



## PUBLIC DISCLOSURE

February 21, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Guardian Savings Bank, A F.S.B.  
Charter Number 700709

6100 West Chester Road  
West Chester, OH 45069

Office of the Comptroller of the Currency  
Westlake Center  
4555 Lake Forest Drive, Suite 520  
Blue Ash, OH 45242-3760

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.

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**INSTITUTION'S CRA RATING:** This institution is rated **Needs to Improve**.

The Lending Test is rated: **Needs to Improve**.

The Community Development Test is rated: **Satisfactory**.

- Borrower income distribution is reasonable in both of Guardian Savings Bank's (Guardian or thrift) assessment areas (AAs).
- Geographic distribution of lending to low- and moderate-income census tracts (CTs) reflects poor distribution in both of Guardian's assessment areas.
- Responsiveness to community development (CD) needs through lending, investments, and services is adequate.

## **Scope of Examination**

Our office conducted a full-scope Community Reinvestment Act (CRA) evaluation to assess the thrift's record of meeting the credit needs of its entire community, including low- and moderate-income areas. We used intermediate small savings association evaluation procedures to assess the thrift's performance under the Lending Test and CD Test. The Lending Test includes loans originated from January 1, 2014 to December 31, 2016 (lending evaluation period). The thrift's performance in residential real estate lending (one-to-four family home loans) is considered foremost in this CRA evaluation, as this is the thrift's primary lending product. For each AA, we conducted separate analyses. We used the 2010 U.S. Census data to analyze performance for loans originated from 2014 to 2016. The CD Test considered CD loans, investments, and services from January 6, 2014 to February 21, 2017 (CD evaluation period).

The thrift has two AAs consisting of whole counties in the Cincinnati, OH-KY-IN MSA #17140 (Cincinnati MSA AA) and Lexington-Fayette, KY MSA #30460 (Lexington MSA AA). We conducted full-scope reviews of both AAs.

## **Description of Institution**

Guardian is a federally chartered stock thrift headquartered in West Chester, Ohio. The thrift is a wholly owned subsidiary of Guardian Bancorp, Inc., a one-bank financial services holding company based in West Chester, Ohio. Guardian has one affiliate, Union Savings Bank which is headquartered in Cincinnati, Ohio.

Guardian has banking offices in Ohio and Kentucky with six full-service offices located in Butler, Clermont, and Hamilton counties in Ohio and five full-service offices in Kenton, Boone, Campbell, and Fayette counties in Kentucky. According to the 2010 U.S. Census, two of the eleven branches are located in moderate-income CTs, with the remainder of the offices in middle- and upper-income tracts. The thrift has drive-thru facilities at all offices. Guardian does not own or operate any automated teller

machines (ATMs). However, the thrift has arranged for customers to use all PNC Bank National Association ATMs free of charge.

Guardian's principal line of business is a mortgage banking operation that consists of the origination, sale, and servicing of one-to-four family mortgage loans. The thrift also serves its community with commercial loans and standard deposit products. As of December 31, 2016, Guardian reported total assets of \$934 million and tier 1 capital of \$87 million, representing nine percent of total assets. For the same time period, the thrift's loan portfolio totaled \$683 million, with net loans representing 73.20 percent of total assets. Tables 1 and 2 show the thrift's primary lending product is one-to-four family mortgage loans.

Table 1 – Loan Mix as of December 31, 2016		
Loan Type	\$000's	%
Home Loans (1-4 family)	595,801	87.18%
Home Equity Lines of Credit	15,206	2.22%
Commercial/Commercial Real Estate Loans	71,695	10.49%
Agricultural Loans	735	0.11%
Other Loans	14	0.00%
<b>Total</b>	<b>683,451</b>	<b>100.00%</b>

Source: December 31, 2016 Report of Condition and Income (Call Report).

Guardian originated over 16,000 one-to-four family mortgage loans totaling \$2.72 billion during the lending evaluation period. The thrift sold \$2.18 billion of these loans to the secondary market. Table 2 illustrates the loan origination activity over the lending evaluation period as a percentage of total loans originated.

Table 2 – Loan Mix of Loans Originated January 1, 2014 – December 31, 2016		
Loan Type	% by Dollars of Loans Originated during evaluation period	% by Number of Loans Originated during evaluation period
	%	%
Home Loans (1-4 family)	97.72%	96.25%
Home Loans (Multi-family)	1.05%	0.21%
Home Equity Lines of Credit	0.25%	2.82%
Commercial/Commercial Real Estate Loans	0.97%	0.57%
Passbook Savings	0.01%	0.15%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Thrift's record of loans originated during 2014, 2015, and 2016.

