

PUBLIC DISCLOSURE

May 16, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Acacia Federal Savings Bank
7600 Leesburg Pike Ste 200
Falls Church, VA 22043-2004
Docket #: 08070**

**Office of Thrift Supervision
Southeast Region
1475 Peachtree Street NE
Atlanta, GA 30309**

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.



Office of Thrift Supervision

Department of the Treasury

Southeast Region

Atlanta Regional Office • Phone Number: 404-974-9620 • 1475 Peachtree Street NE • Atlanta, Georgia • 30309

June 22, 2011

Board of Directors
Acacia Federal Savings Bank
7600 Leesburg Pike Ste 200
Falls Church, Virginia 22043-2004

Members of the Board:

Enclosed is Acacia Federal's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of May 16, 2011. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), you must make this evaluation and your institution's CRA rating available to the public.

We transmitted this evaluation separately from the Report of Examination so that there will be no misunderstanding regarding which document Acacia Federal must make public. It is the enclosed evaluation that must be publicly available; the Report of Examination may not be released to the public.

In accordance with 12 C.F.R. § 563e, you must make this written CRA Performance Evaluation available to the public within 30 business days of its receipt. You must place the evaluation in your CRA public file located at your home office and each branch within this 30 business day time frame. You should not alter or abridge the evaluation in any manner. At your discretion, previous written CRA Performance Evaluations may be retained with the most recent evaluation in your CRA public file.

You are invited to prepare a response to the evaluation. The response may be placed in each CRA public file along with the evaluation. In the event you elect to prepare such a response, please forward a copy of it to the OTS at the above address.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that Acacia Federal has to the public with regard to making this evaluation available. Consequently, we suggest that you review the bank's internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of Acacia Federal.

Sincerely,

Valorie Owen
Senior Compliance Review Examiner

Enclosure

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Acacia Federal Savings Bank. The Office of Thrift Supervision (OTS) prepared the evaluation as of May 16, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: Satisfactory

Acacia Federal's residential mortgage lending volume was above the peer group median throughout the review period. While less than a majority of the bank's HMDA-reportable lending was secured by properties within its assessment area, lending volume within the assessment area was reasonable. The geographic distribution of the bank's assessment area lending was strong, in particular in moderate-income census tracts. The borrower-income distribution of Acacia Federal's assessment area lending was strong relative to other lenders and commensurate with the demographic benchmark. The borrower income distribution of the bank's lending in its two adjacent markets was strong in Virginia, but weak in the District of Columbia. Although the bank did not originate any community development loans during the review period, community development lending by its affiliate, the Calvert Group, was good.

Acacia Federal relied on its affiliates to make and retain qualifying CRA investments during the review period. Qualifying investments total \$4.1 million, including the remaining balance of an LIHTC and \$2.4 million of certificates of deposit with a CDFI and minority institution. The bank's investment balances are reasonable, but are not complex or innovative given that the only review period investments were the certificates of deposit.

While Acacia Federal has only one branch office, it has maintained its alternative delivery systems including telephone banking, Internet banking, and VISA check cards usable for retail purchases and ATM transactions. Acacia Federal offers a wide variety of loan products. Members of management have been active in several non-profit organizations involved in community development activities.

Institution

Lending, Investment, Service Test Table

The following table indicates the performance level of Acacia Federal with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Acacia Federal 05/16/2011		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* Notes: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Acacia Federal is a federally chartered, stock savings bank with total assets of \$1.2 billion as of December 31, 2010. Acacia Federal is a wholly owned subsidiary of the Ameritas Acacia holding company complex (Ameritas Acacia). Ameritas Acacia owns Ameritas Life Insurance Company (Ameritas Life) and Acacia Life Insurance Company (Acacia Life), as well as subsidiaries of these companies. Ameritas Acacia owns the Calvert Group, which manages a group of socially and environmentally responsible mutual funds.

The bank conducts business from a single branch office, located in Falls Church, Virginia, and it has no ATMs. Because of its affiliation with Ameritas Acacia, Acacia Federal is not limited to its local market area in obtaining deposits. As of December 31, 2010, Acacia Federal had over \$325.8 million of brokered deposits ranking it in the 89th percentile of its peer group^a. Its reliance upon a nationwide network for obtaining deposits enables it to avoid the operating costs associated with a retail branch operation.

