



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

April 24, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Malvern Federal Savings Bank
Charter Number 700416

42 E. Lancaster Avenue
Paoli, PA 19301

Office of the Comptroller of the Currency

Philadelphia Field Office
1150 Northbrook Drive, Suite 303
Trevose, PA 19053

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.

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INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Satisfactory

The Community Test is rated: Satisfactory

The major factors that support this rating include:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, lending-related activities, and Assessment Area ("AA") needs;
- A substantial majority of home mortgage loans were originated inside the institution's AA;
- The distribution of home mortgage loans represents reasonable distribution among borrowers of different income levels;
- The bank's responsiveness to community development needs and opportunities in its combined AAs is satisfactory; and
- During the evaluation period there were no complaints related to the institution's performance in meeting the credit needs of the AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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.

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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, home equity 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 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, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county 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.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

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Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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) and the Thrift Financial Reporting (TFR) 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 One 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.

Description of Institution

Malvern Federal Savings Bank (MFSB) is a full-service intrastate bank headquartered in Malvern, PA. As of December 31, 2016, MFSB had total assets of \$879 million and tier one capital of \$88 million. MFSB is wholly owned by Malvern Bancorp, Inc., a one-bank holding company.

The bank offers a full range of deposit and loan products and services. Residential mortgage loans and loans to small businesses are MFSB’s primary loan products. Within the residential mortgage portfolio, the bank originates long-term mortgage loans for sale in the secondary market. During this review period the bank began to implement a strategy focused on commercial lending. Deposit products and services include several types of personal and business accounts as well as checking accounts with free internet banking and bill-pay.

The bank operates a network of seven branches and seven ATMs. All seven branches are equipped with drive-thru facilities and are open from 8:00 am until at least 4:00 pm each weekday, and on Fridays until at least 6:00 pm. Saturday hours vary at each location; however, all branch offices are open from at least 9:00 am to 12:00 pm.

As of December 31, 2016, MFSB reported net loans of \$674.6 million representing a net loans and leases to total assets ratio of 76.08 percent. The allocation of the loan portfolio is depicted in Table 1.

Table 1. Loan Portfolio Summary by Loan Product December 31, 2016			
Loan Category	Amount (\$000's)	Percentage of Total Loans	Percentage of Total Assets
Secured by Mortgages on 1-4 Family	\$269,216	40%	30%
Commercial Real Estate	\$291,885	43%	33%
Construction and Land Development	\$38,414	6%	4%
Commercial & Industrial Loans	\$53,587	8%	6%
Multifamily	\$19,805	3%	2%
Other Consumer Loans	\$1,697	<1%	<1%
Total	\$674,604	100%	75%

Source: December 31, 2016 Call Report

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated “Satisfactory” at the last CRA evaluation dated March 10, 2014 using Intermediate Small Bank Community Reinvestment Act (CRA) examination procedures.

Scope of Evaluation

The Office of the Comptroller of the Currency (OCC) evaluated MFSB under the Intermediate Small Bank CRA examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services.

The lending test for MFSB covers its performance from January 1, 2014 through December 31, 2016. The evaluation period for the CD test is from March 11, 2014 through April 24, 2017.

In February 2013, the Office of Management and Budget (OMB) revised the Metropolitan Area (MA) and census tract geographic definitions and boundaries. Those revisions became effective for CRA purposes on January 1, 2014. The OMB changes affected the delineation of the bank's AA. This resulted in a realignment of the bank's AA. The bank now has two AAs: Montgomery County and Chester County are now part of the Montgomery County-Bucks County-Chester County MSA/MD (#33874); and Delaware County, PA is now part of the Philadelphia-Delaware PA MSA/MD (#37964).

Data Integrity

MFSB's primary loan products are home mortgages and loans to small businesses. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The bank does not report loans to small business.

Prior to this evaluation, the supervisory office selected and tested samples of HMDA loan data at the bank to determine the accuracy and reliability of the data for use in this CRA evaluation. The reported HMDA data was found to be reliable.

Selection of Areas for Full-Scope Review

We performed a full-scope review for the bank's AA that comprises Montgomery and Chester Counties located in the MSA/MD (#33974). As of December 31, 2016 this AA contains six of the seven branches or 87 percent and accounts for 93.4 percent of total bank deposits. The Delaware County AA (MSA/MD #37964) received a limited-scope review. The bank has one branch or 13 percent and 6.60 percent of bank deposits in this AA.

