



## **PUBLIC DISCLOSURE**

December 21, 2015

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

First Federal Bank  
Charter Number 706343

Corporate Center, 200 E Divine St  
Dunn, NC 28334

Office of the Comptroller of the Currency

212 South Tryon St.  
Suite 700  
Charlotte, NC 28281

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The major factors that support this rating include:

- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable;
- A majority of the bank's loans are made inside the assessment areas (AA);
- The distribution of home mortgage loans reflects reasonable distribution among borrowers of different income levels throughout the AAs;
- The geographic distribution of home mortgage loans reflects reasonable distribution throughout the AAs; and
- There were no complaints received during the evaluation period.

**SCOPE OF EXAMINATION**

We performed a full scope evaluation of First Federal Bank's (First Federal's) performance using small bank Community Reinvestment Act (CRA) examination procedures. This Performance Evaluation (PE) assesses the bank's performance under the Lending Test. Based upon the bank's business strategy and the loans originated during the evaluation period, we determined that home mortgage loans are the bank's primary loan product. In evaluating the bank's lending performance, we reviewed the home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA).

Our evaluation period covered the bank's CRA performance from January 1, 2013, through December 11, 2015. The evaluation period for the loan-to-deposit ratio is March 1, 2009, through September 30, 2015. We used 2010 U.S. Census data to analyze the bank's home lending for the period from January 1, 2013, through December 11, 2015.

**Data Integrity**

In June 2015, we conducted an evaluation of the integrity of publicly filed HMDA information to verify the accuracy of data. The bank's processes, procedures, and internal controls for HMDA data collection, verification, and reporting are satisfactory. There were no systemic reporting errors or problems identified. This CRA evaluation is based on accurate data.

**DESCRIPTION OF INSTITUTION**

First Federal is a federally-chartered, stock savings association headquartered in Dunn, Harnett County, North Carolina. As of September 30, 2015, the bank had total assets of approximately \$162.3 million. The bank's Tier One Capital was \$19.7 million.

The bank operates seven branches, including the main office, in three North Carolina counties. The bank's main office and three branches are in the cities or towns of Angier, Dunn and Erwin,

all located in Harnett County. Two branches are in the towns of Benson and Clayton, both located in Johnston County. Then, one branch is in the town of Fuquay-Varina, located in Wake County. The Benson branch is located in a low-income census tract (CT) and the Clayton branch is in a moderate-income CT. The remaining offices are located in middle-income CTs. No branches were closed during the review period; however, one loan production office was opened. There are 63 employees total, 60 full-time and three part-time.

The bank operates as a traditional savings association, concentrating on the origination of mortgage loans and acceptance of deposit accounts. First Federal primarily engages in the origination of residential real estate loans. As of September 30, 2015, 75 percent of average gross loans were 1-4 family residential loans, while 23 percent of gross loans were commercial and commercial real estate loans. Consumer loans represent a small percentage of the overall loan portfolio at 1.84 percent of total loans.

First Federal offers conventional mortgage products for the purchase, refinance, and construction of single-family residences and for investment properties. In addition, the bank offers loans on commercial real estate, second mortgages, and home equity lines of credit secured by single-family residences. The bank offers fixed-rate mortgages with terms of 10, 15 or, 30 years. There is no minimum loan amount for any of the bank’s products. First Federal sells a majority of loans that it originates. Residential real estate loans represent a substantial majority of the bank’s loan portfolio.

The table below reflects the distribution of First Federal’s loan portfolio as of September 30, 2015.

<b>First Federal Savings and Loan Association Distribution of Loan Portfolio as of September 30, 2015</b>			
<b>Loan Type</b>	<b>Amount by Loan Type (\$000s)</b>	<b>Total Amount of Loans (\$000s)</b>	<b>% of Total Loans</b>
<b>Commercial Real Estate including Commercial &amp; Industrial</b>		<b>\$26,176</b>	<b>22.96%</b>
Non-farm Non-residential Properties	\$12,984		
Construction and Land Development	\$11,157		
Commercial and Industrial	\$2,035		
<b>Residential Real Estate, including Multifamily</b>		<b>\$85,357</b>	<b>74.87%</b>
1-4 Family Residential Secured by 1 <sup>st</sup> liens	\$74,827		
1-4 Family Residential Secured by junior liens	\$123		
1-4 Family Residential, open-end	\$4,873		
Multifamily (5 or more) Residential	\$834		
Construction 1-4 Family	\$4,700		
Construction and Land Development	0		
<b>Consumer</b>	<b>\$2,103</b>	<b>\$2,103</b>	<b>1.84%</b>
<b>Other</b>	<b>\$375</b>	<b>\$375</b>	<b>0.33%</b>
<b>Total Loans</b>		<b>\$114,011</b>	<b>100.00%</b>

