

# **PUBLIC DISCLOSURE**

May 9, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Federal Community Bank  
630 Clarksville St  
Paris, TX 75460-5934  
Docket #: 00100**

**Office of Thrift Supervision  
Western Region  
225 East John Carpenter Freeway, Suite 500  
Irving, TX 75062-2326**

**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

*Western Region*

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June 29, 2011

Board of Directors  
First Federal Community Bank  
630 Clarksville St  
Paris, TX 75460-5934

OTS No. 00100

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 May 9, 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,

Bill M. Williams  
Assistant Director, Compliance

Enclosure

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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 Community Bank (First Federal or association). The Office of Thrift Supervision (OTS) prepared the evaluation as of May 9, 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:** **Satisfactory**  
**The Lending Test is rated:** **Satisfactory**  
**The Community Development Test is rated:** **Satisfactory**

First Federal Community Bank's "Satisfactory" rating is based primarily on its good volume of loan originations and good distribution of those loans among individuals and within geographies of differing income levels. First Federal's community development performance demonstrates adequate responsiveness.

First Federal's Lending Test performance is rated "Satisfactory."

- The lending levels reflect reasonable responsiveness to assessment area credit needs. First Federal originated \$84.0 million in residential mortgage loans during the review period.
- First Federal makes a substantial majority (85.4 percent) of its loans within its assessment area.
- The distribution of First Federal's loans among borrowers reflects reasonable penetration of customers of different income levels.
- The geographic distribution of First Federal's loans reflects reasonable penetration throughout its assessment area.
- First Federal did not receive any complaints regarding its CRA performance.

First Federal's Community Development Test performance is rated "Satisfactory."

- First Federal made one community development loan totaling \$100,000.
- First Federal made \$1.6 million in qualifying investments.
- First Federal provides an adequate level of community development services.

First Federal's CRA performance was last evaluated in February 2008, at which time the association was rated "Satisfactory."

### Scope of Examination

This evaluation of First Federal Community Bank's CRA performance is based on the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Institution CRA examination procedures. These procedures include a streamlined Lending Test and a Community Development Test for evaluating CRA performance. The Lending Test includes several evaluation criteria while the Community Development Test assesses the overall responsiveness of an

**Institution (continued)**

institution’s community development activities. Generally, the two tests are weighted equally in determining an institution’s overall CRA performance rating. This is an evaluation of First Federal’s overall CRA performance during the January 1, 2008 through December 31, 2010 review period in the association’s assessment area within the state of Texas.

**Description of Institution**

First Federal is a federally-chartered mutual savings association, headquartered in Paris, Texas. First Federal maintains four branch offices.

As of December 31, 2010, First Federal reported total assets of \$357.1 million, total liabilities of \$326.3 million, and total capital of \$30.8 million. At that time, major categories of assets were as follows:

<b>Major Components of Total Assets As of December 31, 2010</b>		
<b>Asset Type</b>	<b>Amount (\$000s)</b>	<b>% of Total Assets</b>
<b>Permanent Mortgage Loans</b>		
- Single Family	193,420	54.2
- Multifamily	9,583	2.7
- Nonresidential and Land	50,188	14.1
<b>Construction Mortgage Loans:</b>		
- Single Family Construction	1,775	0.5
- Nonresidential Construction	32	0.0
<b>Commercial Loans</b>	23,931	6.7
<b>Consumer Loans</b>	20,483	5.7
<b>Investments</b>		
- Mortgage Backed Securities	648	0.2
- US Gov't/Agency Securities	6,515	1.8
<b>Interest Earning Deposits</b>	6,326	1.8
<b>Cash/Non-Interest Earning Deposits</b>	2,767	0.8

First Federal originates single-family (one-to-four unit) residential mortgage loans, non-mortgage commercial loans, and consumer loans. During the 36-month review period, First Federal reported \$154.1 million in residential, nonresidential, and construction mortgage originations. First Federal granted \$114.2 million in non-mortgage commercial and consumer loan originations. The following table illustrates First Federal’s lending activity by year by loan product.

