

UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY

In the Matter of: )  
 )  
Presidential Bank, FSB )  
Bethesda, Maryland )  
 )

**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his authorized representative, has supervisory authority over Presidential Bank, FSB, Bethesda, Maryland (“Association”).

The Association, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated January 20, 2012, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Association has consented to the issuance of this Consent Order (“Order”) by the Comptroller. This Order supersedes and terminates the Supervisory Agreement entered into with the Association on May 3, 2010.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Association or any of its affiliates (as the term

“affiliate” is defined in 12 U.S.C. § 371c (b)(1), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Association’s adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) Within sixty (60) days of the date of this Order and quarterly thereafter, (beginning with the quarter ending March 31, 2012), the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee’s report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

## ARTICLE II

### ENHANCED OVERSIGHT BY BOARD

(1) Effective immediately, the Board shall meet at least monthly.

(2) The Board shall immediately take action to add, at a minimum, at least one additional independent outside qualified director to its Board who has substantial banking, financial management, audit and/or accounting, credit administration and/or workout background and experience, and shall appoint him or her to both: (i) the Compliance Committee required by

Article I and (ii) the audit committee of the Board. The term “independent” means a person who is not an officer or employee of the Association and who is not a director, officer or employee of its affiliates, who is not a director, officer or employee of the related interests of any current director or senior executive officer and who is not a relative of any of these persons.

(3) Prior to appointing any new director, the Association must provide the Assistant Deputy Comptroller with written notice as required by 12 C.F.R. Part §163<sup>1</sup>, Subpart H.

(4) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new director. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed director.

(5) If the Board is unable to identify any qualified director candidates within sixty (60) days, the Board shall document its efforts to locate such candidates, and notify the Assistant Deputy Comptroller in writing. Thereafter, the Board shall provide monthly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

### ARTICLE III

#### BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within sixty (60) days, the Board shall ensure that the Association has competent management in place on a full-time basis, including, but not limited to, in its President, Chief

---

<sup>1</sup> In order to facilitate the Office of the Comptroller of the Currency’s (OCC) enforcement and administration of former Office of Thrift Supervision (OTS) rules and to make appropriate changes to these rules to reflect OCC supervision of federal savings associations as of the transfer date, the OCC republished, with nomenclature and other technical changes, the OTS regulations formerly found in Chapter V of Title 12 of the Code of Federal Regulations. The republished regulations are codified with the OCC’s regulations in Chapter I at parts 100 through 197 (“Republished Regulations”), effective on July 21, 2011. The Republished Regulations supersede the OTS regulations in Chapter V for purposes of OCC supervision and regulation of federal savings associations. OTS Integration Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act; Interim Final Rule, 76 Fed.Reg. 48,950 (Aug. 9, 2011). References in this document are to the Republished Regulations at 12 C.F.R. Chapter I.

Executive Officer, Chief Financial Officer, Chief Credit Officer, and Compliance Officer positions to carry out the Board's policies, ensure compliance with this Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Association in a safe and sound manner.

(2) Within ninety (90) days, the Board shall review the capabilities of the Association's management to perform present and anticipated duties and the Board will determine whether management changes will be made, including the need for additions to or deletions from current management.

(3) For incumbent officers in the positions mentioned in Paragraph (1) of this Article, the Board shall within ninety (90) days assess each of these officer's experience, other qualifications, and performance compared to the position's description, duties and responsibilities.

(4) If the Board determines that an officer will continue in his/her position but that the officer's depth of skills needs improvement, the Board will within ninety (90) days develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Association. At a minimum, the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Association's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(5) If a position mentioned in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, the Board shall within ninety (90) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Association's compliance with this Order and the safe and sound operation of functions within the scope of that position's responsibility.

(6) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" in Section 720 of the OTS Applications Handbook, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(7) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

## ARTICLE IV

### CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Association shall maintain a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8%) and a Total Risk-Based Capital Ratio equal to or greater than fourteen and one half percent (14.5%), each as defined in 12 C.F.R. Part 165.

(2) The requirement in this Order to maintain a specific capital level means that the Association may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165, pursuant to 12 C.F.R. § 165.4(b)(1)(iv) and, among other things, is subject to the restrictions on brokered deposits set forth 12 C.F.R. § 337.6.

