



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

January 11, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Presidential Bank, FSB
Charter Number 708186

4520 East West Highway, Bethesda, MD 20814-3335

Office of the Comptroller of the Currency

400 7th Street S.W., Washington DC 20219

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, and should not 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.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

The major factors that support this rating include:

- The Lending Test rating is based on a reasonable distribution of loans in low- and moderate-income geographies, an excellent distribution of lending among borrowers of different income levels, and a loan-to-deposit (LTD) ratio that is more than reasonable.
- The Community Development (CD) Test rating is based on the bank's excellent responsiveness to community development lending, investments, and community development services. The CD rating is weighted equally with the Lending Test. The CD Test rating is based on the aggregate assessment of the bank's CD loans, qualified investments, and CD services in the bank's assessment area (AA).

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit (LTD) ratio is more than reasonable as the bank sells a significant portion of loans to the secondary market.

The bank's quarterly average net LTD ratio over the evaluation period was 90.3 percent. Based on a 12-quarter review period, December 2017 through September 2020, the bank's ratio ranged from a quarterly low of 74.9 percent to a quarterly high of 111.1 percent. The quarterly average net LTD ratio for a peer group of five similarly situated institutions with assets ranging from \$327.5 million to \$1.1 billion and located in the same combined statistical area (CSA) was 82.3 percent over the same period. The peer group's ratio ranged from a quarterly low of 38.6 percent to a quarterly high of 98.8 percent during that time period.

Presidential Bank, Federal Savings Bank (FSB) relies solely on deposits, earnings, and loan sales to finance its lending activities. The bank sells substantially all of its home mortgage loans in the secondary market with servicing released, which is not reflected in its loan portfolio. During the evaluation period, the bank sold nearly 9,341 loans totaling \$2.8 billion in the secondary market.

Lending in Assessment Area

A majority of the bank's loans are outside its AA.

During the evaluation period, the bank originated and purchased 43.3 percent of its total loans inside the bank's AA. By dollar volume 50.8 percent of the bank's loans were inside its AA. The major contributing factor to the number of loans made outside of the bank's AA was the bank's overall business strategy centered in mortgage banking activities and the use of loan production offices (LPOs) across a greater geographic area. The bank's mortgage banking business is conducted through the bank's

mortgage subsidiary, Presidential Bank Mortgage, that operates 16 LPOs throughout Maryland, Virginia, and Pennsylvania covering the mid-Atlantic geographic footprint from southern New Jersey to northern North Carolina. Most of the loans originated outside the bank's AA were originated by the bank's four LPOs located in Glen Allen, Charlottesville, and Colonial Heights Virginia; and Trevese, Pennsylvania. Loans made outside of the bank's AA through the LPOs are consistent with the bank's business and lending strategy. It should also be noted that these LPOs originated nearly 32.7 percent mortgage loans totaling \$86 million to low- and moderate-income borrowers outside the bank's AA.

This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. This analysis had a neutral impact on the overall geographic distribution of lending by income level of geography.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	1,569	43.8	2,016	56.2	3,585	546,991	51.5	514,115	48.5	1,061,106
2018	1,223	41.9	1,698	58.1	2,921	434,223	48.8	455,711	51.2	889,934
2019	1,639	43.9	2,095	56.1	3,734	632,504	51.6	593,369	48.4	1,225,873
Subtotal	4,431	43.3	5,809	56.7	10,240	1,613,718	50.8	1,563,195	49.2	3,176,913
Total	4,431	43.3	5,809	56.7	10,240	1,613,718	50.8	1,563,195	49.2	3,176,913

*Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Description of Institution

Presidential Bank, FSB (PBFSB, bank, or institution) is a federally chartered stock savings bank headquartered in Bethesda, Maryland (MD). The bank is a wholly owned subsidiary of Presidential Holdings, Inc., a unitary, non-diversified savings institution holding company unchanged since inception.

