



## **PUBLIC DISCLOSURE**

June 19, 2013

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

First Federal Savings Bank of Twin Falls  
Charter Number 702479

383 Shoshone Street North, Twin Falls, Idaho 83301-6152

Office of the Comptroller of the Currency

2795 Cottonwood Parkway, Suite 390, Salt Lake City, Utah 84121

**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.

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First Federal Bank FSB (FFB), prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency. The agency rates the CRA performance of an institution consistent with the provision set forth in 12 C.F.R. § Part 25, or 12 C.F.R. § 195, Subpart A.

**INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

**The Lending Test is rated: Outstanding.**

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

The major factors supporting this rating are:

- First Federal's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs of the assessment area.
- First Federal originates a substantial majority of its loans in the assessment area.
- The bank's distribution of home purchase and home refinance loans reflects excellent penetration to borrowers of different incomes.
- First Federal demonstrates an excellent level of responsiveness to meeting community development (CD) needs of the assessment area through CD lending, investments, and services.

## **Scope of Examination**

We evaluated First Federal's Community Reinvestment Act performance under intermediate small bank (ISB) examination procedures, which include lending and community development (CD) tests. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The evaluation period for this examination covers home mortgage lending from the date of the previous CRA examination, January 31, 2010, through the date of this examination, June 19, 2013. To focus on current lending practices, the time period for sampling loans in ISBs generally is the current (if at least two full quarters) and prior two calendar years. Accordingly, the lending test samples cover the bank's performance from

January 1, 2011 to December 31, 2012, which is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination. The community development test covers community development loans, investments, and services during the entire evaluation period.

To evaluate the bank's lending performance we reviewed lending data for the bank's primary loan products. First Federal's primary loan product is overwhelmingly 1-4 family residential real estate loans (home loans) evidenced by its loan portfolio composition (refer to Table 1 in the Description of Assessment Area section below). For the years 2011 and 2012, First Federal originated 936 home purchase loans totaling \$123 million and 3,929 home refinance loans totaling \$278 million. Using these categories as the bank's primary lending products, we sampled home purchase loans and home refinance loans originated during the period of January 1, 2011 through December 31, 2012 in the AA and based our conclusions on the lending test on the samples for those products. The Community Development Test covered community development loans, investments and services during the entire evaluation period. We reviewed the bank's community development loans, investments, and services based on information provided by the bank. We used only those that met the regulatory definition for community development in our analysis of the Community Development Test. We used the most recent available demographic data for the Lending and Community Development Tests. Primary weight for the rating is given to the bank's residential real estate loan performance for home purchase and refinance loans in the whole Idaho Counties of Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls.

The United States Census Bureau released 2010 Census data earlier this year. Accordingly, loans extended in 2012 are presented in context of this data. Loans extended prior to 2012 are considered in context of the 2000 Census data. This Performance Evaluation contains analysis and tables for both periods.

## **Description of Institution**

First Federal Savings Bank of Twin Falls, ("First Federal" or "bank") is a mutual savings bank headquartered in Twin Falls, ID. In addition to the institution's headquarter office, the institution operates ten retail branches all within the "Magic Valley" region of the central southern portion of the state of Idaho. Along with the main office in Twin Falls, there are four other branch locations in Twin Falls; one branch location in Buhl; two branches in Burley; and one office each in Jerome, Kimberly, and Rupert. The bank has 11 automated teller machines located at its branch locations. As of March 31, 2013, the bank reported \$509 million in total assets, \$357 million in gross loans, \$436 million in total deposits, and \$55 million in equity capital. Net loans represented 81 percent of total deposits.

First Federal's primary lending focus is on 1-4 family residential real estate loans. The bank offers a wide range of credit products within its AA including consumer, commercial, and real estate loan products in addition to participating USDA Rural Housing, Idaho Housing and Finance, and Home Start Grant Programs targeted to LMI

borrowers and/or geographic areas. The loan portfolio by dollar volume is shown in Table 1 below. Retail deposit services for consumers include checking, savings, investment, and health and medical savings accounts, as well as overdraft protection services. Merchant services are also available for business customers.

