UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission File Number: 001-38224

PDL Community Bancorp

(Exact Name of Registrant as Specified in its Charter)

Federal	**82-2857928**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2244 Westchester Avenue	
Bronx, NY	**10462**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (718) 931-9000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	PDLB	The NASDAQ Stock Market, LLC

As of May 13, 2020, the registrant had 17,299,740 shares of common stock, $0.01 par value per share, outstanding.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Financial Condition (Unaudited)
March 31, 2020 and December 31, 2019
(Dollars in thousands, except share data)

	March 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks (Note 2):		
Cash	$ 13,165	$ 6,762
Interest-bearing deposits in banks	90,795	20,915
Total cash and cash equivalents	103,960	27,677
Available-for-sale securities, at fair value (Note 3)	19,140	21,504
Loans held for sale	1,030	1,030
Loans receivable, net (Note 4)	972,979	955,737
Accrued interest receivable	4,198	3,982
Premises and equipment, net (Note 5)	32,480	32,746
Federal Home Loan Bank of New York stock (FHLBNY), at cost	7,889	5,735
Deferred tax assets (Note 8)	4,140	3,724
Other assets	5,127	1,621
Total assets	$ 1,150,943	$ 1,053,756
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 6)	$ 829,741	$ 782,043
Accrued interest payable	86	97
Advance payments by borrowers for taxes and insurance	8,295	6,348
Advances from the Federal Home Loan Bank of New York and others (Note 7)	152,284	104,404
Other liabilities	4,794	2,462
Total liabilities	995,200	895,354
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value; 50,000,000 shares authorized; 18,463,028 shares issued and 17,299,740 shares outstanding as of March 31, 2020 and 18,463,028 shares issued and 17,451,134 shares outstanding as of December 31, 2019	185	185
Treasury stock, at cost; 1,163,288 shares as of March 31, 2020 and 1,011,894 shares as of December 31, 2019 (Note 9)	(16,490)	(14,478)
Additional paid-in-capital	85,132	84,777
Retained earnings	92,475	93,688
Accumulated other comprehensive income (Note 14)	110	20
Unearned compensation - ESOP; 566,938 shares as of March 31, 2020 and 579,001 shares as of December 31, 2019 (Note 9)	(5,669)	(5,790)
Total stockholders' equity	155,743	158,402
Total liabilities and stockholders' equity	$ 1,150,943	$ 1,053,756

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Income (Unaudited)
Three Months Ended March 31, 2020 and 2019
(Dollars in thousands, except share data)

	For the Three Months Ended March 31, 2020	2019
Interest and dividend income:		
Interest on loans receivable	$ 12,782	$ 12,095
Interest on deposits due from banks	66	149
Interest and dividend on available-for-sale securities and FHLBNY stock	182	138
Total interest and dividend income	13,030	12,382
Interest expense:		
Interest on certificates of deposit	1,827	1,956
Interest on other deposits	692	631
Interest on borrowings	587	333
Total interest expense	3,106	2,920
Net interest income	9,924	9,462
Provision for loan losses (Note 4)	1,146	149
Net interest income after provision for loan losses	8,778	9,313
Noninterest income:		
Service charges and fees	248	230
Brokerage commissions	50	109
Late and prepayment charges	119	139
Other	205	275
Total noninterest income	622	753
Noninterest expense:		
Compensation and benefits	5,008	5,014
Occupancy and equipment	2,017	1,911
Data processing expenses	467	353
Direct loan expenses	212	156
Insurance and surety bond premiums	121	83
Office supplies, telephone and postage	316	317
Professional fees	1,627	510
Marketing and promotional expenses	234	26
Directors fees	69	83
Regulatory dues	46	56
Other operating expenses	705	582
Total noninterest expense	10,822	9,091
Income (loss) before income taxes	(1,422)	975
Provision (benefit) for income taxes (Note 8)	(209)	307
Net income (loss)	$ (1,213)	$ 668
Earnings (loss) per share for the period (Note 10)		
Basic	$ (0.07)	$ 0.04
Diluted	$ (0.07)	$ 0.04

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Comprehensive Income (Unaudited)
Three Months Ended March 31, 2020 and 2019
(Dollars in thousands)

	For the Three Months Ended March 31, 2020	2019
Net income (loss)	$ (1,213)	$ 668
Net change in unrealized gains on available-for-sale securities :		
Unrealized gains	115	171
Income tax effect	(25)	(37)
Unrealized gains on securities, net of tax	90	134
Pension benefit liability adjustment:		
Net loss	—	(43)
Income tax effect	—	9
Pension liability adjustment, net of tax	—	(34)
Total other comprehensive income, net of tax	90	100
Total comprehensive income (loss)	$ (1,123)	$ 768

