



## **PUBLIC DISCLOSURE**

February 5, 2018

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Federal Savings and Loan Association of Lorain  
Charter Number 704171

3721 Oberlin Avenue  
Lorain, Ohio 44053-2761

Office of the Comptroller of the Currency

Cleveland Field Office  
200 Public Square, Suite 1610  
Cleveland, OH 44114

**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, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>3</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>4</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>9</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>10</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>11</b>
LENDING TEST .....	11
COMMUNITY DEVELOPMENT TEST.....	14
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS.....</b>	<b>B-1</b>

## Overall CRA Rating

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors supporting the institution's rating:

- The overall distribution of loans among borrowers of different income levels throughout the assessment areas (AAs) is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of home mortgage loans among geographies of different income levels is reasonable and meets the standard for satisfactory performance.
- The bank originated or purchased a substantial majority of its home mortgage loans within its AAs during the evaluation period and exceeds the standards for satisfactory performance.
- The bank's average loan-to-deposit (LTD) ratio is reasonable.
- The bank's performance in meeting the community development (CD) needs of the AAs is adequate.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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 MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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.

**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, which 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).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

**Small Loan(s) to Farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

## Description of Institution

First Federal Savings and Loan Association of Lorain (First Federal or bank) is a federally chartered mutual institution headquartered in Lorain, Ohio. The bank owns Lake Erie Financial Services, a non-banking service company established for the purpose of real estate management. Subsequent to the prior CRA evaluation, First Federal has not been involved in any acquisition or merger activity.

According to the Report of Condition and Income, the bank's assets totaled \$421 million as of December 31, 2016. In the prior two calendar years of 2014 and 2015, the bank's assets totaled \$423 million and \$424 million, respectively. The bank offers traditional home loan products, which include home mortgage, home improvement, and home construction loans, as well as home equity lines of credit (HELOCs). The bank also offers credit cards. As of December 31, 2016, the bank's loan portfolio was comprised of 86 percent home mortgage loans, seven percent HELOCs, four percent construction or land development loans, two percent multifamily loans, and one percent other loans, such as closed-end home equity, consumer, and credit card loans. Based on the bank's 2015 and 2016 HMDA loan application registers, the bank sold approximately \$7 million of residential loans to secondary market investors, which are not included as part of the bank's portfolio totals.

First Federal's consumer deposit related products and services include checking, savings, money market, certificates of deposit, Roth and traditional individual retirement accounts, online and telephone banking, mobile banking, overdraft protection, safe deposit boxes, night depository and automated teller machines (ATM) services. Business related products and services include business checking and online banking.

As of our evaluation, the bank operated seven branch offices, which includes the bank's headquarters. Four branch offices are located in Lorain County. The bank also has two branch locations within Erie County and one located in Ottawa County. Two of the offices located in the city of Lorain and one located in the city of Sandusky are located in moderate-income census tracts (CTs). Of the remaining four branch offices, two are located in middle-income tracts and two are located in upper-income CTs. All seven branch offices are full service facilities offering drive-through teller services and ATMs. The bank does not have any stand-alone drive-through locations or ATMs. All branch offices are open the same hours Monday through Friday. All offices with the exception of the Sandusky branch is open on Saturdays. All branches are closed Sundays and Federal holidays. The bank has not opened or closed any branch offices since the prior evaluation.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. First Federal received a rating of "Satisfactory" at the previous CRA examination dated August 25, 2014.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We evaluated First Federal's performance in relation to the Community Reinvestment Act (CRA) using full-scope CRA intermediate small bank procedures. The prior CRA evaluation was as of August 25, 2014, where we evaluated the bank's lending performance based on loan data from 2012 and 2013 and CD data from May 31, 2011 through August 25, 2014. The evaluation period for this review was August 25, 2014 through December 31, 2016. Specifically, we assessed the bank's lending performance based on its lending in the AAs for calendar years 2015 and 2016. Our review period for CD lending, investments, and services was August 26, 2014 through year-end 2016.

