



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

January 6, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Guardian Savings Bank, A F.S.B.  
Charter Number 700709

6100 West Chester Road West Chester, OH 45069

Office of the Comptroller of the Currency

West Lake Center 4555 Lake Forest Drive, Suite 520 Cincinnati, OH 45242-3760

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.

**TABLE OF CONTENTS**

**INSTITUTION'S CRA RATING ..... 1**

**SCOPE OF EXAMINATION..... 1**

**DESCRIPTION OF INSTITUTION ..... 1**

**SELECTION OF AREAS FOR FULL-SCOPE REVIEW..... 2**

**RATINGS ..... 3**

**LOAN-TO-DEPOSIT RATIO ..... 3**

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW..... 4**

**MULTISTATE METROPOLITAN AREA RATING ..... 5**

**STATE RATING..... 14**

**APPENDIX A: SCOPE OF EXAMINATION..... 19**

**APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS ..... 20**

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

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

**The Community Development Test is rated: Outstanding.**

- Guardian Savings Bank's (Guardian or the thrift) loan-to-deposit ratio is more than reasonable.
- Guardian makes a substantial majority of their loans inside their assessment areas (AAs).
- Lending to borrowers of different income levels reflects excellent distribution.
- Guardian's performance in lending to geographies of different income levels exhibits excellent distribution.
- Responsiveness to community development needs through lending, investments, and services is excellent.

## **Scope of Examination**

Our office conducted a full scope Community Reinvestment Act (CRA) evaluation to assess the thrift's record of meeting the credit needs of its entire community, including low- and moderate-income areas. We used intermediate small savings association evaluation procedures to evaluate the thrift's performance under the Lending Test and Community Development (CD) Test. The Lending Test includes loans originated from January 1, 2011 to September 30, 2013. A data integrity examination of the thrift's home mortgage loans, as reported in the Home Mortgage Disclosure Act Loan Applications Register (HMDA LAR), was performed in the third quarter of 2013 to determine the accuracy of the data. We found the data was accurate and reliable. The thrift's performance in residential real estate lending (one-to four-family home loans) is considered foremost in this CRA evaluation, as this is the thrift's primary lending product. For each AA, we conducted separate analyses. We used the 2000 U.S. Census data to analyze performance for loans originated in 2011. We used the 2010 U.S. Census data to analyze performance for loans originated in 2012 and 2013. The CD Test considered CD loans, investments, and services from September 28, 2010 to January 6, 2014 (evaluation period).

The thrift has two AAs consisting of whole counties in the Cincinnati-Middletown OH-KY-IN Metropolitan Statistical Area #17140 (MSA 17140 AA) and Lexington-Fayette, KY MSA #30460 (MSA 30460 AA). We conducted full scope reviews of both AAs.

## **Description of Institution**

Guardian is a federally chartered stock thrift institution headquartered in West Chester, Ohio. The thrift is a wholly owned subsidiary of Guardian Bancorp, Inc., a one-bank holding company based in Cincinnati, Ohio. Guardian has banking offices in both Ohio and Kentucky with six full-service offices located in Butler, Clermont, and Hamilton counties in Ohio and four full-service offices in Kenton, Boone, Campbell, and Fayette

counties in Kentucky. In addition, they have one loan production office (LPO) in Lexington, Kentucky. According to the 2010 U.S. Census, two of the ten branches are located in moderate-income census tracts (CTs), with the remainder of the offices in middle- and upper-income tracts. The thrift has drive-thru facilities at all offices, except the LPO. The thrift does not own or operate any automated teller machines (ATMs); however, Guardian has arranged for their customers to use all PNC ATMs free of charge.

Guardian’s principal line of business is a mortgage banking operation that consists of the origination, sale, and servicing of one-to-four family mortgage loans. In addition, they also serve their community with commercial loans and standard deposit products. As of September 30, 2013, Guardian reported total assets of \$816 million and Tier 1 capital of \$79 million, or 9.6 percent of total assets. For the same time period, the thrift’s loan portfolio totaled \$509 million or 62 percent of total assets. Guardian originated over 27 thousand one-to-four family mortgage loans totaling \$4 billion during the lending evaluation period and sold the vast majority to the secondary market. The table below shows the thrift’s primary lending product as one-to-four family mortgage loans.