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Stockholders' Equity (Unaudited)
Three Months Ended March 31, 2020 and 2019

(Dollars in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Treasury Stock, At Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unallocated Common Stock of ESOP	Total
Balance, December 31, 2018	18,463,028	$ 185	$ —	$ 84,581	$ 98,813	$ (8,135)	$ (6,272)	$ 169,172
Net income	—	—	—	—	668	—	—	668
Other comprehensive loss, net of tax	—	—	—	—	—	100	—	100
Treasury stock	(13,866)		(193)					(193)
ESOP shares committed to be released (12,063 shares)	—	—	—	69	—	—	120	189
Restricted stock awards				300				300
Stock options				26				26
Balance, March 31, 2019	18,449,162	$ 185	$ (193)	$ 84,976	$ 99,481	$ (8,035)	$ (6,152)	$ 170,262
Balance, December 31, 2019	17,451,134	$ 185	$ (14,478)	$ 84,777	$ 93,688	$ 20	$ (5,790)	$ 158,402
Net loss	—	—	—	—	(1,213)	—	—	(1,213)
Other comprehensive income, net of tax	—	—	—	—	—	90	—	90
Treasury stock	(151,394)	—	(2,012)	—	—	—	—	(2,012)
ESOP shares committed to be released (12,063 shares)	—	—	—	3	—	—	121	124
Restricted stock awards	—	—	—	323	—	—	—	323
Stock options	—	—	—	29	—	—	—	29
Balance, March 31, 2020	17,299,740	$ 185	$ (16,490)	$ 85,132	$ 92,475	$ 110	$ (5,669)	$ 155,743

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
Three Months Ended March 31, 2020 and 2019
(Dollars in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash Flows From Operating Activities:		
Net income (loss)	$ (1,213)	$ 668
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of premiums/discounts on securities, net	2	(1)
Loss on sale of loans, net	—	102
Provision for loan losses	1,146	149
Depreciation and amortization	602	509
ESOP compensation	156	203
Share-based compensation expense	352	326
Deferred income taxes	(441)	(70)
Changes in assets and liabilities:		
(Increase) decrease in accrued interest receivable	(216)	60
(Increase) decrease in other assets	(3,506)	329
(Decrease) increase in accrued interest payable	(11)	12
Increase in advance payments by borrowers	1,947	—
Increase in other liabilities	2,439	514
Net cash provided by operating activities	1,257	2,801
Cash Flows From Investing Activities:		
Proceeds from redemption of FHLBNY stock	2,039	3,015
Purchases of FHLBNY Stock	(4,193)	(3,015)
Purchases of available-for-sale securities	(8,685)	—
Proceeds from sale of available-for-sale securities	8,875	—
Proceeds from maturities, calls and principal repayments on available-for-sale securities	2,148	5,150
Proceeds from sales of loans	3,530	3,614
Net increase in loans	(21,918)	(10,455)
Purchases of premises and equipment	(336)	(1,151)
Net cash used in investing activities	(18,540)	(2,842)
Cash Flows From Financing Activities:		
Net increase (decrease) in deposits	47,698	(2,977)
Repurchase of treasury stock	(2,012)	(193)
Proceeds from advances from FHLBNY	123,630	172,016
Repayments of advances from FHLBNY	(75,750)	(197,016)
Net cash provided by (used in) financing activities	93,566	(28,170)
Net increase (decrease) in cash and cash equivalents	76,283	(28,211)
Cash and Cash Equivalents:		
Beginning	27,677	69,778
Ending	$ 103,960	$ 41,567
Supplemental Disclosures:		
Cash paid during the period:		
Interest	$ 3,117	$ 2,908
Income taxes	$ 91	$ 43

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Note 1. Nature of Business and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation:

The unaudited interim Consolidated Financial Statements of PDL Community Bancorp (the “Company”) presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by the U.S. generally accepted accounting principles (“GAAP”). In the opinion of management, all adjustments and disclosures considered necessary for the fair presentation of the accompanying Consolidated Financial Statements have been included. Interim results are not necessarily reflective of the results for the entire year. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2019 included in the Company’s annual report on Form 10-K.

The unaudited interim Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiary Ponce Bank (the “Bank”), and the Bank’s wholly-owned subsidiaries. The Bank’s subsidiaries consist of PFS Service Corp., which owns some of the Bank’s real property, and Ponce De Leon Mortgage Corp., which is a mortgage banking entity. All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations:

The Bank is a federally chartered stock savings association headquartered in the Bronx, New York. It was originally chartered in 1960 as a federally chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, the Bank changed its name to “Ponce De Leon Federal Savings Bank.” In 1997, the Bank changed its name again to “Ponce De Leon Federal Bank.” Upon the completion of its reorganization into a mutual holding company structure, the assets and liabilities of Ponce De Leon Federal Bank were transferred to and assumed by the Bank, a wholly-owned subsidiary of PDL Community Bancorp. The Bank is subjected to comprehensive regulation and examination by the Office of Comptroller of the Currency (the “OCC”).