(3) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure the Association’s adherence to a three year capital plan. The plan shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1) of this Article;
- (b) projections for growth and capital requirements based upon a detailed analysis of the Association’s assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Association’s current and future needs;
- (d) the primary source(s) from which the Association will strengthen its capital structure to meet the Association’s needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:

- (i) when the Association is in compliance with its approved capital plan; and
- (ii) in conformance with the requirements set forth at 12 C.F.R Part 163 Subpart E – Capital Distributions.

(4) Upon completion, the Association’s capital plan shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Association shall implement and adhere to the capital plan. The Board shall review and update the Association’s capital plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Association has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

## ARTICLE V

### STRATEGIC PLAN

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure the Association’s adherence to a written strategic plan for the Association covering at least a three-year period. The strategic plan shall establish objectives for the Association’s overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Association intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

- (a) plans and strategies to restructure the Association's operations, strengthen and improve the Association's earnings, reduce expenses, reduce credit risk exposure, including reduction of commercial real estate concentrations and limitations on mortgage banking activity, and achieve positive core income and profitability;
- (b) strategies for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the strategic plan, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital requirements, comply with this Order, and maintain appropriate levels of liquidity;
- (c) quarterly pro forma financial projections (balance sheet, capital forecasts, and income statement) and budget;
- (d) plans and strategies to address each deficiency noted in the December 13, 2010 Report of Examination (ROE); and
- (e) identification of all relevant assumptions made in formulating the strategic plan and retention of documentation supporting such assumptions.

(2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Association shall implement and adhere to the strategic plan.

(3) If the OCC determines, in its sole judgment, that the Association has failed to submit an acceptable strategic plan as required by paragraph (1) of this Article or has failed to implement or adhere to the Association's specific, measurable, and verifiable objectives included



in the strategic plan, for which the OCC has taken no supervisory objection pursuant to paragraph (2) of this Article, then within fifteen (15) days of receiving written notice from the OCC of such fact, the Board shall develop and shall submit to the OCC for its review and prior determination of no supervisory objection, a revised strategic plan, which shall detail the Association's proposal to correct deficiencies that resulted in the Association's failure to adhere to the Association's original strategic plan.

(4) After the OCC has advised the Association that it does not take supervisory objection to the revised strategic plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the revised strategic plan.

(5) Failure to submit a timely, acceptable revised strategic plan may be deemed a violation of this Order, in the exercise of the OCC's sole discretion.

(6) The Board shall ensure that the Association has processes, personnel, and control systems to ensure implementation of and adherence to the strategic plan developed pursuant to this Article.

## ARTICLE VI

### INTERNAL ASSET REVIEW AND CLASSIFICATION

(1) Within sixty (60) days, the Board shall revise, adopt, implement, and thereafter ensure the Association's adherence to its written internal asset review and classification program (ARC Program) to address all corrective actions set forth in the ROE relating to internal asset review and classification and to ensure the ARC Program complies with all applicable laws, regulations, and regulatory guidance. At a minimum, the ARC Program shall:

- (a) ensure the accurate and timely identification, classification, and reporting of the Association's assets, including the designation of loans as special

mention or placement of loans on a watch list when a borrower's credit standing has deteriorated;

- (b) ensure the Association is obtaining and reviewing current information necessary to accurately and timely identify, classify, and report the Association's assets, including, but not limited to, current borrower financial statements, current appraisals, tax data, collateral aging reports, alternate collateral valuations, and collateral inspections;
- (c) improve the Association's loan grading system and specify parameters for the identification of problem loans for each type of loan offered by the Association;
- (d) establish specific review and classification standards for any loans where interest, loan fees, late fees, loan costs, or collection costs of problem loans have been capitalized into the loan balance;
- (e) establish specific policies, procedures, and requirements to obtain and analyze, on an annual basis, updated borrower financial information on all loans (other than those secured by owner occupied single family dwellings and consumer loans) with an outstanding or committed balance greater than five hundred thousand (\$500,000);
- (f) require internal asset reviews and updates for the Association's commercial loans, nonresidential real property loans, construction loans, and land loan portfolios to be conducted not less than every six (6) months;
- (g) comply with regulatory guidance including requiring charge-offs for assets

classified loss;

- (h) require monthly reports be submitted to the Board detailing the Association's adversely classified, special mention, and delinquency ratios;
- (i) require the establishment of an independent credit review and administration function to improve the Association's asset review and classification practices; and
- (j) continue the Association's practice of engaging a qualified, experienced, and independent third party to conduct, at a minimum, annual reviews of the Association's loan portfolio and assessments of the Association's internal asset review process thereof, including the Association's assignment of loan risk ratings.