In mid-2016 the bank opened two private banking offices. These are located in Morristown, NJ and Villanova, PA. Office hours are by appointment only. Both have been in operation for less than one year and were not included in this evaluation.

Ratings

MFSB's overall rating is based primarily on the area that received a full-scope review. Under each of the tests, performance in the Montgomery County-Chester County AA carried the most weight, as it has the largest percentage of branches and deposits.

Other

During this evaluation, we performed a community contact with a local government agency. This agency provides a comprehensive, coordinated program that addresses housing, community, and economic development within Montgomery County. During our communication the community contact indicated that Montgomery County consists of higher income families but the area does have pockets of low- and moderate-income families. The area's most in need are Pottstown, parts of Lansdale and Norristown. These towns are located in Montgomery County and are part of the bank's AA. Our contact also indicated that local financial institutions are responsive to community needs and have provided financing for various projects in these areas.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) and 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA'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 (HUD), and the Consumer Financial Protection Bureau (CFPB), as applicable.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

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.

Description of Assessment Area(s)

Assessment area receiving full-scope review

Montgomery County-Bucks County-Chester County MSA/MD 33874

The AA is a portion of the Montgomery County-Bucks County-Chester County MSA/MD 33874 that is comprised of all of Montgomery and Chester Counties located in Southeastern Pennsylvania. MFSB operates six full service branch offices located within this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. Table 2 below presents a summary of demographic information for this AA:

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	327	3.98	19.57	44.65	31.19	0.61
Population by Geography	1,298,760	3.26	16.28	47.24	32.69	0.52
Owner-Occupied Housing by Geography	367,370	1.20	13.95	49.84	35.02	0.00
Business by Geography	116,795	1.95	14.81	44.73	38.51	0.01
Farms by Geography	3,166	0.95	13.77	51.61	33.67	0.00
Family Distribution by Income Level	337,531	18.33	17.50	22.66	41.50	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	120,952	5.92	25.86	48.53	19.69	0.00
Median Family Income		93,721	Median Housing Value		322,715	
FFIEC Adjusted Median Family Income for 2016		99,500	Unemployment Rate (2016		3.7%	
Households Below Poverty Level		6%	Bureau of Labor Statistics)			

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2016 FFIEC updated MFI

According to the 2010 U.S. Census Data, there are a total of 327 CTs in this AA. There are 13 low-income tracts, 64 moderate-income tracts, 146 middle-income tracts, 102 upper-income tracts and two tracts that have not been assigned an income classification.

The 2010 U.S. Census Data reported the total population of the AA at 1,298,760. This population was comprised of 487,797 households and 337,531 families. There are 511,711 housing units, of which 82.88 percent are one-to-four family units. Owner-occupied housing is 71.79 percent, rental-occupied housing is 23.53 percent, and vacant housing is 4.67 percent. The median housing cost is \$322,715.

The median family income was \$93,721 and the 2016 FFIEC adjusted median family income is \$99,500. Six percent of the households are below poverty level. In the AA, 3.26 percent of the families are low-income, 16.28 percent are moderate-income, 47.24 percent are middle-income, and 32.69 percent are upper-income.

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The primary industries in the area are health care and insurance. Major employers in the AA include Main Line Health, Vanguard Group Inc., Abington Memorial Hospital, and Aetna Inc.

Based upon 2015 U.S. Peer Mortgage Data, there were 573 lenders that granted 42,672 mortgages in 2015. Wells Fargo Bank, NA ranks first with a 13.18 percent market share of loans, JP Morgan Chase, NA is second with a 4.87 percent market share, Quicken Loans is third at 3.64 percent market share, and Trident Mortgage Company is fourth with a 2.96 percent market share. MFSB is ranked one-hundred thirtieth with a 0.12 percent market share.

