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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 2021

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**PUBLIC DISCLOSURE**

November 18, 2013

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First Federal Savings and Loan Association of Mattoon  
Charter Number 700412

1111 Charleston Avenue  
Mattoon, Illinois 61938

Office of the Comptroller of the Currency

Champaign Field Office  
3001 Research Road, Suite E-2  
Champaign, IL 61822-1089

**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 families and 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 major factors providing support for this rating include:

- First Federal Savings and Loan Association of Mattoon (First Federal) has a reasonable loan-to-deposit ratio.
- First Federal originated a substantial majority of loans inside the assessment area (AA).
- First Federal has reasonable distribution of loans to borrowers of different incomes and businesses of different sizes in the AA.
- First Federal has excellent geographic distribution of residential and small business loans among various income tracts in the AA.

## **SCOPE OF EXAMINATION**

We reviewed the institution's CRA performance using small-bank examination procedures. The evaluation period is from September 3, 2008 to November 18, 2013. We reviewed the institution's residential real estate and business loans originated from January 1, 2011 to September 30, 2013, to evaluate lending performance. Based on the number and dollar volume of loan origination information supplied by the institution, First Federal's primary loan products are residential real estate loans and business loans.

The loans we reviewed are representative of the institution's business strategy since the last CRA examination. For analysis purposes, 2011 sampled loans were compared to 2000 U.S. Census data, 2011 HMDA peer aggregate data, and 2011 small business peer aggregate data. The 2012 and 2013 sampled loans were compared to 2010 U.S. Census data, 2012 HMDA peer aggregate data, and 2012 small business peer aggregate data.

## **DESCRIPTION OF INSTITUTION**

First Federal is an \$86.8 million stock institution as of September 30, 2013. First Federal is wholly-owned by First Federal M.H.C, a unitary, non-diversified mutual savings and loan holding company. The institution's primary business strategy is the origination of single-family residential loans in the local community, funded by local retail deposits.

First Federal's one branch is located in Mattoon, Illinois. First Federal's branch offers convenient banking hours, a drive-up facility, and an automated teller machine (ATM). First Federal offers a wide range of conventional mortgage products, commercial real estate, commercial business, and consumer loans. In addition, the institution offers deposit products including checking, NOW accounts, savings, certificates of deposit, and individual retirement account (IRAs). Other products and services include safe deposit boxes, money orders, notary service, on-line banking, electronic bill pay, and trust services.

The institution's loan portfolio totaled \$35 million, or 40.5 percent of total assets as of September 30, 2013. Loan portfolio mix consists of 68 percent residential real estate loans, 29 percent commercial and commercial real estate loans, 2 percent consumer loans, and 1 percent agricultural farmland loans. Approximately 53 percent of assets are in interest-bearing deposits and investment securities. Core deposits represent 97 and 96 percent of total deposits and total liabilities, respectively. During the evaluation period, First Federal's strategy expanded to include commercial and commercial real estate loans.

There are no known impediments limiting First Federal's ability to help meet the credit needs of its local community, including those of low- and moderate-income families. At its previous CRA examination dated September 2, 2008, First Federal received a rating of "Satisfactory".

### **DESCRIPTION OF ASSESSMENT AREA**

First Federal has one AA including all of Coles, Cumberland, Douglas, Moultrie, and Shelby Counties. The AA is not part of any Metropolitan Statistical Area (MSA). First Federal's AA meets the legal requirements and does not arbitrarily exclude any low- or moderate-income census tracts. Coles County is designated a distressed middle-income nonmetropolitan geography due to poverty levels. First Federal's one branch is located in Mattoon, Illinois, which is part of Coles County.

Based on the 2000 census information, there were 30 census tracts in the institution's AA. One tract was moderate-income, 28 tracts were middle-income, and one tract was upper-income. Based on the 2010 census information, the number of tracts remained the same, but tract demographics changed by adding one moderate-income census tract and reducing the middle-income census tracts by one. There are no low-income census tracts in the AA.