The bank's AA includes portions of the Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (MSA) - 12580, the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA - 47894, and the Frederick-Gaithersburg-Rockville, Metropolitan Division - 23224 (formerly Silver Spring-Frederick-Rockville, MD Metropolitan Division). All are within the larger Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area (CSA) - 548. The AA does not arbitrarily exclude any low- or moderate-income geographies. The composition of the AA is fully detailed in appendix A of this evaluation.

In addition to its headquarters, PBFSB operates nine branch offices, one located in Washington, DC, two in Maryland, and six in Virginia. The branches are located in affluent areas north and west of Washington, DC. One branch office is located in a moderate-income census tract, another in a middle-income census tract, and the remaining seven branch offices and the bank's main office are located in upper-income census tracts. There are no PBFSB branch offices in low-income census tracts. The bank

did not open or close any branches during the evaluation period. The bank relocated two branches during the evaluation period. The two relocated branches remained in upper-income census tracts and did not impact the bank's AA. All nine branch offices are open standardized hours, Monday through Friday from 9:00 AM to 4:00 PM and have full service automated teller machines (ATM) on-site. In addition to these branches, the bank operates 16 loan production offices (LPOs), of which 10 are located in Maryland, five in Virginia, and one in Pennsylvania. Four of the bank's 16 LPOs are located outside of the bank's AA. The LPOs generate a substantial portion of the bank's residential loans.

As of December 31, 2019, PBFBSB reported total assets of \$617.2 million, total deposits of \$541.9 million, tier 1 capital of \$64.4 million, and net loans and leases of \$510.9 million. The loan portfolio consisted of approximately 42.0 percent residential real estate mortgages, 48.8 percent commercial loans, 4.6 percent home equity lines of credit, 3.2 percent personal loans, and 1.4 percent other loans.

The bank's primary business focus is real estate related lending to consumers and businesses. The origination of real estate loans to homeowners is primarily for the purpose of selling them in the secondary market with servicing rights released. The bank offers online banking, bill pay, mobile banking, deposit capture, and funds transfers. Lending products include conventional, Federal Housing Administration (FHA) and Veterans Administration (VA) fixed- and adjustable-rate first and second mortgages, as well as multifamily residential, commercial real estate, and commercial and industrial loans, which include equipment loans and leases and a small number of syndicated loan purchases, and consumer loans. Consumer deposit products include checking accounts, savings accounts, money market accounts, certificates of deposit, individual retirement accounts, and ATM and debit cards. Services for businesses include commercial checking, commercial savings, commercial money market accounts, certificates of deposit, cash management, and remote deposit capture. The bank's website www.presidential.com, provides additional information on its services.

The bank utilized several state and federal loan programs targeted to low- and moderate-income borrowers in the AA. The use of these programs contributed positively to the bank's Lending Test performance. The following is a list of flexible lending programs offered by the bank:

- *Federal Home Loan Bank of Atlanta (FHLBA) Affordable Housing Grant program*: This program is one of the nation's largest sources of grants for affordable housing projects. FHLBA provides grants to assist borrowers earning no more than 80 percent of the county area median family income (AMI) with down payments, closing costs, homebuyer counseling, and principal reduction for the purchase or rehabilitation assistance on units that borrowers will occupy as their primary residence.
- *Fannie Mae Home Ready Mortgage Program (HomeReady)*: HomeReady mortgage is available to first-time or repeat homebuyers. The program offers high loan-to-value (LTV) ratio financing to help homebuyers who would otherwise qualify for a mortgage but may not have the resources for a larger down payment. Borrower income must be below 80 percent of the AMI, with some exceptions based on the property's location. There is no income limit on properties in low-income census tracts. In addition to providing a lower down payment, the loan is also subject to minimum credit scores and required homeownership education.
- *Freddie Mac Home Possible Mortgage (Home Possible)*: This program is geared towards first-time homebuyers who have limited funds available for their down payments. The program allows home buyers to use non-traditional sources of income, such as income from renters to qualify for a

mortgage. The Home Possible mortgage is available to qualified borrowers whose income does not exceed 100 percent of the AMI, except in low-income census tracts, where there is no income limit.

