



PUBLIC DISCLOSURE

June 01, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Dearborn Federal Savings Bank
Charter Number 704241

22315 Michigan Ave
Dearborn, MI 48124-2224

Office of the Comptroller of the Currency

200 Public Square Suite 1610
Cleveland, OH 44114-2301

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 this rating are:

- The bank's record of lending to borrowers of different income levels meets the standards for satisfactory performance.
- The bank's loan-to-deposit (LTD) ratio exceeds the standards of satisfactory performance.

SCOPE OF EXAMINATION

This Community Reinvestment Act (CRA) Performance Evaluation covers the period from April 9, 2013, through June 1, 2016. In conducting our review, we used small bank CRA examination procedures, and Home Mortgage Disclosure Act (HMDA) data for 2012 through 2015. We compared the bank's performance to aggregate peer data for 2012 through 2014, as aggregate peer data for 2015 was not available at the time of our review. The January 2014 Office of Management and Budget's Metropolitan Statistical Area (MSA) delineation changes did not impact the bank's assessment area (AA), allowing the four years of bank data to be combined for analysis purposes. We also tested the integrity of the bank's HMDA data prior to this review, and found it to be reliable. Finally, we contacted a member of the local community to better assess community's needs, as well as the opportunities for financial institutions to lend and provide services to the area.

DESCRIPTION OF INSTITUTION

Dearborn FSB (Dearborn) is an intrastate mutual savings bank headquartered in Dearborn, Michigan. As of December 31, 2015, Dearborn reported \$264 million in total assets and \$202 million in total loans (representing 76.46 percent of total assets). The bank's primary loan product is residential real estate loans, but it also offers commercial real estate, commercial and industrial, and consumer loans. The current loan portfolio is comprised of real estate loans (99.90 percent), consumer loans (0.09 percent), commercial and industrial loans (0.01 percent).

Dearborn is a traditional mortgage lender, offering fixed-rate and adjustable-rate mortgages and home equity loans. The bank does not offer government-lending products, such as Federal Housing Authority (FHA) or Veterans Administration (VA) loans.

The bank offers traditional banking products through its main office and four branches located in Dearborn and Dearborn Heights, and it did not open or close any branches during the evaluation period. Dearborn has an ATM at each of its locations, and it launched a website in July 2013. The website currently only provides information related to the bank's products and services. No loan applications are taken online.

There are no legal or financial impediments limiting Dearborn’s ability to address the credit needs of its AA. The bank was rated Satisfactory at the last performance evaluation, dated April 8, 2013.

DESCRIPTION OF ASSESSMENT AREA

Dearborn has one AA, consisting of the cities of Dearborn and Dearborn Heights in Wayne County, Michigan. The AA is comprised of 41 contiguous geographies (census tracts) within the Detroit-Livonia-Dearborn Metropolitan Division of the Detroit-Warren-Livonia MSA. The AA is adjacent to the city of Detroit, which is the largest city in the MSA. The inclusion of all of Wayne County in the bank’s AA would result in an area that is too large for an institution of Dearborn’s size to serve reasonably. The AA meets the requirements of the regulation. It consists of contiguous geographies, and does not arbitrarily exclude any low- or moderate-income areas.

The AA consists of two low-income census tracts, seven moderate-income tracts, sixteen middle-income tracts, and fifteen upper-income tracts. One census tract does not have an income designation, and is reflected as “N/A” in the data tables. The tract is an industrial area, known as the River Rouge plant. Table 1 shows demographic information of the AA.

