



## **PUBLIC DISCLOSURE**

July 01, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

County Savings Bank  
Charter Number 703136

410 Wanamaker Ave  
Essington, PA 19029-1322

Office of the Comptroller of the Currency

1150 Northbrook Drive, Suite 303  
Trevose, PA 19053

**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 major factors that support this rating include:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, lending-related activities, and Assessment Area ("AA") needs.
- A majority of the primary loan products were originated within the institution's AA.
- The distribution of home mortgage loans represents a reasonable penetration among borrowers of different income levels.
- The geographic distribution of home mortgage loans reflects an excellent dispersion throughout the AA.
- There were no complaints regarding CRA activities.

**Scope of Examination**

The OCC has evaluated County Savings Bank ("CSB") under the Small Bank examination procedures. Under these procedures, the bank is subject to a streamlined CRA examination that focuses primarily on the Lending Test. The Lending Test evaluates the institution's record of meeting the credit needs of its AA based on the following five criteria:

- Loan-to-deposit ratio;
- Lending in assessment area;
- Lending to borrowers of different incomes;
- Geographic distribution of loans; and,
- Responsiveness to complaints.

Bank management specifically chose not to be examined on qualified investments and services. No other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or lending-related qualified investments, were included under the first four criteria of the Lending Test. In addition, the lending test did not include small business loans, small farm loans, or consumer loans due to the low volume of originations of these loans during the evaluation period. The lending test for CSB covers its performance from January 1, 2012 through December 31, 2013.

CSB's primary loan products are home mortgage loans. The institution reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The OCC tested the reported HMDA data prior to this review and found it to be reliable for the purposes of our analysis. Therefore, the OCC used the HMDA data to evaluate home mortgage performance.

## **Description of Institution**

CSB is a federally-chartered mutual saving bank headquartered in Essington, Pennsylvania. As of March 31, 2014, CSB had total assets of \$64.9 million and Tier 1 Capital of \$4.6 million. CSB is not a subsidiary of any holding company, nor is it associated with any affiliate organizations. CSB offers traditional deposit accounts, loan products, and other banking services. Residential mortgages are CSB's primary lending product. Seventy-eight percent of all loans are secured by 1<sup>st</sup> mortgages on 1-4 family residences. Lending products include conventional and adjustable rate mortgage offerings, as well as home equity loans, lines of credit, and auto loan products. The bank offers low down payment mortgages. Deposit products and services include free checking accounts, low opening-threshold savings accounts and individual retirement accounts, and online banking. The bank has later-than-traditional banking hours on Thursday and Friday, and Saturday morning hours. An automated teller machine (ATM) services the main office in Essington. A complete listing of deposit and loan products, rates, branch locations and hours is found on CSB's website, [countysavingsbank.com](http://countysavingsbank.com).

CSB was founded in 1920, and its mission is to focus on the banking needs of Tinicum and Ridley Townships, which are located in Delaware County. It remained a single branch operation in Essington, Pennsylvania until 1979, when it acquired the Ridley-Baldwin Savings and Loan in Milmont Park, Pennsylvania. Today, CSB operates two branches. The Essington branch is located in a middle-income tract, and the Milmont branch is located in an upper-income tract. No branches have been opened or closed since the last examination.

As of March 31, 2014, CSB reported net loans of \$37.5 million, and total assets of \$64.9 million, resulting in a total loan-to-total asset ratio of 58%. Based upon the March 31, 2014 FDIC Call Report, the average total loan-to-total asset ratio for federally chartered savings bank with assets less than \$100 million within the Commonwealth of Pennsylvania is 63%.

Table 1 provides more detail below.

