



**PUBLIC DISCLOSURE**

May 15, 2020

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First Federal Savings Bank  
Charter Number 707101

301 E 9th Street  
Rochester, Indiana 46975

Office of the Comptroller of the Currency

Indianapolis Field Office  
8777 Purdue Road, Suite 105  
Indianapolis, Indiana 46268

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: Outstanding.**

**The community development test is rated: Satisfactory.**

The major factors that support this rating include:

- The Lending Test rating is based on excellent performance in the State of Indiana. First Federal Savings Bank (FFSB or bank) originated a substantial majority of its loans in the assessment areas (AAs) with an excellent overall distribution among borrowers and geographies of different income levels.
- The Community Development (CD) Test rating is based on satisfactory performance in the State of Indiana. FFSB demonstrated adequate responsiveness to CD needs in the AAs by engaging in a combination of CD loans, qualified investments, and CD services.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio (LTD) is more than reasonable. FFSB's quarterly LTD ratio, as calculated on a bank-wide basis, averaged 103.0 percent over the 13-quarter period ending March 31, 2020. During this timeframe, the LTD ratio ranged from a low of 94.1 percent to a high of 114.4 percent. FFSB's LTD ratio was the highest among the four banks with offices in the AAs and total assets between \$300.0 and \$600.0 million. The average LTD ratio for the other three banks ranged from 67.1 percent to 89.8 percent.

### Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs. During the evaluation period, FFSB originated 82.7 percent of its total loans by number inside the three AAs. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

The table below shows the number and dollar volume of loans originated inside and outside the bank's AAs. The data includes all home mortgage loans that FFSB reported under the Home Mortgage Disclosure Act (HMDA). All loans in this analysis were originated or purchased between January 1, 2017, and December 31, 2019.

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	3,959	82.7	826	17.3	4,785	616,148	74.3	212,769	25.7	828,917
<b>Total</b>	<b>3,959</b>	<b>82.7</b>	<b>826</b>	<b>17.3</b>	<b>4,785</b>	<b>616,148</b>	<b>74.3</b>	<b>212,769</b>	<b>25.7</b>	<b>828,917</b>

Source: 2017-2019 HMDA Data (Due to rounding, totals may not equal 100%)

## Description of Institution

FFSB is a federally chartered stock savings bank and is wholly owned by American Midwest Financial Corporation (AMFC), a unitary, non-diversified savings and loan holding company headquartered in Rochester, Indiana. As a full-service bank, FFSB offers a variety of products and services for personal or business needs. These include home mortgage loans, home equity loans, commercial loans, checking and savings accounts, certificates of deposit, individual retirement accounts, lockboxes, and various online services. FFSB does not have any subsidiaries and did not engage in any merger/acquisition activity during the evaluation period.

FFSB serves seven contiguous counties in northeastern Indiana and offers all banking products and services at each of its six offices. The main office is in Rochester, Indiana, which is in Fulton County. In addition, the bank has two offices in Marshall County, one in Pulaski County, one in Elkhart County, and one in St. Joseph County. Each office location has a deposit-taking automated teller machine (ATM) and there is also another stand-alone ATM in Marshall County. All counties in which FFSB has offices and deposit-taking ATMs, along with two other surrounding counties, comprise three AAs. Five of the counties are part of the Indiana nonmetropolitan statistical area (IN Non-MSA), one county is in the Elkhart-Goshen, IN MSA (Elkhart MSA), and one county is in the South Bend-Mishawaka, IN-MI MSA (South Bend MSA).

As of March 31, 2020, FFSB had total assets of \$443.6 million and tier 1 capital of \$48.1 million. Total deposits equaled \$358.8 million or 78.7 percent of total assets, while gross loans and leases of \$358.8 million represented 80.9 percent of total assets. Approximately 87.1 percent of total deposits are assigned to FFSB's office(s) in the IN Non-MSA. Loan originations and loan portfolio composition reflect FFSB's focus on mortgage banking activities. As such, residential real estate loans comprise most of the loan originations and outstanding loans. The tables below provide a summary of FFSB's deposit data and loan portfolio composition.

