



PUBLIC DISCLOSURE

May 01, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Bank of Florida
Charter Number 706707

4705 US Highway 90 West
Lake City, Florida 32055

Office of the Comptroller of the Currency

4042 Park Oaks Blvd Suite 240
Tampa, Florida 33610

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 thrift's rating is based on the following conclusions:

- The thrift's average quarterly loan-to-deposit ratio since the last evaluation is reasonable given the institution's business strategy and overall performance context.
- The thrift's lending in the assessment areas needs improvement. A majority of the loans originated or purchased during the evaluation period were outside of the AA due to the thrift's business strategy.
- Lending to borrowers of different income levels reflects a reasonable penetration in comparison to demographic data, the performance context, and the institution's business strategy.
- The geographic distribution of loans is satisfactory and reflects a reasonable dispersion throughout the assessment area.
- The thrift's performance regarding community development activities, including community development loans, qualified investments, and community development services, demonstrates adequate responsiveness to the needs of its community, given the level of opportunities in the assessment areas.

Scope of Examination

Evaluation Period and Products Evaluated

This Performance Evaluation (PE) assesses First Federal Bank of Florida's (FFBF) performance under the Intermediate Small Bank (ISB) Test. In evaluating the bank's lending performance, we reviewed the bank's primary business lines of home mortgage loans and consumer loans. There were no affiliate activities to be considered as part of the evaluation.

The overall evaluation period ranged from October 8, 2013, the cut-off date of the prior evaluation period, to May 1, 2017. For the Lending Test portion of the evaluation, we focused on activity from January 1, 2014 to December 31, 2016. For our assessment of Community Development loans, investments, and services, we focused on activity from October 8, 2013, to May 1, 2017.

Data Integrity

We relied on Home Mortgage Disclosure Act (HMDA) data reported for residential mortgage loans. We performed a data integrity review of the mortgage loans in order to verify the data

supplied was accurate. Loan samples were derived in compliance with OCC sampling guidelines within the evaluation period described above. Samples were representative of the thrift's business strategy. We reviewed a total of one hundred fifty (150) mortgage loans originated from 2014 through 2016. We reviewed the thrift's HMDA collection, reporting, and verification process regarding the accuracy of consumer loan data. We also verified Community Development loans, investments, and services submitted by thrift management to ensure accuracy and that they met the regulatory definition of Community Development. We concluded that the thrift's data could be relied upon for our evaluation. Our assessment of loans originated during the evaluation period indicates that mortgage loans represented the majority of the thrift's lending activity, and this is the thrift's primary business line. After a review of the loan samples and an assessment of the volume of business loans and data provided, we decided not to analyze consumer and business loans as part of the evaluation. We determined these lines were not a primary product of the institution given the number and dollar amount of consumer and business loans originated and purchased.

Lending Activity from January 1, 2014 to December 31, 2016				
Loan Category	# of Loans	%	\$ of Loans	%
Residential Real Estate	15,563	85.80%	\$2,532,227	95.40%
Consumer Loans	1,937	10.61%	\$31,264	1.18%
Business Loans	655	3.59%	\$90,832	3.42%
Total	18,255	100.00%	\$2,654,323	100.00%

Source: HMDA, bank provided data

Description of Institution

FFBF, headquartered in Lake City, Florida, is a federally chartered, stock savings association with total assets of approximately \$1.21 billion and total deposits of \$948 million, as of December 31, 2016. FFBF is a wholly owned subsidiary of First Federal Bancorp, MHC, a mutual holding company. The institution currently operates 17 branches (including the main office), in northern, central, and northwest Florida. During the evaluation period, the bank sold or closed four branches in southwest Florida. The bank also opened one branch in July 2016, in Bay County, Florida (included in 17 branches noted above). Of the 17 branches, only two are in moderate-income tracts. There are no branches in a low-income tract. The remaining 15 branches are in upper (4) and middle-income (11) tracts. Of the four branches closed during the evaluation period, two were located in moderate-income tracts. The remaining two were located in middle and upper-income tracts (one each). The institution's ability to lend to low income borrowers is somewhat affected by these locations. The thrift's assessment areas were still recovering from the recent economic crisis during the evaluation period, particularly at the beginning of the evaluation period. For example, the unemployment rate at the beginning of the evaluation period was 7.0 percent in the Jacksonville MSA, and decreased to 4.6 percent in December 2016. Though the unemployment rate improved, the economy still suffered from slow growth during this recovery period.

There are three branches in Lake City (Columbia County); two in Live Oak (Suwanee County); and two in Marianna (Jackson County). There is one branch in each of the towns of MacClenny (Baker County), Panama City (Bay County – opened in July 2016), Jasper (Hamilton County), Bonifay (Holmes County), Graceville (Jackson County), Mayo (Lafayette County), Fernandina Beach (Nassau County), Yulee (Nassau County), Dowling Park (Suwanee County), and Chipley (Washington County). During the evaluation period, the bank closed or sold four branches in the Sarasota MSA – Bradenton (Manatee County), Lockwood, Cattlemen, and Ringling (all Sarasota County). Nine branches are located in distressed or underserved census tracts. Distressed census tracts met specific criteria defined by financial agencies, such as unemployment levels of at least 1.5 times the national average or a 10 percent population loss between censuses. Underserved census tracts have small, thin populations far from a population center where it is likely to have difficulty financing fixed costs for community needs.

