



PUBLIC DISCLOSURE

February 18, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Bank
Charter Number 706343

Corporate Center
200 East Divine Street
Dunn, NC 28334

Office of the Comptroller of the Currency

212 South Tryon Street 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, and should not 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.

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Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is Satisfactory based on the bank’s performance in the state of North Carolina.
- The bank’s quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and assessment area (AA) credit needs.
- The majority of the bank’s home mortgage loans are inside the bank’s assessment areas (AAs).
- The distribution of home mortgage loans across geographies of different income levels is reasonable.
- First Federal’s distribution of home mortgage loans among borrowers of different income levels is reasonable.
- There are no consumer complaints regarding the bank’s CRA performance.

Loan-to-Deposit Ratio

The bank’s average LTD ratio is reasonable considering the bank’s size, financial condition, and credit needs of the AAs. Since the preceding CRA evaluation, the bank’s average LTD ratio during the 16 quarters from December 31, 2015 through September 30, 2019 is 73.3 percent. The bank’s LTD ratio ranged from a low of 69.5 percent to a high of 81.5 percent. First Federal’s average LTD ratio is reasonable compared to other similarly sized institutions in North Carolina. The peer’s average LTD ratio during this same period equaled 77.3 percent and ranged from a low of 67.4 percent to a high of 83.0 percent.

Lending in Assessment Area

A majority of the bank’s home mortgage loan originations are inside its AAs.

During the evaluation period, 52.6 percent of the bank’s total home mortgage loans were inside the bank’s AA. This analysis is performed at the bank level, rather than the AA level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	90	52.6	81	47.4	171	19,391	50.1	19,335	49.9	38,726
Total	90	52.6	81	47.4	171	19,391	50.1	19,335	49.9	38,276

Description of Institution

First Federal Bank (First Federal) is a single-state, federally-chartered, stock savings association headquartered in Dunn, North Carolina. The bank is wholly owned by First Financial Corporation, a shell holding company. As of December 31, 2019, the bank's total assets equaled \$187.9 million and tier 1 capital equaled \$21.3 million.

First Federal operates a main office and five branch offices in three counties in North Carolina. The bank's main office and two branch offices are in Harnett County. Two branch offices are in Johnston County. The fifth branch office is in Wake County. During the majority of the evaluation period, the bank operated a loan production office (LPO) in Raleigh, NC (Wake County). In April 2019, the bank closed this LPO. In December 2019, the bank opened a new LPO in Holly Springs, NC. The Holly Springs LPO is located north of the bank's branch office in Wake County.

The bank defines its AA as all of Harnett County, one census tract in Sampson County, all of Johnston County, and five census tracts in Wake County. The AA surrounds the bank's branch offices. The one census tract in Sampson County borders the census tract where the bank's main office in Harnett County is located. The five census tracts in Wake County surround the bank's branch office in southern Wake County.

In 2019, the United States Office of Management and Budget (OMB) made changes to MSA delineations. With this change, Harnett County became part of the Fayetteville, NC MSA. Prior to 2019, Harnett County was a non-MSA. Sampson County continues to be a non-MSA. Johnston and Wake Counties are part of the Raleigh, NC MSA.

First Federal operates as a traditional savings association, concentrating on the origination of mortgage loans and acceptance of local deposit accounts. As of December 31, 2019, 52.4 percent of the bank's loans consist of 1-4 family residential loans and 34.7 percent of loans are commercial real estate and commercial and industrial loans. Consumer loans represent less than 1.0 percent of the bank's overall loan portfolio.

First Federal offers conventional mortgage products for the purchase, refinance, and construction of single-family residences. The bank offers fixed-rate mortgages with terms of 10, 15, 20, or 30 years. First Federal does originate home mortgage loans for sale on the secondary market. Due to the recent growth of new residential construction in Wake County, First Federal's lending strategy has focused on the origination of construction loans to residential builders. The bank also offers home equity lines of credit and personal loans. Commercial real estate loans, and other business loans including open lines of credit, and equipment loans are available.

First Federal does originate long-term, fixed-rate mortgage loans for the bank's loan portfolio. The bank accepts home mortgage loan applications for conventional 30 year-fixed rate loans. First Federal processes these applications and then transfers them to other lenders for underwriting and credit decisioning. Since First Federal does not make the credit decisions on these applications, these applications are not reported on the bank's HMDA data.