Guardian's market area consists of a mix of suburban and urban areas. Competition in the thrift's AA is strong. Dominant competitors in the AAs include Fifth Third Bank, U.S. Bank National Association, Huntington National Bank, JPMorgan Chase Bank National Association, and PNC Bank National Association, as well as other national banks, savings and loans, and mortgage banks.

Guardian has opened one branch and closed its Loan Production Office (LPO) since the prior evaluation. The thrift opened the Hamburg branch in Lexington, Kentucky in October 2015. This branch is located in an upper-income CT in Fayette County. Guardian closed its LPO located in Fayette County in 2015.

There are no financial or legal impediments that affect Guardian's ability to meet the credit needs of its AA. The thrift's last CRA evaluation was conducted as of January 6, 2014, and resulted in an "Outstanding" rating.

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

Guardian has designated two AAs as its primary lending areas. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. One AA is located in southwestern Ohio and northern Kentucky and consists of Butler, Clermont, and Hamilton counties in Ohio and Boone, Campbell, and Kenton counties in Kentucky. All six counties are located in the multistate Cincinnati, OH-KY-IN MSA #17140 (Cincinnati MSA AA). The second AA consists of Fayette County in Kentucky, which is part of the Lexington-Fayette, KY MSA #30460 (Lexington MSA AA). We conducted full-scope reviews of both AAs.

Guardian does a substantial majority of its lending within the Cincinnati MSA AA, with 85 percent of their home mortgage loans originated in this AA during the lending evaluation period. The Cincinnati MSA AA is the thrift's primary lending area, and its performance will be weighted heavier than the Lexington MSA AA.

## **Ratings**

The bank's overall rating is a blend of the multistate MSA rating and the state rating. The ratings are based on our full-scope reviews of both AAs. Refer to the "Scope" section under the Multistate Cincinnati, OH-KY-IN MSA #17140 and State of Kentucky sections for details regarding how the areas are weighted in arriving at the respective ratings.

## **Conclusions with Respect to Performance Criteria**

### **Loan-to-Deposit Ratio**

Guardian's LTD ratio is more than reasonable given their size, financial condition, and AA credit needs. Guardian's quarterly net LTD ratio averaged 84.38 percent over 12

quarters from January 1, 2014 to December 31, 2016, with a quarterly low of 71.33 percent and a quarterly high of 94.83 percent.

Guardian’s LTD ratio is comparable to other community banks and thrifts of similar size and location. Guardian’s LTD ratio ranks sixth highest among a total of ten similarly situated banks and thrifts serving the AAs. The other nine had an average LTD ratio of 85.20 percent, ranging from 58.04 percent to 125.09 percent.

**Lending in Assessment Area**

Guardian’s record of lending within its AAs is outstanding with a substantial majority of the thrift’s lending inside the AAs. Table 3 details Guardian’s AAs lending activity during the lending evaluation period by number of loans originated and dollar volume. The table demonstrates that the thrift makes a substantial majority of its loans inside the AAs, with 82.46 percent of the number of loans originated inside the AAs.

<b>Table 3 – Lending in the Assessment Area</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans (000’s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Home Purchase</b>	5,318	80.62	1,278	19.38	6,596	917,967	78.98	244,338	21.02	1,162,305
<b>Home Improvement</b>	896	85.99	146	14.01	1,042	148,208	83.92	28,397	16.08	176,605
<b>Home Refinance</b>	7,228	83.43	1,436	16.57	8,664	1,146,726	82.11	249,765	17.89	1,396,491
<b>Totals</b>	13,442	82.46	2,860	17.54	16,302	2,212,901	80.90	522,500	19.10	2,735,401

Source: Guardian’s HMDA loan data from January 1, 2014 through December 31, 2016.

**Responses to Complaints**

Guardian has not received any complaints about its performance in helping to meet the AA credit needs during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 195.28(c) in determining a federal savings association’s (FSA’s) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA’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 (DOJ), the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

Guardian signed a voluntary Consent Order with the DOJ on January 3, 2017 to resolve claims that Guardian engaged in a pattern or practice of conduct in violation of the Fair Housing Act and the Equal Credit Opportunity Act. As part of that Consent Order, Guardian agreed to take specific actions to address the discriminatory patterns or practices identified by the DOJ. The CRA performance rating was not lowered as a result of these findings but is based on the overall results of the Lending Test performance. Borrower income distribution within both AAs is reasonable, but we noted weaknesses in geographic distribution in both the Cincinnati Multistate MSA Rating Area (Cincinnati MSA AA) and the Lexington MSA AA in the State of Kentucky Rating Area. In addition, we noted significant gaps in lending in low-income CTs within the Cincinnati MSA AA. Poor geographic distribution, along with the lending gaps, ultimately resulted in a Needs to Improve rating for the Lending Test within the Cincinnati MSA AA and the overall Community Reinvestment Act rating. OCC has determined that the geographic distribution of loans originated and purchased during the evaluation period and considered in assessing bank performance in the CRA evaluation are similar in nature to the findings of the DOJ. We considered that the results of the CRA evaluation provide sufficient support for the Needs to Improve rating and find that an additional downgrade in the rating due to the DOJ Consent Order would be duplicative and not warranted.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this thrift that other regulators may provide to the OCC before the end of the thrift's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Multistate Metropolitan Area Rating