<b>Deposit Data June 30, 2019</b>		
<b>Assessment Area</b>	<b>Deposit Amount (000s)</b>	<b>% of Total Deposits</b>
IN Non-MSA	\$ 287,968	87.1%
Elkhart MSA	\$ 18,944	5.7%
South Bend MSA	\$ 23,653	7.2%
<b>Total</b>	<b>\$ 330,565</b>	<b>100.0%</b>

Source: FDIC Summary of Deposits Report for June 30, 2019

<b>Loan Portfolio Composition December 31, 2019</b>			
<b>Loan Category</b>	<b>Amount (\$000's)</b>	<b>Percent of Total Loans</b>	<b>Percent of Total Assets</b>
Residential Loans	\$ 336,957	93.9%	76.0%
Farm Loans	\$ 2,684	0.8%	0.6%
Business Loans	\$ 18,663	5.2%	4.2%
Consumer Loans	\$ 389	0.1%	0.1%
Other Loans & Leases	\$ 69	0.0%	0.0%
<b>Total Gross Loans &amp; Leases</b>	<b>\$ 358,762</b>	<b>100.0%</b>	<b>80.9%</b>

Source: Call Report for March 31, 2020

FFSB does not have any legal, financial or other impediments that hinder its ability to meet the credit needs of its AAs. FFSB was assigned a Satisfactory rating at its prior CRA evaluation dated February 27, 2017.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This evaluation addresses FFSB's CRA performance from January 1, 2017, through December 31, 2019. Examiners assessed this performance using Intermediate Small Bank examination procedures which include a Lending Test and a CD Test. The Lending Test reflects an evaluation of FFSB's record of meeting the credit needs of the AAs through its lending activities. The CD Test reflects an evaluation of FFSB's responsiveness to the CD needs of the AA through loans, qualified investments, and services that have a CD purpose.

To evaluate FFSB's lending practices, examiners considered data on its primary loan product(s). Based on the number and dollar volume of lending, examiners determined home mortgage loans were the primary product. Therefore, the data used in this evaluation included all HMDA-reportable mortgage loans originated or purchased between January 1, 2017, and December 31, 2019.

The evaluation of FFSB's CD activities was based on the responsiveness of all CD-purpose loans, qualified investments, and services. The analysis period for CD activities is February 28, 2017, through December 31, 2019. Any activities prior to February 28, 2017, were included in the previous evaluation and any activities after December 31, 2019, will be considered during the next evaluation. As such, all qualifying activities performed in response to the significant impact of the coronavirus pandemic are not addressed in this evaluation and will be appropriately considered in the subsequent evaluation.

### **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings. FFSB operates in a single state, so its overall rating is the same as the rating for the State of Indiana. The State of Indiana rating is based on performance in all bank AAs. Refer to the "Scope" section under the State of Indiana 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 (or any affiliate whose loans have been considered as part of the institution's lending performance) 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 Indiana

**CRA rating for the State of (name of state)<sup>1</sup>:** Satisfactory

**The Lending Test is rated:** Outstanding

**The Community Development Test is rated:** Satisfactory

The major factors that support this rating include:

- The Lending Test rating is based on excellent performance in the State of Indiana. FFSB originated a substantial majority of its loans in the assessment areas (AAs) with an excellent overall distribution among borrowers and geographies of different income levels.
- The Community Development Test rating is based on satisfactory performance in the State of Indiana. FFSB demonstrated adequate responsiveness to CD needs in the AAs by engaging in a combination of CD loans, qualified investments, and CD services.

