



## **PUBLIC DISCLOSURE**

March 25, 2014

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

First Federal Bank of Wisconsin  
Charter Number 705313

134 Wisconsin Ave  
Waukesha, WI 53186-4925

Office of the Comptroller of the Currency

1200 North Mayfair Road  
Suite 200  
Wauwatosa, WI 53226

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

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is more than reasonable given the bank's size, business strategy, and lending capacity.
- The majority of loans are originated inside the bank's assessment area.
- First Federal has a reasonable distribution of loans to borrowers of different incomes and businesses of different sizes in the assessment area.
- The institution has an excellent geographic distribution of loans throughout the assessment area.

**SCOPE OF EXAMINATION**

We evaluated First Federal Bank of Wisconsin's (First Federal's) Community Reinvestment Act (CRA) performance under the Small Bank Lending Test. We reviewed data for the bank's primary loan products, residential real estate loans and commercial loans, to evaluate the bank's lending performance.

The evaluation period covers the period since the date of the previous CRA examination, December 22, 2008, to March 24, 2014. The lending test evaluates loans originated between January 1, 2012 and December 31, 2013. Our analysis included a full-scope evaluation for the bank's metropolitan statistical area (MSA).

Prior to conducting this evaluation, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2012 and 2013. We found the data to be accurate; therefore, we used all reported HMDA data for both years in our evaluation of residential real estate lending. We selected a random sample of commercial loans from bank-generated reports. Additionally, we obtained aggregate HMDA peer group data for the Lending Test.

**DESCRIPTION OF INSTITUTION**

First Federal is a federally chartered mutual thrift institution located in Waukesha, Wisconsin. As of December 31, 2013, total assets are approximately \$120 million. As of December 31, 2013, the bank has a total loan portfolio of nearly \$90 million, representing 74.63 percent of total assets. First Federal is primarily a residential real estate lender. Residential real estate loans make up 56.39 percent of the total loan portfolio. The commercial portfolio makes up approximately 43.01 percent of the total loan portfolio. The commercial portfolio is primarily comprised of nonfarm nonresidential properties, at \$18 million, followed by \$11.67 million of loans secured by multifamily residential properties. *Table 1* details the bank's loan portfolio.

<b>Table 1 – First Federal Bank of Wisconsin’s Loan Portfolio 12/31/2013 Call Report</b>			
<b>Loan Category</b>	<b>Amount (\$000’s)</b>	<b>Percent of Total Loans</b>	<b>Percent of Total Assets</b>
Residential Real Estate	\$50,482	56.39%	42.08%
Commercial	\$38,504	43.01%	32.10%
Consumer	\$541	0.60%	0.45%
Agriculture	0	N/A	N/A
Total	\$89,527	100%	74.63%

First Federal has three offices in the assessment area. The main office is located in an upper-income census tract (CT) in Waukesha, Wisconsin. Two branch offices are also located in Waukesha, one in a low-income CT and one in an upper-income CT. All three of the bank’s offices are equipped with drive-up facilities and automated teller machines (ATMs).

First Federal offers a range of lending products, investment products, and services that are designed to fit the needs of a wide range of individual income levels. These products include “low cost” or “no cost” personal checking accounts, small business checking accounts, real estate loans with no minimum loan amount, and consumer loans with no minimum loan amount.

Management’s business strategy includes product development initiatives to encourage account growth, including products designed to meet the needs of low- and moderate-income individuals.

There are no known impediments limiting First Federal’s ability to help meet the credit needs of its local community, including those of low- and moderate-income families and low- and moderate-income neighborhoods.

In recent years, First Federal worked with its surrounding community in several ways, including providing services to community organizations and community investments.

At the last CRA exam, dated December 22, 2008, First Federal received an overall rating of “Satisfactory”.

**DESCRIPTION OF ASSESSMENT AREA(S)**

First Federal’s assessment area (AA) consists of Waukesha County and contains CTs only within the Milwaukee-Waukesha-West Allis metropolitan statistical area (MSA). The number of CTs within the bank’s AA represents 20.67 percent of the total number of CTs in the MSA. Given First Federal’s asset size, available resources, and limited branch locations, the designation for the entire Milwaukee-Waukesha-West Allis MSA would be too large for the bank to reasonably serve.

