



## **PUBLIC DISCLOSURE**

January 23, 2023

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Carrollton Federal Bank  
Charter number: 704069

2539 Highway 227  
Carrollton, Kentucky 41008

Office of the Comptroller of the Currency

10200 Forest Green Boulevard  
Suite 501  
Louisville, Kentucky 40223

**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

**Institution’s CRA Rating:** This institution is rated **Satisfactory**.

**The lending test is rated: Satisfactory.**

The major factors that support this rating include:

- The loan-to-deposit ratio (LTD) is more than reasonable given Carrollton Federal Bank’s (CFB or bank) size, financial condition, and the credit needs of the assessment area (AA).
- The distribution of loans to borrowers of different income levels is reasonable.

### Loan-to-Deposit Ratio

Considering the bank’s size, financial condition, and credit needs of the AA, the bank’s LTD ratio is more than reasonable. CFB’s LTD ratio averaged 84.1 percent over the last 19 quarters, with a quarterly high of 98.2 percent and a quarterly low of 70.6 percent. In comparison, the average LTD ratios of four banks operating in the AA range from 68.1 to 86.5 percent across the same timeframe with a quarterly high of 92.0 and a quarterly low of 57.94 percent.

### Lending in Assessment Area

A substantial majority of the bank’s loans are outside its AA.

The bank originated and purchased 25.0 percent of its total loans inside the bank’s AAs during the evaluation period. The low amount is primarily due to the lack of loan demand, high poverty level (19.7 percent), and the level of loan competition in the AA. Some of the bank’s lending is in adjacent Trimble County, Kentucky. Combined, 50 percent of originations in the sample were from these two counties. However, given the bank does not have a branch or deposit-taking ATM in Trimble County, it cannot be included in the bank’s AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	5	25.0	15	75.0	20	431	24.3	1,340	75.7	1,771
<b>Total</b>	<b>5</b>	<b>25.0</b>	<b>15</b>	<b>75.0</b>	<b>20</b>	<b>431</b>	<b>24.3</b>	<b>1,340</b>	<b>75.7</b>	<b>1,771</b>

*Source: Random sample of home mortgage loans from bank records that were originated between January 1, 2019, and December 31, 2021. Totals may reflect negligible variances due to rounding.*

### Description of Institution

CFB is a full-service, federally-chartered mutual savings association with a single location in Carrollton, Kentucky. The bank is not a subsidiary of a holding company. As of December 31, 2021, the bank reported \$39.9 million in total assets.

The bank offers an on-site drive-through and an automated teller machine (ATM) at its one location. The ATM does not accept deposits. The bank operates its drive-through service during customary banking hours Monday through Thursday and offers extended hours on Fridays and Saturday mornings. No branch offices were opened or closed during the evaluation period.

CFB has designated a single AA; all census tracts (CT) in Carroll County, Kentucky; and is located in North-Central Kentucky, which sits along the I-71 corridor along the Ohio River. The AA includes three middle-income CTs and does not include any low- or moderate-income geographies. It is in conformance with regulatory requirements and is not situated in a metropolitan statistical area (MSA).

CFB offers traditional banking products and services. The bank's lending focus during the evaluation period was primarily residential mortgage loans. Its retail products include checking accounts, savings accounts, individual retirement accounts, and certificates of deposit. Its lending products include vehicle secured loans, unsecured personal loans, residential purchase loans, refinances, construction loans, land secured loans, and home equity lines of credit. CFB's business lending products include commercial real estate loans, small business loans, commercial loans, agricultural and farm loans, commercial construction loans, and commercial lines of credit. The bank also offers the following services to its customers: mobile and telephone banking, free bill pay, remote deposit capture, and safe deposit boxes.

According to the call report as of December 31, 2021, CFB reported \$24.6 million in total loans, \$34.4 million in total deposits, and \$5.5 million in tier 1 capital. Net loans represented 61.7 percent of the CFB's average assets. The loan portfolio breakdown was as follows:

<b>Loan Portfolio Summary by Loan Type</b>		
<b>December 31, 2021</b>		
<b>Loan Category</b>	<b>\$(000)</b>	<b>% of total loans</b>
Residential Real Estate	17,188	70.0
Commercial	3,897	15.9
Agriculture	2,209	9.0
Consumer	1,249	5.1
Other	10	0.0
<b>Total Loans</b>	<b>24,553</b>	<b>100.0</b>

*Source: Call Report for December 31, 2021*

CFB was rated "Satisfactory" at the last CRA evaluation, dated August 27, 2018. There are no legal, financial, or other factors impeding CFB's ability to help meet the credit needs in its AA.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The OCC conducted an evaluation of the bank's CRA performance using the OCC's Small Bank CRA examination procedures. These procedures assess an institution's record or meeting credit needs through its lending activities. Conclusions regarding the bank's lending performance were based on a random sample of the bank's primary lending products originated and purchased between January 1, 2019, and December 31, 2021.

Our determination of primary lending products was based on both the number and dollar volume of loans originated and purchased during the evaluation period. CFB's primary loan product is home mortgage loans. Home mortgage loans represented 70.0 percent of dollar volume and 37.0 percent of the number of loans originated and purchased.

### **Selection of Areas for Full-Scope Review**

The bank's only AA received a full-scope review. Refer to Appendix A for a list of products reviewed within the AA.

### **Ratings**

The bank's overall rating is based on one AA, the Carroll County, Kentucky Non-MSA AA. The overall rating is based on the performance in this AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 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 AA 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution 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.