### Cincinnati, OH-KY-IN MSA #17140

**CRA Rating for the Cincinnati, OH-KY-IN MSA #17140, located in Ohio and Kentucky<sup>1</sup>: Needs to Improve.**

**The Lending test is rated: Needs to Improve.**

**The Community development test is rated: Satisfactory.**

The major factors that support this rating include:

- Guardian's lending to borrowers of different income categories reflects reasonable distribution.
- Guardian's performance in lending to geographies of different income levels is weak and included CTs with no lending activity at all.
- Responsiveness to CD needs through lending, investments, and services is adequate.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN CINCINNATI, OH-KY-IN MSA #17140

The thrift's primary AA is the Cincinnati MSA AA, which includes Butler, Clermont, and Hamilton counties in Ohio and Boone, Campbell, and Kenton counties in Kentucky. It is the largest AA geographically, and contains nine of the thrift's 11 branches, including the main office. Two of the offices located in Hamilton County are in moderate-income CTs. The AA consists of whole CTs and surrounds the branches located in each county.

The local economy is stable and has lower unemployment rates than the state and national levels. The AA has a diverse mix of national and international companies across many industries from manufacturing to service industries. Major employers in the AA include Procter & Gamble Co., Mercy Health Partners, University of Cincinnati, Miami University, AK Steel Holding Corp., Duke Energy Corp., Kroger Co., Internal Revenue Service, and Fidelity Investments.

Competition in the AA is strong with many national and state banks, savings and loans associations, mortgage banks, and branches of large banks and thrifts. Guardian and its affiliate, Union Savings Bank, are ranked second and first, respectively, in residential mortgage volume in 2015 in this AA. As of June 30, 2016, Guardian had a 0.68 percent deposit market share in the Cincinnati MSA AA and was ranked tenth out of 55 banks and thrifts behind nine larger ones. The source of the deposit market share information is the June 30, 2016, Deposit Market Share Report from the Federal Deposit Insurance

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<sup>1</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.



Corporation (FDIC). The thrift's total deposits in this AA equaled approximately 87 percent of their total deposits as of June 30, 2016.

Community contacts indicated that the AA's economy is improving. The credit needs of the AA include affordable housing and small business lending. According to the contacts, local financial institutions are adequately meeting the credit and CD needs of the AA.

<b>Table 4 – Demographic and Economic Characteristics of the Cincinnati MSA AA</b>	
<b>Population</b>	
Number of Families	436,539
Number of Households	673,902
Total Population of AA	1,736,734
% of Low-Income Families	21.27%
% of Moderate-Income Families	17.24%
% of Middle-Income Families	20.83%
% of Upper-Income Families	40.66%
<b>Geographies</b>	
Number of Census Tracts	430
% Low-Income Census Tracts	13.02%
% Moderate-Income Census Tracts	23.72%
% Middle-Income Census Tracts	39.07%
% Upper-Income Census Tracts	23.49%
% Non-applicable	0.70%
% of Owner Occupied Housing Units	59.63%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$67,016
2014 FFIEC-Adjusted MFI	\$71,100
2015 FFIEC-Adjusted MFI	\$72,400
2016 FFIEC-Adjusted MFI	\$68,800
<b>Economic Indicators – Unemployment Rates, not seasonally adjusted, as of December 2016</b>	
National	4.5%
State of Ohio	4.7%
State of Kentucky	4.8%
Butler, Clermont, and Hamilton in Ohio	4.1%, 4.1%, and 4.0%
Boone, Campbell, and Kenton in Kentucky	3.4%, 3.5%, and 3.7%
<b>Other Data</b>	
2010 Median Housing Value	\$160,140
2010 Average Median Age of Housing	44
2010 Weighted Average Monthly Gross Rent	\$695
% of Households Below Poverty Level	12.76%
% of Families Below Poverty Level	9.27%

## **SCOPE OF EVALUATION IN CINCINNATI, OH-KY-IN MSA #17140**

We conducted a full-scope review of the Cincinnati MSA AA. Our ratings are based on the results from this review. We contacted one community contact during this evaluation. The organization is located in Hamilton County, Ohio, and provides affordable housing solutions to low- and moderate-income individuals and families. The contact identified affordable housing, including rehab and repair lending, as credit needs in the AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CINCINNATI, OH-KY-IN MSA #17140**

### **LENDING TEST**

The bank's performance under the lending test in the Cincinnati, OH-KY-IN MSA #17140 is rated "needs to improve."