First Federal is an active participant in Centrant Community Capital (Centrant), formerly known as the Community Investment Corporation of the Carolinas. Centrant is a consortium of lenders that provides long-term financing for low- to moderate-income multifamily housing developments. The organization sells participation interests in these housing developments to consortium members. Centrant serves a regional area, which includes the state of North Carolina. During the evaluation period, First Federal purchased an interest in 26 Centrant loans totaling \$26,000.

First Federal has no legal, financial or regulatory restrictions hindering its ability to meet community credit needs. The bank received a rating of “Satisfactory” at the preceding CRA evaluation conducted as of December 21, 2015.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated First Federal’s CRA performance using small bank evaluation procedures. We reviewed the bank’s record of meeting community credit needs through the bank’s lending activities. The evaluation period includes January 1, 2017 through December 31, 2019. Based upon loan origination activity provided by the bank, primary products are home mortgage loans.

In evaluating the geographic distribution and the borrower income distribution, 2017-2018 lending data was analyzed separate from 2019 lending data. This separate analysis was required due to a revision of MSA delineation as described in the Description of the Institution.

Selection of Areas for Full-Scope Review

We performed full-scope reviews of the bank’s AAs in Harnett-Sampson County, Harnett County, and Johnston-Wake County. For purposes of this evaluation, the non-MSA counties of Harnett and Sampson County were combined for the 2017-2018 evaluation period. Harnett County was evaluated separately for the 2019 evaluation period. Refer to Appendix A, Scope of Examination, for a list of full-scope AAs.

Ratings

The bank’s overall rating is based upon the bank’s performance in the full-scope AAs.

In reviewing the bank’s lending activity, we placed greater weight on the 2017 and 2018 lending data since this represented the majority of the bank’s lending activity. In addition, more weight was placed on the Harnett-Sampson AA since the majority of the bank’s deposits and loans are in this AA.

Refer to the “Scope” section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of North Carolina

CRA rating for the State of North Carolina ¹: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The quarterly average of the bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs.
- The majority of the bank's home mortgage loan originations are inside the bank's AAs.
- The geographic distribution of home mortgage loans is reasonable.
- The borrower income distribution is reasonable.
- There are no consumer complaints regarding the bank's CRA performance.

Description of Institution's Operations in North Carolina

Refer to the community profiles for detailed demographics and other performance criteria for the AAs that received full-scope reviews.

Harnett-Sampson AA 2017-2018

First Federal operates its main office and two branch offices in Harnett County. The main office is located in the city of Dunn and the branch offices are in the cities of Erwin and Angier. The one census tract in Sampson County is contiguous to the Harnett County census tract where the bank's main office is located. Management explained that this census tracts is considered part of Dunn, North Carolina even though it is located in Sampson County. There are ATMs at each of the bank's three branch offices. According to June 30, 2019 Federal Insurance Deposit Corporation (FDIC) data, approximately 68.5 percent of the bank's total deposits are maintained in the bank's branches in Harnett County.

First Federal faces significant competition for both deposits and loans in the Harnett-Sampson AA. According to June 30, 2019 FDIC Summary of Deposit data, the bank ranked 5th out of ten depository institutions with a market share of 10.7 percent. The top three depository institutions, Branch Bank and Trust, Select Bank and Trust, and First Citizens Bank and Trust have market shares of 26.3 percent, 19.6 percent, and 14.3 percent, respectively.

According to 2018 Aggregate HMDA data, 250 lenders originated 422 loans in the Harnett and Sampson AA. These other depository institutions and mortgage companies offer numerous mortgage loans products including those with features attractive to low-income and moderate-income borrowers.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

First Federal ranked 35th out of 250 lenders with a market share of 0.58 percent. The top three lenders, State Employees Credit Union, Branch Bank and Trust, and USAA had market shares of 9.5 percent, 6.6 percent, and 4.6 percent of the total market share of home mortgage loans.