### Description of Institution's Operations in Indiana

FFSB conducts business from six office locations in northeastern Indiana. See the Description of Institution section above for additional details. Based on this footprint, FFSB has delineated three AAs. These AAs are the IN Non-MSA, Elkhart MSA, and South Bend MSA. Additional information regarding demographic data, employment, affordability, competition, and credit needs for each AA is discussed below.

#### IN Non-MSA AA

The IN Non-MSA AA includes the five counties of Fulton, Kosciusko, Marshall, Pulaski, and Starke. The following table provides a summary of demographic information for this AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: IN Non-MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	48	0.0	10.4	75.0	14.6	0.0
Population by Geography	181,636	0.0	10.6	74.9	14.5	0.0
Housing Units by Geography	84,057	0.0	10.5	76.1	13.4	0.0
Owner-Occupied Units by Geography	53,172	0.0	8.6	76.2	15.2	0.0
Occupied Rental Units by Geography	15,674	0.0	19.6	70.7	9.7	0.0
Vacant Units by Geography	15,211	0.0	7.5	81.4	11.1	0.0
Businesses by Geography	11,657	0.0	17.6	69.1	13.3	0.0

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

Farms by Geography	1,168	0.0	3.0	85.0	12.0	0.0
Family Distribution by Income Level	48,278	15.9	18.7	23.9	41.4	0.0
Household Distribution by Income Level	68,846	20.4	15.9	19.9	43.9	0.0
Median Family Income IN Non-MSA		\$55,715	Median Housing Value			\$121,860
FFIEC Updated Median Family Income		\$61,200	Median Gross Rent			\$691
			Families Below Poverty Level			9.0%
<i>Source: 2015 ACS and 2019 D&amp;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>						

### Employment

Business demographic data indicates the primary industries in the five-county AA are services, retail trade, and agriculture. Some of the major employers are Rochester Metal Products (Fulton County), Biomet Manufacturing (Kosciusko County), Southwire Company (Marshall County), Braunability (Pulaski County), and Pathfinder Services Inc. (Starke County). LAU (Fulton County), Depuy Joint (Kosciusko County), Walmart (Marshall County), Pulaski Memorial Hospital (Pulaski County), and Knox Community School Corporation (Starke County) are also major employers in the AA.

The annual unemployment rate for each county in the IN Non-MSA has been relatively stable and trending with the statewide rate. Most counties have a lower unemployment rate than the state, but Starke County's rate has been slightly higher. The following table summarizes these annual unemployment rates:

Unemployment Rates			
Area	2017	2018	2019
Fulton County	3.5%	3.4%	3.2%
Kosciusko County	2.8%	2.7%	2.8%
Marshall County	3.1%	3.2%	3.1%
Pulaski County	3.5%	3.1%	3.1%
Starke County	4.4%	4.4%	4.3%
State of Indiana	3.6%	3.5%	3.3%

*Source: Bureau of Labor Statistics*

### Affordability

Homeownership is not necessarily affordable for all LMI borrowers, particularly some low-income families. Based on the 2019 FFIEC median family income of \$61,200, low-income families make less than \$30,600. At \$121,860, the median housing value was at least 4.0 times the annual income of a low-income family.

### Competition

Competition for deposits is strong due to the number and size of financial institutions with offices in the AA. As of June 30, 2019, FDIC deposit data showed FFSB and 20 other FDIC-insured national, regional, and local banks operated 74 offices in the five-county area. FFSB's four offices with deposits

of almost \$288.0 million have a market share of about 8.2 percent. This share ranks FFSB third among the group. The top two banks hold 53.7 percent of the market share.

Strong competition for home mortgage loans also exists. Aggregate HMDA data for 2017 shows 254 lenders originated or purchased 4,811 home mortgage loans. The 2018 data shows 267 lenders originated or purchased 5,812 home mortgage loans. FFSB was the top lender in both years with a market share of 17.0 percent in 2017 and 12.3 percent in 2018.

