

PUBLIC DISCLOSURE

October 23, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Jackson Savings Bank, SSB
Certificate Number: 31266

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Sylva, North Carolina 28779

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Atlanta Regional Office

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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 RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area's credit needs.
- A majority of loans were originated inside the assessment area.
- The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income).
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

Jackson Savings Bank, SSB (Jackson Savings Bank) is a state-chartered depository institution headquartered in Sylva, North Carolina. The bank operates independent of a holding company and does not have any subsidiaries or affiliates. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated April 30, 2018, based on Interagency Small Bank Institution Procedures.

Jackson Savings Bank operates one full-service office in Jackson County, located in southwestern North Carolina. While the bank has not had any merger activity or opened any branches, the bank closed its only branch office, located in Bryson City, North Carolina. The branch was located in a middle-income census tract in Swain County.

As a former savings and loan association, the bank continues to focus almost exclusively on the consumer real estate market with a majority of its loan activity collateralized by 1-4 family residential properties. The bank extends the following types of credit to qualified applicants: home purchase loans, refinancings, home improvement loans, and permanent construction loans. Commercial real estate loans, primarily rental homes, and savings-secured consumer loans are offered on a limited basis to accommodate local customers. Jackson Savings Bank, SSB offers savings accounts and certificates of deposit but no checking account services. The bank also does not own or operate any automated teller machines or offer telephone, mobile, or online banking services.

As of the September 30, 2024, Consolidated Reports of Condition and Income, the bank had total assets of \$29.2 million, total deposits of \$22.0 million, and total loans of \$19.2 million. Since the previous CRA performance evaluation, total assets decreased by 11.3 percent. Simultaneously, the bank experienced a 16.5 percent decrease in total deposits and a 23.9 percent decrease in total loans. As illustrated in the following table, the bank's major loan product is residential real estate loans. The Call Report data shows that residential real estate loans comprise 80.4 percent of the portfolio.

Loan Portfolio Distribution as of 09/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	1,097	5.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	15,471	80.4
Secured by Multifamily (5 or more) Residential Properties	1	0.0
Secured by Nonfarm Nonresidential Properties	2,714	14.1
Total Real Estate Loans	19,283	100.3
Commercial and Industrial Loans	0	0.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	123	0.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(174)	(0.9)
Total Loans	19,232	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that effect the bank’s ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank has designated a single assessment area located within the Non-MSA portion of North Carolina consisting of Jackson and Swain Counties, which are contiguous. There have been no changes in the assessment area since the previous evaluation.

Economic and Demographic Data

Income designations changes for the census tracts within the assessment area have occurred since the prior evaluation due to the release of the 2020 U.S. Census data. Specifically, the assessment area consists of 14 census tracts with the following designations: 1 moderate-income, 10 middle-income, 2 upper-income, and 1 tract with no income designation. The prior evaluation contained 14 census tracts with the following designations: 2 moderate-income, 9 middle-income, 2 upper-income, and 1 where income was not available.

Four of the middle-income tracts were designated underserved by the Federal Financial Institutions Examination Council (FFIEC) in 2022 and 2023. The distressed and underserved middle-income tracts are in Swain County. The following table presents select demographic characteristics of the assessment area

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	7.1	71.4	14.3	7.1
Population by Geography	57,226	0.0	10.7	61.6	27.7	0.0
Housing Units by Geography	36,721	0.0	8.3	74.1	17.4	0.2
Owner-Occupied Units by Geography	15,122	0.0	10.3	72.9	16.8	0.0
Occupied Rental Units by Geography	7,627	0.0	7.8	59.8	32.4	0.0
Vacant Units by Geography	13,972	0.0	6.4	83.2	9.9	0.5
Businesses by Geography	5,773	0.0	6.6	72.4	20.9	0.1
Farms by Geography	217	0.0	4.6	71.9	23.5	0.0
Family Distribution by Income Level	13,784	18.9	17.5	19.9	43.6	0.0
Household Distribution by Income Level	22,749	23.6	15.6	17.2	43.6	0.0
Median Family Income 2022		\$66,900	Median Housing Value			\$220,377
Median Family Income 2023		\$70,400	Median Gross Rent			\$728
			Families Below Poverty Level			11.6%
<i>Source: 2020 U.S. Census and 2023 D&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>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units located in low-, moderate-, middle-, and upper-income tracts. The 2020 Census data shows a significant majority of owner-occupied housing units are within the middle-, and upper-income tracts, indicating most of the lending opportunities are in these geographies, indicating limited opportunities in the moderate-income tract.