The procedures used to assess First Federal's lending performance focused on the bank's primary lending product(s). Based on reports of lending activities over the review period, Reports of Condition and Income, and discussions with senior management, we determined the bank's primary areas of lending focus are home purchase and home refinance mortgage lending. First Federal does not offer business or farm loans. In addition, First Federal does offer home improvement loans, credit card, and consumer loans. However, home improvement, credit card, and consumer loans are not a lending focus of the bank. Therefore, we did not evaluate the bank based on business, farm, home improvement, consumer, or credit card loans, as an analysis of this data would not be meaningful.

When determining the overall CRA performance rating, we placed greater emphasis on the bank's record of lending in the metropolitan statistical area (MSA) AA as this area represents the bank's primary market. When concluding on the bank's performance within its non-MSA AA, we gave consideration to the bank's lending to borrowers of different incomes in the non-MSA AA. As described in the *Description of AAs*, the non-MSA AA has no low-income CTs and only seven moderate-income CTs. Additionally, most owner-occupied housing is located in the middle- and upper-income tracts of the non-MSA AA.

We utilized other supporting information while evaluating the bank's CRA performance. The information includes 2010 Census Data, bank records, deposit market share data, and information from governmental websites regarding the competition, characteristics and economy within the bank's AAs. We also considered information derived from members of the community through community contacts with local organizations.

### Data Integrity

Prior to the CRA examination, we evaluated the accuracy of the bank's reported Home Mortgage Disclosure Act (HMDA) data and determined the information to be accurate. During our evaluation, we also tested the bank's CD investments and services. Our evaluation of the bank's CD performance is based on qualified CD activities.

## **Selection of Areas for Full-Scope Review**

As described in the *Description of Institution* and the *Description of AAs* sections of this Public Evaluation, First Federal has two AAs, which are contiguous. The bank's primary AA includes Lorain, Cuyahoga, and Medina Counties, which are part of the Cleveland-Elyria, OH MSA (MSA AA). The bank's secondary AA includes Ottawa, Erie, Sandusky, Seneca and Huron Counties, which are contiguous and not part of an MSA (non-MSA AA). We selected each of the bank's two AAs for full-scope reviews. Refer to the table in *Appendix A* for more information.

## **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews. We gave more consideration to the bank's performance in the MSA AA, as this is the bank's primary market.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's record of lending within the AAs meets the standard for satisfactory performance. When determining our overall performance rating, we gave more consideration for the bank's performance in its MSA AA. We also gave more consideration for lending to borrowers of different incomes due to the limited opportunities to lend based on the geographic distribution of loans in the non-MSA AA.

#### Loan-to-Deposit Ratio

First Federal's average quarterly loan-to-deposit (LTD) ratio is reasonable, given the bank's size, financial condition, loan products, and credit needs of the AA. We evaluated the bank's average LTD ratio for the quarterly periods between March 31, 2014 and December 31, 2017. First Federal's average quarterly LTD ratio during this period was 73.18 percent, with quarterly ratios ranging from a low of 66.78 percent to a high of 75.82 percent. We identified one similarly situated institution to compare to First Federal. Based on the same quarterly periods, the similarly situated institution had an average quarterly LTD of 52.32 percent, ranging from a low of 51.13 percent and a high of 54.08 percent.

#### Lending in Assessment Area

First Federal's record of lending in its AAs exceeds the standards for satisfactory performance. As shown in Table 1, the bank originated or purchased a substantial majority of its total loans within the AAs. Specifically, First Federal originated or purchased 97.96 and 100 percent by number and 96.72 and 100 percent by dollar amount of home purchase and home refinance loans within its AAs, respectively. Additionally, on an aggregate basis, First Federal originated or purchased 98.41 percent of the total number of loans and 97.25 percent of the total dollar amount of loans inside the AAs.

Table 1 - Lending in Lorain's Combined Assessment Areas 2015 - 2016										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	433	97.96	9	2.04	442	61,613	96.72	2,090	3.28	63,703
Home Improvement	25	96.15	1	3.85	26	3,449	90.57	359	9.43	3,808
Home Refinance	161	100.00	0	0.00	161	21,563	100.00	0	0.00	21,563
Totals	619	98.41	10	1.59	629	86,625	97.25	2,449	2.75	89,074

Source: Bank combined 2015 and 2016 HMDA data.

