



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 28, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Bank, FSB
Charter Number 702825

6900 North Executive Drive
Kansas City, MO 64120

Office of the Comptroller of the Currency

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Overland Park, KS 66210

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

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First Federal Bank FSB (FFB), prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. The agency rates the CRA performance of an institution consistent with the provision set forth in 12 C.F.R. § Part 25, or 12 C.F.R. § 195, Subpart A.

INSTITUTION'S CRA RATING: Satisfactory

The Lending Test is rated Satisfactory.

The Community Development Test is rated Satisfactory.

The major factors that support this rating include:

- The loan-to-deposit ratio is more than reasonable.
- The majority of FFB's loans are in its assessment area (AA).
- FFB's overall distribution of loans to borrowers of different income levels shows reasonable penetration.
- FFB demonstrates an adequate level of responsiveness to meeting community development (CD) needs of the AA through CD lending, investments, and services.

SCOPE OF EXAMINATION

The CRA Evaluation determines the bank's record of meeting community credit needs through lending activities. The evaluation also includes an assessment of the bank's community development lending, services, and investment activities. We used a combination of bank and examiner generated loan/demographic reports to evaluate the bank's CRA performance. Consistent with the bank's business strategy, primary products by dollar and number are residential loans. The CRA evaluation period for the lending test is January 1, 2009 through December 31, 2011. We selected our loan sample from loans originated and purchased January 1, 2009 through December 31, 2011 to assess the bank's performance. We evaluated the bank's community development loans, services, and investments from January 1, 2009 through January 28, 2012. We performed a data integrity review of reported Home Mortgage Disclosure Act (HMDA) information. The data is accurate and reliable.

Primary weight for the rating is given to the bank's residential real estate loan performance for home purchase and refinance loans in the Kansas City, MO/KS AA. The bank's volume of home improvement loans is nominal and not included in the lending analysis.

As part of our evaluation, we contacted four local community development organizations. One contact stated that banks need to provide multi-year commitments to their homebuyer education programs. Another contact stated banks should provide lines of credit to refurbish homes to make them habitable for low- and moderate-income individuals.

DESCRIPTION OF INSTITUTION

FFB is a \$363 million federally chartered mutual savings bank located in Kansas City, Missouri. FFB has seven full-service facilities that offer a full range of loan and deposit products, one mortgage loan production office, and one non-branch operations facility, all located within the AA. FFB has six non-deposit ATMs. Each ATM is located on branch premises. In 2011, FFB closed its Grandview, Missouri branch, which was located in a moderate-income census tract. No additional bank facilities have been opened or closed during the CRA evaluation period.

FFB is a residential mortgage lender that operates as a community-oriented financial institution. Its primary business focus is residential real estate lending. As of September 30, 2012, the bank's loan portfolio by dollar volume consisted of 96 percent residential real estate loans and 4 percent construction and development loans. FFB sells the majority of loans it originates on the secondary market. Loans represent 64 percent of average assets.

FFB received a "Satisfactory" rating for Intermediate Small Savings Associations at its last CRA examination dated December 31, 2008. There are no legal, financial, or other constraints limiting FFB's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

FFB is an interstate bank with one AA for CRA evaluation purposes. Portions of the Kansas City, MO/KS Metropolitan Statistical Area (MSA) comprise the bank's AA. The AA consists of all of Johnson County in the state of Kansas and all of Jackson County and portions of Cass, Clay, and Platte Counties in the state of Missouri. Competitive factors have the greatest impact on the ability of the bank to originate loans to various segments of the AA population or within certain geographic areas within the AA.

The Kansas City, MO/KS AA consists of 371 census tracts: 38 low-income, 83 moderate-income, 136 middle-income, 109 upper-income, and 5 tracts with no designation. The updated 2011 median family income is \$72,300 for the designated AA. The economic conditions in the AA are stable, with some small fluctuations in local businesses. Varied employment industries in Kansas City include telecommunications, manufacturing, health care, financial services, engineering, and agribusiness.

Major employers include Ford, H&R Block, AT&T, DST Systems, Hallmark Cards, Cerner, Sprint Corporation, and government.

As of December 2012, the AA unemployment rate of 6.4 percent was higher than the state of Kansas unemployment rate of 5.4 percent, but lower than both the state of Missouri rate of 6.7 percent and the national rate of 7.8 percent.

There are 110 financial institutions with 616 banking offices within the AA. The deposit market share percentage ranges from a high of 15.62 percent to a low of 0.00 percent. FFB is twenty-sixth in this market, with a deposit market share of 0.74 percent.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Lending Test is rated Satisfactory.

The Community Development Test is rated Satisfactory.

LENDING TEST

Loan-to-Deposit Ratio

FFB's quarterly average loan-to-deposit (LTD) ratio is reasonable at 88 percent. We calculated the bank's quarterly average LTD ratio using information from the Consolidated Reports of Condition from March 31, 2009 to September 30, 2012. The quarterly average LTD ratio for similarly situated financial institutions for the same period is 85 percent. The highest peer ratio is 103 percent, and the lowest is at 72 percent. By asset size, FFB ranked fifth out of six similarly situated financial institutions serving its AA. These financial institutions ranged from \$352 million to \$467 million in asset size.