<b>Table 1 – Loan Mix as of September 30, 2013</b>		
<b>Report of Condition of Income</b>		
Loan Type	\$000's	%
Home Loans (1-4 family)	453,621	87.6%
Home Equity Lines of Credit	13,802	2.7%
Commercial/Commercial Real Estate Loans	49,991	9.7%
Other Loans	78	Less than 1%
Total	517,492	

*Source: September 30, 2013 Report of Condition and Income (Call Report).*

Competition in the thrift’s AA is strong. Presently, there are no financial or legal impediments that affect Guardian’s ability to meet the credit needs of its AA. The thrift’s last CRA evaluation was conducted as of September 27, 2010 and resulted in an “Outstanding” rating.

Guardian’s personnel are strongly committed to the community, particularly within the Cincinnati-Middletown OH-KY-IN MSA AA. Members of management serve on local community development boards and are involved in community development activities. Guardian is also active in lending and donating to organizations and entities that directly or indirectly benefit low- and moderate-income individuals and areas.

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

Guardian has designated two AAs as its primary lending areas. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. One AA is located in southwestern Ohio and northern Kentucky and consists of Butler, Clermont, and Hamilton counties in Ohio and Boone, Campbell, and Kenton counties in Kentucky. All six counties are located in the multistate Cincinnati-

Middletown, OH-KY-IN MSA #17140. The second AA consists of Fayette County in Kentucky, which is part of the Lexington-Fayette, KY MSA #30460.

Guardian does a substantial majority of its lending within the MSA 17140 AA, with 89 percent of the one-to-four family mortgages originated in this AA in 2012-2013 and 91 percent in 2011.

## Conclusions with Respect to Performance Criteria

### Loan-to-Deposit Ratio

Guardian’s loan-to-deposit (LTD) ratio is more than reasonable given their size, financial condition, and AA credit needs. Guardian’s 13-quarter average LTD ratio of 82.80 percent is more than reasonable when compared to the peer average of 81.27 percent. Their highest quarterly average was 97.91 percent at September 30, 2010 and their lowest quarterly average was 69.74 percent at September 30, 2013. The LTD ratio does not factor in the large volume of loans originated by Guardian and sold on the secondary market. There has been strong loan demand, especially through refinances, over the last several years, and Guardian met this need as evidenced by their high level of originations over the evaluation period (27,372 total originations of which 22,979 were refinances).

### Lending in Assessment Area

Guardian’s record of lending within its AA is outstanding with a substantial majority of the thrift’s lending inside the AA. Table 2 details Guardian’s AA lending activity during the assessment period by number of loans originated and dollar volume.

<b>Table 2 – Lending in the Assessment Area ( MSA 17140 AA and MSA 30460 AA)</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans (000's omitted)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Home Purchase</b>	3,200	84.6	582	15.4	3,782	488,149	83.0	99,718	17.0	587,867
<b>Home Improvement</b>	532	87.1	79	12.9	611	71,772	86.0	11,681	14.0	83,453
<b>Home Refinance</b>	19,327	84.1	3,652	15.9	22,979	2,848,083	83.3	572,331	16.7	3,420,414
<b>Totals</b>	23,059	84.2	4,313	15.8	27,372	3,408,004	83.3	683,730	16.7	4,091,734

Source: Guardian’s HMDA Loan Data from January 1, 2011 through September 30, 2013.

## **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's) 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.

## Multistate Metropolitan Area

### Cincinnati-Middletown OH-KY-IN MSA #17140

CRA Rating for the Cincinnati-Middletown OH-KY-IN MSA: **Outstanding.**

The Lending test is rated: **Outstanding.**

The Community development test is rated: **Outstanding.**

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN CINCINNATI-MIDDLETOWN OH-KY-IN MSA

The MSA 17140 AA is the largest AA geographically and contains nine of the thrift’s ten offices, including the thrift’s main office. The MSA 17140 AA consists of 430 CTs, with 14 percent low-income, 23 percent moderate-income, and the remainder middle- and upper-income CTs. Per 2010 U.S. Census data, the population of the AA is 1,736,734, with eight percent of the population living in low-income CTs, 20 percent in moderate-income CTs, and the remainder in middle- and upper-income CTs. Almost 13 percent of the households in the AA live below the poverty level.

