



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 02, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Prospect Federal Savings Bank
Charter Number 700691

11139 S. Harlem Avenue
Worth, IL 60482-1801

Office of the Comptroller of the Currency

2001 Butterfield Road, Suite 400
Downers Grove, IL 60515

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.

Prospect Federal Savings Bank (PFSB) has satisfactory performance in meeting the credit needs of the community. The major factors that support this rating include:

- PFSB's loan- to- deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans originated during the evaluation period are inside PFSB's AA.
- The borrower distribution of home mortgage loans reflects reasonable penetration.
- The geographic distribution of home mortgage loans reflects reasonable dispersion.
- There are no complaints regarding the bank's CRA performance.

SCOPE OF EXAMINATION

This CRA Performance Evaluation is an assessment of PFSB's ability to help meet the credit needs of its community. PFSB is evaluated under the Small Bank examination procedures, which consist of a lending test that evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The evaluation period is from January 1, 2010 to December 31, 2011.

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). We tested a sample of the bank's HMDA data during the sampling period and found it was reliable; therefore, it was used in our home mortgage lending analysis.

DESCRIPTION OF INSTITUTION

PFSB is a federally chartered mutual institution with its main office located in Worth, Illinois which is approximately 20 miles southwest of downtown Chicago. PFSB has two full service branches with one located in Oak Lawn, Illinois and the other located on the southwest side of the City of Chicago. The Worth and Oak Lawn offices have ATMs. The main office in Worth and the branch office in Chicago have drive-up facilities. The bank's main office is located in a moderate-income geography and the other two branches are in middle-income geographies. PFSB offers a wide range of traditional deposit products and services.

PFSB has total assets of \$275 million as of December 31, 2012. The loan portfolio represents 21 percent of total assets. The bank's primary loan product is residential real estate loans. The lending test is based on PFSB's primary loan product. Seventy-

nine percent of the number of loans and 88 percent of the dollar amount of loans are residential real estate loans. This lending category accounts for the majority of all loan originations during the evaluation period.

There are no legal, financial, or other factors impeding the bank’s ability to help meet the credit needs of its community. At the last CRA evaluation, dated February 22, 2010, PFSB received a “Satisfactory” record of meeting community credit needs.

DESCRIPTION OF ASSESSMENT AREA(S)

PFSB has one assessment area (AA) comprised of 240 contiguous geographies. There are 238 of the geographies located in the County of Cook with the remaining two geographies located in Will County. The bank’s AA for this evaluation period remains unchanged since the prior evaluation. The 2000 Census Bureau information shows that of the total families (256,618), 24.11 percent are low- income and 19.76 percent are moderate-income. Additionally, 9.81percent of families are below poverty level. The unemployment rate in Cook County is currently at 8.9 percent. Owner occupied units represent 69.15 percent of total housing units in the AA. Rental housing represents 25.91 percent of total housing. The table below provides information regarding the number and percentage of families by income level living in the AA as of the 2000 census.

Table 1- Demographic Information for Full Scope Area: Prospect Federal Savings Bank AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	240	15.83	28.75	44.17	9.58	1.67
Population by Geography	1,031,352	9.10	28.12	50.51	12.27	0.00
Owner-Occupied Housing by Geography	254,785	3.91	20.57	59.33	16.19	0.00
Business by Geography	41,042	4.78	18.91	57.47	18.63	0.21
Farms by Geography	542	0.92	17.16	61.07	20.85	0.00
Family Distribution by Income Level	256,618	24.11	19.76	23.38	32.75	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	112,570	14.45	35.30	44.11	6.14	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		60,166 76,200 11%		Median Housing Value Unemployment Rate updated US Labor Dept.*12/2012		128,109 8.90%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2010 HUD updated MFI and US Dept. of Labor

The bank’s AA is a highly competitive environment. There are 147 banks reporting deposit taking branch offices in Cook County as of June 30, 2012. Within Cook County, where all the PFSB branches are located, the bank’s deposit market share is 0.11 percent, ranking it 62nd out of 147 institutions. Our community contact stated that affordable home improvement loans, affordable housing, and small business loans would help the community at this time.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

PFSB’s loan- to- deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and credit needs. The ratio, along with comparisons to other similarly sized institutions loan volume are considered indicators of whether the level of lending is reasonable in light of capacity to lend and lending opportunities in the AA.

As of September 30, 2012, the bank’s LTD ratio is 24.59 percent. The bank has maintained an average LTD ratio of 26.12 percent for the nine quarters ending December 31, 2012. The bank’s peer group LTD ratio during this same time period ranged from 43 percent to 68 percent. PFSB’s ratio is attributed to poor loan demand during the time period being reviewed along with strong competition from very large regional banks and mortgage companies, which hold greater than 50 percent of the home mortgage market share. Other strong mitigating factors for a low LTD ratio is the high unemployment rate during this evaluation period of almost 9 percent and high poverty level of almost 10 percent.