The thrift's lending strategy is to operate primarily as a residential mortgage and consumer lender, selling a substantial portion of its residential mortgages on the secondary market. The bank's overall strategy during the evaluation period has been to focus on continuing to recover from the recent housing bust and developing new lines of business. The historically low interest rate environment and slow economic recovery present strategic challenges for the bank. The bank participates in several government lending programs, including Federal Housing Administration (FHA), Veterans Affairs (VA), Small Business Administration (SBA), Federal Home Loan Mortgage Corporation (FHLMC), and State Housing Initiative Partnership (SHIP) lending.

The lobbies of the thrift's branches are open for business from 9:00 a.m. to 4:00 p.m., Monday through Thursday, and until 05:00 p.m. or 06:00 p.m. on Fridays. Two branches also offer Saturday morning hours. The institution operates 21 proprietary ATMs: one at each of the branch locations and four "stand-alone" ATMs at the Lake City Courthouse (Columbia County), Florida Gateway College campus (Columbia County), Glen St. Mary (Baker County), and White Springs (Hamilton County). Fifteen of these ATMs accept deposits. The thrift's ATM cards allow their customers to access their accounts through several other ATM networks. In addition to these services, FFBF offers a telephone banking service, mobile banking, and internet banking, which are available 24 hours a day.

Items to Consider: The Thrift operates a mortgage banking division in Madison, Wisconsin. This division is called QRL Financial Services, formerly known as QR Lending. The division originates 1-4 family residential loans throughout the United States, the majority of which are sold on the secondary market.

The previous CRA Performance Evaluation was performed on October 7, 2013. The bank received a "Satisfactory" rating at that time. The bank did not have any affiliate businesses that were subject to review or consideration in the evaluation. Loan samples were obtained from the primary products reviewed, and a HMDA data integrity review was performed, as the bank is a HMDA reporter. Bank generated data was tested for reliability during that review. There are no financial conditions, legal constraints, or other factors that would hinder the thrift's ability to meet the credit and community needs of its assessment areas (AAs).

Description of Assessment Areas

Seven-County AA (Non-MSA AA)

The Non-MSA AA includes all of Columbia, Hamilton, Holmes, Jackson, Lafayette, Suwannee, and Washington Counties. The AA includes seven (7), *non-contiguous* counties which is comprised of 46 census tracts with income designations; 4 moderate-income tracts, 34 middle-income tracts, and 8 upper-income tracts. No low-income census tracts were identified within these seven counties. This data is based on the 2010 census. The AA includes geographies where the institution has thirteen (13) branch offices, each with an ATM, as well as three “stand-alone” ATM locations.

Per the FFIEC 2016 List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies report, all of the counties with the exception of Columbia County are distressed. Lafayette County is both distressed and underserved. Distressed or underserved nonmetropolitan geographies are based on two sets of criteria. The first criterion focuses on rates of poverty, unemployment, and population loss (measuring “distressed” areas), the second on population size, density, and dispersion (measuring “underserved” areas). These criteria indicate a community may have difficulty meeting essential community needs. These factors could indicate difficulty for low- and moderate-income individuals to own a home in the assessment area without the help of loan subsidies, which were reduced during the evaluation period.

The thrift has properly defined its AA in accordance with the technical requirements of the CRA regulation. While there were no low-income census tracts identified in the seven counties, we determined the AA consists of whole census tracts and does not arbitrarily exclude low- and moderate-income (LMI) census tracts. The counties include census tracts where thrift offices are located and loans are originated. Two of the branches are located in moderate-income areas, eight are located in middle-income areas, while three are located in upper-income areas. The AA meets requirements of the regulation and does not reflect illegal discrimination.

The AA has a population of 227,320 according to 2010 Census figures. According to Dun and Bradstreet as of June 2016 (and the 2010 US Census), business geo-demographic data reflected that there were 15,434 businesses in the area. Business revenue data reflects that 13,402, or 86.83 percent, of these businesses had revenues of less than \$1 million. Primary industries providing employment and their percentages are Services (45.04 percent); Retail Trade (12.54 percent); and Construction (9.67 percent).

The economic conditions have improved since the economic downturn in 2008. The 2010 Census data shows that 17.05 percent of households in the AA were below the poverty level. Unemployment was 10.40 percent according to the 2010 Census data. This was up significantly from 6.15 percent according to 2000 Census data. Based on 2010 Census data (activity year 2016), the unemployment rate has fallen to 5.18 percent. This level of unemployment is above the national average of 4.7 percent, as of December 2016.

The following table provides a description of the AA based on 2010 census data and U.S. Department of Housing and Urban Development information.

