

# **PUBLIC DISCLOSURE**

May 31, 2011

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First FS & LA of Lorain  
3721 Oberlin Ave  
Lorain, OH 44053-2761  
Docket #: 04171**

**Office of Thrift Supervision  
Central Region  
1 South Wacker Drive, Suite 2000  
Chicago, IL 60606**

**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

Central Region

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June 24, 2011

Board of Directors  
First FS & LA of Lorain  
3721 Oberlin Ave  
Lorain, OH 44053-2761

OTS No. 4171

Dear Board Members:

Enclosed is your institution's first written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of May 31, 2011. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), your institution must make this evaluation and your institution's CRA rating available to the public.

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,

Georgia Chisolm  
Assistant Director, Compliance

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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 FS & LA of Lorain. The Office of Thrift Supervision (OTS) prepared the evaluation as of August 18, 1989. 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**

This CRA evaluation disclosed that First Federal Savings & Loan Association of Lorain's (First Federal) record of serving the community credit needs of its entire community met the standards for satisfactory performance. The loan to deposit ratio was excellent and the majority of mortgage loans were secured by properties, or made to borrowers, in its assessment areas. Overall, First Federal's lending in low- and moderate-income (LMI) census tracts (CTs) compared favorably with demographic and peer benchmarks. However, we noted a marginally acceptable performance with respect to the institution's record of lending to LMI individuals within its assessment areas.

First Federal's community development performance demonstrates good responsiveness to the community development needs of its assessment areas as appropriate considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas. First Federal provided an excellent level of community development services benefiting LMI individuals and families within its assessment areas, and the institution's volume of qualified investments was good. The institution did not originate any qualifying community development loans during the review period.

The institution offers a range of deposit products, including low cost checking and savings accounts which are available at all of the institution's branch offices. First Federal is also active in assisting struggling borrowers with loan modifications to help them avoid foreclosure.

### **Scope of Examination**

First Federal's CRA performance was evaluated under OTS regulations for intermediate small savings associations (ISSA) which became effective July 1, 2007. ISSA are defined as institutions with total assets of at least \$280 million and less than \$1.122 billion as of December 31, for the preceding two calendar years. Under these regulations, ISSA's are evaluated under two tests: the lending test administered for small institutions and a community development test.

For the lending test, the current evaluation covers HMDA-reportable lending from January 1, 2008 through December 31, 2010. The institution's community development activities were evaluated from December 3, 2007 (date of the prior evaluation) through May 31, 2011 (date of this evaluation).

**Institution (continued)**

**Description of Institution**

First Federal is a federal chartered mutual savings and loan association, with \$474 million in total assets as of March 31, 2011. Total assets increased by \$72.5 million, or 18.1 percent, since December 31, 2007. Below is a comparison of the institution’s balance sheet composition during the review period. The table compares major assets components between December 31, 2007 and March 31, 2011.

<b>Major Components of Total Assets</b>				
<b>ASSET TYPE</b>	<b>March 31, 2011</b>		<b>December 31, 2007</b>	
	<b>\$ AMOUNT (000)</b>	<b>% OF TOTAL ASSETS</b>	<b>\$ AMOUNT (000)</b>	<b>% OF TOTAL ASSETS</b>
Cash & Investment Securities	\$64,217	13.5%	\$59,649	14.9%
Residential Construction Mortgage	8,032	1.7%	8,035	2.0%
1-4 Permanent Mortgage	343,752	72.5%	279,214	69.5%
Multi-Family Permanent Mort.	13,992	2.9%	9,879	2.5%
Nonresidential Permanent Mortgage	4,429	0.9%	10,658	2.7%
Land Permanent Mortgage	6,971	1.5%	4,716	1.2%
Non-Mortgage Loans	1,579	0.3%	2,461	0.6%
<b>Total Loans (Net)</b>	<b>\$377,490</b>	<b>79.6%</b>	<b>\$316,232</b>	<b>78.7%</b>
<b>Total Assets</b>	<b>\$474,094</b>	<b>100.0%</b>	<b>\$401,578</b>	<b>100.0%</b>

First Federal continued to pursue a growth strategy involving residential mortgage loans during the review period. Asset growth is attributed primarily to these originations. Management indicated that the institution will continue to pursue this strategy going forward. However, management took steps during the review period to limit non-owner occupied single family mortgages due to perceived risks of these products and to help better manage this emerging concentration. Management also reduced nonresidential mortgage lending for the same reasons.