Table 3 - AA Demographic Information MSA 17140 AA 2010 U.S. Census								
Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	21.49	60	10.23	3.68	17.90	8.78	91,919	63
Moderate	17.36	99	22.43	16.82	31.61	20.93	112,350	53
Middle	20.88	171	43.11	48.07	37.34	43.62	150,050	40
Upper	40.27	97	24.22	31.43	13.14	26.67	247,016	33
N/A	0.00	3	0.01	0.00	0.01	0.00	0	9
<b>Total # or \$</b>		<b>430</b>						

Source: 2010 U.S. Census Data.

Table 3A - AA Demographic Information MSA 17140 AA 2000 U.S. Census								
Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	19.53	50	8.37	2.62	16.80	6.02	69,221	52
Moderate	18.38	95	20.33	15.23	28.32	19.30	76,361	48
Middle	22.95	191	48.37	52.94	42.01	49.24	109,730	34
Upper	39.14	80	22.91	29.21	12.82	25.42	180,220	26
N/A	0.00	3	0.02	0.00	0.05	0.02	50,000	61
<b>Total # or \$</b>		<b>419</b>						

Source: 2000 U.S. Census Data.

According to the 2010 U.S. Census data, the MSA 17140 median family income is \$67,515. The HUD (Department of Housing and Urban Development) estimate of the MSA 17140 median family income was \$68,700 for 2013, \$71,300 for 2012, and \$70,400 for 2011.

According to Ohio Labor Market Information as of November 2013, the unemployment rates in the thrift's AA are in line with the State of Ohio and slightly higher than the national level. For Kentucky, the county unemployment rates are lower than the state of Kentucky, but slightly higher than the national level in Campbell and Kenton Counties.

<b>Table 4 - Unemployment Rates in Ohio Not Seasonally Adjusted As of November 2013</b>	
National unemployment rate	6.6%
State of Ohio	7.1%
Butler County	6.7%
Clermont County	6.7%
Hamilton County	7.1%
<b>Unemployment Rates in Kentucky Not Seasonally Adjusted As of November 2013</b>	
State of Kentucky	7.7%
Boone County	6.3%
Campbell County	6.8%
Kenton County	6.7%

The local economy is fair and improving slightly. The AA has a diverse mix of national and international companies across many industries from manufacturing to service industries. Major employers in the AA include Procter & Gamble, Mercy Health Partners, University of Cincinnati, and Duke Energy Corporation.

Competition in the AA is strong with many national banks, savings and loans, mortgage banks, and branches of large financial institutions located in the AA. As of June 30, 2013, Guardian had approximately a 0.93 percent deposit market share in the MSA 17140 AA and was ranked 10<sup>th</sup> out of 57 financial institutions. The source of the deposit market share information is the June 30, 2013 Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC).

Community contacts indicated that the AA's economy is fair, but improving slightly. The credit needs of the AA include affordable housing and small business lending. According to the contacts, local financial institutions are meeting the credit and CD needs of the AA.

## SCOPE OF EVALUATION IN CINCINNATI-MIDDLETOWN OH-KY-IN MSA

We conducted a full-scope review of the MSA 17140 AA. Our ratings are based on the results from this review. We conducted one community contact during this examination. The organization was located in Kenton County, Kentucky, and provides affordable housing solutions to low- and moderate-income individuals and families. The contact indicated the local economy is improving slightly and affordable housing is a primary credit need in the AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CINCINNATI-MIDDLETOWN OH-KY-IN MSA

### LENDING TEST

#### Lending to Borrowers of Different Incomes

Lending to borrowers of different income levels in the MSA 17140 AA is excellent. As shown in the tables below, the thrift's distribution of lending to low- and moderate-income borrowers in 2011, 2012, and 2013 in the MSA 17140 AA is excellent. During this time, loan demand was high, especially for refinances. In 2011, Guardian's refinance loans totaled 85 percent of home mortgage originations compared to 13 percent for home purchase originations. In 2012-2013, refinance loans totaled 83 percent of home mortgage originations compared to 14 percent for home purchase originations. Additionally, the percent of households below the poverty level was high at 10 percent, 13 percent, and 13 percent, respectively. This contributes to the lower penetration to low-income borrowers as these households may experience difficulty meeting the credit underwriting standards for home mortgage loans.

Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	12.94	7.34	4.35	18.01	13.60	7.29	19.53
Moderate	25.89	21.10	16.06	26.28	23.47	17.35	18.38
Middle	21.93	20.18	26.40	22.92	24.49	24.06	22.95
Upper	39.24	51.38	53.19	32.79	38.44	51.30	39.14

Source: 2000 U.S. Census data and thrift's HMDA loan data for 2011.

