



## PUBLIC DISCLOSURE

March 31, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Presidential Bank, FSB  
Charter Number: 708186

4520 E West Highway  
Bethesda, MD 20814

Office of the Comptroller of the Currency

Washington, DC Field Office  
400 7<sup>th</sup> Street, SW  
Suite 3E-218  
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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING:** **Outstanding**

**The Lending Test is rated:** **Satisfactory**

**The Community Development Test is rated:** **Outstanding**

The major factors that support these ratings include:

- The Bank's community development performance exceeds the standard for satisfactory performance in its responsiveness to the community development needs of its assessment area.
- The overall performance of lending to borrowers of different incomes reflects reasonable penetration and meets the standard for satisfactory performance.
- The overall performance for the geographic distribution of loans reflects reasonable penetration and meets the standard for satisfactory performance.
- The loan-to-deposit ratio is reasonable based on the Bank's size, financial condition, and relevant competitive factors.
- The Bank's lending in its assessment area does not meet the standards for satisfactory performance; however, the number and amount of loans originated in the assessment area is significant when considering the Bank's asset size.

## Scope of Examination

The Community Reinvestment Act (CRA) Performance Evaluation (PE) for Presidential Bank FSB (PBFSB or Bank) was conducted in accordance with the Intermediate Small Bank (ISB) evaluation procedures. Under the ISB evaluation procedures, PBFSB's CRA performance was assessed under both the lending test and the community development test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area through its lending activities. The community development test evaluates the Bank's responsiveness to the community development needs in its assessment area through community development lending, qualified investments, and community development services.

The lending test covers PBFSB's performance from January 1, 2011 to December 31, 2013. Based upon the Bank's internally prepared loan report, we determined the Bank's primary loan product is Home Mortgage Disclosure Act (HMDA) reportable lending. The evaluation period for the community development test is from December 12, 2010 through March 31, 2014. Community development loans, investments, and services submitted by management were verified to ensure they met the regulatory definition of community development.

## Description of Institution

The Bank is a wholly owned subsidiary of Presidential Holdings, Inc., a unitary, non-diversified savings institution holding company. It is a federally chartered stock savings bank headquartered in Bethesda, MD. As of December 31, 2013, the Bank reported total assets of \$554 million, Tier 1 Capital of \$50 million, and net loans and leases of \$273 million. PBFSB's loan portfolio represented 49 percent of total assets. The Bank's primary lending strategy is the origination of residential real estate loans for the purpose of selling them in the secondary market; therefore, PBFSB's earnings stream is heavily dependent on fee income from loan sales. Accordingly, the Bank originates home loans nationwide.

The Bank operates nine branches: one in Washington, D.C.; two in Maryland; and six in Virginia. These branches are primarily located in middle-income and upper-income census tracts, with one located in a moderate-income census tract. The Bank does not have any branches located in low-income census tracts.

During the reporting period, PBFSB was subject to an enforcement action, which required the Bank to maintain capital levels above those minimally required for a well-capitalized institution under 12 C.F.R. § 6 - Prompt Corrective Action. The higher minimum capital requirements adversely affected the Bank's ability to lend.

The Bank was rated satisfactory as of its last CRA evaluation dated December 13, 2010.

## Description of Assessment Area

The Bank's assessment area includes:

- Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (#47900):
- Bethesda-Rockville-Frederick, MD metropolitan division (#13644):
  - Frederick and Montgomery Counties, Maryland;
- Washington-Arlington-Alexandria, DC-MD-VA-WV metropolitan division (#47894):
  - 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
- Baltimore-Towson, MD MSA (#12580):
  - Anne Arundel and Howard Counties, Maryland;
  - Baltimore City, Maryland

PBFSB's assessment area encompasses a wide range of economic environments including cities, suburban communities, and rural towns. Federal and state governments are a significant source of employment within the Bank's assessment area given the location of both the nation's capital and the capital of Maryland within the assessment area. Major military bases, including Andrews Air Force Base, Fort Meade, and Quantico employ members of various military branches as well as civilians. Other major industries in the area include government contracting, real estate, education, medical and research facilities, major air and ground transportation systems, and financial and retail services.

In assessing the Bank's performance, we contacted local community development organizations to gain a better understanding of the community needs. Affordable homes are the primary concern for the assessment area. There is also a need for access to traditional banking services in the assessment area. According to community contacts, there are opportunities for local financial institutions to participate in the community beyond monetary contributions. Community contacts noted that volunteering, financial literacy and educational training programs administered by bank staff would be beneficial to the community.