First Federal conducts operations from its seven branch offices throughout Lorain, Erie, and Ottawa Counties, Ohio. The institution is principally engaged in the business of accepting deposits from the general public in the areas surrounding its offices and using those deposits to make conventional mortgage loans. Loans are available for the purchase, refinance, or construction of residential property and all originations are retained within the institution’s portfolio. First Federal does not offer any government-sponsored mortgage products. While the institution offers financing for non-residential mortgages and consumer loans, the institution does not heavily market these products to

**Institution (continued)**

the public. First Federal also offers a full range of deposit products, which include checking, savings, and certificates of deposit. The table below lists the branch locations and the geography in which each branch is located.

Office Location by Tract Type	
Office Location	Tract Type
Oberlin Ave. Lorain, Lorain County, OH	Middle-Income
Park Ave., Amherst, Lorain County, OH	Middle-Income
E.42 St., Lorain, Lorain County, OH	Moderate-Income
Detroit Ave, Avon, Lorain County, OH	Upper-Income
Main St., Huron, Erie County, OH	Upper-Income
Washington Way, Sandusky, Erie County, OH	Moderate-Income
E Perry St. Port Clinton, Ottawa County, OH	Middle-Income

In January 2010, the institution closed a branch (Broadway) within a moderate-income CT in Lorain County. However, the institution has two other branches in close proximity of LMI communities within Lorain County.

The institution was assigned a rating of “Satisfactory” in its prior CRA Performance Evaluation.

**Description of Assessment Areas**

First Federal has two separate assessment areas that include the political subdivisions where the institution’s seven branch offices are located. The assessment areas contain portions of Lorain, Erie, and Ottawa Counties, Ohio. Both designated areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income census tracts. The assessment areas are discussed in detail below.

Lorain County Assessment Area

First Federal operates its main office and three branch offices in Lorain County which is located in the Cleveland-Elyria-Mentor, Ohio Metropolitan Statistical Area (MSA). This assessment area consists of 56 contiguous CTs in the northern portion of Lorain County, Ohio. The delineation is representative of the communities to which it serves: the cities of Lorain, Amherst, South Amherst, Sheffield, Sheffield Lake, Avon, Avon Lake, and Elyria. Lorain County borders Lake Erie and shares the western border of Cuyahoga County, where the city of Cleveland is located. The local economy continues to be influenced by manufacturing, sales, and state and local employment sectors. The major employers are Ford Motor Company and Mercy Regional Medical Center, as well as numerous medical, municipal, federal, and educational systems. However, the county faced

***Institution (continued)***

increasing unemployment rates during the review period. The unemployment rate for Lorain County, OH increased from 6.5 percent in December 2007 to 9.7 percent in January 2011.<sup>a</sup>

The institution encounters substantial competition from several other financial institutions within Lorain County. According to information obtained from the Federal Deposit Insurance Corporation (FDIC), as of June 30, 2010, there were 18 federally insured depository institutions with 92 branches, holding \$3.7 billion in deposits, located in Lorain County. FirstMerit Bank, N.A. and Lorain National Bank held 22.4 percent and 22.3 percent, respectively, of the deposit market share in the county. In comparison, First Federal’s market share of deposits was 7.3 percent. In addition, the county includes other larger super-regional or national institutions, such as PNC Bank, N.A. and Fifth Third Bank. FirstMerit Bank, N.A. has the largest branch network in the county with 17 branches.

Community contact interviews conducted with two agencies located in Lorain County were considered as part of this evaluation. One contact noted that economic conditions in the assessment area deteriorated during the review period. In addition, the area continues to be plagued with a high level of foreclosures and vacant homes which contributed to declining home values. Local institutions have tightened their credit standards and obtaining financing might prove difficult for those residents with marginal, but acceptable, credit histories. The second contact noted that the level of need for community development services was great, and the capacity of local non-profit community development and social service agencies was adequate.

