



PUBLIC DISCLOSURE

April 08, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Dearborn Federal Savings Bank
Charter Number 704241

22315 Michigan Ave
Dearborn, MI 48124-2224

Office of the Comptroller of the Currency
Cleveland Field Office
200 Public Square Suite 1610
Cleveland, OH 44114-2301

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 supporting this rating are:

- The bank's loan-to-deposit ratio reflects a strong lending record.
- Lending activity reflects a reasonable distribution among borrowers of different income levels.
- The majority of lending during the evaluation period was outside of the bank's assessment area.
- Lending within the assessment area reflects a weak geographic distribution of loans.

SCOPE OF EXAMINATION

The evaluation period for this examination is December 16, 2009, to April 8, 2013. We evaluated Dearborn Federal Savings Bank (Dearborn FSB) using small bank Community Reinvestment Act (CRA) procedures. The bank's primary lending product during this evaluation period was one-to-four family residential real estate loans, and we analyzed loan data using the bank's Home Mortgage Disclosure Act - Loan Application Registers (HMDA-LAR) for 2010 and 2011. We tested the integrity of data in the bank's HMDA-LAR prior to this review, and found it to be reliable for the purposes of our analysis. We used full-scope procedures to evaluate the bank's performance within its assessment area (AA), and considered the level of lending in the AA, the geographic distribution of the bank's loans, the distribution of loans based on the income level of the borrower, and the bank's loan-to-deposit (LTD) ratio. We also considered information from members of the local community in order to better assess community needs in the AA.

DESCRIPTION OF INSTITUTION

Dearborn FSB is an intrastate mutual savings bank headquartered in Dearborn, Michigan. The bank offers traditional banking products through its main office and four branches located in Dearborn and Dearborn Heights. The bank did not open or close any branches during the evaluation period.

As of December 31, 2012, Dearborn FSB reported total assets of \$262 million. The bank's primary loan product is residential real estate loans. The bank also offers commercial real estate, commercial and industrial, and consumer loans. The loan portfolio consists of real estate loans (99.90 percent), consumer loans (0.08 percent), and commercial and industrial loans (0.01 percent). Residential real estate loans represented 83.96 percent of the loan portfolio. The bank's loan portfolio totaled \$201 million, or 78 percent of total assets. The bank's Tier One Leverage and Total Risk

Based capital ratios were 24.76 percent and 47.28 percent, respectively.

There are no legal or financial impediments limiting Dearborn FSB’s ability to meet the credit needs of its AA. The bank was rated Satisfactory at the last performance evaluation dated December 16, 2009.

DESCRIPTION OF ASSESSMENT AREA

Dearborn FSB has one AA consisting of 40 contiguous geographies within the Detroit-Livonia-Dearborn Metropolitan Division of the Detroit-Warren-Livonia Metropolitan Statistical Area (MSA). The AA is comprised of Dearborn and Dearborn Heights, and is adjacent to the city of Detroit, the largest city in the MSA. The inclusion of all of Wayne County in the bank’s AA would result in an area too large to reasonably serve. The AA meets the requirements of the regulation. It consists of contiguous geographies, and does not arbitrarily exclude any low- or moderate-income areas.

The AA consists of one low-income census tract, five moderate-income tracts, seventeen middle-income tracts, and seventeen upper-income tracts. Dearborn FSB has two offices, including the main office, that are located in upper-income geographies in Dearborn, two offices that are located in middle-income geographies in Dearborn Heights, and one office that is located in a moderate-income geography in Dearborn.

Table 1 shows demographic information for the AA, based on the 2000 census.

Table 1 – Demographic Data of the Assessment Area	
Demographic Data	2000 Census
Population	156,039
Total Families	39,778
1-4 Family Units	56,231
Multi-family Units	6,663
Percent Owner-Occupied Units	74.55
Percent Rental-Occupied Units	20.92
Percent Vacant Housing Units	4.53
Weighted Average Median Housing	\$130,226

Source: 2000 U.S. Census Data

Tables 2 and 3 provide additional census data pertaining to the AA. Table 2 shows the distribution of geographies within the AA, and the distribution of families and owner-occupied housing units within those geographies. Table 3 shows the distribution of families within the AA.