<b>Table 1 - Loan Portfolio Summary by Loan Product</b>			
<b>March 31, 2014</b>			
<b>Loan Category</b>	<b>Amount (\$000's)</b>	<b>Percent of Total Loans</b>	<b>Percent of Total Assets</b>
Revolving Loans secured by 1-4 Family Residential	\$3,258	8.68%	5.02%
Closed End secured by 1 <sup>st</sup> liens on 1-4 Family Residential	\$29,536	78.72%	45.53%
Closed End secured by 2 <sup>nd</sup> liens on 1-4 Family Residential	\$307	0.82%	0.47%
Secured by Non-Residential/Non-Farm	\$3,373	8.99%	5.20%
Construction and Land Development	\$0	0%	0%
Commercial & Industrial Loans	\$0	0%	0%
Consumer Loans	\$250	0.67%	0.39%
Secured by Multi-Family	\$795	2.12%	1.23%
<b>Total</b>	<b>\$37,519</b>	<b>100%</b>	<b>57.83%</b>

Source: March 31, 2014 Uniform Bank Performance Report

Since the previous CRA evaluation, CSB's total assets increased \$9.6 million from \$55.3 million, as reported on March 31, 2008, to \$64.9 million, as reported on March 31, 2014, an increase of 17%. Total loans increased \$2.1 million from \$35.4 million, as reported on March 31, 2008, to \$37.5 million, as reported on March 31, 2014, an increase of 6%.

The institution has no financial or legal impediments to meeting the credit needs of the community. The institution was rated "Satisfactory" at the last CRA examination dated April 8, 2008.

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

CSB has a single AA, which consists of 111 contiguous whole census tracts in the southeastern portion of Delaware County, Pennsylvania. The AA does not include the entirety of Delaware County, since it would be too large of an area to service. Delaware County is within the 37964 Philadelphia, PA. Metropolitan Division. The AA is bounded on the southeast by the Delaware River, on the southwest by the State of Delaware, and on the east by the City of Philadelphia. The northern/northeastern boundaries and demarcation periphery include upper- and middle-income census tracts and show no evidence of a capricious exclusion of low- or moderate-income census tracts. All of CSB's branches are located within the AA. The AA meets the requirements of the 12 CFR 25.41. A review of the 2012 mapping data shows the AA does not arbitrarily exclude any low-or moderate-income areas.

Table 2 and Table 3 summarize the demographic information for this AA.

<b>Table 2 - Demographic Information for the County Savings Bank AA</b>						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% NA*
Geographies (Census Tracts)	111	11.71	27.93	38.74	20.72	0.90
Population by Geography	401,636	10.95	24.59	41.00	23.46	0.00
Owner-Occupied Housing by Geography	103,822	6.11	20.02	47.03	26.83	0.00
Businesses by Geography	N/A	N/A	N/A	N/A	N/A	N/A
Farms by Geography	N/A	N/A	N/A	N/A	N/A	N/A
Family Distribution by Income Level	99,266	23.74	18.72	21.43	36.11	0.00
Distribution of Low and Moderate Income Families throughout AA	42,150	17.79	34.39	35.87	11.95	0.00
Median Family Income = \$74,808 HUD Adjusted Median Family Income for 2010 = \$79,200 Households Below the Poverty Level = 11%						Median Housing Value = \$188,721 Unemployment Rate ** = 5.9%

Source: 2010 U.S. Census and 2012 HUD updated MFI

(\*) The NA category consists of geographies that have not been assigned an income classification.

<b>Table 3. Additional Demographic Information for the County Savings Bank AA</b>								
Geographic Income Category	% Family Distribution	Census Tract Data Distributions						
		# Tracts	% Housing Units	% Owner Occupied Units	% Rental Occupied Units	% Single Family Units	Median Housing Value	Median Housing Age
Low	9.79%	13	11.32%	6.11%	18.34%	12.07%	\$73,489	62
Moderate	23.82%	31	25.81%	20.02%	36.73%	24.30%	\$125,637	60
Middle	42.03%	43	40.94%	47.03%	31.04%	41.94%	\$195,754	55
Upper	23.36%	23	21.93%	26.84%	13.89%	21.69%	\$318,178	48
<b>Total #</b>	<b>99,266</b>	<b>111</b>	<b>165,126</b>	<b>103,822</b>	<b>47,950</b>	<b>141,127</b>	<b>\$188,721</b>	<b>56</b>

Source: 2010 U.S. Census

According to 2010 U.S. Census data, there are a total of 111 census tracts in this AA. The AA consists of a contiguous area of the southeastern section of Delaware County Pennsylvania, which includes 13 low-income tracts (12%), 31 moderate-income tracts (28%), 43 middle-income tracts (39%), and 23 upper-income tracts (21%). A single census tract has not been assigned a geographic income level. The tract is comprised of the Philadelphia International Airport runways.