Source: 9/30/15 Call Report

First Federal encounters significant competition for both deposits and loans. According to June 30, 2015 deposit market share data from the Federal Deposit Insurance Corporation (FDIC),

there are 32 other depository institutions operating 335 branch offices in Harnett, Johnston, Sampson and Wake Counties. Wells Fargo, Branch Banking and Trust Company (BB&T), First Citizens Bank & Trust Company, and Bank of America have 27.50, 14.06, 10.72 and 10.49 percent of the total deposits in these counties, respectively. These institutions share 63 percent of the market share, in total. In comparison, First Federal has 0.55 percent of the deposit market share across the four counties.

There were no legal or regulatory impediments that adversely affected First Federal’s ability to help meet the community credit needs of its AA. The bank’s rating at the preceding CRA evaluation, dated January 20, 2009, was “Outstanding.”

**DESCRIPTION OF ASSESSMENT AREA(S)**

First Federal has defined the following as its AA: all of Harnett County, one CT in Sampson County, all of Johnston County and four CTs in Wake County, North Carolina. The one CT in Sampson County borders the bank’s main branch in Dunn, which is in Harnett County. The AAs meet the technical requirements of the CRA and do not arbitrarily exclude low- or moderate-income CTs. The following information summarizes the demographic characteristics and community credit needs of the AA.

***Harnett and Sampson Counties Non-MSA AA***

For CRA analysis purposes, we combined Harnett County and one CT of Sampson County (Harnett and Sampson Counties Non-MSA AA) because both are not part of a Metropolitan Statistical Area (MSA). The one CT in Sampson County, CT #1111 borders the bank’s main branch in the City of Dunn, NC located in Harnett County. The following table reflects the demographic data for this AA.

<b>Demographic Information for Harnett and Sampson Counties AA</b>						
<b>Based upon 2010 Census Data</b>						
<b>CENSUS TRACT INCOME LEVEL</b>						
		<b>TOTAL</b>	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>
<b>CENSUS TRACTS/BNAs</b>	<b>#</b>	28	0	1	19	8
<b>POPULATION</b>	<b>#</b>	121,227	0	1,331	85,332	34,564
<b>BY LOCATION</b>		100.00%	0.00%	1.10%	70.39%	28.51%
<b>% OWNER OCCUPIED</b>		100.00%	0.00%	0.86%	67.88%	31.26%
<b>% RENTER OCCUPIED</b>		100.00%	0.00%	2.37%	77.29%	20.34%
<b>% VACANT</b>		100.00%	0.00%	3.44%	74.75%	21.81%
<b>MEDIAN HOUSING VALUE</b>		\$122,719	\$0	\$86,100	\$108,557	\$162,558
<b>UPDATED MEDIAN FAMILY INCOME FOR 2015</b>		\$50,000				
<b>% OF FAMILIES BELOW POVERTY LEVEL</b>		17.09%				

Source: 2013-2015 HMDA Data and 2010 U.S. Census Data

The largest employers in Harnett County include Harnett County Schools, Campbell University, and Food Lion. Top employers for Sampson County include Smithfield Foods, Inc., Sampson County Schools and Prestage Farms, Inc. As of December 2015, the unemployment rate in Harnett and Sampson counties combined was 5.56 percent, which was in line with the unemployment rate in the state of North Carolina (5.5 percent).

