



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

February 26, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First FS & LA of McMinnville  
Charter Number 703773

118 NE 3rd St, McMinnville, OR 97128-4902

Office of the Comptroller of the Currency

101 Stewart Street Suite 1010 Seattle, WA 98101

**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, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>3</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>4</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>9</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>10</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>11</b>
<b>LENDING TEST .....</b>	<b>11</b>
<b>COMMUNITY DEVELOPMENT TEST.....</b>	<b>13</b>
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS.....</b>	<b>B-1</b>

## **Overall CRA Rating**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Outstanding**

**First Federal's Community Reinvestment Act (CRA) Rating: Outstanding**

- The loan-to-deposit (LTD) ratio is reasonable given the Association's size, financial condition, and AA credit needs.
- A substantial majority of First Federal's loans are within the assessment area (AA).
- The borrower distribution of loans reflects reasonable penetration throughout the AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The Association's community development (CD) performance demonstrates excellent responsiveness to the CD needs of Yamhill County through qualified CD loans, investments, and services. The significant contribution to facilitating affordable housing, a stated need in the AA, was a key consideration in the overall rating.
- The Association did not receive any CRA-related complaints during the evaluation period.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

First Federal is a \$407 million federally chartered mutual thrift, headquartered in McMinnville, Oregon, which is located in Yamhill County. It has five full service branches in addition to its main office and lending center, and two limited-service branches. The main office/lending center, Baker Creek Branch, Newberg Branch, Friendsview Branch, and Sheridan Branch are located in moderate-income census tracts. The Hillside Branch, Amity Branch, and Carlton Branch are located in middle-income census tracts. First Federal offers 24-hour accessible deposit-taking ATMs and night depositories at all of its locations with the exception of the Hillside Branch (McMinnville) and the Friendsview Branch (Newberg), which are located in retirement communities. First Federal also supplies a limited-service ATM at the Willamette Valley Medical Center, located in a moderate-income census tract. All branches and service delivery systems are located within the Yamhill county AA.

First Federal offers various loan products and services, but residential mortgage loans remain the Association's primary product. At December 31, 2017, net loans represented 77.0 percent of total deposits and 65.0 percent of total assets.

<b>Major Components of Assets, Liabilities, and Capital as of December 31, 2017</b>			
<b>Balance Sheet Component</b>	<b>Balance Sheet Amount (\$000s)</b>	<b>% of Total Assets</b>	<b>1-year % Growth</b>
<b>Loans</b>			
1-4 family Residential Properties	171,611	42.19	11.00
Multi-family Residential Properties	16,123	3.96	72.75
Net Loans and Leases	263,759	64.84	14.72
<b>Investments</b>			
US Treasury and Agency	68,546	16.85	-20.40
Other Securities	33,071	8.13	9.68
Interest-Bearing Bank Balances	7,487	1.84	-66.39
<b>Total Assets</b>	<b>406,768</b>	<b>100</b>	<b>1.64</b>
<b>Liabilities &amp; Capital (LC)</b>		<b>% of Total L/C</b>	
Deposits	344,073	84.44	1.23
Total Liabilities	347,465	85.28	1.29
Tier 1 Capital	59,996	14.72	3.70

Source: December 31, 2017 Uniform Bank Performance Report and Call Report

First Federal's main business strategy is to offer loan products and financial services to meet the needs of the community. However, competition for banking services within Yamhill County is significant. The FDIC Deposit Market Share report as of June 30, 2017, shows that First Federal has the largest deposit market share of the 10 FDIC-insured financial institutions operating within Yamhill County, at 26.0 percent of total deposits within the county. Competitors within the AA include larger national and



regional banks including U.S. Bank, Columbia State Bank, Wells Fargo, and Bank of America.

