-income borrowers was lower than the percentage of loans to low-income borrowers originated by other lenders. The bank’s distribution of loans to moderate-income borrowers was near to the percentage of lending to moderate-income borrowers by other lenders.

Table 3 Borrower Income Level Winston-Salem, NC MSA AA	Piedmont Federal (2012-2013)		2012 Aggregate HMDA	Percent of Families In AA
	Number of Loans	Percent of Loans		
<b>Low = &lt;50%</b>	44	5.59%	9.53%	21.58%
<b>Moderate = 50-79%</b>	146	18.55%	20.71%	17.43%
<b>Middle = 80-119%</b>	184	23.38%	22.96%	20.47%
<b>Upper = ≥ 120%</b>	413	52.48%	46.80%	40.52%
<b>**Total</b>	<b>787</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*Source 2012-2013 HMDA Data and 2010 Census Data; Does not include loans for which borrower income was not considered*

#### Wilkes-Watauga Counties, Non-MSA AA

The bank’s distribution of loans reflects reasonable penetration among borrowers of different income levels, within the Wilkes-Watauga Counties Non-MSA AA. Table 4 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 is poor compared to the percentage of low-income families in the AA. However, we considered that family poverty rates may impact lending opportunities among low-income borrowers. According to 2010 U.S. Census data, 13.57 percent of the total families in the AA

are below poverty. Families below poverty may lack the financial resources to obtain mortgage loans. The bank’s distribution of loans to moderate-income borrowers is near to the percentage of moderate-income families.

Piedmont Federal’s lending to borrowers of different income levels was compared to the lending activity of other lenders. As reflected below, the bank’s distribution of loans to low-income borrowers is slightly below the percentage of loans to low-income borrowers originated by other lenders. The bank’s distribution of loans to moderate-income borrowers exceeds the percentage of lending to moderate-income borrowers by other lenders.

Table 4 Borrower Income Level In Wilkes-Watauga Counties Non-MSA AA	Piedmont Federal (2012-2013)		2012 Aggregate HMDA	Percent of Families In AA
	Number of Loans	Percent of Loans		
Low = <50%	6	3.80%	5.34%	24.79%
Moderate = 50-79%	26	16.46%	11.76%	17.06%
Middle = 80-119%	39	24.68%	19.09%	19.39%
Upper = ≥ 120%	87	55.06%	63.81%	38.76%
<b>**Total</b>	<b>158</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*Source 2012-2013 HMDA Data, 2012 Peer HMDA and 2010 Census Data; Does not include loans for which borrower income was not considered.*

### Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable distribution throughout the AAs. There are no conspicuous gaps or areas of low penetration within the AA patterns.

#### Winston-Salem, NC MSA AA

Piedmont Federal’s geographic distribution of loans reflects reasonable dispersion in the AA. Table 5 presents the geographic distribution of loans compared to the percentage of owner-occupied housing units. The distribution of loans in low-income geographies is poor compared to the percentage of owner-occupied housing units in low-income census tracts. In addition, the distribution of loans in moderate-income census tracts is below the percentage of owner-occupied housing units in moderate-income census tracts.

We also compared Piedmont Federal’s geographic distribution of loans to lending activity of HMDA lenders. As reflected below, the bank’s distribution of loans in low-income census tracts is poor compared to the percentage lending in low-income tracts by other lenders. The bank’s distribution of loans in moderate-income census tracts is slightly below the distribution of loans in moderate-income census tracts by other lenders.

Table 5 Income Category Winston-Salem, NC MSA AA	Piedmont Federal (2012-2013 )		2012 Aggregate HMDA	Distribution of OOHU In AA
	Number of Loans	Percent of Loans		
Low = <50%	3	0.38%	1.18%	2.39%
Moderate = 50-79%	59	7.44%	10.58%	16.17%
Middle = 80-119%	250	31.53%	39.01%	45.44%
Upper = ≥ 120%	481	60.66%	49.23%	36.01%
<b>Total</b>	<b>793</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2012 and 2013 HMDA, 2012 Peer HMDA Data, and 2010 Census

### Wilkes-Watauga Counties, Non-MSA AA

Piedmont Federal’s geographic distribution of loans reflects reasonable dispersion in the AA. Table 6 presents 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 is slightly below the percentage of owner-occupied housing units in moderate-income census tracts.

We also compared Piedmont Federal’s geographic distribution of loans to lending activity of HMDA lenders. As reflected below, the bank’s distribution of loans in moderate-income census tracts exceeds the distribution of loans in moderate-income census tracts by other lenders.

Table 6 Income Category Wilkes-Watauga Counties Non-MSA AA	Piedmont Federal (2012-2013 )		2012 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%	16	10.06%	8.12%	14.06%
Middle = 80-119%	114	71.70%	64.44%	68.52%
Upper = ≥ 120%	29	18.24%	27.44%	17.42%
<b>Total</b>	<b>159</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2012 -2013 HMDA, 2012 Peer HMDA, and 2010 Census

### Responses to Complaints

During the evaluation period, there were no complaints related to the bank’s performance in meeting the credit needs of the AAs.

## **COMMUNITY DEVELOPMENT TEST**

Piedmont Federal's performance under the Community Development (CD) Test is rated Satisfactory. The bank purchased \$2.0 million in 64 community development loan participations through a regional loan consortium. The bank also made financial contributions totaling \$146,953 to numerous organizations benefiting affordable housing and social services to LMI individuals. Piedmont Federal Board Members and bank personnel provide a high level of community development services to nine community organizations. The bank demonstrates adequate responsiveness to the community development needs of its AA given the bank's size and capacity. The bank offers several loan products designed to help meet the credit needs of low- and moderate-income borrowers.