(2) Upon adoption, a copy of the revised ARC Program shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Association shall implement and adhere to the ARC Program. The Board's review and adoption of the ARC Program shall be documented in the Board meeting minutes.

## ARTICLE VII

### CRITICIZED ASSETS

(1) The Association shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or

external loan review, or in any list provided to management by the Comptroller's Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure the Association's adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination as "doubtful", "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Association's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding five hundred thousand dollars (\$500,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Association has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds five hundred thousand dollars (\$500,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(7) The Association may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination and whose aggregate loans or other extensions exceed five hundred thousand dollars (\$500,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Association and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Association; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

## ARTICLE VIII

### CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Association adherence to a written asset diversification program consistent with the guidance set forth in OTS CEO Memo 252<sup>2</sup> and the “Concentrations of Credit” booklet of the *Comptrollers’ Handbook* (December 13, 2011). The program shall include, but not necessarily be limited to, the following:

- (a) a review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit including: (i) comprehensive and reasonable loan concentration limits expressed as a percentage of total risk-based capital for all commercial real estate (CRE) loans in the aggregate and for each primary and identifiable sub-category of CRE loans (i.e., construction, multi-family, hotel, land, nonresidential, and nonmortgage commercial loans);
- (d) specific review procedures and reporting requirements, including written reports to the Board, to identify, monitor, and control the risks associated with concentrations of credit and periodic market analysis for the various property types and geographic markets represented in the portfolio; and

---

<sup>2</sup> CEO Memo 252, issued December 14, 2006 provides guidance on “Commercial Real Estate Concentration Risks”.

(e) a written action plan, including specific time frames, to reduce the risk of any concentration deemed imprudent in the analysis conducted pursuant to paragraph (1)(b) of this Article and to bring the Association into compliance with its concentration of credit limits established pursuant to paragraph (1)(c) of this Article.

(2) For purposes of this Article, a concentration of credit is as defined in CEO Memo 252.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph (1)(b) of this Article and that the analysis demonstrates that the concentration will not subject the Association to undue credit or interest rate risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller immediately following the review.

(5) The Board shall ensure that the Association has adequate processes, personnel and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

## ARTICLE IX

### LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within ninety (90) days, develop, implement, and thereafter ensure Association adherence to a written credit policy to improve the Association's loan portfolio management. The credit policy shall include, but not be limited to:

(a) a description of the types of credit information required from borrower and guarantors, including, but not limited to, annual audited statements,

interim financial statements, personal financial statements, and tax returns with supporting schedules;

- (b) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and validating current credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's cash flow, debt service requirements, contingent liabilities, and global liquidity condition, and only after the credit officer prepares a documented credit analysis;
- (c) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and documenting the current valuation of any supporting collateral, perfecting and verifying the Association's lien position, and that reasonable limits are established on credit advances against collateral, based on a consideration of, not but limited to, a realistic assessment of the value of collateral, the ratio of loan to value, and overall debt service requirements;
- (d) procedures to ensure that loans made for the purpose of constructing or developing real estate include, but are not limited to, requirements to:
  - (i) obtain and evaluate detailed project plans; detailed project budget; time frames for project completion; detailed market analysis; and sales projections, including projected absorption rates;
  - (ii) conduct stress testing of significant projects and lending; and



- (iii) obtain current documentation sufficient to support a detailed analysis of the financial condition of borrowers and significant guarantors;
- (e) a requirement that borrowers and/or guarantors maintain any collateral margins established in the credit approval process;
- (f) procedures that prohibit the capitalization of accrued interest on any loan renewal or extension;
- (g) procedures that prohibit, on any loan renewal, extension or modification, the establishment of a new interest reserve using the proceeds of any Association loan to the same borrower or guarantor;
- (h) procedures to ensure that all exceptions to the credit policy shall be clearly documented on the loan offering sheet, problem loan report, and other Management Information System (MIS) and approved by the Board or a committee thereof before the loan is funded or renewed;
- (i) credit risk rating definitions consistent with applicable regulatory guidance;
- (j) procedures for early problem loan identification, to ensure that credits are accurately risk rated at least monthly;
- (k) procedures governing the identification and accounting for nonaccrual loans; and
- (l) prudent lending and approval limits for lending officers that are commensurate with their experience and qualifications, and that prohibit combining individual lending officers' lending authority to increase limits.