## State Rating

### State of Kentucky

**CRA rating for the State of Kentucky:** Satisfactory

**The Lending Test is rating:** Satisfactory

The major factors that support this rating includes:

- The distribution of loans to borrowers of different income levels is reasonable.
- CFB did not receive any written complaints regarding its CRA performance during the evaluation period.

### Description of Institution Operations in Kentucky

As previously noted, the bank operates a single location within its sole AA, Carroll County, Kentucky. The total population for the AA is 11,147. Carroll County consists of three middle-income CTs. There are no low- or moderate-income CTs in this AA. All three CTs in Carroll County were designated as *distressed* by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), and OCC in 2019 and 2020, but not in 2021. Annual designations of *distressed* or *underserved* nonmetropolitan middle-income geographies are determined based on rates of poverty, unemployment, and population loss or population size, density, and dispersion.

Economic conditions in the AA prior to the COVID-19 pandemic were similar to conditions in the state of Kentucky. The unemployment level at the beginning of 2020 was between 4.2 and 4.6 percent and had remained consistently higher than the state average of 4.1 percent over the previous two years. At the peak of the pandemic in April 2020, the unemployment rate was 13.1 percent, while the state peaked at 16.7 percent. Through 2021, the unemployment levels improved to pre-pandemic levels of 4.1 percent.

Competition for deposits in the AA is low. The FDIC Deposit Market Share Report indicated CFB had 13.0 percent of the market share, ranking third with \$31.9 million in deposits as of June 30, 2021. There are an additional four financial institutions operating four branches in this AA. The primary competitors are FNB of Kentucky (51.2 percent market share and U.S. Bank, N.A. (24.7 percent market share).

Opportunities for community reinvestment include support of organizations that provide services for low- and moderate-income families. Examiners contacted two local community-based organizations. The community contacts identified the need for low-cost funding to promote and support the creation of affordable housing and living wage jobs as significant needs. Other opportunities include financial literacy and education and credit repair programs. Community contacts indicated local banks are active in meeting community credit needs.

The following table shows demographic information detailing CFB’s AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Carroll County</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	10,830	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	4,687	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,424	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,564	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	699	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	773	0.0	0.0	100.0	0.0	0.0
Farms by Geography	40	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,518	21.6	13.7	19.4	45.3	0.0
Household Distribution by Income Level	3,988	21.0	14.5	16.7	47.8	0.0
2021 Updated Median Family Income Non-MSA – KY		\$52,600	Median Housing Value			\$100,176
			Median Gross Rent			\$652
			Families Below Poverty Level			19.7%
<i>Source: 2015 ACS Census and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation

The bank’s only AA received a full-scope review. Refer to *Appendix A: Scope of Examination* for a list of products reviewed within the AA.

## LENDING TEST

The bank’s performance under the Lending Test in Carroll County is rated **Satisfactory**.

### Distribution of Loans by Income Level of the Borrower

#### *Home Mortgage Loans*

The bank exhibits a reasonable distribution of loans to individuals of different income levels.

The overall distribution of home mortgage loans to borrowers of different income levels in the AA is reasonable. CFB’s percentage of home mortgage loans to low-income borrowers was 5.0 percent, which

was less than the demographic comparator but more than the aggregate lending in the area. The bank's percentage of home mortgage loans to moderate-income borrowers was 15.0 percent. This exceeded the percentage of moderate-income families in the AA but was just below the aggregate lending percentage.

Refer to Table P in *Appendix D: Tables of Performance Data* for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

### **Distribution of Loans by Income Level of the Geography**

The primary focus of this test is to analyze the bank's geographic distribution of lending among low-, moderate-, middle-, and upper-income geographies. A geographical distribution of loans analysis was not performed because the bank's AA does not contain LMI geographies to measure dispersion performance and is not meaningful.

### **Responses to Complaints**

CFB did not receive any written complaints regarding its CRA performance during the evaluation period.



## Appendix A: Scope of Examination

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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 MSAs and non-MSAs 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”.

<b>Time Period Reviewed:</b>	(01/01/2019 to 12/31/2021)	
<b>Bank Products Reviewed:</b>	Home mortgage	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>States</b>		
Carroll County Non-MSA	Full-scope	Carroll County, Kentucky

## Appendix B: Summary of MMSA and State Ratings

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RATINGS	
<b>Overall Bank:</b>	<b>Lending Test Rating</b>
Carrollton Federal Bank	Satisfactory

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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-Scope 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:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

**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.

**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.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 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.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test table, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the table included in each set:

**Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																<b>2019-21</b>		
	<b>Total Home Mortgage Loans</b>			<b>Low-Income Borrowers</b>			<b>Moderate-Income Borrowers</b>			<b>Middle-Income Borrowers</b>			<b>Upper-Income Borrowers</b>			<b>Not Available-Income Borrowers</b>		
	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>
Home Mortgage	20	1,464	100.0	21.6	5.0	2.2	13.7	15.0	16.7	19.4	15.0	20.7	45.3	65.0	42.6	0.0	0.0	17.9
<b>Total</b>	<b>20</b>	<b>1,464</b>	<b>100.0</b>	<b>21.6</b>	<b>5.0</b>	<b>2.2</b>	<b>13.7</b>	<b>15.0</b>	<b>16.7</b>	<b>19.4</b>	<b>15.0</b>	<b>20.7</b>	<b>45.3</b>	<b>65.0</b>	<b>42.6</b>	<b>0.0</b>	<b>0.0</b>	<b>17.9</b>

*Source: 2015 Census; 01/01/2019- 01/01/2021 Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0*