The Bank’s business is conducted through the administrative office and 13 branch banking offices. The banking offices are located in the Bronx (4 branches), Manhattan (2 branches), Queens (3 branches) and Brooklyn (3 branches), New York and Union City (1 branch), New Jersey. The primary market area currently consists of the New York City metropolitan area.

The Bank’s business primarily consists of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in mortgage loans, consisting of one-to-four family residential (both investor-owned and owner-occupied), multifamily residential, nonresidential properties and construction and land, and, to a lesser extent, in business and consumer loans. The Bank also invests in securities, which have historically consisted of U.S. government and federal agency securities and securities issued by government-sponsored or owned enterprises, as well as, mortgage-backed securities and Federal Home Loan Bank of New York (the “FHLBNY”) stock. The Bank offers a variety of deposit accounts, including demand, savings, money markets and certificates of deposit accounts.

Risks and Uncertainties:

The COVID-19 pandemic has created extensive disruptions to the global and U.S. economies and to the lives of individuals throughout the world. The New York City Metropolitan area has and continues to experience the highest levels of the COVID-19 pandemic in the nation. Governments, businesses, and the public are taking unprecedented actions to contain the spread of the COVID-19 pandemic and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal and monetary stimulus, and legislation designed to deliver financial aid and other relief. While the scope, duration, and full effects of the COVID-19 pandemic are rapidly evolving and not fully known, it has had a significantly adverse impact on the functioning of financial markets while increasing economic and market uncertainty, and disrupted trade and supply chains.

The potential financial impact is unknown at this time. However, if this pandemic continues for a sustained period of time, it may adversely impact several industries within our geographic footprint and impair the ability of the Company’s customers to fulfill their contractual obligations to the Company. This could cause the Company to experience a material adverse effect on our business operations, loan portfolio, financial condition, and results of operations.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies:

Use of Estimates: In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the consolidated statement of financial condition, and revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of loans held for sale, the valuation of deferred tax assets and investment securities and the estimates relating to the valuation for share-based awards.

Interim Financial Statements: The interim consolidated financial statements at March 31, 2020, and for the three months ended March 31, 2020 and 2019 are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2020, are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2020, or any other period.

Significant Group Concentrations of Credit Risk: Most of the Bank's activities are with customers located within New York City. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio is susceptible to changes in the local market conditions. Note 3 addresses the types of securities that the Bank invests in. Notes 4 and 11 discuss the types of lending that the Bank engages in, and other concentrations.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and amounts due from banks (including items in process of clearing). For purposes of reporting cash flows, the Bank considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash flows from loans originated by the Bank, interest-bearing deposits in financial institutions, and deposits are reported net.

Securities: Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each statement of financial condition date.

Debt securities that management has the positive intent and ability to hold to maturity, if any, are classified as "held-to-maturity" and recorded at amortized cost. Trading securities, if any, are carried at fair value, with unrealized gains and losses recognized in earnings. Securities not classified as held-to-maturity or trading, are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income, net of tax. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the consolidated statement of income and (2) OTTI related to other factors, which is recognized in other comprehensive income.

The credit loss is defined as the difference between the discounted present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. The sale of a held-to-maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Federal Home Loan Bank of New York Stock: The Bank is a member of the FHLBNY. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLBNY stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans Receivable: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at current unpaid principal balances, net of the allowance for loan losses and including net deferred loan origination fees and costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the effective interest yield method without anticipating prepayments.

A loan is moved to nonaccrual status in accordance with the Bank's policy typically after 90 days of non-payment. The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan becomes 90 days past due unless the loan is well-secured and in process of collection. Consumer loans are typically charged-off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off if collection of principal or interest is considered doubtful. All nonaccrual loans are considered impaired loans.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash basis or recorded against principal balances, until qualifying for return to accrual. Cash basis interest recognition is only applied on nonaccrual loans with a sufficient collateral margin to ensure no doubt with respect to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and remain current for a period of time (typically six months) and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. The Company's assessment of the economic impact of the COVID-19 pandemic on borrowers indicates that it is likely that it will be a detriment to their ability to repay in the short-term and that the likelihood of long-term detrimental effects depends significantly on the resumption of normalized economic activities, a factor not yet determinable.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are measured for impairment using the fair value of the collateral, present value of cash flows, or the observable market price of the note. Impairment measurement for all collateral dependent loans, excluding accruing troubled debt restructurings, is based on the fair value of collateral, less costs to sell, if necessary. A loan is considered collateral dependent if repayment of the loan is expected to be provided solely by the sale or the operation of the underlying collateral.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