2010 Demographic and Economic Characteristics of Non-MSA (seven counties)	
<i>Population</i>	
Total Population	227,320
Number of Families	52,491
Number of Households	78,287
<i>Geographies</i>	
Number of Census Tracts	46
% Low-Income Census Tracts	0.0%
% Moderate-Income Census Tracts	8.70%
% Middle-Income Census Tracts	73.91%
% Upper-Income Census Tracts	17.39%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$48,477
2010 HUD-Adjusted MFI	\$46,748
2016 HUD-Adjusted MFI	\$49,529*
<i>Economic Indicators</i>	
Unemployment Rate	5.18%
% of Households Below Poverty Level	17.05%
2010 Median Housing Value	\$111,962

Source: 2010 Census data (activity year 2016) and HUD updated income data.

* Average individual county 2016 HUD MFI.

Jacksonville MSA

The Jacksonville MSA is comprised of the following counties: Baker, Clay, Duval, Nassau, and St. Johns. The AA includes geographies where the institution has three branch offices, each with an ATM, and one “stand-alone” deposit-taking ATM. None of the thrift’s branches are located in low- or moderate-income (LMI) census tracts. The thrift has properly defined its AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole census tracts, does not arbitrarily exclude low- and moderate-income census tracts, and includes the census tracts where thrift offices are located and the majority of its loans are originated. The AA meets requirements of the regulation, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas. The branches are located in the northwest quadrant of the MSA and are somewhat removed from the greater Jacksonville metropolitan area. The AA includes the *contiguous* five-county area, which is comprised of 260 census tracts, including: 17 low income tracts, 60 moderate-income tracts, 112 middle-income tracts, 69 upper-income tracts and 2 non-designated census tracts. There are 124,554 low- and moderate-income households in the AA. Per the 2016 Federal Financial Institutions Examination Council (FFIEC) Census report, the Jacksonville MSA does not contain areas classified as distressed or underserved.

The AA has a population of 1,345,596 according to 2010 Census figures. The Jacksonville Metropolitan area is currently the 40th largest by population in the U.S., growing at an annual rate of 1.6 percent. The four largest employers are: the Naval Air Station Jacksonville, Duval County Public Schools, Naval Station Mayport, and the City of Jacksonville. Jacksonville is the principal city and the surrounding counties are part of the greater metropolitan area. The level of homeowner occupancy declined from 62 percent, according to the 2000 Census, to 59 percent, according to the 2010 Census, as a result of the housing crisis. The percentage of vacant units increased from 9 percent to 17 percent. In low- and moderate-income geographies, the level of renter occupancy is moderate (47 percent and 40 percent), based on 2010 Census data. The percentage of renters with rent costs more than 30 percent of their income grew from 34 percent based on the 2000 Census to 48 percent based on the 2010 Census. Low- and moderate-income geographies represent 14 percent and 31 percent of the total number of households below the poverty level (9 percent), respectively, according to the 2010 Census. These households would have difficulty qualifying for home loans. These factors all indicate a need for affordable housing and rental housing.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution's AA to gain insight regarding local and economic conditions and credit needs. During our examination, we spoke with a local organization to discuss the credit needs of the community and the responsiveness of financial institutions in the Jacksonville MSA. According to the contact, the area continues to need permanent financing for 1-4 single family and multi-family affordable housing. Affordable housing has been reduced in the MSA as large investor groups have purchased considerable amounts of lower priced single family residences for cash. The contact also mentioned the need for low- and moderate-income (LMI) housing rehabilitation, funding of LMI supportive services such as eviction intervention, emergency rental assistance, financial education and technical assistance in financial education or by serving on boards of community and governmental organizations to provide a banker's perspective on addressing affordable housing development.

According to Dun and Bradstreet as of June 2016 (and the 2010 US Census), business geodemographic data reflected that there were 133,065 businesses in the area. Business revenue data reflected that 117,195, or 88.07 percent of these businesses had revenues of less than \$1 million. Primary industries and their percentages are Services (51.34 percent); Retail Trade (11.83 percent); and Construction (9.07 percent). Competition within the AA is significant, consisting of larger regional banks and large national banks with multiple branches throughout the AA. Bank of America, Everbank, Wells Fargo Bank, BBVA-Compass Bank, SunTrust Bank, Regions Bank, Ameris Bank and BB&T are dominant institutions in the market covering 92 percent of the market share. FFBF is ranked 24th among the 37 institutions and represents 0.14 percent of the market share.

The economic conditions have improved since the economic downturn in 2008. Unemployment during 2010 was 8.17 percent; in 2016 the unemployment rate decreased to 4.5 percent according to the U.S. Department of Labor. However, based on the moderate level of poverty in MSA, and the high cost associated with owning a home (insurance, taxes, etc.) many families may have difficulty qualifying for home loans. Housing costs are high and have increased significantly. Median home values increased from \$101 thousand to \$212 thousand and median

gross monthly rents increased from \$616 to \$908, based on information from the 2000 Census and 2010 Census. The high median housing cost makes it difficult for low- and moderate-income individuals to own a home in the assessment area without the help of loan subsidies, which were reduced during the evaluation period.

The following table provides a description of the AA based on 2010 census data and U.S. Department of Housing and Urban Development information.