North Carolina Non-MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$66,900)	<\$33,450	\$33,450 to <\$53,520	\$53,520 to <\$80,280	≥\$80,280
2023 (\$70,400)	<\$35,200	\$35,200 to <\$56,320	\$56,320 to <\$84,480	≥\$84,480
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The elevated median housing value could limit lending to low-income families based on their income levels.

The top industry in the assessment area is service-related businesses. Additionally, approximately 93.0 percent of businesses operate with nine or fewer employees. Top employers in the assessment

area include Western Carolina University, Eastern Bank of Cherokee Indians, CJ Harris Community Hospital, Inc., and Jackson County Public Schools.

According to the U.S. Bureau of Labor Statistics, unemployment levels generally continued to decrease through 2023; however, unemployment rates have increased slightly in 2024 at the county, state, and national levels. The unemployment rates in Swain County were consistently below the state and national levels, while Jackson County’s unemployment rates fluctuated and were below, in line, or above state and national levels.

Unemployment Rates				
Area	2021	2022	2023	YTD 2024
	%	%	%	%
Jackson County	4.6	3.9	3.6	3.7
Swain County	4.6	3.3	2.9	3.2
North Carolina	4.9	3.7	3.5	3.6
National Average	5.4	3.6	3.6	4.0

Source: Bureau of Labor Statistics

Competition

Competition for financial services within the assessment area is moderate. According to the FDIC Deposit Market Share data, as of June 30, 2024, 5 financial institutions operate 14 offices in the assessment area. Jackson Savings Bank ranked 5th with 1.7 percent of total deposits. First-Citizens Bank & Trust Company is the leader in deposit market share with 43.8 percent and United Community Bank ranking second with 34.1 percent.

The bank is not required to collect or report its home mortgage loan data and elected not to do so. Therefore, the analysis of home mortgage loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand and competition for home mortgage loans. There is a high level of competition for home mortgage loans among numerous banks, credit unions, and non-depository mortgage lenders in the assessment area. According to home mortgage aggregate lending data for 2022, 263 lenders reported 1,703 residential mortgage loans originated or purchased in the assessment area. The three leading mortgage lenders by number of loans are State Employees’ Credit Union (17.7 percent); United Community Bank (7.6 percent); and First-Citizens Bank & Trust (4.9 percent). For 2023, 216 lenders reported 1,118 residential mortgage loans originated or purchased in the assessment area. The three leading mortgage lenders remain the same and comprise 28.5 of the total market share.

Community Contacts

As part of the CRA evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit opportunities are available. A community contact interview was referenced with a non-profit community advocacy organization primarily serving the bank’s assessment area. The contact indicated there is a need for additional small business support and access to conventional financing. Other needs include increased access

to broadband internet and affordable housing support programs, particularly to low- and moderate-income families.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business and affordable home mortgage loans represent the primary credit needs. The significant percentage of businesses with gross annual revenues of \$1 million or less and the large number of businesses with four or fewer employees further support this conclusion. In addition, loans and services targeted to low- and moderate-income residents and moderate- and underserved middle-income census tracts are also needs within the assessment area, which is supported by the demographic data and the community contact information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation, dated April 20, 2018, to the current evaluation dated October 23, 2024. Examiners used the Interagency Small Institution Examination Procedures to evaluate Jackson Saving Bank’s CRA Performance.

Activities Reviewed

Examiners determined the bank’s major product line is home mortgage loans. This conclusion considered the bank’s business strategy, the loan product distribution, and the number and dollar volume of loans originated during the evaluation period. The following table reflects bank loans originated from January 1, 2022 through December 31, 2023.

