



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 17, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Progressive-Home FS&LA
Charter Number 700495

820 E. Warrington Avenue
Pittsburgh, PA 15210-1560

Office of the Comptroller of the Currency

Corporate One Office Park, Building 2
4075 Monroeville Boulevard, Suite 300
Monroeville, PA 15146

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 major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, assessment area (AA), credit needs, and relevant competitive factors;
- A majority of loans originated are in the bank's AA;
- The record of lending reflects reasonable penetration to residential real estate loans; and
- The distribution of loans reflects reasonable dispersion among borrowers of different income levels.

SCOPE OF EXAMINATION

CRA activities at Progressive Home Federal Savings & Loan Association (Progressive) were completed using full-scope review procedures for its AA. Our review covered the bank's performance from January 1, 2009 through December 31, 2011. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

DESCRIPTION OF INSTITUTION

Progressive is a federally chartered mutual institution operating as a traditional thrift. Since 1942, Progressive has been offering traditional loan and deposit services. Its predominant product is residential mortgage loans secured by one- to four-family dwellings. Some of its retail services include checking and savings accounts and individual retirement accounts. Additional information is available at the bank's website at www.phfsl.com.

At June 30, 2012, Progressive maintained total assets of \$54 million. As of the same date, Progressive had net loans of \$25 million, total deposits of \$41 million, and Tier One Capital of \$5.8 million. Net loans represent 46% of total assets. The bank's loan portfolio consists of: one-to-four family residential real estate loans (94%), home equity loans (4%), loans to individuals (1%), and other loans (1%).

The main office is located at 820 Warrington Avenue, Pittsburgh, PA 15210. The second branch at 3029 West Liberty Avenue, Pittsburgh, PA 15216 is also where the bank's ATM is located. Progressive is a member of the Freedom ATM Alliance which offers ATM service surcharge free. The bank offers traditional business hours during the week and alternates extended hours until 6:00 pm on Thursday and Friday evenings between both offices. Saturday hours are available at both offices during the months from November to April.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its AA. At the prior CRA examination dated June 20, 2007, Progressive was rated "Satisfactory."

DESCRIPTION OF PROGRESSIVE ASSESSMENT AREA

| Demographic Information for Full Scope Area: Progressive AA | | | | | | |
|--|---------|------------------------|---|----------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 128 | 4.69 | 13.28 | 46.09 | 35.94 | 0.00 |
| Population by Geography | 411,965 | 0.89 | 9.95 | 44.59 | 44.56 | 0.00 |
| Owner-Occupied Housing by Geography | 120,364 | 0.21 | 8.70 | 45.52 | 45.57 | 0.00 |
| Business by Geography | 41,079 | 0.65 | 7.04 | 37.49 | 54.83 | 0.00 |
| Farms by Geography | 517 | 0.00 | 3.68 | 48.74 | 47.58 | 0.00 |
| Family Distribution by Income Level | 109,119 | 15.06 | 16.20 | 20.66 | 48.09 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 34,103 | 2.32 | 16.44 | 53.45 | 27.79 | 0.00 |
| Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level | | 47,195 64,000 9% | Median Housing Value Unemployment Rate (Sept. 2012 Bureau of Labor Statistics) | 98,356 6.6% | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI

Progressive’s AA is located within the Pittsburgh, Pennsylvania (PA) Metropolitan Statistical Area (MSA), and consists of portions of Allegheny and Washington Counties in PA. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The total population in the AA was 411,965 as of the 2000 U.S. Census. The unemployment rate as of September 2012 in the AA was 6.6%. This rate is lower than the Pittsburgh MSA at 7.4% and lower than the state rate at 8.2%.

Major employers for Allegheny County in the AA include the Federal Government, UPMC Presbyterian, University of Pittsburgh, Western Pennsylvania Hospital, and Giant Eagle. Major employers for Washington County in the AA include The Washington Hospital, Washington Trotting Association, Washington County, Monongahela Valley Hospital, and state system of higher education. Top employment sectors include service industries at 42%, non-classified establishments at 24%, retail trade at 10%, and finance/insurance/real estate at 7%.

The median cost of housing in the AA is \$98,356. The Updated Median Family Income for 2011 is \$64,000. The percentage of households below the poverty level is 9%. The AA's population is comprised of 411,965 families with the following family income distribution: 0.89% are low-income, 9.95% are moderate-income, 44.59% are middle-income, and 44.56% are upper-income.

In 2010, 280 lenders originated Home Mortgage Disclosure Act (HMDA) loans in the AA, according to the HMDA Peer Mortgage Data. Competition in the AA was strong with PNC Bank, Wells Fargo Bank, and Bank of America ranking as the top three lenders with market shares of 10.03%, 8.40%, and 7.90% respectively. Progressive was ranked 53rd with a market share of 0.20%. Other competitors consisted of large national banks and mortgage companies, large regional banks, and mortgage brokers with nationwide sources of funding.