## Demographic Data Based on 2000 Census

The table below, which is based on 2000 U.S. Census Data, sets forth certain demographic characteristics of PBFSB'S assessment area for analysis of 2011 HMDA:

Table 1: Demographic Information for Full Scope Area: PBFBSB Assessment Area 2011						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,246	11.96	25.68	31.86	29.70	0.80
Population by Geography	5,646,041	7.81	23.75	35.30	32.87	0.27
Owner-Occupied Housing by Geography	2,267,812	3.58	17.30	38.26	40.86	0.00
Family Distribution by Income Level	1,397,003	20.96	17.53	21.49	40.01	0.00
Distribution of Low and Moderate Income Families throughout ASSESSMENT AREA Geographies	537,770	14.94	36.11	33.48	15.39	0.00
Median Family Income	\$74,711	Median Housing Value	\$396,055			
HUD Adjusted Median Family Income for 2011	\$100,235	Unemployment Rate (2000 US Census)	3.31%			
Households Below Poverty Level	8.36%					

Source: 2000 US Census and 2011 HUD updated MFI

The assessment area consists of 1,246 census tracts. Low- and moderate-income geographies represent 11.96 percent and 25.68 percent of these tracts, respectively. Middle-income geographies represent 31.86 percent of the tracts, and upper-income the remaining 29.70 percent. The Bank’s assessment area does not arbitrarily exclude any low- and moderate-income areas.

The 2000 U.S. Census Data reported the total population of the assessment area to be approximately 5.6 million. Within the assessment area, there are 1,397,003 families. The 2000 census median family income was \$74,711 and the 2011 HUD Updated Median Family Income was \$100,235. Approximately 20.96 percent of families are low-income, 17.53 percent are moderate-income, 21.49 percent are middle-income, and 40.01 percent are upper-income. An estimated 8.36 percent of households are below the poverty level.

According to the 2000 U.S. Census Data, approximately 3.58 percent of owner-occupied housing is in low-income geographies, 17.53 percent is in moderate-income geographies, 21.49 percent is in middle-income geographies, and 40.86 percent is in upper-income geographies. The median housing value is \$396,055.

## Conclusions with Respect to Performance Tests Based on 2011 HMDA Data

PBFBSB’s overall Lending Test performance for 2011 is rated “Satisfactory.” The Bank’s lending levels to low- and moderate-income borrowers meets the standard for satisfactory performance and is reasonable based on the credit needs of the assessment area. This includes a reasonable penetration to borrowers of different incomes in the assessment area as well as a reasonable penetration throughout the geographic distribution of the assessment area. The percentage of lending in the assessment area does not meet the standards for satisfactory performance, as a

majority of the loans were not originated in the assessment area. Mitigating this fact is the majority of the dollar volume of mortgage loans were extended to borrowers inside the assessment area. The loan-to-deposit (LTD) ratio declined since the previous CRA exam; however, it is explainable considering the Bank’s size, current regulatory capital restrictions, financial condition, and relevant competitive factors.

**LENDING TEST**

**Loan-to-Deposit Ratio**

PBFSB’s average LTD ratio for the four quarters ending December 31, 2011 meets the standards for satisfactory performance. The Bank’s average LTD ratio was 77.20 percent, and ranged from a high of 81.75 percent to a low of 69.57 percent. The average LTD ratio for similarly situated banks during the same period is 95.61 percent. Considering both the capital restrictions and an increasing rate environment, which adversely impacts mortgage originations, the Bank meets the standard for satisfactory performance.

**Lending in Assessment Area**

PBFSB’s lending in its assessment area does not meet the standards for satisfactory performance. The majority of HMDA reportable loans originated or purchased during the review period were made outside of the bank’s assessment area. However, the Bank’s total number and amount of loans originated or purchased in its assessment area are significant when compared to asset size. PBFSB’ home purchase lending volume ranked fifteenth in market share within its assessment area. In addition, the Bank ranked twenty-sixth in market share for home refinance loans within its assessment area. In total, the PBFSB originated or purchased 2,174 home loans, or 47.95 percent, inside its assessment area throughout 2011. The total dollar volume of loans inside the assessment area for 2011 was \$668,430 or 58.76 percent.