The Montgomery County-Chester County PA AA is a highly competitive market for deposits, as MFSB faces competition from larger national and regional banks. MFSB's primary competitors include Wells Fargo Bank NA, Citizens Bank of Pennsylvania, TD Bank NA, and PNC Bank, NA. Based upon the most recent FDIC Summary of Deposits Report dated June 30, 2016, Wells Fargo Bank NA is first with an 18.82 percent deposit market share and 59 branches, Citizens Bank of Pennsylvania is second with 11.25 percent market share and 54 branches, and TD Bank NA is third with a 9.59 percent market share and 32 branches. MFSB ranks seventeenth with a 1.31 percent market share and six branches

Assessment area receiving limited-scope reviews

Delaware County, PA AA MSA #37964 – Philadelphia-Delaware PA MSA/MD.

The AA is comprised of all of Delaware County, PA. The county is located in Southeastern Pennsylvania and is part of the Philadelphia-Delaware, PA MSA #37964. MFSB operates one full service branch in the AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Table 2A below presents a summary of demographic information for this AA:

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	144	2.08	13.19	22.22	61.81	0.69
Population by Geography	558,979	1.20	12.56	17.92	68.32	0.00
Owner-Occupied Housing by Geography	148,298	0.71	7.37	16.99	74.93	0.00
Business by Geography	39,154	0.96	7.96	16.34	74.69	0.05
Farms by Geography	733	0.27	3.68	9.69	86.36	0.00
Family Distribution by Income Level	137,911	12.13	12.29	16.14	59.44	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	33,678	3.99	26.15	26.25	43.60	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		54,139 55,400 9%		Median Housing Value Unemployment Rate (2016 Bureau of Labor Statistics)	248,289 4.2%	

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions

Conclusions for Area Receiving Full-Scope Review

The bank's performance under the lending test is satisfactory. MFSB's loan-to-deposit ratio is reasonable, and a substantial majority of the bank's home mortgage loans were made within Montgomery County-Chester County AA. MFSB is found to have reasonable distribution among borrowers of different income levels and meets the standard for satisfactory performance. However, MFSB's geographical distribution of loans is inadequate.

Conclusion for Area Receiving Limited-Scope Review

The borrower distribution of MFSB's home mortgage loans in the Delaware County AA is inconsistent with the bank's overall "Satisfactory" performance for home purchase, home improvement and home refinance loans in moderate-income areas in this AA. However, based on the bank's limited presence and limited deposit and lending activity in this AA these results had little impact on the bank's overall rating. MFSB has one full service branch in this AA and 0.42 percent market share of the deposits.

Loan-to-Deposit Ratio

MFSB's net loan-to-deposit ratio is reasonable. The bank's net loan-to-deposit ratio quarterly average since the previous CRA evaluation is 87.82 percent. This ratio ranged from a quarterly low of 82.33 percent to a quarterly high of 94.61 percent during the period.

The bank's net loan-to-deposit ratio compares reasonably with other financial institutions of similar size, location, and product offerings. The average net loan-to-deposit ratio for the other three banks in a custom peer group in the state of Pennsylvania over the same period was 94.56 percent and ranged from 77.01 percent to 113.33 percent.

Lending in Assessment Area

A majority of MFSB's loan products were originated within the bank's AAs. The following table details the bank's lending within the AAs by number of loans. Over 70 percent of loans (by number of loans) originated by MFSB were originated within the bank's AAs. Table 4 indicates the allocation of loan activity.

Table 4 - Lending in MFSB's Assessment Area					
Loan Type	Number of Loans				Total
	Inside		Outside		
	#	%	#	%	
Home Purchase	66	72.53	25	27.47	91
Home Refinance	73	69.52	32	30.48	105
Home Improvement	48	84.21	9	15.79	57
Totals	187	73.91	66	26.09	253

Source: HMDA data loan data 1/1/2014-12/31/2016

Conclusions for Areas Receiving Full-Scope Reviews

Lending to Borrowers of Different Incomes

MFSB's distribution of loans represents reasonable percentage among individuals of different income levels based on the affordability of housing and demographic information. The borrower distribution portion of the test received more weight in our rating. The borrower distribution of MFSB's home mortgage loans is reasonable in Montgomery and Chester counties.

We considered demographic factors including the high cost of housing compared to the median family income of a low-income person and the percentage of individuals below the poverty level in our home mortgage analysis. We also considered the bank's market share in its AA.

Montgomery County-Bucks County-Chester County MSA/MD 33874

The distribution of loans for the Montgomery County-Chester County AA reflects an adequate proportion among individuals of different income levels.

