

## **Community Reinvestment**

In a poor rural community “CRA” means more than just meeting the financial needs of the unbanked and under banked persons. Financial Institutions in the rural area have a responsibility to focus on all of the community’s needs. These needs can range from basic qualities of life, to providing housings, to understanding and listening compassionately.

Our community contains a population of 33,967, per capita income of \$24,396 and 22.5% (7,643) of the population is living below the poverty level. Unemployment has been as high as 22%, however, today our unemployment rate is 19.3%, the highest in South Carolina.

Prior to 2004 the main industry in Marion County was Tobacco. This industry and the money crop have gone away. Over the past ten years the county has experienced the loss of eight manufactures. (Russell Stover, Legg’s Hosiery, Raytex Industry, Anvil Knitwear, Fabric Resources, Pilliard Industry, Detwyler Industries and Blumenthal Mills) and still another factory (Road Rescue) has stated that they will close their plant by December 31, 2010 unless a buyer can be located.

I am confident that our situation is not unique for rural America. However, it is close to home and it is reality. As I previously stated, Community Reinvestment is more than just dealing with the under banked. Our Bank is concerned with every day life of our neighbors and friends that we see at church, grocery stores, schools and public events. Compassion plays a big part in making our decisions as to places to invest in the community. Pee Dee Federal Savings Bank believes that assisting in the attraction of industry to the community is the highest of priorities. Marion County needs jobs.

Pee Dee Federal Savings Bank is a mutually chartered Savings and Loan Association that was formed in October 1935. We have \$38.5 million dollars in Assets with two locations operating in Marion County. In the early ‘80’s with deregulation, Pee Dee Federal was not profitable and there were times that we were not sure if survival was possible. However, we did survive and today, Pee Dee Federal Savings Bank is financially sound with 24% capital and 33% risk weighted capital. We continue to be profitable while the “Too Big to Fail Institutions” had to have government intervention to keep their offices open.

In 2004 management and the directors met for the sole purpose of determining the future of Pee Dee Federal Savings Bank. To determine our future we had to understand our past and why were we formed. Management took the time to review all of the Board Minutes from 1935 to present day. It quickly became obvious that Pee Dee Federal existed for the betterment of the Community. Therefore, the decision at the time was to remain as a mutual, remain in the market that we knew and understood for 75 years and continue to be supporters of the Citizens of Marion County. This decision has proven to be the best for Pee Dee Federal Savings Bank. We did not get caught up in a growth mode and make unsound loans and move into markets that were unfamiliar or those that we did not

understand. Management continues to deal with local individuals that we know and live with daily. We understand their problems. Sometimes these problems may be more than financial, which is just part of being a community bank.

The recession and regulatory reform has brought new issues for small rural financial institutions. Since the recession began and the fall of “Wall of Street” and the “Too Big to Fail Corporations” Pee Dee Federal and other small rural banks have thrived and are doing well. However, in the financial reform package the government continues to write regulations that are directed to the large financial institution to prevent future failures, which was badly needed. The small rural financial institutions did not make high-risk loans or have high concentrations of loans or invest in risky derivatives. Pee Dee Federal Savings Bank focused on good sound lending and proper underwriting of loans. We did not create the issues of today, however, the same regulations are being applied to the healthy rural Banks that have limited resources to comply. The new regulations that are being applied to the smaller financial institutions are causing expenses to rise and profits decline. Fewer dollars means less for the communities that need the support the most.

I realize that each of you must respond to Congress’s demands and demands from Washington. I believe it is important for you to understand that we all do not wear the same size shoe, same size slacks or same size jackets. Small rural financial institutions (\$100MM and less) as compared to larger metropolitan financial institutions are unique in our mission and should be treated as such.

The Community Reinvestment Act was not created for the Pee Dee Federal Savings Bank’s of the world it was created for the Larger “too Big To Fail Institutions”. Our Bank was created in 1935 to aid the residents of Marion County and to create home ownership. Today, we continue to assist in home ownership and community support, by recognizing the community’s economic needs as well a financial needs.

The following are a few of Pee Dee Federal Savings Bank’s contributions and successes:

- Pee Dee Federals largest project was the construction of a \$750,000.00 industrial spec building. This project was owned by Pee Dee Federal and was to have a building ready for an Industrial prospect to relocate. The investment was successful. It attracted a new industry that relocated to Marion County and created 150 new jobs. Pee Dee Federal built the building and sold the building for exactly what it cost to build. Our contribution was the loss of interest on the \$750,000.00 and we did not recognize any profit on the sale. (Appreciation goes to Lynn Beddard and the OTS in the Atlanta office for approval to move forward with this project, approvals had to go all the way to Washington)
- Low interest rate loans to the County of Marion, City of Marion, and City of Mullins
- During times of disaster, 0% interest rate on loans to the City of Marion and County of Marion
- Interest free loans to Marion County Habitat for Humanity
- Funded construction cost to build two Habitat for Humanity Homes
- Servicing loans of home ownership for Habitat for Humanity

- \$250,000.00 investment in Marion County's Economic Development Center. Several years ago Pee Dee Federal agreed to purchase a building, which would house the Economic Development efforts for Marion County. The Bank receives no return on this investment. Marion County resides on the property rent-free.
- \$100,000.00 donation to the Marion School District to assist in the renovations of the District office
- Sponsorship of Marion County Library's Storytelling program. This project involved the entire third grade for Marion County (590 students) and provided students an opportunity to experience the excitement in reading.
- \$25,000.00 donation to the City of Marion to purchase a new Fire Truck
- \$5,000.00 donation to the City of Mullins to purchase a new rescue vehicle
- Annual support of Francis Marion University Scholarships (3 offered to Marion County students), March of Dimes, Marion County Young Farmers Association, Historic Marion Revitalization Association, Mullins and Marion Chamber of Commerce, Heart Association, Relay for Life, teacher of the year donations, etc.

What does CRA mean to Pee Dee Federal Savings Bank? Business as usual and learning to balance CRA, Regulatory Reform and Safety and Soundness with limited resources and personnel.