In Harnett County, the primary industries are agriculture/forestry, health science, manufacturing, military and defense (due to proximity of the Fort Bragg Military Base in Fayetteville), and transportation and logistics. Major employers include Harnett County Public Schools, Campbell University, Food Lion, County of Harnett, and Harnett Heath System.

Economic conditions in Harnett County are stable. According to the U.S. Bureau of Labor Statistics, the unemployment rate for Harnett County in December 2019 was 3.8 percent. The Harnett County unemployment rate exceeds the state of North Carolina's unemployment rate of 3.7 percent and the national unemployment rate of 3.5 percent.

We conducted a community contact with a representative of affordable housing organization serving Harnett County. According to the contact, there is a significant need for affordable housing in Harnett County.

According to data from the Federal Financial Institution Examination Council (FFIEC) data, the Sampson County census tract in the bank's AA, was identified as a distressed middle-income census tract in 2018 and 2019. The tract was classified distressed due to high poverty rates.

The major employers in Sampson County are Smithfield Foods, Sampson County Schools, Prestage Farms, Inc, Hog Slat Company Inc., and Sampson County Government.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Harnett and Sampson AA 2017-2018						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	28	0.0	3.6	57.1	39.3	0.0
Population by Geography	130,548	0.0	2.5	60.9	36.6	0.0
Housing Units by Geography	51,360	0.0	3.0	62.4	34.6	0.0
Owner-Occupied Units by Geography	30,013	0.0	2.4	59.5	38.1	0.0
Occupied Rental Units by Geography	15,015	0.0	4.1	67.2	28.6	0.0
Vacant Units by Geography	6,332	0.0	3.3	65.0	31.7	0.0
Businesses by Geography	5,548	0.0	5.0	59.4	35.7	0.0
Farms by Geography	323	0.0	3.1	64.7	32.2	0.0
Family Distribution by Income Level	32,369	17.6	16.3	18.1	48.0	0.0
Household Distribution by Income Level	45,028	18.6	14.6	17.0	49.8	0.0
Median Family Income Non-MSAs - NC		\$47,794	Median Housing Value			\$132,946
			Median Gross Rent			\$843
			Families Below Poverty Level			14.3%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Table A – Demographic Information of the Assessment Area**Assessment Area: Harnett County 2019**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	0.0	7.4	74.1	18.5	0.0
Population by Geography	124,320	0.0	6.5	71.6	21.9	0.0
Housing Units by Geography	48,676	0.0	7.4	71.5	21.1	0.0
Owner-Occupied Units by Geography	28,139	0.0	6.4	69.0	24.6	0.0
Occupied Rental Units by Geography	14,533	0.0	9.4	75.8	14.8	0.0
Vacant Units by Geography	6,004	0.0	7.7	72.9	19.4	0.0
Businesses by Geography	6,262	0.0	14.0	65.1	20.9	0.0
Farms by Geography	320	0.0	7.2	70.0	22.8	0.0
Family Distribution by Income Level	30,799	17.7	16.1	18.0	48.1	0.0
Household Distribution by Income Level	42,672	18.6	14.4	16.9	50.2	0.0
Median Family Income MSA - 22180 Fayetteville, NC MSA		\$52,485	Median Housing Value			\$135,342
			Median Gross Rent			\$852
			Families Below Poverty Level			14.4%
<i>Source: 2015 ACS Census and 2019 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Johnston-Wake AA

First Federal operates three branch offices in the Johnston-Wake AA. The two branches in Johnston County are located in the cities of Benson and Clayton. The branch office in Wake County is located in the city of Fuquay-Varina. There are ATMs at each office in Benson and Fuquay-Varina. The Clayton branch office does not have sufficient space for an ATM. According to June 30, 2019 FDIC summary of deposit information, these branches maintain approximately 31.5 percent of the bank's total deposits.

First Federal faces significant competition for deposits within the Johnston-Wake AA. According to June 30, 2019, FDIC Summary of Deposit data, First Federal ranks 22th out of 33 depository institutions with a market share of 0.18 percent. The top three depository institutions, Wells Fargo National Bank, Branch Bank and Trust, and Bank of America have market shares of 24.2 percent, 14.8 percent, and 13.3 percent, respectively.