#### **Lending to Borrowers of Different Incomes**

Guardian's lending to borrowers of different income levels reflects reasonable distribution in the Cincinnati MSA AA and does meet the standard for satisfactory performance. The majority of the bank's lending and deposit activity occurs in this AA.

The bank originated or purchased 11,417 home loans during the lending evaluation period in this AA, including approximately 663 loans to low- and 1,971 loans to moderate-income borrowers. During the lending evaluation period, refinance loans totaled 55 percent and home purchases totaled 38 percent of home mortgage originations, compared to only seven percent for home improvement loan originations. For refinances, Guardian's primary product, distribution to moderate-income borrowers is near to the lending of AA lenders and the percentage of moderate-income families in the AA and considered reasonable. Lending to low-income borrowers is poor and well below the lending of AA lenders and low-income families within the AA. For purchase loans, distribution is also reasonable for moderate-income borrowers and poor for low-income borrowers. The overall 9.27 percent poverty level of families within the AA contributes to the lower penetration of lending to low-income borrowers as it reflects difficulty they may have meeting the credit underwriting standards for home loan products. Table 5 shows the distribution of home loan products among borrowers of different income levels as compared to the aggregate HMDA lending data and the percentage of families in each income category, and demonstrates reasonable distribution.

<b>Table 5 Borrower Distribution of Residential Real Estate Loans in the Cincinnati MSA AA</b>							
Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Families
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	8.38	5.68	4.49	14.37	10.53	9.27	21.27
Moderate	21.05	15.50	16.37	26.35	20.45	18.65	17.24
Middle	24.72	26.87	25.77	22.93	25.29	24.96	20.83
Upper	45.85	51.95	53.37	36.35	43.73	47.12	40.66

Source: HMDA loans originated from January 1, 2014 through December 31, 2016 and 2010 U.S. Census data. The above numbers are as a percentage of loans with borrower income information available.

### Geographic Distribution of Loans

Guardian's geographic distribution of loans in the Cincinnati MSA AA reflects weak distribution in the low- and moderate-income CTs and does not meet the standards for satisfactory performance. In addition to the weak distribution, we noted significant gaps in lending in low-income CTs within the AA. We identified at least nine low-income CTs and one moderate-income CT with no lending activity in 2015 and 2016.

Guardian's geographic distribution of home loans is lower than the level of loan originations and purchased loans made by AA lenders for both low- and moderate-income geographies and considered poor. Refer to Table 6 for specific details on the thrift's geographic distribution of home loans. The thrift originated 144 home loans in low-income and 973 home loans in moderate-income CTs during the three-year lending evaluation period. Competition for loans in this AA is strong, and Guardian is one of the top originators of one-to-four family mortgage loans in this AA ranking second in market share behind Union Savings Bank, Guardian's affiliate.

<b>Table 6 Geographic Distribution of Residential Real Estate Loans in the Cincinnati MSA AA</b>							
Census Tract Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Housing
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	1.54	0.74	1.11	2.20	2.20	1.88	3.38
Moderate	9.73	7.31	7.73	15.10	14.50	13.06	16.86
Middle	46.37	43.37	45.90	47.63	44.87	45.05	46.97
Upper	42.36	48.58	45.26	35.07	38.43	40.01	32.79

Source: HMDA loans originated from January 1, 2014 through December 31, 2016; 2010 U.S. Census data.

## COMMUNITY DEVELOPMENT TEST

The thrift's performance under the community development test in the Cincinnati, OH-KY-IN MSA #17140 is rated "satisfactory." Guardian's level of CD loans, investments, and services is adequate.

### Number and Amount of Community Development Loans

CD lending in the Cincinnati MSA AA represents adequate responsiveness to CD needs. The Cincinnati Development Fund ("CDF") is a non-profit lending institution established in 1988 to finance affordable housing development and community revitalization in the Greater Cincinnati Area. CDF's primary business is to underwrite and service community development real estate loans resulting in the creation or preservation of affordable housing or revitalization of urban communities. In April 2000, CDF became a certified Community Development Financial Institution (CDFI) through the CDFI Fund, which is administered by the U.S. Treasury. CDF was created by Cincinnati-area financial institutions as a mechanism to share risk and cost-effectively invest in CD lending. CDF oversees the creation and administration of funds to stimulate real-estate development in underserved markets in the Greater Cincinnati area. CDF has originated more than \$250 million in loans resulting in the creation of over 3,500 housing units. Guardian has participated in the CDF since 1997.

