



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 25, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Vidalia Federal Savings Bank
Charter Number 704067

300 Jackson Street
Vidalia, GA 30474-4708

Office of the Comptroller of the Currency

Three Ravinia Drive, Suite 550
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, 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

Vidalia Federal Savings Bank's CRA performance rating is supported by the following:

- a reasonable loan-to-deposit (LTD) ratio in light of the institution's size, business strategies, and loan demand;
- a majority of home loan originations inside the assessment area;
- a poor penetration of a sample of home mortgage loans among borrowers of different income levels; and,
- an excellent penetration of a sample of home mortgage loans among census tracts of different income levels.

Vidalia Federal's record of lending to low-income borrowers within its assessment area does not meet standards. However, the institution's overall record of lending within its assessment area, its loan-to-deposit (LTD) ratio, and its lending in moderate-income census tracts, all support an overall rating of Satisfactory.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of Vidalia Federal's ability to meet the credit needs of the communities in which it operates. A full-scope review was conducted of the institution's assessment area, which is defined as Toombs and Montgomery Counties. This evaluation covered the period of January 2007 to May 2012, with a review of loans originated during 2010, 2011, and 2012 through May. Loan performance was determined by analyzing the bank's primary lending activity, which is home mortgage loans.

The preceding CRA evaluation was conducted as of May 2007, and resulted in a rating of "Satisfactory."

DESCRIPTION OF INSTITUTION

Vidalia Federal is a federally-chartered mutual savings association with total assets of approximately \$227 million as of March 31, 2012. Vidalia Federal conducts business from its main office in Vidalia, Georgia in Toombs County. In addition, the bank operates a branch office in the city of Lyons, which is also located in Toombs County. The bank's main office with its drive-thru and automatic teller machine (ATM), are located in a moderate-income census tract. The branch and its drive-thru and ATM are located in a middle-income census tract.

There were no legal or regulatory impediments adversely affecting Vidalia Federal's ability to meet community credit needs during the review period.

As a traditional savings association, Vidalia Federal has concentrated its operations in the origination of mortgage loans and the acceptance of deposits. The institution offers fixed-rate mortgage loans with loan-to-value ratios up to 80 percent for the purchase and refinancing of residential dwellings. The institution also offers unsecured consumer loans, consumer loans secured by deposits, boats and automobiles, and commercial real estate loans. As of December 31, 2012, thirty-five percent of the institution's total assets consisted of U.S. Government and Agency Securities, thirty-three percent are mortgage loans secured by 1-4 family dwellings, and eighteen percent consist of deposits in Federal Home Loan Banks. Only two percent consist of consumer loans, such as automobile and deposit loans.

Vidalia Federal delivers lending and deposit products to the public primarily through the main office in Vidalia and branch office in Lyons. The institution also offers telephone and Internet banking. By telephone, customers can make payments on loans with Vidalia Federal, check deposit and loan balances, transfer funds between accounts, and place stop payment orders. Over the Internet, customers may obtain copies of checks, make payments on Vidalia Federal loans, and make utility payments and payments to any of their creditors. Hours for both locations are from 9:00 a.m. until 3:00 p.m. Monday through Thursday, and from 9:00 a.m. until 5:00 p.m. on Friday. The institution does not offer Saturday banking hours. In addition, the institution operates two ATMs. However, neither of the ATMs have deposit-taking capabilities.

DESCRIPTION OF ASSESSMENT AREA(S)

Vidalia Federal's assessment area is designated as the counties of Montgomery and Toombs, which are located in the Southeastern section of the state of Georgia. Neither county is part of a Metropolitan Statistical Area (MSA). The Department of Housing and Urban Development's adjusted median family income for the non-MSA areas of the state of Georgia for 2010, 2011, and 2012 were \$46,400, \$44,600, and \$45,200, respectively. Based on the review of the location of the institution's offices and distribution of loan originations, the assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income census tracts.

The table below, which is based on 2000 U.S. Census data, sets forth a summary of certain demographics for the assessment area. A low-income census tract/borrower is one with a median family income (MFI) of less than 50 percent of the MFI of an MSA, a moderate-income census tract/borrower is one with at least 50 percent, and less than 80 percent of the MFI of an MSA, a middle-income census tract/borrower is one with at least 80 percent, and less than 120

percent of the MFI of an MSA, and an upper-income census tract/borrower is one with 120 percent or more of the MFI of an MSA.

Demographic and Economic Characteristics of Assessment Area	
Population	
Total Population	34,337
Number of Families	8,995
Number of Households	12,817
Number of Housing Units	14,863
Geographies	
Number of Census Tracts	9
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	2
% Middle-Income Census Tracts	6
% Upper-Income Census Tracts	1
Median Family Income (MFI)	
2010 HUD-Adjusted MFI	\$46,400
2011 HUD-Adjusted MFI	\$44,600
2012 HUD-Adjusted MFI	\$45,200
Economic Indicators	
2011 Unemployment Rate	3.15%
2011 Median Housing Value	\$53,751
% Households Below Poverty Level	22.01%

Source: Updated 2000 census and HUD data. All of these county figures are based on published demographic information.

