



PUBLIC DISCLOSURE

April 23, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION LENDING EXAM

First FS&LA
Charter Number 703816

Bank Address
111 W Commerce St.
Aberdeen, MS 39730

Office of the Comptroller of the Currency

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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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory.

The First FS&LA (Association) has a **satisfactory** record of meeting community credit needs. We based this assessment on the following:

- The level and trend of the loan-to-deposit ratio is reasonable given the Association's size, financial condition, economic environment, and assessment area (AA) credit needs.
- A substantial majority of the Association's loans are inside its AA.
- The Association has reasonable penetration among borrowers of different incomes within its AA.
- The Bank did not receive any CRA-related complaints during this 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 FS&LA is a \$36.3 million, federally chartered mutual savings and loan association headquartered in Aberdeen, Mississippi (Monroe County). The Association operates one full-service facility in downtown Aberdeen, and does not operate automated teller machines (ATM). No branches were opened or closed during the review period. The Association is a traditional thrift institution with lending activities limited to mortgage loans for the purchase, refinance, construction and improvement of 1-4 family dwellings. The Association offers share loans (loans secured by certificates of deposit or saving accounts). At June 30, 2017, First FS&LA ranked sixth in deposit share among seven financial institutions serving Monroe County, MS. The Association reported total deposits of \$25.9 million, or a 4.05 percent market share.

The prior CRA rating, dated March 20, 2013, was "Satisfactory." We found no legal or financial impediments adversely affecting the Bank's ability to help meet community credit needs.

The CRA evaluation period is March 30, 2013 through December 31, 2017. During the evaluation period, the Association's lending patterns did not change significantly, primarily consisting of 1-4 family real estate loans. At December 31, 2017, home loans represented 97 percent of the total loan portfolio and are identified as the primary loan product. Consumer share loans represented the remaining 3 percent of total loans.

The Association's assessment area (AA) is comprised of Monroe County, MS which consists of nine census tracts. The area is primarily rural. Of the nine census tracts, none are low-income, one is moderate-income, six are middle-income, and two are upper-income. Four of the middle-income census tracts are designated as distressed or underserved. The 2010 population for Monroe County is 23,068 according to U.S. Census data. The AA is impacted by a high poverty rate of 15.5 percent. Manufacturing is the primary industry in the AA.

Local competition in the assessment area (AA) is moderate. The Association's competition consists of two local community banks and branches of large regional institutions.

A community contact indicated the continued AA need for affordable housing. The contact stated that First FS&LA was among several local institutions that participated in recent Bank Community Outreach events, which invited local residents to learn more about home ownership. The contact indicated that local financial institutions are actively meeting AA credit needs.

In 2017, First FS&LA began participating in the Federal Home Loan Bank of Dallas Special Needs Assessment Program (SNAP), which provides grant funds through member institutions for the rehabilitation and/or modification of owner-occupied households with a special-needs occupant.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The Association's primary lending strategy is the origination of 1-4 family residential real estate loans. We selected a sample of twenty 1-4 family residential real estate loans (home loans) that the Association originated during each of the following three years: 2015, 2016, and 2017.

Data Integrity

The Association is not a Home Mortgage Disclosure Act (HMDA) reporting institution. Therefore, we selected a random sample of primary loan products to evaluate CRA lending performance.

Selection of Areas for Full-Scope Review

We reviewed First FS&LA's entire AA of Monroe County, MS for a full scope review.

Ratings

The Association's overall rating is based solely on the lending test.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank'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 Consumer Financial Protection Bureau, 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.

Conclusions with Respect to Performance Tests

We evaluated the First FS&LA's CRA performance solely utilizing the lending test, which evaluates an institution's performance in meeting community credit needs. The lending test assesses the level and trend of the loan-to-deposit ratio, level of lending inside and outside the AA, penetration of lending to borrowers of different incomes, and distribution of credit among borrowers in different geographies.

LENDING TEST

The Association's CRA performance is satisfactory based on the results of the lending test.

