Magyar Bancorp, Inc.
Form 10-K
December 21, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

þ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2010
OR
o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 000-51726

Magyar Bancorp, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	20-4154978 (I.R.S. Employer Identification Number)
400 Somerset Street, New Brunswick, New Jersey (Address of Principal Executive Office)	08901 (Zip Code)

(732) 342-7600
(Issuer’s Telephone Number including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange On Which Registered
Common Stock, par value $0.01 per share	The NASDAQ Stock Market, LLC

Securities Registered Pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.
Yes o No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price of the Common Stock as of March 31, 2010 was $10.4 million. As of December 15, 2010, there were 5,923,742 shares issued and 5,783,131 outstanding of the registrant's Common Stock, including 3,200,450 shares owned by Magyar Bancorp, MHC, the registrant's mutual holding company.

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy Statement for the 2011 Annual Meeting of Stockholders (Part III)

Magyar Bancorp, Inc.
Annual Report On Form 10-K
For The Fiscal Year Ended
September 30, 2010

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PART I

ITEM 1. Business

Forward Looking Statements

We have included or incorporated by reference in this Annual Report on Form 10-K, and from time to time our management may make, statements that may constitute "forward-looking statement" within the meaning of the safe harbour provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, many of which, but their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results, as well as statements about the objective and effectiveness of our risk management and liquidity policies, statements about trends in or growth opportunities for our business, statements about our future status, and activities or reporting under U.S. banking and financial regulation. Forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "wi "will likely result," and similar expressions. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed below and under "risk Factors" in Part 1, Item 1A of this Annual Report on Form 10-K.

Magyar Bancorp, MHC

Magyar Bancorp, MHC is the New Jersey-chartered mutual holding company of Magyar Bancorp, Inc. Magyar Bancorp, MHC's only business is the ownership of 54.03% of the issued shares of common stock of Magyar Bancorp, Inc. So long as Magyar Bancorp, MHC exists, it will be required to own a majority of the voting stock of Magyar Bancorp, Inc. The executive office of Magyar Bancorp, MHC is located at 400 Somerset Street, New Brunswick, New Jersey 08903, and its telephone number is (732) 342-7600. Magyar Bancorp, MHC is subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System and the New Jersey Department of Banking and Insurance.

Magyar Bancorp, Inc.

Magyar Bancorp, Inc. is the mid-tier stock holding company of Magyar Bank. Magyar Bancorp, Inc. is a Delaware-chartered corporation and owns 100% of the outstanding shares of common stock of Magyar Bank. Magyar Bancorp, Inc. has not engaged in any significant business activity other than owning all of the shares of common stock of Magyar Bank. At September 30, 2010, Magyar Bancorp, Inc. had consolidated assets of $537.9 million, total deposits of $427.9 million and stockholders' equity of $44.2 million. Magyar Bancorp, Inc.'s net income for the fiscal year ended September 30, 2010 was $3.9 million. The executive offices of Magyar Bancorp, Inc. are located at 400 Somerset Street, New Brunswick, New Jersey 08903, and its telephone number is (732) 342-7600. Magyar Bancorp, Inc. is subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System and the New Jersey Department of Banking and Insurance.

On January 23, 2006, Magyar Bancorp, Inc. sold 2,618,550 shares of its common stock at a price of $10.00 per share, issued an additional 3,200,450 shares of its common stock to Magyar Bancorp, MHC, and contributed 104,742 shares to Magyar Bank Charitable Foundation.

Magyar Bank

Magyar Bank is a New Jersey-chartered savings bank headquartered in New Brunswick, New Jersey that was originally founded in 1922 as a New Jersey building and loan association. In 1954, Magyar Bank converted to a New Jersey savings and loan association, before converting to the New Jersey savings bank charter in 1993. We conduct business from

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our main office located at 400 Somerset Street, New Brunswick, New Jersey, and our six branch offices located in New Brunswick, North Brunswick, South Brunswick, Branchburg, and Bridgewater, New Jersey. The telephone number at our main office is (732) 342-7600.

General

Our principal business consists of attracting retail deposits from the general public in the areas surrounding our main office in New Brunswick, New Jersey and our branch offices located in Middlesex and Somerset Counties, New Jersey, and investing those deposits, together with funds generated from operations and wholesale funding, in residential mortgage loans, home equity loans, home equity lines of credit, commercial real estate loans, commercial business loans, Small Business Administration ("SBA") loans, construction loans and investment securities. We also originate consumer loans, which consist primarily of secured demand loans. We originate loans primarily for our loan portfolio. However, from time to time we have sold some of our long-term fixed-rate residential mortgage loans into the secondary market, while retaining the servicing rights for such loans. Our revenues are derived principally from interest on loans and securities. Our investment securities consist primarily of mortgage-backed securities and U.S. Government and government-sponsored enterprise obligations. We also generate revenues from fees and service charges. Our primary sources of funds are deposits, borrowings and principal and interest payments on loans and securities. We are subject to comprehensive regulation and examination by the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation.

Market Area

We are headquartered in New Brunswick, New Jersey, and our primary deposit market area is concentrated in the communities surrounding our headquarters branch and our branch offices located in Middlesex and Somerset Counties, New Jersey. Our primary lending market area is broader than our deposit market area and includes all of New Jersey. At September 30, 2010, 53.3% of our mortgage loan portfolio consisted of loans secured by real estate located in Middlesex and Somerset Counties in New Jersey.

The economy of our primary market area is largely urban and suburban with a broad economic base that is typical for counties surrounding the New York metropolitan area. The median household income in Middlesex and Somerset county rank among the highest in the nation, and both counties are expected to see moderate population growth in 2011.