### **Performance in Winston-Salem, NC MSA AA**

First Piedmont demonstrates adequate responsiveness to the CD needs of the Winston-Salem, NC MSA AA, considering its performance context and the needs and opportunities within the AA.

### **Number and Amount of Community Development Loans**

The bank's level of CD lending is satisfactory. The bank did not originate any CD loans during the evaluation period within the AA. As a residential mortgage lender, Piedmont Federal's primary business focus is 1-4 family loans and they do not originate commercial loans which are often considered community development loans.

Piedmont Federal is an active member of the Community Investment Corporation of the Carolinas (CICCAR). This consortium of lenders provides long term financing for low-moderate-income multi-family housing projects by selling participation interests to members of the organization. Most CICCAR projects involve the sale of federal tax credits. To be eligible, at least 51 percent of the housing units must provide housing for individuals earning no more than 60 percent of the area median income and their residents pay no more than 30 percent of their monthly income for housing. Most of the CICCAR developments have 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. During the evaluation period, Piedmont Federal funded 64 loan participations totaling \$2,060,000. These loans provided permanent financing for affordable housing projects throughout the Southeast Region. The bank also committed to fund 36 CICCAR affordable housing loan participations totaling \$1.3 million.

### **Number and Amount of Qualified Investments**

During the evaluation period, the bank made financial contributions totaling \$135,178 to 10 community development organizations. These organizations are involved in affordable housing and social services targeted to LMI individuals. Of the total contributions, \$35,000 was given to three affordable housing organizations.

Piedmont Federal gave \$7,500 to two statewide organizations involved in affordable housing and financial literacy targeted toward LMI children.

### **Extent to Which the Bank Provides Community Development Services**

Piedmont Federal's efforts to meet community credit needs are evidenced by the bank's loan and deposit products. The bank offers an affordable first time homebuyer program. This program targets families with incomes less than \$44,800 throughout the bank's AAs. In addition, this loan program features reduced down payment amounts, no origination, no appraisal, no flood determination fee, and no credit report fees.

Also during the evaluation period, bank loan officers participated in workshops designed to help counsel potential homebuyers regarding the use of Individual Down Payment Account (IDA) to purchase homes in connection with financing from Piedmont Federal. Forsyth County offered the IDA program to provide down payment assistance grants to first-time homebuyers. In addition, the bank participated in the Special Tandem Loan Program offered through the City of Winston-Salem. This program provides secondary financing to homebuyers with limited down payment resources, subject to guidelines established and approved by the City of Winston-Salem.

The bank continues to participate in the federally sponsored Electronic Transfer Account (ETA) program. This program assists unbanked persons to safely receive regularly recurring payments at low cost. In addition, the bank offers a low-cost checking account, a health savings account, and Coverdell Education savings accounts.

The bank provides a high level of community development services. Members of the board and bank employees provide financial expertise to a number of community development organizations. During the evaluation period, Piedmont Federal employees and directors provide financial expertise and are active in official capacities in eight organizations, as listed below:

- Board Member/Vice Chairman – North Carolina Housing Foundation, Inc.
- Board Member – Winston-Salem Community Development Support Collaborative
- Board Member – Goodwill Industries
- Board Member – Consumer Credit Counseling Services
- Board Member – Salvation Army
- Board Member- Senior Social Services
- Board Member- Dress for Success of Winston Salem
- Credit and Collection/Finance Committee Member – Forsyth County Habitat for Humanity

Further, Piedmont Federal services approximately 238 loans for the Forsyth County Habitat for Humanity at no charge. The bank accepts payments, provides escrow analysis, and sends out late notices.

### **Responsiveness to Community Development Needs**

Piedmont Federal's activities, demonstrate excellent responsiveness to the needs and opportunities in Winston-Salem, NC MSA AA. Information from a community representative revealed that affordable housing and financial literacy are needs in Winston-Salem.

The bank actively participates in an affordable housing lending consortium. In addition, the bank made sizable financial contributions to affordable housing organizations serving the AA. Further, bank personnel provide a high level of financial expertise to local affordable housing organizations and financial literacy organizations.

### **Performance Wilkes-Watauga Counties Non-MSA AA**

Piedmont Federal's CD activities, demonstrate adequate responsiveness to the needs and opportunities in the Wilkes-Watauga Counties Non-MSA AA. As mentioned above, the bank offers a wide range of loan and banking products which are responsive to community credit needs. The bank also provided approximately \$6,200 in qualifying donations to affordable housing organizations and other groups providing services to low-and moderate-income individuals. In addition, a bank employee serves on the Board of the Watauga Habitat for Humanity.

### **Number and Amount of Community Development Loans**

The bank's level of CD lending is satisfactory. The bank did not originate any CD loans during the evaluation period within the AA. As a residential mortgage lender, Piedmont Federal does not originate commercial loans or which often are also community development loans.

### **Number and Amount of Qualified Investments**

Piedmont Federal made financial contributions totaling \$4,275 to three organizations providing social services to LMI individuals and one organization involved in affordable housing initiatives in Watauga County.

### **Extent to Which the Bank Provides Community Development Services**

Although Piedmont Federal does not operate any branches in moderate-income census tracts, both of the bank's branches in Wilkes and Watauga are located in distressed middle-income census tracts.

Piedmont Federal offers the same affordable first time home buyer programs and low cost deposit products as offered in the Winston-Salem, NC MSA AA in the Wilkes-Watauga Counties Non-MSA AA.

One bank employee serves and provides financial expertise as a board member of the Watauga Habitat for Humanity.

### **Responsiveness to Community Development Needs**

Piedmont Federal demonstrates adequate responsiveness to the CD needs of the AA, considering the limited opportunities available in Wilkes-Watauga Counties Non-MSA AA.

## **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.