(2) The Board shall ensure that Association personnel performing credit analyses are adequately trained in cash flow analysis, particularly analysis using information from tax returns, and that processes are in place to ensure that additional training is provided as needed.

(3) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall, at least on an annual basis, review the policy developed pursuant to this Article, and revise it as appropriate.

(5) The Board shall ensure that the Association has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

## ARTICLE X

### SUBSIDIARY ACTIVITIES

(1) The Association shall not establish or create, or enter into any agreement or arrangement relating to, or take any action toward establishing or creating any mortgage banking subsidiary, service corporation, or joint venture with any third party, or engage in any new activities through an existing subsidiary without providing notice to the OCC and the Federal Deposit Insurance Corporation (“FDIC”) in compliance with the requirements of 12 C.F.R. §§ 159.11, 303.142(c) and 362.15.

## ARTICLE XI

### MORTGAGE BANKING PROGRAM

(1) Within sixty (60) days, the Association shall prepare and submit to the Assistant Deputy Comptroller a detailed written report concerning all current mortgage banking activities at the Association and/or subsidiaries. The report shall, for the Association and/or any subsidiary of the Association at which mortgage banking activities are conducted, include, at a minimum:

- (a) a description of all mortgage banking activities conducted in each entity;
- (b) a description of the corporate and organizational structure of any entity engaged in mortgage banking activities;
- (c) a description of the compensation arrangement for employees engaged in and/or managing mortgage banking activities; and
- (d) a description of any new activities or changes made in the activities or operations of each entity engaged in mortgage banking activities and/or amendments to the operating agreement(s) for each entity engaged in mortgage banking activities during the time period of January 1, 2009 to December 31, 2011.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure adherence to a written program to improve the Association's administration of its mortgage banking operation consistent with the guidance set forth in Section 750 of OTS's Examination Handbook (Mortgage Banking), Section 212 of OTS's Examination Handbook (One-to Four-Family Real Estate Lending), the Interagency Advisory on Mortgage Banking dated February 25, 2003, and any subsequent guidelines. The program shall include, but not be limited to:

- (a) concentration limits on pipeline commitments, warehouse and credit-enhancing repurchase exposure;
- (b) monthly reports to the Board of the risk characteristics, i.e. credit score, debt ratio, and loan-to-value distribution, of all mortgage loans originated for sale during the month;
- (c) Board review, approval, and monitoring of specific underwriting and credit quality criteria and procedures for all mortgage loans;
- (d) Board review, approval, and monitoring of all loan sales agreements;
- (e) an independent internal audit program sufficient to detect irregularities and weak practices in the Association's operations, evaluate the Association's adherence to its loan policies concerning underwriting standards, and assess the effectiveness of policies, procedures, controls, and management oversight relating to the Association's mortgage banking activities; and
- (f) appropriate commission compensation consistent with the requirements of 12 C.F.R. Part 226 (as amended)<sup>3</sup> with monthly reports to the Board of all commissions paid and factors considered in conjunction with those payments.

(3) Upon adoption, the Board shall submit a copy of the program to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Association shall implement and adhere to the mortgage banking program.

---

<sup>3</sup> 75 FR 58509, September 24, 2010, effective April 1, 2011.

(4) The Board shall ensure that the Association has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

## ARTICLE XII

### LIQUIDITY

(1) The Board shall immediately establish and maintain a level of liquidity for the Association that is sufficient to sustain the Association's current operations and to withstand any anticipated or extraordinary demand against its funding base, consistent with the Interagency Policy Statement on Funding and Liquidity Risk Management<sup>4</sup> and any subsequent guidelines.

(2) The Board shall review the Association's liquidity on a quarterly basis. Such reviews shall consider:

- (a) a maturity schedule of certificates of deposit, including brokered deposits and large uninsured deposits;
- (b) the volatility of demand deposits including escrow deposits;
- (c) the amount and type of loan commitments and standby letters of credit;
- (d) an analysis of the continuing availability<sup>4</sup> and volatility of present funding sources;
- (e) an analysis of the impact of decreased cash flow from the Association's loan portfolio resulting from delinquent and non-performing loans;
- (f) an analysis of the impact of decreased cash flow from the sale of loans or loan participations; and
- (g) stress testing results.

