



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Atlanta, Georgia 30346

PUBLIC DISCLOSURE

September 10, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Elberton FS&LA
Charter Number 702849

6 Church Street
Elberton, GA 30635-0897

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, 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 bank is rated Satisfactory.

Elberton Federal Savings and Loan's (Elberton Federal or bank) performance rating is supported by the following:

- ◆ The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- ◆ A substantial majority of loans originated are within the bank's AA.
- ◆ The percentage of residential real estate loans among individuals of different income levels reflects reasonable distribution.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is a full-scope review and covers a period of January 1, 2007 to December 31, 2011. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census demographic information. Elberton Federal has no bank owned affiliates.

Loan performance was determined by analyzing the bank's primary loan product, or all residential mortgage loans, originated during the review period. The residential loans selected for review included home purchase, home improvement and home refinances transactions. The sample is representative of the bank's business strategy since the last evaluation. Elberton Federal is not subject to the data collection and reporting requirements of the Home Mortgage Disclosure Act (HMDA). The bank does not originate a significant volume of consumer or commercial loans to warrant inclusion in this report.

DESCRIPTION OF INSTITUTION

Elberton Federal is a federally chartered, mutual savings association with total assets of approximately \$20 million as of December 31, 2011. At the preceding evaluation conducted August 6, 2007, 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 located in a middle-income census tract (CT). No branches were opened or closed during the review period. The bank has six full-time employees.

The lobby and drive-through are open for business from 9:00 a.m. to 5:00 p.m. Monday, Tuesday, Thursday, and Friday, and until 1:00 p.m. on Wednesday. The bank is not open for business on Saturday. The hours of operation are adequate and consistent with those of the bank's competitors.

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.

As a traditional savings association, Elberton Federal has concentrated its business strategy in the origination of mortgage loans and the acceptance of deposits. Mortgage loans secured by single-family residences, multi-family dwellings, and residential investment property represent 60.51 percent of the bank’s total assets. Cash, deposits, and investment securities comprise 36.11 percent of total assets. The remaining 3.38 percent are of other assets.

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, consumer loans, multi-family, and home-equity loans are also available. The bank retains all of its own mortgage loan production in its portfolio. Residential mortgages make-up 81.36 percent of the loan portfolio.

Loan Category	\$ (000s)	%
Residential Mortgage Loans	9,919	81.36
Commercial & Commercial Real Estate	2,029	16.64
Construction & Land Development	0	0
Land	177	1.45
Consumer loans	67	.55
Total Loans	12,192	100.00

* Data obtained from 12/31/2011 UTPR

There are no legal or financial impediments to Elberton Federal’s ability to meet the credit needs of their AA.

DESCRIPTION OF ASSESSMENT AREA

Elberton Federal’s AA encompasses all of Elbert County, Georgia. This county is not part of a Metropolitan Statistical Area (MSA). According to the 2000 Census, the AA consists of five Census Tracts (CTs); all of which are middle-income. All five of these census tracts are designated as distressed due to higher poverty levels and could benefit the bank’s CRA performance. The AA is consistent with regulatory requirements.

Elberton Federal’s AA is located in northeastern Georgia, approximately 35 miles east of Athens, Georgia, near the South Carolina state line. Elberton Federal is located in Elberton, the county seat and largest city in Elbert County.

The local economy is partially dependent upon the granite industry and its related businesses. The granite industry provides 1800 jobs throughout the AA. This is a reduction in production facilities and employment numbers since 2007. Other large employers in the area include, but are not limited to Pilgrim’s (formerly Pilgrim’s Pride), MÖllertech, Wal-Mart, Whitlow electric, and Bubba Foods. Elbert County residents also commute to nearby Athens, Georgia (Clarke County) for employment opportunities.