To evaluate First Federal’s performance within this assessment area, we grouped the demographic information (based on the 2000 Census) for the assessment area into four categories: low-, moderate-, middle-, and upper-income. Utilizing these definitions, the following table outlines selected demographic information. The table shows the number of census tracts by type, population subtotals in each type of census tract, the number of families by type, and the distribution of owner-occupied housing units (OOHUs) in each type of census tract.

Lorain County AA Selected Demographics								
Income Category	Census Tracts	%	Population by Tract Type	%	# of Families	%	OOHUs by Tract Type	%
Low	3	5.4%	7,323	3.5%	1,783	3.2%	851	1.5%
Moderate	19	33.9%	64,109	30.7%	16,423	29.4%	14,080	25.2%
Middle	26	46.4%	98,126	47.0%	27,058	48.4%	29,178	52.2%
Upper	8	14.3%	39,094	18.8%	10,596	19.0%	11,805	21.1%
Totals	56	100.0%	208,652	100.0%	55,860	100.0%	55,914	100.0%

<sup>a</sup> All unemployment data was obtained from the Bureau of Labor Statistics (BLS)

***Institution (continued)***

Erie Islands Assessment Area

The Erie Islands assessment area comprises of 18 CTs located in Erie and Ottawa Counties, Ohio, a contiguous area that borders Lake Erie in northwest Ohio. This area includes the communities of Huron, Sandusky, and Port Clinton. First Federal operates 2 branch offices in Erie County and another branch in Ottawa County. Erie County comprises the Sandusky MSA and Ottawa County is apart of the Toledo MSA. For purposes of this evaluation, we combined areas in Erie and Ottawa Counties into one assessment area. Generally, areas in different MSAs are not included in the same assessment area. However, the combination of these two counties is considered reasonable because both counties are largely rural, are located in the heart of Ohio’s Lake Erie Island region, have comparable demographics, and do not contain any low-income geographies. This assessment area’s economy continues to be influenced by manufacturing and tourism. The major employers are Cedar Point (an amusement park in Sandusky), Kyklos Bearing International, and Kalahari Resort. Both counties have experienced job losses during the review period. Most notably, the unemployment rate for Ottawa County, Ohio increased from 9 percent in December 2007 to 18.9 percent in January 2011. Erie County also reported an increase in unemployment, as the unemployment rate was 10.9 percent in January 2011 compared to a rate of 7.2 percent in December 2007.

First Federal also encounters substantial competition from several other financial institutions within the counties representing the Erie Islands assessment area. According to information obtained from the FDIC, as of June 30, 2010, there were 17 federally insured depository institutions with 51 branches, holding 1.7 billion in deposits, located within both counties. Citizens Banking Company and KeyBank, N.A. held 22.7 percent and 16.1 percent, respectively, of the deposit market share in the assessment area. In comparison, First Federal’s market share of deposits was only 5.9 percent. In addition, the area includes other larger super-regional or national institutions, such as Huntington National Bank and PNC Bank, N.A. Citizens Banking Company has the largest branch network in the assessment area with 7 branches.

As described in the previous section, we utilized the following demographic data to help evaluate First Federal’s performance within the Erie Islands Assessment Area. The data is presented in the table below. As indicated below, this assessment area does not have a designated low-income CT.

Erie Islands AA Selected Demographics								
Income Category	Census Tracts	%	Population by Tract Type	%	# of Families	%	OOHUs by Tract Type	%
Moderate	5	27.8%	19,217	27.8%	4,848	25.7%	4,244	21.2%
Middle	10	55.5%	38,479	55.7%	10,725	56.9%	12,113	60.6%
Upper	3	16.7%	11,417	16.5%	3,274	17.4%	3,626	18.2%
Totals	18	100.0%	69,113	100.0%	18,847	100.0%	19,983	100.0%

***Institution (continued)***

**Conclusions With Respect To Performance Tests**

**LENDING TEST**

Loan-to-Deposit Ratio (LTD)

Information compiled from the OTS Thrift Financial Reports disclosed that First Federal's quarterly LTD ratio averaged 102 percent over the 12 quarters ended December 31, 2010. This percentage is higher than the average LTD ratio of 95.4 percent during the same period for similarly sized OTS-regulated savings associations. In addition, the institution has improved its average loan-to-deposit ratio from the preceding CRA evaluation wherein First Federal's average ratio was 88.9 percent. When compared to First Federal's peers, their LTD ratio is excellent and exceeds the standards of satisfactory performance.