First Federal has the financial capacity to assist in meeting the credit needs of the AA. There are no legal, financial, or other factors that impede on the Association's CRA efforts. First Federal received an "outstanding" rating in the prior CRA evaluation dated February 23, 2015.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The Office of the Comptroller of the Currency evaluated First Federal under the Intermediate Small Bank CRA Procedures, which assess the Association's performance under both a lending test and a CD test. Through the lending test, we evaluated the Association's record of meeting the credit needs of the AA through its lending activities. Our assessment included an evaluation of First Federal's residential mortgage loan originations, including home purchases, refinances, and home improvement loans. Residential mortgage loans are the Association's primary loan product, representing a majority of all loan originations during the evaluation period, and approximately 71.0 percent of total loans and leases as of December 31, 2017. Through the CD test, we evaluated First Federal's responsiveness to the CD needs of the AA through its qualifying lending, investment, and service activities.

Due to a planned re-release of Census data, to include a correction to the median family income information, the 2017 year-to-date loan data was not available for our review. Therefore, the evaluation period for the lending test was limited to January 1, 2015 through December 31, 2016. For our CD review, we considered all qualified CD loans, investments, and services from February 24, 2015 to February 26, 2018; this represents the time period since the prior CRA performance evaluation.

### **Data Integrity**

As part of our review of First Federal's residential mortgage loan originations, we analyzed loan data collected and reported in accordance with the Home Mortgage Disclosure Act (HMDA) requirements through the lending test review period. To ensure the reliability of HMDA loan data, we also performed a data integrity review. During this review we assessed the Association's HMDA related audits and tested a sample of approximately 120 of First Federal's reported HMDA loans to verify the accuracy of the HMDA loan data reported. Based on our testing, we've concluded that the level of exceptions and/or errors identified was not material and was within the required thresholds. Therefore, the information presented is reliable for use in this evaluation.

### **Selection of Areas for Full-Scope Review**

The Association has only one AA, which was subject to a full-scope review.

## **Discriminatory or Other Illegal Credit Practices 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. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

First Federal's performance under the lending test is rated satisfactory.

#### Loan-to-Deposit Ratio

First Federal's Loan-to-Deposit (LTD) ratio is reasonable given the Association's size, financial condition, and credit needs of the AA. The following table depicts the average LTD ratio achieved by First Federal and the peer group during the evaluation period.

First Federal LTD Ratios		Peer Group LTD Ratios	
Average LTD Ratio	67.67	Average LTD Ratio	88.80
High LTD Ratio	69.36	High Avg. LTD	94.62
Low LTD Ratio	66.95	Low Avg. LTD	85.10

*Ratios are based on a 10-quarter average ending June 30, 2017*

The 10-quarter average LTD ratio for First Federal was approximately 67.7 percent. The ratio ranged from a low of 66.9 percent at June 30, 2016, to a high of 69.4 percent at June 30, 2017. The peer group is a custom peer group comprised of five institutions operating within the state of Oregon, and with a comparable asset size. Of the five institutions in the custom peer group, only one operates within First Federal's AA. When compared to First Federal, this institution has an average LTD ratio of 65.8 percent over the same 10-quarter period, and had a range from a low of 61.5 percent at March 31, 2017, to a high of 71.5 at March 31, 2015. The other institutions that operate within Yamhill County are large nation- or state-wide banks that are not similarly situated to First Federal and do not have a similar asset size or operating structure.

#### Lending in Assessment Area

A substantial majority of the Association's loans and other lending related activities are inside of the AA. During the evaluation period, First Federal originated approximately 82.0 percent of its residential mortgage loans, by number, and approximately 81.0 percent by dollar volume within its AA. The following table illustrates the Association's concentration of loans originated within the AA.

