



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 17, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Jarrettsville FS&LA
Charter Number 706351

3706 Norrisville Rd
Jarrettsville, MD 21084-1419

Office of the Comptroller of the Currency

Patriot Square
395 E Street SW
Washington, DC 20024

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

The major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, assessment area (AA), credit needs, and relevant competitive factors;
- A majority of loans originated are inside the bank's AA; and
- The record of lending reflects reasonable penetration to residential real estate loans.

SCOPE OF EXAMINATION

CRA activities at Jarrettsville Federal Savings and Loan Association (Jarrettsville Federal) were completed using full-scope review procedures for its AA. Our review covered the bank's performance from January 1, 2009 through December 31, 2011. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

In order to evaluate Jarrettsville Federal's record of originating residential mortgage loans, we analyzed loan data Jarrettsville Federal collected and reported in accordance with the Home Mortgage Disclosure Act (HMDA) requirements. In order to ensure the reliability of HMDA loan data, we performed a data integrity examination during the second quarter of 2012. In conjunction with the data integrity examination, we evaluated processes employed by Jarrettsville Federal to ensure the accuracy of collected HMDA data and tested a sample of reported HMDA loans. Specifically, we tested the accuracy of HMDA loan data by comparing it against loan file documentation. The data integrity examination revealed that Jarrettsville Federal's publicly available HMDA loan data could be relied on for the purposes of this CRA evaluation.

DESCRIPTION OF INSTITUTION

Jarrettsville Federal is a federally chartered mutual savings association with total assets of \$106.4 million as of June 30, 2012. The institution is engaged primarily in the origination of conventional fixed-rate first and second mortgage loans for the purchase, refinance, or construction of single-family residences. Jarrettsville Federal does not offer any government-guaranteed or insured loan products, nor does it offer mortgage loans with loan-to-value ratios over eighty percent. The institution portfolios and services all of its mortgage loan originations. Residential mortgage loans, including construction loans, totaled \$86 million (80.8 percent of total assets) as of June 30, 2012. The institution also originates a limited number of consumer loans and loans to purchase unimproved real estate (lot loans). Deposits totaled \$92 million (86.4 percent of assets) at June 30, 2012. Net Tier 1 Capital was \$14.6 million as of that same date.

The institution operates one full service branch office located in Jarrettsville, Harford County, Maryland in an upper-income census tract. The office has two drive-up teller lanes and an Automated Teller Machine. Jarrettsville Federal offers a variety of personal deposit accounts, including checking, money market, certificate of deposit, and passbook savings. Although the institution does not offer any special deposit accounts designed to meet the needs of LMI individuals, Jarrettsville Federal's free checking account requires a minimum opening balance of only \$10, which makes it affordable for LMI individuals.

The institution's business hours include extended hours on Friday from 9:00 a.m. to 7:00 p.m. and on Saturday from 9:00 a.m. to noon. During our evaluation period, the bank did not open any branches.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its AA. At the prior CRA examination dated February 5, 2007, Jarrettsville Federal was rated "Satisfactory."

DESCRIPTION OF JARRETTSVILLE FEDERAL ASSESSMENT AREA

Demographic Information for Full Scope Area: Jarrettsville AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	17	00.00	00.00	52.94	47.06	0.00
Population by Geography	100,634	00.00	00.00	48.08	51.92	0.00
Owner-Occupied Housing by Geography	30,677	00.00	00.00	47.10	52.90	0.00
Business by Geography	11,584	00.00	00.00	51.43	48.57	0.00
Farms by Geography	519	00.00	00.00	59.43	40.46	0.00
Family Distribution by Income Level	28,575	10.31	15.38	24.09	50.23	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	7,340	00.00	00.00	59.62	40.38	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		59,301 84,500 3%	Median Housing Value Unemployment Rate (2012 Bureau of Labor Statistics)	171,853 7.5%		

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

Jarrettsville Federal has designated its AA as seventeen contiguous census tracts in northern Harford County, all of which are part of the Baltimore-Towson, Maryland, Metropolitan Statistical Area (MSA). The AA, although relatively small, is appropriate because it is the area surrounding the institution's only office, and the area in which the bulk of Jarrettsville Federal's lending activity takes place. While the AA does not contain any LMI census tracts, it meets the requirements of the regulation and does not arbitrarily exclude LMI geographies. The total population in the AA was 100,634 as of

the 2000 U.S. Census. The unemployment rate as of August 2012 during the review period in the AA was 7.5% for Harford County while the Maryland state unemployment rate during the same time was slightly lower at 7.1%.