When a loan is modified to a troubled debt restructuring, management evaluates the loan for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs, if repayment under the modified terms becomes doubtful.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced over a rolling 12 quarter average period. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. These risk categories and relevant risk characteristics are as follows:

Residential and Multifamily Mortgage Loans: Residential and multifamily mortgage loans are secured by first mortgages. These loans are typically underwritten with loan-to-value ratios ranging from 65% to 90%. The primary risks involved in residential mortgages are the borrower's loss of employment, or other significant event, that negatively impacts the source of repayment. Additionally, a serious decline in home values could jeopardize repayment in the event that the underlying collateral needs to be liquidated to pay-off the loan.

Nonresidential Mortgage Loans: Nonresidential mortgage loans are primarily secured by commercial buildings, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, restaurants and nursing homes. These loans are typically underwritten at no more than 75% loan-to-value ratio. Although terms vary, commercial real estate loans generally have amortization periods of 15 to 30 years, as well as balloon payments of 10 to 15 years, and terms which provide that the interest rate is adjusted on a 5 year schedule.

Construction and Land Loans: Construction real estate loans consist of vacant land and property that is in the process of improvement. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that government approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs. Construction real estate loans generally have terms of six months to two years during the construction period with fixed rates or interest rates based on a designated index.

Business Loans: Business loans are loans for commercial, corporate and business purposes, including issuing letters of credit. These loans are secured by business assets or may be unsecured and repayment is directly dependent on the successful operation of the borrower's business and the borrower's ability to convert the assets to operating revenue. They possess greater risk than most other types of loans because the repayment capacity of the borrower may become inadequate. Business loans generally have terms of five to seven years or less and interest rates that float in accordance with a designated published index. Substantially, all such loans are backed by the personal guarantees of the owners of the business.

Consumer Loans: Consumer loans generally have higher interest rates than mortgage loans. The risk involved in consumer loans is the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans include passbook loans and other secured and unsecured loans that have been made for a variety of consumer purposes.

Loans Held for Sale: Loan sales occur from time to time as part of strategic business or regulatory compliance initiatives. Loans held for sale, including deferred fees and costs, are reported at the lower of cost or fair value as determined by expected bid prices from potential investors. Loans are sold without recourse and servicing released. When a loan is transferred from portfolio to held-for-sale and the fair value is less than cost, a charge-off is recorded against the allowance for loan losses. Subsequent declines in fair value, if any, are charged against earnings.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

COVID-19 Pandemic and the CARES Act: On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. Section 4013 of the CARES Act, “Temporary Relief From Troubled Debt Restructurings,” provides banks the option to temporarily suspend certain requirements under U.S. GAAP related to troubled debt restructurings (“TDR”) for a limited period of time to account for the effects of the COVID-19 pandemic. Additionally, on April 7, 2020, the banking agencies, including the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, issued a statement, “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)” (“Interagency Statement”), to encourage banks to work prudently with borrowers and to describe the agencies’ interpretation of how accounting rules under ASC 310-40, “Troubled Debt Restructurings by Creditors,” apply to certain of the COVID-19 pandemic related modifications.

Under the CARES Act and related Interagency Statement, the Bank can temporarily suspend its delinquency and nonperforming treatment for certain loans that have been granted a payment accommodation that facilitates borrowers' ability to work through the immediate impact of the pandemic. Borrowers who were current prior to becoming affected by the COVID-19 pandemic, then receive payment accommodations as a result of the effects of the COVID-19 pandemic and if all payments are current in accordance with the revised terms of the loan, generally would not be reported as past due. The Bank has chosen to utilize this part of the CARES Act as it relates to delinquencies and nonperforming loans and will not report these loans as past due.

Under Section 4013 of the CARES Act, modifications of loan terms do not automatically result in TDRs and the Bank generally does not need to categorize the COVID-19 pandemic-related modifications as TDRs. The Bank may elect not to categorize loan modifications as TDRs if they are (1) related to the COVID-19 pandemic; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020. For all other loan modifications, the federal banking agencies have confirmed with staff of the Financial Accounting Standards Board ("FASB") that short-term modifications made on a good faith basis in response to the COVID-19 pandemic to borrowers who were current prior to any relief, are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. Financial institutions accounting for eligible loans under section 4013 are not required to apply ASC Subtopic 310-40 to the section 4013 loans for the term of the loan modification. Financial institutions do not have to report section 4013 loans as TDRs in regulatory reports, including this Form 10-Q. The Bank has chosen to utilize this section of the CARES Act and will not report the COVID-19 pandemic related modifications as TDRs.

