



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 09, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Community Bank, National Association
Charter Number 25025

321 North Wooster Avenue
Dover, OH 44622

Office of the Comptroller of the Currency

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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 major factors supporting the bank's rating include:

- The bank originates a majority of its loans inside its assessment area and meets the standard for satisfactory performance.
- The bank's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.
- Lending to residential borrowers of different income levels reflects reasonable penetration and meets the standard for satisfactory performance.
- The geographic distribution of residential loans reflects reasonable dispersion and meets the standard for satisfactory performance.
- Lending to businesses of different sizes and geographic distribution of business loans reflects excellent penetration and dispersion, and exceeds the standard for satisfactory performance.

SCOPE OF EXAMINATION

This Public Performance Evaluation (public evaluation) covers the period from March 7, 2007, the date of the last public evaluation, to April 9, 2012. We evaluated First Federal Community Bank, National Association (First Federal) using full-scope small bank Community Reinvestment Act (CRA) procedures. These procedures evaluate the bank's record of meeting the credit needs of its assessment area through its lending activities.

First Federal is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). However, the bank maintained residential loan data that we were able to use in our analysis and this report. First Federal also originates a significant volume of business-purpose loans. These loans were also considered in evaluating the bank's overall lending activity.

The review period for lending performance is January 1, 2009, through September 30, 2011. First Federal's primary lending products are residential loans and business loans. All home mortgage loans originated during this review period were included in our analysis. A sample of 60 business loans originated during this same timeframe was also considered. Loan samples are representative of the bank's business strategy since the previous public evaluation.

We utilized 2000 U.S. Census, aggregate HMDA, peer group, and individual lender data as part of this evaluation. First Federal was part of national peer group of Office of Thrift Supervision (OTS) regulated institutions with total assets between \$100 million and \$300 million. This peer group is used in assessing the adequacy of the bank's loan-to-deposit ratio performance in relation to similarly situated financial institutions.

DESCRIPTION OF INSTITUTION

First Federal was a federal savings bank that converted to a national bank in February 2012. It operates five retail offices in Central Ohio. Four of First Federal's offices are located in Tuscarawas County in the cities of Dover (two offices), New Philadelphia, and Sugarcreek. An additional office, located in Coshocton (Coshocton County), was closed in December 2009. First Federal also opened a new office in Berlin (Holmes County) in August 2009.

First Federal is a wholly-owned subsidiary of FFD Financial Corporation, a one-bank holding company. First Federal operates like a traditional national bank, with a loan portfolio consisting of residential mortgage loans secured by one- to four-family dwellings, nonresidential mortgages, and commercial and consumer loans. First Federal also offers a full range of deposit products and services including checking accounts, savings accounts, and certificates of deposits.

Since its previous public evaluation, First Federal's assets have grown from \$183.8 million to \$225.2 million. The loan portfolio also increased from \$159.8 million to \$190 million during this same timeframe. The bank increased its lending through nonresidential mortgage loans secured by commercial real estate and other business assets. This was part of First Federal's strategic decision to increase this segment of its portfolio due to favorable demand for commercial loans in its assessment area.

Table 1 shows a summary of First Federal's loan portfolio as of September 30, 2011.

Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	61,095	32.2	27.1
Nonresidential Mortgage	81,385	42.8	36.1
Commercial Nonmortgage	22,670	11.9	10.1
Consumer	24,833	13.1	11.0
TOTAL	189,983	100.0	84.4

First Federal's ability to meet the credit needs of its assessment area is not impaired by any legal circumstances, its financial condition, or any other factors.

The bank's previous public evaluation was also conducted using full-scope small bank CRA procedures, and resulted in a rating of Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

First Federal's single assessment area includes all of Tuscarawas County and two census tracts in adjacent Holmes County. These two contiguous counties are located in Central Ohio, and are not part of a Metropolitan Statistical Area (MSA). Tuscarawas County includes a combination of urban and rural areas, while Holmes County is primarily rural. The largest population concentrations in Tuscarawas County are within the cities of Dover, New Philadelphia, and Uhrichsville. The city of Millersburg has the largest population in Holmes County.