There are no low-income census tracts in the assessment area. There are two moderate-income census tracts, six middle-income census tracts, and one upper-income census tract. All six of the middle-income census tracts have been designated at some point during 2010-2012, as distressed and underserved. As indicated in the above table, there are 12,817 households in the assessment area. Of the 12,817 households, twenty-four percent are in moderate-income census tracts, sixty percent are in middle-income census tracts, and sixteen percent are in upper-income census tracts. As for the 14,863 housing units in the assessment area, fifty-nine percent are owner-occupied and thirty-three percent are rental units. In addition, twenty-eight percent of housing units are mobile homes. The median value of housing units is \$53,751 with an average age of 14 years.

The table above indicates that 22 percent of households in Montgomery and Toombs Counties are below the poverty level. This poverty level is higher than the 2010 poverty level for the state of Georgia, which according to the U.S. Census Bureau, was 17.9 percent. Recent Census Bureau data shows that for 2011, Georgia has the third highest poverty rate among the 50 states. In addition, according to the U.S. Department of Labor statistics, the 2010 unemployment rates for Toombs and Montgomery Counties were 10.6 percent and 10.4 percent, respectively. These percentages are only slightly higher than the 2010 unemployment rate for the state of Georgia,

which was 10.2 percent. The U.S. Department of Labor also reports that for 2011, the unemployment rates for Toombs and Montgomery Counties increased to 11.4 and 11 percent, respectively. These percentages are both higher than the 2011 unemployment rate of 9.8 percent for the state of Georgia. Thus, unemployment within the assessment area is not markedly higher than unemployment levels in other Georgia counties.

Information obtained from the Governments of Toombs and Montgomery Counties shows that these counties have attracted a number of companies to the assessment area, thus providing significant employment opportunities for local residents. The area's largest employers include the Chicken of the Sea (canning plant with approximately 250 jobs), Trane Heating and Air (approximately 827 jobs), Oxford Industries (clothing manufacturer with approximately 391 jobs), VNS Corporation (manufacturer of building products with approximately 299 jobs), and TUMI Luggage (approximately 176 jobs). Like many U.S. makers of consumer goods, in recent years TUMI Luggage and Oxford Industries opted to manufacture their products overseas. However, both of these companies left their distribution operations in the assessment area, intact. Thus, Toombs and Montgomery Counties have not suffered the severe economic declines experienced by other U.S. communities whose economies depend on the manufacturing of consumer goods. Furthermore, the Meadows Regional Medical Center was recently opened in Vidalia. The Meadows Regional Medical Center is a multi-million dollar health care facility and is a major employer.

The U.S. Census Bureau's 2011 Business Geodemographic data indicates that the largest sector of employment in the assessment area is services jobs, with 49 percent. Retail trade encompasses 10 percent of the area's jobs, and agriculture represents 4 percent. The city of Vidalia is renowned for its onion crop, nationally recognized as "Vidalia Onions". Despite the existence of several large employers, U.S. Census Data reports that for 2011, seventy-one percent of the area's businesses produced annual revenues of less than \$1 million.

Vidalia Federal encounters competition from six state-chartered banks that operate a total of 16 offices in Toombs and Montgomery Counties. As of June 30, 2011, Vidalia Federal had \$191 million in deposits in the assessment area. The bank's deposit market share was 23 percent, the second highest in the assessment area. The highest was Montgomery Bank & Trust, with \$198 million in deposits and a deposit market share of 24 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

Vidalia Federal's LTD ratio is reasonable given the institution's size, financial condition, and the economic factors affecting the institution's ability to lend. The institution's quarterly LTD ratio

averaged 52 percent over the eight business quarters ended December 31, 2011. This percentage is lower than the average LTD ratio of 85 percent during this same period for similarly sized savings associations with assets between \$100 million and \$300 million. However, Vidalia Federal’s average LTD ratio is commensurate with four other financial institutions of similar asset size (total assets less than \$250 million) operating in the assessment area, which average from a low of 56 percent to a high of 76 percent. We noted that 22 percent of households in Toombs and Montgomery counties are below the poverty level. This high poverty level impedes the bank’s ability to lend in the assessment area and, as a result, adversely impacts the LTD ratio.

Based on the foregoing, Vidalia Federal’s average LTD ratio meets the standards for satisfactory performance.

Lending in Assessment Area

Vidalia Federal is not subject to Home Mortgage Disclosure Act (HMDA) reporting requirements. Consequently, the institution does not maintain a Loan/Application Register. The examiner evaluated Vidalia Federal’s record of lending by reviewing internal records for home mortgages originated during 2010 through May 2012. The following table reflects the home mortgage loans originated inside and outside the assessment area by number and dollar amount of loans. For the period reviewed, seventy-five percent by number, and seventy-five percent by dollar volume of home mortgages were originated within the assessment area.

Table 1 - Lending in Vidalia Federal Savings Bank AA										
	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Loan Originations	170	74.89	57	25.11	227	\$20,517	75.02	\$6,830	24.98	\$27,347

Source: Internal Loan Records for 2010, 2011, and 2012, through May. Originations of home purchase loans or refinancings of home purchase loans.

