



PUBLIC DISCLOSURE

January 22, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grand Bank for Savings, FSB
Charter Number 707547

204 Westover Drive
Hattiesburg, MS 39402

Office of the Comptroller of the Currency

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, and should not 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.

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Overall CRA Rating

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

The major factors that support this rating are the following:

- A loan-to-deposit (LTD) ratio that is more than reasonable relative to the institution's size, competition, and financial condition.
- Reasonable borrower distribution of loans in the assessment area (AA).
- Reasonable geographic distribution of loans in the AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Grand Bank for Savings, FSB (Grand Bank) is a federally-chartered stock bank, with total assets of \$75 million as of September 30, 2017. The bank is a wholly-owned subsidiary of Grand Financial Corporation (GFC), a unitary, non-diversified, non-complex holding company. Grand Bank's headquarters are located in Hattiesburg, Mississippi, and the bank operates with an additional branch in Petal, Mississippi. The bank additionally operates with a mortgage center in Hattiesburg, Mississippi. No offices have been opened or closed since the previous evaluation.

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, or refinance of one- to four-family dwellings. To assist low- and moderate-income (LMI) homebuyers, as well as first-time home purchasers, Grand Bank offers FHMA, FHA, and VA loans. The bank also purchases both pools and owner-financed mortgages secured by one- to four-family residences, as well as novel loan products targeted to niche applicants nationally. Lastly, Grand Bank additionally offers both secured and unsecured consumer loans, home equity lines of credit, and commercial real estate loans. There are no financial or legal impediments preventing Grand Bank from meeting the credit needs of the community.

Grand Bank has offices in Forrest and Lamar counties, both of which are part of the Hattiesburg MSA. The Hattiesburg MSA additionally includes Perry County, but Grand Bank determined the entire MSA to be too large to service and consequently only selected those counties where the bank had branches. The bank's headquarters are located in Lamar County in a middle-income CT. Grand Bank's branch in Forrest County is also located in a middle-income CT. In total, the bank's AA consists of 25 CTs with three of those being located in the low-income CTs, seven being located in both the moderate- and upper-income CTs, and the remaining eight being located in the middle-income CTs. The bank's AA meets regulatory guidelines by including whole geographies and does not arbitrarily exclude LMI areas.

Banking hours reasonably meet the community needs with lobby hours Monday through Thursday from approximately 9:00 AM to 4:30 PM and Friday hours being 9:00 AM to 5:00 PM. Drive-thru hours are the same as branch hours.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated Grand Bank's CRA performance utilizing the Interagency Small Bank CRA procedures, with focus on the analysis of the bank's primary loan products. As discussed in the table below, the bank's loan portfolio is primarily comprised of residential real estate loans, at 94.07 percent, with commercial loans representing 5.26 percent. The remaining loan categories are listed below but did not comprise a notable percentage of the bank's overall portfolio.

Grand Bank's Loan Portfolio		
Loan Category	Dollars (000)	Percentage
1-4 Residential Real Estate	59,453	94.07
Commercial Real Estate	3,321	5.26
Multifamily	218	0.34
Consumer	211	0.33
Total	63,203	100.00

Source: Internal bank documents

The bank's primary business strategy is to originate residential mortgage loans throughout the United States as well as within its AA. Grand Bank also purchases both pools and owner-financed mortgages secured by one- to four-family residences. The bank is an atypical lender in that management purchases a significant number of loans and also focuses attention on loan products that target niche groups throughout the United States. The bank is a HMDA reporter. Therefore, we utilized HMDA data to evaluate the bank's loan performance. In total, the bank originated 309 HMDA loans during the review period. We analyzed HMDA loans for the years 2015 and 2016. When more recent data was needed for comparative purposes, such data was used and the applicable date noted.

We conducted our previous CRA evaluation on May 8, 2012, which covered a period from January 1, 2009 through December 31, 2011. During that evaluation, we concluded the bank had a satisfactory record of meeting the credit needs of its community.

We additionally contacted a community agency in the Hattiesburg MSA AA to obtain feedback regarding the area's demographics, perceived credit needs, and the responsiveness of local banks with addressing those needs.

Data Integrity

As part of our ongoing supervision of Grand Bank, we tested the accuracy of the bank's HMDA data prior to commencing this evaluation. Our testing indicated no significant substantive inaccuracies in the data. Therefore, we conclude that the home mortgage loan data can be relied upon for this examination. The OCC verified the accuracy of the bank's loan data for years 2015, 2016, and 2017.

Selection of Areas for Full-Scope Review

Grand Bank has one AA consisting of the entirety of Forrest and Lamar Counties. This area received a full-scope review. See Appendix A for more information.

