Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

August 6, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Monroe FS & LA
Charter Number 703692

24 E Main St
Tipp City, OH 45371-1926

Office of the Comptroller of the Currency

Westlake Center
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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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

Monroe Federal Savings & Loan Association ("Monroe" or "the thrift") exhibits a **satisfactory** record of meeting its community's credit needs.

- The thrift's average loan-to-deposit ratio since the previous CRA examination is more than reasonable.
- The thrift makes a majority of its loans within the identified assessment area (AA).
- Lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.
- Monroe's performance in lending to geographies of different income levels exhibits reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

Our office conducted a full scope Community Reinvestment Act (CRA) examination to assess the thrift's record of meeting the credit needs of its entire community, including low- and moderate-income areas and borrowers. We used small bank examination procedures to evaluate the thrift's performance.

The thrift's primary lending products are residential real estate and commercial loans. We based this determination on discussions with management and the volume of loan originations made during the lending evaluation period. The lending evaluation period was January 1, 2011 to December 31, 2012.

Monroe has designated one AA, as detailed under the ***Description of Assessment Area(s)*** section. To perform our analysis of lending inside the AA, we used information gathered from the thrift's 2011-2012 HMDA LAR and randomly sampled 40 commercial loans originated during the evaluation period. Next, to perform the borrower distribution and geographic analysis, we removed any loans in the original sample that were outside the AA. For 2011, we selected additional loans located inside the AA as necessary to ensure the sample included at least 20 commercial loans. In 2012, the thrift had originated only 20 commercial loans so we used the remaining loans inside the AA for the analysis. We used the 2000 U.S. Census data for loans originated in 2011 and the 2010 U.S. Census data for loans originated in 2012.

DESCRIPTION OF INSTITUTION

Monroe is a mutual thrift, which means there are no stockholders. The depositors are the owners of the thrift, and they elect the Board of Directors. Monroe operates its main branch in Tipp City, in Miami County, Ohio, which is about 16 miles north of Dayton. They also operate two additional branches, which are located in Vandalia, Ohio and Dayton, Ohio, and these branches are located in Montgomery County.

Currently, no legal or financial impediments exist that could restrict the thrift's ability to serve the community's credit needs. Monroe received a Satisfactory CRA rating at the previous CRA examination, as of July 26, 2007.

As of June 30, 2013, Monroe reported total assets of $90.2 million, Tier One Capital of $10.2 million, and $65.2 million in net loans. Distribution of the thrift's lending products by number of loans originated and dollar amount originated during the evaluation period are shown in Table 1 below.

Table 1 - Primary Loan Types
Loans originated/purchased from January 1, 2011 to December 31, 2012

	% by Dollars of Loans Originated during evaluation period		% by Number of Loans Originate during evaluation period	
Loan Type	**$000's**	**%**	**# of Loans**	**%**
Consumer	$122	1%	24	20%
Residential Real Estate	$4,924	29%	50	40%
Commercial	$11,818	70%	50	40%
Total	$16,864	100%	124	100%

Source: Internal thrift reports of loans originated from January 1, 2011 through December 31, 2012.

DESCRIPTION OF ASSESSMENT AREA(S)

Monroe has designated one AA in the Dayton Metropolitan Statistical Area (MSA). This AA consists of 13 census tracts (CT) in the southern portion of Miami County and 27 CTs in the northern half of Montgomery County. The entire AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas.

Competition for loans and deposits in the AA is strong with community financial institutions and branches of larger regional financial institutions. As of June 30, 2013, Monroe had approximately one percent of the deposit market share, according to the Federal Deposit Insurance Corporation, in the two counties in which their branches are located, ranking 14 out of 25 financial institutions.

The economic conditions of this Dayton MSA AA are average when compared with the rest of the state. According to the Ohio Labor Market Information as of June 2013, the unemployment rate for Miami County was 7.2 percent, which is slightly lower than the state and national levels of unemployment (7.5 percent and 7.8 percent, respectively). The unemployment rate for Montgomery County was 8.0 percent. Major industries/employers in the AA include services primarily along with construction, retail trade, and manufacturing,

We made contact with persons familiar with the AA, and they indicated the AA has general banking and credit needs that include quality employment, affordable housing, and federal benefits. In particular, they described affordable housing to be at a "premium," much of it due to former homeowners who had foreclosed homes and now need new ones. Our discussions indicate financial institutions are adequately meeting the community credit needs.

