



PUBLIC DISCLOSURE

January 25, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mutual Savings and Loan Association
Charter Number 700165

2900 Clearview Pkwy
Metairie, LA 70006-6532

Office of the Comptroller of the Currency

3838 North Causeway Blvd.
Suite 2890
Metairie, LA 70002-8105

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

Mutual Savings and Loan Association (Mutual or the Bank)

- The average loan-to-deposit ratio is more than reasonable given the Bank's size, competition, and economic environment.
- Mutual originated a majority of loans outside the assessment area (AA). The Bank is a niche lender with a moderate volume of construction loans. Lending trends are such that construction loans are in high demand in parishes outside of Mutual's AA.
- Loan analysis indicates the distribution of loans to borrowers of different income levels exhibits a reasonable penetration.
- Loan analysis indicates that the geographic dispersion of loans reflects a reasonable penetration in low- and moderate-income census tracts.

SCOPE OF EXAMINATION

We evaluated Mutual using small bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The lending test covers the bank's performance from January 1, 2012, to December 31, 2014. This period is representative of Mutual's lending strategy since the previous CRA Evaluation, which was dated February 28, 2011. The bank received a "Satisfactory" rating at the previous CRA Evaluation. As part of this evaluation, we took a sample of 54 one-to-four residential real estate loans that were originated during a 36-month period, which ended December 31, 2014.

Mutual's primary loan product is one-to-four family residential real estate loans, representing 96.6 percent of total loans at December 31, 2015. While the bank has two assessment areas, the current CRA Evaluation included a full scope review of the east bank of Jefferson Parish only. The reason for this is St. Tammany Parish was added as a second AA during the last quarter of 2015 when Mutual opened a branch in Mandeville, LA.

Mutual is a non-HMDA reportable institution, but they choose to voluntarily file HMDA reports with the FFIEC. In October of 2015, we validated the integrity of the bank's HMDA reports, which consisted of one-to-four family residential loans, originated for a 33-month period, ended October 1, 2015. We concluded the bank's data was reliable.

DESCRIPTION OF INSTITUTION

Mutual is a \$42 million, federally chartered mutual savings and loan association. The bank's main office is located in Metairie, LA. During 2015, Mutual opened a branch in Mandeville, LA of St. Tammany Parish. The bank's asset portfolio primarily consists of one-to-four family mortgage loans, which are funded through a deposit base, and to a lesser degree, Federal Home Loan Bank advances.

Mutual offers fixed and variable-rate mortgage loans for the purchase, improvement, or refinance of owner occupied one-to-four family dwellings. Mutual developed loan programs to help meet the needs of the area by offering mortgage loans with consistent fee structures and interest rates, regardless of loan size. The Bank offers a Bi-weekly Mortgage Program which permits payments to be made every two weeks, resulting in interest savings to the borrower. The Bi-weekly Program shortens the term of the loan, and allows the borrower’s equity to build up much faster than a traditional monthly mortgage payment. Lastly, Mutual offers a Construction/Permanent Loan Program, (owner-occupied properties) which lets customers lock in the interest rate at the time of application. The bank’s primary business strategy or strategic plan is to originate and retain mortgage loans; however, some loans have been sold in the past for interest rate risk purposes. There have not been any significant changes to Mutual’s corporate structure, including merger or acquisition activities, since the prior CRA Evaluation.

As of December 31, 2015, the bank’s primary loan products consisted of mortgage loans. The bank makes few commercial (including small business loans) or consumer loans:

Table 1 – Mutual’ s Loans by Type		
Loan Category	\$ (000)	%
1-4 Family Real Estate (includes Construction Loans)	\$34,556	96.60%
Commercial (including Small Business Loans)	\$1,116	3.12%
Consumer Loans	\$95	0.28%
Total	\$35,767	100.00%

Source: Call Report data, as of 12/31/2015

Economic or Legal Constraints

Mutual has no legal or regulatory impediments identified that would affect its lending activities or impede the bank’s ability to meet the credit needs within its AA.

DESCRIPTION OF ASSESSMENT AREA(S)

Jefferson Parish is one of seven Parishes included in the New Orleans-Metairie-Kenner, LA Metropolitan Statistical Area. Jefferson Parish is located in southeast Louisiana extending 60 miles between Lake Pontchartrain and the Gulf of Mexico. The Mississippi River bisects the Parish into two parts that are locally termed the East bank and West bank. The East bank is north of the Mississippi River and is composed of the unincorporated areas of Metairie and Jefferson, and the incorporated cities of Kenner and Harahan. Jefferson Parish’s East bank is approximately 12 miles from downtown New Orleans and in close proximity to several universities such as Tulane, Loyola, and Xavier. Mutual defined its AA as all of the census tracts in Jefferson Parish, located on the East bank of the Mississippi River. The river serves as a natural boundary that

divides Jefferson Parish; therefore, Mutual’s AA meets CRA regulatory requirements and consists of a complete political subdivision in the form of a Parish.