- *Frederick County Homebuyer Assistance Program (HAP):* This program is administered by the Frederick County Department of Housing and Community Development (DHCD). It provides homeownership opportunities throughout Frederick County Maryland, with down payment assistance up to \$10,000 for homebuyers currently living or working in Frederick County. HAP offers zero percent deferred loans that are due upon the sale, transfer, or if the home is no longer the primary residence of the borrower. This program can be used in conjunction with state or federal first mortgage programs, including FHA, USDA, and VA. To be eligible to receive assistance, borrowers must complete a homebuyer counseling program administered by a HUD approved agency. The borrower's gross income must be at or below 80 percent of the Washington MSA median household income limit.
- *Frederick City Sold on Frederick II Program:* This program is sponsored by the City of Frederick and funded by the Community Development Block Grant (CDBG), a grant from the Department of Housing and Urban Development. The program is designed for individuals with low- to moderate-incomes to assist them with the purchase of their primary homes located within the City of Frederick. The Program offers a zero percent, no interest loan of \$8,000 to qualified low- and moderate-income first-time homebuyers. To qualify, applicants cannot exceed the maximum income limits, is a first-time buyer, be credit eligible to be able to secure a first mortgage, complete homebuyer education, and have \$1,000 of their own funds to contribute.
- *Pennsylvania Housing Finance Agency (PHFA) Closing Cost Assistance Program:* The bank participates in the Keystone Advantage Assistance Loan Program. This loan program is a second mortgage that can be used toward the down payment or closing costs. It provides up to four percent of the home price or \$6,000, whichever is lower. The loan is repaid monthly over a ten-year term at zero percent interest.
- *Virginia Housing (formerly Virginia Housing Development Authority, or VHDA):* Virginia Housing offers a variety of first-time homebuyers and closing cost assistance programs intended specifically for Virginia residents. All loans have maximum income and sales price limits and/or loan limits, which vary based on the geographic area in which the home is located. The first-time homebuyer restriction does not apply if the property is located in areas of Economic Opportunity. This housing development authority continues to recognize the bank's commitment to promoting affordable housing. For each year in the evaluation period, a bank employee appeared on the housing authority's Top Producing Loan Officers list. Three bank employees continue to maintain homeownership training certifications through this organization.
- *USDA Rural Development Single Family Housing Guaranteed Loan Program:* This program assists approved lenders in providing up to 100 percent financing for the purchase or refinance of single-family homes for eligible borrowers living in rural areas. The program is designed to help single-family homebuyers and stimulate growth in less-populated, rural, and low-income areas. There is no maximum purchase price limit; however, the adjusted household income cannot exceed 115 percent of the median household income.
- *Maryland Mortgage Program (MPP):* This Program is provided by the Maryland Department of Housing and Community Development (DHCD). MMP provides down payment and closing cost

assistance to first-time homebuyers in Maryland who have not owned a home in the past three years. The first-time homebuyer requirement does not apply for homebuyers purchasing in targeted areas, veterans using their exemption for the first time, or borrowers using flex loan products (without mortgage credit certificates). The annual household income of borrowers cannot exceed specified limits based generally on area median income, family size, location of the residence in a targeted area, and housing costs.

See the Lending Test section in the MMSA rating area for details on usage of these programs.

There are no financial or legal impediments to hinder PBFSB's ability to help meet the credit needs of the communities it services. PBFSB received an "Outstanding" rating during its last Intermediate Small Bank (ISB) CRA evaluation dated October 31, 2017.