Lending Concentration

From analysis of First Federal's Loan/Application Registers (L/ARs) from calendar years 2008 through 2010, the examiner determined that 76.2 percent of the mortgage loans originated by the institution were secured by properties located within the assessment areas. The results of this analysis are reflected in the table below:

<b>2008-2010 HMDA-REPORTABLE ASSESSMENT AREA CONCENTRATION</b>				
	<b>Number</b>	<b>% Number</b>	<b>Dollar Volume (\$000)</b>	<b>% Dollar</b>
Lending Inside AA	964	76.2%	\$119,742	72.5%
Lending Outside AA	301	23.8%	45,337	27.5%
TOTAL	1,265	100.0%	\$165,079	100.0%

Considering the high concentration of lending inside the assessment areas, we concluded that First Federal exceeds the standards of satisfactory performance.

Geographic Distribution of Loans

We reviewed First Federal's HMDA-reportable loan application records to determine the geographic distribution of mortgage loans originated by the institution within each assessment area during calendar years 2008, 2009, and 2010. These distributions were compared to peer and demographic benchmarks in each individual assessment area as documented below:

**Institution (continued)**

*Lorain County Assessment Area*

The geographic distribution of mortgage loans within this assessment area was compared to the distribution of O.O.H.U.s<sup>b</sup> throughout the assessment area’s low-, moderate-, middle-, and upper-income CTs. As reflected in the table below, the institution’s penetration of LMI CTs compared favorably to the percentage of O.O.H.U.s located in those tracts.

Census Tract Income Category	First Federal’s 2008 - 2010 Loan Volume In Lorain County AA				Percent of O.O.H.U.*
	Number	No. Pct.	Dollar (000)	\$ Pct.	
Low-Income	7	1.0%	463	0.5%	1.5%
Moderate-Income	237	31.5%	14,545	16.4%	25.2%
Middle-Income	369	49.0%	42,864	48.5%	52.2%
Upper-Income	140	18.5%	30,642	34.6%	21.1%
Total	753	100.0%	\$88,514	100.0%	100.0%

\*Percent of OOHUs according to 2000 Census Data.

Furthermore, First Federal’s lending patterns were also compared against calendar year 2008 and 2009 Aggregate HMDA data. The 2010 Aggregate HMDA data was not available at the commencement of the examination. The institution’s record of lending in LMI census tracts outperformed peer data. The results of this analysis are presented below:

Distribution of First Federal’s HMDA-Reportable Loans By Geography Income Level in the Lorain County AA (Dollars in thousands)								
Geography Inc. Level	2008		2009		2010		Aggregate	
	#	%	#	%	#	%	2008 % by #	2009 % by #
<b>By Number:</b>								
Low	3	1.2%	3	0.9%	1	0.6%	1.2%	0.6%
Moderate	87	34.7%	99	30.0%	51	29.5%	18.6%	12.8%
Middle	124	49.4%	164	49.9%	81	46.8%	48.6%	44.9%
Upper	37	14.7%	63	19.2%	40	23.1%	31.6%	41.7%
Total	251	100.0%	329	100.0%	173	100.0%	100.0%	100.0%
<b>By \$ Amt:</b>								
Low	\$ 116	0.4%	\$ 272	0.7%	\$ 75	0.4%	0.9%	0.2%
Moderate	5,289	19.1%	6,142	15.5%	3,114	14.7%	10.6%	6.5%
Middle	14,307	51.6%	19,322	48.7%	9,235	43.6%	42.3%	36.4%
Upper	8,015	28.9%	13,885	35.1%	8,742	41.3%	46.2%	56.9%
Total	27,727	100.0%	39,621	100.0%	21,166	100.0%	100.0%	100.0%

*Erie Islands Assessment Area*

<sup>b</sup> Owner-Occupied Housing Units

**Institution (continued)**

Similarly, we compared the geographic distribution of mortgage loans originated within the Erie Islands area to the distribution of O.O.H.U.s throughout the assessment area’s moderate-, middle-, and upper-income CTs. The table below indicates the institution’s penetration of moderate-income CTs did not compare well against the demographic benchmark. As discussed in an earlier section of this evaluation, the Erie Islands Assessment Area does not have a low-income CT.