<b>Table 6</b>							
<b>2012 - 2013 Borrower Distribution of Residential RE Loans in MSA 17140 AA</b>							
Borrower Income Level	%Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	10.00	6.50	4.31	16.99	11.97	6.74	21.49
Moderate	23.65	16.67	15.30	27.49	22.81	17.57	17.36
Middle	24.87	25.99	24.54	22.64	24.73	24.00	20.88
Upper	41.48	50.84	55.85	32.88	40.49	51.69	40.27

Source: 2010 U.S. Census data and thrift's HMDA loan data from January 1, 2012 through September 30, 2013.

### Geographic Distribution of Loans

Guardian's geographic distribution of loans within the MSA 17140 AA reflects excellent dispersion. Geographic distribution compared to the level of loans made by AA lenders and owner occupied units is excellent. Of note, there is a high level of occupied rental units in the low- and moderate-income CTs in this AA. As of the 2010 U.S. Census, occupied rental units were 17.9 percent for low-income CTs and 31.6 percent for moderate-income CTs. As of the 2000 U.S. Census, occupied rental units were 16.8 percent for low-income CTs and 28.3 percent for moderate-income CTs.

<b>Table 7</b>							
<b>2011 Geographic Distribution of Residential RE Loans in MSA 17140 AA</b>							
Census Tract Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Units
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	1.20	2.54	0.62	1.83	2.20	0.85	2.62
Moderate	10.13	4.24	4.82	10.73	13.88	6.92	15.23
Middle	49.20	62.71	48.76	54.31	50.37	47.22	52.94
Upper	39.47	30.51	45.80	33.13	33.55	45.02	29.21

Source: 2000 U.S. Census data and thrift's HMDA loan data for 2011.

<b>Table 8</b> <b>2012 - 2013 Geographic Distribution of Residential RE Loans in MSA 17140 AA</b>							
Census Tract Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Units
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	1.44	1.09	0.79	2.25	3.46	1.31	3.68
Moderate	10.14	6.52	6.63	13.93	14.16	9.50	16.82
Middle	47.03	42.93	44.70	48.52	44.46	42.91	48.07
Upper	41.39	49.46	47.88	35.30	37.92	46.28	31.43

Source: 2010 U.S. Census data and thrift's HMDA loan data from January 1, 2012 through September 30, 2013.

**Responses to Complaints**

Guardian has not received any complaints about its performance in helping to meet the AA credit needs during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

**Number and Amount of Community Development Loans**

CD lending in the MSA 17140 AA is excellent. The Cincinnati Development Fund (“CDF”) is a non-profit lending institution established in 1988 to finance affordable housing development and community revitalization in the Greater Cincinnati Area. CDF’s primary business is to underwrite and service community development real estate loans resulting in the creation or preservation of affordable housing, or revitalization of urban communities. In April 2000, CDF became a certified Community Development Financial Institution through the CDFI Fund, which is administered by the U.S. Treasury.

CDF was created by Cincinnati-area financial institutions as a mechanism to share risk and cost-effectively invest in CD lending. CDF oversees the creation and administration of funds to stimulate real-estate development in underserved markets in the Greater Cincinnati area. CDF has originated more than \$250 million in loans resulting in the creation of over 3,500 housing units.

The following table shows Guardian’s lending activity with CDF during the review period (September 28, 2010 through January 6, 2014).

<b>Table 9 – CD Loans MSA 17140 AA</b>		
<b>Year</b>	<b>Number of CDF Loans</b>	<b>Total of Guardian’s CDF Loan Amounts (Actual \$ amount)</b>
2010 (since 9/28/10)	0	\$0
2011	0	\$0
2012	1	\$5,875
2013	3	\$94,450
2014 (thru 1/6/14)	0	\$0
<b>Total</b>	<b>4</b>	<b>\$100,325</b>

*Source: Internal thrift reports.*

**Number and Amount of Qualified Investments**

Guardian’s qualified investment activity is excellent. Qualified investments consist of donations to various non-profit organizations in the AA, all made during the evaluation period (September 28, 2010 to January 6, 2014). The institution made the majority of investments/donations in the MSA 17140 AA, where Guardian does the substantial majority of its business.