Lending in Yamhill County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	121	75.16	40	24.84	161	37,560	77.07	11,173	22.93	48,733
Home Refinance	112	89.60	13	10.40	125	22,416	90.46	2,363	9.54	24,779
Home Improvement	40	86.96	6	13.04	46	6,135	72.28	2,353	27.72	8,488
<b>Total</b>	<b>273</b>	<b>82.23</b>	<b>59</b>	<b>17.77</b>	<b>332</b>	<b>66,111</b>	<b>80.62</b>	<b>15,889</b>	<b>19.38</b>	<b>82,000</b>

*Source: 2015-2016 HMDA data*

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

First Federal’s lending penetration to low- and moderate- income borrowers is reasonable, especially when considering affordability issues that impact low-income families in particular.

Housing affordability impacts low-income borrowers most acutely. The cost of housing and its accessibility to low-income families is reflected in the level of homeowners with housing costs that exceed 30.0 percent of their income, which is a standard industry benchmark for affordability. To illustrate the issue of housing affordability, a low-income borrower making \$36,650 (50.0 percent of the 2016 FFIEC adjusted median family income) could afford a monthly housing payment of \$916. Assuming a 30-year mortgage using the 2010 median housing value, with a 5.0 percent interest rate and no down payment, this scenario would result in a monthly mortgage payment of \$1,298. This scenario does not consider expenses related to homeowners insurance, real estate taxes, or any additional monthly expenses of the borrower. This helps illustrate that affordable home ownership is not within reach for some low-income families.

The following table illustrates the Association’s residential real estate loan distribution for each income level.

Distribution of Thrift Residential Real Estate Loans By Borrower Income Level in Yamhill County AA				
Borrower Income Category	% of # Loans	% of \$ Volume	% Family Distribution (Demographic)	% of Peer Aggregate (based on # of loans)
Low	9.89	4.01	23.69	4.6
Moderate	15.38	10.02	20.03	18.49
Middle	24.18	18.80	23.38	24.57
Upper	39.19	50.56	32.90	33.52
N/A	11.36	16.61	0.00	18.82

Data Source: 2010 US Census Data; 2015-2016 HMDA Data

Lending to low-income borrowers is reasonable when considering affordability issues. Though First Federal’s performance is lower than the demographic comparator, it exceeds the aggregate comparator ratio. Lending to moderate-income borrowers is reasonable, as performance falls within a reasonable range of both the demographic and aggregate comparators.

## Geographic Distribution of Loans

First Federal’s geographic distribution of loans reflects reasonable dispersion throughout the AA. The following table illustrates the geographic distribution of the Association’s residential real estate loan originations in the AA.

Distribution of Thrift RRE Loans By Census Tract Income Level in the Yamhill County AA				
Census Tract Income Category	% of # Loans	% of \$ Volume	% Owner Occupied (Demographic)	% of Peer Aggregate (based on # loans)
Low	0.00	0.00	0.00	0.00
Moderate	28.94	29.09	41.18	28.65
Middle	70.33	70.09	52.94	69.15
Upper	0.73	0.82	5.88	2.20

Source: 2010 US Census Data, 2015-2016 HMDA Data

The Association's lending in moderate-income census tracts is reasonable. Performance falls within a reasonable range of both the demographic and aggregate HMDA comparator ratios. In 2015 and 2016, there were no low-income tracts in the Association's AA.

### Responses to Complaints

First Federal received no consumer complaints related to the Association's CRA performance during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

A CD qualified investment is an investment or grant that has CD as its primary purpose. The CRA regulation broadly defines CD as: (1) the provision of affordable housing for low- and moderate-income individuals; (2) community services targeted to low- and moderate-income individuals; (3) activities that promote economic development by financing small businesses or small farms; or (4) activities that revitalize and stabilize low- and moderate-income geographies.

The bank's performance under the community development test is rated "Outstanding." During the evaluation period, First Federal demonstrated excellent responsiveness to CD needs, through qualifying CD lending, investment, and service activities.

### Number and Amount of Community Development Loans

First Federal had an excellent level of CD lending during the evaluation period. The Association originated six qualifying loans totaling approximately \$5.3 million within Yamhill County. In addition, the Association received consideration for 2 loans in the broader regional area, which totaled \$1.3 million.