A breakdown of individual loan products follows:

<b>Table 2: 2011 Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,185	54.51	1,645	69.70	2,830	350,322	52.41	315,936	67.36	758,295
Home Improvement	61	2.81	33	1.40	94	18,148	2.72	6,378	1.36	25,080
Refinance	928	42.69	682	28.90	1,610	299,960	44.88	146,730	31.28	510,206
<b>Total</b>	<b>2,174</b>	<b>47.95</b>	<b>2,360</b>	<b>52.05</b>	<b>4,534</b>	<b>668,430</b>	<b>58.76</b>	<b>469,044</b>	<b>41.24</b>	<b>1,137,474</b>

Source: Data reported under HMDA. Data collected by the bank.

**Lending to Borrowers of Different Incomes**

PBFSB’s lending to borrowers of different incomes is satisfactory. Borrower distribution reflects reasonable penetration among residential loans.

The level of home purchase, home improvement, and refinance loans originated/purchased to low-income borrowers is lower than the percentage of assessment area families. However, when compared to the aggregate HMDA lending in the assessment area of 7.68 percent, the Bank’s 11.50 percent of lending to low-income borrowers is considered more than reasonable. The level of lending to moderate-income borrowers was 18.86 percent, which is less than the 22.30 percent of moderate-income families in the assessment area. However, the Bank’s lending to moderate-income borrowers of 18.86 percent exceeds the aggregate HMDA lending of 15.66 percent. This performance is more than reasonable and exceeds the standard for satisfactory performance.

Table 3: Borrower Distribution of Residential Real Estate Loans in Assessment Area 2011										
Borrower Income Level	Low		Moderate		Middle		Upper		Aggregate HMDA Lending Data (Industry Data for Assessment Area )	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	Low	Mod
Home Purchase	7.09	9.71	22.30	12.70	35.44	14.95	35.17	16.97	3.58	6.62
Home Improvement	7.09	0.09	22.30	0.46	35.44	0.83	35.17	1.33	0.45	0.67
Refinance	7.09	1.70	22.30	5.70	35.44	10.12	35.17	19.87	3.64	8.37
<b>Total</b>	7.09	11.50	22.30	18.86	35.44	25.90	35.17	38.17	7.68	15.66

Source: Data reported under HMDA; 2000 U.S. Census data.

**Geographic Distribution of Loans**

PBFSB’s geographic distribution of loans is satisfactory. The geographic distribution reflects reasonable penetration of low- and moderate-income census tracts within the assessment area. We did not detect any conspicuous or unexplained gaps in the Bank’s lending patterns during our review.

The distribution of home loans to low- and moderate-income geographies is lower than the percentage of owner-occupied housing in the assessment area. However, when lending to low- and moderate-income geographies is compared to aggregate lending data, the performance is considered satisfactory. The aggregate lending to low-income geographies totaled 2.17 percent, and the Bank made 1.52 percent of loans to low-

income geographies. The Bank’s lending to moderate-income geographies of 10.99 percent was consistent to the aggregate HMDA lending of 11.20 percent. The Bank’s performance reflects reasonable dispersion ow- and moderate-income geographies within the assessment area.

Table 4: Geographic Distribution of Residential Real Estate Loans in Assessment Area 2011										
Census Tract Income Level	Low		Moderate		Middle		Upper		Aggregate HMDA Lending Data (Industry Data for Assessment Area)	
	% Owner Occ Units	% of Number of Loans	% Owner Occ Units	% of Number of Loans	% Owner Occ Units	% of Number of Loans	% Owner Occ Units	% of Number of Loans	Low	Mod
Home Purchase	3.58	0.92	17.30	8.14	38.26	26.31	40.86	19.14	0.89	4.34
Home Improvement	3.58	0	17.30	2.62	38.26	1.06	40.86	1.52	0.11	0.59
Refinance	3.58	0.60	17.30	0.23	38.26	16.51	40.86	22.95	1.17	6.28
<b>Total</b>	<b>3.58</b>	<b>1.52</b>	<b>17.30</b>	<b>10.99</b>	<b>38.26</b>	<b>43.88</b>	<b>40.86</b>	<b>43.61</b>	<b>2.17</b>	<b>11.20</b>

Source: Data reported under HMDA; 2000 U.S. Census data.