## Lending to Borrowers of Different Incomes

First Federal's distribution of residential real estate loans to borrowers of different incomes is reasonable and meets the standard for satisfactory performance. In determining our overall rating of this area, we gave more consideration for the bank's performance in the MSA AA. In addition, for rating each area, we gave consideration to factors described in *Appendix B*. These factors included competition, as well as the percentage of families that live below the poverty level, and the barriers that this may have on homeownership. It is especially difficult for individuals and families living at or below the poverty level to afford and maintain a home.

### MSA AA

First Federal's distribution of residential real estate loans to borrowers of different income levels within the bank's MSA AA is reasonable and meets the standard for satisfactory performance. As shown in Table 2, the bank's percentage of home purchase loans exceeds the peer mortgage aggregate percentage for low- and moderate-income borrowers. Additionally, the bank's percentage of home refinance loans are near the peer mortgage aggregate percentage for low-income borrowers and exceeds peer lending for moderate-income borrowers.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	8.91	13.70	21.45	22.59	20.50	24.07	35.41	35.19
Home Improvement	9.15	15.38	18.57	7.69	20.79	15.38	45.94	53.85
Home Refinance	5.95	5.17	12.51	18.10	19.09	20.69	43.52	54.31
Total	7.84	11.28	18.02	20.80	20.00	22.81	38.96	41.35

Source: Bank HMDA data for 2015 and 2016; Peer mortgage data 2016; Total HMDA and peer loans reported without income equated to 3.76 and 15.19 percent respectively.

### Non-MSA AA

First Federal's distribution of residential real estate loans to borrowers of different income levels within the bank's non-MSA AA is reasonable and meets the standard for satisfactory performance. As shown in Table 3, the bank's percentage of home purchase loans to low-income borrowers is near the peer mortgage aggregate percentage. However, the bank's percentage of home purchase loans to moderate-income borrowers is significantly below peer due to competition and the bank's limited presence. Conversely, the bank's percentages of home refinance loans to low- and moderate-income borrowers exceeds peer percentages.

Table 3 - Borrower Distribution of Residential Real Estate Loans in non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	5.26	4.29	20.25	14.11	22.07	23.93	36.40	56.44
Home Improvement	6.87	0.00	15.52	0.00	25.28	41.67	47.01	58.33
Home Refinance	4.88	8.89	14.33	15.56	19.95	20.00	43.29	55.56
Total	5.23	5.00	17.78	13.64	21.53	24.09	39.64	56.36

Source: Bank HMDA data for 2015 and 2016; Peer mortgage data 2016; Total HMDA and peer loans reported without income equated to .91 and 15.81 percent respectively.

### Geographic Distribution of Loans

The bank's distribution of loans among geographies of different income levels is reasonable and meets the standards for satisfactory performance. As identified in the *Scope of Examination* section, when determining our overall rating, we gave greater consideration to the bank's performance within its MSA AA. When evaluating the bank's performance in each AA, we gave consideration to other factors that limit the bank's opportunities to lend. These factors are detailed in *Appendix B*, and include competition; proximity and presence of the bank's branches; number of low- and moderate-income CT; and the percentage of owner-occupied housing.

### MSA AA

The geographic distribution of loans among geographies of different income levels within the MSA AA is reasonable and meets the standards for satisfactory performance. As shown in Table 4, the bank's percentage of home purchase and home refinance loans in low-income CT is near peer mortgage aggregate percentages. Additionally, the bank exceeds peer mortgage aggregate percentage for home purchase loans in moderate-income tracts, and is near the peer mortgage aggregate percentage for home refinance loans in moderate-income CT.

Table 4 - Geographic Distribution of Residential Real Estate Loans in MSA AA								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	2.24	2.59	10.87	15.93	42.15	44.44	44.74	37.04
Home Improvement	4.75	0.00	14.65	23.08	37.31	30.77	43.29	46.15
Home Refinance	1.82	2.59	8.55	9.48	37.38	36.21	52.25	51.72
Total	2.22	2.51	10.23	14.29	40.14	41.60	47.42	41.60

Source: Bank HMDA data for 2015 and 2016; Peer mortgage data 2016.

