



## **PUBLIC DISCLOSURE**

January 27, 2014

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Polonia Bank  
Charter Number 703218

3993 Huntingdon Pike  
Huntingdon Valley, PA 19006

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303  
Trevose, PA 19503

**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 which support this rating are:

- The loan-to deposit ratio is reasonable and meets the standard for satisfactory performance;
- A majority of the bank's loans were originated within its assessment area (AA);
- The bank's record of lending to borrowers of different incomes reflects reasonable penetration and meets the standard for satisfactory performance;
- The bank has had no consumer complaints regarding its community reinvestment performance; and,
- The geographic distribution of loans in the AA reflects reasonable dispersion and meets the standards for satisfactory performance.

**SCOPE OF EXAMINATION**

The CRA performance of Polonia Bank (PB) was evaluated using the Small Bank Examination procedures. The evaluation included a review of the origination of residential mortgage loans, which comprised a majority of loans granted during the evaluation period ending December 31, 2012.

The current evaluation period covered lending activity for home mortgages from January 1, 2010 through December 31, 2012. These loans were the only products reviewed due to the business focus of the bank, and the large concentration of home mortgage loans in the loan portfolio.

Polonia Bank's primary loan product is home mortgage loans. PB is required to report data under the requirements of the Home Mortgage Disclosure Act (HMDA). The reported HMDA data was tested and found to be reliable. Therefore, HMDA data was used to evaluate the bank's home mortgage performance.

For the period from January 1, 2010 through December 31, 2011, data from the 2000 U.S. Census was used in this evaluation. For the period from January 1, 2012 through December 31, 2012, data from the 2010 U.S. Census was used in this evaluation.

**DESCRIPTION OF INSTITUTION**

As of December 31, 2012, Polonia Bank is a \$267.2 million stock institution headquartered in Huntingdon Valley. As of January 27, 2014, in addition to the main office, the Bank has five branches all located in the City of Philadelphia. Three of these five offices are located in moderate-income geographies. While Polonia Bank operates as a traditional thrift by offering primarily residential mortgage loans, a variety of credit and deposit products are also offered. These products include home equity loans, student loans, commercial loan products, certificates of deposit, savings accounts, business checking, and NOW accounts.

As of December 31, 2012, PB reported \$149 million in net loans and \$204 million in total deposits. Net loans represented 55.8% of total assets. The bank's loan portfolio consists of mortgage loans (89.4%) and commercial loans (6.02%). The primary lending product is residential mortgage loans, which is the main business focus of the bank. Net Tier 1 Capital was \$ 34.1 million as of that same date.

The last CRA Performance Evaluation (PE) for Polonia Bank (PB) is dated February 23, 2009, and the bank received an overall rating of “Satisfactory”.

Since the previous PE, PB purchased three branches from another financial institution. Operations of one of the branch offices purchased, which was located in a middle-income census tract, was consolidated with an existing PB branch located within the same middle- income geography, approximately 1.5 miles away. In addition, the operations of an existing PB branch office located within a moderate-income tract were also consolidated into one of the branch offices purchased during that transaction. In this case, the purchased branch and the existing branch were located within a few blocks of each other, and consolidated into the purchased branch. Both branches were within the same moderate-income geography.

**DESCRIPTION OF ASSESSMENT AREA(S)**

Polonia Bank’s assessment area (AA) consists of all of Philadelphia, Bucks and Montgomery Counties, located in the southeastern portion of the state of Pennsylvania. The AA, which is part of the Philadelphia, PA Metropolitan Division (MD) #37964, contains 738 geographies according to the 2010 U.S. Census. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The table below illustrates the AA demographic data, based on 2010 census data.

Demographic Information for Polonia Bank AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	738	19.24	19.11	28.73	31.03	1.90
Population by Geography	2,951,129	20.26	19.97	28.01	31.32	0.44
Owner-Occupied Housing by Geography	725,474	13.63	18.59	30.02	37.75	0.01
Business by Geography	321,889	11.57	14.36	29.59	43.73	0.75
Farms by Geography	4,250	2.94	7.34	35.22	54.38	0.12
Family Distribution by Income Level	685,193	26.28	17.15	18.64	37.93	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	297,574	32.38	27.04	25.21	15.35	0.02

Median Family Income	74,808	Median Housing Value	234,199
HUD Adjusted Median Family Income for 2011	78,100	Unemployment :	
Households Below Poverty Level	15%	Bucks County	7.4%
		Montgomery County	6.8%
		Phila. County	10.8%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census and 2011 HUD updated MFI. U.S. Dept. of Labor Statistics 2012.

Of the 738 census tracts in the AA, 142 are low-income census tracts, (19.24 %), 141 are moderate-income census tracts (19.11%), 212 are middle-income census tracts (28.73%), 229 are upper-income (31.03%) census tracts and 14 are geographies where income has not been assigned (1.90%). The total population in the AA was 2,951,129 according to the 2010 U.S. Census. According to the U. S. Bureau of Labor and Statistics, the annual unemployment rate for Montgomery County for 2012, where the bank is located, was 6.8%. The unemployment rate for Bucks County was 7.4%, and 10.8% for Philadelphia County. The unemployment rate for the state of Pennsylvania during the same period was 7.9%.