Loans Originated or Purchased				
Loan Category	#	%	\$(000s)	%
Construction and Land Development	7	16.7	1,754	20.7
Secured by 1-4 Family Residential Properties	29	69.0	5,618	66.4
Commercial Real Estate Loans	4	9.5	1,070	12.6
Other Loans	2	4.8	27	0.3
Total Loans	42	100.0	8,469	100.0
<i>Source: Bank Records</i>				

Home mortgage loans was the only loan product reviewed during the evaluation, as no other loan types, such as small business, small farm, or consumer, represent a major product line. The bank’s records indicate that the lending focus and product mix remained relatively consistent throughout the evaluation period.

The CRA evaluation included a review of home mortgage loans originated in 2022 and 2023. Bank records show the bank originated 29 home mortgage loans totaling approximately \$5.6 million. Examiners analyzed the universe of home mortgage loans. With the exception of Assessment Area

Concentration, home mortgage loans for 2022 are presented, as there was insufficient lending data in 2023 to reach meaningful conclusions. The bank originated only five home mortgage loans in 2023. Demographic data from the 2020 U.S. Census, including the percentage of families by income and owner-occupied housing units, served as a comparison for the bank’s home mortgage lending.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Jackson Savings Bank demonstrated Satisfactory performance under the Lending Test. The reasonable net loan-to-deposit ratio, a majority of loans originated within the assessment area, and the reasonable geographic distribution and borrower profile performance support this conclusion.

Loan-to-Deposit Ratio

Jackson Savings Bank’s average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area’s credit needs. The current net loan-to-deposit ratio for the institution is 87.2 percent. The average net loan-to-deposit ratio, calculated from Call Report Data, is 79.7 over the last 26 calendar quarters from June 30, 2018 to September 30, 2024. The net loan-to-deposit ratio ranged from a low of 57.2 percent in the second quarter of 2022 to 100.5 in the third quarter of 2019. Examiners compared the average net loan-to-deposit ratio to three similarity situated institutions. Comparable institutions have generally similar asset size, geographic location, lending focus, and/or are considered competitors. As illustrated in the following table, the bank’s ratio is comparable to each of the institutions.

Loan-to-Deposit Ratio Comparison		
Institution Name	Total Assets as of 09/30/2024 \$(000s)	Average Net LTD Ratio (%)
<i>Jackson Savings Bank, SSB, Sylva, North Carolina</i>	29,235	79.7
Herford Savings Bank, Hertford, North Carolina	18,032	79.7
Black Mountain Savings Bank, Black Mountain, North Carolina	44,210	85.4
Tarboro Savings Bank, Tarboro, North Carolina	55,068	84.3
<i>Source: Reports of Condition 06/30/18 through 09/30/2024</i>		

Assessment Area Concentration

Jackson Savings Bank originated a majority of home mortgage loans by number and dollar volume within the assessment area. The following table shows the bank’s lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$ (000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Home Mortgage										
2022	20	83.3	4	16.7	24	3,342	77.4	977	22.6	4,319
2023	4	80.0	1	20.0	5	1,049	80.8	250	19.2	1,299
Total	24	82.8	5	17.2	29	4,391	78.2	1,227	21.8	5,618

Source: Bank Data

Geographic Distribution

The geographic distribution of home mortgage loans is reasonable. Lending in moderate-income census tracts is in line with demographic data.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	10.3	2	10.0	410	12.3
Middle	72.9	15	75.0	2,476	74.1
Upper	16.8	3	15.0	457	13.7
Not Available	0.0	0	0.0	0	0.0
Total	100.0	20	100.0	3,343	100.0

Source: 2020 U.S. Census, Bank Data
Due to rounding, totals may not equal 100.0%.

Borrower Profile

Home mortgage lending to borrowers of different incomes is reasonable. Lending to low-income borrowers is below demographic data; however, given the poverty rate and competition level, lending is considered reasonable. Similarly, lending to moderate-income borrowers is below demographic data, but is considered reasonable given the competition levels within the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	18.9	1	5.0	32	0.9
Moderate	17.5	2	10.0	171	5.1
Middle	19.9	8	40.0	1,330	39.8
Upper	43.6	9	45.0	1,810	54.2
Not Available	0.0	0	0.0	0	0.0
Total	100.0	20	100.0	3,343	100.0
<i>Source: 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

Response to Complaints

The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs; therefore, this consideration did not affect the institution's overall CRA Rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

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 metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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 metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

Rated Area: A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

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

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.