Harnett County is one of the 16 counties that make up the Research Triangle Regional Partnership. Harnett County is located between the Durham-Chapel Hill MSA to the north, and the Fayetteville MSA to the south. Harnett County is home to the Dunn Micropolitan Statistical Area and a part of the Durham-Raleigh-Cary Combined Statistical Area (CSA). Thirteen colleges and universities are within a one-hour drive of Harnett County, including three major research universities: Duke University in Durham, University of North Carolina in Chapel Hill, and North Carolina State University in Raleigh. Harnett County is within close proximity to the North Carolina Biotechnology Center, a state supported initiative that provides grants and creative services to support biotech companies and the Microelectronic Center of North Carolina (MCNC). The MCNC offers advanced resources in microfabrication and telecommunications and houses the North Carolina Supercomputing Center. The Research Triangle Institute is also within close proximity, and is the nation's fourth largest nonprofit contract research organization.

Competition within the AA is high. An analysis of the FDIC's 2015 Deposit Market Share data disclosed that First Federal ranked sixth out of 13 institutions within the AA. The top three institutions with the highest market shares were BB&T, First Citizens Bank & Trust, and Select Bank & Trust, respectively. These are large institutions with more branches and overall resources. They comprise 64 percent of total market share and 19 offices of 41 total institutions in the AA. First Federal possesses seven percent of total market share, with four offices.

During our examination, we reviewed information from a representative of a government office in the City of Dunn, Harnett County. This community contact provided information regarding the educational needs of the community. According to the contact, the Dunn schools have a large population of minority and economically challenged students. The schools are experiencing high teacher turnover rates, high student transfer rates and low test scores. This is affecting the students, especially the economically challenged. It is also affecting the economy in attracting homeowners and businesses. The contact expressed a need to reach out to the children who lack education and work skills, and help provide them the motivation, education and skills they need to succeed. The contact noted that there is now a Dunn Police Athletic League, which is providing a tutoring/afterschool program. Its main outreach is to latchkey children/youth. It needs funds to hire teachers that can help the children learn difficult subjects.

The Dunn Police Athletic League is part of a larger economic development project that is transforming the former Harnett County Training School to meet community needs. The project consists of a former African-American school for boys, which is being transformed to a multi-purpose campus that houses the Dunn Police Athletic League, low- and moderate-income housing for senior citizens, a community garden, a cafeteria/kitchen for a local culinary school, and a daycare for low- and moderate-income individuals.

First Federal’s CEO Clement Medley, Jr. is Chairman of the Board for the Dunn Community Development Corporation, which has spearheaded this community project.

Additionally, First Federal originated 26 loans totaling \$1.3 million in conjunction with the Harnett Forward Together Committee (HFTC), which is a private, non-profit corporation made up of volunteers of government, political, business leaders and individuals to focus on a variety of economic development efforts within Harnett County, NC.

**Wake and Johnston Counties MSA AA**

For CRA analysis purposes, we combined the four CTs in Wake County and all of Johnston County because both are part of the Raleigh MSA. The four CTs in Wake County are contiguous to Fuquay-Varina bank branch in Wake County. The following table reflects the demographic data for the combined AA.

<b>Demographic Information for Wake and Johnson Counties AA</b>						
<b>Based upon 2010 Census Data</b>						
	<b>CENSUS TRACT INCOME LEVEL</b>					
		<b>TOTAL</b>	<b>LOW</b>	<b>MODERATE</b>	<b>MIDDLE</b>	<b>UPPER</b>
<b>CENSUS TRACTS/BNAs</b>	#	30	2	15	13	0
<b>POPULATION</b>	#	197,926	10,596	82,980	104,350	0
<b>BY LOCATION</b>		100.00%	5.35%	41.92%	52.72%	0.00%
<b>% OWNER OCCUPIED</b>		100.00%	4.21	40.22%	55.56%	0.00%
<b>% RENTER OCCUPIED</b>		100.00%	10.96%	56.43%	32.60%	0.00%
<b>% VACANT</b>		100.00%	7.87%	55.14%	36.99%	0.00%
<b>MEDIAN HOUSING VALUE</b>		\$141,143	\$118,593	\$118,159	\$165,565	\$0
<b>UPDATED MEDIAN FAMILY INCOME FOR 2015</b>		\$78,800				
<b>% OF FAMILIES BELOW POVERTY LEVEL</b>		12.79%				

Source: 2013-2015 HMDA Data and 2010 U.S. Census Data

The largest employers in Wake County include Wake County Public Schools, NC State University at Raleigh, Wake Med, and Rex Hospital, Inc. Top employers for Johnston County include Johnston County Schools, Johnston Memorial Hospital Authority, and Grifols Therapeutics, Inc. As of December 2015, the unemployment rate in the Raleigh MSA was five percent, which compared favorably to the unemployment rate in the state of North Carolina at 5.50 percent.