According to the 2000 census data, the AA has a population of 121,551. The table below provides additional demographic information for the AA.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	30	0.00	3.33	93.33	3.33	0.00
Population by Geography	121,551	0.00	1.82	94.94	3.25	0.00
Owner-Occupied Housing by Geography	34,006	0.00	0.42	96.04	3.54	0.00
Business by Geography	9,402	0.00	0.88	96.12	3.00	0.00
Farms by Geography	1,236	0.00	0.16	98.54	1.29	0.00
Family Distribution by Income Level	31,331	15.02	19.63	24.69	40.66	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	10,858	0.00	1.35	97.27	1.37	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		43,613 56,600 13%	Median Housing Value Unemployment Rate (2000 US Census)	70,839 2.27%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2011 HUD updated MFI

According to the 2010 census data, the AA population remained fairly constant at 122,110. The table below provides additional demographic information for the AA.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	30	0.00	6.67	90.00	3.33	0.00
Population by Geography	122,110	0.00	7.46	89.06	3.48	0.00
Owner-Occupied Housing by Geography	33,928	0.00	6.12	90.09	3.79	0.00
Business by Geography	8,803	0.00	12.30	84.63	3.07	0.00
Farms by Geography	1,228	0.00	3.58	95.11	1.30	0.00
Family Distribution by Income Level	30,563	17.96	19.22	24.68	38.14	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,363	0.00	6.85	89.79	3.36	0.00
Median Family Income HUD Adjusted Median Family Income for 2012 Households Below Poverty Level		54,549 57,400 16%	Median Housing Value Unemployment Rate (2010 US Census)	90,512 3.96%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2012 HUD updated MFI

The economic condition of the AA is stable. The AA's key employment sectors include agriculture, education, health care, retail trade, and manufacturing. The largest employers in the AA are Eastern Illinois University, R.R Donnelley and Sons, and Sarah Bush Lincoln Health Center, all located in Coles County.

The average unemployment rate for the assessment area was 8.12 percent as of August 2013. The unemployment rates range from a low of 6.9 percent for Moultrie County and

a high of 9.1 percent for Cumberland County. The average unemployment rate is lower than State of Illinois unemployment rate of 9 percent, but higher than the national unemployment rate of 7.3 percent as of August 2013.

First Federal faces competition from numerous community banks within the assessment area as well as larger regional and national financial institutions. Excluding First Federal, there are 30 financial institutions with 69 branches located in the AA. First Federal ranks thirteenth in the AA with a deposit market share of 2.67 percent based on June 30, 2013 deposit information reported annually to the Federal Deposit Insurance Corporation (FDIC).

During the examination, we reviewed community contacts with an affordable housing organization completed in 2013 for the AA. We also reviewed a community contact with an economic development organization completed for the AA within the past 18 months. Based on information provided by the contacts, the credit needs for the AA include small business financing, construction loans for affordable rental housing, small dollar short-term consumer loans, and agriculture loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

First Federal's performance in meeting community credit needs is satisfactory. In addition to having a reasonable loan-to-deposit ratio, First Federal originated a substantial majority of primary loan products within the AA. The distribution of loans reflects reasonable distribution among borrowers of different incomes and businesses of different sizes. The geographic distribution of loans reflects excellent distribution throughout the AA. We placed more weight on borrower distribution than geographic distribution in reaching our conclusions. This is appropriate because there are no low-income census tracts in the AA and only 6.67 percent of census tracts are moderate-income based on 2010 Census data.

### **Loan-to-Deposit Ratio**

First Federal's loan-to-deposit ratio is reasonable based on its size, financial condition, AA credit needs, and local competition. First Federal's loan-to-deposit ratio has averaged 46.44 percent over the 21 quarters since the last examination. As of June 30, 2013, First Federal's loan-to-deposit ratio was 54.50 percent. The 54.50 percent was the highest ratio over the last twenty-one quarters, while the lowest ratio was 38.88 percent. First Federal's loan to deposit ratio has been trending upward since it started commercial lending in 2011.

First Federal's average loan-to-deposits ratio is lower than its peer group. The peer group average loan-to-deposit ratio was 79.18 percent. The average high loan-to deposit ratio was 82.19 percent among peers and average low was 18.24 percent among peers. The peer group consists of ten institutions with assets between \$47 million and \$118 million located in Coles, Douglas, Moultrie, and Shelby Counties. It should be noted that nine peer institutions are outside First Federal's primary assessment area, Coles County. First Federal's average loan-to-deposit ratio of 46.44 percent is closer to 53.62 percent average loan-to-deposit ratio for the one peer institution located in Coles County. In addition,

First Federal's 54.50 percent loan-to-deposit ratio was fairly close to the 62.97 percent loan-to-deposit ratio for the one peer institution located in Coles County as of June 30, 2013.