**Institution (continued)**

Mortgage Origination Activity **									
Percent of Total Assets									
Loan Type	2010			2009			2008		
	Inst.	Wst Rgn Peer*	Pct Ranking	Inst.	Wst Rgn Peer*	Pct Ranking	Inst.	Wst Rgn Peer*	Pct Ranking
1-4 Construction	0.9	0.8	53	2.9	0.9	80	5.5	1.7	87
Non-Residential Construction	0.2	0.1	64	2.2	0.1	96	0.5	0.4	58
1-4 Permanent Mortgage	6.2	9.0	34	8.2	11.8	32	8.3	9.7	39
Non-Residential Permanent Mortgage	0.7	1.4	42	3.1	1.7	66	3.0	2.6	53
Land	0.7	0.1	86	0.5	0.1	75	0.7	0.3	63
Total Originations	8.7	13.1	25	17.5	18.0	46	18.9	19.8	46
Purchased Loans	0.0	0.0	31	1.4	0.0	78	1.8	0.0	81
Commercial Loans	4.1	1.1	76	4.7	1.2	78	10.0	2.0	85
Consumer Loans	4.9	0.3	94	4.7	0.4	92	5.0	0.5	89

\* OTS peer group median for thrift institutions with assets between \$300.0 million and \$1.0 billion.

\*\* This information is compiled pursuant to OTS reporting instructions, and therefore, does not exactly correspond to information on reportable lending used in the balance of this evaluation. It is provided to give an overall profile of the association’s total credit activity during the review period.

As of December 31, 2010, First Federal had a good record of meeting the credit and deposit needs of its assessment area. During the 36-month review period, First Federal originated \$84.0 million in residential mortgage loans and held \$306.9 million in deposits within its four branch offices serving its assessment area. Based on the Federal Deposit Insurance Corporation’s June 30, 2010 deposit market share report, First Federal ranked second out of 15 banks and savings and loans in Lamar, Red River, and Titus Counties with a market share of 19.0 percent.

**Description of Texas Assessment Area**

An assessment area is a geographic area wherein CRA performance is measured. These geographies must include the association’s branch offices and deposit-taking automated teller machines. In addition, the assessment area boundaries must follow the boundaries of contiguous political subdivisions, such as counties, cities, or towns. In the case of this analysis, assessment area designations follow county boundaries.

First Federal serves northeastern Texas and this assessment area covers Lamar, Red River, and Titus Counties. As of the 2010 Census, the population of this assessment area was 94,987, an increase of 6.2 percent since the 2000 Census. Lamar, Red River, and Titus Counties, combined, houses 0.3 percent of the population of Texas.

The 2010 Housing and Urban Development (HUD) Updated Median Family Income for non-metropolitan counties in Texas is \$46,500, an increase of 27.8 percent since the 2000 Census. There

**Institution (continued)**

are 23 census tracts in this assessment area. Five census tracts are designated as moderate-income; 14 census tracts are middle-income; and four census tracts are upper-income. There are no low-income census tracts in this assessment area. According to the 2000 Census, low- and moderate-income families make up 37.8 percent of the families residing in Lamar, Red River, or Titus Counties and 15.9 percent of all families live within moderate-income census tracts. Economic conditions deteriorated during the review period. According to the Bureau of Labor Statistics (BLS), the average annual unemployment rate for the three county assessment area was 5.3 percent in 2008 and rose to 7.7 percent in 2009. For 2010, the average unemployment rate increased to 8.8 percent.

The following table provides additional information about the demographics of First Federal’s assessment area.

Demographic Information for Full Scope Area: FFC TX AA (2010)					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	23	0.00	21.74	60.87	17.39
Population by Geography	90,931	0.00	18.40	50.45	31.16
Owner-Occupied Housing by Geography	24,104	0.00	12.10	53.80	34.10
Business by Geography	7,455	0.00	23.82	42.45	33.723
Farms by Geography	325	0.00	9.23	55.69	35.08
Family Distribution by Income Level	24,919	20.74	17.01	21.24	41.021
Distribution of Low and Moderate Income Families throughout AA Geographies	9,406	0.00	24.92	52.36	22.72
Median Family Income		36,380	Median Housing Value		53,964
HUD Adjusted Median Family Income for 2010		46,500	Unemployment Rate (2000 US Census)		2.52%
Households Below Poverty Level		17%			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2010 HUD updated MFI

The mortgage payment on a loan for 90.0 percent of a median priced home at 6.0 percent per annum for 30 years plus private mortgage insurance but excluding hazards insurance and property taxes ranges between 7.6 percent of the 2009 area median family income in Red River County to 12.4 percent in Titus County. Housing costs below 30.0 percent of the median family income are generally considered affordable. The following table illustrates the general affordability of housing in First Federal’s assessment area based on the median value of owner-occupied housing units for each county.