The following tables show the demographic and economic characteristics of the AA:

DEMOGRAPHICS OF CTs			FAMILY DISTRIBUTION	
CT Category	Population	Owner Occupied Housing Units	Income Category	Distribution of Families
Low	-0-	-0-	Low	25.4%
Moderate	-0-	-0-	Moderate	17.2%
Middle	20,511	6,076	Middle	22.5%
Upper	-0-	-0-	Upper	34.9%
Total	20,511	6,076	Total	100.0%

Source: 2000 U.S. Census

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Businesses by Geography	2,172	0.00	0.00	100	0.00
Farms by Geography	88	0.00	0.00	100	0.00
Median Family Income	\$34,094	Median Housing Value			\$58,705
HUD Adjusted Median Family Income for 2011	\$44,600	Unemployment Rate December 2011			12.9%
Households Below the Poverty Level	18.22%				

Source: 2000 U.S. Census, and 2011 HUD updated MFI.

The bank encounters substantial competition from other financial institutions within the AA. Specifically, as of June 30, 2011, a total of three commercial banks and one savings association, Elberton Federal, maintained a total of six offices within the AA. Elberton Federal is the smallest of the four financial institutions, with only one office. The other institutions operating within the AA include Pinnacle Bank, with 13 total offices; Regions Bank, with 1,768 offices; and Northeast Georgia Bank, with 14 total offices. As of June 30, 2011, all banks held approximately \$308.1 million in deposits within the AA. Elberton Federal held approximately 4.9 percent of the AA’s total deposits.

Contact was made with a local community development organization as part of this evaluation process. The AA’s primary credit needs include financing for small business development and continued residential development. Elberton Federal provides ongoing assistance to the community through its residential lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Elberton Federal’s overall performance under the lending test is satisfactory. The conclusion is based on the following: a reasonable loan to deposit ratio, a substantial majority of loans in the AA, and a reasonable distribution of loans to borrowers of different incomes. Details regarding these findings are addressed below.

Loan-to-Deposit Ratio

Elberton Federal’s loan-to-deposit (LTD) ratio is reasonable. The bank’s loan-to-deposit ratio at 81.44 percent as of December 31, 2011 exceeds its peer group median LTD ratio of 78.34 percent. The peer group, consisting of thrift institutions under \$50 million in assets, LTD ratios ranged between 78.18 percent and 86.20 percent during the review period. The LTD ratio meets the standard for satisfactory performance with consideration given to the current economic condition and credit needs of the AA, the bank’s size, and its financial condition.

Lending in Assessment Area

Elberton Federal’s lending within its AA exceeds the standards for satisfactory performance. A substantial majority of the number of loans at 88.07 percent and dollar of loans at 88.43 percent were originated within the AA. Our sample was comprised of all home mortgage real estate loans originated during the review period. Refer to Table 1 for details.

Table 1 - Lending in Elbert County										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	155	88.07	21	11.93	176	8,991	84.43%	1,658	15.57%	10,649

Source: All residential lending activity during review period.

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

Elberton Federal’s lending provides for a reasonable distribution of loans to borrowers of different income levels and meets the standard for satisfactory performance. As shown in Table 2 below, the percentage of home mortgage loans made in the bank’s AA to low-, moderate-, middle-, and upper-income families is reasonable. Loans originated to moderate-income families at 25.81 percent, exceeds the percent of moderate-income families at 17.2 percent.

Low-income families represented 25.40 percent of the population. Elberton Federal originated 7.10 percent of their residential loans to low-income families. The percentage of loans is lower than the comparable demographic. Our review of the current economic conditions of the AA reflects these lower-income families may not be seeking residential mortgage loans, and in most cases, may not be financially able to purchase a home. Demographic information for the AA indicated low-income families had an annual income below \$22,300, while the median housing cost for the AA was \$58,705.

Also, the AA has experienced an extended higher than normal unemployment rate since 2007. The unemployment rate was 12.9 percent in December 2011. And, households in the AA with family incomes below the poverty level represented 18.2 percent.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Elbert County								
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
Residential	25.40	7.10	17.20	25.81	22.50	29.68	34.90	35.48

*Source: Data reported under HMDA; U.S. Census data.
No income data available for 1.94 percent of the loans (3 loans)*

Geographic Distribution of Loans

Elberton Federal’s AA is comprised of only middle-income census tracts that are considered distressed. Thus, an analysis of loan distribution based on the geographic characteristics of the AA is not meaningful and was not completed for this examination.

Responses to Complaints

Management has not received any CRA related complaints since our last examination.

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 FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.