



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

March 23, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ponce de Leon Federal Bank  
Charter Number 706509

2244 Westchester Avenue Bronx, NY 10462

Office of the Comptroller of the Currency

343 Thornall Street, Suite 610 Edison, NJ 08837

**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 Ponce de Leon Federal Bank's (PDLFB) average loan-to-deposit ratio is reasonable.
- PDLFB extended the majority of its primary loan product (residential loans) to borrowers in the Assessment Area (AA).
- PDLFB's residential lending reflects reasonable distribution amongst individuals of different income levels.
- PDLFB's lending of residential loans amongst low- and moderate- income census tracts reflects excellent distribution.
- PDLFB demonstrated adequate responsiveness to community development needs of the AA.

## **Scope of Examination**

We evaluated PDLFB using Intermediate Small Bank examination procedures, which include a lending test and a community development test. The lending test covers PDLFB's performance from January 1, 2012 through December 31, 2014. Home mortgages represent PDLFB's primary loan product during the evaluation period. We utilized data reported under the Home Mortgage Disclosure Act (HMDA) performing a separate analysis of the data for the 2012-2013 period and 2014 period. We validated the accuracy of HMDA data as of June 30, 2014 during a data integrity examination. The community development test included a review of community development loans, qualified investments and donations, and community development services. The community development evaluation period was from April 24, 2012 to March 23, 2015. All of the bank's activities reviewed during this evaluation were within or directly benefited the defined AAs.

## **Description of Institution**

PDLFB is a \$706 million financial institution headquartered in Bronx, NY. The bank is not owned by a holding company and does not have any affiliates. The bank does have two subsidiaries, which include Ponce De Leon Mortgage Corporation (mortgage subsidiary) and PFS Service Corporation.

PDLFB is a full-service banking institution offering a range of commercial, real estate, and consumer credit products. As of December 31, 2014, the bank's \$555 million loan portfolio consists of 97% real estate loans (includes commercial real estate) and 3%

commercial and industrial loans. Deposits totaled \$602 million and Tier 1 Capital totaled \$95 million on this date.

The bank serves four counties in New York, (New York, Queens, Kings, and Bronx), and one county in New Jersey (Hudson). PDLFB operates 13 branches, including 12 branches in New York and one branch in New Jersey. Eight out of the bank's 13 branches are located in low- or moderate-income tracts. PDLFB has opened one additional branch, reestablished a full service branch and closed a temporary branch since the prior CRA evaluation. The bank operates 11 automated teller machine (ATM) locations. All ATMs are available 24-hours per day.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AA. The Office of the Comptroller of the Currency last evaluated PDLFB's CRA performance on April 23, 2012. PDLFB received an overall rating of "Satisfactory" under the Intermediate/Small Bank Performance Standards.

## **Description of Assessment Area(S)**

PDLFB's AA contains five contiguous counties in the New York–Jersey City-White Plains, NY-NJ Metropolitan Division (MD), #35614 which is part of the larger New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area (MSA) #35620- a multi-state MSA. The AA includes Bronx, Kings, Queens, and; New York Counties in New York State and Hudson County in New Jersey. The delineation of the AA does not reflect any illegal discrimination, nor does it arbitrarily exclude any low- or moderate-income geographies. The AA contains 2,223 census tracts, with 14% designated low-income, 28% moderate-income, 30% middle-income, 25% upper-income and 3% unknown.

The bank's AA was included in the region designated as a disaster area after Hurricane Sandy hit the New York and New Jersey coasts on October 29, 2012. Relief efforts to provide individuals and businesses with financial assistance and community services were included in this assessment period.

The AA had a 2010 U.S. Census population of 8,340,669. The income distribution for households in the AA is 15% low-income, 29% moderate-income, 27% middle-income, and 29% upper-income. Nearly 12% of the population is over the age of 65 and 36% of the AA's population is not in the work force. Of the 3,120,696 households in the AA, 23% receive social security, 18% have income below the poverty level, 11% of the households in the AA are retired, and 4% of the households receive public assistance. Non-English speaking households represent 37% of total households.

The Weighted Average of Housing and Urban Development (HUD) Updated Median Family Income for 2013 is \$66,000 and 2014 is \$68,900. Housing units in the AA consist of 28% owner- occupied units, 63% rental occupied and 9% vacant. The Weighted Average of Median Housing value from the 2010 U.S. Census data is \$520,338.

According to the US Bureau of Labor Statistics, the December 2014 unemployment rate for New York –Jersey City-White Plains, NY-NJ Metropolitan Division was 5.8%, which was higher than the national unemployment rate of 5.6%. Major employers in New York include Metropolitan Transportation Authority, North Shore –Long Island Jewish Health System, New York City Health Hospitals Corporation, JP Morgan Chase & Co., and Citigroup Inc. Top industry sectors are education and health services (20%); government (16%); professional and business services (14%); and retail trade (10%).

As of June 30, 2014, there are 119 financial institutions with 1,830 offices located within the AA. PDLFB competes with all surrounding institutions. As of June 30, 2014, PDLFB had 0.06% of the deposit market share of all banks located in the AA. The bank with the largest share has 42% of deposits.

