CAPITAL PURCHASE PROGRAM (CPP) LENDING REPORT

Name of institution: First Defiance Financial Corporation (First Federal Bank of the Midwest)
Person to be contacted about this report: Donald Hileman
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RSSD (for Bank Holding Companies):
Holding Company Docket Number (for Thrift Holding Companies): H 25 13
FDIC Certificate Number (for depository institutions): 29845

LENDING ACTIVITY (Thousands $)	2009 FEB	2009 MAR	Key	Comments
1. Loan Balances				
a. Average Consumer Loans	$376,083	$370,577	This is gross average consumer loans including residential mortgages, home equity, home improvement, credit cards, auto, mobile homes loans and other consumer	**First Federal had residential workouts in the first quarter; I repayment plan,16 loan modifications, 4 deed in lieu, I short sale and 4 forbearance agreements on sold loans. On non-sold loans we have done 5 loan modifications.**
b. Average Commercial Loans	$1,255,112	$1,249,739	This is gross average commercial loans including all commercial commercial real estate and small business loans.	**The overall market dramatically slowed in the first part of the fourth quarter and is now just starting to show signs of increased activity.**
c. Total Loans (sum of lines a and b)	$1,631,195	$1,620,316		

2. General Market Commentary (optional)

First Federal continues to be active in lending with approximately $160 million of residential mortgage loans originated in the first quarter of 2009. First Federal sells approximately 95% of the residential mortgage origination. This is record performance for First Federal. We have traditionally been active in the sale of residential fixed rate mortgages to Freddie Mac, Fannie Mae and to the FHLB. Commercial loan originations have been steady but we have seen a decline in the number of credit worthy applications particularly in the first part of the quarter. Activity has picked up in March with closing in April and May. We have continued to see strong paydowns and normal amortization that has not been offset by new lending volume. Some large customers have focused on lowering their debt levels. Construction loan activity has in particularly slowed along with development loans as the economic environment has curtailed speculative lending. Unemployment remains well into the double digits in most of the counties we serve along with continued industrial downsizing.