



PUBLIC DISCLOSURE

April 1, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Savings & Loan Association of Delta
Charter Number 703313

404 Main Street
Delta, OH 43515-1304

Office of the Comptroller of the Currency
Cleveland Field Office

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

First Federal Savings and Loan Association of Delta (First Federal) has a satisfactory record of addressing community credit needs. The following factors support the bank's rating:

- First Federal maintained a reasonable loan-to-deposit ratio.
- A high percentage of loans originated during the review period are within First Federal's assessment area.
- First Federal's geographic distribution of residential real estate loans is reasonable.
- First Federal's record of lending to borrowers of different income levels is reasonable.
- No complaints pertaining to First Federal's CRA performance were received since the previous CRA Performance Evaluation.

SCOPE OF EXAMINATION

The evaluation period for this examination is January 10, 2008 through April 1, 2013. The bank's primary lending product during this evaluation period was one-to-four family residential real estate, and we analyzed the data using the Home Mortgage Disclosure Act – Loan Application Registers (HMDA-LAR) for 2010 and 2011. Mortgage loan data was tested prior to this review and found to be reliable. Full scope procedures were used to evaluate the bank's performance within its assessment area. We considered the level of lending in the bank's assessment area, the geographic distribution of the bank's loans, the distribution of loans based on the income level of the borrowers and the bank's loan-to-deposit (LTD) ratio. We also considered information from members of the local community. We contacted an affordable housing agency and local small business as part of our efforts to assess community needs.

DESCRIPTION OF INSTITUTION

First Federal Savings and Loan Association of Delta is an intra-state mutual savings bank headquartered in Delta, Ohio, and operates six offices located in northwestern Ohio. Two offices (Delta and Swanton) are located in Fulton County and four offices (Toledo, Whitehouse, Holland and Waterville) are located in Lucas County. The bank's assessment area also includes the northern section of Wood County, as it is serviceable from the bank's Waterville branch.

As of December 31, 2012, First Federal reported total assets of \$166 million. The bank offers a wide range of deposit and loan products. The primary loan product is residential real estate loans. The bank also offers commercial real estate, commercial, and consumer loans. Real estate loans represent 97 percent of the loan portfolio; commercial loans represent 2 percent, and consumer loans represent 1 percent. The bank's loan portfolio totals \$82 million, or 49 percent of total assets. The bank's Tier One Leverage and Total Risk Based Capital ratios are 11.26 and 28.27, respectively.

First Federal's Investment in Loans			
Loan Category	Amount	Percent of	Percent of
	(\$000's)	Total Loans	Total Assets
Residential Mortgage	\$79,752	96.80%	48.00%
Nonresidential Mortgage	637	0.80%	0.40%
Commercial Non-mortgage	987	1.20%	0.60%
Consumer	982	1.20%	0.60%
Total	\$82,358	100.00%	49.60%

Source: First Federal Loan Portfolio 12/31/2012

The June 30, 2012 Federal Deposit Insurance Corporation (FDIC) deposit data reflects 20 depository institutions operate 186 offices in the Lucas, Fulton, and Wood three-county area. First Federal ranked tenth in deposit size, with 1.56 percent of area deposits.

First Federal participates in the “Welcome Home Program” provided by the Federal Home Loan Bank of Cincinnati. This is a down-payment assistance program provided to qualifying applicants whose housing incomes are at or below 80 percent of Mortgage Revenue Bond income limits as adopted by the State Housing Finance Agency, adjusted by family size. These loans require at least a 10 percent down payment with the program providing 10 percent of the purchase price up to \$5 thousand. First Federal self-insures these loans, so no private mortgage insurance is required.

There are no pending legal or financial impediments limiting First Federal’s ability to meet credit needs in the assessment area. A ‘satisfactory’ rating was assigned at the most recent CRA evaluation, dated January 10, 2008.

DESCRIPTION OF ASSESSMENT AREA

First Federal has one assessment area consisting of 55 contiguous geographies within the Toledo, Ohio Metropolitan Statistical Area (MSA). The assessment area includes the eastern and central sections of Fulton County; the northern section of Wood County; and a small portion of western Lucas County. The inclusion of whole counties in the assessment area would result in an area too large for First Federal to reasonably serve. The assessment area meets the requirements of the regulation. It consists of contiguous geographies, and low- and moderate-income areas are not arbitrarily excluded.

