



## **PUBLIC DISCLOSURE**

August 7, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Beauregard FSB

Charter Number 705195

522 N. Pine St., DeRidder, LA 70634

Office of the Comptroller of the Currency

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**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, and should not 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.

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## Overall CRA Rating

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

Beauregard Federal Savings Bank's (Beauregard) lending performance reflects satisfactory response to meeting community credit needs within its assessment area (AA). Major factors supporting this conclusion include:

- The average loan-to-deposit (LTD) ratio is reasonable given Beauregard Federal Savings Bank's (Beauregard) size, competition, and economic environment.
- The bank originated a majority of loans inside the assessment area (AA).
- Loan analysis indicates the distribution of loans to borrowers of different income levels exhibits a reasonable penetration.
- An analysis of the geographic dispersion of loans was not performed because the bank's AA does not include low-income and moderate-income census tracts.
- The institution did not receive any CRA-related complaints during the review period.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved non-metropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AA(s) or outside the AA(s) provided the bank has adequately addressed the CD needs of its AA(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn,

loan pricing, the lien status of the collateral, any requests for pre-approval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget (OMB), and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by OMB, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** An area, defined by the OMB, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties (parish or parishes) containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Beauregard is a \$63 million, federally-chartered stock thrift located in DeRidder, Louisiana, and is wholly-owned by Beauregard Bancshares, Inc., a one-bank holding company. Beauregard's strategic plan is to serve its AA by primarily originating mortgage loans and, secondarily consumer loans. In addition to the main office, the bank has one branch office. Both facilities are full service with traditional operating hours. Beauregard does not have any ATMs, but does have drive-up services at each location. The bank has not opened any new branches or made changes to its corporate structure, including merger or acquisition activities, since the previous CRA evaluation.

The bank has one AA consisting of the entire Parish of Beauregard and portions of Vernon Parish. Both branches are located within the AA.

Beauregard provides many types of banking services including residential mortgage, commercial real estate, and personal or consumer lending. The bank also offers certificates of deposit, funds transfers, and safe deposit boxes. The bank originates residential loans for the purposes of construction, purchase and refinance. The bank also offers non-mortgage, commercial, personal and consumer loans. See Table below:

Loan Category	Dollars	Percentage	Loans to Assets	Loans to Tier One Capital
Mortgage Loans secured by first liens	36,213,018	81.64%	62.34%	331.86%
Non-Mortgage Loans	-0-	0%	0%	0%
Commercial/Small Business	2,620,110	5.91%	4.20%	24.01%
Personal	-0-	0%	0%	0%
All Other (Auto, Unsecured, Cash-Secured)	5,521,587	12.45%	8.86%	50.60%
<b>Total</b>	<b>44,354,715</b>	<b>100%</b>	<b>75.40%</b>	<b>406.47%</b>

Source: 6/30/2017 Call Report

Competition among financial institutions in the AA remains strong, as Beauregard has to vie with several large, national and regional banks for loans. According to the June 30, 2016 FDIC Summary of Deposit Market Share Report, Beauregard commands 6.59 percent market share within the AA, ranking the bank sixth of seven financial institutions. Beauregard's major competitors are Merchants and Farmer's Bank (5 offices, 31.5 percent market share), First National Bank of DeRidder (4 offices, 24.02 percent market share), City Savings Bank (3 offices, 20.6 percent market share),

Sabine State Bank (5 offices, 9.1 percent market share), and JP Morgan Chase Bank (1 office, 6.6 percent market share).

There were no financial or legal impediments to prevent Beauregard from meeting the credit needs of the community.

We conducted our last CRA Performance Evaluation on November 11, 2011. At that time, the bank received a “Satisfactory” rating.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated the institution 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, 2015, to June 30, 2017. This period is representative of Beauregard’s primary lending strategy of originating residential mortgage loans.

### **Data Integrity**

Beauregard is a non-HMDA reportable institution. The bank originated 214 mortgage loans, totaling approximately \$37 million secured by first liens (Beauregard’s primary product) during our review period. At this examination, the integrity of the bank’s data was validated, which consisted of 60 mortgage loans secured by first liens, originated for a 30-month period, ended June 30, 2017. We concluded the bank’s data was reliable.

### **Selection of Areas for Full-Scope Review**

The bank has one AA consisting of the entire Parish of Beauregard and portions of Vernon Parish. This area received a full-scope review. See Appendix A for more information.

### **Ratings**

The bank’s overall rating is based primarily on the area that received a full-scope review.

Beauregard’s “Satisfactory” rating was based on its only AA which includes the entire Parish of Beauregard and portions of Vernon Parishes.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

Beauregard's lending test is reasonable.

#### LTD Ratio

As of March 31, 2017, Beauregard's quarterly average LTD ratio of approximately 75.0 percent is 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 66.7 percent to a high of 82.2 percent. Beauregard's overall average LTD ratio of 75.0 percent is reasonable when compared to similarly-situated financial institutions, which had a quarterly average LTD ratio of 77.5 percent during the same time period. Refer to Table 1 for details.

Table 1- Loan-to-Deposit Ratios of Select Competitors		
	Assets (000s) (as Of 3-31-17)	Quarterly, Average LTD Ratio
Beauregard FSB	\$63	75.0%
Sabine State Bank & Trust	\$870	85.3%
Merchants and Farmers Bank & Trust	\$399	64.5%
City Savings Bank	\$324	82.8%

Source: FFIEC Uniform Bank Performance Reports

### Lending in AA

During the review period, January 1, 2015 to June 30, 2017, we sampled 60 real estate loans originated by the bank. As shown in the following table, 75.0 percent of Beauregard's loans by number and 73.7 percent by dollar amount were made in the bank's AA. A majority of the bank's loans were inside of its AA. See Table 2.