Lending in the Assessment Area

FFB is a traditional thrift that primarily offers residential mortgage loans. FFB makes a majority of loans within the AA. Based on our review of the bank's home mortgage loan portfolio, FFB originated 60 percent by number and 64 percent by dollar inside the AA.

Lending to Borrowers of Different Incomes

The bank's performance is reasonable for originating home mortgage loans in its AA. FFB's percentage of loans to low- and moderate-income borrowers for home purchase is significantly above demographics. The percentage of home refinance loans to low-income borrower is significantly below demographics, while the percentage of loans to moderate-income borrowers is slightly below demographics. The bank's performance is reasonable when considering area competition for loans, as well as the percentage of families below the poverty level that have difficulty qualifying for home loans. With the updated 2011 median family income level at \$72,300, the applicants at this level have income of less than \$36,000.

Refer to the Kansas City, MS/KS MSA Borrower Distribution table below for additional details.

Borrower Distribution of Residential Real Estate Loans in Kansas City, MO/KS MSA								
Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.96%	23.78%	17.79%	31.82%	23.22%	21.90%	42.04%	22.50%
Home Refinance		4.92%		14.75%		24.82%		55.50%

Geographic Distribution of Loans

FFB’s overall geographic dispersion of loans in the Kansas City, MO/KS MSA is reasonable. A geographic analysis of home improvement loans is not meaningful due to the low number of loans made for this product. For home purchase loans, FFB is significantly below area demographic data in low-income tracts. In moderate-income tracts for home purchase, the bank is meeting the needs of the area.

For home refinance loans, FFB is significantly below area demographic data in low- and moderate-income tracts. The average home is 50 years-old in low-income tracts and 40 years-old in moderate-income tracts. Management noted limited loan demand for home refinance loans in the low- and moderate-income tracts. Refer to the table below for FFB’s dispersion of residential real estate loans.

Geographic Distribution of Residential Real Estate Loans in Kansas City, MO/KS MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.45%	0.59%	14.18%	11.39%	43.22%	49.19%	39.16%	38.83%
Home Refinance		0.22%		3.66%		32.08%		64.04%

Responses to Complaints

FFB has not received any complaints regarding its CRA performance during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s community development performance is adequate. The dollar volume of community development activity in the AA is good. In addition to the bank’s lending efforts, FFB’s management team and employees responded to community needs through community development lending, investments, and services activities.

The loans and investments in general, assisted in providing affordable housing and other benefits to low- and moderate-income individuals. For community development services, management and employees continue to offer their financial expertise and time to support organizations that primarily provide services targeted to low- and moderate-income individuals and community economic development efforts.

Community Development Loans

FFB has no community development loans.

Community Development Qualified Investments

Community development investments are adequate. Qualified investments totaled \$1.1 million. Qualified investments include a \$1.0 million GNMA bond purchase, \$65,000 in deposits with a minority owned financial institution, and \$13,000 in community development donations. The GNMA bond consists of eight mortgages to low- to moderate-income borrowers, seven in the AA and one in the regional area. During the review period, management made \$13,000 in donations to agencies that provide affordable housing and community services.

Community Development Services

Community development services are adequate. Management and employees provided expertise to five agencies providing affordable housing. Management proactively reaches low- to moderate-income borrowers by conducting first-time homebuyer classes at the University of Missouri-Kansas City and the Antioch Public Library located in Merriam, Kansas. With these classes, loan officers provide education on the entire home buying process.

In its AA, FFB has seven retail branches that are accessible by customers of various income levels. Teller services are available in all seven locations. Banking locations offer extended hours Monday through Friday, and drive-up services on Saturday. Customers have access to eight full-service ATMs, seven at the retail branches and a standalone ATM in Grandview, Missouri (management closed the Grandview branch in November 2011). FFB offers customers Internet banking, electronic wire transfers, money orders, VISA debit cards, a “surcharge free” money pass network, and direct deposits of employer and government payments.

FFB provides customers several deposit products, with specialized products targeted to low- and moderate-income customers. Management designed the StartFresh Checking product to help low- and moderate-income customers who do not qualify for traditional banking services and rely on check cashing services. This product helps low- and moderate-income customers re-establish financial relationships with the bank, and offers no minimum account balance and no monthly service charge (with an electronic direct deposit). The Saver’s Choice Certificate program encourages low- and moderate-income savers by offering a \$200 certificate to open an account and an additional \$25 certificate during the term. The Pay Yourself First program helps low-

and moderate-income customers to establish an emergency savings fund by transferring \$25 a month from a FSB checking account to a savings account.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES

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

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

Further, section 1025 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203) assigns to the CFPB exclusive examination authority, and primary enforcement authority, to ensure compliance by banks and FSAs with federal consumer financial laws, if the bank or FSA has more than \$10 billion in assets. The CFPB has not provided the OCC with any information about, or other evidence of, discriminatory or other illegal credit practices relative to this institution with respect to the federal consumer financial laws.