### Demographic Data Based on 2010 Census

The table below, which is based on 2010 U.S. Census Data, sets forth certain demographic characteristics of PBFSB’S assessment area:

Table 1: Demographic Information for Full Scope Area: PBFSB Assessment Area 2012 & 2013						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,552	13.21	24.48	29.83	31.57	0.90
Population by Geography	6,346,630	10.68	23.48	31.54	34.02	0.28
Owner-Occupied Housing by Geography	1,495,640	5.28	19.01	34.81	40.90	0.00
Family Distribution by Income Level	1,475,588	9.49	21.81	32.14	36.56	0.00
Distribution of Low and Moderate Income Families throughout Assessment Area Geographies	571,801	19.50	34.12	30.01	16.37	0.00
Median Family Income		\$105,655	Median Housing Value		\$409,861	
HUD Adjusted Median Family Income for 2012		\$101,072	Unemployment Rate (2010 US Census)		4.30%	
Households Below Poverty Level		7.94%				

Source: 2010 US Census and 2013 HUD updated MFI

The assessment area consists of 1,552 census tracts. Low- and moderate-income geographies represent 13.21 percent and 24.48 percent of these tracts, respectively.



Middle-income geographies represent 29.83 percent of the tracts, and upper-income the remaining 31.57 percent. The Bank's current assessment area does not arbitrarily exclude any low- and moderate-income areas.

The 2010 U.S. Census Data reported the total population of the assessment area to be approximately 6.3 million. Within the assessment area, there are 1.48 million families. The 2010 median family income was \$105,655 and the 2012 HUD-Adjusted Median Family Income was \$101,072. Approximately 9.49 percent of families are low-income, 21.81 percent are moderate-income, 32.14 percent are middle-income, and 36.56 percent are upper-income. An estimated 7.94 percent of households are below the poverty level.

According to the 2010 U.S. Census Data, approximately 5.28 percent of owner-occupied housing is in low-income geographies, 19.01 percent is in moderate-income geographies, 34.81 percent is in middle-income geographies, and 40.90 percent is in upper-income geographies. The median housing value is \$409,861.

PBFSB faces competition from branches of larger regional and national banks as well as local community banks in its assessment area. Based on 2012 peer mortgage data, four financial institutions have almost 40 percent of the market share for home lending, and are large multi-state institutions. PBFSB, by contrast, generated approximately one percent of the number and dollar amount of single family lending in the assessment area in 2012.

## **Conclusions with Respect to Performance Tests Based on 2012 & 2013 HMDA Data**

PBFSB's overall Lending Test performance is rated "Satisfactory." The Bank's lending levels to low- and moderate-income borrowers meets the standard for satisfactory performance and is reasonable based on the credit needs of the assessment area. This includes a reasonable distribution of loans to borrowers of different incomes in the assessment area as well as a reasonable penetration among low- and moderate-income census tracts within the assessment area. The percentage of lending in the assessment area does not meet the standards for satisfactory performance, as a majority of the loans were not originated in the assessment area. Mitigating this fact is the majority of the dollar volume of mortgage loans were extended to borrowers inside the assessment area. Even though the LTD ratio declined since the previous CRA exam, it is explainable considering the Bank's size, current regulatory capital restrictions, financial condition, and relevant competitive factors.

## Lending Test

### Loan-to-Deposit Ratio

PBFSB’s average LTD ratio for the eight quarters ending December 31, 2013 meets the standards for satisfactory performance. The Bank’s average LTD ratio was 74.45 percent, and ranged from a high of 92.69 percent to a low of 54.93 percent. The average LTD ratio for similarly situated banks during the same period is 96.68 percent. Considering both the capital restrictions and an increasing rate environment, which adversely impacts mortgage originations, the Bank meets the standard for satisfactory performance.

### Lending in Assessment area

PBFSB’s lending in its assessment area does not meet the standards for satisfactory performance. The majority of HMDA reportable loans originated or purchased during the review period were made outside of the Bank’s assessment area. However, the Bank’s total number and amount of loans originated or purchased in its assessment area are significant when compared to asset size. PBFSB’s home purchase lending volume ranked fifteenth in market share within its assessment area. In addition, the Bank ranked twenty-sixth in market share for home refinance loans within its assessment area. In total, the PBFSB originated or purchased 5,414 home loans or \$1.70 million in total amount in its assessment area during the review period.

A breakdown of individual loan products follows:

Table 2: 2012 & 2013 Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	2,527	46.68	3,843	66.71	6,370	787,865	46.25	791,307	63.93	1,579,172
Home Improvement	59	1.09	48	0.83	107	16,040	0.94	8,560	0.69	24,600
Refinance	2,828	52.23	1,870	32.46	4,698	899,658	52.81	437,908	35.38	1,337,566
Total	5,414	48.45	5,761	51.55	11,175	1,703,563	57.92	1,237,775	42.08	2,941,338

Source: Data reported under HMDA. Data collected by the Bank.