Wake and Johnston Counties are part of the Research Triangle metropolitan region, which encompasses the cities of Raleigh and Durham, the towns of Cary and Chapel Hill, and their surrounding suburban areas. The Research Triangle Park (RTP), located between Durham and

Raleigh, heavily influences Wake County's economy. RTP is the country's largest industrial park and a primary center in the United States for high-tech and biotech research, as well as textile development. The park is home to more than 160 companies employing over 50,000 people. The industrial base includes electrical, medical, electronic and telecommunications equipment; clothing and apparel; food processing; paper products; and pharmaceuticals. The agriculture industry is visible in rural areas of the county, with tobacco, cotton, wheat, soybeans and corn being the most common products grown.

Competition within this AA is high. An analysis of 2015 FDIC's Deposit Market Share data showed First Federal ranked 23<sup>rd</sup> out of 32 institutions within the AA. The top four institutions with the highest market shares were Wells Fargo, BB&T, Bank of America and First Citizens Bank & Trust Company, respectively. These are large branches with more branches and overall resources. They comprise 63 percent of total market share and 132 offices of 294 total institutions in the AA. First Federal possesses 0.17 percent of total market share, with three offices.

During our examination, we reviewed information from a representative of an affordable housing organization in the Raleigh MSA. This community contact provided information regarding the housing needs of the community. According to the contact, low-income borrowers face difficulty accessing credit, particularly for mortgage loans. In addition, a large number of unbanked persons do not have established relationships with financial institutions.

First Federal strives to meet affordable housing needs throughout the state of NC through its membership in the Community Investment Corporation of the Carolinas (CICCAR) Program. This is an organization of lenders, who provide long-term financing for low- and moderate-income multi-family housing projects by selling participation interests to members of the organization. During the evaluation period, First Federal purchased 51 community development loans for multifamily housing as a part of the CICCAR program. As of the examination, the active principal balance for these loans totaled \$488 thousand. These loans provided permanent financing for affordable housing projects throughout North Carolina, but primarily the Northeast Region of the state. In December 2015, the bank also committed to fund two additional CICCAR affordable housing loan participations totaling \$10 thousand each.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's overall lending performance is Satisfactory. This conclusion is based upon the results of the following specific lending tests used to determine if the bank is meeting the credit needs of the AA. All criteria of the specific lending tests are documented below.

### **Loan-to-Deposit Ratio**

First Federal's loan-to-deposit (LTD) ratio is reasonable given the bank's size and financial condition. The bank's quarterly average LTD ratio for the 27 quarters since the last CRA evaluation in October 2009, to September 30, 2015, is 81.15 percent. The bank's LTD ratio ranged from a quarterly low of 77.17 percent to a quarterly high of 90.19 percent during this time. In comparison, the quarterly average LTD ratio among similarly situated financial

institutions in North Carolina is 87.58 percent. The peer average LTD ratio over the same 27 quarters ranged from a low of 79.85 percent to a high of 92.32 percent.

**Lending in Assessment Area**

First Federal originated a majority of its home loans inside its AAs. During the evaluation period, 65 percent of the total number and 49 percent of the total dollar were originated inside the AA. The following table reflects First Federal’s home mortgage originations inside and outside the AA from January 1, 2013, through December 11, 2015.

<b>Table 1 – Home Mortgage Loans Inside/Outside the AAs January 1, 2013 through December 11, 2015</b>				
<b>Originations</b>	<b>Number</b>	<b>Percentage</b>	<b>Dollar Amount (\$000)</b>	<b>Percentage</b>
Inside	173	65.04%	\$20,851	49.23%
Outside	93	34.96%	\$21,501	50.77%
<b>TOTAL</b>	<b>266</b>	<b>100.00%</b>	<b>\$42,352</b>	<b>100.00%</b>

*Source: 2013-2015 HMDA Data*

**Lending to Borrowers of Different Incomes**

Overall, First Federal’s distribution of home mortgage loans reflects reasonable distribution among borrowers of different income levels throughout the AAs. While the percentage of mortgage loans to low- and moderate-income borrowers was lower than the percentage of families in these income groups, mitigating factors are the high poverty level and high level of competition in the AAs. Additionally, First Federal originated more loans than its peers to low-income families in both AAs. This is explained by the higher level of low-income families in both the low- and moderate-income CTs.