The bank also experiences significant competition for home mortgage loans in the AA. According to 2018 Aggregate HMDA data, 331 lenders originated 8,525 home mortgage loans in the Johnston-Wake AA. These 331 lenders include numerous large regional banks and mortgage companies which offer a wide range of mortgage loan products. First Federal ranked 112th out of 331 lenders with a market share of 0.09 percent. The top three lenders, State Employees Credit Union, Branch Bank and Trust, and Quicken Loans, had market shares of 13.6 percent, 5.4 percent, and 4.9 percent, respectively.

In Johnston County, the major employers include Johnston County Public Schools, Johnston County Government, Walmart, Johnston Community College, and Johnston Memorial Hospital. Major

employers in Wake County include Duke University, Duke Health Systems, the State of North Carolina, Wake County Public Schools, Walmart, and the University of North Carolina at Chapel Hill.

Economic conditions in Johnson and Wake County AA are stable. According to December 2019 U.S. Bureau of Labor Statistics, unemployment rates for Johnston and Wake Counties were 3.1 percent and 2.8 percent, respectively. The AA unemployment rates are below state of North Carolina's unemployment rate of 3.7 percent and the national unemployment rate of 3.5 percent.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Johnston and Wake AA 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	6.7	60.0	33.3	0.0	0.0
Population by Geography	212,554	3.5	56.6	39.9	0.0	0.0
Housing Units by Geography	81,993	3.8	57.2	39.0	0.0	0.0
Owner-Occupied Units by Geography	53,177	2.0	53.6	44.4	0.0	0.0
Occupied Rental Units by Geography	20,598	6.6	63.6	29.8	0.0	0.0
Vacant Units by Geography	8,218	7.9	64.6	27.5	0.0	0.0
Businesses by Geography	14,982	3.1	51.4	45.5	0.0	0.0
Farms by Geography	752	3.5	57.2	39.4	0.0	0.0
Family Distribution by Income Level	55,075	28.5	21.8	21.3	28.3	0.0
Household Distribution by Income Level	73,775	28.8	19.4	18.9	32.9	0.0
Median Family Income MSA - 39580 Raleigh-Cary, NC MSA		\$78,057	Median Housing Value			\$151,824
			Median Gross Rent			\$807
			Families Below Poverty Level			11.3%
<i>Source: 2015 ACS Census and 2019 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in North Carolina

We performed full-scope reviews of the Harnett-Sampson AA, Harnett County AA and the Johnston-Wake AA. Refer to appendix A, Scope of Examination, for a list of full-scope AAs.

LENDING TEST

The bank's performance under the Lending Test is rated Satisfactory.

Conclusions for AAs Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's performance under the lending in the AAs of Harnett-Sampson, Harnett County AA, and the Johnston-Wake AA is satisfactory.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans. First Federal's performance meets the standard for satisfactory performance. The geographic distribution of home mortgage loans in Harnett and Sampson AA is reasonable. The geographic distribution of home mortgage loans in Harnett AA is reasonable. The geographic distribution of home mortgage loans in Johnston and Wake AA is reasonable. There are no conspicuous gaps identified in the bank's AA's.

Home Mortgage Loans

Refer to Table O in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Harnett and Sampson AA

During the 2017 and 2018 evaluation period, the geographic distribution of home mortgage loans is reasonable. The distribution of the bank's home mortgage loans in the moderate-income census tracts is near to the proportion of owner-occupied housing units in the moderate-income census tracts. The distribution of loans in the moderate-income census tracts significantly exceeds aggregate lending in the moderate-income census tracts.

Harnett AA

During the 2019 evaluation period, the geographic distribution of home mortgage loans is reasonable. The distribution of loans in the moderate-income census tracts exceeds the proportion of owner-occupied housing units in the moderate-income census tracts. The distribution of loans in the moderate-income census tracts significantly exceeds aggregate lending in the moderate-income census tracts.

Johnston and Wake AA

In evaluating the geographic distribution in the Johnston-Wake AA, we considered that large portions of the two low-income census tracts consist of farmland. The agricultural nature of these low-income census tracts may have impacted the bank's ability to originate loans in these geographies.