Guardian's total loan commitment to CDF is \$400,000. The current outstanding loan balance is \$301,841, leaving unfunded amounts available of \$98,159. Table 7 shows Guardian's lending activity through the CDF during the CD evaluation period.

<b>Table 7 – CD Loans Cincinnati MSA AA</b>		
<b>Year</b>	<b>Number of CDF Loans</b>	<b>Total of Guardian's portion of new CDF Loans</b>
2014	3	\$99,800
2015	1	\$57,500
2016	1	\$16,800
<b>Total</b>	<b>5</b>	<b>\$174,100</b>

Source: Internal thrift reports.

In addition, during the CD evaluation period, management entered into two loan participations with the local chapter of the Habitat for Humanity. The first pool, "Pool 1," was entered into on December 1, 2014. Guardian's contribution to Pool 1 is \$500,000, or 33% of the \$1,500,000 pool. Thus far, Pool 1 has funded 25 loans totaling \$492,411. Guardian's portion of the lending activity is approximately \$162,000. All loans are in the Cincinnati multistate MSA.

The second participation pool, "Pool 2," was entered into on May 20, 2016. Guardian's contribution to Pool 2 is \$750,000, or 30% of this \$2,500,000 pool. Pool 2 has funded 34 loans totaling \$557,752, with Guardian's portion of the lending activity at \$167,325.

## **Number and Amount of Qualified Investments**

Guardian's qualified investment activity represents adequate responsiveness. Qualified investments consist of donations to various non-profit organizations in the AA, all made during the CD evaluation period. The thrift made the majority of its investments in the Cincinnati MSA AA, where Guardian does the substantial majority of its business. As the investments are all donations, they are not considered innovative or complex; however, the large majority were payable to community service providers that serve very low-income residents.

During the CD evaluation period, Guardian made 367 qualifying investments totaling \$601,877 to 79 different organizations in the Cincinnati MSA AA. The distribution across numerous organizations serving the needs of low- and moderate-income clients and geographies across this AA reflects management's desire to maximize impact. The thrift supports several organizations that provide affordable housing including Habitat for Humanity, Housing Opportunities of Northern Kentucky (HONK), and Over-the-Rhine Community Housing. Donations also reflect a continued relationship with several Cincinnati schools serving primarily low- and moderate-income students in low- and moderate-income areas including the Ethel M. Taylor Academy, Frederick Douglass Elementary School, and South Avondale Elementary School. The breadth of other donations reflects management's commitment to serving the diverse needs of low- and moderate-income individuals and families in the AA.

Guardian helped support the Home Ownership Center of Greater Cincinnati and Working in Neighborhoods; these organizations assist in keeping at-risk low- and moderate-income families in their homes. Finally, donations to numerous homeless shelters and food pantries, among them the David and Rebecca Barron Center for Men, Matthew 25 Ministries, and the St. George Food Pantry, demonstrate a desire to provide meaningful support to low- and moderate-income families across the AA. Most of these community service providers also operate primarily in low-income areas of the AA.

## **Extent to Which the Bank Provides Community Development Services**

CD services provided by the thrift represent adequate responsiveness to CD needs. Bank personnel provide technical and financial expertise in the Cincinnati MSA AA. During the CD evaluation period, at least 13 bank officers and employees provided CD qualifying services to more than ten community organizations. These organizations provide essential services to low- and moderate-income individuals as well as services to organizations dedicated to promoting affordable housing and community revitalization.

Several of Guardian's officers and employees hold leadership positions in organizations that seek to fulfill identified CD needs. During the evaluation period, bank personnel

provided hours of financial guidance to organizations that address CD needs. Bank officers and employees volunteered time and financial expertise for financial literacy programs and homebuyer classes to low- and moderate-income individuals that provide training on home purchase, down payment assistance, default prevention counseling, and low-interest home improvement loans. They teach homebuyer classes through the Home Ownership Center of Greater Cincinnati, Inc. and Catholic Charities. A bank employee serves as a member of the Finance Committee for the Housing Opportunities of Northern Kentucky (HONK); this agency is dedicated to creating affordable housing opportunities for low- and moderate-income individuals in Northern Kentucky. The president of the bank serves as a loan committee member for the Cincinnati Development Fund, which is a non-profit community development financial institution created to finance affordable housing and community revitalization in the Cincinnati area. Other bank employees also participate in various financial services housing fairs that provide affordable housing to low- and moderate-income individuals and are involved with organizations that provide CD services to low- and moderate-income individuals.