### Credit Needs

Examiners considered comments from two community contacts regarding credit and community development needs and/or opportunities. The contact from an economic development group mentioned the need to support affordable housing projects, workforce development programs, and substance abuse initiatives. The contact from a community action group echoed the need for affordable housing and workforce development. This contact also perceives auto loans are a primary credit need.

### Elkhart MSA AA

The Elkhart MSA AA consists of one county, Elkhart County. The following table provides a summary of demographic information for this AA.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Elkhart MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	2.8	19.4	63.9	13.9	0.0
Population by Geography	200,685	1.0	19.3	59.5	20.3	0.0
Housing Units by Geography	77,880	1.5	18.9	61.0	18.6	0.0
Owner-Occupied Units by Geography	48,955	0.4	12.3	63.7	23.7	0.0
Occupied Rental Units by Geography	21,484	3.1	30.6	56.7	9.6	0.0
Vacant Units by Geography	7,441	4.3	28.7	55.5	11.6	0.0
Businesses by Geography	12,972	1.2	15.7	63.6	19.5	0.0
Farms by Geography	563	0.2	5.7	65.2	29.0	0.0
Family Distribution by Income Level	50,577	19.0	18.1	23.4	39.5	0.0
Household Distribution by Income Level	70,439	21.6	17.2	20.6	40.6	0.0
Median Family Income Elkhart MSA		\$55,551	Median Housing Value			\$121,127
FFIEC Updated Median Family Income		\$69,100	Median Gross Rent			\$708
			Families Below Poverty Level			12.4%
<i>Source: 2015 ACS and 2019 D&amp;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>						

Employment

Business demographic data indicates the primary industries in the AA are services, retail trade, and manufacturing. Some of the major employers in Elkhart County are Norfolk Southern, Always in Stone Monument Company, and Keystone RV Company. Elkhart General Hospital and Jayco Inc. are also major employers.

The annual unemployment rate for Elkhart County was stable from 2017 to 2018 but rose slightly in 2019. Following this change, Elkhart County’s rate was comparable to the statewide rate. The following table summarizes these two unemployment rates:

Unemployment Rates			
Area	2017	2018	2019
Elkhart County	2.6%	2.6%	3.1%
State of Indiana	3.6%	3.5%	3.3%

Source: Bureau of Labor Statistics

Affordability

Homeownership is not necessarily affordable for all LMI borrowers, particularly some low-income families. Based on the 2019 FFIEC median family income of \$69,100, low-income families make less than \$34,550. At \$121,127, the median housing value was at least 3.5 times the annual income of a low-income family.

Competition

Competition for deposits is strong due to the number and size of financial institutions with offices in the AA. As of June 30, 2019, FDIC deposit data showed FFSB and 16 other FDIC-insured national, regional, and local banks operated 57 offices in Elkhart. FFSB’s one office with deposits of almost \$19.0 million represented a market share of about 0.6 percent. This share ranks FFSB 11<sup>th</sup> among the group. The top five banks hold 91.1 percent of the market share.

Strong competition for home mortgage loans also exists. Aggregate HMDA data for 2017 shows 219 lenders originated or purchased 5,606 home mortgage loans. The 2018 data shows 220 lenders originated or purchased 6,604 home mortgage loans. FFSB ranked fifth with a market share of 4.7 percent in 2017 but slipped to tenth with a market share of 3.2 percent in 2018.

Credit Needs

Examiners considered comments from a community contact regarding credit and community development needs and/or opportunities. This contact, who is from an economic development group, stated affordable housing is the greatest need in the area. The contact further commented that there is a shortage of homes priced around \$200,000.