Competition

We face intense competition within our market area both in making loans and attracting deposits. Our market area has a high concentration of financial institutions including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as trust services and private banking. According to the Federal Deposit Insurance Corporation's annual Summary of Deposit report, at June 30, 2010 our market share of deposits was 1.81% and 0.36% in Middlesex and Somerset Counties, respectively. Our market share of deposits was 1.93% and 0.35%, respectively, at June 30, 2009.

Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms and credit unions. We face additional competition for deposits from short-term money market funds, brokerage firms, mutual funds and insurance companies. Our primary focus is to build and develop profitable customer relationships across all lines of business while maintaining our role as a community bank.

Lending Activities

We originate residential mortgage loans to purchase or refinance residential real property. Residential mortgage loans represented $165.5 million, or 40.5% of our total loans at September 30, 2010. Historically, we have not originated a significant number of loans for the purpose of reselling them in the secondary market. In the future, however, to help manage interest rate risk and to increase fee income, we may increase our origination and sale of residential mortgage loans. No loans were held for sale at September 30, 2010. We also originate commercial real estate, commercial business and construction loans. At September 30, 2010, these loans totaled $116.2 million, $33.7 million and $57.1 million, respectively. We also offer consumer loans, which consist primarily of home equity lines of credit and stock-secured

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demand loans. At September 30, 2010, home equity lines of credit and stock-secured demand loans totaled $22.8 million and $12.8 million, respectively.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan, at the dates indicated.

	September 30,									
	2010		2009		2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
One-to four-family residential	$165,462	40.50 %	$172,415	38.76 %	$157,867	38.44 %	$152,474	39.54 %	$143,245	40.65 %
Commercial real estate	116,222	28.45 %	105,764	23.78 %	92,823	22.60 %	81,275	21.08 %	68,567	19.46 %
Construction	57,086	13.97 %	93,217	20.96 %	92,856	22.61 %	97,150	25.20 %	90,342	25.64 %
Home equity lines of credit	22,823	5.59 %	22,528	5.07 %	15,893	3.87 %	12,894	3.34 %	10,843	3.08 %
Commercial business	33,676	8.24 %	37,372	8.40 %	35,995	8.76 %	26,630	6.91 %	24,510	6.96 %
Other	13,277	3.25 %	13,484	3.03 %	15,294	3.72 %	15,159	3.93 %	14,846	4.21 %
Total loans receivable	$408,546	100.00%	$444,780	100.00%	$410,728	100.00%	$385,582	100.00%	$352,353	100.00%
Net deferred loan costs	106		24		(77)		(214)		(492)	
Allowance for loan losses	(4,766)		(5,807)		(4,502)		(3,754)		(3,892)	
Total loans receivable, net	$403,886		$438,997		$406,149		$381,614		$347,969	

Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at September 30, 2010. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less.

Due During the Fiscal Years Ending September 30,	One-to-Four Family Residential		Commercial Real Estate		Construction		Home Equity Lines of Credit	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)							

2011	$4,426	5.28	%	$19,525	6.37	%	$57,086	5.81	%	$4,771	4.98	%
2012	2,064	5.32	%	3,918	4.03	%	-	-		-	-	
2013	2,315	5.47	%	229	5.08	%	-	-		205	3.39	%
2014 to 2015	4,346	6.46	%	3,876	5.94	%	-	-		-	-	
2016 to 2020	18,473	5.43	%	14,808	6.48	%	-	-		8	3.25	%
2021 to 2025	16,683	5.19	%	12,830	6.43	%	-	-		585	3.05	%
2026 and beyond	117,155	5.67	%	61,036	6.37	%	-	-		17,254	3.67	%
Total	$165,462	5.60	%	$116,222	6.30	%	$57,086	5.81	%	$22,823	3.93	%

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Due During the Fiscal Years Ending September 30,	Commercial Business Amount	Commercial Business Weighted Average Rate	Other Amount	Other Weighted Average Rate	Total Amount	Total Weighted Average Rate
	(Dollars in thousands)					
2011	$ 24,079	4.87 %	$ 11,099	2.35 %	$ 120,986	5.35 %
2012	958	5.12 %	1,719	2.56 %	8,659	4.16 %
2013	1,221	6.33 %	15	13.95 %	3,985	5.64 %
2014 to 2015	1,911	6.66 %	112	6.29 %	10,245	6.30 %
2016 to 2020	2,335	6.84 %	20	7.59 %	35,644	5.96 %
2021 to 2025	1,905	6.71 %	1	13.00 %	32,004	5.74 %
2026 and beyond	1,267	7.38 %	311	5.01 %	197,023	5.72 %
Total	$ 33,676	5.37 %	$ 13,277	2.50 %	$ 408,546	5.61 %

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at September 30, 2010 that are contractually due after September 30, 2011.

	Due After September 30, 2011		
	Fixed	Adjustable	Total
	(Dollars in thousands)		
One-to four-family residential	$ 113,925	$ 47,111	$ 161,036
Commercial real estate	20,475	76,222	96,697
Home equity lines of credit	-	18,052	18,052
Commercial business	3,293	6,304	9,597
Other	139	2,039	2,178
Total	$ 137,832	$ 149,728	$ 287,560