The median cost of housing in the AA is \$234,199. The Updated Median Family Income for 2011 is \$78,100. The percentage of households below the poverty level is 15%. The AA's population is comprised of 685,193 families. The family income distribution details that 26.28% are low-income, 17.15% are moderate-income, 18.64% are middle-income, and 37.93% are upper-income.

According to the FDIC Summary of Deposits Market Share as of June 30, 2013, Polonia Bank is ranked 37<sup>th</sup> out of 79 institutions in its assessment area for deposit market share with 0.24% of total deposits. Wells Fargo N.A. (116 branches) is ranked first with 22.44% of total deposits. Citizens Bank of Pennsylvania (118 branches) ranked second with 15.40% of total deposits, and PNC Bank N.A., (78 branches) with 11.26% of total deposits is ranked third.

Competition in the AA is strong, with 623 lenders originating loans in the AA during 2012, according to Peer Mortgage Data. Wells Fargo Bank, N.A., ranked first with a market share of 21.39%; J.P. Morgan Chase Bank, N.A. ranked second with a market share of 6.55%; and Police and Fire Federal Credit Union ranked third with a market share of 3.23%. Other competitors consisted of large national banks and mortgage companies, large regional banks, local community banks, and mortgage brokers with nationwide sources of funding. Polonia Bank ranked 125 in the AA with a market share of .09% (five branches).

During the examination, we contacted a local community development organization whose primary purpose is to provide low-income housing in and around Montgomery County, Pennsylvania. The contact described the area as “very similar to other suburban areas in the state, with similar unemployment issues.” The contact also stated, “there is a need in this area for low interest mortgages and community development donations.” It was the perception of our contact that local financial institutions are very involved in community development activities. Specifically our contact mentioned the relatively new involvement of Polonia Bank in support of Community Development activities in this area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Polonia Bank's performance is satisfactory. The bank's quarterly average loan-to-deposit ratio is reasonable. A majority of Polonia Bank's home mortgage loans were made in the bank's AA. The distribution of home loans to borrowers reflects reasonable penetration among individuals of different income levels. The distribution of home loans to borrowers reflects reasonable dispersion among low-income and moderate-income geographies. Polonia Bank has not received any CRA complaints during this evaluation period.

### Loan-to-Deposit Ratio

Polonia Bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The bank's average loan-to-deposit ratio for the prior 7 quarters is 77.80%, with a range of 68.08% to 96.10%. This ratio exceeds the average quarterly ratios of six similarly situated financial institutions of a custom peer group of financial institutions of similar asset size operating in the state of Pennsylvania. The custom peer average was 70.25%, with average ratios during the period ranging from 60.10% to 83.68%.

### Lending in Assessment Area

During the evaluation period, Polonia Bank originated a majority of its home mortgage loans within the assessment area, which exceeds the standard for satisfactory performance for lending in the AA. 77% of the number of home mortgage loans and 69% of the dollar amount of home mortgage loans originated during the evaluation period were originated within the bank's defined AA.

The table below illustrates the total number and dollar amount of HMDA-reportable loans (home purchase, refinance, and home improvement loans) originated in and outside the assessment area during the 36-month evaluation period ended December 31, 2012.

<b>HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD JANUARY 1, 2010 THROUGH DECEMBER 31, 2012</b>				
	<i>INSIDE ASSESSMENT AREA</i>		<i>OUTSIDE ASSESSMENT AREA</i>	
	# Loans	\$ Amount (000)	# Loans	\$ Amount (000)
Home Purchase Loans	305	\$51,160	62	\$19,000
Home Refinance Loans	9	\$ 289	5	\$1,552
Home Improvement Loans	256	\$ 57,144	99	\$28,219
Total Loans	570	\$108,593	166	\$48,771
Percentage	77.45%	69.01%	22.55%	30.99%

Source: PB HMDA LAR 2010-2012

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

PB's record of lending to borrowers of different income represents reasonable penetration among borrowers of different income levels and meets the standard for satisfactory performance.

For the evaluation period using the 2000 census data, the level of home mortgage loans originated to low-income borrowers is less than the percentage of low-income families in the AA. PB's performance is also less than the percentage of aggregate peer loans made to low-income families within this AA. When considering the affordability of housing in the AA, this performance represents reasonable penetration among borrowers of different income levels. The median cost of housing in the AA is \$114,535 based on 2000 U.S. Census Data. The Housing and Urban Development (HUD) updated median family income for 2011 is \$78,100. This means that a low-income person earns less than \$39,050. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA.

For the evaluation period using the 2010 census data, the level of home mortgage loans originated to low-income borrowers exceeds the percentage of low-income families in the AA. PB's performance also significantly exceeds the percentage of aggregate peer loans made to low-income families within this AA. When considering the affordability of housing in the AA, this performance represents excellent penetration among borrowers of different income.