## Non-MSA AA

The bank's geographic distribution of loans among different geographies of different income levels within the bank's non-MSA AA is weak and does not meet the standard for satisfactory performance. As shown in Table 5, the bank's percentage of home purchase and home refinance lending is significantly below the peer mortgage aggregate percentages. However, peer lending is also limited in moderate-income tracts, and most lending is occurring in middle- and upper-income tracts. Based on the number of bank loans originated in the non-MSA AA, First Federal would have to only originate or purchase eight home purchase loans and two home refinance loans during the evaluation period to meet peer lending percentages in the moderate-income tracts of the AA. The bank's limited opportunities to lend in the moderate-income tracts is due to the combined effect of branch proximity, the low quantity of owner occupied housing units, and high competition in the AA. Due to these factors affecting the bank's ability to lend in moderate-income tracts, the result has a neutral impact on the bank's overall geographic and lending test ratings.

CT Income Level	Low		Moderate		Middle		Upper	
	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	0.00	0.00	6.50	1.23	54.63	53.37	38.87	45.40
Home Improvement	0.00	0.00	6.21	0.00	52.11	33.33	41.69	66.67
Home Refinance	0.00	0.00	4.97	0.00	55.31	24.44	39.72	75.56
Total	0.00	0.00	5.93	0.91	54.70	46.36	39.37	52.73

Source: Bank HMDA data for 2015 and 2016; Peer mortgage data 2016.

## **Responses to Complaints**

The bank has not received any written complaints during the evaluation period related to its performance in meeting the credit and deposit needs of the AAs.

## **COMMUNITY DEVELOPMENT TEST**

First Federal's overall CD performance is adequate, and meets the standard for satisfactory performance.

### **Number and Amount of Community Development Loans**

First Federal did not make any community development loans in either AA during the evaluation period. As First Federal's operations are substantially focused on home mortgage lending with limited capacity for CD lending, the absence of CD lending has a neutral impact on the bank's CD test and overall performance ratings.

## **Number and Amount of Qualified Investments**

The bank's responsiveness to the CD needs of the AAs by making or maintaining qualified investments and donations was adequate and meets the standards for satisfactory performance.

### MSA AA

First Federal invested approximately \$1.4 million in mortgage-backed securities for the purpose of providing low- and moderate-income housing within the AA. In addition, the bank made \$1,050 in donations to various community organizations that provide social services and financial assistance to low- and moderate-income individuals.

### Non-MSA AA

First Federal invested approximately \$265,000 in mortgage-backed securities for the purpose of providing low- and moderate-income housing within the AA. The bank made no qualifying CD donations to organizations located in the AA during the evaluation period.

## **Extent to Which the Bank Provides Community Development Services**

The bank's service performance over the evaluation period is satisfactory. The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels with generally consistent services and hours across branches.

### MSA AA

First Federal's service performance in the MSA AA is satisfactory. The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels within the MSA AA. The bank has four full-service branches in the MSA AA with two located in moderate-income CTs. Additionally, the bank provides customers with deposit account services through telephone, online, and mobile banking. The bank has deposit-taking ATMs at each branch location, and is a member of a nationwide network of ATMs that utilize MoneyPass. The bank's service and hours of operation are consistent across the four branches and do not vary in a way that inconveniences low- or moderate-income geographies or individuals.

Bank personnel provide an adequate level of community development services. Four members of the bank's staff participated on financial committees of local organizations that assist low- to moderate-income individuals with affordable housing, clothing, and health care services.

## Non-MSA AA

First Federal's service performance in the non-MSA AA is satisfactory. The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels within the non-MSA AA. The bank has three full-service branches in the non-MSA AA with one located in moderate-income CT. Similar to the services offered in the MSA AA, the bank provides customers with deposit services such as telephone, online, and mobile banking. The bank has deposit-taking ATMs at each branch location, and is a member of a nationwide network of ATMs that utilize MoneyPass. Hours of operation are generally consistent across the three branches within the non-MSA AA. However, the bank's branch located in Sandusky is the only branch that does not offer branch hours on Saturdays.