Residential Mortgage Loans. We originate residential mortgage loans, most of which are secured by properties located in our primary market area and most of which we hold in portfolio. At September 30, 2010, $165.5 million, or 40.5% of our total loan portfolio, consisted of residential mortgage loans (including home equity loans). Residential mortgage loan originations are generally obtained from our in-house loan representatives, from existing or past customers, through advertising, and through referrals from local builders, real estate brokers and attorneys, and are underwritten pursuant to Magyar Bank's policies and standards. Generally, residential mortgage loans are originated in amounts up to 80% of the lesser of the appraised value or purchase price of the property, with private mortgage insurance required on loans with a loan-to-value ratio in excess of 80%. We generally will not make residential mortgage loans with a loan-to-value ratio in excess of 95%, which is the upper limit that has been established by the Board of Directors. Mortgage loans have been primarily originated for terms of up to 30 years and are currently offered for terms up to 40 years. Magyar Bank has not participated in "sub-prime" (mortgages granted to borrowers whose credit history is not sufficient to get a conventional mortgage) or option ARM mortgage lending. At September 30, 2010, non-performing residential mortgage loans totaled $2.5 million, or 1.5% of the total residential loan portfolio. Interest income not recorded on non-performing residential mortgage loans for the year ended September

30, 2010 was $291,000. During the year ended September 30, 2010, $61,000 had been charged-off against the allowance for loan loss for two impaired residential real estate loans.

We also originate home equity loans secured by residences located in our market area. The underwriting standards we use for home equity loans include a determination of the applicant's credit history, an assessment of the applicant's ability to meet existing obligations, the ongoing payments on the proposed loan and the value of the collateral securing the loan. The maximum combined (first and second mortgage liens) loan-to-value ratio for home equity loans and home equity lines of credit is 80%. Home equity loans are generally offered with fixed rates of interest with the loan amount not to exceed $500,000 and with terms of up to 30 years.

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Generally, all fixed-rate residential mortgage loans are underwritten according to Federal Home Loan Mortgage Corporation ("Freddie Mac") guidelines, policies and procedures. Historically, we have not originated a significant number of loans for the purpose of reselling them in the secondary market. However, to help manage interest rate risk and to increase fee income during fiscal year 2010, fourteen (14) loans totaling $2.8 million were originated and sold to Freddie Mac. In the future we may increase our origination and sale of fixed-rate residential mortgage loans to help manage interest rate risk and to increase fee income. No loans were held for sale at September 30, 2010.

We generally do not purchase residential mortgage loans, except for loans to low-income borrowers to enhance our Community Reinvestment Act performance. At September 30, 2010, we had $3.6 million of purchased one-to four-family residential mortgage loans. No loans were purchased in the fiscal year ended September 30, 2010.

At September 30, 2010, we had $116.8 million of fixed-rate residential mortgage loans, which represented 70.6% of our total residential mortgage loan portfolio. At September 30, 2010, our largest fixed-rate residential mortgage loan was for $4.5 million. The loan was performing in accordance with its terms at September 30, 2010.

We also offer adjustable-rate residential mortgage loans with interest rates based on the weekly average yield on U.S. Treasuries or the London Interbank Offering Rate ("LIBOR") adjusted to a constant maturity of one year, which adjusts either annually from the outset of the loan or which adjusts annually after a one-, three-, five-, seven-, and ten-year initial fixed-rate period. Our adjustable-rate mortgage loans generally provide for maximum rate adjustments of 2% per adjustment, with a lifetime maximum adjustment up to 5%, regardless of the initial rate. We also offer adjustable-rate mortgage loans with an interest rate based on the prime rate as published in The Wall Street Journal or the Federal Home Loan Bank of New York advance rates.

Adjustable-rate mortgage loans decrease the risk associated with changes in market interest rates by periodically repricing. However, these loans have other risks because, as interest rates increase, the underlying payments by the borrower increase, which increases the potential for default by the borrower. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates. The maximum periodic and lifetime interest rate adjustments also may limit the effectiveness of adjustable-rate mortgage loans during periods of rapidly rising interest rates.

At September 30, 2010, adjustable-rate residential mortgage loans totaled $48.7 million, or 29.4% of our total residential mortgage loan portfolio. Of these loans, $16.5 million were interest-only loans originated with an average original loan-to-value ratio of 67.2%. Interest-only loans allow the borrower to make interest–only payments during an initial fixed-rate period. Following the initial period, the borrower is required to make principal and interest payments. At September 30, 2010, our largest adjustable-rate residential mortgage loan was for $3.3 million. The loan was performing in accordance with its terms at September 30, 2010.

In an effort to provide financing for low-and moderate-income home buyers, we offer low-to-moderate income residential mortgage loans. These loans are offered with fixed rates of interest and terms of up to 40 years, and are secured by one-to four-family residential properties. All of these loans are originated using underwriting guidelines of U.S. government-sponsored enterprises such as Freddie Mac or Federal National Mortgage Association ("Fannie Mae"). These loans are originated with maximum loan-to-value ratios of 95%.

All residential mortgage loans we originate include "due-on-sale" clauses, which give us the right to declare a loan immediately due and payable if the borrower sells or otherwise disposes of the real property securing the mortgage loan. All borrowers are required to obtain title insurance, fire and casualty insurance and, if warranted, flood insurance on properties securing real estate loans.

Commercial Real Estate Loans. As part of our strategy to add to and diversify our loan portfolio, we have continued our focus on increasing our originations of commercial real estate loans. At September 30, 2010, $116.2 million, or 28.5%, of our total loan portfolio consisted of these types of loans. Commercial real estate loans are generally secured by five-or-more-unit apartment buildings, industrial properties and properties used for business purposes such as small office buildings and retail facilities primarily located in our market area. We generally originate adjustable-rate commercial real estate loans with a maximum term of 25 years, provided adjustable rate periods limit the initial payment period to no more than five years. The maximum loan-to-value ratio for our commercial real estate loans is 75%, based on the appraised value of the property.