Major industries in the area include agriculture, manufacturing, trade and transportation, education, and health services. Major employers include Alamo Group/Gradall Industries, Allied Machine & Engineering, Dover-New Philadelphia Schools, Smurfit-Stone Container Corporation, and Union Hospital. Unadjusted unemployment rates as of September 2011 for Tuscarawas and Holmes Counties were 8.2 percent and 6.2 percent, respectively, compared to unadjusted unemployment rates of 8.2 percent for Ohio and 9.1 percent nationally. Table 2 shows demographic information pertaining to the assessment area based on the 2000 Census.

Table 2 - Demographic Data (based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	108,529
Total Families	29,269
1-4 Family Units	40,974
Multi-family Units	1,629
% Owner-Occupied Units	70.7
% Rental-Occupied Units	23.3
% Vacant Housing Units	6.2
Weighted Average Median Housing	\$91,164

Table 3 shows the distribution of census tracts (geographies) in the assessment area, and the distribution of families and owner-occupied housing within those geographies.

Table 3 - Distribution of Geographies, Families, and Housing Units in the Assessment Area (based on 2000 U.S. Census Data)						
Geography Income Level	Geographies		Total Area Families		Owner-Occupied Housing	
	#	%	#	%	#	%
Moderate	3	13.7	4,467	15.3	7,261	14.8
Middle	17	77.2	22,725	77.6	32,192	78.3
Upper	2	9.1	2,077	7.1	3,150	6.9
Total	22	100.0	29,269	100.0	42,603	100.0

We evaluated First Federal’s lending to borrowers of different income levels using income categories based on the median income for the Statewide Non-MSA Areas of Ohio, annually adjusted by the Department of Housing and Urban Development (HUD). Table 4(a) shows the median family income (MFI) ranges for each income category based on the 2011 HUD adjustment. Table 4(b) shows the updated HUD median family income for each year included in the review period.

Table 4(a) - Median Family Income Ranges (*)		
Income Category (as a % of MFI)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$26,449
Moderate (50% - 79%)	\$26,450	\$42,319
Middle (80% - 119%)	\$42,320	\$63,479
Upper (>= 120%)	\$63,480	+

Table 4(b) - Annual HUD Median Family Income	
Year	Amount
2009	\$53,800
2010	\$53,700
2011	\$52,900

* Based on HUD 2011 Median Family Income of the AA

Table 5 shows the distribution of families within the assessment area for each income category based on the 2000 Census.

Table 5 - Distribution of Families in the Assessment Area		
Family Income Category (as a % of MFI)	2000 Census Data	
	Number	Percent
Low (< 50%)	5,370	18.4
Moderate (50% - 79%)	6,289	21.5
Middle (80% - 119%)	7,388	25.2
Upper (>= 120%)	10,222	34.9
TOTAL	29,269	100.0

According to the 2000 Census, 10.2 percent of the households in the assessment area have income below the poverty level. The census data also shows that approximately 28 percent of the assessment area households receive social security benefits, and approximately two percent receive some other type of public assistance.

Retail office and deposit data from the Federal Deposit Insurance Corporation (FDIC) is most recently available as of June 30, 2011. The following table shows this data for the two counties in which First Federal has offices. Data related to all FDIC-insured institutions with retail offices within the assessment area is also included. The number of offices within the assessment area indicates a strong competitive banking environment.

Table 6 - Offices and Deposits					
County	First Federal			All FDIC Insured Institutions	
	# of Offices	Deposits (\$000s)	Deposit Market Share	# of Offices	Total Deposits (\$000s)
Tuscarawas	4	123,386	7.75%	51	1,592,000
Holmes	1	121	0.03%	13	405,908

A community contact stated that local economic conditions for the assessment area have weakened during the review period, and included industrial plant layoffs and closures due to uncertainty in the financial markets and the prolonged recession that followed. The contact also stated that signs of a recovery began in 2011 with the discovery of the Utica Shale Plain, which has brought new businesses into the area to explore the oil and gas deposits in the plain.