The same 2010 U.S. Census data shows the total population of the AA is 401,636 people. The AA contains 151,722 households, of which 99,266 households are families. There are a total of 165,126 housing units, of which 63% are owner-occupied;

29% are renter-occupied; and 8% are vacant units. Of the total number of housing units, 85% are single-family and 14% are multi-family. The median housing value is \$188,721, and the median gross rent amount is \$864 per month.

The median family income was \$74,808 and the 2012 HUD updated median family income was \$79,200. Approximately 24% of the families in the AA are categorized as low-income, 19% are moderate-income, 21% are middle-income, and 36% are upper-income. Approximately 11% percent of households are below the poverty level.

Overall, 42% of families within the AA are considered low- and moderate-income families. The percentage of these low- and moderate-income families that live in low-income census tracts is 8%, while 15% live in moderate income tracts, 15% live in middle-income tracts, and 5% live in upper-income tracts.

Table 4 depicts the maximum income amount for each income range in CSB’s AA.

<b>Table 4. - Definition of Income Ranges Used in the Evaluation</b>					
	<b>Maximum Income in for Income Range</b>				<b>HUD Adjusted 2012 Income*</b>
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	
	<b>&lt;50%</b>	<b>50%-&lt;80%</b>	<b>80%-&lt;120%</b>	<b>≥120%</b>	
<b>County Savings Bank AA</b>	<b>\$38,808</b>	<b>\$62,568</b>	<b>\$94,248</b>	<b>&gt;\$95,832</b>	<b>\$79,200</b>

*Median Family Income as of 2010 Census was \$74,808. The 2012 updated HUD Adjusted MFI is \$79,200.*

The economy of CSB’s AA is part and parcel of the economy of the locally defined Delaware Valley. This consists of Philadelphia-Reading-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area, and is the sixth-largest metropolitan area in the United States. Based upon the June 2014 Federal Reserve Bank’s Beige Book, business activity continues to grow at a moderate pace. General sales showed moderate growth, however auto sales in the Fed’s words, showed “phenomenal” growth. Manufacturing, construction, lending activity, and tourism all showed moderate growth. Corporate capital expenditures are modest, while employment growth remains cautious. Lending quality shows slight improvement. The projected rebound in home sales and construction, anticipated to occur in 2013 and early 2014, did not materialize. The largest private employers in Delaware County are Boeing Corp., Jefferson Health Systems, and Crozier Healthcare. Other industries that provide major sources of jobs are the healthcare industry, county governments, public and private education, insurance and finance, retail and convenience stores and transportation.

Based upon current information from the Commonwealth of Pennsylvania, the unemployment rate for Delaware County as of June 2014 was 5.9%. The unemployment rate was 4.2% at the prior evaluation performed in April 2008. The highest rate of unemployment since the last examination was 8.8% in July 2012. The existing unemployment rate compares favorably to the Pennsylvania rate of 5.8% and the National rate of 6.1%. The average weekly salary for Delaware County is \$1,057.

CSB operates in an intensely competitive market. Competition comes from large nationwide and regional institutions, mortgage companies, savings banks, credit unions, captive finance companies, and large credit-card companies capturing the small business market. Based upon the most recent Federal Deposit Insurance Corporation (FDIC), Summary of Deposits Report as of June 30, 2013, there are 33 financial institutions within CSB's AA competing for deposits. The five largest banks in the AA have a 69% market share of all deposits. They are Wells Fargo with 23 branches and a 21% market share; TD Bank with 15 branches and an 18% market share; Citizens Bank with 24 branches and a 15% market share; PNC with 11 branches and a 9% market share; and Sovereign Bank with 13 branches and a 7% market share. CSB has 2 branches and a 0.52% market share.