Table 2 – Distribution of Geographies, Families, and Owner-Occupied Housing Units in the Assessment Area						
2000 Census Geography Income Level	Geographies		Total Area Families		Owner Occupied Housing Units	
	#	%	#	%	#	%
Low	1	2.50	921	2.32	481	1.03
Moderate	5	12.50	6,165	15.50	5,640	12.03
Middle	17	42.50	17,994	45.23	21,812	46.51
Upper	17	42.50	14,698	36.95	18,957	40.43
Total	40	100.00	39,778	100.00	46,890	100.00

Source: 2000 U.S. Census Data

Table 3 – Distribution of Families in the Assessment Area		
Family Income Category (% of non-MSA Median)	2000 Census Data	
	#	%
Low (< 50%)	6,793	17.08
Moderate (50 < 80%)	6,403	16.10
Middle (80 < 120%)	8,688	21.84
Upper (≥ 120%)	17,894	44.98
Total	39,778	100.00

Source: 2000 U.S. Census Data

We based our evaluation of Dearborn FSB's lending to borrowers of different income levels on the median family income for the Livonia-Dearborn Metropolitan Division. This figure is annually adjusted by the Department of Housing and Urban Development (HUD). As shown in table 4, the median family income declined from 2010 to 2011.

Table 4 – Adjusted HUD Median Family Income	
Year	Median Family Income (MFI)
2010	\$55,900
2011	\$50,500

Source: 2010 and 2011 updated HUD MFI

The local economy of the AA deteriorated during the evaluation period. Unemployment rates in Wayne County are higher than both the state and national averages. According to Federal Deposit Insurance Corporation (FDIC) Regional Economic Conditions

(RECON) information using U.S Bureau of Labor Statistics data, the seasonally unadjusted annual unemployment rate in Wayne County peaked in 2009 at 16.1 percent. Wayne County's unemployment rate declined to 11.4 percent in 2012, but remains high. In comparison, the national and Michigan seasonally unadjusted unemployment rates for 2012 were 8.1 percent and 9.1 percent, respectively. The area's population has also been declining. According to Moody's Analytics, the leading industries in the MSA include state and local government, general medical and surgical hospitals, restaurants and other eating places, employment services, and management of companies and enterprises. Major employers in the MSA include Ford Motor Co., Henry Ford Health System, Detroit Medical Center, Wayne State University, Oakwood Healthcare Inc., and Chrysler L.L.C.

Competition from other financial institutions in the AA is high. Competitors include large, midsize, and small community banks, as well as non-deposit financial institutions. According to June 30, 2012, FDIC deposit data, there are 27 FDIC-insured institutions operating 379 offices in Wayne County. This data indicates that Dearborn FSB is ranked tenth in terms of deposit market share in Wayne County, holding approximately 0.51 percent of total deposits. Within the AA, 14 FDIC-insured institutions operate offices and Dearborn FSB is ranked sixth with 6.38 percent of total deposits.

During our assessment of the bank's performance, we considered information from members of the community in order to obtain an understanding of the AA's needs and credit opportunities. We met with four economic development organizations, and one affordable housing organization. The organizations expressed that foreclosures are a problem and housing values are low, which make it difficult for borrowers to refinance, sell, and purchase homes. Vacant properties are abundant. These factors impact the opportunities that banks have to lend in the area. The organizations reported that the area's primary need is quality employment opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Dearborn FSB's overall performance is Satisfactory. Our evaluation concentrated on the bank's primary loan product of residential real estate loans, including home purchase, refinance, and improvement loans. In drawing our overall conclusions, we placed more weight on the bank's borrower distribution record than on its geographic distribution record. Low- and moderate-income census tracts do not represent a substantial portion of the bank's AA, and significant competition further impacts the bank's opportunity to lend in those neighborhoods. We also considered the bank's lending record as reflected by its LTD ratio, the degree of lending in the assessment area, and its complaint history.

Loan-to-Deposit Ratio

Dearborn FSB has a high LTD ratio that exceeds the standard for satisfactory performance.