During the evaluation period, Guardian made 272 donations to 63 different organizations in the AA totaling \$344,794. The distribution across numerous organizations serving the needs of low- and moderate-income clients and geographies across the AA reflects management’s desire to maximize impact. The institution supports several organizations that provide affordable housing including Habitat for Humanity, Housing Opportunities of Northern Kentucky (HONK), and Over-the-Rhine Community Housing. Donations also reflect a continued relationship with several Cincinnati schools serving primarily low- and moderate-income students in low- and moderate-income areas including the Ethel M. Taylor Academy, Frederick Douglass Elementary School, and South Avondale Elementary School. Guardian donated \$50,000 to Hebrew Union College for scholarships for low- and moderate-income students based on financial need. The breadth of other donations reflects management’s commitment to serving the diverse needs of low- and moderate-income individuals and families in the AA. Donations of \$53,212 to Tender Mercies funded renovations to a housing facility for homeless clients, among other needs. Guardian helped support the Home Ownership Center of Greater Cincinnati, the Welcome House of Northern Kentucky, and Working in Neighborhoods; these organizations assist in keeping at-risk low- and moderate-income families in their homes. Finally, donations to several food pantries, among them the Freestore Foodbank, Matthew 25 Ministries, and the St. George Food Pantry, demonstrate a desire to provide meaningful support to low- and moderate-income families across the MSA 17140 AA.

## **Extent to Which the Bank Provides Community Development Services**

CD services provided by the thrift represent excellent responsiveness to CD needs. Thrift personnel provide technical and financial expertise throughout the MSA 17140 AA. During the evaluation period, twelve thrift officers and employees provided CD qualifying services to more than ten community organizations. These organizations provide essential services to low- and moderate-income individuals and to other organizations dedicated to promoting affordable housing and community revitalization. Several of Guardian's officers and employees hold leadership positions in organizations that seek to fulfill identified CD needs. During the evaluation period, thrift personnel provided many hours of financial guidance to numerous organizations that address CD needs. Thrift officers and employees volunteer their time and financial expertise for financial literacy programs in area schools including Ludlow High School in Kentucky. They teach low- and moderate-income individuals homebuyer classes that provide training on home purchase, down payment assistance, and default prevention counseling. They teach homebuyer classes through the Home Ownership Center of Greater Cincinnati, Inc. and Catholic Charities. A thrift officer serves as a member of the Finance Committee for the Housing Opportunities of Northern Kentucky; this agency is dedicated to creating affordable housing opportunities for low- and moderate-income individuals in Northern Kentucky. The president of the thrift serves as a loan committee member for the Cincinnati Development Fund. Other thrift employees also participate in various financial services housing fairs that provide information on affordable housing to low- and moderate-income individuals and are involved with organizations that provide CD services to low- and moderate-income individuals.

Guardian offers various services to meet the needs of low- and moderate-income individuals throughout its branch network. The thrift has two offices located in moderate-income geographies in Hamilton County in the MSA 17140 AA. Guardian has historically offered low closing costs on mortgage loans, which allows more low- and moderate-income borrowers to participate in homeownership opportunities. Guardian's typical closing costs are \$199 to \$250 plus recording fees for refinances and \$500 plus recording fees for purchases in this AA.

Guardian participates in the Home Affordable Modification Program (HAMP). This is a federal program set up to help eligible homeowners with loan modifications on their home mortgage debt. During the evaluation period, the thrift enrolled 15 borrowers in the HAMP. In addition, Guardian participates in the Home Affordable Refinance Program (HARP) in which they have enrolled approximately 339 customers, totaling \$43.4 million, in 2012 and 2013. HARP assists underwater and near-underwater homeowners refinance their mortgages.

Guardian personnel refer customers, who have experienced hardship and need assistance preventing foreclosure, to the Ohio Save the Dream Program, which provides customers with payment assistance on their mortgage payments. Guardian has had 24 customers enroll in the program during the evaluation period.

In addition, Guardian has referred 20 customers to the Kentucky Bridge Program during the evaluation period. This program is funded through the Hardest Hit Fund and

provides payment assistance to unemployed and underemployed homeowners in Kentucky.

Guardian is active with Habitat for Humanity. In addition to donations and volunteering, in November 2012, the thrift provided a CD service to Habitat for Humanity by purchasing three loans totaling \$123 thousand to free up Habitat's capital for other financial needs. These loans were to low-income borrowers and are interest free.