We consider a number of factors when we originate commercial real estate loans. During the underwriting process we evaluate the business qualifications and financial condition of the borrower, including credit history, profitability of the property being financed, as well as the value and condition of the mortgaged property securing the loan. When evaluating the business qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, we consider the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service) to ensure it is at least 120% of the monthly debt service. We require personal guarantees on all commercial real estate loans made to individuals. Generally, commercial real estate loans made to corporations, partnerships and other business entities require personal guarantees by the principals. All borrowers are required to obtain title, fire and casualty insurance and, if warranted, flood insurance.

Loans secured by commercial real estate generally are larger than residential mortgage loans and involve greater credit risk. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. Repayment of these loans depends to a large degree on the results of operations and management of the properties securing the loans or the businesses conducted on such property, and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate.

The maximum amount of a commercial real estate loan is limited by our Board-established loans-to-one-borrower limit, which is currently 15% of Magyar Bank's capital, or $6.9 million. At September 30, 2010, our largest commercial real estate loan was $5.5 million and was secured by a mixed use building currently used for retail office space and a senior living facility. The loan was performing in accordance with its terms at September 30, 2010. At September 30, 2010, seven commercial real estate loans totaling $8.2 million were non-performing. During the year ended September 30, 2010, $321,000 had been charged-off against the allowance for loan loss for one impaired commercial real estate loan. Interest income not recorded on non-performing commercial real estate loans for the year ended September 30, 2010 was $576,000. All other loans secured by commercial real estate were performing in accordance with their terms.

Construction Loans. We also originate construction loans for the development of one-to four-family homes, town homes, condominiums, apartment buildings and commercial properties. Construction loans are generally offered to experienced local developers operating in our primary market area and to individuals for the construction of their personal residences. The Bank ceased originating new construction loans for the development of non-owner occupied real estate in 2008.

At September 30, 2010, construction loans for the development of one-to four-family residential properties totaled $27.7 million, or 6.8% of total loans. These construction loans generally have a maximum term of 24 months. We provide financing for land acquisition, site improvement and construction of individual homes. Land acquisition funds are limited to 50% to 75% of the sale price of the land. Site improvement funds are limited to 100% of the bonded site improvement costs. Construction funds are limited to 75% of the lesser of the contract sale price or appraised value of the property (less funds already advanced for land acquisition and site improvement).

At September 30, 2010, construction loans for the development of town homes, condominiums and apartment buildings totaled $23.6 million, or 5.8% of total loans. These construction loans also generally have a maximum term of 24 months. The maximum loan-to-value ratio limit applicable to these loans has been 75% of the appraised value of the property, but was decreased to 70% in 2007 to reduce Magyar Bank's potential exposure to a downtown in the real estate market. Properties must maintain a debt service coverage ratio of 125%. Finally, we may retain up to 10% of each loan advance until the property attains a 90% occupancy level.

At September 30, 2010, construction loans for the development of commercial properties totaled $5.8 million, or 1.4% of total loans. These construction loans have a maximum term of 24 months. The maximum loan-to-value ratio limit applicable to these loans is 75% of the appraised value of the property. In addition, the property must maintain a debt service coverage ratio of 125%.

The maximum amount of a construction loan is limited by our loans-to-one-borrower limit, which is currently 15% of Magyar Bank's capital, or $6.9 million. At September 30, 2010, our largest outstanding construction loan balance was for $4.8 million. The loan was secured by a twenty-eight unit condominium project in Jersey City, New Jersey. The loan was performing according to its terms at September 30, 2010. At September 30, 2010, fourteen construction loans totaling $14.0 million (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for details on these loans), were non-performing. During the year ended September 30, 2010, $3.1 million had been charged-off against the allowance for loan loss for the impaired construction loans. Interest income not recorded on non-performing construction loans for the year ended September 30, 2010 was $1.4 million.

Before making a commitment to fund a construction loan, we require an appraisal of the property by an independent licensed appraiser. We generally also engage an outside engineering firm to review and inspect each property before disbursement of funds during the term of a construction loan. Loan proceeds are disbursed after inspection based on the percentage of completion method. We require a personal guarantee from each principal of all of our construction loan borrowers.

Construction lending is generally considered to involve a higher degree of credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, we may be required to advance funds beyond the amount originally committed in order to protect the value of the property. Additionally, if our estimate of the value of the completed property is inaccurate, our construction loan may exceed the value of the collateral.

Commercial Business Loans. At September 30, 2010, our commercial business loans totaled $33.7 million, or 8.2% of total loans. We make commercial business loans primarily in our market area to a variety of professionals, sole proprietorships and small and mid-sized businesses. Our commercial business loans include term loans and revolving lines of credit. The maximum term of a commercial business loan is 15 years. Such loans are generally used for longer-term working capital purposes such as purchasing equipment or furniture. Commercial business loans are made with either adjustable or fixed rates of interest. The interest rates for adjustable commercial business loans are based on the prime rate as published in The Wall Street Journal.

When making commercial business loans, we consider the financial strength of the borrower, our lending history with the borrower, the debt service capabilities of the borrower, the projected cash flows of the business and the value and type of the collateral. Commercial business loans generally are secured by a variety of collateral, primarily accounts receivable, inventory, equipment, savings instruments and readily marketable securities. In addition, we generally require the business principals to execute personal guarantees.