Ratings

The bank's overall rating is based exclusively on the area that received a full-scope review.

Discriminatory or Other Illegal Credit Practices Review

First paragraph for all banks:

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution, or any affiliate whose loans have been considered as part of the institution's lending performance, has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Grand Bank’s performance under the lending test is considered satisfactory.

Loan-to-Deposit Ratio

Grand Bank’s LTD ratio is more than reasonable given the credit needs of the AA and the bank’s size, financial condition and location. We based this determination on quarterly LTD ratios from June 2012 to December 2016 that averaged 82.73 percent. During this evaluation period, the bank’s LTD ratio ranged from a low of 72.58 percent to a high of 93.64 percent.

Management considers the four banks shown in the following table to be its competitors as both are of comparable size, actively offer similar loan products, and generally have at least one branch location within the same boundaries of one of the bank’s AAs. The LTD ratio for these peer banks is 56.99 percent, which is significantly lower than Grand Bank’s average during the same period. The peer bank’s average LTD ratio for the same period ranged from a low of 44.39 percent to a high of 75.62 percent.

Institution	Assets – As of December 31, 2016 (in thousands)	Average LTD
Grand Bank	\$74,732	82.73%
First Bank	\$499,925	58.82%
First Southern Bank	\$187,223	75.62%
Great Southern Bank	\$297,066	44.39%
Richton Bank and Trust	\$59,194	49.11%

Source: Call Reports and FDIC reports

Lending in Assessment Area

A majority of the bank’s lending activity are located outside the bank’s AA reflecting poor performance. Grand Bank originated 309 mortgage loans totaling approximately \$48.2 million during the review period. The table below illustrates that a majority of these loans were originated outside of the AA.

It is worth noting that while a majority of overall loans were made outside the AA, 55.17 percent of refinance loans were originated inside the AA. It is evident that the bank is meeting the credit needs in its AA for this type of product. While a majority of purchase loans were made outside of the AA, the bank is 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 that this activity will continue to be an important part of the bank’s operations in the near future.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	104	41.43	147	58.57	251	17,516	45.66	20,842	54.34	38,358
Refinance	32	55.17	26	44.83	58	4,809	49.10	4,985	50.90	9,794
Totals	136	44.01	173	55.99	309	22,325	46.36	25,827	53.64	48,152

Source: Examiner Worksheet F, Loan Mix of Reportable Loans, Page 1

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

The distribution of home mortgage loans to borrowers reflects a reasonable penetration among individuals of different income levels, given the demographics of the AA. While the distribution of home mortgage loans is less than the percentage of aggregate in the low-income CTs, in the moderate-income CTs such lending exceeds the percentage of aggregate and is considered excellent.

The poor performance in the low-income CTs is mitigated by the fact that community contacts in the AA noted that there is a need for affordable housing in the area. Furthermore, the median cost of housing is \$123.3 thousand while a low-income person earns less than \$26.9 thousand based on the updated 2016 HUD median family income. This makes home ownership a challenge. Additionally, we noted the existence of two major universities in the area with student populations that will have an impact on both the housing and rental markets, driving up the cost of rentals and consequently impacting the ability of low-income borrowers to save the necessary down payment required to purchase a home. Lastly, the bank faces significant competition in the area from larger regional and national banks with greater capacity to make loans.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
HMDA Loans	2.45	.74	9.00	10.29	15.36	24.26	48.01	64.71

Source: 2015 Peer Mortgage Data US and PR, Purpose vs Applicant Income = Percent of AA Aggregate; Combined HMDA Mortgage Data, Purpose vs Applicant Income = Percent of Number of Loans. HMDA aggregate income NA = 25.18%

Geographic Distribution of Loans

The geographic distribution of mortgage loans originated in the bank’s AA reflects reasonable penetration in the AA. While the bank did not make any loans in the low-

income CTs, peer lending activity in those tracts was also low. Considering that only 6.29 percent of housing units in those tracts are owner-occupied, there is a lack of need for mortgage lending in those CTs. Furthermore, 14.48 percent of units in the low-income CTs are vacant. Lastly, the bank faces considerable competition in the AA.