Guardian has assisted many customers in taking advantage of down payment/closing cost assistance programs targeted to low- and moderate-income individuals in the MSA 17140 AA. With the assistance provided by these organizations, the thrift originated almost \$17 million in mortgage loans to 166 borrowers. See the table below, which shows the thrift's ability to help borrowers obtain down payment/closing cost assistance (in the form of grants and/or interest rate subsidies) from the organizations described below.

- The Federal Home Loan Bank (FHLB) of Cincinnati offers a program called "Welcome Home" that provides down payment assistance funds to borrowers who meet the income criteria.
- The Ohio Housing Finance Agency (OHFA) helps first time homebuyers, renters, and others find affordable housing that meets their needs by providing interest rate subsidies and/or down payment assistance.
- The Kentucky Housing Corporation (KHC) helps low-income individuals in Kentucky by providing assistance with down payment, closing costs, points, and/or prepaid costs.
- The Neighborhood Stabilization (NSP) Program (Cincinnati and Covington) is a homebuyer assistance program providing assistance to low- and moderate-income individuals to purchase single-family homes; they help with down payment and closing costs.
- The American Dream Downpayment Initiative Program (ADDI) is a down payment assistance program for first time homebuyers that have low- and moderate-incomes.
- The City of Covington's Down Payment Assistance Program (DAP – Covington and Consortium) is administrated by the city of Covington for the purpose of increasing homeownership in the City of Covington; they assist with down payment and closing costs to eligible households who meet the income and credit requirements (low- and moderate- income borrowers).
- The Neighborhood Housing Services (NHS) of Hamilton, Inc. is a non-profit community development organization in Butler County (Ohio) that revitalizes and builds communities; they provide down payment/closing cost assistance as well as pre- and post-housing counseling and training in routine and preventive maintenance.

<b>Table 10</b>			
<b>Down payment/closing cost assistance programs</b>			
<b>Name of Organization</b>	<b>Number of Loans</b>	<b>Grant Amount</b>	<b>Dollar Amount of Loans</b>
FHLB Welcome Home	35	\$156,422.03	\$3,377,763
OHFA	102		\$10,893,492
KHC	6		\$556,739
NSP of Cincinnati and Covington	3	\$25,000	\$285,508
ADDI	5	\$22,900	\$411,301
City of Covington DAP	13	\$74,101	\$966,338
NHS of Hamilton, Inc.	2	\$15,834	\$261,780
<b>TOTAL</b>	166	\$294,257.03	\$16,752,921

Source: Internal thrift reports.

**Responsiveness to Community Development Needs**

Guardian demonstrates excellent responsiveness to the CD needs of the communities it serves through CD lending, investments, and services. This is driven primarily by the thrift’s performance in donations to CD organizations and numerous CD services to low- and moderate-income individuals and families. The community contact indicated that the local financial institutions are meeting the CD needs of the community, and specifically mentioned Guardian.

## State Rating

### State of Kentucky

**CRA Rating for Kentucky: Satisfactory.**

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

**The Community development test is rated: Satisfactory.**

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN KENTUCKY

The AA in Lexington-Fayette, KY MSA #30460 includes the entire county of Fayette in Kentucky (MSA 30460 AA). There is one branch office and one LPO in this AA. The branch office is located in a middle-income geography.

The MSA 30460 AA consists of 82 CTs, with 15 percent low-income, 22 percent moderate-income, and the remainder middle- and upper-income CTs. Per the 2010 U.S. Census, the population of the AA is 295,803 with 14 percent of the population living in low-income CTs, 23 percent in moderate-income CTs, and the remainder in middle- and upper-income CTs. Approximately 16 percent of the households in the AA live below the poverty level.

Table 11 - AA Demographic Information MSA 30460 AA 2010 U.S. Census								
Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	22.57	12	12.37	6.55	18.88	10.73	91,478	43
Moderate	15.16	18	25.12	17.86	33.56	20.49	115,616	39
Middle	18.94	24	30.65	33.59	27.44	32.78	155,935	36
Upper	43.33	28	31.86	42.00	20.12	36.00	253,357	23
N/A	0.00	0	0.00	0.00	0.00	0.00	0	0
<b>Total # or \$</b>		<b>82</b>						

Source: 2010 U.S. Census Data.

