

PUBLIC DISCLOSURE

April 25, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Federal SB of Creston, F.S.B.
501 West Taylor St., P.O. 409
Creston, IA 50801-2431
Docket #: 09501**

**Office of Thrift Supervision
Central Region
1 South Wacker Dr, Suite 2000
Chicago, IL 60606**

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.



Office of Thrift Supervision

Department of the Treasury

Central Region

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June 2, 2011

Board of Directors
First Federal SB of Creston, F.S.B.
501 West Taylor St., P.O. 409
Creston, IA 50801-2431

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 25, 2011.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Georgia Chisolm
Assistant Director - Compliance

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First Federal SB of Creston, F.S.B.. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 25, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: The institution is rated "Satisfactory".

First Federal SB of Creston F.S.B.'s ("First Federal" or "institution") loan to deposit ratio is reasonable. The majority of mortgage loans originated by the institution during the review period are in its assessment area. The distribution of lending among borrowers of different income levels is reasonable. The geographic distribution of loans reflects reasonable dispersion through the assessment area. There have been no complaints regarding CRA filed against the institution since our previous CRA evaluation. At the previous evaluation dated April 3, 2006 First Federal received a CRA rating of "Satisfactory."

Scope of Examination

This Performance Evaluation covers the review period from January 1, 2008 to December 31, 2010. We utilized CRA small institution examination procedures to evaluate the institution's lending performance in helping meet the credit needs of the assessment area. The institution is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). Therefore, the scope included a review of the institution's loan application registers from January 1, 2008 through December 31, 2010. We also reviewed First Federal's lending results as compared to 2000 Census data updated for 2010, along with aggregate HMDA data during 2008 and 2009 for all mortgage lenders that originated loans in the assessment area. Financial data is as of December 31, 2010, unless otherwise stated.

Description of Institution

First Federal is a federally chartered stock savings bank, with total assets of \$66 million as of December 31, 2010. The institution operates its main office in Creston, Iowa and has full service branch offices in Lenox, Corning and Mount Ayr, Iowa. No branches have been opened or closed since the previous Performance Evaluation; however, in 2009 First Federal moved their home office to a different location in Creston approximately one mile from the previous home office.

First Federal's asset portfolio consists mainly of cash, deposits and investment securities (32.4 percent) followed by residential mortgage loans (23.6 percent), non-residential mortgage loans (18.1 percent), and non-mortgage loans, including both consumer and commercial loans, (16.4 percent). Loans are funded through a deposit base of \$58.5 million. The institution had no brokered deposits as of December 31, 2010.

Institution (continued)

As of December 31, 2010, the loan portfolio totaled \$38.4 million. Table 1 indicates the dollar amount, percent of total loans, and percent of total assets for each loan category.

Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	15,579	40.6	23.6
Nonresidential Mortgage	11,964	31.2	18.1
Commercial Nonmortgage	7,224	18.8	10.9
Consumer	3,601	9.4	5.5
Total	38,368	100.0	58.1

First Federal offers a variety of loan products to serve the credit needs of its assessment area including conventional financing for purchase, refinance, construction, home improvement and home equity. Residential mortgages are offered with loan-to-value ratios up to 100 percent with private mortgage insurance. The institution also offers a number of other loan products including commercial and agricultural loans, non-mortgage loans, and consumer loans. First Federal is a portfolio lender that does not sell loans to the secondary market investors.

To assist low- and moderate-income families obtain affordable financing, First Federal created the Low Income/First Time (LIFT) homebuyer program. The institution developed this loan program during 1993 in response to a survey conducted independently by the Union County Economic Development Commission, and has extended this program each year due to its success. The program was designed for first time homebuyers or low- and moderate-income borrowers by providing financing up to 100 percent of the sales price of the home and waiving or discounting the one percent origination fee.