**Institution (continued)**

<b>Mortgage Payment as a Percentage of Area Median Family Income</b>				
<b>County</b>	<b>Median Home Value *</b>	<b>Median Family Income **</b>	<b>Mortgage Payment as a percent of MFI</b>	<b>Homeownership Rate ***</b>
<b>Lamar</b>	77,800	45,600	11.0	69.1
<b>Red River</b>	53,800	45,600	7.6	67.4
<b>Titus</b>	87,300	45,600	12.4	68.2

\* 2005-2009 median value of owner-occupied housing units.  
 \*\* HUD-Updated Median family income as of the 2009.  
 \*\*\* 2005-2009 Census averages.

**Conclusions with Respect to Performance Tests**

Please refer to the “Institution’s CRA Rating” section of this report for our conclusions regarding First Federal’s overall performance under each test. The following sections of this evaluation present quantitative and qualitative data used in completing this performance evaluation and to support our conclusions.

**Lending Test**

**LOAN-TO-DEPOSIT RATIO AND OTHER LENDING RELATED ACTIVITIES**

**Loan-to-Deposit Ratio**

- With an average loan-to-deposit ratio of 102.1 percent during the review period, First Federal maintained a reasonable loan-to-deposit ratio.
- First Federal’s loan-to-deposit ratio has historically been above that of its OTS asset-size peer group median.

The following table summarizes First Federal’s quarterly loan-to-deposit ratio between December 31, 2008 and September 30, 2010.

***Institution (continued)***

<b>Loan-To-Deposit Ratio</b>									
<b>At Recent Quarter Ends During-Review Period</b>									
<b>Quarterly Period</b>	<b>9/30/10</b>	<b>6/30/10</b>	<b>3/31/10</b>	<b>12/31/09</b>	<b>9/30/09</b>	<b>6/30/09</b>	<b>3/31/09</b>	<b>12/31/08</b>	<b>Average</b>
Loans (\$000s)	304,845	306,719	305,809	305,414	299,914	296,979	293,360	297,575	301,327
Deposits (\$000s)	302,162	296,894	294,021	298,061	300,302	291,008	292,651	286,653	295,219
LTD Ratio	100.9	103.3	104.0	102.5	99.9	102.1	100.2	103.8	102.1
Peer Group *	90.0	90.6	88.9	93.6	95.5	96.8	98.4	103.4	na
Percentile of Peer	74	78	75	70	59	60	52	51	na

\* Peer Median represents the median loan-to-deposit ratio for thrift institutions with total assets between \$300.0 million and \$1.0 billion.

Lending Activity

Due to its rural/non-metropolitan area location, First Federal is not subject to the mortgage loan reporting requirements of the Home Mortgage Disclosure Act (HMDA). However, First Federal maintains a register of loans that it originates and has provided these records to enable our evaluation of its CRA performance. We identified residential mortgage loans originated by First Federal that would otherwise be reportable for HMDA disclosure purposes and analyzed these loans for this evaluation.

- During the review period, First Federal originated 1,025 residential mortgage loans for \$84.0 million in its assessment area. This lending activity represented 27.4 percent of branch deposits as of December 31, 2010.
- Since First Federal is not a HMDA reporter, we extrapolated the association’s market share of HMDA-reportable loans. If First Federal had reported its HMDA-reportable loans, the association would have ranked approximately second among 100 HMDA lenders originating residential mortgage loans in Lamar, Red River, or Titus Counties in 2009. First Federal’s mortgage loan market share was 28.5 percent of the number of such loans originated in 2009.