Table 1 - Demographic Data for Dearborn FSB’s Assessment Area						
Demographic Characteristics	#	Low (%)	Moderate (%)	Middle (%)	Upper (%)	NA* (%)
Geographies (Census Tracts/BNAs)	41	4.88	17.07	39.02	36.59	2.44
Population by Geography	155,927	7.67	22.10	36.51	33.72	0.00
Owner-Occupied Housing by Geography	42,633	3.34	15.04	43.49	38.13	0.00
Families Distribution by Census Tract	37,037	6.04	18.86	39.98	35.11	0.00
Family Distribution by Income Level	37,037	20.67	15.10	19.33	44.90	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,248	12.20	30.35	37.78	19.67	0.00
Median Income Information:						
Median Family Income (2010 US Census)		\$52,946				Median Housing Value
FFIEC Adjusted Median Family Income for 2012		\$51,200				\$144,706
FFIEC Adjusted Median Family Income for 2013		\$52,300				Housing Information:
FFIEC Adjusted Median Family Income for 2014		\$51,000				1-4 Family Units
FFIEC Adjusted Median Family Income for 2015		\$53,700				55,135
						Multi-Family Units
						6,143
						Percent Owner-Occupied Units
						68.70
						Percent Rental-Occupied Units
						22.46
						Percent Vacant Housing Units
						8.84
Poverty and Unemployment Information:						
Households Below Poverty Level		14.00%				
MSA Unemployment Rate (2015)		6.20%				
MI Unemployment Rate (2015)		5.40%				
U.S. Unemployment Rate (2015)		5.30%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Sources: 2010 US Census and 2015 Federal Financial Institutions Examination Council (FFIEC) updated MFI, Bureau of Labor Statistics

The local economy was stabilizing during the evaluation period following the most recent recession. However, unemployment rates for Wayne County continue to exceed both state and national averages. According to the Bureau of Labor Statistics, the seasonally unadjusted annual unemployment rate in Wayne County peaked in 2009 at 16.1 percent. Wayne County's unemployment rate declined to 6.2 percent in 2015. In comparison, the national and Michigan seasonally unadjusted unemployment rates for 2015 were 5.3 percent and 5.4 percent, respectively.

The AA's population is declining, there has been a change in population demographics, and housing values remain depressed. Within the AA, 14.22 percent of households are non-English speaking.

The leading industries in the MSA include state and local governments, general medical and surgical hospitals, restaurants, employment services, and management of companies and enterprises. Major employers in the MSA include Ford Motor Company, Henry Ford Health Services, Detroit Medical Center, Wayne State University, Oakwood Healthcare Inc., and AAA Michigan.

Competition from other financial institutions and mortgage companies in the AA is high. Competitors include several large and midsize institutions, along with smaller community banks and non-bank competitors. As a mortgage lender, Dearborn was ranked twenty-third out of 207 mortgage lenders in the AA, with a market share of one percent for all types of mortgage loans in 2014. For conventional mortgage loans to low- and moderate-income borrowers in 2014, Dearborn ranked tenth out of 70 mortgage lenders with 2.37 percent market share. Within the AA, 14 FDIC-insured institutions operate 44 offices, according to June 30, 2015, FDIC deposit data. Dearborn is ranked fifth, with 5.23 percent of the total deposit market. Within the broader area of Wayne County, there are 26 FDIC-insured institutions operating 343 offices pursuant to the FDIC Deposit Market Share Report. Dearborn is ranked eleventh with less than one percent of total deposits.

According to the 2010 US Census, Dearborn's AA has 62,059 total housing units, and 8.84 percent of the total housing units are vacant. Vacancy rates are higher in low-income tracts, at 17.75 percent, and moderate-income tracts, at 13.58 percent. Fewer than half (41.33 percent) of the total housing units in lower-income tract are owner occupied, and a little over half (55.20 percent) of the total housing units in moderate-income tracts are owner occupied. The majority of housing units in upper- and middle-income tracts are owner occupied, at 73.21 percent and 74.21 percent, respectively.

During our assessment of the bank's performance, we considered information from one community organization in order to obtain an understanding of the AA's needs and credit opportunities. The organization indicated housing inventory is low, and that it is a "seller's market". These factors impact the opportunities that banks have to lend in the AA. The organization indicated that the area's needs included additional first time buyer educational classes and down payment assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Dearborn has a high LTD ratio that exceeds the standard for satisfactory performance.