The Delta, Toledo, and Swanton offices are located in middle-income geographies, while the Whitehouse, Holland, and Waterville offices are located in upper-income geographies. The assessment area is predominately rural except for the section of the assessment area that includes a portion of the City of Toledo.

Our evaluation of First Federal’s lending to borrowers of different income levels was based on the median family income for the Toledo MSA. This figure is annually

adjusted by the Department of Housing and Urban Development (HUD). The following table shows these median family income figures in the Toledo MSA during the evaluation period. As shown in this table, the median family income increased between 2008 and 2009, but declined in 2010. As of 2011, it remained below the 2009 income level. Although not covered during our review, median family income increased in 2012 to \$62,600, demonstrating positive changes in the local economy.

Median Family Income			
2008	2009	2010	2011
\$ 60,100	\$ 61,800	\$ 61,500	\$ 61,700

Source: Updated HUD MFI 2008-2011

The following table shows the January 2013 unemployment rates (not seasonally adjusted) for each of the counties that are part of First Federal’s assessment area. The Fulton and Lucas county rates are higher than the Ohio statewide rate of 8.4 percent in January 2013. Given the decline in the economy and the tri-counties’ general dependence upon light manufacturing, high unemployment plagues the region. Although unemployment rates within the assessment area exceed the average for the state, the most recent unemployment rates are an improvement. Unemployment rose during the review period, peaking in 2009. The 2009 annual unadjusted rates for Fulton, Lucas, and Wood counties were 13.6, 12.2 and 11.2, respectively.

Unemployment Rates	
County	January 2013
Lucas	9.7%
Wood	8.1%
Fulton	10.5%

Source: U.S. Bureau of Labor Statistics

The following table shows demographic information for the assessment area, based on the 2000 census.

Demographic Data	
Population	255,435
Total Families	69,566
1-4 Family Units	87,568
Multi-family Units	19,269
Owner-Occupied Units	73,942
Rental Occupied Units	27,866
Vacant Housing Units	5,028
Weighted Ave. Median Housing	\$125,273

Source: 2000 U.S. Census Data

The following two tables provide additional census data pertaining to the assessment area. The first shows the distribution of geographies for the assessment area and the distribution of families and owner-occupied housing units within those geographies. The assessment area does not have any low-income geographies. The second table shows the distribution of families within the assessment area.

Distribution of Geographies, Families and Housing Units in the Assessment Area						
Income Category	Geographies		Total Area Families		Owner Occupied Housing Units	
	#	%	#	%	#	%
Moderate	2	3.6%	2,806	4.0%	2,122	2.9%
Middle	29	52.7%	33,510	48.2%	35,803	48.4%
Upper	24	43.7%	33,250	47.8%	36,017	48.7%
Total	55	100.0%	69,566	100.0%	73,943	100.0%

Source: 2000 U.S. Census Data

Distribution of Families in the Assessment Area		
Family Income Category (As a % of MSA Median)	Number	Percent
Low	9,179	13.2%
Moderate	11,018	15.8%
Middle	14,990	21.6%
Upper	34,379	49.4%
Totals	69,566	100.0%

Source: 2000 U.S. Census Data

Community information reflected that foreclosures are still a problem within the MSA given the poor economy. Housing values are low, which makes it difficult for borrowers refinance, sell, and purchase homes. The primary needs of the community are affordable housing and quality employment.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

First Federal's performance is satisfactory. This evaluation concentrated on the bank's primary loan product of residential real estate loans, including those for home purchase, refinance, and improvement purposes. First Federal has a reasonable loan-to-deposit ratio and the majority of loans originated were inside the assessment area. The borrower distribution of loans reflects reasonable penetration among borrowers of different incomes. The geographic distribution of residential real estate loans reflects reasonable dispersion in the assessment area.

Loan-to-Deposit Ratio

First Federal's loan to deposit ratio (LTD) is reasonable and meets the standard for satisfactory performance.