Information as of the 2000 U.S. Census Data
As of the 2000 U.S. Census, the AA had four moderate-income, 24 middle-income, and ten upper-income CTs with a total population of 189,862. Sixty-nine percent of the housing units in the AA are owner-occupied, with nine percent in moderate-income geographies, 62 percent in middle-income geographies, and 29 percent in upper-income geographies. Seven percent of the households in the AA live below the poverty level, 26 percent receive social security benefits, and two percent receive public assistance. The median housing value for the AA is $109,765 with the median housing stock build year in 1967. The weighted average monthly gross rent is $557.

According to the 2000 U.S. Census data, the Dayton MSA median family income is $55,485. The Department of Housing and Urban Development estimate the updated Dayton MSA median family income is $62,400 for 2011. Approximately 16 percent of the families in the AA are low-income and 18 percent are moderate-income.

Information as of the 2010 U. S. Census Data
As of the 2010 U.S. Census, the AA had one low-income, six moderate-income, 24 middle-income, and nine upper-income CTs with a total population of 194,359. Sixty-seven percent of the housing units in the AA are owner-occupied, with three percent in low-income geographies, 11 percent in moderate-income geographies, 61 percent in middle-income geographies, and 26 percent in upper-income geographies. Ten percent of the households in the AA live below the poverty level, 30 percent receive social security benefits, and two percent receive public assistance. The median housing value for the AA is $131,511 with the median housing stock build year in 1969. The weighted average monthly gross rent is $717.

According to the 2010 U.S. Census data, the Dayton MSA median family income is $63,369. The Department of Housing and Urban Development estimate the updated Dayton MSA median family income is $63,300 for 2012. Approximately 18 percent of the families in the AA are low-income and 18 percent are moderate-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the criteria for the CRA lending test, the thrift's lending performance is satisfactory.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable given the thrift's size, financial condition, and AA credit needs and meets the requirements for outstanding performance. Monroe has an average loan-to-deposit ratio over the 25 quarters (June 30, 2007 to June 30, 2013) since the prior CRA examination of 90.25 percent. This compares favorably with the average loan-to-deposit ratio of 65.41 percent for similarly situated community financial institutions in Miami and Montgomery Counties over this same period.

Lending in Assessment Area

The thrift's record of lending within its AA supports satisfactory performance with a majority of the thrift's lending inside the AA. As outlined in the description of the institution above, the thrift's primary loan types are residential real estate loans and commercial loans. Our analysis indicates the thrift originated 80 percent of these loans within its AA. Table 2 gives details of the thrift's lending within the AA by number and dollar volume.

Table 2 - Lending in the Assessment Area										
	Number of Loans					Dollars of Loans (in 000's)				
Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
Residential Real Estate Loans	38	93%	3	7%	41	$5,909	96%	$276	4%	$6,185
Commercial Loans	27	67%	13	33%	40	$6,896	64%	$3,821	36%	$10,717
Totals	65	80%	16	20%	81	$12,805	76%	$4,097	24%	$16,902

Source: 2011-2-12 Thrift HMDA LAR; Loan sample; Monroe loans originated from January 1, 2011 through December 31, 2012.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and supports satisfactory performance.