#### *Yamhill County*

Four loans totaling \$5.0 million funded the purchase and/or construction of 96 rental units affordable for LMI individuals and families. Two of these loans supported affordable housing benefitting clients of Yamhill County Health and Human Services, a governmental organization that provides publicly funded services for those in need of

behavioral health, developmental disability, and public health resources and services. Another loan was purchased from the Network for Oregon Affordable Housing (NOAH), and the subject 22-unit property is currently rent-restricted and entirely reserved for low-income tenants through at least 2036.

One loan totaling \$139.0 thousand provided funds to support the operations of Yamhill County Gospel Rescue Mission, a nonprofit organization providing food and emergency housing to those in need. One loan totaling \$100.0 thousand facilitated storefront improvements for a local small business receiving grant money tied to a revitalization effort by the state of Oregon.

### *Broader Statewide/Regional Area*

In addition, we gave consideration for two loan originations totaling \$1.3 million in nearby Marion County, which help support the accessibility of affordable housing units for rent within the state of Oregon.

### **Number and Amount of Qualified Investments**

First Federal demonstrated an adequate level of qualified investments and donations.

First Federal reporting one qualifying investment during the evaluation period. The Association invested in a municipal bond totaling \$155.0 thousand, providing funds for needed maintenance and upgrades of public school facilities. A majority of students in beneficiary schools qualify as LMI based upon federal guidelines for free and reduced school lunch. Improvements included the addition of a vocational technology building in the county.

During the evaluation period, First Federal reported numerous donations to 69 qualifying organizations, totaling \$272.8 thousand. As a percentage of total donations, 94.2 percent benefitted various community services organizations, and 5.8 percent benefitted affordable housing organizations. The organization receiving the most donations was Yamhill County Gospel Rescue Mission, providing food and shelter to the most vulnerable individuals in the community. Affordable housing organizations benefitting from donations include local chapters of Habitat for Humanity, and the Housing Authority of Yamhill County. Some additional examples of organizations receiving sizable donations include Yamhill Community Action Partnership, A Family Place, St. Barnabas Soup Kitchen, Mid-Valley Advancements, and Lutheran Community Services. These organizations provide an array of services that help strengthen Yamhill County; helping individuals gain self-sufficiency, preventing child abuse and neglect, providing meals for the needy, providing needed services to those with developmental and other disabilities, and providing human services addressing critical needs of low-income and elderly individuals. Other donations benefitted various organizations that also provided important community services targeted to LMI individuals.

## **Extent to Which the Bank Provides Community Development Services**

The association demonstrated an excellent level of CD service activity within the AA. Retail services are accessible and responsive to community needs.

### *Retail Services*

The distribution of First Federal's branches and service delivery systems are accessible to individuals of different income levels within the AA. The Association has six full-service locations that include 24-hour access deposit-taking ATMs, and two limited service branches located in retirement communities. The main office and four branches are located in moderate-income CT's, with the remaining three locations located in middle-income CTs. The Association did not open or close any branches during the evaluation period. Branch hours are convenient to individuals, and are similar across branches. The Association also offers 24-hour internet banking services and mobile banking. First Federal is also a member of Money Pass, a nationwide surcharge-free ATM Network, which allows customers to withdraw account funds from locations around the United States with no additional fees.

First Federal offers minimal or no-fee accounts to accommodate low- and moderate-income (LMI) individuals and non-profit organizations. Consumer accounts include a no-fee checking account with a minimum balance of \$100; a checking account with a per item fee of just \$0.20 per check written, and a no-fee savings account if the minimum balance remains above \$25. For customers over 62 years of age, all monthly service charges are waived and bank stock checks are provided at no charge. First Federal also offers accounts with no- and/or discounted-service fees to non-profit organizations.