First Federal's LTD ratios for the quarterly periods between March 1, 2008 through December 31, 2012 averaged 76.36, with quarterly ratios ranging from 94.75 percent to 55.88 percent during the period. We evaluated First Federal's average LTD ratio using local competitors, which consisted of state and federal institutions with total assets ranging from \$246 million to \$2 billion. During the same period, the peer group ratio was 85.77 percent.

This information shows that the bank's average LTD ratio was somewhat lower than the ratio of the local competition during the same period. This is most significantly due to the downturn in loan originations, and the nature of First Federal's lending, which is primarily focused on residential products only.

Lending in Assessment Area

The majority of First Federal's level of lending is inside its assessment area and meets the standard for satisfactory performance.

During the two-year period ending December 31, 2011, the bank made 239 HMDA reportable loans totaling \$24.4 million. Of these loans, 212 were secured by properties located within the bank's assessment area, representing 89 percent of the bank's total HMDA lending during this period. Lending within the assessment area totaled \$22.1 million, representing 91 percent of all lending during the review period. This data demonstrates that a majority of the bank's lending is inside its assessment area.

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

First Federal's lending to borrower's of different income levels reflects reasonable penetration and meets the standard for satisfactory performance.

The following table shows First Federal's distribution of HMDA reportable home purchase, improvement and refinancing loans made during the two-year review period, within the bank's assessment area, based on borrower's income. The table also shows the aggregate percentages for all depository lenders that made loans in the assessment area for 2011.

Borrower Income	Home Purchase			Home Improvement			Home Refinance		
	# Bank	% Bank	% Aggregate	# Bank	% Bank	% Aggregate	# Bank	% Bank	% Aggregate
Low	8	15.09	8.83	1	6.67	12.31	6	4.29	4.56
Moderate	13	24.53	22.38	5	33.33	23.59	26	17.86	14.81
Middle	13	24.53	24.84	3	20.00	22.05	41	28.57	23.28
Upper	19	35.85	43.95	6	40.00	42.05	71	49.29	57.34
Total	53	100.0	100.0	15	100.0	100.0	144	100.0	100.0

Source: First Federal 2010 and 2011 HMDA Data; 2011 Peer Aggregate HMDA Data

The percentages of First Federal’s lending in each income category are generally comparable to those of the aggregate, especially when considering how the loan volumes impact percentages. Bank percentages exceed aggregate percentages in the moderate-income category for each of the loan types. First Federal’s low-income borrower percentage exceeds the aggregate for home purchase, is substantially the same for home refinance, and is lower for home improvement. Based on loan volume, the most weight is placed on home refinance performance.

Geographic Distribution of Loans

First Federal’s geographic distribution of loans represents reasonable dispersion and meets the standard for satisfactory performance.

The following table shows First Federal’s overall geographic distribution of HMDA reportable home purchase, improvement, and refinancing loans made during the two-year review period, within the bank’s assessment area. The table also shows the aggregate percentages for all depository lenders that made loans in the assessment area during 2011.

Tract Income	Home Purchase			Home Improvement			Home Refinance		
	# Bank	% Bank	% Aggregate	# Bank	% Bank	% Aggregate	# Bank	% Bank	% Aggregate
Low	0	0.00	0.00	0	0.00	0.00	0	0	0.00
Moderate	2	3.77	2.84	0	0.00	1.01	1	0.69	2.07
Middle	30	56.60	35.03	13	86.67	46.73	95	65.97	30.75
Upper	21	39.62	62.12	2	13.33	52.26	48	33.33	67.18
Total	53	100.0	100.0	15	100.0	100.0	144	100.0	100.0

Source: First Federal 2010 and 2011 HMDA Data; 2011 Peer Aggregate HMDA Data

With no low-income tracts within the assessment area, primary consideration is given to performance within the moderate-income tracts. While the percentage of First Federal’s home purchase loans exceeds the aggregate lending percentage, the bank’s level of home improvement and home refinance lending in moderate-income areas is lower than the aggregate. In drawing conclusions, we also considered that less than three percent of all owner-occupied housing units are located in moderate-income neighborhoods. Furthermore, the economic problems experienced negatively impacted lending opportunities during the evaluation period.

Responses to Complaints

No complaints pertaining to First Federal’s CRA performance were received since the previous CRA Performance Evaluation.

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, respectively, 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's lending performance.

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