<b>Table 1 - LOAN PORTFOLIO COMPOSITION March 31, 2013</b>	<b>% of Outstanding Dollars</b>
Real Estate Loans	
1-4 Family Residential Properties Secured by First Liens	53%
Farmland	0%
Non-farm Non-residential Properties	19%
Construction, Land Development, Other	16%
Agricultural Loans	0%
Commercial Loans	8%
Consumer Loans	4%
Total	100%

*Source: Consolidated Report of Condition for March 31, 2013*

First Federal received an Outstanding rating at its last CRA examination as of January 31, 2010. As of the date of this evaluation, there were no legal, financial, regulatory, or other factors impeding the bank’s ability to meet the credit needs of its assessment areas.

## **Description of Assessment Area**

First Federal has designated the whole Idaho counties of Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls as its assessment area. These counties are not a part of any designated Metropolitan Statistical Area. The assessment area includes four moderate-income tracts and no lower-income tracts. Lincoln County has one middle-income tract considered an “underserved” geography; i.e., it meets criteria for population size, density, and dispersion that indicate the area’s population is sufficiently small, thin, or distant from a population center. and that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

No census tracts are designated as “distressed” in 2012. However, in 2011, Cassia County had five census tracts that were classified as “distressed” due to population loss. Minidoka County had five middle-income census tracts classified “distressed” because of high unemployment and population loss. A distressed geography is a non-metropolitan middle-income geography that has been designated as having one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20 percent or more; or (3) a population loss of 10 percent or more between the previous and most recent census or a net migration loss of five percent or more over the five year period preceding the most recent census. The federal banking agencies update the designated distressed and underserved tracts on an annual basis.

We contacted one local community development organization during the evaluation. The contact stated the Magic Valley region’s financial institutions range from very small unit banks to multi-national institutions. The contact indicated local financial institutions and satisfactorily meeting the credit needs of the community. The local region is now showing signs of recovery.

The U.S. Bureau of Labor Statistics estimates the following unemployment rates for the bank’s AA as of March 2013: Blaine County 6.6 percent, Cassia County 5.6 percent, Gooding County 4.9 percent, Jerome County 6.0 percent, Lincoln County 10.0 percent, Minidoka County 5.9 percent, and Twin Falls County 5.9 percent.

According to FDIC deposit records, at June 30, 2012, there were 16 institutions with branch offices accepting retail deposits within the assessment area. First Federal ranked third among the institutions, with approximately \$409 million in retail deposits, or 14.4 percent of the assessment area market share. Local competitors with five or more deposit-taking branches in the assessment area include Wells Fargo Bank (NA), DL Evans Bank, US Bank (NA), Farmers National Bank of Buhl, and Zions First National Bank.

The assessment area does not reflect illegal discrimination or arbitrarily exclude any LMI tracts and is reasonable based on the size, location, and lending capacity of the institution. Table 2 illustrates demographic data on population, families, and housing units within the assessment area as follows:

<b>Table 2 – Demographic Data – Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls Counties</b>		
Demographic	Based on 2000 U.S. Census Data	Based on 2010 U.S. Census Data
Population	161,406	184,673
Total Families	42,378	46,128
1-4 Family Units	54,684	63,412
Multi-family Units	4,078	5,027
% Owner-Occupied Units	62	59
% Rental-Occupied Units	23	26
% Vacant Housing Units	11	15
Weighted Average Median Housing Value	\$135,329	\$229,671
Number of Census Tracts	37	37
% Low-Income Census Tracts	0	0
% Moderate-Income Census Tracts	4	4
% Middle-Income Census Tracts	27	28
% Upper-Income Census Tracts	6	5
HUD-Adjusted Median Family Income	\$49,800	\$50,500
% of Families Below Poverty Level	9.65	10.19

*2000 U.S. Census data; 2010 U.S. Census data*

## Conclusions with Respect to Performance Tests

First Federal's overall performance under the Lending Test is Outstanding. The bank's loan-to-deposit (LTD) ratio is more than reasonable. The bank makes a substantial majority of loans inside the assessment area. First Federal's distribution of home purchase and home refinance loans reflects excellent penetration to borrowers of different incomes and excellent overall geographic dispersion through census tracts of different income levels.

