



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 20, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First FS&LA
Charter Number 703816

111 W. Commerce St
Aberdeen, MS 39730-2631

Office of the Comptroller of the Currency

3595 Grandview Parkway, Suite 655
Birmingham, AL 35243

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 average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans are in the bank's AA.
- The distribution of loans reflects reasonable penetration among individuals of different income levels.
- The geographic distribution of loans reflects reasonable penetration in moderate-income geographies.

SCOPE OF EXAMINATION

First Federal Savings and Loans Association (FFS&LA) was evaluated under the Small Bank examination procedures. The bank's CRA performance was evaluated by assessing the loan-to-deposit ratio, lending performance inside the assessment area (AA), borrower distribution, and reviewing consumer complaints regarding CRA. The Performance Evaluation is based on the period January 1, 2009 through December 31, 2011.

FFS&LA's primary loan product is residential real estate mortgages. Lending test conclusions are based on residential home purchases and home refinances. The scope of the examination included a review of the institution's mortgage loan application registers from January 1, 2009 through December 31, 2011. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census Demographic information.

DESCRIPTION OF INSTITUTION

FFS&LA is a \$31.4 million, federally chartered mutual savings and loan association located in Aberdeen, (Monroe County), Mississippi. All services are provided from its single location in downtown Aberdeen. The association is a traditional thrift institution with lending limited to mortgage loans for the purchase, refinance, construction and improvement of 1-4 family dwellings. The only consumer loans offered are share loans (loans with certificates of deposit or saving accounts as collateral). As of June 30, 2012, First Federal ranked sixth in deposits, out of seven financial institutions in Monroe County, MS. First Federal reported total deposits of \$25.5 million, or a 4.24 percent market share.

Local competition in the assessment area (AA) is moderate. The bank's competition consists of Community Bank, North Mississippi, as well as Amory Federal Savings and Loans Association, Renasant Bank, BancorpSouth Bank, Cadence Bank, Woodforest National Bank. FFS&LA is the only locally owned bank.

The bank's last CRA examination was performed as of August 11, 2008 and the bank received a Satisfactory rating. No legal or financial constraints exist which prohibit the bank from meeting AA credit needs.

DESCRIPTION OF ASSESSMENT AREA

FFS&LA’s legal AA includes the eight census tracts (CT) in Monroe County, Mississippi. The bank’s AA complies with the requirements of the regulations and does not arbitrarily exclude any low- or moderate-income census tracts. FFS&LA’s AA is comprised of one (1) moderate-, four (4) middle-, and three (3) upper-income CTs. There are no low-income CTs in the AA.

The 2000 U.S. Census median family income for non-metropolitan statistical areas in Monroe County was \$37,029. The Department of Housing and Urban Development (HUD) updated median family income for 2011 is \$41,600. This income figure is updated annually and is used to determine the income level of individual applicants.

According to the 2000 U.S. Census demographic data, the AA has a population of 34,014. There are 10,701 families in the AA. Of the total families, 0 percent resides in low-income CTs and 8.52 percent reside in moderate-income CTs. In addition, within the area, 46.29 percent are located in middle-income CTs and 45.19 percent are in upper-income CTs.

Demographic Information for Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	8	0%	12.50%	50.00%	37.50%
Population by Geography	38,014	0%	9.74%	46.45%	43.82%
Owner-Occupied Housing by Geography	16,236	0%	7.25%	44.15%	48.60%
Businesses by Geography	5,277	0%	8.36%	49.91%	41.73%
Farms by Geography	125	0%	2.40%	53.60%	44.00%
Family Distribution by Income Level	10,701	0%	8.52%	46.29%	45.19%
Household Distribution by Income Level	14,601	0%	9.23%	45.93%	44.84%
Census Median Family Income (MFI)	33,550				
HUD-Adjusted MFI: 2011	41,600		Median Housing Value		\$59,477
Median Family Income	37,029		Families Below Poverty Level		19.66%
Median Household Income	30,043		Unemployment Rate		3.87%

Source: 2000 U.S. Census Data.