The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. According to 2010 census data, the AA consists of

86 CTs: one (1.16 percent) is low-income; two (2.33 percent) are moderate-income; 25 (29.07 percent) are middle-income; and 58 (67.44 percent) are upper-income.

The total population of the AA is 389,891. The average median family income is \$91,617, and the U.S. Department of Housing and Urban Development (HUD) updated MSA median family income is \$70,200. The percentage of families below the poverty level is 2.94 percent. Owner-occupied units comprise 73.84 percent of total housing units. The January 31, 2014 unemployment rate for Waukesha County was 5.8 percent, compared to the state unemployment rate of 6.7 percent.

<b>Demographic Data</b>	<b>2010 Census</b>
Population	389,891
Total Families	109,150
One-to Four-Family Units	131,243
Multi-family Units	22,107
% Owner-Occupied Units	73.84%
% Occupied Rental Units	21.16%
% Vacant Housing Units	5.00%
HUD Estimated Median Family Income, 2013	\$70,200

Other financial institutions provide strong competition throughout Waukesha County. There are 37 other institutions serving the needs of the county. As of June 30, 2013, the bank has a deposit market share of 0.92 percent.

The area surrounding First Federal is developed with retail businesses and residential neighborhoods. The area is economically supported by these retail businesses. The bank is surrounded by mostly middle-income and upper-income CTs. The downtown branch is located within the only low-income tract in Waukesha County. This branch is surrounded by the only two moderate-income CTs in the county.

During this evaluation, we contacted a representative from the City of Waukesha. Overall, the representative indicated that local financial institutions, including First Federal, are satisfactorily meeting credit needs within the community. However, there continues to be an underlying need for additional small business financing and for the extension of credit to low- and moderate-income individuals.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

#### **Loan-to-Deposit Ratio**

First Federal’s loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, and credit needs of the AA. The bank’s quarterly average LTD ratio is 91.37 percent over the last 21 quarters, from December 31, 2008 through December 31, 2013. First Federal has the third highest LTD ratio of its peer group of

11 other banks, comprised of banks located within the AA with assets less than \$1 billion. The peer group had assets ranging from \$119 million to \$917 million and average quarterly LTD ratios ranging from 65 percent to 116 percent.

First Federal’s asset size, resources, capacity to lend in the competitive environment in which the bank operates, and lending strategy were taken into consideration when determining that the bank’s LTD ratio is more than reasonable.

**Lending in Assessment Area**

First Federal originates a majority of its loans to borrowers inside its AA. The bank granted 271 HMDA-reportable loans totaling \$56.97 million during the review period. We selected a random sample of business loans from bank-generated reports that includes 50 loans totaling \$14.77 million. Our analysis showed 56.07 percent of loans by number and 59.63 percent by dollar were originated inside of the AA.

Type of Loan	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE – Home Purchase	41	55.41%	33	44.59%	74	\$6,465	55.50%	\$5,183	45.50%	\$11,648
RE – Home Refinance	97	50.26%	96	49.74%	193	\$26,083	58.53%	\$18,480	41.47%	\$44,563
RE – Home Improvement	2	50.00%	2	50.00%	4	\$348	45.61%	\$415	54.39%	\$763
Commercial Loans	40	80.00%	10	20.00%	50	\$9,883	66.91%	\$4,888	33.09%	\$14,771
<b>Total</b>	<b>180</b>	<b>56.07%</b>	<b>141</b>	<b>43.93%</b>	<b>321</b>	<b>\$42,779</b>	<b>59.63%</b>	<b>\$28,966</b>	<b>40.37%</b>	<b>\$71,745</b>

Source: 2012 and 2013 HMDA data and 2012 and 2013 random sample of bank loan files.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The borrower distribution is excellent among individuals of different income levels. Home mortgage loans to low- and moderate-income individuals originated by First Federal, by number and amount, exceeds 2012 aggregate HMDA data. As detailed in Table 4, First Federal originated 4.29 percent of its HMDA-reportable loans in low-income borrowers and 17.86 percent of its loans in moderate-income borrowers. This slightly exceeds aggregate lending which shows 3.96 percent of loans made to low-income borrowers and 13.49 percent of loans made to moderate-income borrowers.