Table 2 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Real Estate Loans	45	75.00	15	25.00	60	4,201	73.70	1,499	26.30	5,700

Source: Beauregard's Loan Application Data for calendar years of 2015, 2016 and as of 6-30-17.

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

The distribution of real estate loans to borrowers in Beauregard's AA reflects a reasonable penetration among individuals of different income levels. See Table 3.

Table 3 - Borrower Distribution of Residential Real Estate Loans in Beauregard and Vernon Parishes												
Borrower Income Level	Low			Moderate			Middle			Upper		
Loan Type	% of AA Families	% of Number of Bank's Loans	Peer Data	% of AA Families	% of Number of Bank's Loans	Peer Data	% of AA Families	% of Number of Bank's Loans	Peer Data	% of AA Families	% of Number of Bank's Loans	Peer Data
Real Estate Loans	15.4	8.9	4.6	14.9	17.8	12.1	20.0	24.4	21.4	49.7	48.9	61.9

Source: Beauregard's Loan Application Data for calendar years of 2015, 2016 and as of 6-30-17.

Lending to low-income borrowers is less than the percentage of Beauregard's AA families; however, the bank's percentage of loans granted to low-income borrowers exceeded the percentage of peers within the same area. The bank's level of lending to moderate-income borrowers exceeds the percentages of AA families as well as peers within the same area. Beauregard's level of lending to borrowers of different income levels is deemed a reasonable penetration.

### Geographic Distribution of Loans

The bank does not have any low-income or moderate-income CTs within its AA; therefore, a geographic distribution of real estate loans would have been meaningless.

### Responses to Complaints

There were no complaints filed since the previous CRA examination.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test : (01/01/15 to 06/30/17) Residential Mortgage Loans	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Beauregard FSB DeRidder, LA		
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Beauregard & Vernon Parishes	Full-scope Review	Residential Mortgage Loans

# Appendix B: Community Profiles for Full-Scope Areas

## Beauregard and Vernon Parishes AA

Demographic Information for Full-Scope Area: Beauregard and Vernon Parishes						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs/BNAs)	10	0	0	60%	40%	0
Population by Geography	50,613	0	0	56%	44%	0
Owner-Occupied Housing by Geography	13,494	0	0	58%	42%	0
Businesses by Geography	4,062	0	0	60%	40%	0
Farms by Geography	139	0	0	64%	36%	0
Family Distribution by Income Level	13,276	0	0	58%	42%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	13,276	15%	16%	20%	49%	0
Median Family Income		Median Housing Value				
FFIEC Adjusted Median Family Income for 2016	\$51,588			Unemployment Rate	5.7%	\$91,218
Households Below the Poverty Level	\$46,900			(Beauregard) and 6.8% (Vernon)		
	10.1%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

Beauregard has one AA, which includes two adjoining parishes of the DeRidder-Fort Polk South, LA, Combined Statistical Area. The bank’s AA meets regulatory guidelines by including whole geographies and does not arbitrarily excluding low- and moderate-income areas.

The bank’s AA includes 10 contiguous CTs (six middle-income and four upper-income) of Beauregard and Vernon Parishes. Even though there are no low-income or moderate-income CTs in this AA, total households include 15 percent and 16 percent of low- and moderate-income families, respectively. The 10 CTs within the AA comprise all seven geographies which make up Beauregard Parish and the adjoining three southern geographies of Vernon Parish.

Beauregard Parish is the 31<sup>st</sup> largest parish in the state of Louisiana. The parish seat is DeRidder, which is 25 miles east of the Sabine River and Texas line, 50 miles north of Lake Charles, Louisiana and 75 miles southwest of Alexandria, Louisiana. Beauregard Parish is adjoining to Vernon Parish, whose seat is Leesville, Louisiana and includes the army base, Fort Polk.

The AA has been described as a “bedroom community”, as residents often commute to neighboring cities for employment and financial needs. The leading industries in the AA include: the army military base located at Fort Polk, oil and gas refineries, educational services, entertainment operations, and food services. The army military base in Leesville and the casinos in Lake Charles are the major employers, with many employees residing in the bank’s AA.

The FFIEC’s updated 2016 median family income for the AA was \$46,900. The following table depicts Income Categories.

Income Categories - Beauregard and Vernon Parishes AA			
Low	Moderate	Middle	Upper
<\$23,450	\$23,450 – \$37,519	\$37,520 - \$56,279	>\$56,280

Source: US Census data

While the AA is rural, competition among financial institutions in the AA remains strong, with the bank vying for loans, amongst other large, national and regional banks. According to the June 30, 2016 FDIC Summary of Deposit Market Share Report, Beauregard commands 6.59 percent market share within the AA, ranking the bank sixth of seven financial institutions. Beauregard’s major competitors are Merchants and Farmers Bank (5 offices, 31.5 percent market share), First National Bank of DeRidder (4 offices, 24.02 percent market share), City Savings Bank (3 offices, 20.6 market share), Sabine State Bank (5 offices, 9.1 percent market share) and JP Morgan Chase Bank (1 office, 6.6 percent market share).

The AA’s unemployment rates as of June 30, 2017 of 5.7 percent for Beauregard Parish and 6.8 percent for Vernon Parish compares unfavorably to a state average of 5.3 percent for the same time period.

We discussed community lending needs with the director of a local housing agency who identified affordable housing as a dire need within the AA. The contact stated that rents are extremely high in the City of DeRidder. While the economy may be stable, and the unemployment rate is relatively low, individuals who work in the city, only receive minimum wages. The contact further stated most of the low- and moderate-income families cannot afford to purchase houses unless the banks create or develop programs to assist them.