**PUBLIC DISCLOSURE**


January 13, 1997


**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**



Pee Dee State Bank

05451280

P. O. Box 458

Timmonsville, South Carolina   29161



**Federal Reserve Bank of Richmond**
**P. O. Box 27622**
**Richmond, Virginia 23261**

**GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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.  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 Pee Dee State Bank, Timmonsville, South Carolina, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of January 13, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The bank's loan-to-deposit ratio is considered more than reasonable given its financial capacity, location, and demand for credit in the area.  A majority of loans sampled during the examination were provided to residents of the assessment area.  Furthermore, the bank's lending performance to low- and moderate-income borrowers exceeds the proportion of such families residing within the assessment area.  The distribution of lending by the income level of geographies in the assessment area appears reasonable in relation to area demographics.

The following table indicates the performance level of Pee Dee State Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | Pee Dee State Bank PERFORMANCE LEVELS | | |
|---|---|---|---|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does not meet Standards for Satisfactory Performance |
| Loan to Deposit Ratio | X | | |
| Lending in Assessment Area | | X | |
| Lending to Borrowers of Different Incomes and to Businesses of Different Sizes | X | | |
| Geographic Distribution of Loans | | X | |
| Response to Complaints | No complaints have been received since the prior examination. | | |

**DESCRIPTION OF INSTITUTION**

Pee Dee State Bank operates five offices within Florence and Dillon Counties, South Carolina.  As of September 30, 1996, the bank had assets of approximately $121.9 million, of which 63% were loans.  The institution offers a variety of credit and deposit products, including loans for consumer, residential mortgage, and small business purposes.  The loan portfolio as of September 30, 1996, was comprised of 41% real estate secured (for both consumer and business purposes), 19% consumer, and 40% commercial.  Based on the number of loans extended, consumer loans secured by motor vehicles were identified as the bank's primary credit product.  The institution's previous CRA rating was satisfactory.

**DESCRIPTION OF ASSESSMENT AREA**

The institution's assessment areas consist of Florence and Dillon Counties, South Carolina.  The assessment areas are located in the northeast portion of the state. According to the 1990 census data, the population of Florence County is 114,344. Florence County is part of the Florence Metropolitan Statistical Area (MSA) and contains 29 census tracts.  Of these census tracts, two are low-income, six are moderate-income, 13 are middle-income, and eight are upper-income.  Dillon County has a population of approximately 29,114 and contains three moderate-income and three middle-income census tracts.  Within the region, a variety of manufacturing facilities continues to employ the majority of local residents.  Agriculture also remains an important segment of the area's economy with local farms producing tobacco, soybeans, corn, wheat, cotton, fruits, vegetables, and livestock.  The unemployment rate for Florence County as of September 1996 was 9.2%, while in Dillon County the jobless rate was 11.2%.  The unemployment rate for the state is 5.9%. The 1996 median family incomes for nonmetropolitan areas within the State of South Carolina and the Florence MSA were $33,300 and $36,500, respectively.

An official from a local housing organization was contacted during the examination to further assist in evaluating the bank's CRA performance.  Information gathered from the contact revealed that there is a shortage of affordable housing in the area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

The average loan deposit ratio of 77% for the previous five quarters is considered more than reasonable given the institution's size, financial condition, location, and current economic conditions.  No other banks of similar asset size are headquartered in the Florence area and the bank's level of lending is responsive to local loan demand.  The average loan-to-deposit ratio for banks headquartered in metropolitan areas of South Carolina and of similar asset size to Pee Dee State Bank is 76%.

**LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within its assessment areas, a sample of consumer loans extended during the previous six months was reviewed.  This sample consisted of 71 loans secured by motor vehicles and 32 unsecured loans.  As illustrated  below, a majority of the number and dollar amounts of the sampled loans have been provided to residents of the area.

<u>Comparison of Credit Extended Inside and Outside of Assessment Area</u>

|  | Inside Assessment Area | Outside Assessment Area | Total |
|---|---|---|---|
| Total Number of Loans | 80 | 23 | 103 |
| Percentage of Total Loans | 78% | 22% | 100% |
| Total Amount of Loans | $440 | $181 | $621 |
| Percentage of Total Amount | 71% | 29% | 100% |

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

The following table illustrates the distribution of the sample of loans secured by motor vehicles and unsecured consumer loans originated within the assessment areas by income level of the borrower.