We determined the community's credit needs by contacting representatives from an affordable housing agency and an economic development organization. We also reviewed CRA public evaluations of area banks, and conducted discussions with bank management. Credit and non-credit needs of the community include:

- Affordable housing for both purchase and rental for low- and moderate-income families and seniors.
- Down payment assistance for first-time homebuyers.
- Seed funds or special purpose loans to promote entrepreneurship in the area.
- Funding to develop a high-tech small business incubator at the Kent State University Tuscarawas Campus.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

First Federal's overall lending performance is Satisfactory. Our analysis is based on all residential loans and a sample of 60 business loans originated within the assessment area during the review period. Since residential lending is the bank's primary product, we placed more weight on this segment of the lending performance. In addition, the borrower and geographic distributions of residential loans receive the most weight in our analysis of this component.

Loan-to-Deposit Ratio

For the 19-quarter period ending September 30, 2011, First Federal had an average loan-to-deposit (LTD) ratio of 107 percent. During this period, First Federal's quarterly ratios ranged from 98.8 percent to 115 percent. This was well above the 91.6 percent average LTD ratio of its financial peer group during this same period. Based on this information, we conclude that First Federal has a more than reasonable LTD ratio.

Lending in Assessment Area

Table 7 details First Federal's aggregate lending inside its assessment area by both number and dollar volume of loan originations during the review period.

Loan Type	Inside Assessment Area		Outside Assessment Area		Total Loans
	#	%	#	%	#
Residential	283	67.9	134	32.1	417
Business	60	100.0	0	0.0	60
TOTAL	343	71.9	134	28.1	477
	\$ (000s)	%	\$ (000s)	%	\$ (000s)
Residential	33,573	83.8	6,504	16.2	40,077
Business	16,174	100.0	0	0.0	16,174
TOTAL	49,747	88.4	6,504	11.6	56,251

This data reflects that First Federal originates a majority of its residential mortgage loans and a substantial majority of its business loans, inside its assessment area and meets the credit needs of its community.

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

Residential mortgage lending to borrowers of different incomes reflects reasonable penetration in the assessment area. Lending to businesses of different sizes reflects excellent penetration in the assessment area.

Residential Mortgage Loans

This analysis was based on First Federal's residential mortgage lending within the assessment area during the review period, categorized by the income level of the borrowers. For comparative purposes, we considered aggregate data and the family income percentages shown in Table 5. Aggregate data reflects the 2010 lending distribution for FDIC-insured institutions that reported HMDA loans (Aggregate Lenders), the most recent data available.

Table 8 shows First Federal's distribution, based on borrower income, of the residential mortgage loans that First Federal made during the review period in the assessment area.

Table 8 - Comparison of Residential Loans (by Borrower Income Level in the Assessment Area)				
Borrower Income Level	First Federal 1/1/09-9/30/11		Aggregate Lenders 2010	
	#	%	#	%
Low	14	5.0	144	8.29
Moderate	48	17.0	366	21.1
Middle	64	22.6	412	23.7
Upper	156	55.1	541	31.1
Income NA	1	0.3	274	15.8
TOTAL	283	100.0	1,737	100.0
	\$ (000s)	%	\$ (000s)	%
Low	915	2.7	9,063	4.8
Moderate	3,773	11.2	32,785	16.2
Middle	5,933	17.7	45,381	22.4
Upper	22,860	68.1	80,503	39.7
Income NA	92	0.3	34,889	17.2
TOTAL	33,573	100.0	202,621	100.0

First Federal's percentage of lending to low-income borrowers reflects poor penetration compared to the Aggregate Lender percentage levels in this category, as well as the percentage of low-income families residing in the assessment area (18.4 percent shown in Table 5). However, in evaluating the borrower distribution of residential loans, we considered the number of households that live below the poverty level and the barriers this may have on home ownership. It is especially difficult for the segment of the low-income population living below the poverty level to afford and maintain a home.

Consideration was also given to several other factors that impact our findings. The economic recession, which occurred during the review period, reduced the demand for home mortgage lending. The HUD median family income also declined throughout the review period, creating additional challenges to home ownership. Finally, property values in moderate-income census tracts tend to be lower, resulting in a lower proportion of dollars directed to these demographic segments. Based on this information, we conclude that First Federal's lending to low-income borrowers reflects reasonable penetration to this market segment.

Table 8 also shows that First Federal's percentage of loans to moderate-income borrowers is marginally comparable to the Aggregate Lender percentage levels in this category as well as the percentage of moderate-income families in the assessment area (21.5 percent in Table 5).