ASSESSMENT AREA CONCENTRATION

A substantial majority (85.4 percent) of First Federal’s loans were granted within First Federal’s assessment area. The table below illustrates the ratio of loans granted within Lamar, Red River, and Titus Counties compared to total lending during the review period.

**Institution (continued)**

<b>Assessment Area Concentration</b>						
<b>Lending Reported between 1/1/08 –12/31/10</b>						
<b>Review Period</b>	<b>Number of Loans</b>			<b>Dollar Amount (\$000)</b>		
	<b>Assessment Area Lending</b>	<b>Total Lending</b>	<b>Ratio of AA to Total</b>	<b>Assessment Area Lending</b>	<b>Total Lending</b>	<b>Ratio of AA to Total</b>
<b>All HMDA Lending</b>	<b>1,025</b>	<b>1,200</b>	<b>85.4</b>	<b>83,971</b>	<b>102,120</b>	<b>82.2</b>

LENDING TO BORROWERS OF DIFFERENT INCOMES

- First Federal granted 204 residential mortgage loans totaling \$10.1 million to low- and moderate-income borrowers during the review period in its assessment area.
- First Federal’s lending to low- and moderate-income borrowers represented 19.9 percent of its total residential mortgage lending compared to 23.6 percent for the 2009 HMDA aggregate.
- If First Federal had reported its residential mortgage loans, the association would have ranked about second out of 38 HMDA lenders originating loans to low- and moderate-income borrowers in Lamar, Red River, and Titus Counties with a market share of 27.8 percent.
- First Federal granted 28 residential mortgage loans totaling \$1.3 million to low-income borrowers.
- First Federal’s lending to low-income borrowers represented 2.7 percent of its total residential mortgage lending compared to 5.9 percent for the 2009 HMDA aggregate.
- First Federal would have ranked third out of 19 HMDA lenders originating loans to low-income borrowers in its assessment area with a market share of 8.6 percent in 2009.

The following table illustrates the distribution of First Federal’s residential mortgage lending among borrowers of differing income levels compared to the 2009 HMDA aggregate lending results:

<b>Lamar County, Red River County, and Titus County Assessment Area</b>					
<b>Income Level</b>	<b>Demographics % Families</b>	<b>First Federal</b>			<b>2009 HMDA % of #</b>
		<b>#</b>	<b>% #</b>	<b>\$</b>	
Low	20.7	28	2.7	1,312	5.9
Moderate	17.0	176	17.2	8,751	17.7
<b>Low &amp; Moderate</b>	<b>37.7</b>	<b>204</b>	<b>19.9</b>	<b>10,063</b>	<b>23.6</b>
Middle	21.2	133	13.0	8,230	20.7
Upper	41.1	672	65.6	64,412	47.6
NA	0.0	16	1.5	1,266	8.1
<b>Total</b>	<b>100.0</b>	<b>1,025</b>	<b>100.0</b>	<b>83,971</b>	<b>100.0</b>

***Institution (continued)***

GEOGRAPHIC DISTRIBUTION OF LOANS

- First Federal originated 108 residential mortgage loans totaling \$5.5 million within moderate-income census tracts. There are no low-income census tracts in Lamar, Red River, or Titus Counties.
- First Federal’s lending within moderate-income census tracts represented 10.5 percent of its total residential mortgage lending compared to 10.1 percent for the 2009 HMDA aggregate.
- If First Federal had reported its residential mortgage loans, the association would have ranked about second out of 19 HMDA lenders originating loans within moderate-income census tracts in Lamar, Red River, and Titus Counties with a market share of 27.8 percent.

The following table illustrates the distribution of First Federal’s residential mortgage lending within geographies of differing income levels compared to the 2009 HMDA aggregate lending results:

<b>Lamar County, Red River County, and Titus County Assessment Area</b>					
<b>Income Level</b>	<b>Demographics % Tracts</b>	<b>First Federal</b>			<b>2009 HMDA % of #</b>
		<b>#</b>	<b>% #</b>	<b>\$</b>	
Low	0.0	0	0.0	0	0.0
Moderate	21.7	108	10.5	5,500	10.1
<b>Low &amp; Moderate</b>	<b>21.7</b>	<b>108</b>	<b>10.5</b>	<b>5,500</b>	<b>10.1</b>
Middle	60.9	378	36.9	28,092	44.9
Upper	17.4	539	52.6	50,379	45.0
NA	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>1,025</b>	<b>100.0</b>	<b>83,971</b>	<b>100.0</b>

RESPONSE TO COMPLAINTS

First Federal did not receive any CRA-related complaints during the review period.