Bank personnel provide a weak level of community development services within the non-MSA AA. One individual of the bank's staff participates on a financial committee, and another volunteers, at organizations assisting low- to moderate-income individuals with financial counseling and social services.

### **Responsiveness to Community Development Needs**

Responsiveness to the CD needs of the AAs through CD investments and services is reasonable.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/15 to 12/31/16) Investment and Service Tests and CD Loans: (08/26/14 to 12/31/16)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First Federal Savings & Loan Association Lorain, Ohio	Residential Mortgages	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not applicable.	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Ohio  Cleveland-Elyria  Non-MSA: Erie, Ottawa, Huron, Sandusky, Seneca Counties	Full-Scope  Full Scope	

## Appendix B: Community Profiles for Full-Scope Areas

First Federal has two AAs, which include the MSA AA and non-MSA AA. Each AA meets the requirements of the CRA. They consist of contiguous geographies, and low and moderate-income areas are not arbitrarily excluded. Each AA is described below.

### MSA AA

Demographic Information for Full-Scope Area: Lorain, Cuyahoga, and Medina Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs/BNAs)	557	18.49	23.16	33.21	24.24	0.90
Population by Geography	1,753,810	12.06	19.33	36.48	32.12	0.01
Owner-Occupied Housing by Geography	473,515	6.81	15.68	40.26	37.23	0.01
Family Distribution by Income Level	447,501	11.10	18.35	36.74	33.82	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	181,573	22.09	27.65	33.92	16.34	0.01
Median Family Income for 2016 HUD Adjusted Median Family Income for 2016 Households Below the Poverty Level	= \$62,627 = \$66,600 = 14.44 %	Median Housing Value = \$145,798 Unemployment Rate = 5.29%				

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 U.S. Census, and 2016 U.S. Bureau of Labor Statistics

The MSA AA includes Lorain, Cuyahoga, and Medina Counties, which are part of the Cleveland-Elyria Ohio, MSA. The AA is comprised of 557 CTs that include 103 low-income, 129 moderate-income, 185 middle-income, and 135 upper-income CTs.

The MSA AA is First Federal's primary AA. The bank has four branches with deposit-taking automatic teller machines (ATMs) located in Lorain County. Based on the June 30, 2016 FDIC Deposit Market Share Report, 72.01 percent of the bank's total deposits are within the AA. Additionally, the bank originated or purchased a majority of its home loans within the MSA AA. According to 2015 and 2016 combined HDMA data, the bank originated or purchased 63.43 percent of its loans by dollar amount and 63.13 percent of loans by number within the AA.

According to the 2010 United States (US) Census data, the combined population of the AA consists of 1,753,810 people, including 447,501 families and 717,625 households. The AA is comprised of 23.14 percent low-income, 17.43 percent moderate-income, 20.16 percent middle-income, and 39.27 percent upper-income families. The majority

of owner-occupied housing and families are located in middle- or upper-income CT within the AA.

Competition within the AA is high. Based on the June 30, 2016 FDIC Deposit Market Share Report, there are 31 institutions operating 558 offices within the AA's market. Within the AA, First Federal of Lorain is ranked 17<sup>th</sup> out of 31 institutions with 5.76 percent of the market share. In addition, based on 2016 peer aggregate mortgage lending, there were 479 lenders that originated home purchase and home refinance loans within the AA. First Federal was ranked 46<sup>th</sup> with .43 percent of the market.

The AA has experienced weakened economic conditions and higher unemployment compared to the State of Ohio. However, unemployment has improved since the last evaluation in 2014. Unemployment levels within the AA in 2015 and 2016 averaged 5.00 and 5.29 percent, respectively. In comparison, the unemployment levels for the State of Ohio were 4.90 percent and 4.97 percent, respectively. The higher unemployment rates within the AA was primarily due to a decrease in factory jobs; however, the loss of manufacturing jobs was slightly offset by the increase in healthcare jobs. The five largest employers within the AA include Cleveland Clinic, University Hospital, Progressive Corporation, Giant Eagle Inc., and MetroHealth System.