---

<sup>4</sup> 75 FR 13656, March 22, 2010, effective May 21, 2010.

(3) The Board shall take appropriate action to ensure adequate sources of liquidity in relation to the Association's needs. Such actions may include, but are not necessarily limited to:

- (a) selling assets;
- (b) obtaining lines of credit from the Federal Reserve Bank;
- (c) obtaining lines of credit from correspondent banks;
- (d) recovering charged-off assets; and
- (e) injecting additional equity capital.

(4) Within thirty (30) days, and quarterly thereafter, beginning with the quarter ending December 31, 2011, the Board shall create quarterly reports that set forth the Association's liquidity requirements and sources and establishes a contingency plan. Copies of these reports shall be forwarded to the Assistant Deputy Comptroller.

### ARTICLE XIII

#### CONSUMER COMPLIANCE PROGRAM

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure adherence to a written consumer compliance program designed to ensure that the Association is operating in compliance with all applicable consumer protection laws, rules and regulations.

This program shall include, but not be limited to:

- (a) a written description of the duties and responsibilities of the compliance officer;
- (b) adequate internal controls to ensure compliance with consumer protection laws, rules, and regulations;

- (c) the preparation of a policy and procedures manual covering all consumer protection laws, rules and regulations for use by appropriate Association personnel in the performance of their duties and responsibilities;
- (d) semiannual updates of the written policies and procedures manual to ensure it remains current;
- (e) an audit program to test for compliance with consumer protection laws, rules and regulations;
- (f) procedures to ensure that exceptions noted in the audit reports are corrected and responded to by the appropriate Association personnel;
- (g) the education and training of all appropriate Association personnel in the requirements of all federal and state consumer protection laws, rules and regulations; and
- (h) periodic reporting of the results of the consumer compliance audit to the Board or a committee thereof.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review.

(3) The Board shall ensure that the Association has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

#### ARTICLE XIV

#### FLOOD INSURANCE

(1) The Association shall revise its policies, procedures, and systems related to flood insurance (Flood Program) to ensure that it addresses all corrective actions set forth in the ROE

relating to flood insurance and complies with all applicable laws, regulations, and regulatory guidance, including the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, 42 U.S.C. §§ 4001-4129, as implemented by Part 172 of the Rules and Regulations, 12 C.F.R. Part 172 (collectively, Flood Laws and Regulations). At a minimum, the Flood Program shall include:

- (a) systems and processes to ensure that adequate amounts of flood hazard insurance coverage are obtained in compliance with 12 C.F.R. § 172.3;
- (b) systems and processes to ensure that required flood hazard insurance coverage remains in force throughout the life of a loan, as required by 12 C.F.R. § 172.3(a);
- (c) a process or procedure to ensure that the amount of flood hazard insurance coverage obtained satisfies the requirements of the Flood Laws and Regulations; and
- (d) systems and processes to ensure that timely notice of transfer of servicing rights to the appropriate flood insurance agent and the Director of the Federal Emergency Management Agency is made when a loan is sold, as required by 12 C.F.R. § 172.10.

(2) Within sixty (60) days, the Association shall conduct a review of all portfolio loans secured by property located in a Special Flood Hazard Area, including all loans sold from its portfolio (Relevant Loans) for compliance with the Flood Laws and Regulations. The Association shall identify all Relevant Loans that are secured by buildings or mobile homes located in special flood hazard areas and prepare a written report that, at a minimum:



- (a) identifies and provides details for all loans that do not comply with the Flood Act Laws and Regulations; and
- (b) details the specific provision(s) of the Flood Act Laws and Regulations not complied with, and sets forth recommended corrective actions to address noncompliance (Flood Loan Report).

(3) Within seventy-five (75) days, the Board shall ensure that Management corrects all violations of the Flood Laws and Regulations identified in the ROE and the Flood Loan Report. The Board's review of the Flood Loan Report and corrective actions adopted by the Board shall be fully documented in the Board meeting minutes. A copy of the Flood Loan Report and the Board meeting minutes reflecting the Board's review of the Flood Loan Report shall be provided to the Assistant Deputy Comptroller within ten (10) calendar days after the Board meeting.