**Community Development Test**

A community development activity is a loan, investment, or service that has community development as its primary purpose. The CRA regulation defines community development as: (1) the provision of affordable housing for low- and moderate-income individuals; (2) community services targeted to low- and moderate-income individuals; (3) activities that promote economic development by financing small businesses or small farms; or (4) activities that revitalize and stabilize low- and moderate-income geographies, distressed or underserved non-metropolitan middle-income geographies, or designated disaster areas.

## ***Institution (continued)***

During the review period, First Federal demonstrated adequate responsiveness to the community development needs of its assessment area. First Federal is very active in offering both financial support and services to a variety of community organizations within its assessment area. Many of these organizations; however, serve the community too broadly to meet the definition of a community development organization. Nevertheless, First Federal's commitment to its assessment area's social as well as credit needs is commendable. For purposes of this evaluation, CRA credit can only be given to activities that meet the definition of community development, as defined above. First Federal's community development activities are as follows.

### Community Development Investments

During the review period, First Federal made investments and grants totaling \$1.6 million to several organizations for the purpose of community development. These organizations serve social needs of low- and moderate-income or at-risk children and families, including daycare; provide access to affordable housing; or provide college scholarships for low- and moderate-income students. First Federal's qualifying investments include the following:

- First Federal purchased a \$1.5 million participation in a bond issued by Titus County Regional Medical Center. The purpose of the bond to fund improvements to the hospital. The hospital serves Titus County and northeast Texas and is the only hospital in the county. Additionally, the hospital is located in a moderate-income census tract that houses a substantial minority population.
- Each year First Federal offers \$2,000 college scholarships to high school students in need of financial aid. Students from each local high school district are eligible for these scholarships based on financial need not met by other sources. During the review period, First Federal granted \$66,000 in scholarship funds.
- First Federal made \$52,150 in charitable donations to qualifying organizations. Listed below are examples of the types of organizations served by First Federal and represent the only the largest recipients of its grant activity.
  - United Way (\$25,500) – United Way serves as a funding conduit to charitable organizations throughout its assessment area, including many community development organizations.
  - Paris Living Community Development Corp. (\$10,000) – Promotes affordable housing and homeownership for low- and moderate-income individuals.
  - Clarksville Food Pantry (\$5,000) – Distributes food to the needy.
  - Greater Paris Development Corporation - (\$4,000) – Promotes community and neighborhood development.
  - Big Brother/Big Sister (\$1,000) – Matches caring adults with children in need of positive stable role models. The impact of its mentoring mission is more confident

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### ***Institution (continued)***

children, who perform better in school, build better relationships friends and family, and are more likely to avoid drugs.

- Junior Achievement (\$1,000) – Provides financial literacy and basic banking education to elementary through high school students.
- Habitat for Humanity (\$1,000) - Creates affordable home buying opportunities for low- and moderate-income families by developing or rehabilitating housing with the use of donated materials and volunteer builders, including the selected homebuyer. Also provides no interest financing and homebuyer education.

### Community Development Loans

First Federal granted a \$100,000 line of credit to Paris Living Community Development Corporation (PLCDC). PLCDC promotes affordable housing for low-income first-time homebuyers. The purpose of this line of credit is to provide down payment assistance to low- and moderate-income individuals. In partnership with PLCDC, First Federal provides first trust deed mortgages to eligible homebuyers.