Acacia Federal’s product offerings include mortgages for the purchase and refinancing of one-to-four family dwellings. The bank also offers various consumer loan products, including fixed- and

^a Acacia Federal’s peer group includes financial institutions regulated by the Office of Thrift Supervision with assets between \$1 billion and \$5 billion.

Institution (continued)

adjustable-rate first mortgage loans, as well as First Time Homebuyer loans. It offers second trust loans including cash-out equity, bridge, second home and investment property loans. Home equity lines of credit are also available. Private mortgage insurance is required on conventional mortgages with loan-to-value (LTV) ratios in excess of 80 percent. Certain government-insured or guaranteed mortgages are offered with maximum complete LTV ratios of 105 percent. Potential customers can begin the loan process by applying on-line through the bank’s website.

The following table provides a summary of major lending categories for the bank during the review period as a percentage of total assets:

LENDING ASSET COMPOSITION DURING REVIEW PERIOD						
LOAN TYPE	Calendar Year 2010		Calendar Year 2009		Calendar Year 2008	
	Dollar (000)	% of Total Assets	Dollar (000)	% of Total Assets	Dollar (000)	% of Total Assets
Construction 1-4 Family	\$5,363	0.46%	\$9,461	0.68%	\$20,848	1.37%
Constr. Nonresidential	0	0.00%	0	0.00%	10,818	0.71%
Permanent 1-4 Family	833,696	71.29%	984,076	70.94%	1,143,906	74.95%
Permanent Nonresidential	69,249	5.92%	98,687	7.11%	93,760	6.14%
Land Loans	26,061	2.23%	52,189	3.76%	98,137	6.43%
Commercial Loans	27,056	2.31%	32,128	2.32%	34,980	2.29%
Consumer Loans	1,080	0.09%	1,203	0.09%	1,442	0.09%
TOTAL ASSETS	\$1,169,447	100.00%	\$1,387,290	100.00%	\$1,526,130	100.00%

Description of Assessment Area

Acacia Federal’s assessment area consists of the Virginia counties of Arlington and Fairfax, as well as the independent cities of Alexandria, Falls Church and Fairfax. The assessment area is located within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (Washington MSA). Acacia Federal’s only office is located in the independent city of Falls Church, which is across the Potomac River from Washington, D.C. The inclusion of only a portion of the MSA is considered reasonable, although Acacia Federal originates/purchases less than 50 percent of its loans within this limited assessment area. This is due to Acacia Federal accepting loan applications from a network of mortgage brokers operating mainly in the Washington MSA and Baltimore, MD MSA areas. Thus, Acacia Federal’s lending activities cover an area larger than its assessment area. While it does not contain a majority of the institution’s lending, the assessment area is considered to be in compliance with regulatory requirements.

To evaluate CRA performance, the examiner grouped the demographic information (based on the 2000 census) for the assessment area into four categories: low-, moderate-, middle-, and upper-income^b. Utilizing these definitions, the following table outlines selected demographic information.

^b Census tracts and borrowers fall into one of these four categories based on income level. A low-income tract has a median family income less than 50 percent of the median family income of the surrounding MSA; a moderate-income tract, 50 percent to less than

Institution (continued)

The table shows the number of census tracts by type, population subtotals in each type of census tract, the number of families by type, and the distribution of owner-occupied housing units (O.O.H.U.s) in each type of census tract.

Assessment Area Selected Demographics ^c								
Income Category	Census Tracts	%	Population by Tract Type	%	Families by Income Type	%	Owner-Occupied Housing Units by Tract Type	%
Low	3	1.23	14,420	1.09	2,936	0.89	575	0.18
Moderate	33	13.58	188,042	14.25	40,222	12.23	23,853	7.47
Middle	76	31.28	435,713	33.03	103,756	31.54	98,569	30.88
Upper	131	53.91	681,185	51.63	182,024	55.34	196,207	61.47
Totals	243	100.0	1,319,360	100.0	328,938	100.00	319,024	100.00

Scope of Examination

A review of Acacia Federal’s CRA performance was conducted beginning May 16, 2011. Lending activity included HMDA-reportable lending from January 1, 2008, through December 31, 2010. Analysis of qualified investments and services included information from January 1, 2008, through March 31, 2011 (the most current information available).