2010 Demographic and Economic Characteristics of Jacksonville MSA	
<i>Population</i>	
Total Population	1,345,596
Number of Families	334,850
Number of Households	503,657
<i>Geographies</i>	
Number of Census Tracts	260
% Low-Income Census Tracts	6.54%
% Moderate-Income Census Tracts	23.08%
% Middle-Income Census Tracts	43.08%
% Upper-Income Census Tracts	26.54%
% NA Census Tracts	0.77%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$65,809
2010 HUD-Adjusted MFI	\$65,800
2016 HUD-Adjusted MFI	\$64,900
<i>Economic Indicators</i>	
Unemployment Rate	5.33%
% of Households Below Poverty Level	11.87%
2014 Median Housing Value	\$211,536

Source: 2010 Census data (activity year 2016) and HUD updated income data.

Panama City - Lynn Haven MSA

The Panama City - Lynn Haven MSA is comprised of the entire Bay County. The AA includes geographies where the thrift has one branch office with an ATM; this branch opened in July 2016. The branch is not located in a low- or moderate-income (LMI) census tracts. The institution has properly defined its AA in accordance with the technical requirements of the CRA regulation. The AA consists of whole census tracts, does not arbitrarily exclude low- and moderate-income census tracts, and includes the census tracts where FFBF’s branch is located and the majority of its loans are originated. The AA meets the requirements of the regulation, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income area(s). The AA includes the entire Bay County area, which is comprised of 43 census tracts, including: 1 low income tract, 11 moderate-income tracts, 22 middle-income tracts, and 9 upper-income tracts. There are 15,755 low- and moderate-income households in the AA. Per the 2016 Federal Financial Institutions Examination Council (FFIEC) Census Report, the Panama City – Bay County MSA does not contain areas classified as distressed or underserved.

The AA has a population of 168,852 according to 2010 Census figures. According to Dun and Bradstreet as of June 2016 (and the 2010 US Census), business geo-demographic data reflected that there were 16,610 businesses in the area. Business revenue data reflected that 14,371 or 86.52 percent of these businesses had revenues of less than \$1 million. Primary industries and their percentages are Services (46.36 percent); Retail Trade (14.07 percent); and Construction (11.93 percent). Competition within the AA is significant, consisting of larger regional Banks and large national Thrifts with multiple branches throughout the AA. Regions Bank, Centennial Bank, Trustmark National Bank, Whitney Bank, Summit Bank, Wells Fargo Bank, SunTrust Bank, Ameris Bank, and First National Bank Northwest Florida are dominant institutions in the market covering 91 percent of the market share. FFBF is not currently ranked among the 53 institutions based on the latest FDIC – Deposit Market Share Report dated June 30, 2016, as the branch was opened in July 2016.

The economic conditions have improved since the economic downturn in 2008. The 2010 Census data shows that 11.96 percent of households in the AA were below the poverty level. Unemployment during 2016 decreased to 5.2 percent according to the U.S. Department of Labor. This level of unemployment is above the national average. The five largest employers are: the Tyndall Air Force Base, Naval Support Activity – Panama City, Bay Medical Center, Wal-Mart Stores, and Eastern Shipbuilding Inc. according to the November 2016 Moody’s Analytics Report.

The following table provides a description of the AA based on 2010 census data and U.S. Department of Housing and Urban Development information.

2010 Demographic and Economic Characteristics of Panama City – Bay County MSA	
<i>Population</i>	
Total Population	168,852
Number of Families	44,480
Number of Households	68,807
<i>Geographies</i>	
Number of Census Tracts	43
% Low-Income Census Tracts	2.33%
% Moderate-Income Census Tracts	25.58%
% Middle-Income Census Tracts	51.16%
% Upper-Income Census Tracts	20.93%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$57,406
2010 HUD-Adjusted MFI	\$57,400
2016 HUD-Adjusted MFI	\$55,200
<i>Economic Indicators</i>	
Unemployment Rate	4.53%
% of Households Below Poverty Level	11.96%
2010 Median Housing Value	\$196,858

Source: 2010 Census data (activity year 2016) and HUD updated income data.

Conclusions with Respect to Performance Tests

LENDING TEST

First Federal Bank of Florida's performance under the Lending Test is Satisfactory. The institution's business strategy for its mortgage lending is to originate mortgage loans nationwide, not necessarily in the institution's designated AA. FFBF has reasonable penetration among borrowers of different income levels. The thrift's geographical dispersion of loans is reasonable, although the bank's AAs contain a limited number of low-income census tracts and there are no branches in low-income areas. However, there are several census tracts designated as distressed or underserved.

FFBF has three AAs, all located in Florida, with two complete MSAs and one seven-county Non-MSA AA. A more detailed description, including demographic information, can be found in the "Description of Assessment Areas" section of this PE.