Lending in Assessment Area

A majority of loans originated by PFSB are to customers within its AA. Overall, PFSB’s lending within the AA is reasonable. Lending inside the AA by number is 72.63 percent and 70.03 percent by dollar amount. The following table details the bank’s lending within the AA based on the number of residential real estate loan originations and dollar volume during the evaluation period.

Table 2- Lending in PFSB’s AA										
Loan Type*	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	69	72.63	26	27.37	100	\$8,576	70.03	\$3,671	29.97	100
Totals	69	72.63	26	27.37	100	\$8,576	70.03	\$3,671	29.97	100

*All HMDA reported loans from 2010 and 2011.

Lending to Borrowers of Different Incomes

The borrower distribution of PFSB’s home mortgage loans reflects reasonable distribution among all borrowers in the AA.

Our evaluation focuses on the institution’s lending performance to low- and moderate-income borrowers in the AA as compared to the aggregate industry percentage distribution. We also compared PFSB’s performance to the level of low- and moderate-income families within the AA. Within the AA, 24.11 percent of the families are considered low-income and 19.76 percent are considered moderate-income. Additionally, as stated above, 9.81 percent of families in the AA are living below the poverty level and unemployment in the AA is high at 8.9 percent, making home ownership difficult for low-income and moderate-income borrowers. Based on this information, home mortgage loan opportunities for low- or moderate-income families within the AA are limited. These factors were considered in the home mortgage analysis. The table below provides the borrower distribution of mortgage loans.

Table 3- Borrower Distribution of Residential Real Estate Loans												
Borrower Income Level	Low		Moderate		Middle		Upper		Peer Aggregate HMDA Lending			
Loan Type*	% 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	Low	Moderate	Middle	Upper
Home Purchase	24.11	19.05	19.76	19.05	23.38	14.29	32.75	47.62	17.58	36.91	27.20	18.31
Refinance	24.11	12.50	19.76	22.50	23.38	25.00	32.75	40.00	18.18	19.86	31.20	40.77

*All HMDA reported loans from 2010 and 2011

Home Purchase

The borrower distribution of home purchase loans in the AA is reasonable. The distribution of home purchase loans to low-income borrowers exceeds the aggregate industry percentage distribution. However, the distribution of home purchase loans to moderate-income borrowers is below the aggregate industry percentage distribution. When combined, PFSB’s 38.10 percent ratio is below the 43.87 percent of AA family demographics. Performance context information above mitigates PFSB’s performance as compared to the demographic and aggregate comparators. High unemployment and poverty levels restrict low-and moderate-income borrowers’ ability to qualify for home purchase loans.

Home Improvement

The volume of home improvement loans was not material enough for a meaningful analysis of borrower distribution. Therefore, we did not rely on PFSB’s home improvement lending performance.

Home Refinance

The borrower distribution of home refinance loans in the AA is reasonable. The distribution of home refinance loans to low- income borrowers is below the aggregate industry percentage. However, the bank’s distribution of home refinance loans to moderate-income borrowers exceeds the aggregate industry percentage. When combined, PFSB’s ratio of 35 percent is below the 43.87 percent of AA family demographics. Income restraints on the low-income segment of the AA make it difficult for borrowers to purchase or refinance home loans.

Geographic Distribution of Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion and meets the standards for satisfactory performance. The table below provides the geographic distribution of mortgage loans.

Table 4- Geographic Distribution of Residential Real Estate Loans												
Geographic Income	Low		Moderate		Middle		Upper					
Assessment Area:	% of OOC Units	% of Number of Loans	% of OOC Units	% of Number of Loans	% of OOC Units	% of Number of Loans	% of OOC Units	% of Number of Loans	Aggregate HMDA Lending by Tract Income			
									Low	Moderate	Middle	Upper
Home Purchase	3.91	0.00	20.57	33.33	59.33	52.38	16.19	14.29	3.96	17.55	62.91	15.58
Refinance	3.91	0.00	20.57	15.00	59.33	72.50	16.19	12.50	1.25	8.10	58.03	32.62

Source: All HDMA reportable loans from January 2010 through December 2011

Home Purchase Loans

The geographic distribution of home purchase loans is reasonable. The bank did not make any home purchase loans in low-income geographies. Opportunities to make home purchase loans in low-income geographies are limited as only 3.91 percent of units are owner occupied and competition is high from larger regional institutions. Distribution of home purchase loans made in moderate-income geographies significantly exceeds the aggregate lending and the percentage of owner-occupied units in those geographies.

Home Improvement Loans

The volume of home improvement loans was not material enough for a meaningful analysis of geographic distribution. Therefore, we did not rely on PFSB's home improvement lending performance.

Home Refinance Loans

Geographic distribution of home refinance loans is reasonable. The bank did not make any home refinance loans in low-income geographies. Opportunities to make home refinance loans in low-income geographies is limited as only 3.91 percent of units are owner occupied and competition is high from larger regional institutions. Distribution of home refinance loans made in the moderate-income geographies is significantly higher than the aggregate distribution; however, it is below the percentage of owner occupied units in those geographies.

Responses to Complaints

PFSB has not received any complaints about its performance in meeting the credit needs of the community 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 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.

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