Under the CARES Act and related Interagency Statement, in regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to the COVID-19 pandemic as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal agreement. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral. Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to distressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements, these loans generally should not be reported as nonaccrual. The Bank has elected to follow this guidance of the CARES Act and will report loans that have been granted payment deferrals as current so long as they were current at the time the deferral was granted.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset, (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership, (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through either (a) an agreement to repurchase them before their maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed and charged to operations using the straight-line method over the estimated useful lives of the respective assets as follows:

	Years
Buildings	39
Building improvements	15 - 39
Furniture, fixtures, and equipment	3 - 10

Leasehold improvements are amortized over the shorter of the improvements' estimated economic lives or the related lease terms, including extensions expected to be exercised. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Leasehold improvements in process are not amortized until the assets are placed in operation.

Impairment of Long-Lived Assets: Long-lived assets, including premises and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Other Real Estate Owned: Other Real Estate Owned ("OREO") represents properties acquired through, or in lieu of, loan foreclosure or other proceedings. OREO is initially recorded at fair value, less estimated disposal costs, at the date of foreclosure, which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value, less estimated costs of disposal. Any write-down to fair value, at the time of transfer to OREO, is charged to the allowance for loan losses. Properties are evaluated regularly to ensure that the recorded amounts are supported by current fair values and charges against earnings are recorded as necessary to reduce the carrying amount to fair value, less estimated costs to dispose. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the OREO, while costs relating to holding the property are expensed. Gains or losses are included in operations upon disposal.

Income Taxes: The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the consolidated statements of income.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Related Party Transactions: Directors and officers of the Company and their affiliates have been customers of and have had transactions with the Company, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risk of collectability, nor favored treatment or terms, nor present other unfavorable features. Note 15 contains details regarding related party transactions.

Employee Benefit Plans: The Company maintains Ponce Bank's 401(k) Plan, and a Supplemental Executive Retirement Plan (the "SERP"). The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided.

Employee Stock Ownership Plan: Compensation expense is recorded as shares are committed to be released with a corresponding credit to unearned employee stock ownership plan ("ESOP") equity account at the average fair value of the shares during the period and the shares become outstanding for earnings per share computations. Compensation expense is recognized ratably over the service period based upon management's estimate of the number of shares expected to be allocated by the ESOP. The difference between the average fair value and the cost of the shares allocated by the ESOP is recorded as an adjustment to additional paid-in-capital. Unallocated common shares held by the Company's ESOP are shown as a reduction in stockholders' equity and are excluded from weighted-average common shares outstanding for both basic and diluted earnings per share calculations until they are committed to be released.

Stock Options: The Company recognizes the value of share-based payment transactions as compensation costs in the financial statements over the period that an employee provides service in exchange for the award. The fair value of the share-based payments for stock options is estimated using the Black-Scholes option-pricing model. The Company accounts for forfeitures as they occur during the period.

Restricted Stock Units: The Company recognizes compensation cost related to restricted stock units based on the market price of the stock units at the grant date over the vesting period. The product of the number of units granted and the grant date market price of the Company's common stock determines the fair value of restricted stock units. The Company recognizes compensation expense for the fair value of the restricted stock units on a straight-line basis over the requisite service period.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income, which are both recognized as separate components of equity. Other comprehensive income includes unrealized gains and losses on securities available-for-sale and unrecognized gains and losses on actuarial loss and prior service cost of the defined benefit pension plan.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and the amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the operations and financial position of the Company.

Fair Value of Financial Instruments: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 12. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Segment Reporting: Although management monitors the revenue streams of the various products and services, the identifiable segments and operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregate in one reportable operating segment.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings (Loss) Per Share ("EPS"): Basic EPS represents net income (loss) attributable to common shareholders divided by the basic weighted average common shares outstanding. Diluted EPS is computed by dividing net income attributable to common shareholders by the basic weighted average common shares outstanding, plus the effect of potential dilutive common stock equivalents outstanding during the period. Basic weighted common shares outstanding is weighted average common shares outstanding less weighted average unallocated ESOP shares.

Treasury Stock: Shares repurchased under the Company's share repurchase programs were purchased in open-market transactions and are held as treasury stock, unless and until reissued. The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders' equity.

Recent Accounting Pronouncements:

As an emerging growth company ("EGC") as defined in Rule 12b-2 of the Exchange Act, the Company has elected to use the extended transition period to delay the adoption of new or reissued accounting pronouncements applicable to public business entities until such pronouncements are made applicable to nonpublic business entities. As of March 31, 2020, there is no significant difference in the comparability of the consolidated financial statements as a result of this extended transition period with the exception of ASU 2016-13, which has not been implemented yet as discussed below.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* This ASU requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. To date, the Company has identified its leased office spaces as within the scope of the guidance. The Company currently leases seven leased branches and the new guidance will result in the establishment of a right to use asset and corresponding lease obligations. The Company continues to evaluate the impact of the guidance, including determining whether other contracts exist that are deemed to be in scope and subsequent related accounting standard updates. The Company has established a project committee and has initiated training on ASU 2016-02. The Company is performing preliminary computations of its right to use asset and corresponding lease obligations for the operating leases of its seven leased branches.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments.*" This ASU reportedly significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard is to replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, is to apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also reportedly simplifies the accounting model for purchased credit-impaired debt, securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, for public business entities. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Entities have to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach).