Loan-to-Deposit Ratio

FFBF's quarterly average loan-to-deposit (LTD) ratio is reasonable given the Thrift's size, financial condition, business strategy, and the credit needs of the AAs. This determination is based on the quarterly average LTD ratio from September 30, 2013 to December 31, 2016 that averaged 66.97 percent. FFBF's LTD ratio ranges from a high of 74.44 percent as of September 30, 2016, to a low of 60.70 percent at March 31, 2015. FFBF's quarterly average ratio is lower than the 87.43 percent quarterly average ratio of five similarly situated banks and thrifts in its peer group (defined as having total assets greater than \$435 million and less than \$1.8 billion) operating in the Florida in or near the Thrift's AAs. FFBF's lower quarterly average LTD ratio is reflective of the AAs the thrift operates in and its business strategy. Nine of the thrift's 17 branches are located in distressed or underserved census tracts, which have higher than average levels unemployment, poverty, and population loss. These factors indicate that borrowers in the institution's AAs may have difficulty qualifying for loans. Additionally, a significant majority of the thrift's mortgage loans are sold on the secondary market, which reduces the level of loans held on the bank's balance sheet.

The quarterly average LTD ratio for each similarly situated bank in the AA is illustrated below:

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets As of December 31, 2016 (000's)	Average LTD Ratio
First Federal Bank of Florida	1,207,688	66.97%
Harbor Community Bank	1,788,413	66.88%
Atlantic Coast Bank	908,000	110.33%
CBC National Bank	561,134	119.47%
Firstatlantic Bank	436,951	83.46%
Drummond Community Bank	435,452	57.01%

Source: Consolidated Reports of Condition and Income from September 2013 to December 2016.

Lending in Assessment Area

FFBF's lending in the AAs needs improvement. A significant majority of loans originated or purchased by FFBF during the evaluation period were outside its AAs. This conclusion is based on an analysis of all home mortgage loans (15,663) reported on the 2014, 2015, and 2016 HMDA LARs. As detailed in the table below, only 18.69 percent of loans by number and 20.02 percent of loans by dollar amount originated inside the AAs during the evaluation period. The institution acquired its mortgage lending division (QR Lending) in December of 2011. Lending activity for residential mortgages greatly increased from this acquisition, however, QR Lending is located in Wisconsin and most of the loan originated through this division are outside of the bank's AAs.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Purchase	2,212	24.31	6,887	75.69	9,099	394,906	23.29	1,300,802	76.71	1,695,708
Improvement	69	3.01	2,225	96.99	2,294	1,768	2.67	64,491	97.33	66,259
Refinance	646	15.13	3,624	84.87	4,270	110,367	14.33	659,893	85.67	770,260
Totals	2,927	18.69	12,736	81.31	15,663	507,041	20.02	2,025,186	79.98	2,532,227

Source: Data reported under HMDA for the years 2014-2016.

The acquisition of QR Lending at the end of 2011 had a major impact on the lending in the AA. QR has multi-state correspondent relationships, bringing in loans from across the United States, and therefore mostly outside of the AA. To illustrate the impact of this acquisition, the CRA evaluation prior to the acquisition (dated October 30, 2009) reported the thrift's lending at 90 percent inside the AA and 10 percent outside the AA. Although the volume of consumer loans did not warrant inclusion in this evaluation as a reviewed product line, we noted that the majority of consumer lending is in the thrift's combined AAs. Of the consumer loans, 93.9 percent by number and 88.9 percent by dollar amount were in the combined AAs.

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

FFBF's penetration of loans to borrowers of different income levels is reasonable, and meets the standard for satisfactory performance given performance context. As home purchase loans represented a majority of the thrift's lending by both number of loans and dollar amount, this activity received more weight in our analysis. Additionally, more weight was given to the thrift's performance in the seven county Non-MSA AA as the branches in these geographies account for a majority of the bank's deposits. Furthermore, the institution's deposit market share in the Jacksonville MSA AA is limited and the fact that they only have one branch in the Panama City - Lynn Haven MSA AA, which opened during the latter part of the evaluation period (July 2016).

Tables 2, 2A, and 2B below illustrate the penetration of home purchase, improvement, and refinance originations in relation to aggregate HMDA lending data, which received more weight

in our analysis. Additionally, we compared the thrift’s performance for these loan types to the number of families in the AA by income level.

Seven County Non-MSA AA

The overall distribution of home purchase loans reflects a reasonable penetration. The institution’s performance for loans originated for home purchase and refinance to low-income individuals is satisfactory and falls within a reasonable range above the percentage of aggregate HMDA lending to low-income borrowers. Performance for loans originated for home improvement to low-income borrowers is poor and lower than the percentage of aggregate HMDA lending. The overall penetration for home purchase lending to low-income borrowers is reasonable when considering the performance context mentioned above and that home purchase loans is given the most weight in our analysis.

The bank’s performance for loans originated for home purchase, improvement, and refinance to moderate-income individuals is excellent and significantly exceeds the percentage of aggregate HMDA lending. The overall penetration for home purchase lending to moderate-income borrowers is excellent when considering the performance context mentioned above and that home purchase loans is given the most weight in our analysis.

Table 2 – Seven County Non-MSA AA Borrower Distribution of Residential Real Estate Loans

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	4.08	4.89	21.06	22.13	23.71	28.16	37.32	41.38
Home Improvement	11.18	3.45	21.71	24.14	13.16	17.24	49.34	44.83
Home Refinance	4.12	4.55	11.95	13.26	17.10	17.80	43.67	49.62

Source: Data reported under HMDA (2014-2016), HMDA 2016 aggregate.