### Lending to Borrowers of Different Incomes

PBFSB’s lending to borrowers of different incomes is satisfactory. Borrower distribution reflects reasonable distribution among residential loans.

The level of home mortgage loans originated to low-income borrowers is significantly lower than the percentage of assessment area families. However, when compared to the aggregate HMDA lending in the assessment area, the Bank’s performance is satisfactory. The aggregate HMDA lending in the assessment area to low-income borrowers was 6.48 percent, which is less than the Bank’s reported lending of 8.53

percent. The level of home loans originated to moderate-income borrowers exceeds the percentage of moderate-income families in the assessment area and the level of aggregate HMDA lending to moderate-income borrowers. This performance is more than reasonable and exceeds the standard for satisfactory performance.

Table 3: Borrower Distribution of Residential Real Estate Loans in Assessment Area										
Borrower Income Level	Low		Moderate		Middle		Upper		Aggregate HMDA Lending Data (Industry Data for Assessment Area)	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	Low	Moderate
Home Purchase	21.79	6.22	16.96	10.86	20.36	13.74	40.89	15.74	2.60	5.26
Home Improvement	21.79	0.13	16.96	0.18	20.36	0.24	40.89	0.54	0.26	0.46
Refinance	21.79	2.18	16.96	6.76	20.36	12.43	40.89	23.00	3.62	8.63
<b>Total</b>	21.79	8.53	16.96	17.81	20.36	26.41	40.89	39.27	6.48	14.35

Source: Data reported under HMDA; 2010 U.S. Census data.

### Geographic Distribution of Loans

PBFSB’s geographic distribution of loans is satisfactory. The geographic distribution of loans reflects reasonable penetration of low- and moderate-income census tracts. We did not detect any conspicuous or unexplained gaps in the Bank’s lending patterns during our review.

The distribution of home purchase loans to low- and moderate-income geographies is somewhat lower than the percentage of owner-occupied housing in the assessment area and reflects reasonable dispersion. However, when lending to moderate-income geographies is compared to aggregate HMDA lending data, the performance is considered more than reasonable.

Table 4: Geographic Distribution of Residential Real Estate Loans in Assessment Area										
Census Tract Income Level	Low		Moderate		Middle		Upper		Aggregate HMDA Lending Data (Industry Data for Assessment Area)	
	% Owner Occ Units	% of Number of Loans	% Owner Occ Units	% of Number of Loans	% Owner Occ Units	% of Number of Loans	% Owner Occ Units	% of Number of Loans	Low	Mod
Home Purchase	5.28	1.53	19.01	8.40	34.81	20.98	40.90	15.76	1.09	4.38
Home Improvement	5.28	0.04	19.01	0.15	34.81	0.44	40.90	0.46	0.12	0.39
Refinance	5.28	1.03	19.01	5.37	34.81	18.75	40.90	27.08	1.85	8.51
<b>Total</b>	5.28	2.60	19.01	13.93	34.81	40.17	40.90	43.30	3.06	13.28

Source: Data reported under HMDA; 2010 U.S. Census data.

### Responses to Complaints

No complaints have been received concerning the Bank’s performance in meeting the credit needs of the assessment area since the preceding evaluation.

### COMMUNITY DEVELOPMENT TEST

PBFSB’s performance under the community development test is “Outstanding.”

The Bank’s community development performance exceeds the standard for satisfactory performance in its responsiveness to the community development needs of its assessment area. The examiner considered community development activities submitted by the Bank from December 12, 2010 through March 31, 2014.

### Number and Amount of Community Development Loans

From January 1, 2011 through February 28, 2014, the Bank made 15 community development loans totaling \$7.50 million. This includes five originations totaling \$1.97 million; seven modified/renewed loans totaling \$4.04 million; and three refinance loans totaling \$1.50 million. All 15 loans are secured by multifamily residential properties dedicated to providing affordable housing to low- and moderate-income individuals.

### Number and Amount of Qualified Investments

The Bank purchased a GNMA mortgage-backed security (MBS) for \$3,075,545.53 on July 22, 2013 that meets the definition of a qualified CRA investment based on its

affordable housing eligibility. All loans in the MBS are located within assessment area, and proceeds of the MBS benefit low- and moderate-income borrowers. This MBS is comprised of mortgages, approximately 29 percent of which are to low-income borrowers, and the remainder to moderate-income borrowers. This is a relatively high percentage given the difficulty low-income individuals encounter when pursuing housing in this relatively high-cost assessment area.