The bank’s lending activities are significantly better in the moderate-income CTs and are considered reasonable even though they are less than peer. Only 11.76 percent of the housing units in the moderate-income CTs are owner-occupied, and 29.27 percent of units are vacant, evidencing a compressed market for mortgage loans in the CTs. Of the housing stock that is available, a significant amount of those units are occupied by students that attend University of Southern Mississippi and William Carey University. Lastly, the bank faces considerable competition in the AA. See the table below for further analysis.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
HMDA Loans	3.04	0	10.86	8.83	31.75	24.26	54.35	66.91

Source: 2015 Peer Mortgage Data US and PR, Purpose vs Tract Income = Percent of AA Aggregate; Combined HMDA Mortgage Data, Purpose vs Tract Income = Percent of Number of Loans.

Responses to Complaints

While there were complaints filed during the review period, none had an impact on the CRA rating.

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”).

Time Period Reviewed	Lending Test: 01/01/2015 to 12/31/2016	
Financial Institution	Products Reviewed	
Grand Bank, Hattiesburg, Mississippi	HMDA Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NA	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Forrest and Lamar Counties	Full-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Forrest and Lamar County AA

Demographic Information for Full-Scope Area: Forrest and Lamar County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	12.00	28.00	32.00	28.00	0
Population by Geography	130,592	10.97	21.77	30.76	36.50	0
Owner-Occupied Housing by Geography	54,296	6.29	11.76	37.47	44.48	0
Businesses by Geography	8,005	11.43	24.57	29.32	34.68	0
Family Distribution by Income Level	30,937	10.58	16.34	32.91	40.17	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	30,937	24.32	15.83	16.87	42.98	0
Median Family Income HUD Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$54,988 = \$53,800 = 20.96%	Median Housing Value Unemployment Rate				= \$123,361 = 4.88%

Source: 2010 U.S. Census, and 2016 HUD updated MFI.

Grand Bank has one AA which includes the two adjoining counties of Forrest and Lamar, both of which are part of the Hattiesburg MSA. The Hattiesburg MSA additionally includes Perry County, but Grand Bank determined the entire MSA to be too large to service and consequently only selected those counties where the bank had branches. The bank's AA meets regulatory guidelines by including whole geographies and does not arbitrarily exclude LMI areas. The bank's AA includes 25 CTs with three of those CTs being located in the low-income CTs, seven being located in both the moderate- and upper-income CTs, and the remaining eight being located in the middle-income CTs.

The Federal Financial Institutions Examination Council's (FFIEC) updated 2016 median family income for the AA was \$53,800. Low-income is defined as less than 50 percent of the median family income. Moderate-income is defined as 50 percent to less than 80 percent of the median family income. Middle-income is defined as 80 percent to 119 percent of the median family income. Upper-income is defined as income of 120 percent and over the median family income. The following table depicts income categories:

Income Categories – Hattiesburg			
Low	Moderate	Middle	Upper
<\$26,900	\$26,900 – \$43,040	\$43,041- \$64,022	>\$64,560

Source: US Census data

Low-income families earning a median family income less than \$26,900 represented 24.32 percent of families in the AA. Moderate-income families comprised 15.83 percent of the AA population. In 2012, 20.96 percent of households in the AA earned wages below the property level.

Based on 2016 business demographic data, there were 8,005 non-farm businesses in the AA. Of these, 6,376 (79.7 percent) of the businesses had revenues of less than \$1 million, 417 (5.2 percent) had revenues greater than \$1 million, and 1,212 (15.1 percent) did not report revenue information. Major employers of Hattiesburg include Forrest General Hospital (healthcare), Camp Shelby (military), Hattiesburg Clinic (healthcare), University of Southern Mississippi (education), Lamar County School District (education), and Merritt Health Wesley (Healthcare). According to the Bureau of Labor Statistics, the Hattiesburg MSA had a 4.9 percent unemployment rate in May 2017, which matched the Mississippi state average of 4.9 percent but was above the national average of 4.1 percent.

Opportunities for residential lending remain limited within the three low-income and seven moderate-income CTs in the AA. Of the 18,617 housing units within those ten CTs, approximately 60 percent of the units include occupied rental units. A significant majority of those rental units located in those LMI CTs are occupied by students that attend University of Southern Mississippi and William Carey University.

While the AA is partially rural, competition among financial institutions in the AA remains strong with the bank vying for loans amongst other large regional and local banks. According to the June 30, 2016 FDIC Summary of Deposits report, Grand Bank ranked 9th out of 18 deposit institutions, with \$69 million in deposits within the AA and a market share of 2.55 percent. The top five institutions command 73.13 percent of the market share and consequently, there is significant loan competition in the AA.

In conjunction with this examination, we conducted an interview with a community leader in the Hattiesburg MSA AA. The type of organization represented was community-based, with a goal of assisting with disaster recovery and affordable housing for area residents, including those whose income status is considered as LMI. The community leader communicated the need for affordable housing within the AA.