Census Tract Income Category	First Federal’s 2008 - 2010 Loan Volume In Erie Islands Assessment Area				Percent of O.O.H.U.*
	Number	No. Pct.	Dollar (000)	\$ Pct.	
Moderate-Income	15	7.1%	1,379	4.4%	21.2%
Middle-Income	108	51.2%	14,872	47.6%	60.6%
Upper-Income	88	41.7%	14,977	48.0%	18.2%
Total	211	100.0%	31,228	100.0%	100.0%

\*Percent of OOHUs according to 2000 Census Data.

First Federal’s record of mortgage lending was also compared against calendar year 2008 and 2009 Aggregate HMDA data. As noted in the table below, the institution’s record of lending in moderate income CTs does not compare favorably to the aggregate HMDA as well.

Distribution of First Federal’s HMDA-Reportable Loans By Geography Income Level in the Erie Islands AA (Dollars in thousands)								
Geography Inc. Level	2008		2009		2010		Aggregate	
	#	%	#	%	#	%	2008	2009
<b>By Number:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>% by #</b>	<b>% by #</b>
Moderate	9	10.3%	5	6.4%	1	2.2%	17.6%	11.4%
Middle	48	55.2%	35	44.9%	25	54.4%	63.4%	66.0%
Upper	30	34.5%	38	48.7%	20	43.4%	19.0%	22.6%
Total	87	100.0%	78	100.0%	46	100.0%	100.0%	100.0%
<b>By \$ Amt:</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>	<b>% by \$</b>
Moderate	975	8.2%	321	2.9%	83	1.0%	11.8%	6.3%
Middle	5,973	50.2%	4,944	44.8%	3,955	47.8%	65.5%	68.2%
Upper	4,963	41.6%	5,777	52.3%	4,237	51.2%	22.7%	25.5%
Total	11,911	100.0%	11,042	100.0%	8,275	100.0%	100.0%	100.0%

*Overall Conclusion*

The tables above show that the institution’s lending in LMI geographies in Lorain County outperformed peer and demographic benchmarks. Conversely, the institution’s record of lending in the Erie Island Assessment Area did not compare well to these benchmarks. As a majority of the institution’s operations and mortgage activity occur in Lorain County, greater emphasis is placed on the performance within this area.

***Institution (continued)***

We concluded therefore that the institution meets the standards for satisfactory performance in this criteria.

Lending Among Borrowers of Different Income Levels

To evaluate First Federal’s record of lending to borrowers of different income levels within the assessment area, we compared the institution’s mortgage lending record to the percentage of families within the assessment areas within each respective income range. In addition, we compared the institution’s mortgage lending record to the performance of other lenders. Analysis in each assessment area is documented below:

*Lorain County Assessment Area*

For this assessment area, specific income categories were identified (low-, moderate-, middle-, and upper-income) using the Department of Housing and Urban Development (HUD) median family income (MFI) figures for the Cleveland-Elyria-Mentor, OH MSA. The MFIs during the review period are reflected below:

<b>MFI Income For Cleveland-Elyria-Mentor, OH MSA</b>	
<b>Year</b>	<b>HUD Estimated MFI</b>
2008	\$62,100
2009	\$64,800
2010	\$64,800

The analysis conducted indicates that mortgage loans originated and purchased within the assessment area during calendar years 2008 through 2010 were distributed among borrowers of different income levels as follows:

<b>Borrower Income Category*</b>	<b>FIRST FEDERAL’s 2008 – 10 HMDA-REPORTABLE LOAN VOLUME IN THE LORAIN COUNTY AA</b>				<b>Percent of Families</b>
	<b>Number</b>	<b>No. Pct.</b>	<b>Dollar (000’s)</b>	<b>\$ Pct.</b>	
Low-Income	79	10.5%	4,674	5.3%	21.1%
Moderate-Income	130	17.3%	10,163	11.5%	19.8%
Middle-Income	152	20.2%	15,880	17.9%	23.6%
Upper-Income	313	41.5%	48,479	54.8%	35.5%
Income NA	79	10.5%	9,318	10.5%	N/A
Total	753	100.0%	88,514	100.0%	100.0%

The above comparison indicates that First Federal’s percentage of mortgage loans granted to LMI borrowers was below the percentage of LMI families residing within the assessment area. The gap between the institution’s distribution of mortgage loans to low-income borrowers is in part mitigated

***Institution (continued)***

by the percentage of households living below the poverty level in the assessment area. In the institution’s Lorain County assessment area 8.2 percent of households live below the poverty level.