Conclusions With Respect To Performance Tests

LENDING TEST

In order to assess Acacia Federal’s performance under the lending test, we analyzed its volume, geographic distribution and borrower income distribution of HMDA loans granted during 2008, 2009, and 2010. Results were compared to 2009 HMDA peer data along with applicable demographic data from the 2000 census which is the most recent data available. The bank’s record of offering flexible and innovative credit products as well as community development lending was considered.

80 percent; a middle-income tract, 80 percent to less than 120 percent; and an upper-income tract, 120 percent or more. Similarly, borrowers and families are categorized by the ratio of their reported income to the median family income of the surrounding MSA.
^c 2000 U.S. Census.

Institution (continued)

Lending Activity

Acacia Federal originated a substantial volume of loans in relation to its asset size, primarily single family residential mortgages, during the review period. The following table reflects a summary of the bank's primary lending activity for calendar years 2008, 2009 and 2010:

LENDING VOLUME DURING REVIEW PERIOD						
LOAN TYPE	Calendar Year 2010		Calendar Year 2009		Calendar Year 2008	
	Dollar (000)	% Avg. Total Assets	Dollar (000)	% Avg. Total Assets	Dollar (000)	% Avg. Total Assets
Construction 1-4 Family.	\$13,243	1.04%	\$13,246	0.91%	\$29,744	1.97%
Construction 5+ Res.	0	0.00%	0	0.00%	14,325	0.95%
Constr. Nonresidential	131	0.01%	46	0.00%	6,989	0.46%
Permanent 1-4 Family	409,722	32.05%	354,917	24.36%	230,761	15.29%
Permanent Nonresidential	16,514	1.29%	10,662	0.73%	31,830	2.11%
Land Loans	6,357	0.50%	6,360	0.44%	11,960	0.79%
Commercial Loans	93,223	7.29%	109,841	7.54%	184,118	12.20%
Consumer Loans	577	0.05%	814	0.06%	1,263	0.08%
TOTAL LOANS	\$536,767	42.22%	\$495,886	34.04%	\$510,990	33.86%
AVG. TOTAL ASSETS	\$1,278,369	100.00%	\$1,456,710	100.00%	\$1,509,284	100.00%

Acacia Federal's residential lending volume significantly exceeded that of its peers. The following table presents a comparison of the bank's lending volume to that of its OTS peer group^d.

Loan Type	Calendar Year 2010			Calendar Year 2009			Calendar Year 2008		
	Acacia Federal % TA	Peer % TA	Inst. Percent Rank	Acacia Federal % TA	Peer % TA	Inst. Percent Rank	Acacia Federal % TA	Peer % TA	Inst. Percent. Rank
Construction 1-4	0.95%	0.25%	69	0.87%	0.40%	60	1.99%	0.99%	65
Construction 5+	0.00%	0.00%	26	0.00%	0.01%	46	0.96%	0.01%	86
Constr. Nonres.	0.01%	0.04%	40	0.00%	0.16%	28	0.47%	0.39%	53
Perm. 1-4 Res.	29.53%	8.79%	86	23.26%	10.79%	76	15.46%	10.77%	69
Perm Nonres.	1.19%	1.35%	49	0.70%	1.84%	34	2.13%	2.80%	39
Perm Land	0.46%	0.03%	79	0.42%	0.06%	71	0.80%	0.29%	65
Commercial	6.72%	1.61%	75	7.20%	2.48%	75	12.34%	3.14%	78
Consumer	0.04%	0.30%	20	0.05%	0.47%	19	0.08%	0.63%	23

^d The peer group consists of all savings associations in the nation with total assets between \$1.0 billion and \$5.0 billion.

