



PUBLIC DISCLOSURE

October 30, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Bank, A FSB
Charter Number 706432

1300 McFarland Boulevard NE
Tuscaloosa, AL 35403

Office of the Comptroller of the Currency

3595 Grandview Parkway
Suite 655
Birmingham, AL 35243

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

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The Bank’s loan-to-deposit (LTD) ratio is more than reasonable.
- The Bank exhibits a reasonable distribution of loans to individuals of different income levels.
- The Bank exhibits a reasonable distribution of loans to low- and moderate-income census tracts.
- The Bank did not receive and Community Reinvestment Act (CRA) or fair lending related complaints during the review period.

Loan-to-Deposit Ratio

Considering the Bank’s size, financial condition, and credit needs of the assessment areas AA, the Bank’s LTD ratio is more than reasonable.

The Bank’s average LTD ratio is 118.47 percent for the sixteen quarters since the preceding CRA exam. This is more than reasonable compared to the three peer banks located in Tuscaloosa and Hale counties during the same time period. The average LTD ratio for these peer banks was 42.09 percent, with individual LTD ratios ranging from 35.64 to 48.19 percent. The Bank exceeds the standards for satisfactory performance.

Lending in Assessment Area

A majority of the Bank’s loans are outside its AAs.

The Bank originated and purchased 38.4 percent of its total loans inside the bank’s AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. The following table details the Bank’s lending within the AA by number and dollar volumes during the evaluation period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	3,207	38.4	5,135	61.6	8,342	694,747	40.3	1,029,913	59.7	1,724,660
Total	3,207	38.4	5,135	61.6	8,342	694,747	40.3	1,029,913	59.7	1,724,660

Despite low lending activity within the AA, performance is adequate and meets the standards for satisfactory performance. The presence of several active large bank and peer competitors within the Tuscaloosa MSA, the Bank’s limited deposit market share of 2.16 percent within the AA, and community contact data indicating that AA credit needs are being met, are mitigating factors to the results of the Bank’s Inside/Outside ratio and loan performance within the AA.

Description of Institution

First Federal Bank (FFB) is a federal savings bank with total assets of \$131.7 million at December 31, 2021. The Bank is wholly owned by Southeastern Financial, Inc., a one-bank holding company located in Tuscaloosa, AL. FFB operates its main consumer banking office in a middle-income census tract in Tuscaloosa, AL. FFB operates two additional branches in moderate- and upper-income census tracts in Tuscaloosa, AL. FFB also operates ten loan production offices (LPO), with one LPO located within the Tuscaloosa Metropolitan Statistical Area (MSA) Assessment Area (AA). The Bank has opened two new loan production offices since the 2019 Performance Evaluation. We found no legal or financial factors that impede FFB's ability to meet the credit needs of the community it serves.

The Bank is primarily a single-family mortgage lender, with 1-4 family mortgage loans to residential borrowers for home construction, purchase, and refinance as its primary products. FFB offers both fixed and adjustable-rate conventional mortgage loans, construction mortgage loans, home equity lines of credit, other special purpose consumer loans, and "bridge financing," which provides borrowers interim financing to buy a new home before they sell an existing home. The Bank also participates in the Veteran's Affairs (VA) and Federal Housing Administration (FHA) loan programs. FFB offers various deposit products, including personal checking, savings, money market, certificates of deposit, IRA accounts, small business checking accounts, and commercial checking and money market accounts. FFB also offers online banking to its customers.

FFB has one AA, comprised of the 61 census tracts in Hale, Pickens, Greene, and Tuscaloosa counties that make up the Tuscaloosa MSA. The AA has a population of 244,267 according to the 2021 ACS Census data. The MSA AA is comprised of three low-income, 19 moderate-income, 24 middle-income, 13 upper-income, and two unknown census tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated FFB's CRA performance using Small Bank performance criteria, which includes a lending test. The lending test evaluates an institution's record of meeting the credit needs of its AA through lending activities. The evaluation period was from January 1, 2019 through December 31, 2021, and considered the Bank's primary lending product, home mortgage loans, which represented 95.1 percent of gross loans at December 31, 2021. The Bank is a Home Mortgage Disclosure Act (HMDA) reporter, and our analysis used HMDA data from 2019, 2020, and 2021 to form conclusions.

A Data Integrity examination performed in October 2023 validated the accuracy of the HMDA data.

Selection of Areas for Full-Scope Review

The Bank has a single AA, the Tuscaloosa MSA, which received a full-scope review. Refer to appendix A, Scope of Examination, for more information.

Ratings

The Bank's overall rating is based on the State of Alabama rating. The State rating is based on the full-scope review of the Bank's single AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 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 AA 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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Alabama

CRA rating for the State of Alabama: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The Bank’s loan-to-deposit (LTD) ratio is more than reasonable.
- The Bank exhibits a reasonable distribution of loans to individuals of different income levels.
- The Bank exhibits a reasonable distribution of loans to low- and moderate-income census tracts.
- The Bank did not receive and Community Reinvestment Act (CRA) or fair lending related complaints during the review period.

