



## **PUBLIC DISCLOSURE**

December 01, 2014

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

First FS & LA  
Charter Number 702893

2 North Second Street  
Newark, OH 43055-5610

Office of the Comptroller of the Currency

West Lake Center  
4555 Lake Forest Drive, Suite 610  
Blue Ash, OH 45242-3760

**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 Outstanding**

First Federal Savings and Loan Association of Newark (First Federal or thrift) exhibits an outstanding record of meeting the credit needs of its community. The rating is based on the following:

- The thrift’s performance of lending to borrowers of different income levels is excellent.
- The thrift’s overall performance of lending in geographies of different income levels is excellent.
- The loan-to-deposit (LTD) ratio is more than reasonable.

**Scope of Examination**

We conducted a Community Reinvestment Act (CRA) evaluation to assess the institution’s record and performance of meeting the credit needs of its community. We used the small savings association evaluation procedures to assess the institution’s performance. The evaluation period is January 1, 2012 through December 31, 2013. We compared the thrift’s performance to data from the 2010 US Census.

The thrift’s primary loan product is residential real estate, based on discussions with management and a review of loan originations during the evaluation period.

<b>First Federal Primary Loan Types Originated or Purchased between January 1, 2012 and December 31, 2013</b>		
<b>Loan Type</b>	<b>% Number of Loans</b>	<b>% Dollars of Loans</b>
Residential Real Estate	95%	91%
Commercial Real Estate	5%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Source: Internal thrift reports of loans originated from January 1, 2012 thru December 31, 2013*

Our analysis of the thrift’s lending inside its assessment area (AA) used all of its residential real estate loans reported on the Home Mortgage Disclosure Act (HMDA) loan application register (LAR) from January 1, 2012 through December 31, 2013. To analyze the borrower and geographic distributions, we removed any loans originated outside of the thrift’s AA. We also reviewed the bank’s quarterly loan-to-deposit (LTD) ratio since the prior CRA evaluation from September 30, 2008 through September 30, 2014.

## Description of Institution

First Federal is a federally chartered, mutual thrift headquartered in Newark, Ohio. The thrift has five full-service branches in Licking County and a loan production office in the Columbus suburb of Gahanna in Franklin County. As of September 30, 2014, the thrift had \$179 million in total assets, \$32.6 million in tier 1 capital, and net loans represented 82 percent of total assets. The thrift provides traditional banking products and services.

The main office in Newark is located in a low-income census tract (CT). The thrift has one branch located in a moderate-income CT, two in middle-income CTs, and one in an upper-income CT. Other than transitioning its Gahanna branch office to a loan production office, the thrift has not opened or closed any offices since the previous CRA evaluation. First Federal was rated "Outstanding" in the previous CRA public disclosure dated September 29, 2008.

There are no financial or legal impediments that would affect the thrift's ability to serve the credit needs of its community.

## Description of Assessment Area

First Federal's AA includes all of Licking County, Ohio. The AA is located within the Columbus, Ohio Metropolitan Statistical Area (MSA). The AA does not arbitrarily exclude any low- or moderate-income (LMI) CTs and meets the requirements of the regulation. Since the prior evaluation, First Federal converted the Gahanna full service branch to a loan production office and the thrift no longer has a deposit-taking branch in Franklin County; therefore, Franklin County is no longer included in the thrift's AA.

According to the US Bureau of Labor Statistics, the August 2014 unemployment rate for Licking County was 4.7 percent, which is below the state average rate of 5.3 percent and below the national average rate of 6.1 percent. Licking County is comprised of a number of rural communities and farmland. Farming contributes significant income to the local economy. Other large employers in Licking County include State Farm Insurance, Corning Fiberglass, and Licking Memorial Hospital.

Competition for deposits within Licking County remains moderate. There are currently eleven other institutions operating branches in Licking County. These competitors are large national banks such as JP Morgan Chase, large regional banks such as Huntington, PNC, and Fifth Third, and local banks such as Park National Bank and The Pataskala Banking Company. As of June 30, 2014, First Federal maintained a 6.02 percent share of the deposit market in Licking County and ranks fourth after competitors Park National Bank (58.6%), JP Morgan Chase (10.5%), and Huntington (9.3%).

Our evaluation of the bank's CRA performance included a discussion with one community contact who indicated that First Federal is meeting the credit needs of the community.