From this data, we conclude that First Federal’s borrower distribution of residential loans reflects reasonable penetration in its assessment area.

Business Loans

A sample of 60 business loans was reviewed to evaluate First Federal’s lending to businesses of different sizes. These loans were originated during the review period and within the assessment area. We compared business loans made by First Federal with the 2011 Dunn and Bradstreet aggregate business data in the assessment area.

Table 9 - Distribution of Business Loans (by Loan Size in the Assessment Area)			
GAR = Gross Annual Revenues	First Federal 1/1/09 – 9/30/11		D & B Data 2011
	#	%	%
GAR <= \$1 Million	43	71.7	69.4
GAR > \$1 Million	17	28.3	3.9
No GAR Reported	0	0.0	26.7
TOTAL	60	100.0	100.0

First Federal’s lending to small businesses (businesses with revenues of \$1 million or less) exceeds the percentage of small businesses within the assessment area. Based on this information, lending to small businesses of different sizes is excellent.

Geographic Distribution of Loans

The geographic distribution of residential mortgage loans reflects reasonable dispersion in the assessment area. The geographic distribution of business loans reflects excellent dispersion in the assessment area.

Residential Mortgage Loans

This analysis was based on First Federal’s residential mortgage lending within the assessment area during the review period, categorized by location of the properties secured by First Federal’s loans. For comparative purposes, we considered aggregate data and the owner-occupied housing unit percentages contained in Table 3. Aggregate data reflects the 2010 lending distribution for FDIC-insured institutions that reported HMDA loans (Aggregate Lenders), the most recent data available.

Table 10 shows First Federal’s overall geographic distribution of residential loans in the assessment area during the review period. As previously noted, there are no low-income census tracts in the assessment area. The analysis reflects lending in all census tracts.

Table 10- Comparison of Residential Loans (by Geography Income Level in the Assessment Area)				
Geography Income Level	First Federal 1/1/09 – 9/30/2011		Aggregate Lenders 2010	
	#	%	#	%
Moderate	16	5.6	220	12.7
Middle	234	82.7	1,322	76.1
Upper	33	11.7	195	11.2
TOTAL	283	100.0	1,737	100.0
	\$ (000s)	%	\$ (000s)	%
Moderate	1,014	7.8	17,713	8.7
Middle	28,238	76.4	160,292	79.1
Upper	4,321	15.8	24,616	12.2
TOTAL	33,573	100.0	202,621	100.0

First Federal's percentage of lending in the moderate-income census tracts reflects poor dispersion compared to the Aggregate Lender percentage levels in this category, as well as the percentage of owner-occupied housing units (14.8 percent as noted in Table 3).

Consideration was given to several factors that impact our findings. Approximately three-fourths of the assessment area consists of middle-income census tracts. The general aging of the population and older age of the housing stock in moderate-income census tracts also limits opportunities for making loans to this market segment. Finally, two of the three moderate-income census tracts are located in the southeast corner of Tuscarawas County, where the bank has little branch presence.

Based on this information, the geographic distribution of residential loans reflects reasonable dispersion in the assessment area.

Business Loans

This analysis focused on the location of the properties secured by First Federal's business loans. The analysis considered the 2011 Dunn and Bradstreet aggregate business data for the assessment area.

Table 11 shows First Federal's overall geographic distribution of business loans in the assessment area during the review period. As previously noted, there are no low-income census tracts in the assessment area.

Table 11 - Distribution of Business Loans (by Geography Income Level in the Assessment Area)			
Geography Income Level	First Federal 1/1/09 – 9/30/11		D & B Data 2011
	#	%	%
Moderate	10	16.7	13.6
Middle	47	78.3	79.8
Upper	3	5.0	6.6
TOTAL	60	100.0	100.0

First Federal’s geographic distribution of lending to businesses exceeds the percentage of small businesses operating in moderate-income census tracts within the assessment area. Based on this information, the geographic distribution of lending to small businesses is excellent.

Responses to Complaints

During the review period, First Federal received no known written complaints pertaining to its performance in helping meet the credit needs within its assessment area.

Fair Lending or Other Illegal Credit Practices Review

No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified through the evaluation of compliance with consumer laws and regulations during the most recent comprehensive examination.