First Federal did have 11 loans, or 7.86 percent of originations, reported on the HMDA LAR as income not available. It is difficult to appropriately assess and determine if these loans were made to low- or moderate-income borrowers. These loans are reported in the following table as “Income NA”.

<b>Table 4 - Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area (\$000's)</b>							
<b>Borrower Income Level</b>	<b>2012</b>		<b>2013</b>		<b>Review Period 1/1/2012 – 12/31/2013</b>		<b>Aggregate 2012</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>% by #</b>
<b>By Number</b>							
Low	5	6.41%	1	1.61%	6	4.29%	3.96%
Moderate	15	19.23%	10	16.13%	25	17.86%	13.49%
Middle	14	17.95%	20	32.26%	34	24.29%	23.07%
Upper	38	48.72%	26	41.94%	64	45.71%	55.18%
Income NA	6	7.69%	5	8.06%	11	7.86%	4.29%
Total	78	100%	62	100%	140	100%	100%
<b>By \$ Amount</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>
Low	\$531	3.35%	\$269	1.58%	\$800	2.43%	1.89%
Moderate	\$2,090	13.19%	\$1,364	8.00%	\$3,454	10.50%	8.85%
Middle	\$2,039	12.86%	\$3,488	20.46%	\$5,527	16.80%	18.75%
Upper	\$9,400	59.31%	\$5,630	33.03%	\$15,030	45.69%	64.35%
Income NA	\$1,790	11.29%	\$6,295	36.93%	\$8,085	24.58%	6.15%
Total	\$15,850	100%	\$ 17,046	100%	\$32,896	100%	100%

Source: 2012 and 2013 HMDA data and 2012 Peer Mortgage Data (Aggregate).

A review was also conducted to determine the reasonableness of the bank’s lending to businesses of different sizes within the AA, in particular its level of lending to small businesses. According to the definition contained in the CRA regulation, small businesses are defined as businesses having annual gross revenues of \$1 million or less.

Based on a random sample of business loans from bank-generated reports, the borrower distribution of loans to small businesses within the AA is reasonable, as detailed in *Table 5* below. Of the 40 business loans in our sample, 25 loans, or 62.50 percent were loans to small businesses, compared to 70.77 percent of businesses reported as small businesses within the AA in 2013. This represented 78.93 percent of the dollar value of business loans in our sample.

<b>Table 5 - Borrower Distribution to Businesses in the Milwaukee-Waukesha-West Allis MSA</b>			
<b>Business Revenues (or Sales)</b>	<b>&lt;=\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Total</b>
% of AA Businesses	70.77%	29.49%	100%
% of Bank Loans in AA by #	62.50%	37.50%	100%
% of Bank Loans in AA by \$	78.93%	21.07%	100%

Source: 2012 and 2013 random sample of bank loan files and U.S. Census Demographic Data.

Additionally, as detailed in *Table 6*, 39 loans, or 97.50 percent of the number and 58.87 percent of the dollar value, were small business loans. An excellent number of small business loans originated by the bank during the review period were in amounts of \$100,000 or less. This demonstrates First Federal’s willingness to grant small business loans in small loan amounts, which is viewed favorably under CRA.

<b>Loan Size</b>	<b>Number of loans</b>	<b>Percent of Number</b>	<b>Dollar Volume of Loans</b>	<b>% of Dollars</b>
\$100,000 or Less	21	52.50%	876,521	8.87%
Greater than \$100,000 up to \$250,000	10	25.00%	1,261,596	12.76%
Greater than \$250,000 up to \$500,000	3	7.50%	931,730	9.43%
Greater than \$500,000 up to \$1 million	5	12.50%	2,748,498	27.81%
Greater than \$1 million	1	2.50%	4,065,000	41.13%
<b>Total</b>	<b>40</b>	<b>100%</b>	<b>9,883,345</b>	<b>100%</b>

Source: 2012 and 2013 random sample of bank loan files.