We contacted one non-profit organization in the local community. Our contact organization helps promote services for low- and moderate-income senior citizens in Bronx County, New York. The contact did not identify a primary credit need for the AA; however they did mention the need to build awareness of senior citizens' civic rights and responsibilities. The organization has worked with local financial institutions to help promote awareness and protect senior citizens from financial exploitation. The contact stated that the local financial institutions are involved in the community, specifically PDLFB.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

PDLFB's performance under the lending test is satisfactory.

#### **Loan-to-Deposit Ratio**

PDLFB's level of lending is reasonable. The average quarterly loan to deposit ratio since the last CRA evaluation is 89%, compared to 74% for similarly situated banks. The average loan to deposit ratio for similarly situated banks ranges from 20% to 98%.

#### **Lending in Assessment Area**

PDLFB extended a majority of residential loans to borrowers inside the AA. PDLFB originated 78% of the number and 78% of the dollar volume of residential loans within the AA during both evaluation periods.

PDLFB originated or purchased 104 1-4 family loans and 36 multi-family loans within the AA during the 2012-2013 evaluation period. PDLFB granted 79% of the number and 83% of the dollar volume of total residential loans within the AA during this period.

The 2014 evaluation period was similar with 75% of the number and 72% of the dollar amount of PDLFB’s loans granted in the AA.

**Lending to Borrowers of Different Incomes**

The distribution of loans to borrowers reflects reasonable penetration among borrowers of different income levels. PDLFB’s lending to borrowers of different income levels meets the standard for satisfactory performance. We placed more emphasis on home purchase loans as they make up 69% of HMDA loans originated or purchased during the 2012 – 2013 evaluation period and 56% during the 2014 evaluation period.

The tables below show the distribution of HMDA loans among borrowers of different income levels for the period of January 1, 2012 through December 31, 2013, as compared to the percentage of families in each income category as well as the aggregate industry lending data.

<b>Distribution of Thrift Home Purchase Loans By Borrower Income Level in the Assessment Area During 2012-2013 Evaluation Period</b>				
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Family Distribution</b>	<b>% of Aggregate (or Peers)</b>
Low	1.47	0.39	30.54	0.97
Moderate	4.41	1.30	17.22	7.54
Middle	13.24	8.64	16.65	20.60
Upper	60.29	67.71	35.59	70.90
<b>Total # or \$</b>	<b>68</b>	<b>\$26,624 (000)</b>		

PDLFB’s lending to borrowers of different income levels meets the standard for satisfactory performance for home purchase loans. The bank made 1.47% of the number of home purchase loans to low-income borrowers exceeding the 0.97% aggregate lenders level. They made 4.41% of the number of home purchase loans to moderate-income borrowers, which did not meet the 7.54% aggregate lenders level.

<b>Distribution of Thrift Home Improvement Loans By Borrower Income Level in the Assessment Area During 2012-2013 Evaluation Period</b>				
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Family Distribution</b>	<b>% of Aggregate (or Peers)</b>
Low	0.00	0.00	30.54	4.92
Moderate	0.00	0.00	17.22	10.31
Middle	0.00	0.00	16.65	20.80
Upper	50.00	44.25	35.59	63.87
<b>Total # or \$</b>	<b>2</b>	<b>\$895 (000)</b>		

PDLFB’s lending to borrowers of different income levels does not meet the standard for satisfactory performance for home improvement loans. PDLFB did not make any home

improvement loans to low- or moderate-income borrowers. The aggregate lenders level for home improvement loans to low- and moderate-income borrowers is 4.92% and 10.31%, respectively.

<b>Distribution of Thrift Home Refinance Loans By Borrower Income Level in the Assessment Area During 2012-2013 Evaluation Period</b>				
<b>Borrower Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Family Distribution</b>	<b>% of Aggregate (or Peers)</b>
Low	0.00	0.00	30.54	2.78
Moderate	6.25	3.05	17.22	6.65
Middle	6.25	43.75	16.65	16.41
Upper	43.75	54.10	35.59	74.15
<b>Total # or \$</b>	<b>16</b>	<b>\$10,105 (000)</b>		

Source: HMDA data 2012-2013, 2010 U.S. Census data

PDLFB’s lending to borrowers of different income levels meets the standard for satisfactory performance for home refinance loans. PDLFB did not make any home refinance loans to low-income borrowers but did make 6.25% of the number of home improvement loans to moderate-income borrowers. The bank did not meet the 2.78% aggregate lenders level for low-income borrowers or 6.65% aggregate lenders level for moderate-income borrowers.

PDLFB did not meet the aggregate lenders level for home purchase, home improvement or home refinance loans to low- or moderate income levels during the 2014 evaluation period.

It is important to highlight, the median housing price for the AA was \$520M, which is not affordable for low and moderate-income borrowers of which the median family income is \$68.9 thousand. 18% of households in the AA are below the poverty level. In addition, only 39% of the housing in the AA is 1-4 family units and only 28% is owner occupied, and therefore opportunities for home ownership is limited.

PDLFB extended 36 multi-family loans in the 2012-2013 evaluation period and 18 during the 2014 evaluation period. However, these loans are not included in this analysis, as income for these loans is not a reportable line item on the HMDA LAR.

**Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels. PDLFB’s lending in geographies of different income levels exceeds the standard for satisfactory performance.

<b>Distribution of Thrift Home Purchase Loans By Census Tract Income Level in the Assessment Area During 2012-2013 Evaluation Period</b>				
<b>Census Tract Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Owner Occupied</b>	<b>% of Aggregate (or Peers)</b>
Low	5.88	7.07	3.90	4.64
Moderate	29.41	28.70	19.06	17.93
Middle	42.65	37.55	35.41	29.36
Upper	22.06	26.68	41.63	48.06
<b>Total # or \$</b>	<b>68</b>	<b>\$26,624 (000)</b>		

PDLFB’s lending in geographies of different income levels exceeds the standard for satisfactory performance for home purchase loans. The bank extended 5.88% of the number of home purchase loans to borrowers in low-income census tracts and 29.41% to borrowers in moderate-income census tracts, which exceeded the aggregate lenders levels of 4.64% and 17.93%, respectively.

<b>Distribution of Thrift Home Improvement Loans By Census Tract Income Level in the Assessment Area During 2012-2013 Evaluation Period</b>				
<b>Census Tract Income Category</b>	<b>% of Loans</b>	<b>% of \$ Volume</b>	<b>% Owner Occupied</b>	<b>% of Aggregate (or Peers)</b>
Low	0.00	0.00	3.90	4.39
Moderate	50.00	44.25	19.06	19.08
Middle	50.00	55.75	35.41	29.60
Upper	0.00	0.00	41.63	46.93
<b>Total # or \$</b>	<b>2</b>	<b>\$895 (000)</b>		

PDLFB’s lending in geographies of different income levels meets the standard for satisfactory performance for home improvement loans. PDLFB did not extend home improvement loans to borrowers in low-income census tracts but did extend 50.00% of the number of home improvement loans to borrowers’ in moderate-income census tracts. The aggregate lenders level of home improvement loans was 4.39% to borrowers in low-income census tracts and 19.08% to borrowers in moderate-income census tracts.

Distribution of Thrift Home Refinance Loans By Census Tract Income Level in the Assessment Area During 2012-2013 Evaluation Period				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate (or Peers)
Low	18.75	11.28	3.90	3.40
Moderate	31.25	31.02	19.06	15.07
Middle	18.75	8.39	35.41	27.10
Upper	31.25	49.30	41.63	54.43
<b>Total # or \$</b>	<b>16</b>	<b>\$10,105 (000)</b>		

Source: HMDA data 2012-2013, 2010 U.S. Census data

PDLFB’s lending in geographies of different income levels exceeds the standard for satisfactory performance for home refinance loans. PDLFB extended 18.75% and 31.25% of the number of home refinance loans to borrowers in low- and moderate-income tracts, respectively. The aggregate lender level of home refinance loans to borrowers in low income census tracts was 3.40% and 15.07% for borrowers in moderate-income census tracts. The bank also extended 13.79% of multifamily loans to borrowers in low-income census tracts and 48.28% of multifamily loans to borrowers in moderate income tracts exceeding the aggregate lender’s level of 12.33% and 30.91%, respectively.

Performance during the 2014 evaluation period was consistent with the 2012-2013 evaluation period.

**Responses to Complaints**

PDLFB has not received any CRA-related complaints since the last CRA evaluation.

**COMMUNITY DEVELOPMENT TEST**

The bank’s performance under the community development test is satisfactory. PDLFB provided \$6.4 million in community development loans and qualified investments during the evaluation period. PDLFB personnel also used their financial expertise to educate consumers in low- and moderate-income tracts in the AA.

**Number and Amount of Community Development Loans**

PDLFB granted 13 loans, totaling \$6.4 million for community development purposes during the evaluation period. This reflects an adequate responsiveness to community development lending needs. The proceeds of the community development loans were primarily used to fund multi-family housing located in low- and moderate-income census tracts with the residents consisting mainly of low- or moderate-income families.

### **Number and Amount of Qualified Investments**

PDLFP's level of qualified investments total \$24 thousand. This reflects poor responsiveness to community development investment needs. Qualifying donations accounted for all of the current period investments. PDLFB made 13 qualifying donations supporting local organizations focusing on serving the needs of low- and moderate-income individuals through education/youth programs, healthcare services, food programs, counseling and affordable housing.

PDLFP also has qualified equity investments outstanding from the prior evaluation period with a book value of \$846 thousand. The equity investments were in FNMA securities consisting of mortgage loans made to low- and moderate-income individuals within the bank's AA.

### **Extent to Which the Bank Provides Community Development Services**

PDLFB's level of community development services during the evaluation period demonstrates adequate responsiveness to community development service needs. PDLFB has developed a program to provide technical assistance to low- and moderate-income individuals. In addition, the bank has hosted financial education seminars in moderate-income geographies. PDLFB employees provide support and services to organizations including chambers of commerce, merchants associations, and various other developmental corporations.

### **Responsiveness to Community Development Needs**

PDLFB showed adequate responsiveness to community development needs.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 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 AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.