Scope of the Evaluation

Evaluation Period/Products Evaluated

PBFSB was evaluated under the ISB examination procedures. These procedures evaluate the bank's performance based on a Lending Test and a CD Test. The Lending Test considers the bank's performance pursuant to the following criteria: Loan-to-Deposit Ratio Analysis; AA Concentration; Geographic Distribution; Borrower Distribution; and Response to CRA Complaints. The CD Test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

The evaluation period for the Lending Test is from January 1, 2017 through December 31, 2019. Based on the volume of originations and purchases during the evaluation period, home mortgage loans were the bank's primary loan product. The bank is a Home Mortgage Disclosure Act (HMDA) reporter; therefore, all home mortgage loans reported on the bank's 2017, 2018, and 2019 HMDA Loan Application Registers (LARs) were considered. The HMDA LAR data was tested and found to be reliable. For the CD Test, examiners evaluated the bank's CD activities from October 31, 2017, the date of the last CRA evaluation, through December 31, 2019. Examiners also reviewed the integrity of the bank's CD activities to ensure these activities qualify for credit under the CRA regulation. No affiliate activity was included in this analysis.

The bank's data was compared to the U.S. Census Bureau's 2015 American Community Survey (ACS). This interim census activity updated income, population, and housing information, and resulted in changes to the income designations in some geographies. The impact of the 2015 ACS changes became effective January 1, 2017. The bank's AA was not impacted by this change; therefore, examiners performed a combined analysis of the bank's data from January 1, 2017 through December 31, 2019.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States are not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

Refer to the table in appendix A for more information on the scope of review.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of the AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank’s overall rating is the MMSA rating. The MMSA rating is based on performance in all of the bank’s AAs. Refer to the “Scope” section under each MMSA rating section for details regarding how the areas were weighted in arriving at the respective rating.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Multistate Metropolitan Statistical Area Rating

Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area (Washington-Baltimore-Arlington CSA)

CRA rating for the Washington-Baltimore-Arlington CSA: Outstanding

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

The major factors that support this rating include:

- The bank exhibits reasonable geographic distribution of loans in the AA.
- The bank exhibits an excellent distribution of loans to individuals of different income given the product lines offered by the bank.
- The bank demonstrates excellent responsiveness to the community development needs of the AA through community development loans, qualified investments, and community development services in the AA.

Description of Institution's Operations in Washington-Baltimore-Arlington CSA

The bank's main market area is Washington-Baltimore-Arlington, DC-MD-VA-WV-PA CSA. PBFBSB operates nine full-service branches and nine ATMs within Washington, DC, Maryland, and Virginia.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the bank's AA. According to the most recent 2019 Peer Mortgage Data, there were 379 HMDA reporters who originated or purchased \$2.2 billion home mortgage loans within the bank's AA. The bank ranked 86th with a market share of 0.2 percent. The top five lenders were Wells Fargo Bank N.A., PennyMac Loan Services LLC, US Bank, N.A., Quicken Loans, and SunTrust Bank, Inc.; who held a combined market share of 19.7 percent in the AA.

The AA is a competitive market for financial services. According to the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, there were 75 financial institutions within the bank's AA that operated 1,491 full-service branches with aggregate deposits of \$261.4 billion. The bank ranked 17th with less than one percent deposit market share. The largest competitors within the AA were E*TRADE Bank with 15.6 percent market share, Bank of America, N.A. with 14.6 percent market share, and Capital One, N.A. with 14.0 percent market share.

Economic Data

According to the November 2019 Moody Analytics, the economic drivers, strengths and weaknesses, and performance factors for the Baltimore-Columbia-Towson, MD MSA are led by the medical, federal government nondefense, and logistics industries. Employment growth has picked up thanks to professional/business services, leisure/hospitality, construction and logistics. The housing market remains stagnant. House price appreciation ranks in the bottom decile of northeastern metro areas and divisions. Construction will keep gaining given a robust pipeline of large-scale commercial expansions

and support from residential building. The area's gaming industry will get a modest boost from a local casino expansion but falling revenues and fierce regional competition ensure its contribution to job growth will slow. Strengths in the economy are the growing cybersecurity industry, established and well-funded medical research centers, and strong transportation and distribution industries. Weaknesses are deemed to be above-average living and business costs, few public transportation links with Washington DC, and below-average population growth.

