



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

July 22, 2013

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

Security Federal Savings Bank  
Charter Number 707228

301 3rd Avenue S  
Jasper, AL 35501-3757

Office of the Comptroller of the Currency

3595 Grandview Parkway  
Suite 655  
Birmingham, AL 35243

**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 average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans are in the bank's AA.
- The distribution of loans reflects excellent penetration among individuals of different income levels.
- The geographic distribution of loans reflects excellent penetration in moderate-income geographies.

**SCOPE OF EXAMINATION**

Security Federal Savings Bank (SFSB) was evaluated under the Small Bank examination procedures. The bank's CRA performance was evaluated by assessing the loan-to-deposit ratio, lending performance inside the assessment area (AA), borrower distribution, and reviewing consumer complaints regarding CRA. The Performance Evaluation is based on the period August 5, 2008 through July 22, 2013.

SFSB's primary lending during the review period was in the area of consumer lending. Lending test conclusions are based on consumer lending, primarily auto secured lending. The scope of the examination included a review of the institution's consumer loans originated from January 1, 2010 through December 31, 2011. The review included the analysis of fifty-one various types of consumer loans.

**DESCRIPTION OF INSTITUTION**

SFSB is a \$37.8 million, federally chartered mutual association located in Jasper, (Walker County), Alabama. Its asset level is less than that reported at the previous CRA evaluation at which time assets equaled \$38.1 million. SFSB's holding company is SE-Fed Bancshares, Inc., a one-bank holding company with no affiliates. All services are provided from its single location in Jasper and the bank operates an Automated Teller Machines (ATM) in that location. It offers online banking, telephone banking, which allows the bank's customers to access information on their accounts and the bank operates a non-transactional website; there are no links to external websites. The association is a traditional thrift institution with a loan portfolio mix of 1-4 family dwelling secured loans, consumer loans, and commercial and industrial loans. SFSB offers an array of deposit products with various features designed to compete with those offered by other local financial institutions. Due to economic conditions over the past five years, the bank's primary lending focus has been in the area of consumer lending, primarily auto lending.

As of June 30, 2012, SFSB ranked ninth in deposits, out of ten financial institutions in Walker County, AL. SFSB reported total deposits of \$29.9 million, or a 3.26 percent market share.

Local competition in the assessment area (AA) is moderate. The bank's competition consists of Bank of Walker County and Pinnacle Bank. There are several larger banks located near the bank's AA, including Bank of Jasper, a Synovous affiliate bank, Compass Bank, Regions Bank, BB &T, Wells Fargo, First National Bank, Marion County and Traders & Farmer's Bank, Winston County.

The bank's last CRA examination was performed as of August 4, 2008 and the bank received a Satisfactory rating. No legal or financial constraints exist which prohibit the bank from meeting AA credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

Security Federal has designated all of Walker County, Alabama, as its assessment area. Walker County, is located about 22 miles northwest of Birmingham, in the north central part of Alabama. The AA is located in the Birmingham Metropolitan Statistical Area (MSA). The bank's only office is located in a middle-income census tract in the City of Jasper, which is the largest municipality in Walker County, as well as the county seat. Other than Jasper and several smaller communities, the balance of Walker County is primarily rural in nature and sparsely populated. The bank's AA complies with the requirements of the regulations and does not arbitrarily exclude any low- or moderate-income census tracts. SFSB's AA is comprised of thirteen (13) moderate income CTs and five (5) middle CTs. There are no low or upper income CTs in the AA.

The 2000 U.S. Census median family income for non-metropolitan statistical areas in Walker County was \$35,585. The Department of Housing and Urban Development (HUD) updated median family income for 2011 is \$62,000. This income figure is updated annually and is used to determine the income level of individual applicants.

According to the 2000 U.S. Census demographic data, the AA has a population of 70,713. There are 20,515 families in the AA. Of the families who reside in the AA, 72.22 reside in moderate-income CTs, while 27.78 percent reside in middle income CTs. Of the total families, 0 percent resides in low-income and upper income CTs.