Further, First Federal’s record of lending to borrowers of different income levels was compared to the performance of other lenders using calendar year 2008 and 2009 Aggregate HMDA data for loan originations within the assessment area.

Distribution of First Federal’s HMDA-Reportable Loans By Borrower Income Level in the Lorain County AA (Dollars in thousands)								
Borrower Inc. Level	2008		2009		2010		Aggregate	
	#	%	#	%	#	%	2008	2009
<b>By Number:</b>							<b>% by #</b>	<b>% by #</b>
Low	27	10.8%	35	10.6%	17	9.8%	10.0%	10.0%
Moderate	36	14.3%	60	18.3%	34	19.7%	19.7%	18.0%
Middle	49	19.5%	71	21.6%	32	18.5%	23.2%	20.3%
Upper	111	44.2%	135	41.0%	67	38.7%	32.9%	35.0%
Income NA	28	11.2%	28	8.5%	23	13.3%	14.2%	16.7%
Total	251	100.0%	329	100.0%	173	100.0%	100.0%	100.0%
<b>By \$ Amt:</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>	<b>% by \$</b>
Low	1,812	6.5%	1,949	4.9%	913	4.3%	5.0%	5.2%
Moderate	2,827	10.2%	4,785	12.1%	2,551	12.1%	13.8%	12.0%
Middle	3,963	14.3%	8,160	20.6%	3,757	17.8%	21.0%	18.5%
Upper	15,117	54.5%	20,782	52.5%	12,580	59.4%	45.5%	48.9%
Income NA	4,008	14.5%	3,945	9.9%	1,365	6.4%	14.7%	15.4%
Total	27,727	100.0%	39,621	100.0%	21,166	100.0%	100.0%	100.0%

Overall, the above comparison indicates that First Federal’s percentage of mortgage loans granted to low-income borrowers was comparable with peer lending data. However, the institution’s record of lending to moderate-income borrowers did not compare favorably to peer data.

*Erie Islands Assessment Area*

In the analysis performed below, specific income categories were identified using HUD MFI figures for the Sandusky MSA (Erie County borrowers) and the Toledo MSA (Ottawa County borrowers). The MFIs during the review period are reflected below:

MFI Income For Sandusky, OH MSA	
Year	HUD Estimated MFI
2008	\$62,300
2009	\$63,300
2010	\$64,000

***Institution (continued)***

MFI Income For Toledo, OH MSA	
Year	HUD Estimated MFI
2008	\$61,500
2009	\$61,800
2010	\$61,500

The following table indicates that mortgage loans originated and purchased within the assessment area during calendar years 2008 through 2010 were distributed among borrowers of different income levels as follows:

Borrower Income Category*	FIRST FEDERAL'S 2008 – 10 HMDA-REPORTABLE LOAN VOLUME IN ERIE ISLANDS AA				Percent of Families
	Number	No. Pct.	Dollar (000's)	\$ Pct.	
Low-Income	14	6.6%	1,643	5.3%	20.8%
Moderate-Income	32	15.2%	2,807	9.0%	19.6%
Middle-Income	40	19.0%	4,437	14.2%	23.2%
Upper-Income	115	54.5%	21,260	68.1%	36.4%
Income NA	10	4.7%	1,081	3.4%	N/A
Total	211	100.0%	31,228	100.0%	100.0%

As seen above, the institution's percentage of mortgage loans granted to LMI borrowers was below the percentage of LMI families residing within the assessment area. The gap between the institution's distribution of mortgage loans to low-income borrowers is in part mitigated by the percentage of households living below the poverty level in the assessment area. In the institution's Erie Islands assessment area 7.3 percent of households live below the poverty level.