Information as of the 2000 U.S. Census Data, Loan sample originated in 2011

The thrift's distribution of residential real estate loans in their AA reflects reasonable penetration among borrowers of different income levels for loans originated in 2011. Table 3 shows a comparison of thrift's 2011 HMDA LAR for specific types of residential lending versus aggregate lending of that type within the AA. The thrift only made two home improvement loans during the review period so we placed more emphasis on the results of the thrift's home purchase and refinance products. Based upon analysis of information generated from the thrift's 2011 HMDA LAR compared to the 2000 U.S. Census demographics, Monroe originated 14 percent of their home loans to low-income borrowers, which is reasonable when compared to the 16 percent of low-income families in the AA. They originated 5 percent to moderate-income borrowers, which is poor when compared to the 18 percent of moderate-income families in the AA. While the lending to moderate-income borrowers is poor, we find the overall level of lending for residential real estate loans in the AA reflects reasonable penetration given mitigating factors. Twenty-six percent of the occupied units in the AA are occupied rental units, which suggest a large portion of the population is opting to rent instead of purchase a home. Seven percent of the households in the AA live below the poverty level and 26 percent of the households receive social security benefits. There are also several other financial institutions in the area providing competition for loans. These circumstances limit lending opportunities, especially for low-income families. See Table 3 for details.

Table 3 - 2011 Monroe's Borrower Distribution of Residential RE Loans in Dayton MSA AA							
Borrower Income Level	% Total Monroe Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
	Purchase	Home Improve	Refinance	Purchase	Home Improve	Refinance	
Low	14%	0%	15%	16%	14%	7%	16%
Moderate	0%	0%	8%	27%	22%	19%	18%
Middle	14%	0%	23%	26%	29%	26%	24%
Upper	72%	100%	54%	31%	35%	48%	42%

Source: 2000 U.S. Census data and 2011 Thrift HMDA Data.

Monroe makes a majority of its commercial loans to small businesses. We gave less weight to the comparison with demographic information in our conclusion given the high level of businesses with unknown/unavailable income. See Table 4 for details.

Table 4 - Borrower Distribution of Business Loans in the Dayton MSA AA 2011				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70%	4%	26%	100%
% of Thrift Loans in AA by #	60%	40%	0%	100%
% of Thrift Loans in AA by $	28%	72%	0%	100%

Source: Loan Sample; 2000 U.S. Census Data, updated for 2011.

Information as of the 2010 U.S. Census Data, Loan sample originated in 2012

The thrift's distribution of residential real estate loans in their AA reflects very poor penetration among borrowers of different income levels for loans originated in 2012. Based upon analysis of information generated from the thrift's 2012 HMDA LAR compared to the 2010 U.S. Census demographics and aggregate lending within the AA, Monroe originated zero percent of their loans to low- and moderate-income borrowers, which is very poor when compared to the 18 percent each of low- and moderate-income families in the AA. While the data reflects lending to low- and moderate-income borrowers is very poor, we are giving less weight of this analysis to the overall CRA rating due to 43 percent of HMDA applicants not disclosing their income levels. Furthermore, twenty-eight percent of the occupied units in the AA are occupied rental units, which continue to suggest a large portion of the population is opting to rent instead of purchase a home. In addition, the median price of a home rose almost 17 percent from 2000 census data to $131,511. Ten percent of the households in this AA live below the poverty level and 30 percent of the households receive social security benefits. There are also several other financial institutions in the area providing competition for loans. These circumstances limit lending opportunities, especially for low-and-moderate income families. See Table 5 for details.

Table 5 - 2012 Monroe's Borrower Distribution of Residential RE Loans in Dayton MSA AA							
Borrower Income Level	% Total Monroe Loans			% of Loans by AA Lenders			% of Families in Each AA Income Level
	Purchase	Home Improve	Refinance	Purchase	Home Improve	Refinance	
Low	0%	0%	0%	16%	14%	7%	18%
Moderate	0%	0%	0%	27%	23%	19%	18%
Middle	50%	100%	67%	26%	29%	26%	23%
Upper	50%	0%	33%	31%	35%	48%	41%

Source: 2010 U.S. Census data and banks Monroe 2012 HMDA Data. Aggregate Lender data from 2011 HMDA.

Monroe makes a majority of its commercial loans to small businesses. We gave less weight to the comparison with demographic information in our conclusion given the high level of businesses with unknown/unavailable income. See Table 6 for details.

Table 6 - Borrower Distribution of Business Loans in the Dayton MSA AA 2012				
Business Revenues (or Sales)	≤$1,000,000	>$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73%	4%	23%	100%
% of Thrift Loans in AA by #	75%	25%	0%	100%
% of Thrift Loans in AA by $	81%	19%	0%	100%

Source: Loan Sample; 2010 U.S. Census data, updated as of 2012.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA and supports satisfactory performance. Competition for loans is strong and management is meeting the credit needs of the community.

