



# SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

September 17, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eureka Bank  
Charter Number 700962

3455 Forbes Ave  
Pittsburgh, PA 15213-3212

Office of the Comptroller of the Currency

Corporate One Office Park, Bldg 2  
4075 Monroeville Blvd, Suite 300  
Monroeville, PA 15146-2529

**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 Outstanding.**

The major factors supporting the institution's rating include:

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

**SCOPE OF EXAMINATION**

CRA activities at Eureka Bank (Eureka) 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**

Eureka, founded in 1886, is a federally chartered stock savings bank. Eureka Financial Corp is the parent company of the bank. The bank is a full service community bank offering traditional loan and deposit services, with a focus on small to medium sized business. Eureka's 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. Its commercial services include business checking and savings, term loans, SBA loans, and commercial real estate loans. In addition to 24 hour telephone banking service, Eureka also offers standard internet banking services such as account transfers and bill pay. Additional information is available at the bank's website at [www.eurekabancorp.com](http://www.eurekabancorp.com).

At June 30, 2012, Eureka maintained total assets of \$144 million. As of the same date, Eureka had net loans of \$109 million, total deposits of \$122 million, and Tier One Capital of \$20 million. Net loans represent 76% of total assets. The bank's loan portfolio consists of: one-to-four and multi-family residential real estate loans (60%), other real estate loans (24%), and lease financing loans (16%).

The main office is located at 3455 Forbes Avenue, Pittsburgh, PA 15213. During the evaluation period, the bank opened a second office location at 1626 Babcock Boulevard, Pittsburgh, PA on November 1, 2007. The main office has a Drive Thru and both offices have ATMs. The bank offers traditional business hours during the week at

both offices and also offers Saturday lobby and drive-thru hours at the Babcock Boulevard office. Eureka is a member of the Freedom ATM Alliance which offers ATM service surcharge free.

Eureka offers products to meet consumer and commercial banking needs and the bank's Internet website provides detailed information on its products and services. Banking services are standard with free internet banking and mobile banking soon to be added. Eureka offers a free personal checking account with a minimum of \$50 to open and no monthly service fees and a no minimum balance requirement.

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 April 26, 2006, Eureka was rated "Outstanding."

### DESCRIPTION OF EUREKA BANK ASSESSMENT AREA

Demographic Information for Full Scope Area: Eureka AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	416	7.93	22.12	41.83	27.88	0.24
Population by Geography	1,281,666	4.62	17.77	42.67	34.93	0.00
Owner-Occupied Housing by Geography	360,021	1.97	14.63	46.23	37.17	0.00
Business by Geography	135,269	3.98	13.10	36.18	46.53	0.22
Farms by Geography	1,717	1.34	7.80	47.41	43.39	0.06
Family Distribution by Income Level	333,898	18.69	17.33	21.10	42.88	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	120,273	8.47	26.06	46.02	19.45	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		47,195 63,000 12%	Median Housing Value Unemployment Rate (Sept. 2012 Bureau of Labor Statistics)	87,974 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

Eureka's AA is located within the Pittsburgh, Pennsylvania (PA) Metropolitan Statistical Area (MSA), and includes all census tracts in Allegheny County, PA. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The total population in the AA was 1,281,666 as of the 2000 U.S. Census. The unemployment rate as of September 2012 was 6.6%. This rate is lower than the Pittsburgh MSA rate of 8.2% and lower than the state rate of 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. 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 \$93,781. The Updated Median Family Income for 2011 is \$84,500. The percentage of households below the poverty level is 15%. The AA's population is comprised of 282,112 families with the following family income distribution: 30.45% are low-income, 20.80% are moderate-income, 21.81% are middle-income, and 26.93% are upper-income.

In 2010, 362 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 9.11%, 8.43%, and 8.27% respectively. Eureka was ranked 54th 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, Eureka was ranked 20th out of 35 institutions in their AA with 0.16% of deposits. PNC Bank is ranked first with 104 offices and 49.24% of the deposits. Other financial institutions include Bank of New York Mellon with one office and 21.10% of the deposits, Citizens Bank of PA with 79 offices and 5.97% of the deposits, Dollar Bank with 28 offices and 3.9% of the deposits, and BNY Mellon with one office and 3.43% 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**

Eureka's LTD ratio is outstanding. The bank's LTD ratio is more than reasonable for the standard for satisfactory performance. The bank's average LTD ratio for the prior twenty-five quarters is 97%, increasing slightly from the prior review period when it was 93%. This is well above the 82% average LTD ratio for similarly situated banks during the same time period. However, it was noted that the ratio is showing a declining trend over the review period from a high of 106% to a low of 89%.

## Lending in Assessment Area

Eureka's lending in their AA is outstanding. A substantial majority of the home mortgage loans originated during the evaluation period were within the AA. Eureka exceeds the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that over 99% of these loans were originated in the AA.

## Lending to Borrowers of Different Incomes

Eureka's lending to borrowers of different incomes meets the standard for excellent performance and is considered outstanding. The level of home mortgage loan purchases and refinances originated to low-income borrowers is somewhat lower than the percentage of low-income families in the AA. However, when considering the affordability and availability of housing in the AA, this performance is good. The median cost of housing in the AA is \$88 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 less than \$32 thousand. Households below the poverty level are just above 12%. Based on these statistics and limited available housing options, it would be difficult for a low-income individual to purchase housing in the AA. Also, in 2010, of the 362 lenders to low-income individuals in the AA, Eureka was ranked 54th, with a market share of 0.20%. The level of home improvement loans to low-income borrowers is near to the percentage of moderate-income families in the AA. This is mitigated by the fact that competition is strong within the AA as 41% of the market share for home mortgage loans is garnered by large national banks.

The percentage of home purchase and home mortgage refinance loans made to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance is excellent. The percentage of home improvement loans made to moderate-income borrowers is significantly lower than the percentage of moderate-income families in the 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	18.69	13.27	17.33	18.37	21.10	15.31	42.88	53.06
Home Improvement	18.69	16.67	17.33	0.00	21.10	16.67	42.88	66.67
Home Mortgage Refinance	18.69	11.21	17.33	18.10	21.10	24.14	42.88	46.55

Source: 2009-2011 HMDA LAR.

**Geographic Distribution of Loans**

Eureka’s geographic distribution of loans exceeds the standard for satisfactory performance. The geographic distribution reflects excellent 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 excellent. The distribution of home purchase and home refinance loans to low-income geographies exceeds the percentage of low-income families and reflects excellent dispersion while the distribution of home improvement loans to low-income geographies is somewhat lower than the percentage of moderate-income families and reflects reasonable dispersion but is mitigated by the strong competition the bank faces.

The distribution of home mortgage purchase, home improvement, and home refinance loans to moderate-income geographies exceeds the percentage of low-income families. This performance is excellent dispersion.

<b>Table 2 - Geographic Distribution of Residential Real Estate Loans in AA</b>								
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	1.97	5.61	14.63	45.79	46.23	23.36	37.17	25.23
Home Improvement	1.97	0.00	14.63	50.00	46.23	50.00	37.17	0.00
Home Mortgage Refinance	1.97	3.97	14.63	29.37	46.23	38.89	37.17	27.78

Source: 2009-2011 HMDA LAR.

**Responses to Complaints**

Eureka 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.