<u>Distribution of Loans by Income Level of Borrower</u>

|  | Low-Income | Moderate-Income | Middle-Income | Upper-Income | Total |
|---|---|---|---|---|---|
| Total Number of Loans | 35 | 26 | 10 | 9 | 80 |
| Percentage of Total Loans | 44% | 32% | 13% | 11% | 100% |
| Total Amount of Loans | $159 | $130 | $68 | $83 | $440 |
| Percentage of Total Loans | 36% | 30% | 15% | 19% | 100% |

When compared to the population of the assessment areas, the bank's volume of consumer unsecured loans and loans secured by motor vehicles extended to low- and moderate-income borrowers (76%) substantially exceeds the proportion of such families in the communities. Twenty-four percent and 16%, respectively, of low- and moderate-income families reside within Florence County, and 27% and 21% of these families reside within Dillon County. Given the demographics of the assessment areas, the institution's distribution of lending reflects good penetration among individuals of different income levels.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among various geographies within the assessment areas.  As previously mentioned, Florence County contains two low-income and six moderate-income census tracts.  There are no low- or upper-income areas within Dillon County.  The following chart depicts the distribution of the loans secured by motor vehicles and unsecured consumer loans according to income level of the census tract.

Distribution of Loans in Assessment Area by Income Level of Census Tract

|  | Low-Income | Moderate-Income | Middle-Income | Upper-Income | Total |
|---|---|---|---|---|---|
| **Total Number of Loans** | 2 | 21 | 22 | 35 | 80 |
| **Percentage of Total Loans** | 3% | 26% | 27% | 44% | 100% |
| **Total Amount of Loans** | $13 | $111 | $121 | $195 | $440 |
| **Percentage of Total Loans** | 3% | 25% | 28% | 44% | 100% |

As a means of comparison, the following chart illustrates the distribution of the population of the assessment areas by income level of the census tract.

|  | Low-Income | Moderate-Income | Middle-Income | Upper-Income | Total |
|---|---|---|---|---|---|
| **Population** | 9,031 | 40,889 | 63,594 | 29,944 | 143,458 |
| **Percentage of Population** | 6% | 29% | 44% | 21% | 100% |

In the bank's two assessment areas, the majority of the population (65%) resides in middle- and upper-income census tracts.  The percentage of loans made in low- and moderate-income tracts (29%) appears reasonable considering area demographics.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified.  Technical violations of the Home Mortgage Disclosure Act's Regulation C were noted.  Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.

**Regression Program Usage Report**

(This form should be filled out for each examination conducted involving a HMDA reporter.)

Institution Name: <u>Pee Dee State Bank</u>

City, ST: <u>Timmonsville, South Carolina</u>

Exam Date: <u>January 13, 1997</u>

**Number of HMDA LAR records**

**Year(s) of data considered:** _____

| | FHA, VA, & FmHA HOME Purchase | | Conventional Home Purchase | | Refinancings | | Home Improvement | |
|---|---|---|---|---|---|---|---|---|
| | Year | Year | Year | Year | Year | Year | Year | Year |
| White Approvals | | | | | | | | |
| White Denials | | | | | | | | |
| Minority Approvals | | | | | | | | |
| Minority Denials | | | | | | | | |

Was Step 1 of regression program run?　　　　　　　Y　　　　N

if "N", why not?　<u>Insufficient number of minority denials</u>

_____

_____

What grouping(s) of data (i.e, loan type, location, year(s), etc.) were used?　　　MIN Pr > Chi Square Value

(1) _____　　　_____

(2) _____　　　_____

(3) _____　　　_____

(4) _____　　　_____

(5) _____　　　_____

(6) _____　　　_____

## Results from Regression Step 2

(Fill this page out for each grouping on which step 2 was run.)

Standard Variables which were not needed for Step 2:

_____   _____        _____   _____

_____   _____        _____   _____

_____   _____        _____   _____

_____   _____        _____   _____


Judgmental Variables which were collected for Step 2:

_____       Cash Available for Closing      _____    Special Loan Program

_____       Refi from Same Lender           _____    Cash Out vs No Cash Out

_____   _____        _____   _____

_____   _____        _____   _____

_____   _____        _____   _____

_____   _____        _____   _____


Value of MIN Pr > Chi-Square:  _____

Number of Minority Rejections:  _____

Number of "Dominant Pairs":  _____

Explain which files pair analysis used:  _____

_____

_____

_____

_____

_____


What additional factors explained away pairs?  _____

_____

_____

_____

_____


Were pairs of loan files given to bank for explanation?      Y       N

Examiner hours spent specifically on regression:  _____