SMALL BANK

PUBLIC DISCLOSURE

December 9, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Central FS & LA
Charter Number 701567

5953 W Cermak Rd
Cicero, IL 60804-2190

Office of the Comptroller of the Currency

2001 Butterfield Road
Suite 400
Downers Grove, IL 60515

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

- The institution's lending in its assessment area is reasonable and meets the standard for satisfactory performance. A majority of the number and dollar amount of home purchase loans were originated within the institution's assessment area.

- The borrower distribution of home mortgage loans reflects reasonable distribution among all borrowers in the assessment area.

- The geographic distribution of loans reflects reasonable distribution throughout the assessment area, including low- and moderate-income geographies, given the institution's product offerings and local economic conditions.

- The quarterly average loan-to-deposit ratio is reasonable at 67 percent over the evaluation period.

SCOPE OF EVALUATION

This purpose of this evaluation was to assess Central Federal Savings and Loan Association's (CFSL) ability to help meet the credit needs of its community. CFSL is evaluated under the Small Bank examination procedures, which consist of a lending test that evaluates the institution's record of helping to meet the credit needs of its assessment area through lending activities. The evaluation period for this examination is from January 1, 2010 through October 31, 2013.

The lending test is based on CFSL's primary loan product, which is residential real estate. This lending category represents 79 percent of the number and 96 percent of the dollar amount of loan originations during the evaluation period. It also represents 75 percent of gross loans as of September 30, 2013. CFSL reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The data was tested and found to be reliable; therefore, it was used in our lending analysis.

DESCRIPTION OF INSTITUTION

CFSL is a $172 million intrastate financial institution with offices serving all of Cook County, Illinois. The institution has three locations: the main office located in Cicero, and two branches, located in Berwyn, and LaGrange, Illinois.

CFSL's primary business is to provide household banking services in the form of residential real estate lending and deposit related banking services to its customers. The institution is primarily active in providing fixed rate loans secured by one-to four-family dwellings, and to a lesser extent providing loans secured by multifamily dwellings and commercial real estate (mostly combined storefront and apartments).

There are no legal impediments to CFSL's ability to help meet the credit and service needs of its assessment area; however, the institution's ability to lend during this evaluation period has been impacted by weakened earnings and strong competition.

DESCRIPTION OF ASSESSMENT AREA(S)

CFSL has one assessment area (AA) where a majority of the institution's loans and deposits are generated. Their AA includes 1,318 geographies within the Chicago-Joliet-Naperville, IL Metropolitan Statistical Area (MSA), which constitutes all of Cook County. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies. The institution's AA has not changed from the prior evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CFSL's net average loan-to-deposit ratio is reasonable given the institution's size, financial condition, and AA credit needs. As of December 31, 2012, CFSL had total assets of $174 million, total loans of $98 million, and total deposits of $157 million. Their average quarterly loan-to-deposit ratio was 67 percent for the period ranging from January 1, 2010 to September 30, 2013, which is below that of other similarly situated institutions. The similarly situated institutions utilized for comparison purposes range in asset size from $118 to $244 million and are located in Cook County. Their average quarterly loan-to-deposit ratio was 79 percent, and ranged from 54 percent to 101 percent during the evaluation period. Competition in the AA is strong, as evidenced by 38 percent of similarly situated institutions having a loan-to-deposit ratio below 70 percent.

Lending in Assessment Area

CFSL's lending in its AA is reasonable and meets the standard for satisfactory performance. A majority of the number and dollar amount of home purchase loans were originated within the institution's AA. Lending inside the AA is 88 percent, by number and by dollar amount.

Lending to Borrowers of Different Incomes

The borrower distribution of CFSL's home mortgage loans reflects reasonable distribution among all borrowers in the AA.

Our evaluation focused on the institution's lending performance to low- and moderate-income borrowers in the AA compared to the aggregate industry lending percentage distribution. We also compared CFSL's performance to the level of low- and moderate-income families within the AA.

There are limited opportunities to make loans in the AA considering the median housing value, a high unemployment rate, and a moderate level of households that are below the poverty level. In addition, competition in the institution's AA is strong. Per the Peer Data Loan Market Share report, in 2011, CFSL ranked 110th among 449 financial institutions in the AA originating home mortgage loans during the evaluation period; and in 2012, CFSL ranked 132nd among 454 financial institutions. The majority of these are large regional institutions. Despite the competition, CFSL remains committed to working with low- and moderate-income borrowers whose borrowing needs may not fit into any special lending programs.

<u>Borrower Distribution Residential Real Estate Loans 2010 - 2011</u>

Mortgage Loans	Total Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% Bank Loans
Home Purchase	37	100	25.18	10.81	18.97	40.54	21.29	32.43	34.56	16.22
Home Improvement	9	100	25.18	33.33	18.97	33.33	21.29	11.11	34.56	22.22
Home Refinance	51	100	25.18	7.84	18.97	19.61	21.29	35.29	34.56	37.25

Source: All HMDA loans originated in 2010 and 2011, Percentage of families is based on 2000 Census Data. Aggregate industry lending percentage is based on 2011 Peer Mortgage Data.

The borrower distribution of home purchase loans is reasonable. Home purchase loans made to low-income borrowers is below the percentage of low-income families, but near the aggregate industry lending percentage of 12.18 percent. Home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families and the aggregate industry lending percentage of 24.75 percent. Within the institution's AA, opportunities to make home purchase loans to low-income borrowers is limited due to the median housing value of $174 thousand, high poverty level of 12 percent, and the high unemployment rate of 10 percent. As such, it may be difficult for low-income borrowers to qualify for a home mortgage loan.