## ARTICLE XV

### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Association management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The quarterly progress reports required by Article I of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Association adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Association adherence to general procedures addressing

compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within ninety (90) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Association adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Association adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Association has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

## ARTICLE XVI

### EMPLOYMENT CONTRACTS AND COMPENSATION ARRANGEMENTS

(1) The Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Assistant Deputy Comptroller with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Assistant Deputy Comptroller shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any

contract, agreement or arrangement submitted to the Assistant Deputy Comptroller fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 163.39 and 163.161(b), and 12 C.F.R. Part 170 – Appendix A.

## ARTICLE XVII

### THIRD PARTY CONTRACTS

(1) The Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association<sup>5</sup> or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (i) provided the Assistant Deputy Comptroller with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (ii) received written notice of non-objection from the Assistant Deputy Comptroller.

## ARTICLE XVIII

### CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Association.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United

---

<sup>5</sup> A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

States of America to undertake any action affecting the Association, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Association, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Association as may be necessary for the Association to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Association management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 20th day of January, 2012.

/s/

---

Richard S. Mattison  
Assistant Deputy Comptroller  
Northeastern District

**APPENDIX A**  
Presidential Bank, FSB  
Bethesda, Maryland

CRITICIZED ASSET REPORT AS OF: \_\_\_\_\_

BORROWER(S): \_\_\_\_\_

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ \_\_\_\_\_ CRITICISM \_\_\_\_\_

AMOUNT CHARGED OFF TO DATE \_\_\_\_\_

FUTURE POTENTIAL CHARGE-OFF \_\_\_\_\_

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, Association's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds five hundred thousand dollars (\$500,000) and retain the original in the credit file for review by the examiners. Submit your reports **quarterly** until notified otherwise, in writing, by the Assistant Deputy Comptroller.

**DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

---

**In the Matter of:** )  
Presidential Bank, FSB )  
Bethesda, Maryland )

---

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Presidential Bank, FSB, Bethesda, Maryland, (“Association”) pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for unsafe and unsound banking practices and/or violations of law relating to the Association’s capital, classified assets, concentration of loans, credit risk management, and compliance management practices.

The Association, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated January 20, 2012 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Association, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

## JURISDICTION

The Association is a federal savings Association chartered and examined by the Comptroller pursuant to the Home Owners' Loan Act, as amended, 12 U.S.C. § 1461 *et seq.*

The Comptroller is “the appropriate Federal banking agency” regarding the Association pursuant to 12 U.S.C. § 1818(b) and 12 U.S.C. § 1813(q), as amended by Section 312 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. § 5412.

The Association is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

This Order shall cause the Association to continue to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller; and the following restrictions remain in force:

- (a) the Association will not be eligible for “expedited treatment” pursuant to 12 C.F.R. § 116.5, for the purposes of 12 C.F.R. Part 159 regarding subordinate organizations, unless otherwise informed in writing by the OCC. Among other things, this means that the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 163.141, without first filing an application pursuant to 12 C.F.R. § 163.143(a) and receiving the prior written approval of the OCC;



- (b) the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers<sup>1</sup> set forth in 12 C.F.R. Part 163, Subpart H; and
- (c) the Association is restricted from making any “golden parachute payment”, including severance payments and agreements relating thereto, within the meaning and subject to the restrictions of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359, except as permitted under the above-mentioned statute and regulation.

## ARTICLE II

### AGREEMENT

(1) The Association, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Association further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Association under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Association expressly acknowledges that neither the Association nor the Comptroller has any intention to enter into a contract.

---

<sup>1</sup> The term “Senior Executive Officer” is defined at 12 C.F.R. §163.555.

(3) The Association also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal Association regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

## I

### WAIVERS

The Association, by signing this Stipulation and Consent, hereby waives:  
the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);  
any and all procedural rights available in connection with the issuance of the Order;  
all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 109;  
all rights to seek any type of administrative or judicial review of the Order; and  
any and all rights to challenge or contest the validity of the Order.

## ARTICLE IV

### OTHER ACTION

(1) The Association agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Association if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/  
\_\_\_\_\_  
Richard S. Mattison  
Assistant Deputy Comptroller  
Northeastern District

1/20/2012  
\_\_\_\_\_  
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Association, have hereunto set their hands on behalf of the Association.

/s/  
\_\_\_\_\_  
A. Bruce Cleveland

1/20/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
David L. Erickson

1/20/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
George S. Jenkins

1/20/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
Bruce R. Katz

1/20/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
William P. McCauley

1/20/2012  
\_\_\_\_\_  
Date