



## **PUBLIC DISCLOSURE**

April 11, 2014

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

First Federal Savings & Loan Association of Van Wert  
Charter Number 702969

679 Fox Road  
Van Wert, OH 45891-0311

Office of the Comptroller of the Currency

West Lake Center  
4555 Lake Forest Drive, Suite 610  
Blue Ash, OH 45242-3760

**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**

- First Federal Savings & Loan Association of Van Wert (First Federal) originates a substantial majority of its residential real estate loans inside its assessment area (AA).
- Lending to borrowers of both low- and moderate-income levels represented reasonable penetration of those markets.
- Lending in moderate-income geographic areas represented reasonable penetration of those markets.

**SCOPE OF EXAMINATION**

The review period for this Community Reinvestment Act (CRA) evaluation was March 31, 2008, through April 11, 2014. We based the evaluation strictly on the small bank performance evaluation criterion. The most recent CRA evaluation, conducted as of April 28, 2008, resulted in a satisfactory rating.

As of December 31, 2013, the total loan portfolio equaled \$45.2 million. Residential mortgages are the primary lending product based on the dollar amount of loans. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

Table 1 - Loan Portfolio Mix			
Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$42,575	94.3%	36.0%
Nonresidential Mortgage	\$2,185	4.8%	1.9%
Commercial Nonmortgage	\$0	0.0%	0.0%
Consumer	\$395	0.9%	0.3%
Total	\$45,155	100.0%	38.2%

*Source: Uniform Bank Performance Report*

We reviewed the loan-to-deposit ratio using the current ratio and a 24-quarter average ratio. We based our analysis of lending performance inside the assessment area, borrower income distribution, and geographical distribution on loan origination data from a sample of 60 residential real estate loans and used information from the 2010 U.S. Census for comparison.

## DESCRIPTION OF INSTITUTION

First Federal is a federally chartered mutual thrift institution that was organized in 1893. The thrift operates one branch located in Van Wert, Ohio.

First Federal primarily offers traditional financial products and services. The lending focus is on retail customers. The majority of the loan portfolio consists of single-family residential real estate (purchase, refinance, and home improvement), consumer loan products, and agricultural lending. The thrift offers commercial loans, but does not have any as of December 31, 2013. The thrift continues to lend primarily in its core market of Van Wert, and the surrounding communities.

As of December 31, 2013, First Federal had total assets of approximately \$118 million. This represents an increase from the previous CRA examination when total assets were approximately \$99 million. As of December 31, 2013, gross loans were \$45.2 million or 38.2 percent of total assets. Local deposits primarily provide the thrift's funding, representing 85 percent of total assets.

## DESCRIPTION OF ASSESSMENT AREA

The AA consists of the entirety of Van Wert County in Ohio. The county is located in northwestern Ohio, bordering Indiana. Van Wert County is not located within a metropolitan statistical area (MSA), and generally consists of rural communities. The AA consists of nine census tracts (0 low-income, 2 moderate-income, 6 middle-income, and 1 upper-income). Based on 2010 census data, the population in the county is approximately 29,000. Further, census bureau records indicate that the total population has been stable for many decades. Approximately 9 percent of the county's population lives below the poverty line.

Table 2 illustrates the population of Van Wert County, the mix of housing units, and the average cost of housing.

Table 2 - Demographic Data	
Demographic Data	2010 Census
Population	28,744
Total Families	7,984
1-4 Family Units	11,441
Multi-family Units	433
% Owner-Occupied Units	75%
% Rental-Occupied Units	16%
% Vacant Housing Units	9%
Weighted Average Median Housing	\$89,589

Source: 2010 U.S. Census

Unemployment figures in Van Wert County are slightly lower than the State of Ohio. As of March 31, 2014, Van Wert County had an unemployment rate of 5.5 percent compared to 6.2 percent for Ohio. The county has substantial agricultural activity. Major private employers include Eaton-Aeroquip Corporation, Central Mutual Insurance Company, Federal Mogul Corporation, and Cooper Farms Cooked Meats. Other employers include local school districts, local government, and various retail entities.