Commercial business loans generally have greater credit risk than residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to repay the loan from his or her employment income, and which are secured by real property with ascertainable value, commercial business loans generally are made on the basis of the borrower's ability to repay the loan from the cash flow of the borrower's business. As a result, the repayment of commercial business loans may depend substantially on the success of the borrower's business. Further, any collateral securing commercial business loans may depreciate over time, may be difficult to appraise and may fluctuate in value. We try to minimize these risks through our underwriting standards. The maximum amount of a commercial business loan is limited by our loans-to-one-borrower limit, which is 15% of Magyar Bank's capital, or $6.9 million currently. At September 30, 2010, our largest commercial business loan was a $2.8 million loan to a company that provides janitorial services and was secured by the accounts receivable of the company. This loan was performing according to its terms at September 30, 2010. At September 30, 2010, five commercial business loans totaling $1.5 million were non-performing. Interest income not recorded on non-performing commercial business loans for the year ended September 30, 2010 was $145,000. During the year ended September 30, 2010, $196,000 had been charged-off against the allowance for loan loss for impaired commercial business loans.

Home Equity Lines of Credit and Other Loans. We originate home equity lines of credit secured by residences located in our market area. At September 30, 2010, these loans totaled $22.8 million, or 5.6% of our total loan portfolio. The underwriting standards we use for home equity lines of credit include a determination of the applicant's credit history, an assessment of the applicant's ability to meet existing obligations, the ongoing payments on the proposed loan and the value of the collateral securing the loan. The maximum combined (first and second mortgage liens) loan-to-value ratio for home equity lines of credit is 80%. Home equity lines of credit have adjustable rates of interest, indexed to the prime rate, as reported in The Wall Street Journal, with terms of up to 25 years.

The maximum amount of a home equity line of credit loan is limited by our loans-to-one-borrower limit, which is 15% of Magyar Bank's capital, or $6.9 million currently. At September 30, 2010, our largest home equity line of credit was a non-performing $902,000 loan. This loan was secured by a first lien position on two separate 1-4 family residential properties on which the Bank was in the process of foreclosure at September 30, 2010. At September 30, 2010, all home equity lines of credit were performing in accordance with their terms with the exception of three non-performing loans

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totaling $1.3 million. During the year ended September 30, 2010, $93,000 had been charged-off against the allowance for loan loss for one impaired home equity line of credit. Interest income not recorded on non-performing home equity lines of credit for the year ended September 30, 2010 was $184,000.

We also originate loans secured by the common stock of publicly traded companies, provided their shares are listed on the New York Stock Exchange, the American Stock Exchange or the NASDAQ Stock Market, and provided the company is not a banking company. Stock-secured loans are interest-only and are offered for terms up to twelve months and for adjustable rates of interest indexed to the prime rate, as reported in The Wall Street Journal. The loan amount is not to exceed 70% of the value of the stock securing the loan at any time.

At September 30, 2010, stock-secured loans totaled $12.8 million, or 3.1% of our total loan portfolio. Generally, we limit the aggregate amount of loans secured by the common stock of any one corporation to 15% of Magyar Bank's capital, with the exception of Johnson & Johnson, for which the collateral concentration limit is 150% of Magyar Bank's capital. At September 30, 2010, $12.7 million, or 3.1% of our loan portfolio, was secured by the common stock of Johnson & Johnson, a New York Stock Exchange company that operates a number of facilities in our market area and employs a substantial number of residents. Although these loans are underwritten based on the ability of the individual borrower to repay the loan, the concentration of our portfolio secured by this stock subjects us to the risk of a decline in the market price of the stock and, therefore, a reduction in the value of the collateral securing these loans. As of September 30, 2010, the aggregate loan-to-value ratio of the stock-secured portfolio was 40.0%.

Loan Originations, Purchases, Participations and Servicing of Loans. Lending activities are conducted primarily by our loan personnel operating at our main and branch office locations. All loans originated by us are underwritten pursuant to our policies and procedures. We originate both adjustable rate and fixed rate loans. Our ability to originate fixed or adjustable rate loans is dependent upon the relative customer demand for such loans, which is affected by the current and expected future levels of market interest rates.

Generally, we retain in our portfolio substantially all loans that we originate. Historically, we have not originated a significant number of loans for the purpose of reselling them in the secondary market. In the future, however, to help manage our interest rate risk and to increase fee income, we may increase our origination and sale of fixed-rate residential loans and commercial business loans guaranteed by the SBA. All one-to four-family residential mortgage loans that we sell in the secondary market are sold with servicing rights retained pursuant to master commitments negotiated with Freddie Mac. We sell our loans to Freddie Mac without recourse. No loans were held for sale at September 30, 2010.

At September 30, 2010, we were servicing loans sold to Freddie Mac in the amount of $10.7 million and SBA guaranteed loans sold in the amount of $4.2 million. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, contacting delinquent mortgagors, supervising foreclosures and property dispositions in the event of unremedied defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans.

From time-to-time, we will also participate in loans, sometimes as the "lead lender." Whether we are the lead lender or not, we underwrite our participation portion of the loan according to our own underwriting criteria and procedures. At September 30, 2010, we had $22.2 million of loan participation interests in which we were the lead lender, and $6.4 million in loan participations in which we were not the lead lender. We have entered into loan participations when the aggregate outstanding balance of a particular customer relationship exceeds our loan-to-one-borrower limit. All loan participations are loans secured by real estate that adhere to our loan policies. During the year ended September 30, 2010, we experienced loan losses totaling $321,000 in our loan participations portfolio due to one non-performing acquisition and development loan in which the Bank was a participant and not the lead lender.

During the fiscal year ended September 30, 2010, we originated $17.9 million of fixed-rate and adjustable-rate one-to four-family residential mortgage loans. The fixed-rate loans are primarily of loans with terms of 30 years or less. We also originated $20.3 million of commercial real estate loans, $814,000 of construction loans, $2.0 million of commercial business loans, and $1.5 million of home equity lines of credit and other loans during the fiscal year ended September 30, 2010.