We conducted one community contact and utilized information from another community contact during our evaluation. Each of the two community contacts service the MSA AA, and are focused on providing affordable housing and social services to low- and moderate-income families and individuals. The organizations each indicated that the economy in the area has improved. However, quality-paying jobs have not returned, especially in low-income areas. The contacts mentioned that banks no longer develop a relationship with their customers and believes they should. They stated that there are opportunities for banks to participate in CD. The opportunities include establishing loans and down payment assistance programs for affordable housing, offering or volunteering for financial literacy programs, increased small business lending, donations to community assistance programs for low- and moderate-income individuals or areas, funding for financial education, volunteers for organizational Boards focused on CD, and small dollar loans.

## Non-MSA AA

Demographic Information for Full-Scope Area: Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (CTs/BNAs)	74	0.00	9.46	59.46	29.73	1.35
Population by Geography	295,822	0.00	8.83	60.48	30.69	0.00
Owner-Occupied Housing by Geography	89,942	0.00	7.33	59.65	33.02	0.00
Family Distribution by Income Level	82,331	16.23	17.19	21.79	44.80	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	27,512	0.00	13.19	64.12	22.69	0.00
Median Family Income = \$58,880			Median Housing Value = \$130,884			
FFIEC Adjusted Median Family Income for 2016 = \$55,400			Unemployment Rate <sup>1</sup>			
Households Below the Poverty Level = 11.31%			• Ottawa = 6.5%			
			• Erie = 5.5%			

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 U.S. Census, and 2016 U.S. Bureau of Labor Statistics

The bank's non-MSA AA consists of Erie, Huron, Ottawa, Sandusky, and Seneca Counties. The five counties are comprised of 74 CTs. There are no low-income tracts within the AA. However, there are seven moderate-income CTs, 44 middle-income CTs, 22 upper-income CTs, and 1 non-applicable CT.

The bank has three branches in the non-MSA AA, two in Erie County and one in Ottawa County. Based on the two branches in Erie County, one is located in an upper-income tract and the other is located in a moderate-income tract. The branch in Ottawa County is located in a middle-income tract. The bank's deposits in the non-MSA AA equal 28 percent of the bank's total deposits.

The non-MSA AA market is highly competitive. Based on the FDIC June 30, 2016 Deposit Market Share Report, the bank ranks 13<sup>th</sup> out of 22 banks in the Non-MSA AA with 2.24 percent market share, which doesn't include credit unions. In addition, based on 2016 peer aggregate mortgage lending, there were 292 lenders that originated home purchase and home refinance loans within the AA. First Federal was ranked 16<sup>th</sup> with 1.76 percent of the market.

The 2010 U.S. Census data indicates the AA's combined population equals 295,822 with 16.23 percent of families identified as low-income, 17.19 percent moderate-income, 21.79 percent middle-income, and 44.80 percent upper-income. The majority of owner-occupied housing and families are located in middle- or upper-income CTs within the AA.

The AA has experienced weakened economic conditions. The AA's unemployment rate equated to 5.6 percent versus the state average of 4.9 percent in 2016. In addition,

over a three-year period spanning from January 1, 2014 through December 31, 2016, the AA's average unemployment rate of 6.0 percent exceeded the state's average unemployment of 5.2 percent. According to the Erie County Economic Development Corporation, Erie County's largest employers are Cedar Fair, Firelands Regional Medical Center, Community Health Physicians, and the Ventra Corporation. The Ottawa County Improvement Corporation identifies some of the largest employers in Ottawa County as Davis Besse Nuclear Power Plant, Materion Brush, Inc., Magruder Hospital, United States Gypsum Company, and Fenner Dunlop.

We conducted two community contacts that service the non-MSA AA. The two organizations primary focus includes affordable housing and social services. The two contacts indicated that manufacturing employment has declined and resulted in the need for job creation initiatives, along with better paying jobs. This is consistent with information provided by contacts in the MSA AA. In addition, the two contacts indicated the need for funding of neighborhood revitalization and community development efforts.