Although early adoption is permitted, the Company does not expect to elect that option. The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. As a result of the required change in approach toward determining estimated credit losses from the current "incurred loss" model to one based on estimated cash flows over a loan's contractual life, adjusted for prepayments (a "life of loan" model), the Company expects that the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration loan portfolios. The Company also expects that the new guidance may result in an allowance for available-for-sale debt securities. The Company has selected the CECL model and has begun running scenarios. In both cases, the extent of the change is indeterminable at this time as it will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time.

In March 2017, the FASB issued ASU 2017-08 *"Receivables – Non-Refundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities."* The ASU requires premiums on callable debt securities to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018 for public business entities. Early adoption is permitted beginning after December 15, 2018, including interim periods within those fiscal years. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. ASU 2017-08 is not expected to have a material impact on the Company's consolidated financial position, results of operations or disclosures.

In August 2018, the FASB issued ASU 2018-13, "*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.*" This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The objective of this update is to simplify the accounting for income taxes by removing certain exceptions to the general principles and improve consistent application and simplify other areas of Topic 740. The amendments in this update are effective for annual periods beginning after December 15, 2020, and interim periods within those fiscal years. The Bank does not believe this update will have a material impact on its financial statements.

Note 2. Restrictions on Cash and Due From Banks

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The Bank had $6,872 and $5,935 in cash to cover its minimum reserve requirement of $0 and $4,927 at March 31, 2020, and December 31, 2019, respectively.

(Dollars in thousands, unless otherwise stated)

Note 3. Available-for-Sale Securities

The amortized cost and fair value of available-for-sale securities at March 31, 2020 and December 31, 2019 are summarized as follows:

	March 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Federal Agencies	$ 5,498	$ 9	$ —	$ 5,507
Corporate Bonds	8,638	40	—	8,678
Mortgage-Backed Securities:				
FNMA Certificates	4,490	37	—	4,527
GNMA Certificates	424	4	—	428
Total	$ 19,050	$ 90	$ —	$ 19,140

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Federal Agencies	$ 16,373	$ —	$ (19)	$ 16,354
Mortgage-Backed Securities:				
FNMA Certificates	4,680	—	(21)	4,659
GNMA Certificates	482	9	—	491
Total	$ 21,535	$ 9	$ (40)	$ 21,504

There were no securities classified as held-to-maturity as of March 31, 2020 and December 31, 2019. There were $8,875 available-for-sale securities sold during the three months ended March 31, 2020 and there were no sales for the three months ended March 31, 2019. A total of $2,000 available-for-sale securities matured during the three months ended March 31, 2020. The Company purchased $8,685 of available-for-sale securities during the three months ended March 31, 2020.

There were no securities in an unrealized loss position at March 31, 2020.

The following table present the Company's securities gross unrealized losses and fair values, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2019:

	December 31, 2019					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total Fair Value	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
U.S. Government and Federal Agencies	$ —	$ —	$ 16,354	$ (19)	$ 16,354	$ (19)
Mortgage-Backed						
FNMA Certificates	—	—	4,659	(21)	4,659	(21)
Total	$ —	$ —	$ 21,013	$ (40)	$ 21,013	$ (40)

(Dollars in thousands, unless otherwise stated)

Note 3. Available-for-Sale Securities (Continued)

The Company's investment portfolio had 8 and 10 available-for-sale securities at March 31, 2020 and December 31, 2019. At March 31, 2020 and December 31, 2019, the Company had 0 and 9 available-for-sale securities, with gross unrealized loss positions. Management reviewed the financial condition of the entities underlying the securities at both March 31, 2020 and December 31, 2019 and determined that they are not other than temporarily impaired because the unrealized losses in those securities relate to market interest rate changes. The Company has the ability to hold them and does not have the intent to sell these securities, and it is not more likely than not that the Company will be required to sell these securities, before recovery of the cost basis. In addition, management also considers the issuers of the securities to be financially sound and believes the Company will receive all contractual principal and interest related to these investments.

The following is a summary of maturities of securities at March 31, 2020 and December 31, 2019. Amounts are shown by contractual maturity. Because borrowers for mortgage-backed securities have the right to prepay obligations with or without prepayment penalties, at any time, these securities are included as a total within the table.