Guardian offers various services to meet the needs of low- and moderate-income individuals throughout its branch network. The thrift has two offices located in moderate-income geographies in Hamilton County in the Cincinnati MSA AA. Guardian has historically offered low closing costs on mortgage loans, which allows more low- and moderate-income borrowers to participate in home ownership opportunities. Guardian's typical range of closing costs are \$250 to \$500 plus recording fees for refinances and purchases.

The thrift's personnel refer customers that have experienced hardship and who need assistance keeping their home from foreclosure to the Ohio Save the Dream Program which provides customers with payment assistance on their mortgage payments. In addition, Guardian has referred customers to the Kentucky Bridge Program during the CD evaluation period. This program is funded through the Hardest Hit Fund and provides payment assistance to unemployed and underemployed homeowners in Kentucky.

Guardian actively works with Habitat for Humanity. In addition to the loan participations, donations, and volunteering, in April and September 2014, the thrift provided CD services to Habitat for Humanity by purchasing a total of four loans totaling \$251,719 which served to inject capital into Habitat for Humanity for use on other projects. These mortgage loans were to low-income borrowers and were granted at below market rates.

Guardian has assisted many customers in taking advantage of down payment/closing cost assistance programs targeted to low- and moderate-income individuals in the Cincinnati MSA AA. With the assistance provided by these organizations, the thrift originated nearly \$16 million in mortgage loans to 155 different borrowers; these loans were considered under the lending test analysis. See Table 8 below for figures regarding mortgage loan volumes that were the result of these assistance programs.

- The Federal Home Loan Bank (FHLB) of Cincinnati offers a program called “Welcome Home” that provides down payment assistance funds to low- and moderate-income borrowers who meet specific income criteria. In addition to the volume noted below, three additional loans were made in Ohio outside of the Cincinnati MSA AA.
- The Ohio Housing Finance Agency (OHFA) helps first time homebuyers, renters, and others find affordable housing that meets their needs by providing interest rate subsidies and/or down payment assistance. In addition to the volume noted below, four additional loans were made in Ohio, outside of the Cincinnati MSA AA.
- The Kentucky Housing Corporation (KHC) helps low-income individuals in Kentucky by providing assistance with down payment, closing costs, points, and/or prepaid costs.
- The City of Covington’s Down Payment Assistance Program (DAP – Covington and Consortium) is administrated by the city of Covington for the purpose of increasing homeownership in the City of Covington; they assist with down payment and closing costs to eligible households who meet the income and credit requirements (low- and moderate- income borrowers).
- The Neighborhood Housing Services (NHS) of Hamilton, Inc. is a non-profit community development organization in Butler County (Ohio) that revitalizes and builds communities; they provide down payment/closing cost assistance as well as pre- and post-housing counseling and training in routine and preventive maintenance.



<b>Table 8 Down payment/closing cost assistance programs Cincinnati MSA AA</b>			
<b>Name of Organization</b>	<b>Number of Loans with Borrower Assistance</b>	<b>Grant Amount</b>	<b>Dollar Amount of Associated Loans Originated</b>
FHLB Welcome Home	73	\$352,140	\$7,252,575
OHFA	52		\$5,423,175
KHC	24		\$2,429,676
City of Covington DAP	4	\$22,500	\$348,534
City of Covington Consortium	1	\$5,000	\$85,300
NHS of Hamilton, Inc.	1	\$5,000	\$59,625
<b>TOTAL</b>	155	\$384,640	\$15,598,885

Source: Internal thrift reports.

### Responsiveness to Community Development Needs

Guardian demonstrates adequate responsiveness to the CD needs of the communities it serves through CD lending, investments, and services. This is driven primarily by the thrift's performance in donations to CD organizations, CD loans, and CD services to organizations that serve primarily low-and moderate-income individuals and families.

## State Rating

### State of Kentucky

CRA Rating for Kentucky: **Satisfactory**.

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

The Community development test is rated: **Satisfactory**.

The major factors that support this rating include:

- Lending to borrowers of different income levels reflects reasonable distribution.
- Guardian's performance in lending to geographies of different levels is weak.
- Responsiveness to CD needs through investments and services is adequate.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN KENTUCKY**

The Lexington MSA AA is comprised of Fayette County in Kentucky. The AA consists of whole CTs and surrounds the branches located in the county. Guardian has one branch located in a middle-income CT and one branch located in an upper-income CT in Fayette County.

