



PUBLIC DISCLOSURE

December 02, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First FS&LA of WaKeeney
Charter Number 703042

229 N Main St
WaKeeney, KS 67672-2104

Office of the Comptroller of the Currency
Kansas City Field Office
7101 College Boulevard, Suite 1600
Overland Park, KS 66210

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

Lending performance for First Federal Savings and Loan Association of WaKeeney (First Federal) is satisfactory. Major factors that support this rating are:

- First Federal originated a majority of its loans within its assessment area (AA).
- Lending activities represent reasonable penetration among individuals of different income levels.
- The loan-to-deposit (LTD) ratio reflects reasonable responsiveness to the credit needs of the community.
- The association received no consumer complaints concerning its performance in meeting the community's credit needs.

SCOPE OF EXAMINATION

We performed a full scope evaluation of First Federal performance using Small Bank CRA examination procedures, and focused primarily on the lending test. Our objectives were to assess the bank's ability to serve and meet the community's needs within its AA. First Federal's primary loan products are consumer loans based on number and 1-4 family residential real estate (RRE) loans based on dollar volume. To evaluate performance, we selected a random sample of consumer and RRE loans originated from January 1, 2012 through November 30, 2013. We used the sample to determine the association's lending record to individuals of different income levels, the association's lending record within low- and moderate-income geographical census tracts, and the percent of the association's loan originations extended to individuals located within the AA.

DESCRIPTION OF INSTITUTION

First Federal is a \$31 million federal mutual savings association operating from one location in WaKeeney, Kansas. The city is located in the northwestern portion of the state of Kansas and has a population of approximately 2,000. The local economy is diversified with agriculture, health care, mining, education, and manufacturing. First Federal is primarily a residential lender, offering a variety of lending products including residential mortgage loans for the purchase, refinance, and construction of 1-4 family homes and home equity lines of credit. LSA primarily originates 1-4 family RRE and consumer loans.

There are several financial institutions within Trego County competing for loans and deposits. The association's financial condition, size, and other factors enable it to meet

the credit needs within its AA. First Federal received a Satisfactory rating at its last CRA examination dated December 5, 2007.

DESCRIPTION OF ASSESSMENT AREAS

First Federal has one AA consisting of Trego County in Northwestern Kansas. The AA is not located in a metropolitan statistical area and consists of only middle-income designated tracts. Demographic data shows the 2013 median family income is \$55,200. The AA has 1,276 households, of which 43 percent receive social security, two percent receive public assistance, and 13 percent are below the poverty level. The AA meets the regulatory requirements and does not arbitrarily exclude low- or moderate-income areas.

The local economy has remained relatively stable. As of October 2013, the unemployment rate for Trego County is 2.8 percent. This compares to an unemployment rate of 5.6 percent for the state of Kansas as of October 2013.

Competition from other financial institutions is strong and includes local community banks and institutions in the surrounding area.

We made one community contact with a local government organization during this examination. The contact indicated the following business opportunities for financial institutions: assisting with business expansion efforts and providing home loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First Federal's average quarterly LTD ratio reflects reasonable responsiveness towards meeting the credit needs of the community. The association's quarterly net LTD ratio averaged 44 percent for the past 24 quarters. This ratio has steadily declined since the prior CRA examination. However, given the strong competition from the secondary-market residential lenders and financial institutions in the surrounding areas, as well as the low loan demand in the association's primary products of RRE and consumer loans, the LTD ratio is reasonable. First Federal ranks fourth among five similarly situated banks serving its AA. The other four banks had quarterly average net LTD ratios ranging from 43 percent to 72 percent.

Lending in Assessment Area

First Federal's record of lending to borrowers within its AA is more than reasonable. A majority of all loans originated are located within the AA. For the loans sampled, the association originated 83 percent by number and 83 percent by dollar volume within its AA. Refer to Table 1 for more details.

Table 1 - Concentration of Thrift Loans Originated Inside and Outside the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000)	%	\$ (000)	%	
1-4 Family RRE	20	80%	5	20%	25	\$1,309	83%	\$272	17%	\$1,581
Consumer Loans	20	87%	3	13%	23	\$233	86%	\$39	14%	\$272
Totals	40	83%	8	17%	48	\$1,542	83%	\$311	17%	\$1,853

Source: Loan sample

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

The distribution of loans reflects reasonable penetration among individuals of different income levels.

1-4 Family Residential Real Estate

The distribution of residential home loans is excellent. Lending to low-income individuals is excellent considering 13 percent of families in the AA are below the poverty level and 43 percent of individuals in the AA are on social security. However, lending to moderate-income borrowers is below demographics. Refer to Table 2 for details.

Table 2 - Distribution of First Federal’s Residential Real Estate Loans By Borrower Income Level in the Assessment Area		
Borrower Income Category	% of Number of Loans	% of Family Distribution
Low	15%	11%
Moderate	20%	26%
Middle	20%	23%
Upper	45%	40%

Source: Loan sample and 2010 Census Demographic Data

Consumer Loans

The distribution of consumer loans to low- and moderate-income borrowers is reasonable. The association’s consumer loan distribution among moderate-income borrowers slightly exceeds demographics. However, lending to low-income borrowers is substantially below demographics. This is reasonable given that approximately 30 percent of our consumer loan sample did not have income information. All sampled

consumer loans without income information were loans secured by certificates of deposit. These loans may have increased the number of loans to low-income borrowers had income information been provided. Refer to Table 3 for details.

Table 3 - Distribution of First Federal's Consumer Loans By Borrower Income Level in the Assessment Area		
Borrower Income Category	% of Loans	% Household Distribution
Low	15%	23%
Moderate	20%	15%
Middle	30%	23%
Upper	5%	39%

Source: Loan sample and 2010 Census Demographic Data

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful. There are no low- or moderate-income census tracts in the AA.

Responses to Complaints

First Federal has not received any complaints during this evaluation period directly related to CRA performance.

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

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