The bank’s AA is made up of 76 census tracts of which one is low-income; 17 are moderate-income; 29 are middle-income; and 29 are upper-income. The main office and a drive-up teller machine, reside in a moderate-income census tract, located in Metairie, LA.

While the population in this AA has decreased by approximately 16,000 individuals since 2005 (due to the devastating effects of Hurricane Katrina), the property values have significantly increased. At the previous CRA examination, the median housing value was \$129,335. At this examination, the median housing value (based on the 2010 U.S. census) was \$211,533. In addition, as of 2014, according to the Jefferson Parish Economic Development Commission (JEDCO), the average price of a single-family residential dwelling located on the East bank of Jefferson Parish was \$233,284. Based on the aforementioned statements, low and moderate-income families may face challenges in finding affordable homeownership opportunities within this AA.

As previously mentioned, the bank opened a branch office during 2015, located in Mandeville, LA of St. Tammany Parish.

The table below represents the demographic data of the East bank of Jefferson Parish, LA as of December 31, 2014:

Table 2- Demographic Information of Mutual’s Assessment Area, (East Bank of Jefferson Parish, LA)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	76	1.32%	22.37%	38.16%	38.15%	0.00%
Population by Geography	241,676	1.18%	17.76%	44.87%	36.19%	0.00%
Housing Units	110,080	1.43%	19.20%	42.79%	36.58%	0.00%
Owner-Occupied Housing by Tract	60,694	0.47%	0.00%	45.67%	53.86%	0.00%
Family Distribution by Income Level	60,178	17.32%	16.93%	19.98%	45.77%	0.00%
Median Family Income = \$59,217 FFIEC Adj. Median Family Income for 2014 = \$61,900 Households Below the Poverty Level = 10.14%			Median Housing Value = \$211,533			

The AA’s unemployment rate as of December 31, 2014 was 6.0 percent, which compared favorably to the state’s average of 6.2 percent.

During 2014, major industries who provided employment within this area included Ochsner Health System, East Jefferson Hospital, Jefferson Parish School System, and Jefferson Parish Municipal Government.

As of June 30, 2015, the FDIC’s Deposit Market Share Report listed numerous financial service providers within this AA. Mutual is an institution with a main office and a newly opened branch. As a small institution, Mutual’s competition is significant and includes very large institutions such as Capital One, Whitney Bank, JP Morgan Chase Bank, First NBC Bank, and Regions Bank. During 2014, Mutual ranked 68th of 241 lenders with a market share of less than one percent.

The Federal Financial Institutions Examination Council’s (FFIEC) updated 2014 median family income for the AA was \$61,900. Low-income is defined as less than 50 percent of the median family income. Moderate income is defined as 50 percent to 80 percent of the median family income. Middle-income is defined as 80 percent to less than 119 percent of the median family income. Upper-income is defined as income of 120 percent and over the median family income. The following table depicts Income Categories:

Table 3- Income Categories – East bank of Jefferson Parish			
Low	Moderate	Middle	Upper
<\$30,950	\$30,950 – \$49,519	\$49,520 - \$73,660	>\$73,661

Source: FFIEC, 2014

We contacted a realtor and an Economic Commission and confirmed that the volume of construction lending has decreased in Jefferson Parish and has increased in St. Tammany Parish.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

As of September 30, 2015, the bank’s quarterly average LTD ratio of approximately 155.9 percent is more than reasonable relative to the bank’s size, competition, and financial condition.

Since the previous CRA Performance Evaluation, the institution’s quarterly, average LTD ratio ranged from a low of 148.5 percent to a high of 162.3 percent. The bank’s overall average LTD ratio of 155.9 percent is excellent when compared to similarly-situated financial institutions, which had a quarterly average LTD ratio of 85.8 percent during the same time-period. Refer to Table 4 for details.

Table 4- Loan-to-Deposit Ratios of Select Competitors		
Institution	Assets (000s) (as of 09/30/15)	Quarterly, Average LTD Ratio
Mutual Savings and Loan Association	\$40,032	155.98%
Heritage Bank of St. Tammany	\$92,014	77.72%
Beauregard Federal Savings Bank	\$58,939	72.62%
Eureka Homestead	\$94,758	107.26%

Source: FFIEC Uniform Bank Performance Reports

Lending in Assessment Area

A review of loans originated by Mutual shows the bank originated a majority of loans outside its AA, which would usually indicate less than satisfactory performance. However, it is important to note the unique economic challenges of the AA, as well as the bank's products offered. As a construction lender, Mutual experienced a decrease in the demand for construction lending in the immediate surrounding area. However, there continues to be a demand for construction lending in neighboring Parishes, such as St. Tammany, which is a bedroom community very much like the East bank of Jefferson Parish. The Parish of St. Tammany is where the bank opened a branch during 2015. According to the Jefferson Parish Economic Development Commission (JEDCO), during 2015, 335 single family residence construction loans were originated in Jefferson Parish as compared to 1,410 single family residence construction loans that were originated in St. Tammany Parish.