We generally do not purchase residential mortgage loans, except for loans to low-income borrowers as part of our Community Reinvestment Act lenders program. At September 30, 2010, we had $3.6 million of one-to four-family residential mortgage loans that were purchased from other lenders. No loans were purchased in the fiscal year ended September 30, 2010.

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Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our Board of Directors. In the approval process for loans, we assess the borrower's ability to repay the loan and the value of the property securing the loan. To assess an individual borrower's ability to repay, we review income and expense, employment and credit history. To assess a business entity's ability to repay, we review financial statements (including balance sheets, income statements and cash flow statements), rent rolls, other debt service, and projected income and expense.

We generally require appraisals for all real estate securing loans. Appraisals are performed by independent licensed appraisers who are approved annually by our Board of Directors. We require borrowers to obtain title, fire and casualty, general liability, and, if warranted, flood insurance in amounts at least equal to the principal amount of the loan. For construction loans, we require a detailed plan and cost review, to be reviewed by an outside engineering firm, and all construction-related state and local approvals necessary for a particular project.

Our loan approval policies and limits are established by our Board of Directors. All loans are approved in accordance with the loan approval policies and limits. Lending authorities are approved annually by the Board of Directors, and Magyar Bank lending staff members are authorized to approve loans up to their lending authority limits, provided the loan meets all of our underwriting guidelines.

Loan requests for aggregate borrowings up to $1.5 million must be approved by Magyar Bank's Chief Lending Officer or President. Other members of our lending staff have lesser amounts of lending authority based on their experience as lending officers. Loan requests for aggregate borrowings up to 35% of Magyar Bank's loans-to-one-borrower limit, or $2.4 million, must be approved by Magyar Bank's Management Loan Committee. The Management Loan Committee is comprised of the President, Chief Lending Officer, Chief Financial Officer and various bank officers appointed by the Board of Directors. A quorum of three members including either the President or the Chief Lending Officer is required for all Management Loan Committee meetings. The Directors Loan Committee must approve all loan requests for aggregate borrowings in excess of 35% of Magyar Bank's loans-to-one-borrower limit, or $2.4 million. The Board of Directors must approve all loan requests for aggregate borrowings in excess of 80% of Magyar Bank's loans-to-one-borrower limit, or $5.5 million.

Asset Quality

We commence collection efforts when a loan becomes 15 days past due with system-generated reminder notices. Subsequent late charge and delinquent notices are issued and the account is monitored on a regular basis thereafter. Personal, direct contact with the borrower is attempted early in the collection process as a courtesy reminder and later to determine the reason for the delinquency and to safeguard our collateral. When a loan is more than 60 days past due, the credit file is reviewed and, if deemed necessary, information is updated or confirmed and collateral re-evaluated. We make every effort to contact the borrower and develop a plan of repayment to cure the delinquency. Loans are placed on non-accrual status when they are delinquent for more than three months. When loans are placed on non-accrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received.

A summary report of all loans 30 days or more past due is provided to the Board of Directors on a monthly basis. If no repayment plan is in process, the file is referred to counsel for the commencement of foreclosure or other collection efforts.

Non-Performing Assets. The table on the following page sets forth the amounts and categories of our non-performing assets at the dates indicated. The table includes troubled debt restructurings (loans for which a portion of interest or principal has been forgiven and loans modified at interest rates materially less than current market rates) for each date presented.

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	September 30, 2010	2009	2008	2007	2006
	(Dollars in thousands)				
Non-accrual loans:					
One-to four-family residential	$2,451	$4,565	$772	$65	$56
Commercial real estate	8,228	7,439	3,400	1,936	-
Construction	13,969	19,515	8,224	6,008	5,135
Home equity lines of credit	1,304	1,086	731	-	-
Commercial business	1,465	879	176	21	188
Other	-	-	-	3	-
Total	27,417	33,484	13,303	8,033	5,379
Accruing loans three months or more past due:					
One-to four-family residential	-	-	65	-	88
Commercial real estate	-	-	-	-	1,933
Construction	-	-	6,700	-	-
Home equity lines of credit	-	-	-	-	-
Commercial business	-	-	-	15	-
Other	-	-	-	-	-
Total loans three months or more past due	-	-	6,765	15	2,021
Total non-performing loans	27,417	33,484	20,068	8,048	7,400
Other real estate owned	12,655	5,562	4,666	2,238	-
Total non-performing assets	40,072	39,046	24,734	10,286	7,400
Troubled debt restructurings	3,610	458	-	-	-
Troubled debt restructurings and total non-performing assets	$43,682	$39,504	$24,734	$10,286	$7,400
Ratios:					
Total non-performing loans to total loans	6.71 %	7.53 %	4.89 %	2.09 %	2.10 %
Total non-performing loans and troubled debt restructurings to total loans	7.59 %	7.63 %	4.89 %	2.09 %	2.10 %
Total non-performing assets to total assets	7.45 %	6.91 %	4.81 %	2.17 %	1.70 %
Total non-performing assets and troubled debt restructurings to total assets	8.12 %	6.99 %	4.81 %	2.17 %	1.70 %

At September 30, 2010, our portfolio of commercial business, commercial real estate and construction loans totaled $207.0 million, or 50.7% of our total loans, compared to $236.4 million, or 53.1% of our total loans, at September 30, 2009. Commercial business, commercial real estate and construction loans generally have more risk than one-to four-family residential mortgage loans. As shown in the table above, our troubled debt restructuring and total non-performing assets increased $4.2 million to $43.7 million at September 30, 2010 from $39.5 million at September 30, 2009, and increased $18.9 million from $24.7 million at September 30, 2008, reflecting the recent adverse economic conditions. The repayment of the Company's construction loan portfolio is dependent upon the sale of the collateral securing the loans and has been particularly impacted by the rapid deterioration in the housing market and decreased buyer demand. (See Item 7. -

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Management's Discussion and Analysis of Financial Condition and Results of Operations for additional discussion of non-performing assets).