First Federal also participates in the Federal Home Loan Bank (FHLB) of Des Moines Rural Homeownership Grant Program which was created to address affordable housing needs in rural communities. As part of this program home buyers with an annual income at or below 80 percent of the area's median income are able to get grant money up to \$5,000 for a down payment, closing costs, or rehabilitation costs. First Federal received \$25,000 from the FHLB in July 2008 and made two loans to borrowers in 2008 totaling \$7,320. The remaining grant money was used in 2009.

In addition, First Federal is a participant and contributor in the Southern Iowa Council of Government's First Time Home Buyers Revolving Loan Fund (SICOG). As part of this program, eligible borrowers can apply for a loan up to \$5,000 with two percent interest to help with down payment and closing costs.

Institution (continued)

There were no economic or legal constraints identified that would inhibit the institution’s ability to meet the various credit needs or its obligations under the Community Reinvestment Act.

Description of Non-MSA Assessment Area

First Federal defined its assessment area as Union, Ringgold, and Adams Counties, as well as a portion of Taylor County. The area consists of nine census tracts with one moderate-income and no low- or upper-income census tracts. All of the eight middle income tracts in the assessment area were designated either underserved or distressed during the review period.

A distressed geography is a non-metropolitan middle-income geography that has been designated by the Agencies^a to have one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20 percent or more; or (3) a population loss of ten percent or more between the previous and most recent census or a net migration loss of five percent or more over the five year period preceding the most recent census. The four census tracts in Union County were designated as distressed for 2008, 2009, and 2010 due to population loss.

An underserved nonmetropolitan middle-income geography must meet criteria for population size, density, and dispersion that indicate that an area’s population is sufficiently small, thin, and distant from a population center such that the geography is likely to have difficulty in financing the fixed costs of essential community needs. All other middle income census tracts in the assessment area were designated as underserved for 2008, 2009, and 2010.

The following table illustrates the demographic data of the assessment area based on the 2000 census.

Table 2 - Demographic Data Assessment Area	
Demographic Data	2000 Census
Population	24,810
Total Families	6,848
1-4 Family Units	10,337
Multi-family Units	467
% Owner-Occupied Units	65.1
% Rental-Occupied Units	23.6
% Vacant Housing Units	11.8
Weighted Average Median Housing	\$56,293

^a **AGENCIES:** Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); Office of Thrift Supervision, Treasury (OTS).

Institution (continued)

The following tables reveal the median family income range for each income category based on the 2010 HUD adjustment, as well as the updated HUD median family income for each year during the review period.

Income Category (Percent of Median)	Income Range	
	From	To
Low (< 50%)	\$1	\$28,499
Moderate (50% - 79%)	\$28,500	\$45,599
Middle (80% - 119%)	\$45,600	\$68,399
Upper (>= 120%)	\$68,400	+

Year	Amount
2008	53,500
2009	56,600
2010	57,000

* Based on HUD 2010 Median Family Income.

The following table indicates the number of geographies in each income category compared to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies. As stated previously, there are nine census tracts with one moderate-income area.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2004 Revision:	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	1	11.1	884	12.9	1,235	11.9
Middle	8	88.9	5,964	87.1	9,102	88.1
Upper	0	0.0	0	0.0	0	0.0
N/A	0	0.0	0	0.0	0	0.0
Total	9	100.0	6,848	100.0	10,337	100.0

Agriculture plays a major role in the local economy in the assessment area, but other sectors such as manufacturing, education, health care, and local governments also play a vital role in the economy. Major employers in the area include Bunn-O-Matic Corporation (manufacturer of commercial and home beverage equipment, Creston), Fanstell/Wellman Dynamics (manufacturer of sand castings for the aerospace industry, Creston), Farley's & Sathers (manufacturer of candy, Creston), the Greater Regional Medical Center (healthcare, Creston), Michael Foods, Inc. (food processor and distributor, Lenox), Ringgold County Hospital (healthcare, Mt. Ayr), and Alegent Health Mercy Hospital (healthcare, Corning).