### Loan-to-Deposit Ratio

First Federal's LTD ratio is more than reasonable given the institution's size, financial condition, and credit needs of the AA. The bank's average quarterly LTD ratio for all quarters since the prior CRA public evaluation dated January 31, 2010, is 87 percent. To achieve a comparison with similarly situated banks, we identified banks operating in the Magic Valley region of Idaho that had similar total assets as First Federal. The similarly situated banks had LTD ratios during the same time period averaging 68 percent. First Federal's lending activity compares favorably to the similarly situated banks' LTD ratios.

Providing further support that First Federal's lending levels are more than reasonable is the bank's deposit market share in the AA. As of June 2012, Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits Report shows First Federal ranked third in the AA with a deposit market share of 14.4 percent while First Federal's LTD was higher than institutions with higher deposit shares.

### Lending in Assessment Area

First Federal originates a substantial majority of its loans in the assessment area. We sampled 20 home purchase loans and 20 home refinance loans originated in 2011, and 20 home purchase loans and 20 home refinance loans originated in 2012. In all, the sample consisted of 80 loans with amounts at origination totaling roughly \$12.2 million. All the loans contained in the sample were for properties within the assessment area.

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

First Federal's distribution of home purchase and home refinance loans reflects excellent penetration to borrowers of different incomes.

The borrower distribution of home purchase loans is excellent overall. Based on 2000 U.S. Census and 2010 U.S. Census records for home purchase loans in the assessment area and our sample of bank home purchase loans in 2011 and 2012, the bank's lending performance is near area demographics for moderate-income families. In 2011, the bank's lending for home purchases exceeded the demographic comparator. This is noteworthy because borrowers with moderate incomes generally have difficulty qualifying for home purchase loans because of their limited incomes.

Lending performance is less than area demographics for low-income borrowers in both years. However, the significant barriers banks face in making home loans to low-income individuals mitigates this negative comparison. The following table shows the borrower distribution of home purchase loans based on the income level of the borrower compared to assessment area demographics in both 2011 and 2012.

<b>Table 3 - Borrower Distribution of Home Purchase Loans in Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls Counties</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
2011 Data	17	5	19	20	23	35	41	40
2012 Data	17	0	20	15	23	25	40	60

*Source: Indicate source, i.e., loan sample; 2000 U.S. Census data; 2010 U.S. Census data*

Borrower distribution of home refinance loans is excellent. Based on both 2000 U.S. Census records and 2010 U.S. Census records for home refinance loans in the assessment area, the bank’s lending exceeded the area demographics for moderate-income families in 2011 and matched demographics for 2012. First Federal’s originations of home refinance loans to low-income families were somewhat less than area demographics in 2011 but nearly matched area demographics in 2012. Again, this is especially noteworthy considering the significant barriers banks face in making home loans to low-income individuals and provides significant support to our conclusion that the bank’s performance in the distribution of home refinance loans is excellent. The following table shows the borrower distribution of home refinance loans based on the income level of the borrower.

<b>Table 4 - Borrower Distribution of Home Refinance Loans in Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls Counties</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
2011 Data	17	5	19	25	23	30	41	40
2012 Data	17	15	20	20	23	15	40	30

*Source: Indicate source, i.e., loan sample; 2000 U.S. Census data; 2010 U.S. Census data*

### **Geographic Distribution of Loans**

First Federal’s distribution of home purchase and refinance loans reflects a reasonable geographic dispersion through census tracts of different income levels.

The geographic distribution of home purchase loans in 2011 is excellent. Based on 2000 U.S. Census records for home purchase loans in the assessment area and our sample of First Federal’s home purchase loans in 2011, the bank’s lending performance exceeds area demographics for moderate-income families. There are no low-income geographies in the assessment area.

The bank’s geographic distribution of home purchase loans in 2012 meets the standard for satisfactory performance. Based on 2010 U.S. Census records and our sample, the bank’s performance is somewhat less than moderate-income assessment area demographics.

The following table shows the borrower distribution of home purchase loans compared to assessment area demographics in both 2011 and 2012.

<b>Table 5 - Geographic Distribution of Home Purchase Loans in Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
2011 Data	0	0	6	10	73	75	21	15
2012 Data	0	0	8	0	76	75	16	25

*Source: Loan sample, 2000 U.S. Census data, 2010 U.S. Census data*

The geographic distribution of home refinance loans in 2011 is excellent. Based on 2000 U.S. Census records for home refinance loans in the assessment area and our sample of bank home refinance loans in 2011, the bank’s lending performance nearly matches area demographics for moderate-income families. There are no low-income geographies in the assessment area. The geographic distribution of home refinance loans in 2012 meets the standard for satisfactory performance. Based on 2010 U.S. Census records and our sample, the bank’s lending performance is near assessment area demographics.