South Bend MSA AA

The South Bend MSA AA consists of one county, St. Joseph County. The following table provides a summary of demographic information for this AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: South Bend MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	75	14.7	25.3	34.7	25.3	0.0
Population by Geography	267,246	8.9	17.9	41.8	31.3	0.0
Housing Units by Geography	115,351	10.8	18.5	45.0	25.7	0.0
Owner-Occupied Units by Geography	69,843	4.9	15.0	44.4	35.7	0.0
Occupied Rental Units by Geography	32,162	19.9	22.4	48.0	9.7	0.0
Vacant Units by Geography	13,346	19.8	27.4	40.6	12.2	0.0
Businesses by Geography	17,536	11.8	16.6	42.8	28.8	0.0
Farms by Geography	474	3.8	8.9	42.0	45.4	0.0
Family Distribution by Income Level	65,126	22.1	16.7	20.1	41.2	0.0
Household Distribution by Income Level	102,005	23.8	16.8	17.7	41.7	0.0
Median Family Income South Bend MSA		\$57,692	Median Housing Value			\$112,830
FFIEC Updated Median Family Income		\$66,100	Median Gross Rent			\$710
			Families Below Poverty Level			13.3%
<i>Source: 2015 ACS and 2019 D&amp;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>						

Employment

Business demographic data indicates the primary industries in the AA are services, retail trade, and finance/insurance/real estate. Some of the major employers in St. Joseph County are the University of Notre Dame, Notre Dame Alumni Association, and Bayer Healthcare. Am General and Liberty Mutual are also major employers.

The annual unemployment rate for St. Joseph County was stable from 2017 to 2019 and comparable to the statewide rate. The following table summarizes these two unemployment rates:

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
St. Joseph County	3.6%	3.6%	3.6%
State of Indiana	3.6%	3.5%	3.3%

*Source: Bureau of Labor Statistics*

*Affordability*

Homeownership is not necessarily affordable for all LMI borrowers, particularly some low-income families. Based on the 2019 FFIEC median family income of \$69,100, low-income families make less than \$33,050. At \$112,830, the median housing value was at least 3.4 times the annual income of a low-income family.

*Competition*

Competition for deposits is strong due to the number and size of financial institutions with offices in the AA. As of June 30, 2019, FDIC deposit data showed FFSB and 14 other FDIC-insured national, regional, and local banks operated 68 offices in St. Joseph County. FFSB's one office with deposits of almost \$23.7 million represented a market share of about 0.5 percent. This share ranks FFSB 11<sup>th</sup> among the group. The top five banks hold 84.8 percent of the market share.

Strong competition for home mortgage loans also exists. Aggregate HMDA data for 2017 shows 265 lenders originated or purchased 6,679 home mortgage loans. The 2018 data shows 255 lenders originated or purchased 7,444 home mortgage loans. FFSB ranked eighth with a market share of about 4.3 percent in both 2017 and 2018.

*Credit Needs*

Examiners considered comments from a community contact regarding credit and community development needs and/or opportunities. This contact, who is from an economic development group, indicated several community development projects are underway. The contact also noted financial institutions are meeting the credit needs of the area, but there are still opportunities to support the economic development corporation and small businesses.

**Scope of Evaluation in Indiana**

Examiners performed a full-scope review of all three AAs in Indiana. Refer to the table in Appendix A: Scope of Examination for additional information. The IN Non-MSA AA received more weight due to the significance of FFSB's activities; the majority of FFSB's deposits and loan originations are within this area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN INDIANA****LENDING TEST**

The bank's performance under the Lending Test in Indiana is rated Outstanding.

**Conclusions for Areas Receiving Full-Scope Reviews**

Based on a full-scope reviews, the bank's lending performance in the State of Indiana is excellent. FFSB's lending performance in the IN Non-MSA AA and Elkhart MSA AA is excellent and performance in the South Bend MSA AA is reasonable.

## **Distribution of Loans by Income Level of the Geography**

The bank exhibits excellent geographic distribution of loans in the State of Indiana. Examiners placed more weight on FFSB's performance in moderate-income geographies as these areas has a higher percentage of owner-occupied housing units.