The economic drivers in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA are the high per capita income and educated workforce, it is a major center for computer systems design and tech-related professional services, and is popular as a tourist destination. The labor market recovered mid-year, propelling the pace of employment growth ahead of the U.S. average. Housing affordability has improved some given lower mortgage rates. Federal spending for fiscal years 2020 and 2021 should be an asset for the area. Tourism is positioned to perform well in the coming years. Lean inventories and improvement in sales will continue to put upward pressure on home prices at the expense of affordability.

According to the September 2019 Moody's Analytics, the economic drivers in the Frederick-Gaithersburg-Rockville Metropolitan Division are the technology and federal government nondefense industries. Strengths in the economy are an established presence in biotech, pharmaceuticals and medical research industries, high per capita income, a highly skilled and well-educated workforce, and lower business costs than those in the neighboring Washington metro division. Noted weaknesses are dependence on government spending, a very high cost of living, and home equity has not yet fully recovered. The area is expected to remain one of Maryland's top performers.

Several community contacts were made in the area to identify opportunities and needs in the AA. The contacts were community development organizations with a primary purpose and function to advocate for, support, and provide assistance to the residents in the AA. The identified AA needs were affordable housing, financial literacy, neighborhood revitalization, small business lending, workforce development, special needs housing, youth services, mental health support services, and after school enrichment programs. Additional needs in the metropolitan division included traditional banking services to help customers re-establish their credit; and mortgage products with down payment and closing cost assistance.

The bank's AA consists of 1,767 geographies with a population of 7,487,800. Of the 1,767 geographies, 212 geographies or 11.9 percent are classified as low-income, 398 geographies or 22.5 percent are classified as moderate-income, 555 geographies or 31.4 percent are classified as middle-income, 574 geographies or 32.5 percent are classified as upper, and 28 geographies or 1.6 percent have not been assigned an income classification.

Below, Table A provides the demographic information for the AA. There are over 2.9 million housing units in the AA with 33 percent located in low- and moderate-income geographies. The population within the low-income census tracts was 737,923 with 78,645 owner-occupied housing units (OOHUs). The population within the moderate-income census tracts was 1,648,816 with 300,124 OOHUs. The number of OOHUs in the low- and moderate-income geographies is 22.2 percent, significantly lower than middle- and upper-income geographies with 77.7 percent, indicating a limited proportion of OOHU are affordable to low- and moderate-income residents.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Washington-Baltimore-Arlington CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,767	11.9	22.5	31.4	32.5	1.6
Population by Geography	7,487,800	9.9	22.0	32.6	34.8	0.7
Housing Units by Geography	2,961,262	10.8	22.2	32.7	33.9	0.4
Owner-Occupied Units by Geography	1,704,072	4.6	17.6	35.1	42.6	0.1
Occupied Rental Units by Geography	1,034,406	18.3	29.2	30.0	21.7	0.8
Vacant Units by Geography	222,784	22.8	25.6	26.6	24.4	0.7
Businesses by Geography	583,815	5.1	17.9	33.7	42.5	0.8
Farms by Geography	9,458	3.1	16.4	34.9	45.4	0.2
Family Distribution by Income Level	1,761,981	22.5	16.6	19.7	41.3	0.0
Household Distribution by Income Level	2,738,478	24.0	16.2	18.1	41.7	0.0
Median Family Income MSA - 12580 Baltimore-Columbia-Towson, MD MSA		\$87,788	Median Housing Value			\$375,505
Median Family Income MD - 23224 Frederick-Gaithersburg-Rockville, MD		\$112,655	Median Gross Rent			\$1,447
Median Family Income MSA - 47894 Washington-Arlington-Alexandria, DC-VA-MD-WV		\$106,105	Families Below Poverty Level			6.5%
<i>Source: 2015 ACS Census and 2018 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA had a relatively high cost of housing that impedes homeownership for low- and moderate-income individuals and families. The table below illustrates housing affordability calculations for each metropolitan division and MSA included in the bank's AA. The 2019 Housing Affordability table monthly mortgage payment calculations assumed a 30-year mortgage with a five percent interest rate, but did not account for down payment, homeowner's insurance, real estate taxes, or any additional monthly expenses. The maximum low-income and maximum moderate-income annual calculations are based on 50 and 80 percent of the 2019 FFIEC adjusted median family income (AMFI) in the metropolitan division and MSAs, respectively. Both low- and moderate-income borrowers would be challenged to afford the median home price.