Institution (continued)

Assessment Area Concentration

From analysis of Acacia Federal’s HMDA lending for calendar years 2008, 2009, and 2010, the examiner determined that only 23.94 percent of the mortgage loans originated by the bank were secured by properties located within the assessment area. The results of this analysis are reflected in the table below:

Total Residential Mortgage Loan Originations During the Examination Review Period 01/1/2008 through 12/31/2010				
	Number	% Number	Dollar Volume	% Dollar
Lending Inside of the Assessment Area	927	23.94%	\$282,090	25.18%
Lending Outside of the Assessment Area	2,945	76.06%	\$838,144	74.82%
TOTAL	3,872	100.00%	\$1,120,234	100.00%

The percentage of loans granted within the assessment area has been on a downward trend for the past two CRA evaluations. Two evaluations ago, Acacia Federal made 30.7 percent of its loans within its assessment area and at the prior evaluation the percentage had decreased to 26.6 percent. During the current CRA evaluation, 23.9 percent of its loans were made within its assessment area.

As discussed in the preceding CRA evaluation, the portion of loans granted within the assessment area is considered a “substantial” portion, although not a majority. Therefore, a separate analysis will be performed of the bank’s lending by borrower income in the two largest concentrations of loans outside the assessment area (the remaining Virginia portion of the Washington MSA not included in Acacia Federal’s assessment area and the District of Columbia portion of the Washington MSA).

While Acacia Federal originated less than half of its residential mortgage loans within its assessment area, the percentage of lending within the assessment area represents a reasonable volume of the bank’s mortgage lending.

Lending to Borrowers of Different Income Levels

To evaluate Acacia Federal’s record of lending to borrowers of different income levels within the assessment area, the examiner compared the bank’s mortgage lending record to the percentage of families within the assessment area within each respective income range.

Institution (continued)

The analysis indicates that HMDA-reportable loans originated within the assessment area during calendar years 2008, 2009, and 2010 were distributed among borrowers of different income levels as follows:

Borrower Income Category*	Borrower-Income Distribution HMDA Lending in AA 2008-2010				Percent of Families
	Number	No. Pct.	Dollar (000's)	\$ Pct.	
Low-Income	73	8.08%	\$11,624	4.23%	13.98%
Moderate-Income	167	18.47%	36,646	13.34%	14.04%
Middle-Income	234	25.88%	67,638	24.62%	20.12%
Upper-Income	430	47.57%	158,831	57.81%	51.86%
Total	904	100.00%	\$274,739	100.00%	100.00%

Note: Borrower income was not captured for 23 loans.

The above comparisons indicate that Acacia Federal’s percentage of mortgage loans granted to low-income borrowers was below the percentage of low-income families residing within the assessment area. However, Acacia Federal’s percentage of mortgage loans granted to moderate-income borrowers was above the percentage of moderate-income families residing within the assessment area. The examiner acknowledges that Acacia Federal’s ability to originate loans to low-income individuals and families is somewhat influenced by family poverty levels. Census data indicates that approximately 3.53 percent of all families living within the assessment area have incomes below the poverty level.

To further evaluate Acacia Federal’s lending activity within the assessment area, the examiner compared the bank’s lending record during the review period to that of other lenders. This comparative data was derived from calendar year 2009 Aggregate HMDA data for loan originations within the assessment area, which is the latest data available. The results of the examiner’s review are set forth below:

Assessment Area Borrower Income Distribution for HMDA Loans 2008-2010				
Borrower Income Category	Acacia Federal Number of Loans	Acacia Federal Percentage of Loans	2009 HMDA Peer Group Percentage of Loans	Assessment Area Family Distribution 2000 U.S. Census
Low	73	8.08%	1.24%	13.98%
Moderate	167	18.47%	11.08%	14.04%
Middle	234	25.88%	50.46%	20.12%
Upper	430	47.57%	37.22%	51.86%
Totals	904	100.00%	100.00%	100.00%

Note: Borrower income was not captured for 23 loans.

As shown in the above table, Acacia Federal’s combined ratio of loans to LMI borrowers was commensurate with the corresponding demographic benchmark ratio and was significantly better than the peer group ratio.