### ***Home Mortgage Loans***

#### IN Non-MSA AA

The geographic distribution of loans in the IN Non-MSA AA is excellent. This AA has no low-income CTs and five moderate-income CTs. FFSB's percentage of home mortgage loans originated or purchased in the moderate-income CTs is excellent. The percentage of loans in the moderate-income census tracts exceeded both the percentage of owner-occupied housing units and the aggregate percentage for all reporting lenders in those geographies.

#### Elkhart MSA AA

The geographic distribution of loans in the Elkhart MSA AA is reasonable. This AA has one low-income CT and seven moderate-income CTs. FFSB's percentage of home mortgage loans originated or purchased in the low-income CT was below the percentage of owner-occupied housing units but exceeded the aggregate percentage for all reporting lenders in that geography. FFSB's percentage of home mortgage loans originated or purchased in the moderate-income CTs was somewhat below the percentage of owner-occupied but exceeded the aggregate percentage of all reporting lenders in those geographies.

#### South Bend MSA AA

The geographic distribution of loans in the South Bend MSA AA is reasonable given the strong competition and FFSB's limited market presence. This AA has 11 low income CTs and 19 moderate-income CTs. FFSB's percentage of home mortgage loans originated or purchased in the low-income CTs was well below the percentage of owner-occupied housing units and below the aggregate percentage for all reporting lenders in that geography. FFSB's percentage of home mortgage loans originated or purchased in the moderate-income CTs was well below the percentage of owner-occupied and below the aggregate percentage of all reporting lenders in those geographies.

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

### ***Lending Gap Analysis***

Examiners used summary reports and maps to analyze FFSB's home mortgage lending activity during the evaluation period and did not identify any unexplained conspicuous lending gaps.

## **Distribution of Loans by Income Level of the Borrower**

The bank exhibits an excellent distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank. Examiners considered the impact of housing costs in relation to the median family income and percentage of families below poverty in each AA. Based on this data, these factors affect the affordability for some low-income borrowers.

### ***Home Mortgage Loans***

#### IN Non-MSA AA

The borrower distribution of loans in the IN Non-MSA AA is excellent. FFSB's percentage of home mortgage loans to low-income borrowers was below the percentage of low-income families but exceeded the aggregate percentage for all reporting lenders. FFSB's percentage of home mortgage loans to moderate-income borrowers exceeded both the percentage of moderate-income families and the aggregate percentage for all reporting lenders.

#### Elkhart MSA AA

The borrower distribution of loans in the Elkhart MSA AA is reasonable. FFSB's percentage of home mortgage loans to low-income borrowers was well below the percentage of low-income families and below the aggregate percentage for all reporting lenders. However, FFSB's percentage of home mortgage loans to moderate-income borrowers exceeded both the percentage moderate-income families and the aggregate percentage of all reporting lenders.

#### South Bend MSA AA

The borrower distribution of loans in the South Bend MSA AA is excellent. FFSB's percentage of home mortgage loans to low-income borrowers was well below the percentage of low-income families but equaled the aggregate percentage for all reporting lenders. In addition, FFSB's percentage of home mortgage loans to moderate-income borrowers exceeded both the percentage of moderate-income families and the aggregate percentage of all reporting lenders.

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

### **Responses to Complaints**

FFSB did not receive any complaints regarding its CRA performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test in the State of Indiana is rated Satisfactory. Performance in the South Bend MSA is excellent, but performance in both the IN Non-MSA and Elkhart MSA is adequate.

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, the bank exhibits adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s).

### Number and Amount of Community Development Loans

FFSB made CD loans totaling just \$46,166 during the evaluation period. However, these loans were responsive to affordable housing needs within the AA. Examiners also considered FFSB's focus on residential real estate lending and strong competition for CD loans as factors that limit opportunities to make such loans.

#### IN Non-MSA AA

FFSB did not make any CD loans in the IN Non-MSA AA during the evaluation period.

#### Elkhart MSA AA

FFSB did not make any CD loans in the Elkhart MSA AA during the evaluation period.