2019 Housing Affordability									
MD/MSA Name	2019 Updated MFI	Maximum Low-Income Annual Income	Maximum Affordable Mortgage Amount	Maximum Monthly Mortgage Payment	Maximum Moderate-Income Annual Income	Maximum Affordable Mortgage Amount	Maximum Monthly Mortgage Payment	2019 Median Home Sales Price*	Mortgage Payment Based on Sales Price
MSA 47894	114,700	57,350	267,081	1,263	91,760	427,330	2,294	470,000	2,523
MD 23224	123,600	61,800	287,805	1,545	98,880	460,488	2,472	468,500	2,515
MSA 12580	101,000	50,500	235,181	1,263	80,800	376,289	2,020	299,950	1,610

*Source – National Association of Realtors 2019 median home sales price of existing single-family homes for Metropolitan Areas

Scope of Evaluation in Washington-Baltimore-Arlington CSA

The OCC completed a full-scope review of the bank’s only AA located within the Washington-Baltimore-Arlington CSA. The bank has not changed its AA since the previous CRA performance evaluation. As noted in the description of the institution, the bank’s primary loan product is home mortgage loans.

Refer to the table in appendix A for a list of all AAs under review.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN Washington-Baltimore-Arlington CSA

The bank’s performance under the Lending Test in the Washington-Baltimore-Arlington CSA is rated Outstanding.

LENDING TEST

Based on a full-scope review, the bank’s performance in the Washington-Baltimore-Arlington CSA is excellent.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the Washington-Baltimore-Arlington CSA.

Home Mortgage Loans

Refer to Table O in the “MMSA” section of appendix D for the facts and data used to evaluate the geographic distribution of the bank’s home mortgage loan originations and purchases.

The percentage of home mortgage loans in both low- and moderate-income geographies was below the percentage of owner-occupied housing units as well as the percentage of aggregate lending.

In the analysis, the OCC considered several performance context factors including AA demographics and significant market competition in the AA. The limited number of owner-occupied housing units in low- and moderate-income geographies poses a significant challenge to lending in these areas. The majority of owner-occupied housing was located in middle- and upper-income geographies. Furthermore, the percentage of occupied rental and vacant units are greater than the percentage of owner-occupied housing units. The 2015 ACS data indicated that 74.3 percent of housing units in low-income geographies were renter-occupied or vacant units, and 54.4 percent of the housing units in moderate-income geographies were renter-occupied or vacant. In addition, the lack of branch presence in low-income geographies and only one branch located in a moderate-income geography constrains lending in those areas. The bank's performance is consistent with the limited opportunities to lend in low-income geographies.

The following table illustrates the significant competition in low- and moderate- income geographies, where the top five lenders represent a quarter of \$1.5 billion in low-income and \$12.5 billion in moderate-income lending activity.

2019 HMDA Market Share Data					
Assessment Area: Washington- Baltimore Arlington CSA					
Low-Income Geographies			Moderate-Income Geographies		
Bank	Rank	% Market Share	Bank	Rank	% Market Share
Presidential Bank	31	0.4	Presidential Bank	46	0.5
Wells Fargo Bank	1	6.1	Wells Fargo Bank NA	1	6.1
PennyMac Loan Services LLC	2	4.1	Quicken Loans	2	4.5
US Bank NA	3	3.4	PennyMac Loan Services LLC	3	4.0
Quicken Loans	4	3.3	SunTrust Banks, Inc.	4	3.3
SunTrust Banks, Inc.	5	2.8	US Bank NA	5	2.8
Total Lenders	379			556	

Taking into consideration the above performance context factors, the geographic distribution of home mortgage loans is reasonable and meets the standards for satisfactory performance.

Lending Gap Analysis

Examiners reviewed summary reports and maps and analyzed home mortgage lending activity to identify any gaps in the geographic distribution of loans in the AA. The OCC did not identify any unexplained conspicuous gaps in the bank's lending activity in the AA.