As Vidalia Federal originated a majority of home loans inside its assessment area during the evaluation period, the institution’s record of lending meets the standards for satisfactory performance.

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

A review of Vidalia Federal’s lending was based on a sampling of internal loan records for years 2010 through May 2012. The sample included a total of 61 home loans. This sample disclosed the following information concerning mortgage loan originations to borrowers of different income levels within the assessment area. For purposes of this analysis, family income levels were stratified as a percentage of the Department of Housing and Urban Development’s adjusted

median family income for the non-MSA areas of the state of Georgia, which for 2010, 2011, and 2012 were \$46,400, \$44,600, and \$45,200, respectively.

Income Category	Percent of MFI	Number	No. Pct.	Volume (\$000s)	Pct. of \$	Distribution of Families
Low	<50%	1	1.64%	27	.32%	25.24%
Moderate	≥50-<80%	5	8.20%	304	3.60%	17.97%
Middle	≥80-<120%	15	24.59%	1,509	17.86%	17.84%
Upper	≥120%	40	65.57%	6,610	78.22%	38.95%
Total		61	100.0%	\$8,450	100.0%	100.0%

As reflected in the above table, Vidalia Federal’s level of loan originations by number and dollar amount to low-income borrowers is low in relation to the percentage of low-income families residing in the assessment area. Vidalia Federal’s ability to adequately penetrate low-income borrowers is impeded by the number of area households living below the poverty level. It was also noted that the number and dollar amount of loans to moderate-income borrowers are considerably lower than area demographics.

Vidalia Federal’s record of lending to borrowers of different income levels was also compared to the lending activity of FDIC-insured lenders subject to HMDA reporting within the assessment area. The comparison was made using 2010 Aggregate Peer Lending data, the latest available, and Vidalia Federal’s 2010 lending information. Of the 61 mortgage loans sampled, twenty-three were originated during 2010. Of these 23 loans, one was originated to a low-income borrower, and one was to a moderate-income borrower. Based upon the data shown in the table below, Vidalia Federal’s record of lending to LMI borrowers in 2010 was lower than other lenders for that year, and both were lower than the area’s LMI demographics.

2010 Aggregate HMDA Borrower Income Analysis for Mortgage Loan Originations of similar products by other lenders within the Assessment Area

Income Category	Percent Of MFI	Vidalia Federal No. of Loans	Vidalia Federal Percent of No.	Other Lenders Percent of No.	Distribution of Families
Low	<50%	1	4.35%	11.55 %	25.24%
Moderate	≥50-<80%	1	4.35%	16.73%	17.97%

Based on this analysis, Vidalia Federal’s overall level of lending to borrowers of different income levels does not meet the standards for satisfactory performance.

Geographic Distribution of Loans

Also, a review was performed to determine the adequacy of dispersion of lending within census tracts of different income levels. To conduct this review, the sample of 61 home loans was used to analyze the number and dollar amount of loans originated in moderate-income census tracts (there are no low-income census tracts) as compared to the percentage of owner-occupied housing units (OOHUs) located within those tracts. The results are presented in the following table:

Census Tract	Percent	Number	No. Pct.	Volume	Pct. of \$	Distribution
Category	of MFI			(\$000s)		of OOHUs
Low	<50%	0	0.00%	0	0.0%	0.0%
Moderate	≥50-<80%	19	31.15%	2,258	26.72%	24.27%
Middle	≥80-<120%	32	52.46%	4,727	55.94%	59.16%
Upper	≥120%	10	16.39%	1,465	17.34%	16.57%
Total		61	100.0%	\$8,450	100.0%	100.0%

As indicated, Vidalia Federal's overall record of lending in moderate-income census tracts was higher than the assessment area's demographics by number, as well as, dollar volume.

Vidalia Federal's record of lending among census tracts of different income levels was also compared to the lending activity of FDIC-insured lenders subject to HMDA reporting within the assessment area. The comparison was made using 2010 Aggregate Peer Lending data, the latest available, and Vidalia Federal's 2010 lending information. Of the 61 mortgage loans sampled, twenty-three originated during 2010. Of these 23 loans, seven were in moderate-income census tracts. The comparison of Vidalia Federal's 2010 lending activity to 2010 Aggregate Peer Lending data is presented in the table below.

2010 Aggregate HMDA Geographic Distribution Analysis for Mortgage Loan Originations of similar products by other lenders within the Assessment Area

Income Category	Percent of MFI	Vidalia Federal No. of Loans	Vidalia Federal Percent of No.	Other Lenders Percent of No.	Distribution of O.O.H.U.
Moderate	≥50-<80%	7	30.43%	20.92%	24.27%

The analysis disclosed that Vidalia Federal's lending activity in moderate-income census tracts greatly exceeded both the percentage of owner-occupied housing units and the Aggregate Peer

Lending data in those tracts. Based upon this analysis, Vidalia Federal's performance exceeds standards for satisfactory performance.

Responses to Complaints

No complaints concerning Vidalia Federal's performance in meeting the credit needs of the assessment area have been received since the preceding evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, 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.