



PUBLIC DISCLOSURE

August 08, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal SB of Twin Falls
Charter Number 702479
383 Shoshone St N
Twin Falls, ID 83301-6152

Office of the Comptroller of the Currency
Denver Field Office
1225 17th Street, Suite 450
Denver, CO 80202

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The First Federal Savings Bank of Twin Falls (First Federal) helps meet the credit needs of its assessment area (AA). Primary factors contributing to the bank's 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 AA.
- First Federal originated a substantial majority of its loans within its delineated AA.
- The bank's distribution of residential real estate loans reflects satisfactory penetration to borrowers of different incomes.
- The geographic distribution of residential real estate loans reflects reasonable dispersion within the AA.
- First Federal provided an adequate level of community development (CD) activities in its AA.
- There were no Community Reinvestment Act (CRA) related complaints.

Scope of Examination

We evaluated First Federal's CRA performance using Intermediate Small Bank (ISB) CRA examination procedures. An ISB examination consists of two tests: a lending test and a community development test. The CRA evaluation period covers June 19, 2013 through August 8, 2016.

The lending test evaluates the bank's record of meeting the credit needs in its AA through its lending activities. To determine the bank's primary loan products, we analyzed both the number and dollar amount of loans originated and purchased between January 1, 2014 and June 30, 2016. Based on this analysis, we identified 1-4 family residential real estate loans, including home refinance loans, as the bank's primary loan product.

The community development (CD) test includes a review of qualified loans, investments and/or donations, and services made in the bank's AA that have the primary purpose of community development. CD loans, investments, and services made or provided during the evaluation period were reviewed to determine their eligibility for consideration. The evaluation period for the CD test covers June 19, 2013 through August 8, 2016.

We used demographic information from the 2010 U.S. Census.

Description of Institution

First Federal is a mutual savings bank headquartered in Twin Falls, ID. The bank operates 11 retail branches in 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; two branches in Burley; and one branch each in Buhl, Jerome, Rupert, and Kimberly. The bank operates 12 automated teller machines, one at each branch location and one kiosk location at a service station in Burley. As of June 30, 2016, the bank reported net loans of \$428 million, which represents 84 percent of total deposits compared to 81 percent at the last CRA examination.

In July 2015 the bank opened a loan production office in Meridian, ID. The bank has not opened or closed any offices in low- or moderate-income tracts since the prior CRA examination.

First Federal's primary business focus is residential real estate lending. The bank offers a wide variety of credit products including consumer, commercial, and real estate loans. First Federal also participates in loan programs such as Veterans Administration, USDA Rural Development, Idaho Housing and Finance Association, and Home \$tart Grants targeted to low- and moderate-income borrowers and/or geographic areas.

Table 1 below reflects the loan portfolio composition as of June 30, 2016. Retail services for consumers include checking, savings, investment, health and medical savings accounts, as well as overdraft protection services. Merchant services are also available for business customers.

Table 1 – Loan Portfolio Composition		
Loan Category	In Dollars (in thousands)	Percent of Loan Portfolio
1-4 Family Residential	\$ 254,830	59%
Commercial	\$ 146,252	34%
Consumer	\$ 24,399	5%
Other	\$ 8,062	2%

Source: Consolidated Report of Condition and Income for June 30, 2016

There are no legal impediments which prohibit the bank from meeting its responsibilities under the CRA.

First Federal received an “outstanding” rating at the last CRA examination dated June 19, 2013.

Description of Assessment Area

The bank has designated Magic Valley Idaho as its AA. This includes the counties of Blaine, Cassia, Gooding, Jerome, Lincoln, Minidoka, and Twin Falls. As of 2014 and 2015, none of the counties is distressed or underserved. The AA meets the requirements of the regulation. It is comprised of whole political subdivisions and does not exclude any low- or moderate-income areas. We evaluated the bank’s CRA lending performance for borrower distribution and geographic analysis for the AA. Please see the table below for detailed information about the Magic Valley Idaho AA.