Distribution of Loans by Income Level of the Borrower

The bank exhibits an excellent distribution of loans to individuals of different income levels given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in the “MMSA” section of appendix D for the facts and data used to evaluate the borrower distribution of the bank’s home mortgage loan originations and purchases.

Based on an analysis of the demographic data and considering the performance context factors discussed earlier in this report, the overall borrower distribution of home mortgage loans was excellent. Examiners considered the high median housing value compared to income that constrains affordability of homeownership for low- and-moderate people. The median value of homes in the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA is nearly eight times the earnings of low-income families and nearly five times the earnings of moderate-income borrowers. The median value of homes in the Baltimore-Columbia-Towson, MD MSA is nearly six times the earnings of low-income families and nearly four times the earnings of moderate-income borrowers.

The distribution of home mortgage loans to low-income borrowers lagged the percentage of low-income families within the AA. While this performance was below the percentage of low-income families in the AA, it exceeded the aggregate level of lending. Within the AA, 6.5 percent of families were below the poverty level and may find it difficult to qualify for a home loan. The distribution of home mortgage loans to moderate-income borrowers exceeded both the percentage of moderate-income families within the AA and the aggregate lending percentage.

Flexible Lending Programs

The bank sponsored or participated in a number of first-time homebuyer programs coupled with down payment and closing cost assistance programs targeted to low- and moderate -income borrowers that provided a positive impact under the lending test performance. During the evaluation period, the bank originated 1,590 HMDA-reportable mortgage loans totaling \$302.9 million and facilitated 571 housing grants totaling \$3.6 million using flexible lending programs. The table below illustrates loans originated or activity conducted through the bank’s flexible lending programs offered during the evaluation period:

Presidential Participation in LMI Housing Programs October 31, 2017 through December 31, 2019		
Loan Program	Number of Applications	Dollar Amount
HomeReady® (Fannie Mae) & Home Possible ® (Freddie Mac)	517	\$124,086,161
USDA Rural Development Housing (RDH)	400	\$85,829,000
Virginia Housing Development Authority (VHDA) - 1st Liens	499	\$91,660,000
Virginia Housing Development Authority (VHDA) - 2nd Liens	174	\$1,299,000
Total Loans	1,590	\$302,874,161
Down Payment Assistance Programs (DPA)		
FHLB of Atlanta Affordable Housing Program (AHP)	390	\$2,275,614
Frederick City Sold on Frederick II Program - DPA1 Frederick County Homebuyer Assistance Program (HAP) - DPA 2 Maryland Mortgage Program (MMP) - DPA 3 Pennsylvania Housing Finance Agency (PHFA) - DPA 4	181	\$1,347,309
Total Grants	571	\$3,622,923

Responses to Complaints

There were no consumer complaints regarding the bank's CRA performance or complaints indicating illegal or discriminatory lending practices during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the Washington-Baltimore-Arlington CSA is rated Outstanding.

Based on a full-scope review, the bank exhibits excellent responsiveness to community development needs in the AA through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

Number and Amount of Community Development Loans

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$ (000's)	% of Total \$
Washington-Arlington-Alexandria, DC-VA-MD-WV CSA	8	100	10,069	100

The Lending Activity Table, shown above, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans, that also qualify as CD loans.

During the evaluation period, the bank originated eight (8) qualifying community development loans totaling \$10.1 million in the AA. These loans were extended to eight different borrowers who own and operate multifamily housing complexes that provide affordable housing in the AA. Loans were to purchase, repair, and maintain the apartment complexes. All of the units rent for rates that are below the fair market rents in the area and were not projected at the time of the transaction to exceed 30 percent of 80 percent of the AMI.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Washington Arlington-Alexandria, DC-VA-MD-WV CSA	4	7,691	0	0	4	100	7,691	100	0	0

* Prior Period Investments means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The Qualified Investment Table, shown above, sets forth the information and data used to evaluate the bank's level of qualified CD investments. The table includes all CD investments, including prior period investments.