According to the June 30, 2012 FDIC Summary of Deposits Market Share Report, Progressive was ranked 36th out of 42 institutions in their AA with 0.05% of deposits. PNC Bank is ranked first with 117 offices and 48.04% of the deposits. Other financial institutions include Bank of New York Mellon with one office and 19.92% of the deposits, Citizens Bank of PA with 92 offices and 6.38% of the deposits, and Dollar Bank with 30 offices and 3.79% of the deposits.

We completed one community contact to a non-profit housing organization focused on assisting people to secure rental housing and paying rental subsidies as well as purchasing homes and becoming economically self-sufficient. The contact indicated that affordable housing remains a major need in the area. Also, the contact stated that there is a continued need for rental housing for LMI families in the area. The agency currently owns and manages over 3 thousand low income public housing units and administrates over 5 thousand housing vouchers throughout its servicing area. The contact indicated that local financial institutions have been active and supportive in housing initiatives but could do more for the LMI individuals and families in their communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Progressive's LTD ratio is satisfactory. The bank's LTD ratio is reasonable for the standard for satisfactory performance based on the institution's size and competition in the AA. The bank's average LTD ratio for the prior twenty quarters is 56%, decreasing from the prior review period when it was 74%. This is below the 85% average LTD ratio for similarly situated banks during the same time period. However, it was noted that the ratio is showing an increasing trend over the review period from a low of 50% at the beginning of the review period to its high of 61% at the last quarter of the review period.

Lending in Assessment Area

Progressive's lending in their AA is satisfactory. A majority of the home mortgage loans originated during the evaluation period were within the AA. Progressive meets the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that over 73% of these loans were originated in the AA.

Lending to Borrowers of Different Incomes

Progressive’s lending to borrowers of different incomes meets the standard for reasonable performance and is considered satisfactory.

The level of home mortgage loan purchases to low-income borrowers is somewhat lower than the percentage of low-income families in the AA. However, when considering the affordability of housing in the AA, this performance is good. The median cost of housing in the AA is \$98 thousand, based on 2000 census data. The HUD updated median family income for 2011 is \$64 thousand. This means that a low-income person earns approximately \$32 thousand. Households below the poverty level are at 9%. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA. Also, in 2010, of the 280 lenders to low-income individuals in the AA, Progressive was ranked 53rd, with a market share of 0.20%. The level of home mortgage loan purchases to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance is excellent.

The level of home mortgage refinance loans made to low-income borrowers is lower than the percentage of low-income families in the AA. This performance meets the standard and is considered reasonable. The level of home mortgage refinance loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families in the AA. This performance meets the standard and is considered reasonable. As noted above, Progressive faces strong competition within the AA.

| Table 1 - Borrower Distribution of Residential Real Estate Loans in AA | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase | 15.06 | 12.50 | 16.20 | 31.25 | 20.66 | 25.00 | 48.09 | 31.25 |
| Home Mortgage Refinance | 15.06 | 7.27 | 16.20 | 12.73 | 20.66 | 18.18 | 48.09 | 61.82 |

Source: 2009-2011 HMDA LAR.

Geographic Distribution of Loans

Progressive’s geographic distribution of loans meets the standard for satisfactory performance. The geographic distribution reflects reasonable dispersion in comparison to the geographical distribution of residential mortgage loans within the AA. Our review did not detect any conspicuous or unexplained gaps in the bank’s lending patterns.

Geographic Distribution of Residential Real Estate Loans

The geographic distribution of loans in the AA is satisfactory. The distribution of home purchase loans to low-income geographies is lower than the percentage of low-income families and reflects reasonable dispersion while the distribution of home purchase loans to moderate-income geographies exceeds the percentage of moderate-income families and reflects excellent dispersion.

The distribution of home mortgage refinance loans to low-income geographies is lower than the percentage of low-income families. The distribution of home mortgage refinance loans to moderate-income geographies is somewhat lower than the percentage of moderate-income families. Both performances are considered reasonable dispersion.

| Table 2 - Geographic Distribution of Residential Real Estate Loans in AA | | | | | | | | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan type | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Home Purchase | .21 | 0.00 | 8.70 | 25.00 | 45.52 | 56.25 | 45.57 | 18.75 |
| Home Mortgage Refinance | .21 | 0.00 | 8.70 | 5.45 | 45.52 | 41.82 | 45.57 | 52.73 |

Source: 2009-2011 HMDA LAR.

Responses to Complaints

Progressive did not receive any complaints about its performance in helping to meet credit needs in the AA during this evaluation period.

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.