Institution (continued)

Outside of Assessment Area Performance

Acacia Federal made less than half of its HMDA-reportable mortgage loans within its assessment area. An analysis was conducted to determine the reasonableness of loans made to borrowers of different income levels within certain markets outside of the bank’s assessment area. The Virginia portion of the Washington MSA excluded from Acacia Federal’s assessment area along with the District of Columbia portion of the Washington MSA was the two market areas included in this analysis. These areas are adjacent to the assessment area and combined represent a higher proportion of loans than those granted within Acacia Federal’s assessment area.

In the two tables below, examiners compared Acacia Federal’s ratios to the HMDA peer group ratio and to the distribution of families by income levels within the Virginia portion and District of Columbia portion of the Washington MSA that are not included in Acacia Federal’s assessment area. The table was combined for years 2008, 2009 and 2010 for Acacia Federal and for different mortgage loan types. Aggregate HMDA and peer group data for 2009 is used, which is the most recently available.

Virginia Portion of Washington MSA Not Included in Assessment Area Borrower Income Distribution for HMDA Loans 2008-2010				
Borrower Income Category	Acacia Federal Number of Loans	Acacia Federal Percentage of Loans	2009 HMDA Peer Group Percentage of Loans	Family Distribution 2000 U.S. Census
Low	207	19.13%	11.45%	16.01%
Moderate	292	26.99%	19.36%	19.11%
Middle	256	23.66%	23.80%	26.26%
Upper	327	30.22%	45.39%	38.62%
Totals	1,082	100.00%	100.00%	100.00%

Note: Borrower income was captured for all loans, and 4.08 percent of households have income below the poverty level.

District of Columbia Portion of Washington MSA Borrower Income Distribution for HMDA Loans 2008-2010				
Borrower Income Category	Acacia Federal Number of Loans	Acacia Federal Percentage of Loans	2009 HMDA Peer Group Percentage of Loans	Family Distribution 2000 U.S. Census
Low	20	2.22%	10.91%	40.26%
Moderate	92	10.21%	20.07%	17.67%
Middle	216	23.97%	23.62%	14.62%
Upper	573	63.60%	45.40%	27.45%
Totals	901	100.00%	100.00%	100.00%

Note: Borrower income was captured for all loans, and 17.11 percent of households have income below the poverty level.

Institution (continued)

In the Virginia market area, Acacia Federal’s ratio of loans to LMI borrowers was greater than the corresponding HMDA peer group and family representation. Conversely, in the District of Columbia market area, Acacia Federal’s ratio of loans to LMI borrowers was less than the corresponding HMDA peer group and family representation ratios. Thus, Acacia Federal’s record of lending to LMI borrowers is stronger within its assessment area and the Virginia market area, but weak in the District of Columbia market area. This is an improvement from the prior CRA evaluation where Acacia Federal’s LMI ratios were weak in both the Virginia and District of Columbia market areas.

Geographic Distribution of Loans

The examiner reviewed Acacia Federal’s loan application records to determine the geographic distribution of mortgage loans originated by the bank within the assessment area from January 1, 2008, through December 31, 2010. The distribution of mortgage loans was compared to the distribution of O.O.H.U.s^e throughout the assessment area’s low-, moderate-, middle-, and upper-income census tracts.

The tables below detail lending by census tracts in the assessment area:

Census Tract Income Category	Geographic-Income Distribution HMDA Lending in AA 2008-2010				Percent of O.O.H.U.
	Number	No. Pct.	Dollar (000)	\$ Pct.	
Low-Income	1	0.11%	\$ 329	0.12%	0.18%
Moderate-Income	127	13.70%	30,246	10.72%	7.47%
Middle-Income	317	34.20%	84,449	29.94%	30.88%
Upper-Income	482	51.99%	167,066	59.22%	61.47%
Total	927	100.00%	\$282,090	100.00%	100.00%

As reflected above, Acacia Federal originated one loan in a low-income census tract area within the assessment area. Although Acacia Federal’s penetration in the low-income census tracts was below the percentage of O.O.H.U.s located in these census tracts, it is an improvement to no loans made in

^e Owner-occupied housing units.