We also compared the institution's record of lending to borrowers of different income levels to the performance of other lenders using calendar year 2008 and 2009 Aggregate HMDA data for loan originations within the assessment area. By loan volume, the institution's record of lending to LMI borrowers was below the peer benchmarks. However, the institution's percentage of total loan dollars granted to LMI individuals exceeded peer data in 2008.

***Institution (continued)***

Distribution of First Federal's HMDA-Reportable Loans By Borrower Income Level in Erie Islands AA (Dollars in thousands)								
Borrower Inc. Level	2008		2009		2010		Aggregate	
	#	%	#	%	#	%	2008	2009
<b>By Number:</b>							<b>% by #</b>	<b>% by #</b>
Low	7	8.1%	6	7.7%	1	2.2%	9.0%	7.3%
Moderate	13	14.9%	11	14.1%	8	17.4%	15.5%	16.7%
Middle	15	17.2%	15	19.2%	10	21.7%	19.5%	18.3%
Upper	47	54.0%	41	52.6%	27	58.7%	42.7%	44.2%
Income NA	5	5.8%	5	6.4%	0	0.0%	13.3%	13.5%
Total	87	100.0%	78	100.0%	46	100.0%	100.0%	100.0%
<b>By \$ Amt:</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>	<b>% by \$</b>
Low	1,196	10.0%	395	3.6%	52	0.6%	4.6%	3.3%
Moderate	1,229	10.3%	971	8.8%	607	7.4%	9.6%	10.6%
Middle	1,544	13.0%	1,517	13.7%	1,376	16.6%	15.0%	15.0%
Upper	7,491	62.9%	7,529	68.2%	6,240	75.4%	55.9%	59.2%
Income NA	451	3.8%	630	5.7%	0	0.0%	14.9%	11.9%
Total	11,911	100.0%	11,042	100.0%	8,275	100.0%	100.0%	100.0%

*Overall Conclusion*

First Federal's record of lending to LMI individuals was below demographic benchmarks in both assessment areas. The Institution's overall record of lending to LMI individuals was considered marginally comparable to the aggregate HMDA.

We therefore conclude the institution marginally meets the standards of satisfactory performance in this criteria.

Lending Test Conclusion:

During the review period, First Federal maintained an excellent LTD ratio that exceeded peer data and the vast majority of the institution's mortgage loans were secured by properties within one of the assessment areas. Overall, the institution's lending in LMI CTs compared favorably to both demographic and peer benchmarks. However, we noted a marginal performance with respect to its record of lending to LMI individuals within the assessment areas. Based upon these findings, First Federal is assigned a "Satisfactory" rating under the Lending Test.

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

### **COMMUNITY DEVELOPMENT TEST**

#### Community Development Lending

First Federal did not originate a qualifying community development loan during the review period.

#### Community Development Investments

First Federal's community development investment performance demonstrates a good level of responsiveness to the community development needs of its assessment areas. The institution made \$552,890 in qualifying community development investments during the review period, though only \$3,100 in qualifying charitable contributions. Organizations to which it made qualifying charitable contributions include Habitat for Humanity, Lorain County Free Clinic, The Salvation Army, and the Second Harvest Food Bank.

First Federal assumed a proactive role in the City of Lorain's efforts to address the negative social and economic impact of the foreclosure crisis on the community. The institution's responsiveness to the City's efforts to both revitalize and stabilize low, moderate, and middle income geographies under the Neighborhood Stabilization Program (NSP) was exemplary. The institution sold at a loss 19 REO properties to the City of Lorain located within its NSP targeted areas for a combined total of \$552,890 in qualified community development investment activity (the difference between the appraised fair market value and the sales price). The institution also exhibited excellent responsiveness with respect to the maintenance and upkeep of its REO and its often proactive approach to addressing the negative impact of abandoned residential properties in the NSP targeted areas.

#### Community Development Services

Institution management and staff are very active in official capacities in organizations within its assessment area that are engaged in community development service activities. Below is a list of community development services benefiting the low- and moderate-income residents of Lorain, Erie, and Ottawa Counties, Ohio:

- An officer of the institution serves as Treasurer for a non-profit organization in Lorain, OH that provides free or reduced cost medical care for LMI individuals who would otherwise not have access to affordable healthcare.