Jacksonville MSA

The overall distribution of home purchase loans reflects a reasonable penetration. The bank’s performance for loans originated for home purchase to low-income individuals is reasonable and falls within a reasonable range below the percentage of aggregate HMDA lending to low-income borrowers. The Thrift’s performance for loans originated for home improvement to low-income individuals is very poor and significantly lower than the percentage of aggregate HMDA lending. The Thrift’s performance for loans originated for home refinance to low-income borrowers is poor and lower than the percentage of aggregate HMDA lending. The overall penetration for home purchase lending to low-income borrowers is reasonable when considering the performance context mentioned above and that home purchase loans is given the most weight in our analysis.

The overall penetration for home purchase lending to moderate-income borrowers is reasonable when considering the performance context and that home purchase loans are given the most weight in our analysis. The institution’s performance for loans originated for home purchase to moderate-income individuals is excellent and significantly exceeds the percentage of aggregate HMDA lending to moderate-income borrowers. FFBF’s performance for loans originated for home improvement to moderate-income individuals is very poor and significantly lower than the percentage of aggregate HMDA lending to moderate-income borrowers. Performance for loans originated for home refinance is poor and is below the percentage of aggregate HMDA lending to moderate-income borrowers.

Table 2A – Jacksonville MSA Borrower Distribution of Residential Real Estate Loans in Jacksonville MSA AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	4.86	4.01	15.96	20.28	21.23	26.26	41.33	46.83
Home Improvement	24.28	0.00	14.22	0.00	16.07	7.69	39.12	5.13
Home Refinance	4.49	0.87	10.99	7.23	16.42	18.21	39.11	44.51

Source: Data reported under HMDA (2014-2016), HMDA 2016 aggregate.

Panama City - Lynn Haven MSA

The overall distribution of home purchase loans reflects an excellent penetration. The bank’s performance for loans originated for home purchase to low-income individuals is excellent and significantly exceeds the percentage of aggregate HMDA lending to low-income borrowers. The institution’s performance for loans originated for home improvement and home refinance to low-income individuals is very poor and significantly lower than the percentage of aggregate HMDA lending to low-income borrowers in those loan types. The overall penetration for home purchase lending to low-income borrowers is reasonable when considering the performance context mentioned above and that home purchase loans is given the most weight in our analysis.

The Thrift’s performance for loans originated for home purchase to moderate-income individuals is excellent and significantly exceeds the percentage of aggregate HMDA lending to moderate-income borrowers. The Thrift’s performance for loans originated for home improvement to moderate-income individuals is very poor and significantly lower than the percentage of aggregate HMDA lending to moderate-income borrowers. Performance for loans originated for home refinance is reasonable and falls with a reasonable range above the percentage of aggregate HMDA lending to moderate-income borrowers. The overall penetration for home purchase lending to moderate-income borrowers is reasonable when considering the performance context mentioned above and that home purchase loans is given the most weight in our analysis.

Table 2B - Borrower Distribution of Residential Real Estate Loans in Panama City - Lynn Haven MSA AA

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	4.08	5.52	14.79	25.52	19.17	23.45	46.43	42.07
Home Improvement	12.20	0.00	11.02	0.00	17.72	0.00	53.54	0.00
Home Refinance	4.03	0.00	10.48	11.11	15.31	38.89	41.80	33.33

Source: Data reported under HMDA (2014-2016), HMDA 2016 aggregate.

Geographic Distribution of Loans

FFBF's geographic distribution reflects a reasonable dispersion for home loans in different geographies and meets the standard for satisfactory performance given performance context. As home purchase loans represented a majority of the institution's lending by both number of loans and dollar amount, this activity received more weight in our analysis. Additionally, more weight was given to the bank's performance in the seven county Non-MSA AA as the branches in these geographies account for a majority of the Thrift's deposits. Furthermore, the thrift's deposit market share in the Jacksonville MSA AA is limited and the fact that the bank only has one branch in the Panama City – Lynn Haven MSA AA, which was opened in July of 2016.

Tables 3, 3A, and 3B below illustrates the penetration of home purchase, improvement, and refinance originations in relation to aggregate HMDA lending data, which received more weight in our analysis. Additionally, we compared the bank's performance to the percentage of housing units in each census tract income category.

Seven County Non-MSA

The geographic distribution performance in the seven county Non-MSA AA reflects a reasonable dispersion for home loans in different geographies and meets the standard for satisfactory performance given performance context. The AA has no low-income geographies. The performance for loans originated for home purchase and refinance to moderate-income geographies is excellent and significantly exceeds the percentage of aggregate HMDA lending to moderate-income geographies in those loan types. The performance for loans originated for home improvement to moderate-income geographies is poor and lower than the aggregate HMDA lending to moderate-income geographies in this loan type. The overall dispersion for home purchase lending to moderate borrowers is reasonable when considering the performance context mentioned above and that home purchase loans given the most weight in our analysis.