During the 2017-2018 evaluation period, the geographic distribution of home mortgage loans is reasonable. The bank did not originate any loans in the two low-income geographies. The two low-income census tracts are primarily agricultural. According to 2018 Aggregate HMDA, less than 1.1 percent of the total loans originated by other lenders were in these low-income census tracts. The low percentage of aggregate lending tends to indicate low loan demand in these geographies. Despite no lending in low-income census tracts, the distribution of loans in the moderate-income census tracts significantly exceeds the proportion of owner-occupied housing units. The distribution of loans significantly exceeds aggregate lending in moderate-income census tracts.

During the 2019 evaluation period, the geographic distribution of home mortgage loans is reasonable. First Federal did not originate any home mortgage loans in the low-income census tracts. The agricultural nature of the low-income census tracts may impact the bank's lending opportunities. The distribution of loans in moderate-income census tracts exceeds the proportion of owner-occupied

housing units in moderate-income census tracts. The distribution of loans significantly exceeds aggregate lending in these geographies.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels. Borrower income distribution of home mortgage loans in the Harnett-Sampson AA is reasonable. The borrower income distribution of home mortgage loans in the Johnston-Wake AA is poor. We placed more weight on lending performance in the Harnett-Sampson AA, as the majority of loans are originated in this AA.

In evaluating borrower income distribution, we considered that the need for affordable housing and high cost of housing in Harnett County may impact the bank's ability to originate loans to low-income borrowers. In addition, competition from numerous lenders may also impact the bank's ability to originate loans to low-income and moderate-income borrowers. We also considered that the high cost of housing in Johnston-Wake AA may impact the bank's ability to originate loans to low-income borrowers.

Home Mortgage Loans

Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Harnett and Sampson AA

During the 2017 and 2018 evaluation period, borrower income distribution is reasonable. The distribution of loans to low-income borrowers is below the proportion of low-income families. The distribution of loans to low-income borrowers significantly exceeds aggregate lending. The distribution of loans to moderate-income borrowers is below the proportion of moderate-income families. The distribution of loans to moderate-income borrowers is near to aggregate lending.

Harnett AA

During the 2019 evaluation period, borrower income distribution is reasonable. Although the bank did not originate any loans to low-income borrowers in Harnett County, the high cost of housing may impact the bank's ability to originate loans to low-income borrowers. In Harnett County, the average sales price of houses in December 2019 was \$224,900 (based upon data from Zillow.com). According to FFIEC data, the 2019 adjusted median family income for Harnett County (Fayetteville, NC MSA) was \$56,500. Low-income families earn less than \$28,250. The cost of housing is over six times the earnings of low-income families. The distribution of loans to moderate-income borrowers is significantly below the proportion of moderate-income families. The distribution of loans to moderate-income borrowers is slightly below aggregate lending.

Johnston and Wake AA

During the 2017 and 2018 evaluation period, the distribution of loans to borrowers of different income levels is poor. The bank did not originate any loans to low-income borrowers. The bank's lending opportunities to low-income borrowers may be impacted by housing affordability issues. In December 2019 the average list price of homes in Johnston County and Wake County was \$253,313, and \$361,448,

respectively (based upon data obtained from Triangle Multiple Listing Services). According to FFIEC information, the 2019 adjusted median family income for the Raleigh, NC MSA was \$93,100. Low-income families earn less \$46,550. The price of homes in Johnston County and Wake County is nearly six times the earnings of low-income families. The distribution of loans to moderate-income borrowers is significantly below the proportion of moderate-income families. The distribution of loans to moderate-income borrowers is significantly below aggregate lending. The significant amount of competition from other lenders may also impact the bank's ability to originate loans to moderate-income borrowers.

During the 2019 evaluation period, the distribution of loans to borrowers of different income levels is reasonable. First Federal did not originate any loans to low-income borrowers. The high price of housing may impact the bank's ability to originate loans to low-income borrowers. The distribution of loans to moderate-income borrowers exceeded the proportion of moderate-income families. The distribution of loans to moderate-income borrowers exceeded aggregate lending.

Responses to Complaints

First Federal has not received any complaints regarding its CRA performance during the evaluation period.