	March 31, 2020 Available-for-Sale	
	Amortized Cost	Fair Value
U.S. Government and Federal Agency Securities:		
Amounts maturing:		
Three months or less	$ 1,999	$ 2,003
After three months through one year	3,499	3,504
After one year through five years	—	—
	5,498	5,507
Corporate Bonds	8,638	8,678
Mortgage-Backed Securities	4,914	4,955
Total	$ 19,050	$ 19,140

	December 31, 2019 Available-for-Sale	
	Amortized Cost	Fair Value
U.S. Government and Federal Agency Securities:		
Amounts maturing:		
Three months or less	$ 2,000	$ 2,000
After three months through one year	14,373	14,354
After one year through five years	—	—
	16,373	16,354
Mortgage-Backed Securities	5,162	5,150
Total	$ 21,535	$ 21,504

There were no securities pledged at March 31, 2020 and December 31, 2019.

(Dollars in thousands, unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses

Loans at March 31, 2020 and December 31, 2019 are summarized as follows:

	March 31, 2020	December 31, 2019
Mortgage loans:		
1-4 Family residential		
Investor-Owned	$ 308,206	$ 305,272
Owner-Occupied	93,887	91,943
Multifamily residential	259,326	250,239
Nonresidential properties	210,225	207,225
Construction and land	100,202	99,309
Nonmortgage loans:		
Business loans	11,183	10,877
Consumer loans	1,288	1,231
	984,317	966,096
Net deferred loan origination costs	2,146	1,970
Allowance for loan losses	(13,484)	(12,329)
Loans receivable, net	$ 972,979	$ 955,737

The Company's lending activities are conducted principally in New York City. The Company primarily grants loans secured by real estate to individuals and businesses pursuant to an established credit policy applicable to each type of lending activity in which it engages. Although collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrowers' ability to generate continuing cash flows. The Company also evaluates the collateral and creditworthiness of each customer. The credit policy provides that depending on the borrowers' creditworthiness and type of collateral, credit may be extended up to predetermined percentages of the market value of the collateral. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities.

For disclosures related to the allowance for loan losses and credit quality, the Company does not have any disaggregated classes of loans below the segment level.

Credit-Quality Indicators: Internally assigned risk ratings are used as credit-quality indicators, which are reviewed by management on a quarterly basis.

The objectives of the Company's risk-rating system are to provide the Board of Directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio, to isolate potential problem areas and to provide essential information for determining the adequacy of the allowance for loan losses.

Below are the definitions of the internally assigned risk ratings:

- **Strong Pass** – Loans to a new or existing borrower collateralized at least 90 percent by an unimpaired deposit account at the Company.
- **Good Pass** – Loans to a new or existing borrower in a well-established enterprise in excellent financial condition with strong liquidity and a history of consistently high level of earnings, cash flow and debt service capacity.
- **Satisfactory Pass** – Loans to a new or existing borrower of average strength with acceptable financial condition, satisfactory record of earnings and sufficient historical and projected cash flow to service the debt.
- **Performance Pass** – Existing loans that evidence strong payment history but document less than average strength, financial condition, record of earnings, or projected cash flows with which to service the debt.

(Dollars in thousands, unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

- **Special Mention** – Loans in this category are currently protected but show one or more potential weaknesses and risks which may inadequately protect collectability or borrower's ability to meet repayment terms at some future date if the weakness or weaknesses are not monitored or remediated.
- **Substandard** – Loans that are inadequately protected by the repayment capacity of the borrower or the current sound net worth of the collateral pledged, if any. Loans in this category have well defined weaknesses and risks that jeopardize the repayment. They are characterized by the distinct possibility that some loss may be sustained if the deficiencies are not remediated.
- **Doubtful** – Loans that have all the weaknesses of loans classified as "Substandard" with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable.

Loans within the top four categories above are considered pass rated, as commonly defined. Risk ratings are assigned as necessary to differentiate risk within the portfolio. Risk ratings are reviewed on an ongoing basis and revised to reflect changes in the borrowers' financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations.