Additional interest income of approximately $2.6 million and $2.5 million would have been recorded during the fiscal years ended September 30, 2010 and 2009, respectively, if the non-accrual loans summarized in the above table had performed in accordance with their original terms.

The Company accounts for its impaired loans in accordance with generally accepted accounting principles, which require that a creditor measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate except that, as a practical expedient, a creditor may measure impairment based on a loan's observable market price less estimated costs of disposal, or the fair value of the collateral less estimated costs of disposal if the loan is collateral dependent. Regardless of the measurement method, a creditor may measure impairment based on the fair value of the collateral when the creditor determines that foreclosure is probable.

The Company records cash receipts on impaired loans that are non-performing as a reduction to principal before applying amounts to interest or late charges unless specifically directed by the Bankruptcy Court to apply payments otherwise. The Company continues to recognize interest income on impaired loans that are performing.

Troubled debt restructurings ("TDRs") occur when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, such as a below market interest rate, extending the maturity of a loan, or a combination of both. At September 30, 2010, there were seven loans totaling $3.6 million that were classified as TDRs by the Company. These loans are not included in the non-performing loan figures listed above, as they continue to perform under their modified terms.

Delinquent Loans. The table on the following page sets forth certain information with respect to our loan portfolio delinquencies at the dates indicated. Loans delinquent more than three months are generally classified as non- accrual loans.

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	Loans Delinquent For					
	60-89 Days		90 Days and Over		Total	
	Number	Amount	Number	Amount	Number	Amount
			(Dollars in thousands)			
At September 30, 2010						
One-to four-family residential	4	$721	4	$2,451	8	$3,172
Commercial real estate	2	2,147	6	6,081	8	8,228
Construction	-	-	15	14,552	15	14,552
Home equity lines of credit	-	-	3	1,304	3	1,304
Commercial business	-	-	5	1,465	5	1,465
Other	-	-	-	-	-	-
Total	6	$2,868	33	$25,853	39	$28,721
At September 30, 2009						
One-to four-family residential	1	$150	9	$4,565	10	$4,715
Commercial real estate	-	-	7	7,439	7	7,439
Construction	2	1,642	10	17,873	12	19,515
Home equity lines of credit	-	-	2	1,086	2	1,086
Commercial business	1	15	5	864	6	879
Other	-	-	-	-	-	-
Total	4	$1,807	33	$31,827	37	$33,634
At September 30, 2008						
One-to four-family residential	3	$216	4	$837	7	$1,053
Commercial real estate	-	-	2	$3,400	2	3,400
Construction	3	5,476	7	9,395	10	14,871
Home equity lines of credit	-	-	1	731	1	731
Commercial business	1	157	1	176	2	333
Other	-	-	-	-	-	-
Total	7	$5,849	15	$14,539	22	$20,388
At September 30, 2007						
One-to four-family residential	-	$-	2	$65	2	$65
Commercial real estate	3	2,214	1	1,936	4	4,150
Construction	-	-	4	6,008	4	6,008
Home equity lines of credit	-	-	-	-	-	-
Commercial business	-	-	3	36	3	36
Other	-	-	2	3	2	3
Total	3	$2,214	12	$8,048	15	$10,262
At September 30, 2006						
One-to four-family residential	-	$-	3	$144	3	$144
Commercial real estate	-	-	1	1,933	1	1,933
Construction	-	-	-	-	-	-
Home equity lines of credit	-	-	-	-	-	-
Commercial business	-	-	3	188	3	188
Other	-	-	1	-	1	-
Total	-	$-	8	$2,265	8	$2,265

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Real Estate Owned. Real estate we acquire as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until sold. When property is acquired it is recorded at fair value at the date of foreclosure, establishing a new cost basis. Holding costs and declines in fair value result in charges to expense after acquisition.

The Company held $12.7 million of real estate owned properties at September 30, 2010 and $5.6 million of real estate owned properties at September 30, 2009. During the year ended September 30, 2010, the Company was able to successfully dispose of four properties with an aggregate carrying value of $3.5 million at September 30, 2009 for a net profit of $61,000 and the Company was able to secure the title for 26 other properties totaling $10.0 million which is expected to help facilitate the sales process.

Other real estate owned at September 30, 2010 consisted of five residential properties, two substantially completed condominium projects, four partially completed residential properties, and eighteen real estate lots approved for residential homes. The Bank is determining the proper course of action for its other real estate owned, which may include holding the properties until the real estate market improves, selling the properties to a developer and completing partially completed homes for either rental or sale.

The Company did not incur any further write downs on properties foreclosed upon during the year ended September 30, 2010. Further declines in real estate values may result in a charge to expense in the future. Routine holding costs are charged to expense as incurred and improvements to real estate owned that enhance the value of the real estate are capitalized.

Classified Assets. Federal banking regulations provide that loans and other assets of lesser quality should be classified as “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the curren net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” we will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “un-collectible” and of such little value their continuance as assets without the establishment of a specific loss reserve is not warranted. We classify an asset as “special mention” if the asset has a potential weakness that warrants management’s close attention. While such assets are not impaired, management has concluded that if the potential weakness in the asset is not addressed, the value of the asset may deteriorate, adversely affecting the repayment of the asset. On the basis of our review of assets at September 30, 2010, classified assets consisted of $29.9 million of special mention assets, $36.0 million of substandard assets and $99,000 of doubtful assets.