Institution (continued)

low-income census tracts during the prior CRA evaluation. However, the bank’s penetration of moderate-income census tracts continues to be well above the percentage of O.O.H.U.s located in those tracts. Acacia Federal’s lending patterns were also compared against 2009 Aggregate HMDA data, the most recent available. The results of this analysis are presented below:

Assessment Area Geographic Distribution for HMDA Loans 2008-2010				
Census Tract Category	Acacia Federal Number of Loans	Acacia Federal Percentage of Loans	2009 HMDA Peer Group Percentage of Loans	O.O.H.U. Distribution 2000 U.S. Census
Low-Income	1	0.11%	1.24%	0.18%
Moderate-Income	127	13.70%	11.08%	7.47%
Middle-Income	317	34.20%	50.46%	30.88%
Upper-Income	482	51.99%	37.22%	61.47%
Total	927	100.00%	100.00%	100.00%

Acacia Federal made 13.81 percent of its loans in LMI geographies, which was more than the comparable peer group ratio of 12.32 percent and substantially more than the 7.65 percent of O.O.H.U.s. Lending in moderate-income geographies made up the vast majority of LMI loans, as there are only three low-income census tracts, with comparably few lending opportunities.

Community Development Lending Activities

Acacia Federal did not originate any community development loans during the current review period. The bank currently services \$1.1 million of community development loans originated during prior review periods.

The Calvert Group, one of the bank’s affiliates, makes below-market interest rate community development loans to non-profits located in, and serving, Washington, D.C., Maryland, and/or Virginia. While these loans were made prior to the review period, these loans are renewable every 3 to 5 years and borrowers can request increases annually. Current amounts outstanding on these existing loans total \$9.8 million. The following table provides information on these loans.

Institution (continued)

Community Development Organization	Function of Community Development Organization	Area Served	Date Loan Originated	Original Amount	Current Amount
AHC, Inc.	Affordable Housing Development	VA	12/14/2007	\$500,000	\$1,000,000
Neighborworks Capital Corporation	Affordable Housing Development – Preserves and Revitalizes affordable Apartments	DC	9/03/2006	\$650,000	\$1,500,000
Enterprise Community Loan Fund, Inc.	Affordable Housing Lender	MD	4/22/2005	\$1,000,000	\$1,500,000
NCB Capital Impact	Affordable Housing Development	VA	12/30/2003	\$1,000,000	\$4,000,000
St. Ambrose Housing Aid Center	Affordable Housing Development	MD	9/30/06	\$50,000	\$50,000
Voxiva, Inc.	Community health technical assistance	DC	6/14/2002	\$50,000	\$50,000
Habitat for Humanity	Affordable Housing	MD	8/31/2007	\$200,000	\$200,000
Housing Assistance Council	CDFI-Affordable Housing	DC	11/1/2000	\$750,000	\$1,000,000
Manna, Inc.	CDC-Affordable housing & 1 st time homebuyer education	DC	11/1/1999	\$50,000	\$500,000
Total				\$4,250,000	\$9,800,000

In addition, the Calvert Group made three additional loans during the review period that totaled \$700,000. The loans were made to Building Hope, a non-profit charter school lender that promotes school-centered community revitalization in Washington, DC; Jubilee Housing, an organization that provides affordable housing development and Vehicles for Change, a low-income transportation organization that finances and promotes community revitalization and stabilization located near Baltimore, MD. While these loans were not secured by properties within its limited assessment area, the loans benefited a greater regional area in close proximity to the assessment area.

Overall Conclusion with Respect to the Lending Test

Acacia Federal’s Lending Test performance was rated “High Satisfactory”. The bank continues to have strong lending volume during a slow mortgage market. While less than a majority of the bank’s loans were secured by properties within its assessment area, lending volume within the assessment area was reasonable. The geographic distribution of the bank’s assessment area lending was strong, in particular in moderate-income census tracts. The borrower-income distribution of Acacia

Institution (continued)

Federal's assessment area lending was strong relative to other lenders and commensurate with the demographic benchmark. The borrower income distribution of the bank's lending in its two adjacent markets was strong in Virginia, but weak in the District of Columbia. Although the bank did not originate any community development loans during the review period, community development lending by its affiliate, the Calvert Group, was good.