### Community Development Services

First Federal staff, as representatives of First Federal Community Bank provided financial services that included board membership, fundraising efforts, and the facilitation of grant awards from the Federal Home Loan Bank of Dallas (Dallas FHLB). These organizations serve low- and moderate-income or at risk children or promote affordable housing and economic development. Listed below are service activities offered by First Federal that are considered community development services:

- First Federal participates in the FHLB Dallas' Partnership Grant Program (PGP). PGP is a grant program designed to provide funds for operational needs of community development organizations. Member banks, such as First Federal, sponsor qualifying organizations to receive grants up to \$15,000. In both 2009 and 2010, First Federal sponsored Paris Living Community Development Corp. and PLCDC was awarded \$10,000 each year. As mentioned under investments, First Federal matched each PGP award with a \$5,000 grant of its own.
- First Federal also participates in the Dallas FHLB's Homebuyer Equity Leverage Participation Program (HELP). HELP provides down-payment assistance grants to eligible first-time homebuyers. First Federal qualifies the borrower and requests HELP funds on behalf of the borrower.
- First Federal staff served on the Board of Directors of Big Brothers/Big Sisters.
- Each year First Federal participates in fundraising efforts for organizations such as Boys & Girls Club and Paris Education Fund. Paris Education Fund provides college scholarships to students in need of financial assistance.

***Institution (continued)***

- First Federal staff members serve on boards of several local economic development organizations throughout its assessment area.

**Fair Lending or Other Illegal Credit Practices Review**

Our review of First Federal's compliance with the substantive provisions of anti-discrimination laws and regulations did not reveal any patterns or practices of discrimination or use of other illegal credit practices. First Federal has established policies and procedures related to fair lending.

## **Appendix A**

### **Scope of Examination**

This evaluation of First Federal Community Bank's Community Reinvestment Act (CRA) performance covers a review period of January 1, 2008 through December 31, 2010.

Our evaluation of the institution's lending performance included a review of loans originated by the institution for the purchase or refinance of one- to- four family and multifamily residential properties as well as home improvement loans. For comparative information, this evaluation included a review of publicly reported residential lending for the institution and other lenders in First Federal's assessment area. The institution's lending results were compared with Home Mortgage Disclosure Act (HMDA) aggregate lending results for 2009, which includes market share information and distributions of credit activity by area- and borrower-income levels. Lending results were also compared to the 2000 U.S. Census demographic information.

We reviewed lending and financial information from the Thrift Financial Reports (TFRs) and Uniform Thrift Performance Reports (UTPRs) regarding the institution's performance and that of its asset-size peer group (OTS-regulated institutions with total assets between \$300.0 million and \$1.0 billion). In addition, we reviewed internal reports prepared by the institution regarding loan originations and distributions.

Participations in community development loans, including the institution's involvement and details of the specific projects or transactions, were also reviewed. Evaluation of the institution's community development investment performance included a review of the institution's reports of investments made during the review period; information regarding the composition of the institution's investment portfolio; and corporate contributions and grants made to community development organizations by the institution. We also reviewed information regarding services offered by the institution to determine whether these services met the regulatory definition of "community development services," including information obtained from involved organizations.

We reviewed information regarding the location, hours, and services provided at each of the institution's branch offices; reports of deposits at each of the institution's branches; information regarding alternative delivery systems; and any additional financial services provided by the institution. We reviewed the geographic distribution of the institution's branch offices, including the income level of the census tract in which each is located, and records regarding the opening, closing, purchase, or relocation of the institution's branch offices.

To obtain demographic, economic, business, and property-use information for the assessment area, we reviewed information from the 2000 U.S. Census. We also reviewed more current information, including updated population estimates and housing information from the U.S. Census Bureau,

**Appendix A (continued)**

updated income information from the U.S. Department of Housing and Urban Development (HUD) as of 2010, and recent employment and income data for 2008 through 2010 from the U.S. Bureau of Labor Statistics (BLS).

Finally, inasmuch as we did not identify any discriminatory lending policies or practices, this CRA evaluation was not negatively affected by its fair lending performance.

**Appendix B**

Summary of State and Multistate Metropolitan Area Ratings

<b>State or Multistate Metropolitan Area Name</b>	<b>Lending Test Rating</b>	<b>Community Development Test Rating</b>	<b>Overall State Rating</b>
Lamar, Red River, and Titus Counties, combined	Satisfactory	Satisfactory	Satisfactory

## **CRA Rating Definitions**

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; 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, service, and community development 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.