According to the U.S. Department of Labor Statistics, the unemployment rate at December 31, 2010 for the four county assessment area averaged 5.2 percent compared to the state of Iowa's 6.1 percent unemployment rate and a nationwide unemployment rate of 9.6 percent. 12.41 percent of households in the assessment area live below the poverty level.

Institution (continued)

According to community contacts, the area's housing market has been somewhat stale since the national mortgage crisis. Needs in the communities include available financing for affordable housing projects and for small business loans. The contacts stated that local banks play a vital role in keeping their small communities alive and prospering during these difficult times.

Numerous financial institutions, mortgage banking companies, and credit unions serve this assessment area with 76 HMDA-reporters originating or purchasing 465 HMDA-reportable loans totaling \$54.0 million in 2008 and 80 HMDA-reporters originating or purchasing 473 HMDA-reportable loans totaling \$54.2 million in 2009. First Federal is not a HMDA-reporter; however, they would have ranked 6th in market share among HMDA-reporters in 2008 and 7th among HMDA-reporters in 2009.

Conclusions with Respect to Performance Tests

Loan-to-Deposit Ratio

First Federal's loan-to-deposit ratio for the eight quarters ended December 31, 2010 averaged 64.2 percent compared to 49.0 percent at the previous Performance Evaluation. The ratio trended upward during the review period and ranged from a low of 51.8 percent as of March 31, 2009 to a high of 69.2 percent as of June 30, 2010. The increase from the previous Performance Evaluation is attributed to an increase in the loan portfolio during the review period, particularly in agricultural and consumer lending. During this time frame, deposits also grew due to a new reward checking account that was introduced. The loan-to-deposit ratio is reasonable based on current operating and business philosophies, product offerings, and general lending opportunities in the assessment area. Given the nearly record low interest rates in recent years, borrowers are reverting to long-term fixed rate products which the institution does not offer due to interest rate risk. This makes it more difficult for the institution to make loans, resulting in a lower loan-to-deposit ratio.

Lending in the Assessment Areas

A majority of the institution's loans are secured by properties located within the assessment area. During the review period, First Federal originated 63 residential mortgage loans (78.8 percent) totaling \$5.1 million (78.5 percent) in the assessment area. Table 5 below indicates residential loans made in and outside the assessment area for each applicable year.

Institution (continued)

Table 5 – Concentration of Residential Loans *					
01/01/2008 – 12/31/2010					
(Dollars in thousands)					
Period By Year	In Assessment Area		Outside Assessment Area		Total Loans
	#	%	#	%	#
2008	17	65.4	9	34.6	26
2009	23	85.2	4	14.8	27
2010	23	85.2	4	14.8	27
Total	63	78.8	17	21.2	80
	\$ Amt	%	\$ Amt	%	\$ Amt
2008	1,519	66.5	766	33.5	2,285
2009	1,338	78.3	370	21.7	1,708
2010	2,264	89.4	268	10.6	2,532
Total	5,121	78.5	1,404	21.5	6,525

* Percents are based on total loans originated during applicable year

Lending to Borrowers of Different Incomes

During the review period, First Federal originated 63 residential mortgage loans totaling \$5.1 million in the assessment area. Table 6 provides an analysis of the distribution of First Federal’s residential loans based on the borrower’s income for each year throughout the review period. The table also reflects a comparison of the institution’s lending results during the review period to the aggregate percentage of loans originated or purchased by the HMDA-reporting lenders for 2008 and 2009.

Institution (continued)