Conclusions for Area Receiving Limited Scope Review

Based on a limited scope review, bank's performance under the Lending Test in the Sampson AA is weaker than the bank's overall performance under the Lending Test. During 2019, the bank originated a total of three loans in the Sampson AA. The bank's performance in the Sampson AA had a neutral impact on the bank's performance under the Lending Test.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2017 – December 31, 2019	
Bank Products Reviewed:	Home mortgage loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	NAP	NAP
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
State of North Carolina		
Harnett-Sampson AA 2017-2018	Full-Scope	
Harnett AA - 2019	Full-Scope	Separate analysis of Harnett AA in 2019 due to Harnett County becoming part of Fayetteville NC MSA.
Sampson AA 2019	Limited-Scope	Separate analysis of Sampson AA in 2019 due to Harnett County becoming part of Fayetteville NC MSA.
Johnston-Wake 2017-2019	Full-Scope	For analysis of geographic and borrower income distribution, 2017-2018 lending data was conducted separate from 2019 lending data.

Appendix B: Summary of MMSA and State Ratings

RATINGS	First Federal Bank
Overall Bank:	Lending Test Rating
First Federal Bank	Satisfactory
State:	
North Carolina	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low-Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multistate metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																	2017-2018		
Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Harnett and Sampson	44	7,276	67.7	0.0	0.0	0.0	2.4	2.3	1.0	59.5	84.1	46.0	38.1	13.6	53.0	0.0	0.0	0.0	
Johnston-Wake	21	5,585	32.3	2.0	0.0	1.1	53.6	66.7	42.9	44.4	33.3	56.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total	65	12,860	15,214	1.3	0.0	0.8	35.1	23.1	30.4	49.8	67.7	53.1	13.7	9.2	15.7	0.0	0.0	0.0	

Source: 2015 U.S Census; 01/01/2017 - 12/31/2018 Bank Data, "2108" Aggregate HMDA. Due to rounding, totals may not equal 100.0

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																	2019		
Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Harnett and Sampson	13	3,267	52.0	0.0	0.0	0.0	6.4	7.7	1.0	69.0	92.3	44.3	24.6	0.0	54.6	0.0	0.0	0.0	
Johnston-Wake	9	2,731	36.0	2.0	0.0	1.1	53.6	66.7	42.9	44.4	33.3	56.0	0.0	0.0	0.0	0.0	0.0	0.0	
Sampson	3	533	12.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total	25	6,531	100.0	1.3	0.0	0.8	36.4	28.0	30.4	54.0	72.0	53.1	8.3	0.0	15.7	0.0	0.0	0.0	

Source: 2015 U.S Census; 01/01/2017 - 12/31/2018 Bank Data, "2108" Aggregate HMDA. Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																	2017-2018		
Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	
Harnett-Sampson	44	7,276	67.7	17.6	11.4	2.5	16.3	9.1	9.8	18.1	15.9	21.9	48.0	56.8	43.3	0.0	6.8	22.4	
Johnston-Wake	21	5,585	32.3	28.5	0.0	10.3	21.8	9.5	23.2	21.3	52.4	25.6	28.3	33.3	24.5	0.0	4.8	16.4	
Total	65	12,860	100.0	24.5	7.7	8.0	19.8	9.2	19.2	20.1	27.7	24.5	35.6	49.2	30.1	0.0	6.2	18.2	

Source: 2015 U.S Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 Aggregate HMDA. Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																	2019		
Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	% of Families	% Bank Loans	Aggregate	
Harnett	13	7,276	52.0	17.7	0.0	2.5	16.3	7.7	9.7	18.0	15.4	21.9	48.1	46.1	43.1	0.0	30.8	22.7	
Johnston-Wake	21	5,585	36.0	28.5	0.0	10.3	21.8	22.2	23.2	21.3	33.3	25.6	28.3	44.4	44.4	0.0	0.0	16.4	
Sampson	3	533	12.0	16.3	0.0	5.3	19.2	9.0	12.9	18.7	0.0	19.7	45.8	100.0	50.8	0.0	0.0	11.4	
Total	25	6,531	100.0	24.5	0.0	8.0	19.8	12.0	19.2	20.1	27.7	24.5	35.6	52.0	30.1	0.0	16.0	18.2	

Source: 2015 U.S Census; 01/01/2019 - 01/31/2019 Bank Data, 2019 Aggregate HMDA not available. Due to rounding, totals may not equal 100.0