The 2010 US Census showed the AA had one low-income CT, nine moderate-income CTs, sixteen middle-income CTs, and six upper-income CTs. The total population of the AA was

166,492, comprised of 62,569 households or 44,683 families. Of these families, 21.1 percent are low-income and 19.2 percent are moderate-income. The updated FFIEC median family income for 2013 within the MSA was \$67,900.

The AA has 68,398 housing units with 91.5 percent occupied. Owner occupied households represent 68 percent of the AA housing units. Eleven percent of the households have incomes below the poverty level and 2.7 percent receive public assistance.

## Conclusions with Respect to Performance Criteria

First Federal’s lending performance is **Excellent**.

### Loan-to-Deposit Ratio

The LTD ratio is more than reasonable.

First Federal’s quarterly average LTD ratio over the past 25 quarters since the prior CRA evaluation is 108.8 percent (September 30, 2008 to September 30, 2014). The thrift’s LTD ratio ranged from a high of 116.2 percent to a low of 102.6 percent during this period. We compared the thrift’s LTD ratio to three similarly situated financial institutions operating in central Ohio with total asset sizes ranging from \$83 million to \$763 million. The quarterly average LTD ratio of the three similarly situated financial institutions ranged from 88.1 percent to 52.1 percent or a quarterly average of 71.7.

### Lending in Assessment Area

First Federal’s lending inside the AA is reasonable.

We used thrift reported HMDA data for residential real estate loans for 2012 and 2013. First Federal’s lending activity in the AA for their primary product is outlined in the table below by number and dollar volume.

Lending in Licking County AA										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	514	72%	196	28%	710	\$59,120	65%	\$32,545	35%	\$91,665
<b>Total</b>	<b>514</b>	<b>72%</b>	<b>196</b>	<b>28%</b>	<b>710</b>	<b>\$59,120</b>	<b>65%</b>	<b>\$32,545</b>	<b>35%</b>	<b>\$91,665</b>

Source: HMDA data from January 1, 2012 through December 31, 2013

**Lending to Borrowers of Different Incomes**

First Federal’s distribution of home loans originated during the evaluation period reflects excellent penetration to borrowers of different income levels. First Federal originated 514 residential real estate loans, or 72 percent of real estate loans originated, inside their AA during the review period. Of these loans, approximately 33 percent were for home purchase, 58 percent were for refinance, and 9 percent were for home improvement. We placed the most weight on home purchase and refinance lending. The thrift’s lending percentages to LMI borrowers meet or exceed the percentages for all AA Lenders for refinance loans. The thrift’s lending percentages to low-income borrowers exceeds the percentage for all AA Lenders for purchase loans, while lending to moderate-income borrowers is just below the percentage for all AA Lenders.

<b>Borrower Distribution of Residential Real Estate Loans in Licking County AA</b>							
Borrower Income Level	% First Federal Loans			% of Loans by AA Lenders			% of AA Families in Each Income Level
	Purchase	Improvement	Refinance	Purchase	Improvement	Refinance	
Low	15%	12%	9%	11%	17%	9%	21%
Moderate	23%	27%	29%	27%	25%	23%	19%
Middle	23%	27%	32%	29%	24%	27%	23%
Upper	39%	34%	30%	33%	34%	41%	37%

Source: 2010 US Census data and 2012 - 2013 HMDA data.

**Geographic Distribution of Loans**

First Federal’s geographic distribution of home loans originated during the evaluation period reflects excellent dispersion throughout the thrift’s entire AA. The thrift’s percentages of lending in LMI CTs exceed the percentages for AA Lenders for all residential products.

<b>Geographic Distribution of Residential Real Estate Loans in Licking County AA</b>							
Census Tract Income Level	% First Federal Loans			% of Loans by AA Lenders			% of AA Owner Occupied Units
	Purchase	Improvement	Refinance	Purchase	Improvement	Refinance	
Low	3%	5%	3%	1%	1%	1%	1%
Moderate	32%	32%	22%	14%	23%	14%	21%
Middle	48%	54%	63%	62%	60%	63%	59%
Upper	17%	9%	12%	23%	16%	22%	19%

Source: 2010 US Census data and 2012 - 2013 HMDA data.

### **Response to Complaints**

First Federal has not received any complaints about its performance in helping to meet the credit needs of its AA since the previous CRA evaluation.

### **Fair Lending or Other Illegal Credit Practice Review**

Pursuant to 12 CFR 25.28(c), or 12 CFR 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.