



PUBLIC DISCLOSURE

April 22, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home FS&LA
Charter Number 707450

2990 Main Highway
Bamberg, SC 29003-1118

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 Outstanding

The major factors that support this rating include:

- The bank's loan-to deposit ratio is more than reasonable given the bank's size, financial condition and AAs' credit needs;
- A majority of the bank's loans are made within the bank's assessment area;
- The distribution of loans to borrowers in different income tracts reflects excellent dispersion;
- The geographic distribution of loans within the AA reflects excellent dispersion; and
- No complaints were received during the evaluation period.

SCOPE OF EXAMINATION

We performed a full-scope evaluation of Home Federal Savings and Loan (HFSL) performance using small bank Community Reinvestment Act (CRA) examination procedures. HFSL is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). As a result, we reviewed a random sample of 30 home mortgage loans the bank originated during the evaluation period to determine the bank's lending performance.

The evaluation period for home mortgage loans is January 1, 2010 through December 31, 2011. The evaluation period for the loan-to-deposit ratio is July 29, 2008 through December 31, 2012. This evaluation is based on accurate information.

DESCRIPTION OF INSTITUTION

HFSL is an intrastate mutual savings association headquartered in Bamberg, South Carolina that operates one banking office. The bank opened for business in 1920. The bank's main office is located in Bamberg, South Carolina.

HFSL offers a limited range of lending and banking products and services. The association does not offer transaction accounts. As of March 31, 2013, total assets were \$40.3 million with net loans representing 88.78 percent of total assets. The bank's primary loan product is home purchase loans. Residential lending represents 87.07 percent of the total loan portfolio with the remaining 7.21 percent in small business lending and 5.72 percent in consumer lending. This loan mix is consistent with HFSL's overall strategic goals and objectives. Competitors include Enterprise Bank of South Carolina, SCBT National Association and Wells Fargo Bank, National Association.

The bank’s Tier one capital is \$4.12 million and their risk-based capital to risk weighted assets equals 18.89 percent. There are no legal, financial, or other factors impeding the bank’s ability to meet the credit needs in its assessment area.

According to the Federal Depository Institution Corporation Market Share Report, there were 4 banks operating in the Bamberg County Non-Metropolitan Statistical Area (Non-MSA) as of June 30, 2012. HFSL ranked third in total deposits with 12.84 percent of the market share.

HFSL received an “Outstanding” CRA rating in the last CRA public evaluation dated July 28, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank has one assessment area (AA) located in Bamberg County. The AA consists of the entire Bamberg County. The AA meets the legal requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas.

Bamberg County Assessment Area

The AA consists of 2 moderate-income census tracts (50 percent) and 2 middle-income census tracts (50 percent). The 2 middle-income census tracts were considered distressed and underserved geographies for 2010 and 2011. We evaluated lending to borrowers of different incomes based on the HUD updated MSA median family income of \$49,100 for year 2010 and \$47,700 for year 2011.

Demographic Information for the Bamberg County AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	0	50%	50%	0
Population by Geography	16,658	0%	82.26%	17.74%	0%
Owner-Occupied Housing by Geography	7,130	0%	78.36%	21.64%	0%
Businesses by Geography	938	0%	81.34%	18.66%	0%
Farms by Geography	60	0%	61.67%	38.33%	0%
Family Distribution by Income Level	4,269	0%	80.89%	19.11%	0%
Census Median Family Income (MFI)		\$38,927	Median Housing Value		\$50,986
HUD-Adjusted MFI: 2010		\$49,100	Families Below the Poverty Level		23.92%
HUD- Adjusted MFI: 2011		\$47,700	Unemployment Rate		13.4%

According to the Bureau of Labor Statistics, as of December 31, 2012, the unemployment rate was 13.4 percent and higher than the state unemployment rate of 8.8 percent. Major employers for Bamberg County include Bamberg County, Rockland Industries and Edisto Electric Cooperative.

As part of our review, we also incorporated information obtained from a local community contact. The contact consisted of a government agency. From this discussion, we determined that the needs of the AA were jobs and affordable mortgages.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s overall lending performance is “Outstanding”. This conclusion is based upon the results of the following specific lending tests used to determine if the bank is meeting the credit needs of the AA. All criteria of the specific lending tests are documented below.

Loan-to-Deposit Ratio

HFSL loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition and AAs’ credit needs. The bank’s quarterly average LTD ratio for the 19 quarters since the banks preceding CRA examination in July 2008 was 103.47. The bank’s ratio ranged from a quarterly low of 99.9 percent to a quarterly high of 108.47 percent. HFSL ranks first among similarly situated banks. In comparison, the quarterly average LTD ratio among banks of similarly sized financial institutions in South Carolina is 79.33 percent. The peer average LTD ratio over the same 19 quarters ranged from a low of 65.76 percent to a high of 91.30 percent.

Lending in Assessment Area

HFSL originated the majority of its home purchase loans inside the bank’s AA. Seventy-seven percent of the loans originated in the primary loan product were made within the AA.

The following table details the bank’s lending within the AA by number and dollar amount of loans.

Table 1 - Lending in Bamberg County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	23	76.67	7	23.33	30	1,517	74.04	532	25.96	2,049
Totals	23	76.67	7	23.33	30	1,517	74.04	532	25.96	2,049

Source: Primary product loan sample 2010-2011

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

HFSL distribution of home purchase loans to borrowers of different income levels reflects excellent penetration. We sampled 30 home purchase loans originated during 2010 and 2011 made within the AA to determine the bank’s distribution of lending to borrowers of different incomes. The volume of loans originated to businesses of different sizes during the evaluation period is too limited to render a meaningful analysis.

The percentage of AA families in the low-income level was adjusted from the 2000 U.S. Census data percentage of 33.47 percent to 9.55 percent to account for the 23.92 percent of families below the poverty level in the AA. While the level of home purchase loans originated to low-income borrower reflects reasonable penetration, this is mitigated by the high unemployment rate, family poverty level and the credit needs of the AA. The AA unemployment rate of 13.4 percent is higher than the state unemployment rate of 8.8 percent. The needs identified for the AA were jobs and affordable mortgages.

The following table shows the distribution of home purchase’s among borrowers of different levels for the period of January 1, 2010 through December 31, 2011.

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
Home Purchase	9.55	8.70	18.93	21.74	17.99	21.74	29.61	47.83

Source: Home FS&L 2010 and 2011 loan sample; 2000 U.S. Census data

Geographic Distribution of Loans

HSFL’s geographic distribution of home purchases in the AA reflects excellent penetration throughout the census tracts of different income levels. There are no low-income census tracts in the AA.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract level.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	78.36	91.30	21.64	8.70	0	0

Source: Home FS&L 2010 and 2011 loan sample; 2000 U.S. Census data

Responses to Complaints

The bank did not receive any CRA related complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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