Loan-to-Deposit Ratio

The level and trend of First FS&LA's loan-to-deposit (LTD) ratio is reasonable given the Association's size, financial condition, and AA credit needs, and reflects satisfactory performance. The average LTD ratio for the twenty quarters spanning the evaluation period, from March 31, 2013 to December 31, 2017, was 77.52 percent. The LTD ratio was at its highest of 88.09 percent at June 30, 2017, and its lowest of 62.29 percent at June 30, 2013. The Association's average LTD ratio is consistent with other community institutions of similar size, location, and product offerings. First FS&LA ranks second among three similarly situated institutions serving the AA. Two other institutions had a combined average LTD ratio of 76 percent over the CRA review period.

Loan to Deposit (LTD) Ratio		
Institution	Total Assets (000s) as of 12/31/17	Average LTD Ratio
Amory FS & LA	86,798	81.89
First FS & LA	33,164	77.52
Community Bank, North Mississippi	532,196	70.10

Source: Institution Reports of Condition for the period March 31, 2013 to December 31, 2017

Lending in Assessment Area

During the review period, First FS&LA originated a substantial majority of home loans inside the AA. The Association originated 90 percent of the number of loans, and 85.7 percent of the total dollar amount of loans inside the AA.

Table 1 details lending within the AA by number and dollar volume during the evaluation period.

Table 1 - Lending in AA										
	Number of Loans					Dollars of Loans				Total
	Inside		Outside		Total	Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Loans	54	90.0%	6	10.0%	100%	5,266,471	85.70%	879,989	14.30%	100%

Source: Loan sample

Lending to Borrowers of Different Incomes

Lending to borrowers of different incomes within the Monroe County AA reflects reasonable penetration of home loans to low- and moderate-income borrowers, which meets the standard for satisfactory performance.

Home Loans

The Association’s distribution of home loans reflects reasonable penetration among AA households of different income levels. The percentage of home loans to low-income borrowers, at 5.66 percent, is well below the percentage of low-income households of 23.60 percent. However, the high rate of poverty in the AA, at nearly 16 percent, impedes the Association’s ability to originate home loans to qualified low-income borrowers. Considering this, the penetration of home loans to low-income borrowers is reasonable. The percentage of home loans to moderate-income borrowers, at 11.1 percent, was near the percentage of moderate-income households of 14.53 percent.

Table 2 depicts the distribution of home loans among borrowers of different incomes within the Monroe County AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Home Loans	23.60%	5.56%	14.53%	11.11%	15.47%	27.78%	46.40%	55.56%

Source: US Census Data and Loan Sample Data

Geographic Distribution of Loans

We did not perform an analysis of the geographic distribution of the Association’s lending as part of this evaluation. The analysis would not be meaningful, as there are very little demographically distinct geographies within the AA. The AA contains no low-income census tracts and one moderate-income census tracts.

Responses to Complaints

The bank has not received any CRA-related complaints during the evaluation period.

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”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/15 to 12/31/17)	
Financial Institution	Products Reviewed	
First FS&LA Aberdeen, MS	1-4 family residential loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Monroe County	Full Scope	All nine census tracts that compose Monroe County, MS make up the Association's assessment area.

Appendix B: Community Profiles for Full-Scope Area

Monroe County, MS

Demographic Information for Full-Scope Area: Monroe County, MS						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0	1	6	2	0
Population by Geography	36,175	0	3,466	23,294	9,415	0
Owner-Occupied Housing by Geography	10,408	0	774	6,869	2,765	0
Businesses by Geography	100%	0	16.91%	65.44%	17.65%	0
Farms by Geography	100%	0%	3.23%	64.52%	32.36%	0
Family Distribution by Income Level	100%	0%	8.40%	65.12%	26.47%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	100%	20.04%	17.23%	19.13%	43.60%	0
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$46,707 = \$46,636 = 15.5%	Median Housing Value Unemployment Rate				= \$84,501 = 10.88%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 U.S. Census, and 2017 HUD updated MFI.