Residents of Van Wert County appear to have adequate access to financial services. According to the June 30, 2013 FDIC Deposit Market Share Report, there are currently eight banks with 10 offices in the county. This includes a mix of community banks and thrifts headquartered in the county, and branches of national and regional banks. As of June 30, 2013, insured deposits totaled approximately \$524 million. First Federal had a 19.54 percent deposit market share, which placed it second of the eight banks in the county. Mortgage market share could not be determined as some of the primary lenders in Van Wert County, including First Federal, are not subject to the Home Mortgage Disclosure Act (HMDA) reporting.

Table 3 illustrates the number of census tracts in each income level, the distribution of households living in those geographies, and the distribution of owner-occupied 1-4 family dwellings located within those geographies.

<b>Table 3 - Distribution of Census Tracts, Households, and Owner-Occupied Housing Units In the Assessment Area</b>						
<b>Census Tract Income Level</b>	<b>Census Tracts</b>		<b>Households</b>		<b>Owner-Occupied Housing</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	2	22.2%	1,489	13.0%	921	9.7%
Middle	6	66.7%	8,255	72.0%	7,006	73.8%
Upper	1	11.1%	1,728	15.1%	1,567	16.5%
Total	9	100.0%	11,472	100.0%	9,494	100.0%

Source: 2010 U.S. Census Bureau

The Department of Housing and Urban Development (HUD) annually adjusts the 2010 census data to update the income levels. We used the adjusted figures in our analysis of lending to borrowers of different incomes. The median family income for 2012 was \$53,600 and \$53,000 for 2013. Table 4(a) reflects the median family income ranges of each income category based on the 2013 HUD adjustment; and table 4(b) shows the distribution of families (based on 2010 census data) in each income range of the assessment area.

Table 4(a) - Median Family Income Ranges (*)		
Income Category (As % of Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$26,499
Moderate (50% - 79%)	\$26,500	\$42,399
Middle (80% - 119%)	\$42,400	\$63,599
Upper (>= 120%)	\$63,600	+

Table 4(b) - Distribution of Families In the Assessment Area		
Family Income Category	2010 Census Data	
	Number	Percent
Low (< 50%)	1,012	12.7%
Moderate (50% - 79%)	1,630	20.4%
Middle (80% - 119%)	2,297	28.8%
Upper (>= 120%)	3,045	38.1%
Total	7,984	100.0%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

First Federal's Loan to Deposit (LTD) ratio is reasonable given the bank's size, business model, and assessment area credit needs. This meets the standards for satisfactory performance.

First Federal's average LTD ratio over the twenty-four quarters since the prior CRA examination (March 31, 2008 through December 31, 2013) is 49.01 percent. The thrift's current LTD is 44.72 percent as of December 31, 2013. First Federal's LTD ratio ranged from a high of 61.44 percent (second quarter 2008) to a low of 41.21 percent (second quarter 2012) between evaluations. The quarterly peer average LTD ratio of three similarly situated banks located in the surrounding area is 62.65 percent (asset sizes of peer banks ranged from \$82.0 million to \$258.3 million). Peer average LTD ratios ranged from a high of 72.43 percent (second quarter 2008) to a low of 55.90 percent (first quarter 2013) between evaluations.

The thrift's performance is reasonable despite lower levels, given the amount of competition, nature of the community, and limited mortgage loan demand. Only one other bank is headquartered in Van Wert County, though the FDIC deposit market share report indicates there are 10 branches in the county of just 29,000 residents. Management's self-assessment concluded that the four banks they considered comparable all had similarly declining LTD's during the evaluation period, which supports management's assertion of limited local loan demand. The 2010 U.S. Census indicates that 18 percent of Van Wert County's population is 65 or older, compared to 15 percent for Ohio, and 14 percent for the USA. This fact is also supportive of the claim of limited loan demand (in particular mortgage loan demand) in the area compared to the number of banks active in the county. The census further indicates that population growth in the county has been stagnant for many years, as the current population approximates what was reported in 1960.