Overall, First Federal’s borrower income distribution of loans is reasonable as lending to low- and moderate-income borrowers is slightly above HMDA aggregate data. In addition, the number and volume of small business loans to businesses of different sizes is reasonable.

**Geographic Distribution of Loans**

A review was performed to determine the reasonableness of the bank’s geographic distribution of HMDA loans within the AA, particularly First Federal’s lending in low- and moderate-income areas. First Federal has an excellent geographic distribution of loans throughout the AA.

During the review period, from January 1, 2012 to December 31, 2013, First Federal originated 1.43 percent of its loans in low-income CTs and 5.71 percent of its loans in moderate-income CTs. Loans originated in the review period, by number and amount, significantly exceeds the 2012 aggregate HMDA data for lenders making loans within the AA. *Table 7* below details First Federal’s distribution of loans by geography income level.

<b>Geography Income Level</b>	<b>2012</b>		<b>2013</b>		<b>Review Period 1/1/2012– 12/31/2013</b>		<b>Aggregate 2012</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>% by #</b>
<b>By Number</b>							
Low	2	2.56%	0	0.00%	2	1.43%	0.01%
Moderate	5	6.41%	3	4.84%	8	5.71%	0.96%
Middle	28	35.90%	21	33.87%	49	35.00%	19.21%
Upper	43	55.13%	38	61.29%	81	57.86%	79.82%
<b>Total</b>	<b>78</b>	<b>100%</b>	<b>62</b>	<b>100%</b>	<b>140</b>	<b>100%</b>	<b>100%</b>
<b>By \$ Amount</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>
Low	\$266	1.68%	\$0	0.00%	\$266	0.81%	0.00%
Moderate	\$831	5.24%	\$423	2.48%	\$1,254	3.81%	0.59%
Middle	\$5,353	33.77%	\$9,059	53.14%	\$14,412	43.81%	14.97%
Upper	\$9,400	59.31%	\$7,564	44.37%	\$16,964	51.57%	84.44%
<b>Total</b>	<b>\$15,850</b>	<b>100%</b>	<b>\$17,046</b>	<b>100%</b>	<b>\$32,896</b>	<b>100%</b>	<b>100%</b>

Source: 2012 and 2013 HMDA data and 2012 Peer Mortgage Data (Aggregate).

A review was also conducted to determine the reasonableness of the bank’s geographic distribution of business loans within the AA, in particular its distribution of loans in low- and moderate-income areas. The geographic distribution of business loans is excellent throughout the bank’s AA. First Federal’s percentage of small business loans granted in the one low-income CT is significantly above the aggregate percentage for other lenders in the AA. The bank’s strong performance in business lending is due to its branch location in a low-income CT, the bank’s close proximity to businesses in downtown Waukesha, and management’s marketing efforts geared toward attracting business customers.

Table 8 details the number and percentage of small business loans granted by First Federal by the income level of the CT as compared to aggregate lending levels for small business loans in the AA.

<b>Table 8 – Business Loan Activity</b>			
<b>By Geography Income Level in the Assessment Area (\$000's)</b>			
<b>Type of Census Tract</b>	<b>Number of Loans</b>	<b>Percentage of Loans</b>	<b>2012 Business Aggregate</b>
Low-Income	4	10.0%	0.61%
Moderate-Income	0	0%	2.04%
Middle-Income	17	42.5%	29.90%
Upper-Income	19	47.5%	67.45%
Total	40	100%	100%

Source: 2012 and 2013 random sample of bank loan files and 2012 Peer Business Data (Aggregate).

Overall, First Federal has an excellent record of mortgage lending among geographies of different income levels within its AA. Lending to low- and moderate-income areas was significantly above comparative aggregates. In addition, First Federal has an excellent record of business lending in the AA, as lending in the low-income area was substantially greater than other regulated lenders in the assessment area.

**Responses to Complaints**

The bank has not received any CRA-related complaints since the last examination.

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

Pursuant to 12 CFR 195.28(c), in determining a federal savings association’s (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.