During the review period, January 1, 2012 to December 31, 2014, Mutual originated 126 residential mortgage loans totaling \$28.2 million, with 54 residential mortgage loans, or 42.9 percent, totaling \$11.6 million within its AA:

Table 5 - Lending in Jefferson Parish										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	21	41.18	30	58.82	51	\$5,044	37.94	\$8,250	62.06	\$13,294
Improvement	0	0.00	1	100	1	\$0.00	0.00	\$510	100	\$510
Refinance	33	45.21	40	54.79	73	\$6,578	45.57	\$7,857	54.43	\$14,435
Totals	54	43.20	71	56.80	125	\$11,622	41.16	\$16,617	58.94	\$28,239

Source: Loan Application Loan Data for calendar years of 2012, 2013 and 2014.

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

The distribution of home loans to borrowers in the Bank’s AA is reasonable. While the bank achieved a poor penetration of home loans to low-income borrowers and moderate-income borrowers when compared to other lenders, the bank’s performance is considered reasonable when the bank’s business model, peer competition, and economic factors are taken into consideration. As previously stated, historically, Mutual has been a niche lender concentrating in construction loans. There is little construction activity within the AA as the majority of the area (Metairie and Kenner) is fully developed. New construction lending is concentrated in outlying areas. The top five regional lenders (See Description of AA) within the AA offer a wider variety of conventional, government-insured, and flexible mortgage loan products. The area still suffers from high property values, which would affect low-income and moderate-income borrowers. A low-income individual and a moderate-income individual would qualify for loans of \$100,000 and \$167,000 respectively, given Mutual’s loan underwriting guidelines. If, during 2014, the current average listing price of houses, located in the AA (according to JEDCO) were \$223,284, a low-income or moderate-income borrower would not be able to purchase a home. Low- and moderate-income individuals may face even greater challenges regarding the availability and cost of homeowners and flood insurance.

Table 6 - Borrower Distribution of Residential Real Estate Loans in Jefferson Parish

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Purchase	4.55	0.00	18.97	4.76	21.83	9.52	42.30	85.71
Improvement	10.93	0.00	13.91	0.00	20.53	0.00	47.68	0.00
Refinance	6.23	3.03	12.27	6.06	19.33	6.06	48.58	84.85

Source: Loan Application Loan Data for calendar years of 2012, 2013 and 2014.

Geographic Distribution of Loans

The dispersion of loans to borrowers in Jefferson Parish (East bank) is reasonable. The bank’s AA includes only one low-income and 17 moderate-income census tracts. Other than the one moderate-income census tract in which the bank is located, all other census tracts (one low-income and 16 moderate-income) are not in close proximity to the bank. Overall, home ownership within the low- and moderate-income census tracts is low. During 2014, aggregate AA data disclosed of 3,099 loans originated in Mutual’s AA, only eight loans were originated in the low-income census tract and 223 loans were originated in the 17 moderate-income census tracts. Overall volume of lending (240 loans in low-and moderate-income census tracts) compares negatively to low-income families of 10,423 and moderate-income families of 10,190 located within the AA. See Table 7 for percentages of low-income and moderate-income loans, compared to aggregate percentages:

Table 7 - Geographic Distribution of Residential Real Estate Loans in Jefferson Parish								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Purchase	0.35	0.00	8.27	4.76	43.70	28.57	47.68	66.67
Improvement	0.33	0.00	18.21	0.00	38.74	0.00	42.72	0.00
Refinance	0.39	0.00	8.99	3.03	43.15	33.33	47.47	63.64

Source: Loan Application Loan Data for calendar years of 2012, 2013 and 2014 and U.S. Census data.

In spite of the numerical comparisons, Mutual’s lending in low- and moderate-income census tracts is reasonable based on the following:

- Low volume of lending in low-and moderate-income census tracts by all lenders within the AA.
- The level of competition faced by the institution. As previously stated, Mutual faces intense competition for financial services within its AA.
- Other than the one moderate-income census tract in which the bank is located, all other census tracts (one low-income and 16 moderate-income) are not in close proximity to the bank.

Responses to Complaints

Mutual has not received any complaints regarding its CRA performance during the evaluation period.

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 AA by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

The OCC found no evidence of discrimination or other illegal practices inconsistent with helping to meet community credit needs.