Magic Valley, Idaho AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	37	0.00	10.81	75.68	13.51	0.00
Population by Geography	184,673	0.00	9.90	76.07	14.03	0.00
Owner-Occupied Housing by Geography	45,401	0.00	7.91	75.59	16.50	0.00
Business by Geography	12,048	0.00	11.41	67.77	20.82	0.00
Farms by Geography	1,723	0.00	2.26	90.25	7.49	0.00
Family Distribution by Income Level	46,128	16.75	20.18	23.52	39.55	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	17,035	0.00	12.46	78.73	8.81	0.00
Median Family Income		49,523	Median Housing Value	229,671		
HUD Adjusted Median Family Income for 2015		52,800	Unemployment Rate (2010 US Census)	2.73%		
Households Below Poverty Level		13%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census and 2015 HUD updated MFI.

The bank operates 11 full service branches and 12 automated teller machines in the Magic Valley AA. In addition, First Federal operates a loan production office in Meridian, ID, which is outside of the bank’s AA.

The AA consists of 37 census tracts (CTs). Approximately 12 percent of the state’s population resides in the bank’s AA. The Magic Valley AA includes zero low-income CTs (0 percent), four moderate-income CTs (11 percent), 28 middle-income CTs (76 percent), five upper-income CTs (13 percent), and zero tracts with no income designation.

The Magic Valley AA has a diverse economy but remains centered on agriculture. Large employers include Amalgamated Sugar, C3 Customer Contact Channels, Jayco, College of Southern Idaho, Glanbia, ConAgra, and Chobani. The 2015 HUD adjusted median family income for the Magic Valley was \$52,800. The AA's unemployment rate is 2.73 percent, which is lower than the U.S. national unemployment rate of 4.9 percent and the statewide average of 3.7 percent reported by the U.S. Bureau of Labor and Statistics as of June 2016.

We contacted one community development organization that operates in the Magic Valley AA. The organization provides assistance to migrant and seasonal workers. The contact reported many of their clients seek affordable housing, permanent employment, and social services. The contact mentioned referring clients to First Federal, as the bank provides mortgage financing to qualified clients and offers services in Spanish. The contact indicated a need for commercial financing for clients seeking to start small businesses.

Significant banking competition exists in the Magic Valley AA. According to Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits Report as of June 30, 2015, there were 15 institutions with branch offices accepting retail deposits within the AA. First Federal ranked third among the institutions, with approximately \$502 million in retail deposits, or 15.7 percent, of the AA market share. Local competitors with five or more deposit-taking branches in the AA include Wells Fargo Bank N.A., D.L. Evans Bank, U.S. Bank N.A., Farmers Bank, Zions First National Bank, and Washington Federal N.A.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

First Federal's performance under both the Lending Test and the Community Development Test is rated "Satisfactory".

LENDING TEST

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

Loan-to-Deposit Ratio

First Federal's loan-to deposit (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 June 19, 2013, is 81 percent. The quarterly average of similarly situated banks ranges from 60 percent to 80 percent, with an average of 69 percent. Similarly situated banks are those banks of comparable asset size with similar business lines operating in the same geographies. First Federal's lending activity compares favorably to the similarly situated banks' LTD ratios.

The bank's deposit market share in the AA provides further support that First Federal's lending levels are more than reasonable. As of June 30, 2015, FDIC's Deposits Report shows First Federal ranked third in the AA with a deposit market share of 15.7 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 its AA.

Our random sample of 20 residential real estate loans found all 20 located inside the AA. This exceeds the standard for satisfactory performance.

Lending to Borrowers of Different Incomes

First Federal has reasonable penetration in lending to borrowers of different incomes in the bank's AA.