We evaluated the bank's LTD ratio for the quarterly periods between December 31, 2011, and March 31, 2016. Dearborn's average LTD ratio during this period of time was 98.13 percent, with quarterly ratios ranging between 89.49 percent and 107.06 percent. We also compared Dearborn to ten peer banks and thrifts with assets between \$100 million and \$300 million, located in counties in southeast Michigan. Dearborn's performance was similar to the peer banks, as their LTD averages ranged from 51.74 percent to 107.45 percent.

Lending in Assessment Area

Dearborn's record of lending inside versus outside of its AA does not meet the standard for satisfactory performance. The bank has originated a majority of its loans outside of its AA.

During the four-year period ending December 31, 2015, the bank originated 671 home mortgage loans totaling \$107.61 million. Of these loans, 208, or 31 percent, were secured by properties located within the bank's AA. In terms of dollars, loans secured by properties located within the bank's AA totaled \$24.44 million, or 22.71 percent of all originations. The bank originated 463 loans for more than \$83 million outside the AA during the evaluation period.

Lending to Borrowers of Different Incomes

The bank's distribution of loans to borrowers of different income levels is reasonable, and meets the standard for satisfactory performance.

The percentage of loans that Dearborn originated to low-income borrowers during the evaluation period was less than half of the percentage of loans to low-income borrowers originated by the aggregate market, and significantly below the percentage of AA families that are low-income. However, the percentage of loans originated by the bank to moderate-income borrowers was close to the percentage of loans originated by the aggregate market, and exceeded the percentage of AA families that are moderate-income. In determining the bank's performance, we also considered the fact that 13.72 percent of the families in the AA live below poverty level, and that it is difficult for these families to afford to own their own home.

Borrower Income Category	% of Families in the AA	Dearborn Originations 01/01/2012 – 12/31/2015		Aggregate Market Originations (%) 2012-2014
		#	%	
Low	20.67	7	3.37	7.86
Moderate	15.10	33	15.86	16.12
Middle	19.33	37	17.79	23.18
Upper	44.90	130	62.50	47.47
N/A *	0.00	1	0.48	5.37
Total	100.00	208	100.00	100.00

(*) Borrower income information was not available for bank or aggregate peer data
 Source: Dearborn FSB 2012 through 2015 HMDA Data; 2012 through 2014 Peer Aggregate HMDA Data; 2010 U.S. Census data

Geographic Distribution of Loans

Dearborn’s geographic distribution of loans is weak, and does not meet the standard for satisfactory performance. During the four-year evaluation period, Dearborn only originated two mortgage loans in low-income census tracts, and four loans in moderate-income census tracts.

The percentages of loans originated by the bank in both low- and moderate-income census tracts are significantly below the percentages of loans made by the aggregate market in these census tracts from 2012 through 2014, and significantly below the percentages of the AA’s owner-occupied housing units located in those census tracts. It should be noted, however, that 50.78 percent of the families in the low-income census tracts live below poverty level, and 32.57 percent of the families in the moderate-income census tracts live below poverty level, making it difficult for those families to afford their own home.

Census Tract Income Category	% of Owner Occupied Housing Units	Dearborn Originations 01/01/2012 – 12/31/2015		Aggregate Market Originations (%) 2012-2014
		#	%	
Low	3.34	2	0.96	1.58
Moderate	15.04	4	1.92	9.05
Middle	43.49	48	23.08	37.85
Upper	38.13	154	74.04	51.52
Total	100.00	208	100.00	100.00

Source: Dearborn FSB 2012 through 2015 HMDA Data; 2012 through 2014 Peer Aggregate HMDA Data; 2010 U.S. Census data.

Responses to Complaints

Dearborn FSB has not received any written complaints related to CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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

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