Home Loans

Overall, the distribution of home loans to borrowers is adequate among borrowers of different income levels.

The bank made 3.70 percent of home purchase loans to low-income borrowers. The ratio is significantly less than both the aggregate lending level of 10.36 percent and the 18.33 percent of low-income families in the AA. Considering the 2016 FFIEC adjusted median family income is \$ 99,500 in this AA and a low-income family earns less than \$46,861, while the median housing value is \$322,317, a low-income borrower would have difficulty qualifying for a mortgage loan. In addition, MFSB's market share in the AA is 0.12 percent.

The bank made 12.96 percent of home purchase loans to moderate-income borrowers. The ratio is lower than both the aggregate lending level of 24.66 percent and the 17.50 percent of low-income families in the AA. This is considered adequate performance considering the 2016 FFIEC adjusted median family income is \$ \$99,500 in this AA and that a moderate-income family earns less than \$74,977 while the median housing value for this same period is \$322,715. A moderate-income borrower would have difficulty qualifying for a mortgage loan.

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The bank's percentage of home improvement loans made to low-income borrowers at 10.26 percent is near to the aggregate lending level of 11.17 percent and below the 18.33 percent of low-income families in the AA. This is considered adequate performance when considering the bank's limited market share is at 0.12 percent.

The bank's percentage of home improvement loans made to moderate-income borrowers at 17.95 percent is slightly less than the aggregate lending level of 19.45 percent and exceeds 17.50 percent of moderate-income families in the AA. This is considered adequate performance.

The bank's percentage of home refinance loans made to low-income borrowers at 5.66 percent is near to the aggregate lending level at 7.97 percent and significantly lower than the 18.37 percent of low-income families in the AA. This is considered adequate performance.

The bank's percentage of home refinance loans made to moderate-income borrowers at 15.09 percent is lower for both the aggregate lending level at 19.53 percent and near to 17.50 percent of moderate-income families in AA. This is considered adequate performance.

In evaluating MFSB distribution of loans among low-income and moderate income borrowers, we considered the median family income and the cost of housing. Therefore, more weight was given to the bank's performance to moderate-income borrowers in arriving at our determination.

The following Table 5 shows the distribution of MFSB home loan products among borrowers of different income levels for the period of January 1, 2014 through December 31, 2016 as compared to the percent of families in each income category.

Borrower Income Level		Low		Moderate		Middle		Upper		Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	Aggregate Lending Data			
Home Purchase	54	18.33	3.70	17.50	12.96	22.66	16.67	41.50	66.67	10.36	24.66	26.96	38.02
Home Improvement	40	18.33	10.26	17.50	17.95	22.66	17.95	41.50	53.85	11.17	19.45	25.68	43.69
Home Refinance	53	18.33	5.56	17.50	15.09	22.66	24.53	41.50	54.72	7.97	19.53	27.17	45.33

Source: HMDA data for 1/1/2014-12/31/2016 and HUD-updated 2010 U.S. Census data

Conclusions for Areas Receiving Limited-Scope Reviews

Lending to Borrowers of Different Incomes

The distribution of loans for Delaware County AA reflects an inadequate proportion among individuals of different income levels. The bank’s performance is inconsistent with the bank’s overall “Satisfactory” in the Montgomery County-Chester County AA. The bank made no loans to borrowers of different incomes in the AA. The bank has a limited presence and limited deposit share in the AA.

Delaware County, PA AA MSA #37964 – Philadelphia-Delaware PA MSA/MD.

Table 5A below details limited scope review the MFSB performance for the distribution of loans for the Delaware County, PA AA

Table 5A – Borrower Distribution of Residential Real Estate Loans By Borrower Income Levels in AA for 2014-2016													
Borrower Income Level		Low		Moderate		Middle		Upper		Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	Aggregate Lending Data			
Home Purchase	12	12.13	0.00	12.29	0.00	16.14	0.00	59.44	100.00	2.38	11.48	22.92	63.21
Home Improvement	8	12.13	0.00	12.29	0.00	16.14	0.00	59.44	100.00	4.94	7.08	15.73	72.25
Home Refinance	19	12.13	0.00	12.29	0.00	16.14	13.33	59.44	86.67	2.26	6.21	15.19	76.15

Source: HMDA data for 1/1/2014-12/31/2016 and HUD-updated 2010 U.S. Census data

Geographic Distribution of Loans

Conclusions for Areas Receiving Full-Scope Reviews

Montgomery County-Bucks County-Chester County MSA/MD 33874

The geographic distribution of loans is inadequate throughout the Montgomery County-Chester County AA.