INVESTMENT TEST

The bank did not make any new investments during the review period. The largest investment presented by the bank was made by Acacia Life in the form of Low Income Housing Tax Credits, on a project located in Washington, D.C. This investment was purchased in 1998 at an original amount of \$3.8 million. The outstanding balance of this investment was \$1.7 million as of March 31, 2011. The Calvert Group maintains three Certificates of Deposit (CDs) in a Community Development Financial Institution (CDFI) and a minority institution. As of the examination date, the Calvert Group had two CDs in the City First Bank of D.C., N.A., with a current balance of \$1.9 million. In addition, the Calvert Group has a \$500,000 CD in Independence Federal Savings Bank, a Washington, D.C. based minority institution which focuses on serving underserved communities primarily within the city. Both banks are located in Washington, D.C. outside of Acacia Federal's limited assessment area, but are within the Washington MSA.

During the review period, Acacia Federal and its affiliates made grants/donations to various community groups within the Washington MSA and nearby areas. Management provided information regarding cash or non-cash donations to housing, educational, community and other organizations totaling \$43,150.

Conclusion With Respect to the Investment Test

Acacia Federal relied on its affiliates to make and retain qualifying CRA investments during the review period. Qualifying investments total \$4.1 million, including the remaining balance of an LIHTC and \$2.4 million of certificates of deposit with a CDFI and minority institution. The bank's investment balances are reasonable, but are not complex or innovative given that the only review period investments were the certificates of deposit.

Acacia Federal supplemented its qualifying investments with \$43,150 of grants/donations to organizations that promote housing and community development, primarily for LMI areas and/or to LMI individuals. Given the moderate level of investments and the low level of innovation, Acacia Federal's performance relative to the Investment Test is considered "Low Satisfactory".

Institution (continued)

SERVICE TEST

Retail Banking Services

As mentioned earlier, much of Acacia Federal's funding is derived from brokered deposits gathered mainly through the bank's insurance company affiliates on a nationwide basis. This funding strategy minimizes operating costs by eliminating the need for a traditional branch network. However, the funding strategy also limits accessibility of Acacia Federal's deposit and loan products and services within the bank's assessment area, as Acacia Federal operates only one branch office that is open to the public. This office, located in a middle-income census tract, is on the second floor of the bank's headquarters building in Falls Church, Virginia. The office has two teller stations, and its hours of operation are 9:00 a.m. to 5:00 p.m. Monday through Friday. There are no extended hours and no Saturday hours. However, the vast majority of customers contact the bank using the telephone, Internet, and mail. Acacia Federal did not open or close any branches during the review period.

Acacia Federal offers a number of alternative delivery systems described below:

- Telephone Banking

Through this service, customers can obtain account information, transfer funds between accounts, and obtain current deposit rates using an automated telephone banking system that is available on a 24-hour basis.

- Internet Banking

Customers may conduct various banking transactions via their personal computers. Through this service, customers can obtain account balance information, review recent activity, transfer funds, download account activity, check current interest rates, reorder personal checks, and receive and pay bills electronically.

- Visa Check Cards

Acacia Federal offers VISA check cards. These are debit cards that may also be used as ATM cards. While the bank does not operate any proprietary ATMs, the VISA check cards may be used at ATMs affiliated with the CIRRUS, HONOR, and STAR networks. Acacia Federal will reimburse customers up to \$10 per statement cycle for fees charged by ATM operators.

Institution (continued)

- No-Fee Choice Checking

Acacia Federal offers a checking account that requires no minimum balance and there are no monthly service fees.

Community Development Services

During the review period, Acacia Federal and affiliate personnel provided a high level of community development services to nonprofit organizations involved in affordable housing and financial literacy.