Major employers in the AA are Upper Chesapeake Health Systems, Rite Aid, Wal-Mart/Sam's Club, Science Applications International Corporation, Jacobs Technology Inc, Klien's Super Markets, and Target. Employment in the service sector is the largest percentage in the county at 43.17% followed by 19.21% as non-classified establishments, and 10.10% employment in the construction business.

The median cost of housing in the AA is \$171,853. The Updated Median Family Income for 2011 is \$84,500. The percentage of households below the poverty level is 3%. The AA's population is comprised of the following family income distribution: 10.31% are low-income, 15.38% are moderate-income, 24.09% are middle-income, and 50.23% are upper-income.

In 2010, 259 lenders originated HMDA loans in the AA, according to the HMDA Peer Mortgage Data. Competition in the AA was strong with Wells Fargo Bank, Bank of America, and JPMorgan Chase Bank ranking as the top three lenders with market shares of 13.48%, 11.27%, and 5.90% respectively. Jarrettsville Federal was ranked 27th with a market share of 0.60%. Other competitors consisted of large national banks and mortgage companies, large regional banks, and mortgage brokers with nationwide sources of funding.

According to the June 30, 2012 FDIC Summary of Deposits Market Share Report, Jarrettsville Federal was ranked 10th out of 23 institutions in their AA with 2.87% of deposits. Manufacturers and Traders Trust Company is ranked first with 9 offices and 16.27% of the deposits. Other financial institutions include Bank of America with 9 offices and 12.79% of the deposits, PNC Bank with 9 offices and 12.01% of the deposits, and Branch Banking and Trust Company with 10 offices and 11.44% of the deposits.

We reviewed a recent community contact, a housing agency that strives to offer housing and supportive services for low-income families, seniors, and those with disabilities, so they can become self-sufficient and productive residents of the community. The contact stated that several of the organization's programs are currently closed due to lack of funding. With no federal or state funding and no timeline when funding will be available, participation by local financial institutions is also impacted. Right now, the contact stated that their organization is mainly helping borrowers through the foreclosure process by acting as the intermediary with mainly two of the larger banking institutions in the AA. While credit needs have been identified, as the contact stated, right now funding is the bigger issue.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Jarrettsville Federal's LTD ratio is outstanding. The bank's LTD ratio is more than reasonable for the standard for satisfactory performance. The bank's average LTD ratio for the prior twenty-two quarters is 93%. This is below the median LTD ratio for Jarrettsville Federal's peers, which averaged 103% for the same time period. Jarrettsville Federal's LTD ratio demonstrates the institution's commitment to meeting community credit needs by investing a large portion of its deposits into loans.

Lending in Assessment Area

Jarrettsville Federal's lending in their AA is satisfactory. A majority of the home mortgage loans originated during the evaluation period were within the AA. Jarrettsville Federal meets the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that 61% of these loans were originated in the AA.

Lending to Borrowers of Different Incomes

Jarrettsville Federal's lending to borrowers of different incomes meets the standard for satisfactory performance. Borrower distribution reflects reasonable penetration among residential real estate loans.

The level of all home mortgage loans, purchases, improvements, or refinances, originated to low-income borrowers is less than the percentage of low-income families in the AA. Home purchase loans are lower than the ratio and home refinance loans are near the ratio and both meet the standard for reasonable performance. Home improvement loans are significantly lower than the ratio and do not meet the standard for reasonable performance. However, when considering the affordability of housing in the AA, overall performance is good. The median cost of housing in the AA is \$172 thousand, based on 2000 census data. The HUD updated median family income for 2011 is \$84.5 thousand. This means that a low-income person earns less than \$42,250. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA, let alone make home improvements. Also, in 2010, of the 259 lenders to low-income individuals in the AA, Jarrettsville Federal was ranked 27th, with a market share of 0.60%.

The percentage of home purchase, home improvement, and home mortgage refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the MSA. This performance exceeds the standard and is excellent.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	10.31	4.00	15.38	20.00	24.09	14.00	50.23	62.00
Home Improvement	10.31	0.00	15.38	20.00	24.09	6.67	50.23	73.33
Home Mortgage Refinance	10.31	8.70	15.38	30.43	24.09	26.09	50.23	34.78

Source: 2009-2011 HMDA LAR.

Geographic Distribution of Loans

Jarrettsville Federal's AA does not contain any LMI geographies. Therefore, an analysis of the institution's record of residential real estate lending among AA geographies would not have been meaningful and was not performed.

Responses to Complaints

Jarrettsville Federal did not receive any complaints about its performance in helping to meet credit needs in the AA area during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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