Home Loans

The bank made no home purchase loans to low-income geographies in the AA. The aggregate lending level is 1.17 percent and the percentage of low-income families in the AA is 1.20 percent indicating the limited lending opportunities in this AA.

The bank's percentage of home purchase loans made to moderate-income geographies at 5.56 percent is significantly lower than both the aggregate lending level at 15.82 percent and the 13.95 percent of moderate-income families in the AA. This is considered inadequate performance.

The bank made no home improvement loans to low-income geographies in the AA. The aggregate lending level is 0.66 percent and the percentage of low-income families in the AA is 1.20 percent. However, as indicated above, there is limited lending opportunity in these geographies.

The bank's percentage of home improvement loans made to moderate-income geographies at 2.50 percent is significantly lower for both the aggregate lending level at 13.37 percent and the 13.95 percent of moderate-income families in the AA. This is considered inadequate performance.

The bank made no home refinance loans to low-income geographies in the AA. The aggregate lending level is 0.95 percent and the percentage of low-income families in the AA is 1.20 percent. As indicated, there is limited opportunity in originating home refinance loans in these geographies.

The bank's percentage of home refinance loans made to moderate-income geographies at 9.43 percent is near to the aggregate lending level at 12.45 percent and the 13.95 percent of moderate-income families in the AA. This is considered adequate performance.

Table 6 details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

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Table 6 – Geographic Distribution of Residential Real Estate Loans By Borrower Income Levels in AA for 2014-2016

Borrower Income Level		Low		Moderate		Middle		Upper		Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	Aggregate Lending Data			
Home Purchase	54	1.20	0.00	13.95	5.56	49.84	38.89	35.02	55.56	1.17	15.82	50.38	32.62
Home Improvement	40	1.20	0.00	13.95	2.50	49.84	42.50	35.02	55.00	0.66	13.37	52.71	33.26
Home Refinance	53	1.20	0.00	13.95	9.43	49.84	43.40	35.02	47.17	0.95	3.69	11.86	84.27

Source: HMDA data for 1/1/2014-12/31/2016 and 2010 U.S. Census data

Conclusions for Areas Receiving Limited-Scope Reviews

Delaware County, PA AA MSA #37964 – Philadelphia-Delaware PA MSA/MD

The geographic distribution of loans is inadequate throughout the Delaware County-AA. The bank made no loans to borrowers in low to moderate income geographies. The bank has a limited presence represented by one full service branch and limited deposit base in the AA.

Delaware County, PA AA MSA #37964 – Philadelphia-Delaware PA MSA/MD.

Table 6A below details limited scope review the MFSB performance for the distribution of loans for the Delaware County, PA AA.

Table 6A – Geographic Distribution of Residential Real Estate Loans By Borrower Income Levels in AA for 2014-2016

Borrower Income Level		Low		Moderate		Middle		Upper		Low	Mod	Mid	Upper
Loan Type	# of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	Aggregate Lending Data			
Home Purchase	12	0.71	0.00	7.37	0.00	16.99	0.00	74.93	100.00	0.07	4.24	15.38	80.32
Home Improvement	8	0.71	0.00	7.37	0.00	16.99	0.00	74.93	100.00	0.75	4.72	14.81	33.26
Home Refinance	19	0.71	0.00	7.37	0.00	16.99	10.53	74.93	89.47	3.69	3.69	11.86	84.27

Source: HMDA data for 1/1/2014-12/31/2016 and 2010 U.S. Census data

Responses to Complaints

A review of OCC's Customer Assistance Group complaints records, as well as the bank's Public CRA File, revealed no CRA-related complaints filed since the prior evaluation.

Community Development Test

The CD Test is rated Satisfactory. Given the bank's capacity and availability of CD opportunities in the AA, MFSB demonstrates acceptable responsiveness to CD needs in its AA through CD loans, qualified donations, and community services.