Information as of the 2000 U.S. Census Data, Loan sample originated in 2011

As of the 2000 U.S. Census, the thrift had four moderate-income census tracts with one in Miami County and three in Montgomery County. There are no low-income census tracts in the AA.

For loans originated in 2011, Monroe originated zero percent of their home loans in moderate-income geographies, which is very poor dispersion when compared to the 9 percent of owner-occupied units in the AA. While the lending to moderate-income geographies is very poor, we are giving less weight to this analysis due to several mitigating factors. Approximately 11 percent of the entire AA population lives in moderate-income CTs. Twenty-three percent of the households in the moderate-income CTs live below the poverty level and 26 percent of the households receive public assistance. There are also several other financial institutions in the area providing competition for loans. These circumstances limit lending opportunities, especially to moderate-income geographies. See Table 7 for details.

Table 7 - 2011 Monroe's Geographic Distribution of Residential RE Loans in Dayton MSA AA							
Census Tract Income Level	% Total Monroe's Loans			% of Loans by AA Lenders			% of AA Owner Occupied Units
	Purchase	Home Improve	Refinance	Purchase	Home Improve	Refinance	
Low	0%	0%	0%	0%	0%	0%	0%
Moderate	0%	0%	0%	5%	7%	4%	9%
Middle	50%	100%	61%	62%	62%	57%	62%
Upper	50%	0%	39%	33%	31%	39%	29%

Source: 2000 U.S. Census data and Monroe 2011 HMDA Data.

The distribution of commercial loans is reasonable considering the moderate-income areas are significantly less populous and 44 percent of AA businesses are service related. Service related businesses are generally located in populated areas. See Table 8 for details.

Table 8 - Geographic Distribution of Business Loans in the Dayton MSA AA 2011 Loan Sample								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loans	0%	0%	11%	5%	60%	65%	29%	30%

Source: Loan Sample; 2000 U.S. Census data, updated as of 2011.

Information as of the 2010 U.S. Census Data, Loan sample originated in 2012

As of the 2010 U.S. Census, Monroe had one low-income and six moderate-income CTs with two moderate-income CTs in Miami County and one low-income CT and four moderate-income CTs in Montgomery County.

For loans originated in 2012, Monroe originated zero percent of their home loans in low-income geographies and 21 percent of their home loans in moderate-income geographies, which overall reflects excellent dispersion when compared to the 13 percent of owner-occupied units in LMI geographies in the AA. See Table 9 for details.

Table 9 - 2012 Monroe's Geographic Distribution of Residential RE Loans in Dayton MSA AA							
Census Tract Income Level	% Total Monroe's Loans			% of Loans by AA Lenders			% of AA Owner Occupied Units
	Purchase	Home Improve	Refinance	Purchase	Home Improve	Refinance	
Low	0%	0%	0%	0%	0%	0%	3%
Moderate	33%	33%	20%	5%	7%	4%	10%
Middle	33%	33%	20%	62%	62%	57%	61%
Upper	33%	33%	60%	33%	31%	39%	26%

Source: 2010 U.S. Census data and banks Monroe 2012 HMDA Data. Aggregate Lender data from 2011 HMDA data.

The distribution of commercial loans indicates reasonable penetration with eight percent of loans originated to businesses in low-income CTs and nice percent to businesses in moderate-income CTs. This is reasonable penetration considering the LMI areas are significantly less populous and 45 percent of AA businesses are service related. Service related businesses are generally located in populated areas. See Table 10 for details.

Table 10 - Geographic Distribution of Business Loans in the Dayton MSA AA 2012 Loan Sample								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loans	3%	8%	17%	9%	56%	58%	24%	25%

Source: Loan Sample; 2010 U.S. Census data, updated as of 2012.

Responses to Complaints

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Pursuant to 12 C.F.R. 25.28(c), in determining a national thrift's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the thrift, or in any assessment area by an affiliate whose loans have been considered as part of the thrift's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.