Table 11A - AA Demographic Information MSA 30460 AA 2000 U.S. Census								
Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	20.53	9	10.91	4.47	17.45	8.17	71,112	43
Moderate	16.68	11	17.52	13.97	21.15	15.35	71,175	33
Middle	21.17	24	42.36	42.17	43.79	43.22	99,257	29
Upper	41.62	16	29.21	39.39	17.61	33.26	175,558	19
N/A	0.00	1	0.00	0.00	0.00	0.00	0	0
<b>Total # or \$</b>		<b>61</b>						

Source: 2000 U.S. Census Data.

According to the 2010 U.S. Census data, the MSA 30460 AA median family income is \$63,242. The HUD (Department of Housing and Urban Development) estimate of the MSA 30460 AA median family income was \$63,800 for 2013, \$67,100 for 2012, and \$66,200 for 2011.

The local economy is fair. The AA has a diverse mix of national and international companies across many industries from manufacturing to service industries. Major employers include the University of Kentucky and Toyota Motor Manufacturing.

Competition in the AA is strong with national banks, savings and loan associations, mortgage banks, and branches of large financial institutions located in the AA. As of June 30, 2013, Guardian had approximately a 1.26 percent deposit market share in the MSA 30460 AA and was ranked 14<sup>th</sup> out of 26 financial institutions, based on the Federal Deposit Insurance Corporation (FDIC) June 30, 2013 Deposit Market Share Report.

Community contacts indicated the AA's economy is fair. The credit needs of the AA include affordable housing and small business lending. According to the contacts, local financial institutions are meeting the credit and CD needs of the AA.

## **SCOPE OF EVALUATION IN KENTUCKY**

We conducted a full-scope review of the MSA 30460 AA in Kentucky. Our ratings are based on the results from this review. We reviewed community contacts performed recently in the MSA 30460 AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KENTUCKY**

### **LENDING TEST**

#### **Lending to Borrowers of Different Incomes**

Lending to borrowers of different income levels in the MSA 30460 AA is reasonable. As shown in the tables below, the thrift's distribution of lending to low- and moderate-income borrowers in 2011, 2012, and 2013 in the MSA 30460 AA is reasonable. The percent of households below the poverty level was high at 13 percent, 16 percent, and 16 percent, respectively. This contributes to the lower penetration to low-income borrowers as these households may experience difficulty meeting the credit underwriting standards for home mortgage loans. Despite this and only having one branch and one LPO in the AA, the thrift was able to originate a reasonable volume of loans to low-and moderate-income borrowers.

<b>Table 12</b>							
<b>2011 Borrower Distribution of Residential RE Loans in MSA 30460 AA</b>							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	8.45	0.00	3.49	12.70	13.90	8.28	20.53
Moderate	33.80	40.00	16.78	25.09	20.08	17.72	16.68
Middle	25.36	20.00	29.85	25.12	24.71	24.24	21.17
Upper	32.39	40.00	49.88	37.09	41.31	49.76	41.62

Source: 2000 U.S. Census data and thrift's HMDA loan data for 2011.

<b>Table 13</b>							
<b>2012 - 2013 Borrower Distribution of Residential RE Loans in MSA 30460 AA</b>							
Borrower Income Level	%Total Thrift Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve	Refinances	
Low	4.64	2.63	4.15	10.44	9.57	7.53	22.57
Moderate	20.71	10.53	16.41	26.56	22.77	18.59	15.16
Middle	24.29	23.68	25.12	23.98	25.74	24.64	18.94
Upper	50.36	63.16	54.32	39.02	41.92	49.24	43.33

Source: 2010 U.S. Census data and thrift's HMDA loan data for January 1, 2012 through September 30, 2013.

### Geographic Distribution of Loans

Guardian's geographic distribution of loans within the MSA 30460 AA reflects reasonable distribution. The amount of owner occupied units in the AA is low at 52 percent. The thrift originated less than two percent of their home mortgage loans as home improvement loans during the evaluation period. In 2011, 86 percent of the HMDA loans were refinance loans, and for 2012-2013, the thrift originated 83 percent as refinance loans. The proportion of households living below the poverty level is also a mitigating factor. In 2011, 13 percent of households were below the poverty level, and in 2012 and 2013, 16 percent were below the poverty level.