Number and Amount of Community Development Loans

Montgomery County-Bucks County-Chester County MSA/MD 33874

The bank's performance in CD lending in the Montgomery-Chester County AA is satisfactory. MFSB made an adequate level of CD loans throughout the evaluation period in this AA.

During this evaluation period, MFSB originated eight CD loans to organizations benefitting low and moderate-income individuals within the AA. The amount originated totaled \$22.4 million.

Examples of the CD loans follows:

- \$97,820 loan for the development for a store and residence located in a moderate-income geography, which will help promote and stabilize the area by providing needed jobs and services.
- \$100,000 commercial line of credit to a non-profit organization for a homeless shelter in a low-to-moderate income area that serves individuals in the AA.
- \$4.8 million loan used to rehabilitate a business located in a moderate-income geography for the purposes of revitalizing economic development in the AA.
- \$675 thousand adjustable rate commercial mortgage loan for apartments located in a moderate-income CT to promote affordable housing within the bank's AA.
- \$5 million loan used to rehabilitate a historical structure located in a moderate income geography that provides economic revitalization.
- \$9.9 million loan to construct homes for low-to-moderate income individuals that have disabilities and are disadvantaged.

Delaware County, PA AA MSA #37964 – Philadelphia-Delaware PA MSA/MD

The bank's performance in CD lending in the Delaware County AA is inconsistent with the bank's overall "Satisfactory" performance for CD lending in the Montgomery County-Chester County AA. The bank has a limited presence represented by one full service branch and a limited deposit base in the AA.

Community Development Investments

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test in the MFSB AA is rated satisfactory. Based on full-scope reviews, the bank's performance in the Montgomery County-Chester County AA is acceptable.

Montgomery County-Bucks County-Chester County MSA/MD 33874

MFSB funded four qualified CD investments and eight qualified CD contributions, which benefitted its Montgomery County-Chester County AA during the evaluation period, reflecting an adequate level of responsiveness to Montgomery County-Chester County AA community needs.

During the evaluation period, MFSB originated four CDC investments totaling \$1.25 million. The CDC consists of a group of Community Lenders that pool their funds to invest in affordable housing and CD projects. Funds are used to finance projects for community redevelopment and revitalization. The bank also invested \$500 thousand in a Community Development Finance Institution (CDFI) during the review period. The CDFI is a private, independent nonprofit organization that provides capital and access to financing for projects that generate jobs, create affordable housing and help to revitalize communities. Various CDC projects benefit low to moderate income communities. The volume of investments made and the overall responsiveness to identified needs exhibited satisfactory performance.

The bank provided \$77,090 in qualified donations to various charitable organizations that service the bank's AA. These funds support affordable housing, financial literacy and healthcare to low-and-moderate income individuals.

Delaware County, PA AA MSA #37964 – Philadelphia-Delaware PA MSA/MD

The bank's performance in qualified investments in the Delaware County AA is inconsistent with the bank's overall "Satisfactory" in the Montgomery County-Chester County AA. The bank has a limited presence and a limited deposit share in the AA.

Community Development Services

MFSB provides convenient, accessible, and free or reasonably priced services to meet the financial needs of the Montgomery County-Chester County AA with the following products and services:

- All branches have extended hours including Saturday.
- The bank offers a free checking account with no minimum balance requirements and no monthly service fee.
- The bank offers a statement savings account requiring a minimum deposit of \$200.
- The bank offers a youth savings account with a low minimum balance requirement of \$10.00.
- The bank offers internet, telephone and mobile banking services.

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During the review period bank employees afforded technical assistance to qualified CD organizations by providing financial services expertise. Listed below is a sample of these activities:

- A board member provides financial expertise to a non-profit housing organization in the AA.
- A senior member of bank management provides financial expertise to a community health clinic providing services to low-to-moderate individuals.
- A bank employee provides financial expertise to a non-profit advocacy group that assists underprivileged/foster children in a moderate income area of the bank's AA.

Delaware County, PA AA MSA #37964 – Philadelphia-Delaware PA MSA/MD

The bank's performance in community development services in the Delaware County AA is inconsistent with the bank's overall "Satisfactory" performance for community development services in the Montgomery County-Chester County AA. The bank has a limited presence represented by one full service branch and limited deposit base in the AA.