<b>Demographic Information for Assessment Area</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	18	0%	72.22%	27.78%	0%
Population by Geography	70,713	0%	67.60%	32.40%	0%
Owner-Occupied Housing by Geography	22,693	0%	67.83%	32.17%	0%
Businesses by Geography	5,748	0%	60.02%	39.98%	0%
Farms by Geography	112	0%	55.36%	44.64%	0%
Family Distribution by Income Level	20,515	0%	67.91%	32.09%	0%
Household Distribution by Income Level	28,336	0%	67.55%	32.45%	0%
Census Median Family Income (MFI)	36,408				
HUD-Adjusted MFI: 2011	62,000		Median Housing Value		\$57,492
Median Family Income	35,585		Families Below Poverty Level		18.11%
Median Household Income	29,197		Unemployment Rate		3.43%

Source: 2000 U.S. Census Data.

Local economic conditions are challenging with 18.11 percent of the households showing income below the poverty level. Approximately 15 percent of the AA or 10,453 persons are over the age of 65. The 2011 unemployment rate in Walker County was moderate at 3.43 percent, and was lower than the state unemployment rate of 9.4 percent, as of December 31, 2011.

Jasper and Walker County serve as the retail hub of Northwest Alabama. Major employers in the county are Walker Baptist Medical Center, Bevill State College and Marshall Durbin (poultry processing plant), each employing over 500 employees. The next largest employer with over 400 employees is Wal-Mart.

Community contacts were conducted with local agencies to determine the credit needs within the bank’s AA. The immediate credit needs of the community are financial planning and credit counseling. Another need identified, was the need for more job opportunities in manufacturing and industrial type jobs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

SFSB’s loan-to-deposit (LTD) ratio is reasonable considering the bank’s size and complexity. Since the last examination, the thrift’s average quarterly loan-to deposit ratio ranged between 39 percent and 53 percent. For comparison purposes, SFSB’s LTD ratio was calculated over eighteen quarters, since the last CRA Performance Evaluation. The review period for the LTD ratios began September 30, 2008 through December 31, 2012. This average ratio was compared to local competitors in the bank’s AA for the same period. Bank of Walker County LTD ratio ranged between 62 percent and 94 percent, while Pinnacle ranged between 53 percent and 70 percent. Based on the trends during the economic downturn, the banks analyzed experienced the same level of deterioration in their LTD ratios.

Institution	Assets as of 4Q2012 \$(000)	Average LTD Ratio
Security Federal Savings Bank	\$37,845	44.16%
Bank of Walker County	\$82,411	77.82%
Pinnacle Bank	\$208,214	61.62%

Source: Institution Reports of Condition from September 2008 to December 2012.

### Lending in Assessment Area

Lending in the AA reflects a substantial majority of the loans inside the AA. The loans from our sample, originated during 2010 through 2011, show 76 percent of the number of consumer purpose loans originated were within its assessment area.

Table 1 - Lending in Security Federal Savings Bank AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	39	76.00	12	24.00	51	323,069	76.00	102,052	24.00	425,121

Source: 2010 and 2011 Consumer loan sample included a variety of consumer loans

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

The bank’s distribution by borrower income for consumer loans is excellent. The percentage of the number of consumer loans to low-income borrowers is 74.36 percent, compared to 25.05 percent to low-income households in the AA. While the percentage of the number of consumer loans to moderate-income borrowers is 25.64 percent, compared to 15.50 percent to moderate-income households in the AA.

Table 2 - Borrower Distribution of Consumer Loans in Security Federal Savings Bank AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	25.05	74.36	15.50	25.64	17.24	0.00	42.21	0.00

Source: 2010 and 2011 Consumer loan sample; 2000 U.S. Census Data.

**Geographic Distribution of Loans**

The geographic distribution of consumer loans reflects excellent dispersion throughout the census tracts within the AA. The percentage of consumer loans made in moderate-income census tracts at 82.05 percent is excellent, when compared to the percentage of households in moderate-income census tracts at 67.55 percent.. There are no low-income census tracts within SFSB's AA.

<b>Table 3 - Geographic Distribution of Consumer Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	67.55	82.05	32.48	17.95	0.00	0.00

**Responses to Complaints**

SFSB has not received any complaints concerning the bank's lending performance.

**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 or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or 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.