### *Community Development Services*

First Federal reported 1,715 total qualifying service hours by 49 employees, impacting 28 CD organizations in Yamhill County. Most organizations receiving First Federal services provide community services benefitting LMI individuals and families (81.6 percent of hours), but also affordable housing (18.1 percent of hours), and economic development (0.3 percent of hours). Organizations with the most reported service hours by bank employees include St. Vincent de Paul (343 hours), local Habitat for Humanity chapters (295 hours), St. Barnabas Soup Kitchen (244 hours), and NW Senior & Disability Services (150 hours). Bank employees provided various services in their capacity as bank employees, including service as Board members of organizations, help with fundraising activities, provision of financial services and technical assistance, and financial education.

First Federal is heavily involved in financial education geared to students.

- The Association participates in the national program, "Teach Children to Save Day." Various First Federal employees taught lessons on saving money to over 2,500 students in Yamhill County, including LMI students. First Federal provided each child with a piggy bank, activity book (specially designed by First Federal

staff members) and a \$10 voucher to put toward their existing account or initial deposit when opening a new account with First Federal.

- First Federal is also a sponsor of EverFi Financial Scholars Program, which provides high school students with online financial literacy education. During the evaluation period, approximately 2,100 students participated in the program, including LMI students. Each student completing the course is given a certificate worth \$25 when opening a new savings account.
- First Federal also sponsored EverFi Ignition – Digital Literacy and Responsibility, a course which educates middle school students about their digital footprint, secure identity, cyber-bullying, good texting practices, online research, and digital time management.

First Federal also provides various other services that benefit the community, including LMI individuals and non-profit entities.

- The Association provides the use the McMinnville Board Room and the Newberg Community Room to local non-profit organizations at no cost. Both locations are in moderate-income census tracts.
- First Federal invites non-profits to advertise their upcoming events through a public reader board located on the McMinnville Loan Department and provides a hyperlink on its website for connecting volunteers with local organizations.
- The Association periodically hosts “Shred Day” at the McMinnville, Newberg, and Sheridan offices, which are located in moderate-income census tracts. This community event is open to all and provides confidential cross-shredding services and recycling at no cost, along with educational materials for safeguarding personal information.

## **Responsiveness to Community Development Needs**

First Federal’s community development lending, investment, and service activities demonstrate overall excellent responsiveness to needs in the AA. The Association’s strong commitment to community is evident through an expansive culture of giving and involvement. For example, First Federal offers various giving programs designed to involve all bank employees and community members in the Association’s allocation of budgeted donation funds, fostering a collaborative approach to community involvement. Strong participation in the community gives First Federal managers the first-hand knowledge they need to be effective partners in community service endeavors, including activities that qualify for CRA credit.

The Association is responsive to affordable housing needs, which was stated as a significant need by the community contact made in conjunction with this evaluation. In addition to CD loans, donations, and services that further affordable housing efforts, First Federal facilitates affordable residential lending through their participation in loan programs and other endeavors.

- The Association allocated \$2.0 million to its First Time Homebuyer (FTHB) Program each year during the evaluation period.



- This loan program allows up to 97 percent financing with no Private Mortgage Insurance required for individuals and families at or below 90 percent of Yamhill County median family income. First Federal waives the loan origination and underwriting fees for first time homebuyers using this program.
- During the evaluation period, First Federal also continued to offer FTHB loans to individuals using the Yamhill County Housing Authority's Housing Choice Voucher Homeownership Program (HAP), which applies Section 8 rental assistance vouchers to create homeownership opportunities for participants.
- Of the fourteen FTHB loans originated, two loans benefitted HAP participants. Six of the FTHB loans were made to LMI households in Yamhill County. First Federal also waived over \$28.0 thousand in loan origination and underwriting fees and helped homebuyers save thousands in Private Mortgage Insurance premiums.
- As a member of the Federal Home Loan Bank (FHLB), First Federal participates in the FHLB Home\$tart Grant Program.
  - First Federal assists first-time LMI homebuyers obtain FHLB grants for down payment assistance and/or closing costs. They also partner with local Habitat for Humanity chapters to facilitate home ownership through these grants.
  - Seven Home\$tart grants totaling \$52.5 thousand were disbursed during the evaluation period; four of these grants went to homebuyers working through the McMinnville Area Habitat for Humanity, and the remaining grants benefitted First Federal LMI loan applicants.
- As summarized in the CD lending section, the Association purchased a loan from NOAH that finances affordable housing; First Federal purchased this loan at below-market interest rates to the benefit of NOAH, further demonstrating responsiveness to the need of affordable housing in Yamhill County.

