



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 08, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grand Bank For Savings, FSB
Charter Number 707547

204 Westover Drive
Hattiesburg, MS 39402-0000

Office of the Comptroller of the Currency

ADC-NEW ORLEANS Field Office
3838 North Causeway Blvd. Suite 2890
Metairie, LA. 70002-8105

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 Satisfactory.

Grand Bank has a satisfactory record of meeting community credit needs. Major factors contributing to the overall rating include:

- The loan-to-deposit ratio is more than reasonable and exceeds the standards for satisfactory performance.
- A substantial majority of the loan originations are outside of the bank's assessment area (AA), which reflects a less than satisfactory record for this criterion, and does not meet the standard of satisfactory performance.
- The geographic distribution of loans demonstrates a reasonable dispersion among low- and moderate-income census tracts.
- The distribution of lending reflects a reasonable penetration among individuals of different income levels.

Scope of Examination

Evaluation of the bank was performed using the Small Bank examination procedures, which primarily focuses on a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. Conclusions regarding lending performance are based on the bank's primary loan products which were identified as residential and commercial real estate loans. Loan originations for these product types were reviewed for years 2009, 2010, and 2011. The bank is a Home Mortgage Disclosure Act (HMDA) reporter; therefore HMDA data was utilized to evaluate the bank's loan performance for residential real estate. This sample of loans is representative of the bank's business strategy since the previous CRA examination. The bank was rated "Satisfactory" during the prior CRA Examination dated June 19, 2006.

Description of Institution

Grand Bank is a federally chartered, stock bank, with total assets of \$126 million as of December 31, 2011. The bank is a wholly owned subsidiary of Grand Financial Corporation (GFC), a unitary, non-diversified, non-complex holding company. Assets consist mainly of cash, mortgage loans, and non-mortgage loans including consumer and commercial loans. Prior to June 2010, the bank relied on a significant level of Federal Home Loan Bank Advances to fund its lending activities. Loans are now funded primarily through a retail deposit base of \$118 million.

Grand Bank's business strategy is to originate and sell fixed-rate and variable-rate conventional and government guaranteed mortgage loans for the construction, purchase, refinance, or improvement of one-to-four family dwellings. Mortgage loans are offered with loan-to-value ratios over 80% with private mortgage insurance. To assist low- and moderate-income (LMI) homebuyers, as well as first-time purchasers, Grant Bank offers FNMA, FHA, VA, First-Time

Homeownership loans, and a “Zero Percent Down” FHA loans. The Zero Percent Down program offers 100% financing and eliminates the down payment, which is the most common barrier to homeownership. The bank also purchases both pools and owner financed mortgages secured by one- to four-family residences. Grand Bank also offers both secured and unsecured consumer loans, home equity lines of credit, and commercial real estate loans. The following table reveals the dollar amount, percent of loans, and percent of total assets for each loan category.

Major Components of Assets, Liabilities and Capital			
As of 12/31/2011			
Table 1			
Balance Sheet Component	Balance Sheet \$ Amount	% of Total Assets	\$ or % Growth in Period
Loans	\$89,319	70.8%	\$7,097
1-4 Family Permanent Mortgages & Unsecured loan	69,653	54.4%	16,934
Multi-Family Non-Residential & Land Mortgages	16,440	13.0%	2,674
Commercial Loans	472	0.4%	-4,470
Consumer Loans	967	0.8%	-966
Investments	54,770	43.4%	54,088
Interest-Earning Deposits in FHLBs	27,385	21.7%	27,044
Total Assets	\$126,196	100.0%	\$31,200
Liabilities & Capital (LC)	126,196	100.0%	31,200
Deposits and Escrows	113,977	90.3%	55,987
FHLB Advances & Other Borrowings			-27,758
Total Liabilities	\$114,167	90.5%	\$27,981
Total Stock & Paid in Capital	5,696	4.5%	2,443
Retained Earnings	6,333	5.0%	776
Total Capital	\$12,029	9.5%	\$3,219

Source: Thrift Financial Report

Grand Bank operates from a main office and two branches in Hattiesburg, Mississippi, and one branch in Petal, Mississippi. The bank also has two loan production offices, one in Jackson, Mississippi and the other in Ocean Springs, Mississippi. No offices have been opened or closed since the previous evaluation.

Description of Assessment Areas

The Hattiesburg metropolitan statistical area, which consists of three counties, is too large for Grand Bank to reasonably serve; therefore, the AA is defined as Forrest and Lamar Counties. The AA is a portion of the State of Mississippi that is commonly referred to as the Pine Belt Region. This AA includes twenty-three census tracts with two low income tracts and six moderate income tracts. The AA meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low-or moderate-income geographies. Hattiesburg’s economy has experienced some growth in recent years which is attributed to a recovering and diverse economic community. Major employers include Forrest General Hospital, The University of Southern Mississippi, Hattiesburg Clinic, the Army Reserve, and the National Guard Training

site at Camp Shelby. The regional and state unemployment rate remains above the national average. Competition is strong with numerous institutions competing in this market. The following table illustrates the demographic data of the AA based on the 2000 census.