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***Institution (continued)***

- Over the course of 2009 and 2010, executive officers and staff dedicated over 250 hours of time in the management and administration of First Federal's involvement in the City of Lorain's Neighborhood Stabilization Program.
- During the entire review period, the CRA Officer served on the board of an organization that provides services to abused, neglected, and dependent children. The vast majority of these children are members of LMI families residing within the assessment area.
- An officer of the institution serves on the Finance Committee, and as the Treasurer, of Goodwill Industries of Lorain County, a nonprofit organization devoted to helping LMI individuals and other disadvantaged persons prepare for and secure employment.
- First Federal continues to partner with the Firelands Habitat for Humanity (Firelands) and obtained three Affordable Housing Grants totaling \$22,500 from the Federal Home Loan Bank of Cincinnati (FHLB) that benefited the Erie Islands area. Under this arrangement, Firelands makes the loans and the institution administers the FHLB grants to these borrowers. In addition, First Federal also services 70 loans for Firelands at no charge.
- A loan officer of the institution served on the Firelands' Loan Committee in 2008 and 2009. She provided financial expertise by reviewing loan applications and assisted in the underwriting process.
- During 2007 and the first quarter of 2008, the former CRA Officer served on the board of an organization in Sandusky that addresses the housing needs of mentally and physically handicapped individuals. This organization acquires and maintains housing for those persons who are able to live on their own.
- An executive officer of the institution serves on the finance committee of a non-profit organization which promotes the economic development of northern Lorain County.
- First Federal conducted two home buyer seminars at local library branches in moderate-income CTs within the Lorain County Assessment Area. Institution employees lectured participants on information related to home shopping, the application process, regulatory disclosures, the closing process, and choosing a lender.
- In April 2008, the institution accepted an invitation of a local councilman to participate in a Foreclosure Forum, which was held in a moderate-income CT within the Lorain County Assessment Area. Among the goals of the event was to educate participants on the services available to those facing foreclosure. In addition, participants were able to set up private

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

appointments after the presentation to discuss their personal situations with institution employees.

- In April 2010, an executive officer gave a presentation to parents of children participating in the Hopkins Locke Head Start program, an early childhood education program held in a moderate-income CT within the Lorain County Assessment Area. The purpose of the presentation was to help participants identify and avoid predatory lenders.
- Through the institution's own modification program, First Federal has actively attempted to assist struggling borrowers with loan modification to assist them in avoiding foreclosure, which requires a considerable time commitment and normally requires concession on loan terms. During the review period, First Federal modified 32 loans with a collective book value of approximately \$3.1 million as of March 31, 2011

In addition, we noted that the institution offers a reasonable range of deposit products including personal and commercial checking accounts. Although not specifically targeted to LMI individuals, the institution offers savings and checking accounts that would be attractive to LMI individuals. For example, the institution offers a no-fee checking product that only requires a minimum deposit of \$25 to open.

### Community Development Test Conclusion

First Federal's overall community development activities demonstrate a good level of responsiveness to serving community needs. Based upon these findings, First Federal is assigned a "Satisfactory" rating under the Community Development test.

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

#### Record of Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified through the evaluation of compliance with consumer laws and regulations during the most recent compliance examination.

#### Response to Community Complaints

During the review period, the institution received no known written complaints pertaining to its performance in helping to meet the credit needs within the assessment area.

***Institution (continued)***

**Appendix A**

**Scope of Examination**

SCOPE OF EXAMINATION		
We conducted an on-site review at First Federal's main office located in Lorain, Ohio.		
<b>TIME PERIOD REVIEWED:</b>	<b>12/3/2007 – 5/31/2011</b>	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>
First Federal Savings and Loan Association		<ul style="list-style-type: none"> <li>• Home Mortgage Loans</li> <li>• Community Development Loans</li> </ul>
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
NA		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED <sup>1</sup>	OTHER INFORMATION
Lorain County	Full Scope	One	None
Erie Islands	Full Scope	None	None

<sup>1</sup> There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

**Appendix B**

Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	Lending Test Rating	Community Development Test Rating	Overall State Rating
Ohio	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.