***Harnett and Sampson Counties Non-MSA AA***

First Federal’s home mortgage loans reflect reasonable distribution among borrowers of different income levels within the Harnett and Sampson Counties AA. Table 2A presents the percentage of lending to borrowers of different income levels in the AA and compares it to the percentage of families in each income category. The percentage of mortgage loans to low-income borrowers was near the percentage of low-income families within the AA, while the bank’s percentage of loans to moderate-income borrowers was below the percentage of moderate-income families in the AA.

We also compared First Federal’s lending activity to borrowers of different income levels to the lending activity of other lenders in the AA subject to HMDA reporting requirements. The bank’s percentage of loans to low-income borrowers exceeded the percentage of loans to low-income borrowers by other lenders. However, the bank's distribution of loans to moderate-income borrowers was lower than the percentage of lending to moderate-income borrowers by other lenders.



Nonetheless, the aggregate percentage of home loans to low- and moderate-income borrowers is reasonable, considering the poverty level in the AA. According to the 2010 U.S. Census data, 17.09 percent of families in the AA have incomes below the poverty level. Families below the poverty level may not have the financial resources to obtain mortgage loans. Additionally, the bank competes with much larger, highly competitive institutions in this AA.

Table 2A Borrower Income Level Harnett and Sampson Counties AA	First Federal (2013-2015)		2014 % of Aggregate (or Peers)	Distribution of Families In AA
	Number of Loans*	Percent of Loans		
<b>Low = &lt;50%</b>	12	16.67%	3.20%	18.03%
<b>Moderate = 50-79%</b>	7	9.72%	13.01%	16.46%
<b>Middle = 80-119%</b>	22	30.56%	30.51%	19.70%
<b>Upper = ≥ 120%</b>	31	43.06%	53.27%	45.81%
<b>*Total</b>	<b>72</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*Source: 2013-2015 HMDA Data, 2014 Peer HMDA, and 2010 U.S. Census Data; \* Total excludes loan for which borrower income was not reported.*

**Wake and Johnston Counties MSA AA**

First Federal’s home mortgage loans reflect reasonable distribution among borrowers of different income levels within the Wake and Johnston Counties AA. Table 2B presents the percentage of lending to borrowers of different income levels in the AA of Wake and Johnston Counties, and compares it to the percentage of families in each income category. The percentage of mortgage loans to low-income borrowers is below the percentage of loans to low-income families within the AA, and the bank’s percentage of loans to moderate-income borrowers is below the percentage of moderate-income families in the AA.

We also compared First Federal’s lending activity to borrowers of different income levels to the lending activity of other lenders in the AA subject to HMDA reporting requirements. While the bank shows a lower level of lending than other lenders to moderate-income borrowers, its lending to low-income borrowers is higher than other lenders.

The bank’s ability to originate loans to moderate-income borrowers may be impacted by the high poverty level in the AA. According to 2010 U.S. Census data, 12.79 percent of the total families in the AA are below the poverty level. Families below the poverty level may lack the financial resources to obtain mortgage loans. Additionally, the bank competes with much larger, highly competitive institutions in this AA.

Finally, First Federal has branches in low- and moderate-income CTs. In the AA, both low- and moderate-income tracts have more low-income families than moderate-income families. Low-income families that reside in the moderate-income tract total 35.59 percent, while moderate-income families total 23.01 percent. This also helps explain the higher volume of lending to low-income families and lower level of lending to moderate-income families.

Table 2B Borrower Income Level Wake and Johnston Counties AA	First Federal (2013-2015)		2014 % of Aggregate (or Peers)**	Distribution of Families In AA
	Number of Loans*	Percent of Loans		
Low = <50%	6	17.14%	14.01%	28.76%
Moderate = 50-79%	4	11.43%	29.31%	20.53%
Middle = 80-119%	10	28.57%	28.17%	22.85%
Upper = > 120%	15	42.86%	28.51%	27.86%
<b>**Total</b>	<b>35</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2013-2015 HMDA Data, 2014 Peer HMDA, and 2010 U.S. Census Data. \* Total excludes loan for which borrower income was not reported. \*\*Aggregate HMDA Data from Raleigh MSA

### Geographic Distribution of Loans

Overall, First Federal’s geographic distribution of home mortgage loans reflects reasonable distribution throughout the AAs. Although the bank’s distribution of low- and moderate-income CTs within Harnett and Sampson Counties were below the percentage of owner-occupied housing units in these tracts, mitigating factors exist to explain the bank’s lack of loans in the geographies. The results of our geographical analysis are detailed below.