We are required to establish an allowance for loan losses in an amount deemed prudent by management for loans classified substandard or doubtful, as well as for other problem loans. General allowances represent loss allowances which have been established to recognize the inherent losses associated with lending activities, but which, unlike impairment allowances, have not been allocated to particular problem assets. When we classify problem assets, we are required to determine whether or not impairment exists. A loan is impaired when, based on current information and events, it is probable that Magyar Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. When it is determined that impairment exists, a specific allowance for loss is established. For collateral-dependent loans, the loan is reduced by the impairment amount via a reduction to the loan and the allowance for loan loss. Our determination as to the classification of our assets and the amount of our valuation allowances is subject to review by the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation, which can direct us to establish additional loss allowances.

The loan portfolio is reviewed on a regular basis to determine whether any loans require classification in accordance with applicable regulations. Not all classified assets constitute non-performing assets.

Allowance for Loan Losses

Our allowance for loan losses is maintained at a level management deems necessary to absorb loan losses that are both probable and reasonably estimable. Management, in determining the allowance for loan losses, considers the losses in our loan portfolio both probable and reasonably estimable, and changes in the nature and volume of loan activities, along with the general economic and real estate market conditions. The allowance for loan losses as of September 30, 2010 was maintained at a level that represents management's best estimate of losses in the loan portfolio both probable and reasonably estimable. However, this analysis process is inherently subjective, as it requires us to make estimates that are

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susceptible to revisions as more information becomes available. Although we believe we have established the allowance at levels to absorb probable and estimable losses, future additions may be necessary if economic or other conditions in the future differ from the current environment.

In addition, as an integral part of their examination process, the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation will periodically review our allowance for loan losses. Such agencies may require us to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Allowance for Loan Losses. The following table sets forth activity in our allowance for loan losses for the periods indicated.

	September 30,				
	2010	2009	2008	2007	2006
	(Dollars in thousands)				
Balance at beginning of period	$5,807	$4,502	$3,754	$3,892	$3,129
Charge-offs:					
One-to four-family residential	61	39	31	-	13
Commercial real estate	321	1,063	111	-	-
Construction	3,102	4,120	3,084	652	-
Home equity lines of credit	93	724	69	-	2
Commercial business	196	963	227	-	180
Other	-	1	3	4	3
Total charge-offs	3,773	6,910	3,525	656	198
Recoveries:					
One-to four-family residential	-	-	13	-	-
Commercial real estate	-	-	-	-	-
Construction	1	2	-	-	-
Home equity lines of credit	-	-	-	-	-
Commercial business	-	-	-	120	-
Other	2	1	5	-	-
Total recoveries	3	3	18	120	-
Net charge-offs	3,770	6,907	3,507	536	198
Provision for loan losses	2,729	8,212	4,255	398	961
Balance at end of period	$4,766	$5,807	$4,502	$3,754	$3,892
Ratios:					
Net charge-offs to average loans outstanding	0.89 %	1.61 %	0.88 %	0.14 %	0.06 %
Allowance for loan losses to total non performing loans at end of period	17.38 %	17.34 %	22.43 %	46.64 %	52.59 %
Allowance for loan losses to total loans at end of period	1.17 %	1.31 %	1.10 %	0.97 %	1.11 %

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Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category, the percent of the allowance to the total allowance and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	Amount	Percent of Allowance In Category to Total Allowance		Percent of Loans In Category to Total Loans	
	(Dollars in thousands)				
At September 30, 2010					
One-to four-family residential	$589	12.35	%	40.50	%
Commercial real estate	1,123	23.56	%	28.45	%
Construction	2,020	42.39	%	13.97	%
Home equity lines of credit	83	1.75	%	5.59	%
Commercial business	866	18.17	%	8.24	%
Other	11	0.23	%	3.25	%
Unallocated	74	1.55	%	0.00	%
Total allowance for loan losses	$4,766	100.00	%	100.00	%
At September 30, 2009					
One-to four-family residential	$455	7.83	%	38.76	%
Commercial real estate	1,235	21.27	%	23.78	%
Construction	2,967	51.09	%	20.96	%
Home equity lines of credit	60	1.04	%	5.08	%
Commercial business	957	16.48	%	8.40	%
Other	15	0.26	%	3.02	%
Unallocated	118	2.03	%	0.00	%
Total allowance for loan losses	$5,807	100.00	%	100.00	%
At September 30, 2008					
One-to four-family residential	$429	9.53	%	38.44	%
Commercial real estate	603	13.39	%	22.60	%
Construction	2,846	63.22	%	22.61	%
Home equity lines of credit	48	1.07	%	3.87	%
Commercial business	476	10.57	%	8.76	%
Other	4	0.09	%	3.72	%
Unallocated	96	2.13	%	0.00	%
Total allowance for loan losses	$4,502	100.00	%	100.00	%
At September 30, 2007					
One-to four-family residential	$473	12.60	%	38.37	%
Commercial real estate	576	15.34	%	21.54	%
Construction	1,982	52.80	%	23.72	%
Home equity lines of credit	40	1.07	%	3.49	%
Commercial business	675	17.98	%	8.72	%
Other	8	0.21	%	4.16	%
Unallocated	-	0.00	%	0.00	%
Total allowance for loan losses	$3,754	100.00	%	100.00	%

At September 30, 2006					
One-to four-family residential	$327	8.40	%	40.65	%
Commercial real estate	601	15.44	%	19.46	%
Construction	1,519	39.03	%	25.64	%
Home equity lines of credit	82	2.12	%	3.08	%
Commercial business	1,153	29.63	%	6.96	%
Other	210	5.38	%	4.21	%
Unallocated	-	0.00	%	0.00	%
Total allowance for loan losses					