First Federal's performance context indicates internal and external factors supporting the reasonable loan-to-deposit ratio. Internal factors include secondary market sales and product offerings. First Federal's loan-to-deposit ratio may compare favorably to peer if its secondary market portfolio is considered. The association generated and sold \$15.6 million home loans into the secondary market from 2009 to 2012. In addition, the association did not offer commercial or commercial real estate loan products prior to 2011. As noted above, the loan-to-deposit ratio has been trending upward since First Federal began offering commercial or commercial real estate loan products. The external factor supporting reasonable loan-to-deposit ratio is competition. First Federal faces competition from numerous community banks within the assessment area as well as larger regional and national financial institutions. Excluding First Federal, there are 30 financial institutions with 69 branches located in the AA. The internal and external factors further support the reasonableness of the association's loan-to-deposit.

**Lending in Assessment Area**

A substantial majority of First Federal's primary loan products were originated within its AA. However, we note that an AA consisting of five counties for one bank location is large and we would expect the lending in AA rating to be high. The following table shows the number and dollar amount of residential real estate and business loans originated by First Federal during the review period and whether the loans were made inside or outside of the institution's AA:

<b>Lending in Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	20	100%	0	0.00%	20	\$2,190	100%	\$0	0.00%	\$2,190
Business Loans	19	95.00%	1	5.00%	20	\$2,676	95.51%	\$126	4.49%	\$2,802
Totals	39	97.50%	1	2.50%	40	\$4,866	97.48%	\$126	2.52%	\$4,992

Source: Sample of 20 residential real estate and 20 business loans originated between 1/1/2011 and 9/30/2013.

**Lending to Borrowers of Different Incomes and Business of Different Sizes**

The distribution of loans reflects reasonable distribution among borrowers of different incomes and businesses of different sizes. The distribution of residential real estate loans reflects reasonable distribution among borrowers of different income levels. The distribution of loans to businesses of different sizes is excellent. We placed more weight on residential loans to reach our conclusion. The volume of residential lending was higher than business loans during the evaluation period and residential loans represent the largest segment of the loan portfolio.

**Residential Real Estate Loans**

The distribution of residential real estate loans reflects reasonable distribution among borrowers of different income levels. First Federal had a reasonable distribution to low-income borrowers in 2011 compared to HMDA aggregate lenders. The distribution to low- and moderate-income borrowers in 2012 and 2013 was also reasonable. First Federal’s distribution to moderate-income borrowers in 2011 was inadequate at 10 percent compared to the HMDA aggregate lending percentage of 20.54 percent. It is important to note that 6.45 percent of AA families in 2011, increasing to 8.68 percent in 2013, have incomes below the poverty level and would have difficulty qualifying for a home loan.

<b>Borrower Distribution of Residential Real Estate Loans in Assessment Area (2011)</b>			
Borrower Income Level	% Number of Loans	% Aggregate Lenders	% of AA Families
Low	10.00%	8.30%	15.02%
Moderate	10.00%	20.54%	19.63%
Middle	35.00%	23.32%	24.69%
Upper	45.00%	40.07%	40.66%
Income Not Available	N/A	7.77%	N/A

Source: Loan sample of 20 loans originated with the AA 1/1/2011-12/31/2011, 2011 HMDA data, and 2000 U.S. Census Data

<b>Borrower Distribution of Residential Real Estate Loans in Assessment Area (2012 &amp; 2013)</b>			
Borrower Income Level	% Number of Loans	% Aggregate Lenders	% of AA Families
Low	10.00%	7.44%	17.96%
Moderate	20.00%	18.72%	19.22%
Middle	30.00%	26.05%	24.68%
Upper	40.00%	39.24%	38.14%
Income Not Available	N/A	8.56%	N/A

Source: Loan sample of 20 loans originated within the AA 1/1/2012-9/30/2013, 2012 HMDA data, and 2010 U.S. Census Data

**Business Loans**

The distribution of loans to businesses reflects excellent distribution among businesses of different sizes. Small businesses are businesses with gross annual revenues of one million dollars or less. The institution’s distribution compares favorably to small business aggregate percentage and demographic data for all years reviewed. The distribution in 2011 was reasonable compared to the small business aggregate percentage and demographic data. This distribution in 2012 and 2013 was excellent compared to the small business aggregate percentage and demographic data. The overall distribution is considered excellent since First Federal’s average distribution of 87.5 percent for all years reviewed significantly exceeds the small business aggregate average of 61.26 percent.