Table 14 2011 Geographic Distribution of Residential RE Loans in MSA 30460 AA								
Census Tract Income Level	%Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Units	
	Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve		Refinances
Low		0.00	0.00	0.86	3.63	4.90	3.31	4.47
Moderate		4.17	0.00	4.50	7.35	9.79	6.48	13.97
Middle		37.50	33.33	28.27	34.50	38.11	31.09	42.17
Upper		58.33	66.67	66.37	54.52	47.20	59.12	39.39

Source: 2000 U.S. Census data and thrift's HMDA loan data for 2011.

Table 15 2012 - 2013 Geographic Distribution of Residential RE Loans in MSA 30460 AA								
Census Tract Income Level	%Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Units	
	Loan Type	Purchases	Home Improve	Refinances	Purchases	Home Improve		Refinances
Low		0.71	0.00	1.56	3.68	7.36	3.29	6.55
Moderate		13.78	2.63	9.95	12.17	14.42	12.07	17.86
Middle		29.33	21.05	28.61	33.00	30.37	30.62	33.59
Upper		56.18	76.32	59.88	51.15	47.85	54.02	42.00

Source: 2010 U.S. Census data and thrift's HMDA loan data from January 1, 2012 through September 30, 2013.

### Responses to Complaints

Guardian has not received any complaints about its performance in helping to meet the AA credit needs during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

#### Number and Amount of Community Development Loans

Guardian did not originate any CD loans in the MSA 30460 AA during the evaluation period.

**Number and Amount of Qualified Investments**

Investment activity in the Lexington-Fayette MSA AA is adequate. During the evaluation period, the institution made nine donations to three organizations totaling \$10,730. Donations fund organizations that serve the needs of low- and moderate-income families, including a local food bank, God’s Pantry, and the Realtor Community Housing Foundation, which provides low-income and elderly clients with home maintenance and repair assistance.

**Extent to Which the Bank Provides Community Development Services**

CD services provided by the thrift represent adequate responsiveness to CD needs. Thrift personnel provide technical and financial expertise throughout the MSA 30460 AA. During the evaluation period, one loan officer provided qualified CD services to the Realtor Community Housing Foundation as a board member and chairman of the fundraising committee.

Guardian participates in the Home Affordable Refinance Program (HARP) in which they have enrolled approximately nine customers, totaling \$1.3 million, in 2012 and 2013. HARP assists underwater and near-underwater homeowners refinance their mortgages. In addition, Guardian has referred one customer to the Kentucky Bridge Program during the evaluation period. This program is funded through the Hardest Hit Fund and provides payment assistance to unemployed and underemployed homeowners in Kentucky.

Guardian offers various services to meet the needs of low- and moderate-income individuals throughout its branch network. Guardian has historically offered low closing costs on mortgage loans, which allows more low- and moderate-income borrowers to participate in home ownership opportunities. Guardian’s typical closing costs are \$250 plus recording fees for refinances and purchases in this AA. During the evaluation, Guardian has assisted five borrowers with obtaining down payment/closing costs assistance from the FHLB Welcome Home program and Kentucky Housing Corporation (KHC). See the table below for more details.

<b>Table 16</b>			
<b>Down payment/closing cost assistance programs</b>			
<b>Name of Organization</b>	<b>Number of Loans</b>	<b>Grant Amount</b>	<b>Dollar Amount of Loans</b>
FHLB Welcome Home	1	\$5,000	\$109,250
KHC	4		\$284,001
<b>TOTAL</b>	5	\$5,000	\$393,251

*Source: Internal thrift reports.*

**Responsiveness to Community Development Needs**

Guardian demonstrates adequate responsiveness to the CD needs of the communities it serves through CD lending, investments, and services. This is driven primarily by the thrift’s performance in donations to CD organizations and CD services to low-and moderate-income individuals and families.

## Appendix A: Scope of Examination

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 nonmetropolitan 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: (1/1/2011 to 9/30/2013) Community Development Test: (9/28/2010 to 1/6/2014)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Guardian Savings Bank, a F.S.B. West Chester, OH	One-to-four family mortgage loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>Not reviewed</i>		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Cincinnati-Middletown OH-KY-IN MSA #17140	Full scope	
Kentucky Lexington-Fayette, KY MSA #30460	Full scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

---

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Guardian Savings Bank (overall bank rating)	Outstanding	Outstanding	Outstanding
Cincinnati-Middletown OH-KY-IN MSA	Outstanding	Outstanding	Outstanding
State of Kentucky	Satisfactory	Satisfactory	Satisfactory