The following table shows the borrower distribution of home refinance loans compared to assessment area demographics in both 2011 and 2012.

<b>Table 6 - Geographic Distribution of Home Refinance Loans in Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls Counties</b>				
Census Tract Income Level	Low	Moderate	Middle	Upper

Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
2011 Data	0	0	6	5	73	95	21	0
2012 Data	0	0	8	5	76	95	16	0

*Source: Loan sample, 2000 U.S. Census data, 2010 U.S. Census data*

### Responses to Complaints

First Federal has not received any complaints during this evaluation period in regards to its CRA performance.

### COMMUNITY DEVELOPMENT TEST

The bank’s community development performance is Outstanding. The dollar volume of community development activity in the assessment area is good. In addition to the bank’s lending efforts, First Federal’s management team and employees responded to community needs through community development lending, investments, and services activities.

The loans and investments, in general, assisted in providing affordable housing and other benefits to low- and moderate-income individuals. For community development services, management and employees continue to offer their financial expertise and time to support organizations that primarily provide services targeted to low- and moderate-income individuals and community economic development efforts.

#### Number and Amount of Community Development Loans

In February 2008, First Federal made a community development loan to the Idaho-Nevada Certified Development Financial Institution for \$100,000. Loan proceeds are used to fund affordable housing and small business projects within the assessment area.

#### Number and Amount of Qualified Investments

The bank's performance under the Investment Test is rated “Outstanding.” We based this conclusion primarily on our full-scope review of performance in the assessment area.

The bank's total volume of investments is excellent given its size and the modest level of community development opportunities in the assessment area. During the evaluation period, First Federal provided qualifying investment grants from the First Federal Foundation, Inc. totaling \$60,260 within the communities it serves. First Federal provided \$98,113 in all in qualifying grants to organizations that provide community

services targeted to low- or moderate-income individuals and that promote economic development in moderate-income areas. First Federal's qualifying investment grants/donations are responsive to community development needs in the assessment areas. In addition, First Federal placed deposits \$248,000 in a minority-owned certified community development financial institution, which meets the definition of qualified investment.

We considered community development opportunities in the assessment areas, as well as the capacity for the local infrastructure to create qualified investments. Opportunities for qualified investments are limited due to the relatively small population of the assessment area. We conducted an interview with a community development organization in the assessment area that indicated local banks were doing a good job in meeting community credit needs and were good corporate citizens; however, the contact did not identify any community development needs. First Federal's focus in meeting community needs has been on organizations that provide community services targeted to low- and moderate-income people in a less than robust economy. Examples of organizations meeting these needs are community food banks; organizations that support activities essential to the capacity of LMI individuals to utilize credit or to sustain economic development, such as day care operations and job training programs that enable people to work; organizations providing credit counseling and other financial services education to LMI individuals and families; alcohol and drug recovery centers; organizations that promote the prevention of child abuse; and youth programs targeted to LMI individuals.

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

First Federal's community development services are responsive to community development needs in the assessment area. Management and employees teach various personal finance classes, and provide leadership roles in economic development organizations. Bank employees, acting as agents of the institution, used their financial expertise by various means in the communities in which it serves. The bank originated and sold 147 home loans totaling more than \$16 million in affordable housing loans to the Idaho Housing Finance Authority and the United States Department of Agriculture during the assessment period.

In its assessment area, First Federal has eleven retail branches that are accessible by customers of various income levels throughout the assessment area. Teller services are available in all branch locations. Banking locations offer extended hours Monday through Friday, and all but two locations offer drive-up services on Saturday. Customers have access to full-service ATMs at each branch location. Customers have access to banking functions through a variety of delivery methods. Most branches offer extended hours of service and teller services available six days a week. Telephone banking services, Automated Teller Machines (ATMs), and online banking are available for customers.

**Responsiveness to Community Development Needs**

The bank demonstrates an excellent responsiveness to community development opportunities throughout the assessment area. Community development activities satisfactorily targeted low- and moderate-income individuals, families, and geographies.

## **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 the CRA rating of a national bank (bank) or federal savings association (FSA), respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.