Table 3 – Seven County Non-MSA AA Geographic Distribution of Residential Real Estate Loans in AA

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.00	0.00	4.44	6.90	72.35	64.22	23.21	28.88
Home Improvement	0.00	0.00	8.55	6.03	68.42	61.28	23.03	32.69
Home Refinance	0.00	0.00	6.80	12.50	71.16	61.36	22.04	26.14

Jacksonville MSA

The geographic distribution performance in the Jacksonville AA reflects a reasonable dispersion for home loans in different geographies and meets the standard for satisfactory performance given the performance context. The performance for loans originated for home purchase and refinance to low-income geographies is reasonable and falls with a reasonable range below the percentage of aggregate HMDA lending to low-income geographies. The performance for loans originated for home improvement to low-income geographies is excellent and significantly exceeds the percentage of aggregate HMDA lending to low-income geographies in those loan types.

The performance for loans originated for home purchase to moderate-income geographies is poor and is lower than the aggregate HMDA lending to moderate-income geographies in this loan type. The performance for loans originated for home refinance to moderate-income geographies is reasonable and falls with a reasonable range below the percentage aggregate HMDA lending to moderate-income geographies. The performance for loans originated for home improvement to moderate-income geographies is excellent and significantly exceeds the percentage of aggregate HMDA lending to moderate-income geographies in this loan type.

Table 3A – Jacksonville MSA AA Geographic Distribution of Residential Real Estate Loans in AA

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.66	0.07	9.16	6.93	48.87	61.20	41.32	31.80
Home Improvement	2.04	5.13	11.90	15.38	49.03	56.41	37.03	23.08
Home Refinance	0.79	0.29	8.90	7.80	46.76	54.91	43.54	36.99

Source: Data reported under HMDA (2014-2016), HMDA 2016 aggregate

Panama City - Lynn Haven MSA

The geographic distribution performance in the Panama City - Lynn Haven MSA AA reflects a reasonable dispersion for home loans in different geographies and meets the standard for satisfactory performance. We based this conclusion on the performance context, primarily due to the fact that one branch has only been open for approximately six months (based on the end of our evaluation period for the lending test). The performance for loans originated for home purchase, home improvement, and home refinance to low-income geographies is poor and lower than the percentage of aggregate HMDA lending to low-income geographies in the AA. However, we noted that the aggregate HMDA lending percentage for each of the loan categories is less than one percent, so overall HMDA lending to low-income geographies is minimal.

The performance for loans originated for home purchase is excellent and significantly exceeds the percentage of aggregate HMDA lending to moderate-income geographies in the AA. The performance for loans originated for home improvement to moderate-income geographies is poor and significantly lower than the percentage of aggregate HMDA lending to moderate-income geographies in the AA. FFBF’s performance for loans originated for home refinance to moderate-income geographies is poor and lower than the percentage of aggregate HMDA lending to moderate-income geographies in the AA.

Table 3B – Panama City - Lynn Haven MSA AA Geographic Distribution of Residential Real Estate Loans in AA

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.14	0.00	9.73	11.03	60.63	60.69	29.50	28.28
Home Improvement	0.79	0.00	10.24	0.00	57.48	100.00	31.50	0.00
Home Refinance	0.40	0.00	9.73	5.56	57.92	50.00	31.95	44.44

Responses to Complaints

There have been no CRA-related complaints received by the bank or our office since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §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 assessment area 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 Consumer Financial Protection Bureau, as applicable.

The United States Department of Housing and Urban Development Agency (HUD) identified the following public information regarding non-compliance with the statutes and regulations prohibiting discrimination or other illegal credit practices with respect to this institution.

- Discrimination against families with one spouse on maternity leave, by not allowing the loan to close until after the spouse returned to work. In 2013, two complainants alleged they had to return to work earlier than planned in order for their loan to close. First Federal Bank of Florida settled with the Department of Justice in September 2016. The bank is currently under a Consent Order with the Department of Justice and have updated their policies as well as provided training to all parties involved regarding this issue. The bank was also required to compensate the two complainants.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

This complaint did not impact our CRA evaluation, or prohibit the bank from meeting the credit needs of the community during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development test in its AAs is rated “Satisfactory.” The institution’s performance reflects an adequate responsiveness to community development needs within the combined AAs. FFBF has conducted community development activities through a mix of loans, investments, and services.

Number and Amount of Community Development Loans

The bank’s community development (CD) loans represent adequate responsiveness to community development needs. During the evaluation period, the FFBF originated 20 community development loans totaling \$7.9 million, as shown below.

Assessment Area	#	\$ (000)
Jacksonville Assessment Area	1	\$405
Non-MSA Assessment Area	19	\$7,515
Totals	20	\$7,920

The Non-MSA AA loans included two large relationships totaling \$5.7 million, or 72 percent of the total CD loan dollars. The first of these loans for \$4 million was for the Washington County School Board which provided interim construction funding for a new elementary school. Kate

Smith Elementary School is 67 percent economically needy based on the number of students that qualify for free or reduced lunch. The other relationships, consisting of three loans for \$1.7 million went to the City of Lake City. The loans provided funding for revitalization/stabilization of low- or moderate-income geographies. More specifically, the funds provided for Florida Gas Utility, underground storm water retention, and improving a police substation. Lake City (Columbia County) currently has a majority of distressed or underserved middle-income tracts.