Based upon the most recent USPR Peer Mortgage Data (2012), there are 371 lending institutions within CSB's AA competing for mortgage loans. The three largest competitors are Wells Fargo with a 22% market share; JP Morgan-Chase with a 7% market share; and Franklin Mint FCU with a 3% market share. CSB is ranked 112<sup>th</sup> and has a market share of 0.06%.

Lending opportunities for all banks in CSB's AA, which support low- and moderate housing, are severely limited. The skewed market share of the large nationwide and regional banks, along with their lower cost of funds, quickly absorb any lending opportunities in the low- and moderate-income segments in the AA.

Due to a lack of lending opportunities to low- and moderate individuals and geographies, CSB's performance context is changing to support community development lending. In 2015, performance context will come through loan purchase participations through a community development corporation (CDC) consortium conduit. The CDC has the ability to reach borrowers that CSB does not have the lending limit capacity to accommodate or service under their lending guidelines. This approach benefits all banks striving for the same low- and moderate-income market share, and allows competing banks to become collaborators, thus benefiting the low- and moderate-income marketplace. Under the terms and conditions of this conduit organization, CSB cannot participate in loan participations until 2015.

We contacted a local economic development organization to determine credit needs of the AA. The contact indicated a need to fund real estate investors that construct and rehabilitate multi-family homes that are rented to low- and moderate-income families. By lending to qualified investors, economies of scale are created that allow quality of workmanship, better compliance with building codes, more reasonable priced units, understanding compliance with federal tax rebate and HUD Section 8 programs, and lower foreclosure rates. CSB will participate in such loans through the CDC beginning in 2015.

## Conclusions with Respect to the Lending Test:

CSB's performance under the lending test meets the standards for a satisfactory rating. The thrift's loan-to-deposit ratio is reasonable; the thrift made a majority of the home mortgage loans within its AA; the distribution of loans to borrowers of low- and moderate-income is reasonable; the geographic distribution of loans is excellent; and no CRA complaints were recorded during the evaluation period. All criteria of the lending test are documented below.

### Loan-to-Deposit Ratio

CSB's net loan-to-deposit ratio is reasonable given the institution's size, financial condition, lending-related activities, and credit needs of its AA. The institution's net loan-to-deposit ratio averaged 64% over the last 13 quarters since the thrift's previous CRA examination. This ratio ranged from a quarterly low of 60% to a quarterly high of 68% during the time period. At the prior evaluation in April 2008, CSB's loan-to-deposit ratio averaged 68% for the preceding thirteen quarters. The decline in the ratio is the result of a less robust mortgage market.

This ratio is lower than, but within the range of, federally chartered savings banks with assets less than \$100 million in the Commonwealth of Pennsylvania. These banks have an average loan-to-deposit ratio of 75% over the period from March 31, 2009 until March 31, 2014. Due to the poor mortgage market during this period, the average range has fallen from 78% at March 31, 2009 to 71% at March 31, 2014.

### Lending in Assessment Area

CSB made a majority of home mortgage loans within its AA during the performance period. A review of the number of HMDA loans made during the performance period shows that CBS made 66% of loans within its AA. Refer to Table 5.

<b>Table 5 Loan Type</b>	<b>Loans Inside AA</b>	<b>Loans Outside AA</b>	<b>Total Number</b>
Home Purchase	12	7	19
Home Refinance	24	16	40
Home Improvement	10	1	11
Total	46	24	70
<b>% Inside/Outside AA</b>	<b>65.71%</b>	<b>34.29%</b>	

Source: HMDA LARS 1/1/2012 to 12/31/2013

### Lending to Borrowers of Different Incomes

The borrower distribution of home mortgage loans made within the bank's AA, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The percentage of



home purchase loans made to low- and moderate-income families is lower than the percentages of low- and moderate-income families within the bank's AA. The percentage of home purchase loans to low-income families is near the aggregate percentage of all home purchase loans made by banks within the AA. The percentage of home purchase loans to moderate-income families is significantly lower than the aggregate. Refer to Table 6.