Description of Institution’s Operations in Alabama

FFB operates only in Alabama. The information provided in the “Description of Institution” section of this Performance Evaluation describes the institutions operations in Alabama.

As part of our evaluation, we relied on a community contact for a nonprofit entity in Tuscaloosa, AL. This organization stated the market needs affordable housing, rehab of older homes, and new construction. The residents in the area are economically hindered due to the recent increase in inflation creating challenges for housing options and economic progress of new and existing businesses. The contact stated banks in the area could provide matched savings programs for LMI residents and funding for affordable housing.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Tuscaloosa MSA 2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	61	4.9	31.1	39.3	21.3	3.3
Population by Geography	244,267	3.5	25.8	37.9	28.8	4.0
Housing Units by Geography	109,146	3.9	28.6	40.5	24.9	2.2
Owner-Occupied Units by Geography	56,387	3.1	21.2	40.3	35.0	0.4
Occupied Rental Units by Geography	29,513	3.5	36.9	41.5	15.6	2.6
Vacant Units by Geography	23,246	6.2	35.8	39.6	12.5	5.9
Businesses by Geography	14,666	2.3	30.0	36.2	29.3	2.4
Farms by Geography	528	2.3	32.8	32.4	32.4	0.2
Family Distribution by Income Level	56,657	24.8	15.9	17.9	41.4	0.0
Household Distribution by Income Level	85,900	27.1	14.8	15.8	42.2	0.0
Median Family Income MSA - 46220 Tuscaloosa, AL MSA		\$55,049	Median Housing Value			\$151,764

	Median Gross Rent	\$731
	Families Below Poverty Level	15.3%
<p><i>Source: 2015 ACS Census and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i></p>		

Competition in the AA is strong given several large institutions in the area, including Regions Bank, Wells Fargo Bank, and PNC Bank. FFB holds 2.16 percent of the deposit share within the AA. Lending in the AA is adversely impacted by the elevated poverty rate.

Scope of Evaluation in Alabama

The Bank has only one AA in the state of Alabama, which received a full-scope review.

LENDING TEST

The Bank’s performance under the Lending Test in Alabama is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the Bank’s performance in the Tuscaloosa MSA is reasonable.

Distribution of Loans by Income Level of the Geography

The Bank exhibits reasonable geographic distribution of loans in the State.

Home Mortgage Loans

Refer to Table O in the State of Alabama section of appendix D for the facts and data used to evaluate the geographic distribution of the Bank’s home mortgage loan originations and purchases.

The Bank exhibits reasonable geographic distribution of home mortgage loans. In 2019-2021, the Bank’s lending in the three low-income tracts represented 0.2 percent, which is below the number of owner-occupied housing units and in-line with aggregate peer lending levels. Lending opportunities in low-income tracts are limited given the small number of CTs. The Bank’s lending in moderate-income tracts was 8.5 percent, which was below the number of owner-occupied housing units and in-line with the aggregate peer lending level.

Distribution of Loans by Income Level of the Borrower

The Bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the Bank.

Home Mortgage Loans

Refer to Table P in the state of Alabama section of appendix D for the facts and data used to evaluate the borrower distribution of the Bank's home mortgage loan originations and purchases.

The Bank exhibits reasonable geographic distribution of loans to individuals of different income levels. In 2019-2021, the Bank's lending to low-income borrowers represented 4.0 percent, which is significantly below the percentage of low-income families in the AA, but in-line with aggregate peer lending levels. Lending to moderate-income borrowers was 18.1 percent, which exceeded both the percentage of moderate-income families in the AA and the aggregate peer lending level.

Responses to Complaints

The Bank did not receive 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 MSAs and non-MSAs 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:	01/01/2019 to 12/31/2021	
Bank Products Reviewed:	Home Mortgage Loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
State of Alabama		
Tuscaloosa, AL MSA	Full-scope	

Appendix B: Summary of MMSA and State Ratings

RATINGS	First Federal Bank
Overall Bank:	Lending Test Rating
First Federal Bank	Satisfactory
MMSA or State:	
Alabama	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2019-21	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate		
Tuscaloosa MSA 2021	3,207	694,747	100.0	10,847	3.1	0.2	0.6	21.2	8.5	10.4	40.3	36.4	37.0	35.0	54.3	51.3	0.4	0.6	0.6		
Total	3,207	694,747	100.0	10,847	3.1	0.2	0.6	21.2	8.5	10.4	40.3	36.4	37.0	35.0	54.3	51.3	0.4	0.6	0.6		

*Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																				2019-21	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate		
Tuscaloosa MSA 2021	3,207	694,747	100.0	10,847	24.8	4.0	4.1	15.9	18.1	14.0	17.9	25.0	18.3	41.4	52.1	33.5	0.0	0.8	30.1		
Total	3,207	694,747	100.0	10,847	24.8	4.0	4.1	15.9	18.1	14.0	17.9	25.0	18.3	41.4	52.1	33.5	0.0	0.8	30.1		

*Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.