- Acacia Federal's CEO and Chairman recently served as the Chairman of the Wesley Housing Development Corporation for the term that ended in the first quarter of 2011. He is also the Chairman of the Audit Committee and is a member of the Real Estate Development Committee. Acacia Federal has hosted several meetings and events for the Wesley Housing Development Corporation. The organization is a non-profit organization whose primary purpose is the development and maintenance of affordable housing communities for low- and moderate-income persons in northern Virginia. Wesley Housing develops, owns, operates, preserves and maintains affordable housing and sustains quality communities for low- and moderate-income persons in northern Virginia. Acacia Federal has had a working relationship with this organization for over 25 years and has hosted several meetings and events during the review period. The organization is located in Alexandria, Virginia.
- Acacia Federal's CFO is the current President of the Northern Virginia Community Foundation (NVCF). NVCF collects donations and supports a variety of social, educational, cultural, and other charitable programs benefiting northern Virginians. While these charitable organizations do not all have community development as their primary purpose, they do include a number of organizations with affordable housing or other types of community development objectives. Part of the NVCF mandate is to provide poverty relief emergency shelter assistance to help people become more self-sufficient.
- One of Acacia Federal's Executive Vice Presidents (EVP) serves as a board member of the Foundation of Automotive and Construction Technology for Students (FACTS). FACTS is a nonprofit organization formed by the Prince Georges County, Maryland, public school system to provide high school students with education and on-the-job work experience in the automotive repair and residential construction trades. FACTS has two initiatives, the Student Built Program and the Student Automotive Group. The organization secures land by purchase or donation and builds homes that are sold to the public. Proceeds from the sale of homes built are used to finance the following year's construction projects. This organization

Institution (continued)

promotes trade education to revitalize low-income communities. The organization is located in Oxon Hill, Maryland.

- One of Acacia Federal's Executive Vice Presidents has served on the Finance Committee of the Homebuilder's Care Foundation since 2009. This organization provides housing for the homeless.
- One of Acacia Federal's Senior Vice Presidents is the President, Chairman of the Board and Acting Executive Director of Fellowship Square Foundation, Inc. He has been associated with this organization for the past five years and been its President for the past two years. This organization is the area's largest provider of affordable housing for the elderly and the handicapped.

Acacia Federal sponsored numerous first-time home buying seminars during the review period as required by the Federal Home Loan Bank program that the bank offers. Twenty-nine individuals attended classes during 2010 and sixteen have attended the classes in 2011. In addition to the seminars, Acacia Federal's Senior Loan Officer is an approved trainer for the Virginia Housing Development Authority. In addition, he teaches first time homebuyers educational seminars for five county/state affiliated housing organizations.

During the review period, Acacia Federal participated in the Federal Home Loan Bank of Atlanta's first-time homebuyer grant program. Bank personnel performed the services required to secure 33 grants totaling \$247,000 for Acacia Federal borrowers. The funds were applied towards the borrower's down payment or closing costs.

Acacia Federal's employees have provided a high level of volunteer services to a large number of community organizations throughout the assessment area. While these services do not involve technical expertise, they provide assistance to LMI individuals.

The Calvert Group encourages its employees to participate in community development services. Each department designates a representative to attend monthly meetings to identify community outreach projects. As a result of these meetings, each department sponsors a community project one month a year. These projects include helping to build a home for Habitat for Humanity, donating food to assist the DC Central Kitchen, and delivering meals to homebound individuals.

Institution (continued)

Service Test Conclusion:

While Acacia Federal has only one branch office, it has maintained its alternative delivery systems including telephone banking, Internet banking, and VISA check cards usable for retail purchases and ATM transactions. Acacia Federal offers a wide variety of loan products. Members of management have been active in several non-profit organizations involved in community development activities. Based on the level of its retail banking services and participation in community development services, we assign a “High Satisfactory” rating to Acacia Federal under the Service Test.

Response to Complaints

During the review period, the bank received no written complaints pertaining to its performance in helping to meet the credit needs within the assessment area.

Fair Lending or Other Illegal Credit Practices Review

Record of Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified through the evaluation of compliance with consumer laws and regulations during the current comprehensive examination.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED:	January 1, 2008 – December 31, 2010	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Acacia Federal Savings Bank		Originated and Purchased HMDA loans; Community Development loans; Investments and Services.
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Acacia Life Insurance Company	Common Ownership	Community Development loans; Investments and Services
Calvert Group	Common Ownership	Community Development loans; Investments and Services

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED ¹	OTHER INFORMATION
Portion of Washington-Alexandria-Arlington MD VA DC WV Multiple Statistical Area	On-Site	Main Office	None

¹ There is a statutory requirement that the written evaluation of a multistate institution’s performance must list the individual branches examined in each state.

Appendix B

Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Not applicable				

CRA Rating Definitions

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.