Table 6- Distribution of First Federal's Residential Mortgage Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)										
Borrower Income Level	2008		2009		2010		Review Period 1/1/08-12/31/10		Aggregate 2008	Aggregate 2009
	#	%	#	%	#	%	#	%	% by #	% by #
Low	2	11.8	1	4.3	5	21.7	8	12.7	7.9	8.0
Moderate	3	17.6	10	43.5	4	17.4	17	27.0	19.8	16.1
Middle	6	35.3	4	17.4	6	26.1	16	25.4	23.7	20.1
Upper	6	35.3	8	34.8	8	34.8	22	34.9	36.8	38.7
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	11.8	17.1
Total	17	100.0	23	100.0	23	100.0	63	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	36	2.4	22	1.7	256	11.3	314	6.1	3.4	4.1
Moderate	133	8.8	521	38.9	197	8.7	851	16.6	10.1	10.6
Middle	626	41.2	200	14.9	412	18.2	1,238	24.2	17.0	16.4
Upper	724	47.6	595	44.5	1,399	61.8	2,718	53.1	51.1	52.4
Income NA	0	0.0	0	0.0	0	0.0	0	0.0	18.4	16.5
Total	1,519	100.0	1,338	100.0	2,264	100.0	5,121	100.0	100.0	100.0

The distribution of loans reflects reasonable penetration among individuals of different income levels, and is comparable or better to the aggregate percentage distribution by number and dollar of HMDA lenders in this assessment area in 2008 and 2009. Lending to LMI borrowers during 2010 is excellent. Lending for the review period also compares favorably to the percentages of low- and moderate-income families living in the assessment area. Taking into account that 12.41 percent of households live below the poverty level, the institution's record of lending to low-income borrowers compares favorably to the 20.80 percent of low-income families in the assessment area. The institution's percentage of loans to moderate-income borrowers also compares favorably to the 23.10 percent demographic for that income group in the assessment area.

Geographic Distribution of Loans

As mentioned previously, First Federal originated 63 residential real estate loans totaling \$5.1 million in assessment area from January 1, 2008 to December 31, 2011. Table 7 provides an analysis of the distribution of First Federal's residential real estate loans categorized by geographic income level. Listed in parenthesis is the number of census tracts within each geography income level. As noted previously there are no low income census tracts and only one moderate income census tract in the assessment area. All other census tracts in the assessment area are middle income including four "underserved" geographies and four "distressed" geographies. The table also reflects a comparison

Institution (continued)

of the institution’s lending results during the review period to the aggregate percentage of loans originated or purchased by HMDA-reporting lenders for 2008 and 2009.

Geography Income Level	2008		2009		2010		Review Period 1/1/08-12/31/10		Aggregate 2008	Aggregate 2009
	#	%	#	%	#	%	#	%	% by #	% by #
Low (0)	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Moderate (1)	0	0.0	1	4.3	1	4.3	2	3.2	10.8	13.1
Middle (8)	17	100.0	22	95.7	22	95.7	61	96.8	89.2	86.9
Upper (0)	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Total ()	17	100.0	23	100.0	23	100.0	63	100.0	100.0	100.0
	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low (0)	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Moderate (1)	0	0.0	60	4.5	61	2.7	121	2.4	8.2	8.1
Middle (8)	1,519	100.0	1,278	95.5	2,203	97.3	5,000	97.6	91.8	91.9
Upper (0)	0	0.0	0	0.0	0	0.0	0	0.0	0.0	0.0
Total ()	1,519	100.0	1,338	100.0	2,264	100.0	5,121	100.0	100.0	100.0

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area during the review period. First Federal made no loans in the moderate income census tract in 2008 and made only one loan in each of 2009 and 2010 in the moderate income tract. As a consequence, the institution’s penetration of the single moderate-income census tract did not compare favorably to the 11.9 percentage of 1 to 4 family dwellings in the assessment area located within the tract. Nevertheless the institution’s penetration of distressed and underserved non-metropolitan middle-income census tracts in the assessment area did compare favorably to the 88.1 percent of 1 to 4 family dwellings in the assessment area located within the census tracts.

Response to Complaints

During the review period, the institution received no known written complaints pertaining to its performance in helping to meet the credit needs within the assessment area.

Institution (continued)

Fair Lending or Other Illegal Credit Practices Review

No violations of the substantive provisions of the laws and regulations pertaining to fair lending or other illegal credit practices were identified during the most recent examination which OTS evaluated compliance with consumer laws and regulation.

CRA Rating Definitions

There are four separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, and service opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.