### **Extent to Which the Bank Provides Community Development Services**

The Bank's Senior Vice President continues to work closely with Rockville Housing Enterprise (RHE), a Rockville, MD public housing authority. As a member of the Board of Commissioners, the SVP spends approximately 10 to 12 hours per month offering financial and managerial expertise to RHE at the organization's monthly board meetings. RHE owns and manages 105 public housing units and 59 Low Income Housing Tax Credit housing units. RHE administers a Housing Choice Voucher (previously known as Section 8) rental subsidy program with approximately 400 voucher holders. Lastly, in December 2012, RHE acquired a 236-unit apartment property in order to preserve the property as affordable housing for Rockville residents.

Additional community development services in which PBFSB and its employees engage include numerous volunteer services and activities. A branch manager/mortgage loan officer serves as a Qualified Homeownership Education Trainer with the Virginia Housing Development Agency (VHDA). In his capacity at the VHDA, he serves as a facilitator at sponsored first time homebuyer classes in Prince William County, VA. He has also participated in two training sessions with the Prince William County Financial Education and Housing Counseling program, which assists residents with the following:

- 1<sup>st</sup> Time Homebuyers Programs
- Financial Education Workshops
- Lender Education Programs
- Review Credit History

A second manager/mortgage loan officer provides financial guidance and expertise to the City of Frederick's Division of Community Development and to Frederick County's Department of Housing and Community Development in Maryland. Other PBFSB employees participate in first time homebuyers programs that Montgomery County, MD sponsors several times a year.

During April 2012, the Bank's Executive Vice President became a member of the Federal Home Loan Bank of Atlanta's (FHLBA) Mortgage Advisory Roundtable. The FHLBA established the Roundtable in an effort to provide guidance to the FHLBA on fulfilling its mission of providing services to its members. This includes the offering of FHLBA homeownership assistance loans. These loans are made in an effort to promote low- and moderate-income housing and community lending within the Bank's assessment area.

PBFSB participated in several lending programs that feature flexible terms designed to help meet the credit needs of first-time homebuyers and low- and moderate-income borrowers. The Bank’s participation in the FHLBA’s Affordable Housing Program (AHP) involved a grant component where the Bank assisted borrowers in receiving grants from the FHLBA to provide closing cost assistance. The table below summarizes the Bank’s activity with the FHLBA closing cost assistance (‘grant’) program.

<b>Table 5: PBFSB’s Participation in Low- and Moderate-Income Housing Loan Programs</b>						
January 1, 2011 through December 31, 2013						
	Inside Assessment area		Outside Assessment area		Total	
Year	Loan Count	Dollar Amounts	Loan Count	Dollar Amounts	Loan Count	Dollar Amounts
2013	19	\$93,898	50	\$275,960	69	\$369,858
2012	57	\$284,550	119	\$595,440	176	\$879,990
2011	89	\$635,176	55	\$393,430	144	\$1,028,606
			<b>Total for Period</b>		<b>389</b>	<b>\$2,278,454</b>

In addition, the Bank participated in numerous other affordable housing programs designed to meet the needs of first time homebuyers and low- and moderate-income applicants including:

- Virginia Housing Development Authority Loan Programs and Closing Cost Assistance
- Mortgage Purchase Program and the Housing Opportunities Commission Closing Costs Assistance Program in Montgomery County, MD
- Community Development Administration Down Payment Assistance Program offered by the Maryland Department of Housing and Community Development
- Pennsylvania Housing Finance Agency Loan Programs and Closing Cost Assistance
- USDA Rural Development Single Family Housing Guaranteed Loan Program

PBFSB also granted loan modifications to distressed moderate-income homeowners during the period of January 1, 2011 to December 31, 2013. These loans are located within the Bank’s assessment area. This activity also qualifies for community development service credit.

The Bank participated in a financial services fair outside of the assessment area in Fredericksburg, VA on February 2013 and January 2014 for military families. The U.S. National Guard hosted the Fair.

Lastly, PBFSB is able to make services accessible to all its customers although it does not have a significant branching system. PBFSB offers on-line banking and toll-free 24-hour account access for customers through its automated voice response system. In addition, customer service representatives are available from 8 am to 10 pm Monday – Friday. The Bank also offers low-cost, low-balance checking and savings accounts to assist in meeting the needs of low- and moderate-income customers.

## **Responsiveness to Community Development Needs**

The Bank's community development activities, as a whole, demonstrate outstanding responsiveness to the community development needs of its assessment area, in particular when considering the Bank's capacity, performance context, and the competition for community development opportunities in the assessment area.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a National Bank's (Bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the Bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the Bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.