Demographic Data Grand Bank's Assessment Area Table 2	
Demographic Data	2000 Census
Population	111,674
Total Families	28,200
1-4 Family Units	39,186
Multi-family Units	6,160
% Owner-Occupied Units	60.27%
% Rental-Occupied Units	31.42%
% Vacant Housing Units	8.31%
Median Housing Value	\$74,006

Source: CRA Wiz reports 2011 Activity Year

The following table reveals the number of geographies in each income group compared to the distribution of families living in those designated geographies. The table also includes the population mix of the entire AA. As noted, there are 23 census tracts with two low income and six moderate income areas. The population mix of the entire AA consists of 22% low income families and 15% moderate income families.

Distribution of Geographies, Families and Population Mix Grand Bank's Assessment Area Table 3					
	Number of Census Tracts		Families in Each Census Tract		Population Mix of the Entire Assessment Area
2000 Census:	#	%	#	%	%
Low-Income	2	8.70%	1,659	5.89%	22.64%
Moderate-Income	6	26.09%	3,708	13.15%	15.42%
Middle-Income	10	43.47%	12,471	44.22%	20.70%
Upper-Income	5	21.74%	10,362	36.74%	41.24%
Totals	23	100.00%	28,200	100.00%	100.00%

Source: CRA Wiz Reports

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Grand Bank's loan-to-deposit (LTD) is more than reasonable and exceeds the standards for satisfactory performance. The bank's quarterly average LTD ratio was 98.1% since the previous CRA examination conducted in June 2006. The bank's LTD ratio has ranged from 150.28% (March 2007) to 78.50% (December 2011) over the evaluation period. This performance compares favorably with similarly situated banks with a quarterly average loan-to-deposit ratio of 88.9% during the same time period. The bank sells a significant amount of its loans in the secondary market, which would further improve the bank's LTD ratio.

Loan to Deposit Ratio Data Table 4				
Thrift Institution	Average Total Assets	# of Branches	Basic LTDR	
			# Quarters Average	% Change over Period
Grand Bank for Savings, FSB	\$125,680	3	98.1%	50.0%
First FS & LA	271,786	6	119.4%	96.4%
SouthFirst Bank	133,215	3	93.8%	86.5%
Worthington Federal Bank	132,174	1	95.3%	90.3%
Homeland Federal Savings Bank	131,046	2	89.3%	82.5%
Bank of Ruston	85,770	2	89.9%	119.9%
Anthem Bank & Trust	80,392	2	61.0%	89.0%
Group # Peer Median	\$137,152		88.9%	82.2%

Source: CRA Wiz Reports

Lending in Assessment Area

A majority of the bank's lending activity is located outside the bank's AA reflecting a poor or less than satisfactory performance. Between January 1, 2009 and December 31, 2011, the bank originated 1,825 mortgage loans totaling \$271 million. The following table shows a substantial majority of these loans were originated outside of the AA. Contributing to this poor performance is the fact that this bank is considered a niche lender that purchases owner-financed and other residential loans that are located nationwide. This lending activity is in accordance with the bank's business plan which directs the bank to purchase mortgage loans at a discount if the loan pools fit within the bank's lending guidelines. Management indicated this activity will continue to be an important part of the bank's operations as it continues to produce high yields.

Concentration of Thrift HMDA Loans Originated In and Outside of the Assessment Area Table 5						
Loan Type	% Inside Area		% Outside Area		Total	
	#	\$(000)	#	\$(000)	#	\$(000)
Mortgage Loans	31.0%	29.8%	69.0%	70.2%	1,825	\$270,566

Source: CRA Wiz Reports

Lending to Borrowers of Different Incomes

Grand Bank's distribution of loans to borrowers of different incomes is reasonable in light of AA demographics and peer comparisons. Community contacts noted that economic conditions have significantly impacted the area with little movement in housing stock. One contact noted the need for more affordable housing with the current average sales price of homes being above what LMI borrowers are able to afford. We considered these mitigating factors in our lending analysis to LMI borrowers. The table below illustrates the distribution of mortgage loans in relation to the number of families in the AA by income level between January 1, 2009 and December 31, 2011.

Distribution of Thrift HMDA Loans By Borrower Income Level in the Assessment Area Table 6				
Borrower Income Category	% of Loans	% of \$ Volume	% Family Distribution	% of Aggregate (or Peers)
Low	5.0%	2.4%	22.6%	4.1%
Moderate	20.0%	15.2%	15.4%	12.0%
Middle	28.3%	26.5%	20.7%	22.0%
Upper	46.7%	56.0%	41.2%	61.9%
Total # or \$	565	\$80,609	28,200	1,756

Source: CRA Wiz Reports

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects reasonable dispersion throughout census tracts of different income levels. The following table illustrates the total number and percentage of mortgage loans originated by the bank in low, moderate, middle, and upper income census tracts compared to the aggregate percentage of loans by all HMDA lenders in the AA for the three year review period ended December 31, 2011. It should be noted that the LMI borrowers are not located in close proximity to the banks office, yet the number of loans originated reflect a reasonable number of loans were originated in these areas. The bank was also successful in originating loans in all 23-census tracts.

Distribution of Thrift HMDA Loans By Census Tract Income Level in the Assessment Area Table 7				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	0.7%	0.6%	5.9%	0.5%
Moderate	5.7%	4.5%	15.5%	4.9%
Middle	38.6%	35.8%	43.1%	36.2%
Upper	55.0%	59.1%	35.5%	58.3%
Total # or \$	565	\$80,609	39,186	1,833

Source: CRA Wiz Reports

Response to Complaints

Grand Bank has not received any CRA related consumer complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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