#### South Bend MSA AA

FFSB funded \$46,166 of loans in the South Bend MSA AA. In July 2019, FFSB began participating in the Community Housing Corporation's Homeownership Assistance Program. Through this program, the City of South Bend provides a 20 percent forgivable down payment equity loan to help first-time, LMI homebuyers with the purchase. FFSB's participation represents approximately 10 percent of the total funding amount.

### Number and Amount of Qualified Investments

In aggregate, FFSB's current period investments and donations in its AAs equal \$2.0 million and represent approximately 4.2 percent of Tier 1 capital. In addition, FFSB's prior period investments total \$3.3 million, including the statewide investment.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	% of Total #	\$ (000's)	% of Total \$	#	\$ (000's)
IN Non-MSA	0	\$ 0	12	59	12	40.0%	\$ 59	1.1%	0	\$ 0
Elkhart MSA	1	\$ 236	6	\$ 880	7	23.3%	\$ 1,116	21.2%	0	\$ 0
South Bend MSA	1	\$ 1,387	9	\$ 1,049	10	33.3%	\$ 2,436	46.4%	1	\$ 513
Statewide	1	\$ 1,643	0	\$ 0	1	3.4%	\$ 1,643	31.3%	0	\$ 0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

IN Non-MSA AA

FFSB's qualified investments in the IN Non-MSA equal \$59,073. These investments consist entirely of donations made during the evaluation period. The donations primarily supported seven different organizations that provide community services or affordable housing for LMI individuals or families. These organizations included a homeless shelter, food bank, Habitat for Humanity, and various organizations that support programs for LMI youth. In addition, one donation supported a revitalization/stabilization project. This building renovation project, located in a moderate-income geography, will bring new jobs and help attract new businesses to the downtown area. Examiners also considered FFSB's \$1.3 million prior period investment in the Solomon Hess SBA loan fund that is not reflected in the table above. This investment was outstanding until March 2019 which represents most of the evaluation period.

Elkhart MSA AA

FFSB has total qualified investments of nearly \$1.2 million in the Elkhart MSA AA. The largest portion is the investment in the Solomon Hess SBA Loan Fund, which supports small businesses in the AA. FFSB's current and prior period investments in this fund total \$852,213 and \$236,283, respectively. During the current evaluation period, FFSB also donated \$27,825. These donations supported education and financial literacy for LMI students and affordable housing for LMI individuals and families.

South Bend MSA AA

FFSB has total qualified investments of \$2.4 million in the South Bend MSA AA. Much of this amount consists of a prior period investment in a low-income housing tax credit (LIHTC) fund, Cinnaire Indiana Community Fund 19-4. This \$1.4 million investment funded construction of housing targeted to homeless persons with mental illness and/or chronic addictions. FFSB's current period investments were also notable at over \$1.0 million. These investments consisted of \$977,559 in the Solomon Hess SBA loan fund and \$71,116 in donations to seven organizations. The donations supported a variety of organizations that provide affordable housing or community services to LMI individuals or families. The largest donations supported a financial literacy program and a homeless center. Examiners also considered an additional amount of \$513,000 in the Solomon Hess SBA loan fund was committed at the time of this evaluation.

Indiana Statewide

FFSB has one prior period investment in the broader statewide area. This \$1.6 million investment in a LIHTC fund, Cinnaire Indiana Community Fund 19-2, supports affordable housing projects throughout Indiana.

**Extent to Which the Bank Provides Community Development Services**

In total, FFSB representatives provided nearly 1,300 hours of volunteer service to various organizations that support affordable housing and community services for LMI individuals or families. In addition, the representatives often serve in a leadership role by serving as a director or committee member.

IN Non-MSA AA

Nine FFSB employees spent almost 530 hours serving as a board/or committee member for eight different organizations. Most of these organizations provide community services or affordable housing to LMI individuals. In addition, various employees spent 102 hours teaching financial literacy in several schools where the majority of students are from LMI families.