The borrower distribution of home improvement loans is excellent. Home improvement loans made to low-income income borrowers exceeds the percentage of moderate-income families and the aggregate industry lending percentage of 14.09 percent. Home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families and the aggregate industry lending percentage of 19.88 percent.

The borrower distribution of home refinance loans is reasonable. Home refinance loans made to low-income borrowers is below the percentage of low-income families, but exceeds the aggregate industry lending percentage of 6.35 percent. Home refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families and the aggregate industry lending percentage of 13.20 percent.

Borrower Distribution Residential Real Estate Loans 2012 - 2013

Mortgage Loan Types	Total Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% Bank Loans
Home Purchase	28	100	27.06	25	17.9	25	18.69	21.43	36.35	28.57
Home Improvement	0	0	27.06	0	17.9	0	18.69	0	36.35	0
Home Refinance	26	100	27.06	19.23	17.9	23.08	18.69	23.08	36.35	34.62

Source: All HMDA loans originated from January 1, 2012 through October 31, 2013. Percentage of families is based on 2010 Census Data. Aggregate industry lending percentage is based on 2012 Peer Mortgage Data.

The borrower distribution of home purchase loans is reasonable. Home purchase loans made to low-income borrowers is near the percentage of low-income families and exceeds the aggregate industry lending percentage of 11 percent. Home purchase loans made to moderate-income borrowers exceeds the percentage of moderate-income families and the aggregate industry lending percentage of 24 percent.

We did not rely on CFSL’s home improvement lending performance in 2012 and 2013 to assess borrower distribution. In a strategic decision, CFSL discontinued the home improvement loan product in 2011. Therefore, there were no home improvement loans originated during this period.

The borrower distribution of home refinance loans is reasonable. Home refinance loans made to low-income borrowers is below the percentage of low-income families but exceeds the aggregate industry lending percentage of six percent. Home refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families and the aggregate industry lending percentage of 14 percent.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable distribution throughout the AA, including low- and moderate-income geographies, given the institution’s product offerings and local economic conditions.

Geographic Distribution Residential Real Estate Loans 2010 - 2011

Mortgage Loans	Total Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% OO Units*	% Bank Loans	% OO Units*	% Bank Loans	% OO Units*	% Bank Loans	% OO Units*	% Bank Loans
Home Purchase	37	100	3.93	10.81	21.2	43.24	46.44	32.43	28.43	13.51
Home Improvement	9	100	3.93	0	21.2	11.11	46.44	77.78	28.43	11.11
Home Refinance	51	100	3.93	7.84	21.2	25.49	46.44	56.86	28.43	9.8

Source: All HMDA loan originated in 2010 and 2011. Percentage of owner-occupied (OO) units is based on the 2000 Census Data. Aggregate industry lending percentage is based on 2011 Peer Mortgage Data.

The geographic distribution of home purchase loans is excellent. Distribution of home purchase loans in the low-income geographies exceeds the percentage of owner-occupied units in those geographies and the aggregate industry lending percentage of four percent). Distribution of home purchase loans in the moderate- income geographies exceeds the percentage of owner-occupied units in those geographies and the aggregate industry lending percentage of 18 percent.

The geographic distribution of home improvement loans is weak. The institution did not make any home improvement loans in the low-income geographies. Opportunities to make home improvement loans in low-income geographies are very limited as less than four percent of units are owner occupied and competition is high from larger regional institutions. Distribution of home improvement loans in moderate-income geographies is below the percentage of owner-occupied units in those geographies and the aggregate industry lending percentage of 21 percent.

The geographic distribution of home refinance loans is excellent. Distribution of home refinance loans in the low- income geographies exceeds the percentage of owner-occupied units in those geographies and the aggregate industry lending percentage of three percent. Distribution of home refinance loans made in the moderate-income geographies exceeds the percentage of owner occupied units in those geographies and the aggregate industry lending percentage of 13 percent.

Geographic Distribution Residential Real Estate Loans 2012 - 2013

Mortgage Loans	Total Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total	% OO Units*	% Bank Loans	% OO Units*	% Bank Loans	% OO Units*	% Bank Loans	% OO Units*	% Bank Loans
Home Purchase	28	100	6.11	0	22.98	46.43	38.09	42.86	32.82	10.71
Home Improvement	0	0	6.11	0	22.98	0	38.09	0	32.82	0
Home Refinance	26	100	6.11	3.85	22.98	26.92	38.09	30.77	32.82	38.46

Source: All HMDA loans originated from January 1, 2012 through October 31, 2013. Percentage of owner-occupied (OO) units is based on the 2010 Census Data. Aggregate industry lending percentage is based on 2012 Peer Mortgage Data.

The geographic distribution of home purchase loans is reasonable. The institution did not make any home purchase loans in low-income geographies. Opportunities to make home purchase loans in low-income geographies are limited as only six percent of units are owner occupied and competition is high from larger regional institutions. The distribution of home purchase loans made in moderate-income geographies exceeds the percentage of owner-occupied units in those geographies and the aggregate industry lending percentage of 17 percent.

We did not rely on home improvement lending performance in 2012 and 2013 for the analysis of geographic distribution. In a strategic decision, CFSL discontinued the home improvement loan product in 2011. Therefore, there were no home improvement loans originated during this period.

The geographic distribution of home refinance loans is reasonable. Distribution of home refinance loans in the low-income geographies is below the percentage of owner-occupied units in those geographies but exceeds the aggregate industry lending percentage of three percent Distribution of home refinance loans made in the moderate-income geographies exceeds the percentage of owner occupied units in those geographies and the aggregate industry lending percentage of 13 percent.

Responses to Complaints

CFSL has not received any complaints about its performance in meeting the credit needs of the community during this 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) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any AA by an affiliate whose loans have been considered as part of the FSA's lending performance.

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