#### *Harnett and Sampson Counties Non-MSA AA*

First Federal’s geographic distribution of home mortgage loans reflects reasonable distribution within the Harnett and Sampson Counties AA. Table 3A presents the geographic distribution of loans compared to the percentage of owner-occupied housing units for each CT within the Harnett and Sampson Counties AA.

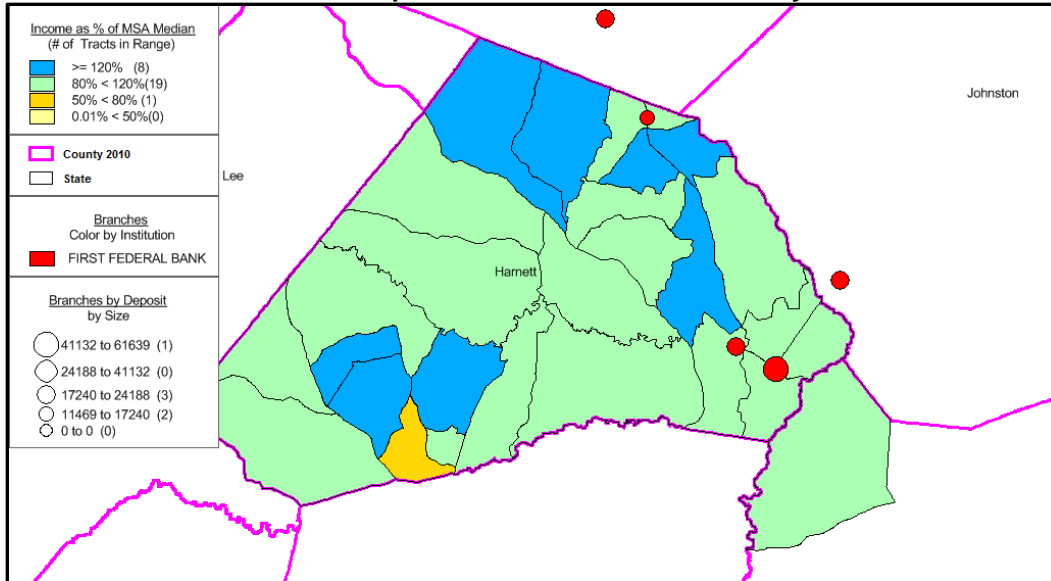
Table 3A Census Tract Income Category Harnett and Sampson Counties AA	First Federal (2013-2015)		2014 % of Aggregate HMDA (or Peers)	Distribution of O.O.H.U.* In AA
	Number of Loans	Percent of Loans		
Low	0	0.00%	0.00%	0.00%
Moderate	0	0.00%	1.84%	0.86 %
Middle	69	84.15%	52.37%	67.88%
Upper	13	15.85%	45.79%	31.26%
<b>Total</b>	<b>82</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\*Owner Occupied Housing Units

Source: 2013-2015 HMDA Data, 2014 Peer HMDA, and 2010 U.S. Census Data

First Federal did not originate any loans in low- or moderate-income CTs. This is reasonable, as there are no low-income CTs and only one moderate-income CT in this AA. No First Federal branches are located within the AA’s sole moderate-income census tract, or within contiguous census tracts, as shown in Chart 1 below.

**Chart 1: Harnett and Sampson Counties Census Tracts by Income Levels**



We also compared the bank’s geographic distribution of loans to Aggregate 2014 Peer HMDA data. Table 3A compares the bank’s distribution of loans to other lenders in the Harnett and Sampson Counties AA, subject to HMDA reporting requirements. Lending activity by other lenders within the moderate-income census tract was also minimal at 1.84 percent.