<b>Borrower Distribution to Businesses Assessment Area (2011)</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AAs Businesses	67.53%	2.62%	29.86%	100%
% Aggregate Lenders	85.13%	14.87%	0.00%	100.00%
% of Bank Loans in AAs by #	90.00%	10.00%	0.00%	100.00%
% of Bank Loans in AAs by \$	91.11%	8.89%	0.00%	100.00%

Source: Loan sample of 20 loans originated within the AA 1/1/2011-12/31/2011, 2011 Business Geodemographic Data, and 2011 Small Business Peer Aggregate

<b>Borrower Distribution to Businesses Assessment Area (2012 &amp; 2013)</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AAs Businesses	70.95%	3.56%	25.49%	100.00%
% Aggregate Lenders	37.38%	62.62%	0.00%	100.00%
% of Bank Loans in AAs by #	85.00%	15.00%	0.00%	100.00%
% of Bank Loans in AAs by \$	77.25%	22.75%	0.00%	100.00%

Source: Loan sample of 20 loans originated within the AA 1/1/2012-9/30/2013, 2012 Business Geodemographic Data, and 2012 Small Business Peer Aggregate

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent distribution throughout the AA. There are no low-income census tracts in the assessment area. We based our conclusions on distribution throughout moderate-income census tracts. The geographic distribution of residential real estate loans reflects excellent distribution throughout the census tracts of different income levels. The institution's geographic distribution of business loans reflects excellent distribution throughout the census tracts of different income levels. We did not identify any conspicuous lending gaps within the AAs.

### **Residential Real Estate**

The geographic distribution of residential real estate loans reflects excellent distribution throughout the census tracts of different income levels. We placed more weight on 2012 and 2013 geographic distribution, because the increased number of moderate-income tracts in that time period provides greater opportunity to lend throughout moderate income census tracts compared to 2011. The 2012 and 2013 geographic distribution of residential real estate loan reflects excellent distribution. First Federal's 20 percent in 2012 and 2013 significantly exceeds the HMDA aggregate lending percentage and demographic data. While the bank originated no loans in the sample within the moderate-income census tract in 2011, this is considered reasonable since the opportunity to make loans within the census tract is limited as less than 1 percent of the homes are owner-occupied in the moderate-income tracts.



<b>Geographic Distribution of Residential Real Estate Loan in Assessment Area (2011)</b>			
Census Tract Income Level	% Number of Loans	% Aggregate Lenders	% of AA Owner Occupied Housing
Low	N/A	N/A	N/A
Moderate	0.00%	1.49%	0.42%
Middle	90.00%	91.99%	96.04%
Upper	10.00%	6.53%	3.54%

Source: Loan sample 20 loans originated within the AA 1/1/2011-12/31/2011, 2011 HMDA Peer Aggregate, and 2000 U.S. Census Data

<b>Geographic Distribution of Residential Real Estate Loan in Assessment Area (2012 &amp; 2013)</b>			
Census Tract Income Level	% Number of Loans	% Aggregate Lenders	% of AA Owner Occupied Housing
Low	N/A	N/A	N/A
Moderate	20.00%	5.04%	6.12%
Middle	80.00%	88.86%	90.09%
Upper	0.00%	6.09%	3.79%

Source: Loan sample of 20 loans originated within the AA 1/1/2012-9/30/2013, 2012 HMDA Peer Aggregate, and 2010 U.S. Census Data

### **Business Loans**

The institution's geographic distribution of business loans reflects excellent distribution throughout the census tracts of different income levels. Lending in moderate-income census tracts in 2011 and combined 2012 and 2013 years substantially exceeded the small business aggregate percentage and demographic data.

<b>Geographic Distribution of Business Loans in Assessment Area (2011)</b>			
Census Tract Income Level	% Number of Loans	% Aggregate Lenders	% of AA Businesses
Low	N/A	N/A	N/A
Moderate	5.00%	2.50%	0.83%
Middle	95.00%	97.50%	96.03%
Upper	0.00%	0.00%	3.13%

Source: Loan sample of 20 loans originated within the AA 1/1/2011-12/31/2011, 2011 Business Geodemographic Data, and 2011 Small Business Peer Aggregate

<b>Geographic Distribution of Business Loans in Assessment Area (2012 &amp; 2013)</b>			
Census Tract Income Level	% Number of Loans	% Aggregate Lenders	% of AA Businesses
Low	N/A	N/A	N/A
Moderate	25.00%	10.25%	12.23%
Middle	70.00%	86.46%	84.58%
Upper	5.00%	3.29%	3.19%

Source: Loan sample of 20 loans originated within the AA 1/1/2012-9/30/2013, 2012 Business Geodemographic Data, and 2012 Small Business Peer Aggregate

### **Responses to Complaints**

First Federal has not received any complaints about its performance in helping to meet the AA needs during this evaluation period.

### **Fair Lending 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 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 AA 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.