The local economy is stable with lower unemployment rates than the state and national levels. The AA has a diverse mix of national and international companies across many industries from manufacturing to service industries. Significant employers in the AA include the University of Kentucky and Fayette County Public Schools.

Competition in the AA is strong with many national and state banks, savings and loans associations, mortgage banks, and branches of large banks and thrifts. As of June 30, 2016, the thrift had a 1.49 percent deposit market share in the Lexington MSA AA. Guardian ranked 14<sup>th</sup> out of 28 banks and thrifts in the Lexington MSA AA (FDIC Deposit Market Share Report). The thrift's total deposits from this AA equaled approximately 13 percent of their total deposits as of June 30, 2016.

Community contacts indicated the AA's economy is stable. The credit needs of the AA include affordable housing. According to the contacts, local financial institutions are adequately meeting the credit and CD needs of the AA.

<b>Table 9 – Demographic and Economic Characteristics of the Lexington MSA AA</b>	
Population	
Number of Families	69,746
Number of Households	120,917
Total Population of AA	295,803
% of Low-Income Families	22.57%
% of Moderate-Income Families	15.16%
% of Middle-Income Families	18.94%
% of Upper-Income Families	43.33%
Geographies	
Number of Census Tracts	82
% Low-Income Census Tracts	14.63%
% Moderate-Income Census Tracts	21.95%
% Middle-Income Census Tracts	29.27%
% Upper-Income Census Tracts	34.15%
% of Owner Occupied Housing Units	51.76%
Median Family Income (MFI)	
2010 MFI for AA	\$63,242
2014 FFIEC-Adjusted MFI	\$67,800
2015 FFIEC-Adjusted MFI	\$68,200
2016 FFIEC-Adjusted MFI	\$66,100
Economic Indicators – Unemployment Rates, not seasonally adjusted, as of December 2016	
National	4.5%
State of Kentucky	4.8%
Fayette County	3.1%
Other Data	
2010 Median Housing Value	\$175,061
2010 Average Median Age of Housing	33
2010 Weighted Average Monthly Gross Rent	\$697
% of Households Below Poverty Level	16.17%
% of Families Below Poverty Level	11.13%

## SCOPE OF EVALUATION IN KENTUCKY

We conducted a full-scope review of the Lexington-Fayette, KY MSA #30460 in Kentucky. Our ratings are based on the results from this review. We reviewed community contacts performed recently in the Lexington MSA AA. Some of the organizations provide affordable housing solutions and financial education to low- and

moderate-income individuals and families, workforce development, business development, and entrepreneurship. The contacts identified affordable housing and financial education as needs in the AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KENTUCKY

### LENDING TEST

The bank’s performance under the lending test in Kentucky is rated “satisfactory.”

#### Lending to Borrowers of Different Incomes

Lending to borrowers of different income levels in the Lexington MSA AA reflects reasonable distribution and meets the standards for satisfactory performance. The bank originated or purchased 2,025 home loans during the evaluation period in this AA, including approximately 122 loans to low- and 375 loans to moderate-income borrowers. During the evaluation period, refinance and home purchase loans totaled 49 percent and 47 percent, respectively, of home mortgage originations, compared to only four percent for home improvement loan originations. With the majority of the loan originations as refinances and home purchases, Guardian’s distribution to moderate-income borrowers for these products is commensurate with aggregate AA peer lenders and exceeds the percentage of families in the AA that are moderate-income. The percentage of families below the poverty level was high at 11.13 percent. This contributed to the lower penetration to low-income borrowers, as these families may experience difficulty meeting the credit underwriting standards for home mortgage loans. Despite only having two branches and total home loan originations of 15 percent in this AA, the thrift was able to originate a reasonable volume of loans to low-and moderate-income borrowers, as shown in Table 10 below.

Borrower Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Families
	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	6.96	5.81	5.34	9.78	12.20	10.04	22.57
Moderate	18.95	15.12	19.01	23.33	19.82	19.62	15.16
Middle	27.52	27.91	28.37	23.88	22.56	23.91	18.94
Upper	46.57	51.16	47.28	43.01	45.42	46.43	43.33

*Source: HMDA loans originated from January 1, 2014 through December 31, 2016 and 2010 U.S. Census data. The above numbers are as a percentage of loans with borrower income information available.*

**Geographic Distribution of Loans**

Lending to geographies of different income levels in the Lexington MSA AA reflects weak distribution and does not meet the standards for satisfactory performance.

Guardian’s geographic distribution of home loans is significantly lower than the level of loan originations and purchased loans made by AA lenders for both low- and moderate-income geographies for home purchase and refinance loans. During the lending evaluation period, 96 percent of the home loans originated in this AA were home purchase and refinance loans. The thrift originated 59 home loans in low-income and 168 in moderate-income CTs during the three-year lending evaluation period. Refer to Table 11 below for specific details on the geographic distribution in the Lexington MSA AA.