Elkhart MSA AA

A FFSB representative assisted with the presentation of a homebuyer education class. This class was provided by a non-profit housing agency as part of a program for LMI first-time homebuyers.

South Bend MSA AA

A FFSB representative spent 69 hours serving as a board/committee member for three different organizations that provide community services or affordable housing to LMI families. Another representative served five hours as a loan committee member. In addition, various bank employees volunteered over 600 hours of support to the financial literacy program of an organization that that targets services to adults, teens, and children living below poverty.

## Appendix A: Scope of Examination

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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 MSA(s) and non-MSA(s) 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”.

<b>Time Period Reviewed:</b>	01/01/17 to 12/31/19	
<b>Bank Products Reviewed:</b>	Home mortgage loans Community development loans, qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	Not Applicable	Not Applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State of Indiana</b>		
IN Non-MSA	Full Scope	Counties of Fulton, Kosciusko, Marshall, Pulaski, and Starke
Elkhart-Goshen, IN MSA	Full Scope	Elkhart County
South Bend-Mishawaka, IN-MI MSA	Full Scope	St. Joseph County

## Appendix B: Summary of MMSA and State Ratings

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RATINGS			
First Federal Savings Bank			
	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
Overall Bank:			
First Federal Savings Bank	Outstanding	Satisfactory	Satisfactory
MMSA or State:			
State of Indiana	Outstanding	Satisfactory	Satisfactory

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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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 multi-state 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state 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

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### 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 30<sup>th</sup> 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.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																				<b>2017-19</b>
Assessment Area	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% 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	
Elkhart MSA	736	122,391	18.6	6,604	0.4	0.3	0.2	12.3	10.6	10.3	63.7	65.2	65.4	23.7	23.9	24.0	0.0	0.0	0.0	
IN Non-MSA	2,239	322,144	56.6	5,812	0.0	0.0	0.0	8.6	12.4	8.3	76.2	72.7	74.2	15.2	14.9	17.5	0.0	0.0	0.0	
South Bend MSA	984	171,613	24.9	7,444	4.9	2.3	3.5	15.0	6.3	10.2	44.4	49.0	48.1	35.7	42.4	38.2	0.0	0.0	0.0	
<b>Total</b>	<b>3,959</b>	<b>616,148</b>	<b>100.0</b>	<b>19,860</b>	<b>2.1</b>	<b>0.6</b>	<b>1.4</b>	<b>12.3</b>	<b>10.6</b>	<b>9.7</b>	<b>59.7</b>	<b>65.4</b>	<b>61.5</b>	<b>25.9</b>	<b>23.4</b>	<b>27.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																				<b>2017-19</b>
Assessment Area	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Elkhart MSA	736	122,391	28.5	6,604	19.0	6.1	6.7	18.1	22.4	20.7	23.4	25.7	24.9	39.5	45.2	33.1	0.0	0.5	14.5	
IN Non-MSA	2,239	322,144	56.6	5,812	15.9	8.6	7.5	18.8	23.0	20.3	23.9	24.9	23.8	41.4	42.8	36.8	0.0	0.7	11.6	
South Bend MSA	984	171,613	24.9	7,444	22.1	9.7	9.8	16.7	21.0	21.0	20.1	25.4	22.1	41.2	43.3	33.5	0.0	0.6	13.6	
<b>Total</b>	<b>3,959</b>	<b>616,148</b>	<b>100.0</b>	<b>19,860</b>	<b>19.3</b>	<b>8.4</b>	<b>8.1</b>	<b>17.7</b>	<b>22.4</b>	<b>20.7</b>	<b>22.2</b>	<b>25.2</b>	<b>23.5</b>	<b>40.7</b>	<b>43.4</b>	<b>34.3</b>	<b>0.0</b>	<b>0.6</b>	<b>13.3</b>	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*