For the evaluation period using the 2000 census data, the percentage of loans made to moderate-income borrowers meets the percentage of moderate-income families in the AA. PB's performance exceeds the percentage of aggregate peer loans made to moderate-income families within this AA. Considering the affordability of housing in the AA, this performance is satisfactory. The median cost of housing in the AA is \$114,535 based on 2000 Census Data. The HUD updated median family income for 2011 is \$78,100. This means that a moderate-income family earns less than \$62,480. Based on these statistics, it would be difficult for a moderate-income individual to purchase housing in the AA.

For the evaluation period using the 2010 census data, the percentage of loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families in the AA and significantly exceeds the percentage of aggregate peer loans made to moderate-income families within this AA. When considering the affordability of housing in the AA, this performance represents excellent penetration among borrowers of different income.

Please refer to the following table for the borrower income distribution of home mortgage loans in the AA.

**Borrower Income Distribution of Home Mortgage Loans in the AA  
Polonia Bank, 2010-2011**

<b>Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>% of Families</b>	<b>% Aggregate Peer Loans</b>
Low	12	6.56%	25.00%	8.22%
Moderate	32	17.49%	17.89%	16.56%
Middle	34	18.58%	20.33%	20.25%
Upper	94	51.37%	36.77%	39.75%
N/A	11	6.01%	0.00	15.21%
Total	183	100.00%	100.00%	100.00%

Source: 2010-2011 PB LAR/2000 Census Data

**Borrower Income Distribution of Home Mortgage Loans in the AA  
Polonia Bank, 2012**

<b>Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>% of Families</b>	<b>% Aggregate Peer Loans</b>
Low	110	28.42%	26.28%	7.43%
Moderate	97	25.06%	17.15%	16.57%
Middle	56	14.47%	18.64%	21.17%
Upper	117	30.23%	37.93%	41.16%
N/A	7	1.81%	N/A	13.68%
Total	387	100.00%	100.00%	100.00%

Source: 2012 PB LAR/2010 Census Data

### **Geographic Distribution of Loans**

PB's record of geographic distribution of loans in the AA reflects a reasonable dispersion and meets the standards for satisfactory performance.

For the evaluation period using the 2000 census data, the percentage of home mortgage loans originated in low-income census tracts is less than the percentage of owner occupied units within those tracts; however, the percentage of home mortgage loans originated in low-income census tracts meets the percentage of aggregate peer loans within those same census tracts. This performance represents a reasonable dispersion of loan distribution considering the poverty level for this AA exceeds 14.0% and according to the 2000 Census information, the weighted average cost of median housing is greater than \$114,535. Consideration is also given to the high level of competition in this AA with 588 other institutions with a share of the mortgage market. Wells Fargo Bank, N.A. has 18.69% of the market share, J. P. Morgan Chase, N.A. has 6.75% of the market share, and Bank of America, N.A. has 6.19% of the market share.

For the evaluation period using the 2000 census data, the percentage of home mortgage loans originated in moderate-income census tracts is slightly less than the percentage of owner occupied units within those tracts; however, the percentage of home mortgage loans originated in moderate-income census tracts exceeds the percentage of aggregate peer loans within those same census tracts. This performance represents a reasonable dispersion of loan distribution within the AA and meets the standards for satisfactory performance.

For the evaluation period using the 2010 census data, the percentage of home mortgage loans originated in low-income census tracts is near to the percentage of owner occupied units within those tracts; however, the percentage of home mortgage loans originated in low-income census tracts exceeds the percentage of aggregate peer loans made within those same census tracts. Considering demographic data and competition within this AA, this performance represents a reasonable dispersion of loans within the AA and meets the standards for satisfactory performance.

For the evaluation period using the 2010 census data, the percentage of home mortgage loans originated in moderate-income census tracts exceeds the percentage of owner occupied units within those tracts. In addition, the percentage of home mortgage loans originated in moderate-income census tracts significantly exceeds the percentage of aggregate peer loans made within those same census tracts. This performance represents excellent dispersion of loan distribution within the AA and meets the standards for outstanding performance.

Please refer to the following table for the geographic distribution of home mortgage loans in the AA.

<b>Geographic Distribution of Home Mortgage Loans in the AA Polonia Bank, 2010-2011</b>				
<b>Census Tract</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>% of Owner-Occupied Units</b>	<b>% Aggregate Peer Loans</b>
Low	9	4.92%	11.22%	4.27%
Moderate	38	20.77%	22.73%	15.70%
Middle	56	30.60%	32.44%	32.37%
Upper	80	43.72%	33.62%	47.62%
N/A	0	0	0.00%	.03%
<b>Total</b>	<b>183</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2010-2011 PB LAR/2000 Census Data

<b>Geographic Distribution of Home Mortgage Loans in the AA Polonia Bank, 2012</b>				
<b>Census Tract</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>% of Owner-Occupied Units</b>	<b>% Aggregate Peer Loans</b>
Low	76	9.62%	11.22%	5.33%
Moderate	100	25.84%	22.73%	12.40%
Middle	87	22.48%	32.44%	31.77%
Upper	124	32.04%	33.62%	50.44%
N/A	0	0.00%	0.00%	0.05%
<b>Total</b>	<b>387</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: 2012 PB LAR/2010 Census Data

## **Responses to Complaints**

The bank has not received any CRA-related consumer complaints since the last CRA examination.

## **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 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.