Table 2 shows, by number of loans, the bank originated 10 percent and 15 percent of its residential real estate loans to low- and moderate-income borrowers, respectively. Although the distribution of loans to low- and moderate-income borrowers does not meet the demographic comparator, the bank's lending in these categories is considered reasonable given the following factors:

- Lending performance is reasonable compared to industry peers (HMDA Aggregate).
- Housing prices in the AA make it difficult for low- and moderate-income borrowers to qualify for mortgage loans.
- Households living below the poverty level in the AA is 13 percent.
- There is a low inventory of entry-level housing in the AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in the Magic Valley AA										
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
		Bank	HMDA		Bank	HMDA				
Residential Real Estate	17%	10%	6%	20%	15%	18%	23%	35%	40%	40%

Source: Loan sample, 2010 U.S. Census and 2015 HUD updated MFI.

Geographic Distribution of Loans

First Federal’s geographic distribution of residential real estate loans is reasonable given area demographics.

There are no low-income CTs in the bank’s AA. Table 3 shows the bank originated no loans in moderate-income CTs. However, lending performance meets the standard for satisfactory performance given the limited lending opportunities in the AA due to the following factors:

- There are only four moderate-income CTs out of a total 37 CTs in the Magic Valley AA.
- Only 10 percent of the AA’s population resides in moderate-income CTs.
- A significant portion of housing units, 39 percent, in moderate-income CTs are renter occupied.

Table 3 - Geographic Distribution of Residential Real Estate Loans in the Magic Valley AA									
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
				Bank	HMDA				
Residential Real Estate	0%	0%	8%	0%	9%	76%	95%	16%	5%

Source: Loan sample, 2010 U.S. Census and 2015 HUD updated MFI.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

Overall, the bank's CD performance in its AA is "Satisfactory". This is based on an adequate level of CD investments and services, which were responsive to identified CD needs in the bank's AA.

Number and Amount of Community Development Loans

The bank reported originating no CD loans during the evaluation period. This meets the standard for satisfactory performance as there are limited opportunities for CD loans in the bank's AA that align with the bank's capacity and business strategy.

Number and Amount of Qualified Investments

First Federal made one qualified investment and 30 qualified donations totaling \$415 thousand during the evaluation period. This represents an adequate level of CD investments and donations. The majority of the donations, 94 percent, and 100 percent of the investment helped provide services to low- and moderate-income individuals. The remaining 4 percent of donations helped promote economic development.

Extent to Which the Bank Provides Community Development Services

Community Development Services

First Federal provided 793 hours of qualified CD services in its AA, which represents an adequate level of CD services. For the evaluation period, 18 employees, acting as agents of the bank, used their financial expertise to teach a range of personal finance classes and fill leadership roles in economic development organizations in communities served by the bank. The bank also processed ten Home \$tart grant applications totaling \$49 thousand to assist eligible borrowers with down payment assistance.

Retail Banking Services

The distribution of First Federal's branches and service delivery systems is reasonable. Branches and services are reasonably accessible to individuals of different income levels within the AA. The bank operates 11 full-service branches in its AA, with bank branches located in three of the four moderate-income CTs. Five branch locations are in Twin Falls, ID, two branch locations are in Burley, ID, and the cities of Buhl, Jerome, Rupert, and Kimberly, ID each have one branch location. The bank also operates ATMs at each branch location and one stand-alone ATM kiosk at a service station in Burley, ID. Branch hours are convenient to all individuals, with teller drive-up hours available on Saturdays at nine of the 11 branch locations. In addition, the bank offers telephone banking, mobile banking, and online banking, which allows customers 24-hour access to their accounts. First Federal also offers customers no- or low-cost checking accounts, which are products that are favorable for low- and moderate-

income individuals. First Federal did not open or close any bank branches during the evaluation period. However, the bank opened a loan production office in Meridian, ID in July 2015.

Responsiveness to Community Development Needs

Overall, First Federal demonstrated an adequate responsiveness to the CD needs in the bank's AA through its CD investments and services. The majority of the bank's qualified investments and services helped to provide needed services to low- and moderate-income individuals.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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