



ABA COMMUNITY BANK MORTGAGE LLC SUCCESS STORY

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The Bank

Presidential Bank FSB

Bethesda, Maryland

\$542 million in assets

9 branches D.C./Maryland/Northern Virginia

The Opportunity

Presidential Bank currently sells most of its residential mortgage loans in the secondary market. The bank has remained a strong and growing lender despite the economic downturn that began in 2008. Through prudent, risk-adverse management, Presidential Bank has been able to maintain its healthy earnings profile while limiting interest-rate risk.

In 2007, Presidential Bank saw an opportunity to increase its profitability by becoming one of 32 founding banks of Community Bank Mortgage LLC (“the LLC”), which is co-owned by the Corporation for American Banking, LLC, and 64 ABA member banks. The LLC leverages this collective bargaining power to negotiate the best possible terms from secondary market investors. Presidential Bank recognized this opportunity as a way to improve its competitive position in the Washington, D.C., metropolitan-area marketplace. By leveraging the bonus payments from the LLC, Presidential is able to enhance consumer loan pricing.

The Solution

The LLC negotiates incentives with secondary market investors who pay the delivering owner banks a monthly bonus payment based on aggregate delivered volume. The more the owner banks deliver to the investors as a group, the greater the bonus payment amounts are. Since launching in 2007, owner banks have received more than \$13 million in bonus payments. Presidential Bank found that, as an LLC owner, it did not have to change its committing and delivery processes. In addition, there is no requirement from the LLC to sell any loans through the program. Owner banks are free to choose their best execution strategies, which may or may not include selling to an LLC investor. Presidential was also impressed that the LLC is community bank-owned and operated, with an active board of directors and operating committee. As an owner, Presidential is eligible for periodic profit distributions as well.

The Outcome

Presidential Bank has been very active in the LLC and has sold billions of dollars of loans to LLC investors. As such, the bank has received millions of dollars in bonus payments. The bonus payments are used to enhance consumer pricing and access to a broader range of mortgage customers that has made Presidential more competitive and profitable.