Local economic conditions are challenging with nearly 20 percent of the households showing income below the poverty level. Approximately 14 percent of the AA or 5,325 persons are over the age of 65. The 2011 unemployment rate in Monroe County is moderate at approximately 4 percent, which is lower than the state unemployment rate of 10.4 percent.

FFS&LA’s AA is primarily rural. Major employers within the county are primarily manufacturing facilities of various types. They include: Tronox Chemical, True Temper, Holley Performance and Axiall Corporation (formerly Georgia Gulf).

A community contact was conducted with a local housing group to understand the credit needs within the bank’s AA. The community contact indicated a continued need for affordable housing, as well as a need for financial education for members of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FFS&LA’s loan-to-deposit (LTD) ratio is reasonable. Since the last examination, the thrift’s average quarterly loan-to deposit ratio ranged between 69 percent and 84 percent. For comparison purposes, FFS&LA’s LTD ratio was calculated over twelve quarters beginning March 31, 2009 through December 31, 2011. This average ratio was compared to local competitors in the bank’s AA for the same time period.

Institution	Assets as of 4Q2011 \$(000)	Average LTD Ratio
First FS & LA Aberdeen	\$30,613	73.25%
Amory FS & LA	\$96,497	81.17%
Community Bank, North Mississippi	\$481,684	75.99%

Source: Institution Reports of Condition from March 2009 to December 2011.

Lending in Assessment Area

Lending in AA reflects a substantial majority of the loans reviewed were inside the AA. The loans from our sample, originated during 2009 through 2011, show 92 percent of the number of home purchase and home refinance loans originated were within its assessment area.

Table 1 - Lending in First Federal Savings and Loans AA

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	12	92%	1	8%	13	1,126	88.1%	152	11.9%	1,278
Home Refinance	35	92%	3	8%	38	4,265	90.8%	429	9.2%	4,694

Source: 2009, 2010 and 2011 Residential loan sample included residential home purchase and home refinance loans.

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

The bank’s distribution by borrower income for home purchase loans is reasonable. The association does not reflect any home purchase loans to low-income borrowers in the AA. However, the high poverty level in the AA (19.66 percent) significantly limits the bank’s opportunity to make these loans. The percentage of the number of home purchase loans to moderate-income borrowers is 8.3 percent, compared to 15.3 percent of moderate-income families in the AA.

The bank’s distribution by borrower income for home refinance loans is reasonable. The

percentage of the number of home refinance loans to low-income borrowers is lower than the percentage of low-income families in the AA. Again, opportunities for these loans are limited by the high poverty level in the AA. The percentage of the number of home refinance loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA.

In our discussions with the community contact, we noted that the economic downturn is a significant factor for the limited percentage of loans to low- and moderate-income borrowers. Additionally, the contact noted that an increasing number of retirees are moving to Aberdeen, MS, and those individuals are able to purchase homes outright.

Table 2 - Borrower Distribution of Residential Real Estate Loans in First Federal Savings and Loans Association								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.7	0.0	15.3	8.3	21.2	41.7	44.8	50.00
Home Refinance	18.7	0.0	15.3	2.9	21.2	40.0	44.8	57.1

Source: 2009, 2010 and 2011 Residential loan sample included residential home purchases; 2000 U.S. Census Data.

Geographic Distribution of Loans

The geographic distribution of home loans reflects reasonable dispersion throughout the census tracts within the AA. The percentage of home loans made in moderate-income census tracts is reasonable compared to owner-occupied housing in moderate-income census tracts. There are no low-income census tracts within FFS&LA’s AA.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.0	0.0	7.3	4.3	44.1	40.4	48.6	55.3

Responses to Complaints

FFS&LA has not received any complaints concerning the bank’s lending performance.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of

discriminatory or illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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