PUBLIC DISCLOSURE

May 18, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Docket No.: **05080**

First Federal Savings Bank
1019 Park Street
P.O. Box 788
Peekskill, New York 10566-0788

Office of Thrift Supervision
10 Exchange Place, 18th Floor
Jersey City, New Jersey 07302

NOTE: This evaluation is not, nor should it be construed as, and assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Office of Thrift Supervision concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Federal Savings Bank prepared by the Office of Thrift Supervision, the institution's supervisory agency, as of May 18, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 563e.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Based on the institution's size, financial capacity, and the assessment area's credit needs and demographics, the institution has originated residential mortgage and consumer loans in a satisfactory manner.

The institution's lending in the assessment area, borrower income distribution and geographic distribution led to a satisfactory rating even though the loan-to-deposit ratio does not meet standards.

DESCRIPTION OF INSTITUTION

First Federal Savings Bank is a federally-chartered stock savings institution headquartered in Peekskill, New York. The institution converted from a mutual to a stock form of ownership in December, 1995. In addition, the institution's name was changed to First Federal Savings Bank in January, 1996 from First FS&LA of Peekskill.

The institution operates the main office and two additional branch offices in upper Westchester County. The main office is located in a moderate-income census tract and the two branch offices are located in upper-income census tracts, hereafter referred to as geographies.

As of March 31, 1998, the institution had total assets of $195 million. Residential mortgages totaled $47 million or 24.1 percent of total assets. Non-mortgage loans totaled $526 thousand or 0.3 percent of total assets. Cash, deposits, and investment securities totaled $42.2 million or 21.7 percent of total assets. Investments in mortgage pool securities totaled $102.2 million or 52.4 percent of total assets.

The institution offers one-to-four family mortgage loans, student and commercial loans.

The institution applied for and received approval to originate loans in New York under the State of New York Mortgage Agency ("SONYMA"). This agency offers affordable mortgage loans. Management originated two SONYMA loans for $204 thousand. This program is in its infancy, and management expects to originate more loans under this program in the near future. In addition, Private Mortgage Insurance (PMI) loans are offered, of which three for $373 thousand were originated.

As part of its outreach effort, the institution conducted two homeownership seminars. At these seminars, potential borrowers including low- and moderate-income persons, received information on the special home mortgage programs available from the institution, and advice for credit problems. Information was provided on all factors needed for buying and financing a home.

In 1996, management hired additional staff and promoted mortgage loan products to increase the amount of residential mortgage lending. As a result of these efforts, the number and dollar amount of residential lending has increased substantially from the prior review period. Management expects continued emphasis on this type of lending.

There are no financial or legal impediments that would prevent the institution from helping to meet the credit needs of the assessment area.

The institution received a Satisfactory CRA rating at the previous examination dated October 20, 1995.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area consists of northwestern Westchester County and southern Putnam County. There are 43 geographies, 11 in Putnam County and 32 in Westchester County. These geographies are contiguous and consist of relatively small portions of two of the eight counties that comprise MSA 5600 New York.

Within the assessment area, there are no low-income geographies (below 50 percent of Medial Family Income (MFI)), and one moderate-income geography (between 50 and 80 percent of MFI). There are three middle-income geographies (between 80 and 120 percent of MFI), and 39 upper-income (120 percent and over MFI) geographies.

For the assessment area, the HUD-estimated weighted average of MSA/Non-MSA's updated 1997 median family income is $47 thousand. Low-income is classified as annual income less than $24 thousand, moderate-income as $24 thousand to $38 thousand, middle-income as $38 thousand to $57 thousand, and upper-income as more than $57 thousand.

According to 1990 census data, the population in the assessment area is 178 thousand, including 48 thousand families. Of those families, seven percent are low-income, eight percent are moderate-income, 15 percent are middle-income and 70 percent are upper income.

Of the 67.9 thousand housing units, 85 percent are single-family. In the moderate-income geography multi-family units represent 52 percent. The median housing value is $220 thousand. The number of vacant units is 5.9 thousand.

The institution faces competition from both large regional banks and local community banks. In 1996, HMDA lenders in the assessment area originated nearly 5.2 thousand residential mortgage loans totaling $843.7 million. In 1996, the institution ranked fifth out of 243 lenders with three percent market share, indicating strong penetration within the assessment area. In addition, for all OTS regulated institutions, the institution ranked second out of 59 lenders with a 15.4 percent market share.

Major employers in the area surrounding the main office in Peekskill include government, light manufacturing, wholesale trade, and many national headquarters for major corporations. The other areas of Westchester County function primarily as bedroom communities with employment predominately in the New York City metropolitan area. Putnam County has a high percentage of small businesses. For those residents who do commute, commuting is done predominately to the Poughkeepsie, New York and Danbury, Connecticut areas.

One community contact was consulted for use in this evaluation. This source provided information on housing and credit needs, employment and business opportunities.

The assessment area identified by the institution meets the requirements established by the regulation.

OVERALL INSTITUTION CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The institution's average loan-to-deposit ratio for the eight quarters beginning January 1, 1996 and ending December 31, 1997 was 33.5 percent. For the first quarter of 1998, the average loan-to-deposit ratio was 34.6 percent.

The average loan-to-deposit ratio for the three OTS-regulated institutions located in the assessment area with assets less than or equal to $250 million was 47.6 percent for the eight quarters ended December 31, 1997. For all OTS institutions in the assessment area, regardless of asset size, the loan-to-deposit ratio was 48.6 percent.