Table 11 Geographic Distribution of Residential Real Estate Loans in the Lexington MSA AA							
Census Tract Income Level	% Total Thrift Loans			% of Loans by AA Lenders			% of Owner Occupied Housing
Loan Type	Purchases	Home Improvement	Refinances	Purchases	Home Improvement	Refinances	
Low	3.48	1.16	2.52	5.46	7.86	5.27	6.55
Moderate	8.87	16.28	7.06	13.25	16.53	14.78	17.86
Middle	33.26	31.40	33.77	34.08	32.52	32.58	33.59
Upper	54.39	51.16	56.65	47.21	43.09	47.37	42.00

Source: HMDA loans originated from January 1, 2014 through December 31, 2016; 2010 U.S. Census data.

**COMMUNITY DEVELOPMENT TEST**

The bank’s performance under the community development test in Kentucky is rated “satisfactory.”

**Number and Amount of Community Development Loans**

Guardian did not originate any CD loans in the Lexington MSA AA during the CD evaluation period.

**Number and Amount of Qualified Investments**

Investment activity in the Lexington MSA AA represents adequate responsiveness to CD needs. During the CD evaluation period, the institution made 23 donations to seven organizations totaling \$53,025. Donations fund organizations that serve the needs of low- and moderate-income families, including a local food bank, God’s Pantry Food

Bank, and the Realtor Community Housing Foundation, which provides low-income and elderly clients with home maintenance and repair assistance.

**Extent to Which the Bank Provides Community Development Services**

CD services provided by the thrift represent adequate responsiveness to CD needs. Thrift personnel provide technical and financial expertise throughout the Lexington MSA AA. During the evaluation period, thrift employees provided qualified CD services to the Realtor Community Housing Foundation as a board member and chairman of the fundraising committee. This organization provides exterior home repairs for low-income elderly home owners, builds accessible ramps for people with disabilities, provides urgent emergency repairs for the very low-income elderly home owners, and works with single-parent graduates of “One Parent Scholar Home” to become first-time home owners.

Thrift personnel serve on the Ezekial Foundation, an organization that promotes housing opportunities for the elderly and for special needs individuals. Additionally, they serve on the board of the Bob Brown House, an organization that promotes housing opportunities and independent living opportunities for mentally and physically challenged adults who are frequently low- and moderate-income.

Guardian offers various services to meet the needs of low- and moderate-income individuals throughout its branch network. Guardian has historically offered low closing costs on mortgage loans, which allows more low- and moderate-income borrowers to participate in home ownership opportunities. Guardian’s typical closing costs are \$250 plus recording fees for refinances and purchases. During the evaluation, Guardian has assisted borrowers with obtaining down payment/closing costs assistance from the FHLB Welcome Home program. In addition to the volume noted below, five additional Welcome Home loans were made in Kentucky and one additional KHC loan was made in Kentucky, outside the Lexington MSA AA. These loans were considered under the lending test analysis. See Table 12 for more details.

<b>Table 12 Down payment/closing cost assistance programs Lexington MSA AA</b>			
<b>Name of Organization</b>	<b>Number of Loans</b>	<b>Grant Amount</b>	<b>Dollar Amount of Loans</b>
FHLB Welcome Home	12	\$56,974	\$1,432,979
KHC	0		\$0
<b>TOTAL</b>	<b>12</b>	<b>\$56,974</b>	<b>\$1,432,979</b>

Source: Internal thrift reports.

### **Responsiveness to Community Development Needs**

Guardian demonstrates adequate responsiveness to the CD needs of the communities it serves through CD lending, investments, and services. This is driven primarily by the thrift's performance in donations to CD organizations and CD services to low-and moderate-income individuals and families.

## 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”).

<b>Time Period Reviewed</b>	Lending Test: January 1, 2014 to December 31, 2016 Community Development Test: January 6, 2014 to February 21, 2017	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Guardian Savings Bank, FSB West Chester, OH	One-to-four family mortgage loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>None reviewed</i>		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Cincinnati, OH-KY-IN MSA #17140	Full Scope	
Kentucky Lexington-Fayette, KY MSA #30460	Full Scope	



## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Guardian Savings Bank, FSB	Needs to Improve	Satisfactory	Needs to Improve
Cincinnati, OH-KY-IN MSA #17140 (multi-state MSA)	Needs to Improve	Satisfactory	Needs to Improve
State of Kentucky	Satisfactory	Satisfactory	Satisfactory