We evaluated the bank’s LTD ratio for the quarterly periods between December 31, 2009, and December 31, 2012. The average LTD ratio during this period was 105.87 percent, with quarterly ratios ranging from 98.54 percent to 113.41 percent. Dearborn FSB’s performance was similar to the other three insured savings banks in Michigan with assets between \$100 million and \$300 million, as their LTD averages ranged from 96.33 percent to 139.51percent.

Lending in Assessment Area

Dearborn FSB’s record of lending in the AA does not meet the standard for satisfactory performance. The bank originated a majority of its loans outside of its AA.

During the two-year period ending December 31, 2011, the bank originated 235 home mortgage loans totaling \$28.97 million. Of these loans, 93, or 39.57 percent, were secured by properties located within the bank’s AA. In terms of loan dollars, lending within the AA totaled \$8.68 million, representing 29.97 percent of all lending. A significant degree of local competition in the area contributed to and impacted the bank’s ability to lend locally.

Lending to Borrowers of Different Incomes

The bank’s lending to borrowers of different income levels is reasonable and meets the standard for satisfactory performance.

The following table shows Dearborn FSB’s distribution of HMDA reportable loans made during the two-year review period, within the bank’s AA and based on borrower income. The table also shows the aggregate percentages for all depository lenders that made loans in the AA during the same period.

Table 5 – Comparison of HMDA Loans By Borrower Income Level in the Assessment Area			
Borrower Income Category	Dearborn FSB 01/01/2010 – 12/31/2011		% HMDA Aggregate 2010-2011
	#	%	
Low	8	8.60	10.38
Moderate	15	16.13	21.54
Middle	18	19.36	19.67
Upper	48	51.61	33.61
N/A	4	4.30	14.80
Total	93	100.00	100.00

Sources: Dearborn FSB 2010 and 2011 HMDA Data;
2010 and 2011 Peer Aggregate HMDA Data

The bank’s ratios are somewhat below the aggregate percentages for both low-income and moderate-income borrowers in the AA. However, Dearborn FSB’s percentage of loans made to moderate-income borrowers is consistent with the percentage of moderate-income families in the AA of 16.10 percent. In addition, the bank’s percentage of loans to low-income borrowers exceeds the percentage of low-income families in the AA that live above the poverty level of 7.57 percent.

The bank is responsive to the financing needs of borrowers in all income categories. Dearborn FSB has adequately demonstrated the willingness to lend to low- and moderate-income individuals in the bank’s AA.

Geographic Distribution of Loans

Dearborn FSB’s geographic distribution of loans is weak and does not meet the standard for satisfactory performance.

The following table shows the bank’s overall geographic distribution of HMDA reportable loans made during the two-year review period within the bank’s AA. The table also shows the aggregate percentages for all depository lenders that made loans in the AA during the same two-year period.

Table 6 – Comparison of HMDA Loans By Geographic Distribution in the Assessment Area			
Census Tract Income Category	Dearborn FSB 01/01/2010 – 12/31/2011		% HMDA Aggregate 2010-2011
	#	%	
Low	0	0.00	0.52
Moderate	1	1.08	9.30
Middle	16	17.20	35.54
Upper	76	81.72	54.64
Total	93	100.00	100.00

*Sources: Dearborn FSB 2010 and 2011 HMDA Data;
2010 and 2011 Peer Aggregate HMDA Data*

While the bank did not originate any loans in the one low-income census tract in its AA, aggregate data shows that less than one percent of loans were made in that census tract by all lenders operating in the area. Furthermore, only 1.03 percent of AA owner-occupied households are located in that tract, which reflects limited opportunity to lend. However, the percentage of the bank’s loans originated in moderate-income census tracts was significantly less than the aggregate percentage. The percentage of owner-

occupied housing in moderate-income census tracts of 12.03 percent is also significantly higher than the percentage of loans made by the bank.

There is significant competition from other financial institutions in the moderate-income census tracts of the AA. Eight financial institution offices are located within those five tracts.

Responses to Complaints

Dearborn FSB has not received any written complaints related to its CRA performance during this evaluation period.

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.