<b>Table 6 Home Purchase Loans</b>			
<b>Borrower Income Category</b>	<b>% of Families</b>	<b>% of Bank Loans</b>	<b>% of Aggregate</b>
Low	23.74%	11.11%	13.91%
Moderate	18.72%	11.11%	32.05%
Middle	21.43%	44.44%	25.42%
Upper	36.11%	33.33%	28.62%

Source: HMDA LARS 2012 – 2013

The percentage of home improvement loans made to low-income families exceeds the percentage of low-income families within the bank's AA. The percentage of home improvement loans made to moderate-income families significantly exceeds the percentage of moderate-income families within the AA. The percentage of home improvement loans to low- and moderate-income families significantly exceeds the aggregate percentage of all home improvement loans made by banks within the AA. Refer to Table 7.

<b>Table 7 Home Improvement Loans</b>			
<b>Borrower Income Category</b>	<b>% of Families</b>	<b>% of Bank Loans</b>	<b>% of Aggregate</b>
Low	23.74%	25.00%	12.94%
Moderate	18.72%	37.50%	26.02%
Middle	21.43%	25.00%	27.57%
Upper	36.11%	12.50%	33.47%

Source: HMDA LARS 2012 – 2013

The percentage of home refinance loans made to low- and moderate-income families is significantly lower than the percentage of low- and moderate-income families within the bank's AA. The percentage of home refinance loans to low-income families exceeds the aggregate percentage of all home refinance loans made by banks within the AA. The percentage of home refinance loans to moderate-income families is significantly lower than the aggregate. Refer to Table 8.

<b>Table 8 Home Refinance Loans</b>			
<b>Borrower Income Category</b>	<b>% of Families</b>	<b>% of Bank Loans</b>	<b>% of Aggregate</b>
Low	23.74%	14.29%	8.12%
Moderate	18.72%	7.14%	18.98%
Middle	21.43%	14.29%	28.09%
Upper	36.11%	64.29%	44.81%

Source: HMDA LARS 2012 – 2013

## Geographic Distribution of Loans

The distribution of home mortgage loans within the AA reflects excellent penetration among geographies of different income levels.

## Geographic Distribution of Residential Real Estate Loans

CSB did not make any home mortgage loans in the low-income geographies. This is the result of a significantly small percentage (6%) of owner-occupied homes in the low-income tracts and robust competition for these loans from large banks with large market shares. This fact is corroborated by lower aggregate percentages of 3% for home purchase mortgages, 5% for home improvement mortgages, and 2% for refinance mortgages. Lending opportunities in low-income tracts within the AA are severely curtailed. The OCC did not give any weight to this portion of the Lending Test.

The percentage of all home mortgage loans made in the moderate-income geographies exceeds or significantly exceeds the percentage of homes within the moderate-income tracts. In addition, the percentage of all home mortgage loans significantly exceeds the aggregates. Refer to Table 9.

<b>Table 9 - 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	6.11	0.00	20.02	22.22	47.03	77.78	26.83	0.00
Home Improvement	6.11	0.00	20.02	44.44	47.03	55.56	26.83	0.00
Home Mortgage Refinance	6.11	0.00	20.02	25.00	47.03	68.75	26.83	6.25

Source: 2012-2013 HMDA LARS

TYPE LOAN	% of Bank Loans In Low Income Geographies	% of Bank Loans in Moderate Income Geographies	Aggregate HMDA Lending (%) by Tract Income			
			Low	Mod	Mid	Upp
Home Purchase	0.00	22.22	2.81	16.25	47.44	33.50
Home Improvement	0.00	44.44	4.93	18.13	47.33	29.60
Home Refinance	0.00	25.00	1.70	12.78	44.79	40.73

Source: 2012 Peer Mortgage Data (USPR)

## **Responses to Complaints**

County Savings Bank did not receive any CRA complaints during the 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 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.