A total of $21.1 million in residential mortgage, consumer and commercial loans were originated by the institution in the assessment area during the review period, representing a 4.6 percent annual reinvestment on average assets of $175.2 million.

Even though the institution's loan-to-deposit ratio has shown a gradual increase during the review period, the institution's loan-to-deposit average, based on the aforementioned ratios, does not meet the standards for satisfactory performance.

LENDING IN THE ASSESSMENT AREA

During the 31-month review period the institution originated 319 mortgage and consumer loans totaling $23.0 million, of which 278 loans for $21.1 million, or 87.1 percent of the number and 91.7 percent of the dollar volume, were within the assessment area.

The following charts show total lending activity, and activity for the assessment area during the review period:

Loan Originations

All Loans	Number	Percent	Amount (000,000)	Percent
In Area	278	87.1%	$21.1	91.7%
Out of Area	41	12.9%	1.9	8.3%
Total Loans	319		$23.0	

By product type:

Residential Loans				
In Area	246	89.5%	$20.7	91.7%
Out of Area	29	10.5%	1.9	8.3%
Total Residential	275		$22.6	

Student Loans				
In Area	29	70.7%	$ 0.06	69.1%
Out of Area	12	29.3%	0.02	30.9%
Total Student	41		$0.08	

Commercial Loans				
In Area	3	100.0%	$ 0.3	100.0%
Out of Area	0		0.0	
Total Commercial	3		$ 0.3	

In addition, the institution modified the terms of 20 existing residential mortgage loans totaling $1.9 million.

Residential mortgage lending has increased substantially since the previous examination. This is due to the hiring of additional lending staff and promotion of mortgage loan products.

As a majority of all loan originations are within the assessment area, the institution's level of lending-related activity within the assessment area meets the standards for satisfactory performance.

Lending to Borrowers of Different Income Levels and to Business of Different Sizes

The following charts provide a breakdown, by borrower income, of residential mortgage loan originations in the assessment area during the review period.

Residential Mortgage Loans

Borrower Income	Family Income Level Distrib.	Institution ---Review Period---- Number		Amount (000,000)	1996 Institution	1996 Aggregate
Low	7.1%	4	1.6%	$ 0.1	1.5%	1.3%
Moderate	7.8%	16	6.5%	0.7	8.2%	3.2%
Middle	15.2%	51	20.7%	3.0	20.9%	11.8%
Upper	69.9%	174	70.7%	16.7	68.7%	63.3%
NA		1	0.5%	0.2	0.7%	20.4%
Total Loans		246		$20.7		

A review of residential mortgage loans during the review period showed that the percentage of loans originated to low- and moderate-income borrowers is almost double that of the 1996 aggregate data and less than the percentage of families that fall in this category. However, it would not be reasonable to expect that all low- and moderate-income families would be in a position to become borrowers.

This concept is based on the $220 thousand median housing value in the assessment area, the less than $38 thousand income of low- and moderate-income families and traditional underwriting guidelines. Based on these factors, low- and moderate-income borrower would find it difficult to purchase a home.

No borrower income information for student loans was available; however it is reasonable to suppose that most of the students earn low incomes.

No analysis was conducted on commercial loans due to the small number and dollar amount originated during the review period.

With 8.1 percent of mortgage loan originations during the review period to low- and moderate-income families, the distribution of mortgage loan originations for those families compares markedly better than the 1996 aggregate data. However, the number of loans is not very high. The distribution of loans by borrower income meets the standards for satisfactory performance.

Geographic Distribution

The assessment area does not have any low-income geographies. The following charts provide a breakdown, by geographic distribution, of residential mortgage loan originations in the assessment area during the review period.

Residential Mortgage Loans

Geography	Percentage of total Geographies	Review Period Institution Number		Amount (000,000)	1996 Institution	1996 Aggregate
Moderate-	2%	9	3.7%	0.9	2.2%	0.6%
Middle-	7%	27	11.0%	1.7	9.7%	5.0%
Upper-	91%	210	85.4%	18.1	88.1%	94.4%
NA	0%	0	0.0%	0.0	0.0%	0.0%
Total		246		$20.7		

Student Loans

Geography	Percentage of total Geographies	Review Period Institution Number		Amount (000,000)	1996 Institution Number	
Moderate-	02%	2	6.9%	0.005	1	11.1%
Middle-	07%	0	0.0%	0.000	0	0.0%
Upper-	91%	27	93.1%	0.051	8	88.9%
NA	0%	0	0.0%	0.000	0	0.0%
Total		29		$ 0.056	9	

The institution's volume of residential mortgage originations in the moderate-income geography during the review period and for 1996 is greater than the 1996 Aggregate and the percentage of moderate-income geographies. However, the number of loans is not very high.

The penetration for student loans exceeds the percentage of moderate-income geographies and demonstrates reasonable dispersion.

No analysis was conducted on commercial loans due to the small number and dollar amount originated during the review period.

Greater weight was applied to residential mortgage loan penetration as that lending constitutes 88.5 percent of all lending. Based on the penetration demonstrated, the combined geographic distribution of residential mortgage and student loans throughout the assessment area meets the standards for satisfactory performance.

Response to Complaints

The institution did not receive any written complaints pertaining to performance in helping to meet the credit needs within the assessment area.

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.