The bank made one qualifying loan in the Jacksonville AA. This loan was for a restaurant in a moderate income census tract. The loan qualifies for CD treatment as the restaurant provided job creation for low- and moderate-income individuals.

FFBF made no qualifying loans in the Panama City-Lynn Haven MSA AA. This is expected, given the limited time the branch was open during the evaluation period.

Number and Amount of Qualified Investments

Community development investments represent adequate responsiveness to assessment area needs, given the bank's size, capacity to provide such investments, and the level of opportunities in the AA.

During the evaluation period, the bank made 131 investments, for a total of \$4.95 million. Of this amount, the bank made 126 contributions to organizations with missions primarily directed to assist LMI residents of the bank's AAs. These contributions total \$115,199: 114 (\$109,790) in the Non-MSA AA, 8 (\$4,534) in the Jacksonville MSA AA, and 4 (\$875) in the Panama City MSA AA.

FFBF made two investments in Ginnie Mae (GNMA) mortgage-backed securities, totaling \$1.3 million, which are collateralized by a pool of mortgage loans to low- and moderate-income borrowers. Of the 12 loans in the loan pool, 4 loans, totaling \$482 thousand, are to residents in the Jacksonville MSA AA. Other borrowers reside in the state of Florida in areas just south of the bank's AAs. FFBF also made a \$1.4 million investment in a Fannie Mae (FNMA) Bond, which is collateralized by a pool of mortgage loans to low- and moderate-income borrowers. Of the 10 loans in the pool, 7 loans, totaling \$1.1 million, are to residents in the Jacksonville MSA AA. Other borrowers reside in the state of Florida in areas just south of the institution's AAs. FFBF also holds several municipal bonds in their investment portfolio that are for school and/or park districts. Of these nine bonds, we determined that one qualifies for full CD credit (Jacksonville) and one qualifies for 50 percent (Chicago). Since the bank meets the needs of its AAs, the Chicago bond is partially qualified due to the community it serves and the fact that FFBF originates a high volume of residential mortgages in the Chicago MSA.

In total, the bank made \$4.8 million in qualified investment securities during the evaluation period.

Extent to Which the Bank Provides Community Development Services

The extent to which the bank provides banking services and community development services reflects adequate responsiveness, given the bank's size, capacity to provide such services, and the level of opportunities in the AAs.

FFBF encourages its employees to provide products and services that are responsive to LMI individual and small businesses through their branch network and various community outreach programs within the bank's three AAs. Nine branches are located in distressed or underserved census tracts. As discussed in the "Description of the Institution" section of the PE, the bank operates a variety of delivery systems in all three of its AAs. Financial products and services are made available to LMI individuals through the branch network, the ATM network, and via online banking. During the evaluation period, 51 employees participated in community service or charitable work at 68 different organizations.

First Federal offers numerous Financial Literacy courses at local schools and organizations; during the review period, a total of 96 qualifying courses were held. Seventy-seven of the courses were offered in the Non-MSA AA and nineteen courses were offered in the Jacksonville MSA AA. These courses were taught using the FDIC's Money Smart Program and the American Banker Association Education Foundation's "Teach Children to Save" and "Get Smart About Credit" programs. The topics covered include the basics of budgeting, checking and savings accounts, how to use credit. The schools are located in LMI tracts or in distressed or underserved middle-income tracts. A breakdown of courses per year is as follows:

Year	Number of Courses	Hours	Number of People Reached
October 2013-December 2013	16	36	1,012
2014	44	44.5	1,776
2015	15	26.17	1,053
2016	16	24.75	1,316
January-April 2017	5	15	766
Total	84	148.42	5,923

Bank employees have also volunteered their time in specific positions for numerous organizations, primarily in the Non-MSA AA. The bank officers and members must hold a position relatable to their position at the bank, in order for these to be considered qualified community development services. Additionally, the organization must provide community development services as their primary mission. In total, 22 community service positions were held that both meet the definition of community development and relate to the employee or officer's position. Of these, 20 were held in the Non-MSA AA and two positions were in the Jacksonville MSA AA. Generally, bank personnel used their financial expertise by serving on budget and finance committees, assisting with fundraising, and serving in supervisory or decision-making roles in community organizations.

Responsiveness to Community Development Needs

Considering the thrift's capacity and opportunities, First Federal's overall community development performance demonstrates adequate responsiveness to community development needs, primarily through community development loan and investment activities. CD lending is principally helping to meet economic development needs in the Non-MSA AA. These needs are evidenced by the high unemployment rates during the evaluation period. Community development investments primarily help meet affordable housing needs, a known critical need in the Jacksonville AA. CD services include educational opportunities, participation in the SHIP program, and community outreach through the service of bank officers and employees. For the Non-MSA AA, the bank provides excellent responsiveness; for the Jacksonville AA, the bank provides adequate responsiveness; for the Panama City AA, the bank provides adequate responsiveness.