## Appendix A: Scope of Examination

---

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/2015 to 12/31/2016) Community Development Test: (02/24/2015 to 02/26/2018)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First FS & LA of McMinnville McMinnville, OR	Residential Real Estate Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None.		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Yamhill County, Oregon	Full-Scope	Part of the Portland-Vancouver-Hillsborough OR-WA MSA

## Appendix B: Community Profiles for Full-Scope Areas

### Yamhill County, OR

First Federal's sole AA consists of Yamhill County, which is located within the Portland-Vancouver-Hillsboro OR-WA Metropolitan Statistical Area. The AA meets the regulatory requirements and does not exclude low- or moderate- income geographies or individuals. According to the 2010 Census, the population of Yamhill County is 99 thousand and the median family income is \$69 thousand. The following table illustrates demographic data on population, families, and housing units within the AA:

Demographic Information for Full Scope Area: Yamhill County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	17	0.00	41.18	52.94	5.88	0.00
Population by Geography	99,193	0.00	38.53	59.37	2.10	0.00
Owner-Occupied Housing by Geography	23,914	0.00	30.55	66.71	2.74	0.00
Business by Geography	7,287	0.00	40.00	56.50	3.50	0.00
Farms by Geography	735	0.00	17.69	74.83	7.48	0.00
Family Distribution by Income Level	24,414	23.69	20.03	23.38	32.90	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	10,675	0.00	47.18	51.52	1.30	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		68,924 73,300 12%		Median Housing Value Unemployment Rate (2010 US Census)		241,750 4.32%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2016 FFIEC updated MFI

Based on 2016 data, Yamhill County consisted of 17 census tracts, including one upper-income tract; nine middle-income tracts; and seven moderate-income tracts. As of 2017, one moderate-income tract was re-designated as a low-income tract, but this recent change did not impact our analysis of 2015 and 2016 HMDA data.

Yamhill County lies on the west side of the lower middle part of the Willamette Valley and is bounded by Washington, Clackamas, Polk, Marion and Tillamook Counties. The Willamette River is the eastern boundary. The total area of the county is approximately 718 square miles. McMinnville is the county seat and the largest city with a population of approximately 35 thousand according to the US Census Bureau.

The economy within Yamhill County continues to improve. Yamhill County is a major focus of Oregon's wine industry, having the largest area of any Oregon county planted in vineyards. It also offers a thriving manufacturing sector producing everything from snack foods to rebar, timber products to plastic tubing, dental equipment to helicopters, and textiles to electrical equipment. Yamhill County also hosts a robust service industry that includes education and health, government, utilities, and leisure & hospitality. According to the Federal Reserve Bank of St. Louis' website (<https://fred.stlouisfed.org>),

the unemployment rate of Yamhill County as of December 31, 2017 was 3.4 percent, compared to 4.1 percent for the state of Oregon. Overall, unemployment levels continued to decline over the course of the evaluation period.

In conjunction with our evaluation, we contacted a representative of a community development organization within the AA. Our contact stated that financial institutions in the area are doing a good job of meeting the financial and banking needs of the community. In particular, the contact mentioned that institutions are donating time and human capital to non-profit organizations, and providing grants and donations to support the missions of local non-profit establishments. It was noted during our review that First Federal has received several comments from the public commending the Association on their efforts in supporting local community-based organizations, especially those that focus on affordable housing, which continues to be a significant need within the county.