In addition to First Federal’s branches not being located near the sole moderate-income CT, First Federal’s lack of mortgage originations in the moderate-income CT is mitigated by the shortage of owner-occupied housing units within the moderate-income CT (0.86 percent) and high competition in the AA.

***Wake and Johnston Counties MSA AA***

First Federal’s geographic distribution of home mortgage loans reflects reasonable distribution within the Wake and Johnston Counties AA. Table 3B presents the geographic distribution of loans compared to the percentage of owner-occupied housing units for each CT within the Wake and Johnston Counties AA.

First Federal made two loans in low-income CTs, representing five percent of loans made within this AA. This exceeded the percentage of owner-occupied housing units in low-income census tracts at 4.21 percent. First Federal made 12 loans in moderate-income census tracts, representing 30 percent of loans made within this AA. This was lower than the percentage of owner-occupied housing units in moderate-income census tracts at 40 percent; however, still is considered a reasonable disbursement given the high competition in the AA.

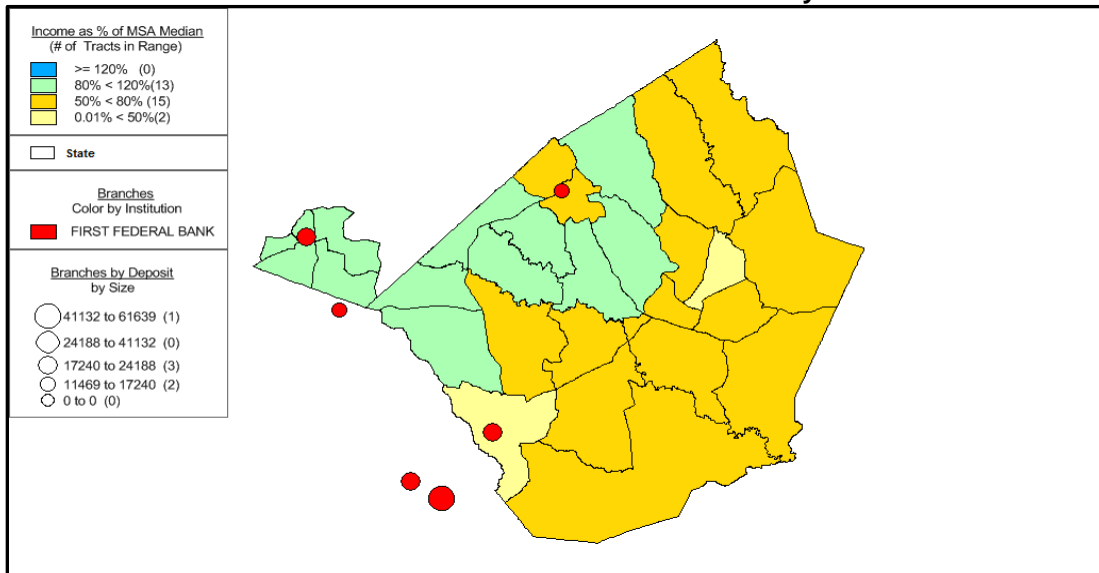
Table 3B Census Tract Income Category Wake and Johnston Counties AA	First Federal (2013-2015)		2014 % of Aggregate (or Peers)	Distribution of O.O.H.U.* In AA
	Number of Loans	Percent of Loans		
Low	2	5.00%	1.99%	4.21%
Moderate	12	30.00%	27.36%	40.22%
Middle	26	65.00%	70.65%	55.56%
Upper	0	0.00%	0.00%	0.00%
<b>Total</b>	<b>40</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\*Owner Occupied Housing Units

Source: 2013-2015 HMDA Data, 2014 Peer HMDA, and 2010 U.S. Census Data

We compared the bank’s geographic distribution of loans to Aggregate 2014 Peer HMDA data. Table 3B compares the bank’s distribution of loans to other lenders in the AA, subject to HMDA reporting requirements. The bank’s distribution of loans in low-income CTs was significantly higher than lending activity by other lenders. Additionally, First Federal’s percentage of lending in moderate-income census tracts was above the percentage of other lenders. Chart 2 shows the location of the bank’s branches in the AA.

**Chart 2: Wake and Johnston Counties Census Tracts by Income Levels**



### Responses to Complaints

First Federal did not receive any CRA-related complaints since the last evaluation related to its performance in helping to meet the credit needs of the AA.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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