The bank's investment portfolio included four prior period investments. The bank did not make any new investments during the evaluation period. These investments are comprised of three FNMA (Fannie Mae) and GNMA (Ginnie Mae) mortgage-backed securities (MBS) and one small business investment company (SBIC). The outstanding balance of these investments as of December 31, 2019 was \$7.7 million.

Below is a summary of the bank's qualified investments in the AA:

- Two Fannie Mae MBS with an aggregate book value of \$3.4 million. These securities were collateralized by 16 conventional mortgage loans to low- and moderate-income borrowers in the MMSA.
- One Ginnie Mae MBS with an aggregate book value of \$1.4 million. All of the participants were low- and moderate-income borrowers residing within the Washington-Arlington-Alexandria, DC-VA-MD MSA.
- One SBIC fund currently valued at approximately \$2.7 million. The fund provided financing to businesses in need of growth capital, other equity financing to small healthcare companies in underserved areas, and investments with entrepreneurs who traditionally have had less access to institutional investors.

These investments continue to provide an ongoing benefit to the AA.

Extent to Which the Bank Provides Community Development Services

CD services were effective and responsive in addressing community needs. The bank conducted or supported a number of CD services consistent with its capacity and expertise. During the evaluation period, PBFSB employees provided over 1,000 hours of service to CD organizations that benefit low- and moderate-income individuals and families in the AA.

The following are notable examples of CD services provided in the AA:

- Bank employees provided approximately 1,142 service hours reviewing federal and state down-payment assistance grant programs with applicants and processing related documents.
- A senior officer of the bank served as a member of the board of directors at a community development organization that provides housing assistance to low-income residents through the management of programs such as Section 8 - Low Rent Public Housing Choice Voucher Program.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	01/01/2017 to 12/31/2019 Lending Test 10/31/2017 to 12/31/2019 CD Activities	
Bank Products Reviewed:	Home mortgage Community development loans, qualified investments, community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
MMSA(s)		
Washington- Baltimore- Arlington CSA	Full-scope	<p>Washington-Arlington-Alexandria, DC-VA-MD-WV MSA Metropolitan Division (47894):</p> <ul style="list-style-type: none"> ○ Washington, District of Columbia; ○ Prince George’s County, Maryland; ○ Arlington, Fairfax, Loudoun, and Prince William Counties, Virginia; ○ Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park Cities, Virginia. <p>Baltimore-Columbia-Towson, MD MSA (12580):</p> <ul style="list-style-type: none"> ○ Baltimore, Anne Arundel, and Howard Counties, Maryland; ○ Baltimore City, Maryland; <p>Frederick-Gaithersburg-Rockville, Metropolitan Division (23224):</p> <ul style="list-style-type: none"> ○ Frederick and Montgomery Counties, Maryland.

Appendix B: Summary of MMSA and State Ratings

RATINGS Presidential Bank, FSB			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
Presidential Bank, FSB	Outstanding	Outstanding	Outstanding
MMSA or State:			
Washington-Baltimore-Arlington CSA	Outstanding	Outstanding	Outstanding

* The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2017-19	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Presidential AA	4,431	1,613,718	100.0	313,231	4.6	2.8	4.2	17.6	13.2	16.0	35.1	41.2	35.4	42.6	42.6	44.3	0.1	0.1	0.2	
Total	4,431	1,613,718	100.0	313,231	4.6	2.8	4.2	17.6	13.2	16.0	35.1	41.2	35.4	42.6	42.6	44.3	0.1	0.1	0.2	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017-19	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Presidential AA	4,431	1,613,718	100.0	313,231	22.5	8.2	7.2	16.6	21.2	17.7	19.7	28.1	21.0	41.3	38.1	34.8	0.0	4.4	19.3	
Total	4,431	1,613,718	100.0	313,231	22.5	8.2	7.2	16.6	21.2	17.7	19.7	28.1	21.0	41.3	38.1	34.8	0.0	4.4	19.3	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*