### Lending in Assessment Area

First Federal exceeds the standards for satisfactory performance. First Federal originates a substantial majority of its residential real estate loans inside its AA. Table 5 illustrates the total number and dollar amount of residential mortgage loans (home purchase, refinance, and home improvement loans) originated in and outside the assessment area during the review period, based on a sample of 20 loans of each product type.

Table 5 – Lending in Van Wert County January 1, 2012 – December 31, 2013 (Dollars in thousands)										
Product Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	19	95%	1	5%	20	\$1,439	97%	\$51	3%	\$1,490
Refinance	19	95%	1	5%	20	\$1,686	98%	\$38	2%	\$1,724
Home Improvement	20	100%	0	0%	20	\$1,063	100%	\$0	0%	\$1,063
Total	58	97%	2	3%	60	\$4,188	98%	\$89	2%	\$4,277

Source: Loan Sample

### Lending to Borrowers of Different Incomes

First Federal meets the standards for satisfactory performance. First Federal’s residential mortgage lending patterns represent reasonable penetration based on borrower incomes. Overall, the borrower distribution of home mortgage loans is reasonable. The percentage of loans to low-income borrowers was near the percentage of low-income families. However, the percentage of refinance and home improvement loans to low-income borrowers is significantly lower than the percentage of refinance and home improvement loans made by AA peer institutions to low-income borrowers. The percentage of home purchase and refinance loans to moderate-income borrowers significantly exceeds the percentage of moderate-income families. Overall, the percentage of loans made to moderate-income families is near the percentage of loans made by AA peer institutions to moderate-income families.

We sampled 60 residential mortgage loans originated in the assessment area. Table 6 provides an illustration of loans made, based on the borrowers’ income level, for First Federal’s purchase, refinance, and home improvement mortgages.

Table 6 - Distribution of Loans By Borrower Income Level in the Assessment Area January 1, 2012 – December 31, 2013							
Income Level	Percent Number of Purchase Loans		Percent Number of Refinance Loans		Percent Number of Home Improvement Loans		Percent of Families
	First Fed	AA Peer	First Fed	AA Peer	First Fed	AA Peer	
Low	10%	12%	0%	5%	0%	5%	13%
Moderate	30%	29%	25%	19%	15%	25%	20%
Middle	20%	16%	45%	25%	25%	30%	29%
Upper	40%	25%	25%	43%	55%	38%	38%
Income NA	0%	18%	5%	8%	5%	2%	NA
Total	100%	100%	100%	100%	100%	100%	100%

Source: Loan Sample

### Geographic Distribution of Loans

First Federal meets the standards for satisfactory performance. First Federal’s residential mortgage lending patterns represent reasonable penetration based on geographic income levels. The percentage of loans made in moderate-income areas approximates the percentage of owner-occupied housing in the areas, but is below the percentage of loans made by AA peer institutions in moderate-income areas.

We sampled 60 residential mortgage loans originated in the assessment area. Table 6 provides an illustration of loans made, based on the geography income level, for First Federal’s purchase, refinance, and home improvement mortgages. There are no low-income geographies in the AA.

Table 7 - Distribution of Loans By Geography Income Level in the Assessment Area January 1, 2012 – December 31, 2013							
CT Income Level	Percent Number of Purchase Loans		Percent Number of Refinance Loans		Percent Number of Home Improvement Loans		% of Owner-Occupied Housing Units
	First Federal	AA Peer	First Federal	AA Peer	First Federal	AA Peer	
Moderate	5%	8%	5%	4%	0%	5%	10%
Middle	80%	79%	70%	78%	80%	73%	74%
Upper	15%	13%	25%	18%	20%	22%	16%
Total	100%	100%	100%	100%	100%	100%	100%

### **Responses to Complaints**

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

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

Pursuant to 12 CFR 195.28(c) in determining a Federal Savings Association's (FSA's) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate are part of the FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.