The following tables present credit risk ratings by loan segment as of March 31, 2020 and December 31, 2019:

	March 31, 2020						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
Risk Rating:							
Pass	$ 391,745	$ 258,579	$ 204,280	$ 77,232	$ 11,183	$ 1,288	$ 944,307
Special mention	2,371	—	—	15,720	—	—	18,091
Substandard	7,977	747	5,945	7,250	—	—	21,919
Total	$ 402,093	$ 259,326	$ 210,225	$ 100,202	$ 11,183	$ 1,288	$ 984,317

	December 31, 2019						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
Risk Rating:							
Pass	$ 386,022	$ 249,066	$ 202,761	$ 75,997	$ 10,877	$ 1,231	$ 925,954
Special mention	2,412	—	—	14,943	—	—	17,355
Substandard	8,781	1,173	4,464	8,369	—	—	22,787
Total	$ 397,215	$ 250,239	$ 207,225	$ 99,309	$ 10,877	$ 1,231	$ 966,096

(Dollars in thousands, unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

An aging analysis of loans, as of March 31, 2020 and December 31, 2019, is as follows:

	March 31, 2020						
	Current (1)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Nonaccrual Loans	90 Days or More Accruing
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 302,899	$ 4,225	$ —	$ 1,082	$ 308,206	$ 1,541	$ —
Owner-Occupied	91,189	1,011	—	1,687	93,887	3,260	—
Multifamily residential	258,177	1,149	—	—	259,326	—	—
Nonresidential properties	205,340	1,152	—	3,733	210,225	3,844	—
Construction and land	100,202	—	—	—	100,202	—	—
Nonmortgage loans:							
Business	11,183	—	—	—	11,183	—	—
Consumer	1,288	—	—	—	1,288	—	—
Total	$ 970,278	$ 7,537	$ —	$ 6,502	$ 984,317	$ 8,645	$ —

(1) As of March 31, 2020, the Company had $18,697 of loans eligible for deferral of payments under Section 4013 of the CARES Act that are presented as current in the aging analysis of loans.

	December 31, 2019						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Nonaccrual Loans	90 Days or More Accruing
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 300,324	$ 3,866	$ —	$ 1,082	$ 305,272	$ 1,749	$ —
Owner-Occupied	87,243	3,405	—	1,295	91,943	3,500	—
Multifamily residential	246,318	3,921	—	—	250,239	—	—
Nonresidential properties	203,514	3	—	3,708	207,225	4,201	—
Construction and land	99,309	—	—	—	99,309	1,118	—
Nonmortgage loans:							
Business	10,877	—	—	—	10,877	—	—
Consumer	1,231	—	—	—	1,231	—	—
Total	$ 948,816	$ 11,195	$ —	$ 6,085	$ 966,096	$ 10,568	$ —

(Dollars in thousands, unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following schedules detail the composition of the allowance for loan losses and the related recorded investment in loans as of March 31, 2020 and 2019, and December 31, 2019:

	For the Three Months Ended March 31, 2020							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowance for loan losses:								
Balance, beginning of period	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Provision charged to expense	234	120	398	291	123	(22)	2	1,146
Losses charged-off	—	—	—	—	—		—	—
Recoveries	—	—	—	2	—	7	—	9
Balance, end of period	$ 3,737	$ 1,187	$ 4,263	$ 2,142	$ 1,905	$ 239	$ 11	$ 13,484
Ending balance: individually evaluated for impairment	$ 113	$ 145	$ —	$ 31	$ —	$ —	$ —	$ 289
Ending balance: collectively evaluated for impairment	3,624	1,042	4,263	2,111	1,905	239	11	13,195
Total	$ 3,737	$ 1,187	$ 4,263	$ 2,142	$ 1,905	$ 239	$ 11	$ 13,484
Loans:								
Ending balance: individually evaluated for impairment	$ 5,303	$ 5,613	$ —	$ 5,182	$ —	$ —	$ —	$ 16,098
Ending balance: collectively evaluated for impairment	302,903	88,274	259,326	205,043	100,202	11,183	1,288	968,219
Total	$ 308,206	$ 93,887	$ 259,326	$ 210,225	$ 100,202	$ 11,183	$ 1,288	$ 984,317

(Dollars in thousands, unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

	For the Three Months Ended March 31, 2019							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowance for loan losses:								
Balance, beginning of period	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Provision charged to expense	(248)	(40)	(116)	(2)	(98)	651	2	149
Losses charged-off	—	—	—	—	—	(377)	—	(377)
Recoveries	—	—	—	2	—	15	1	18
Balance, end of period	$ 3,551	$ 1,168	$ 3,713	$ 1,925	$ 1,533	$ 549	$ 10	$ 12,449
Ending balance: individually evaluated for impairment	$ 344	$ 214	$ —	$ 125	$ —	$ 275	$ 4	$ 962
Ending balance: collectively evaluated for impairment	3,207	954	3,713	1,800	1,533	274	6	11,487
Total	$ 3,551	$ 1,168	$ 3,713	$ 1,925	$ 1,533	$ 549	$ 10	$ 12,449
Loans:								
Ending balance: individually evaluated for impairment	$ 7,464	$ 6,321	$ 13	$ 2,570	$ 1,341	$ 315	$ 4	$ 18,028
Ending balance: collectively evaluated for impairment	297,186	89,128	234,736	197,333	83,503	14,786	1,121	917,793
Total	$ 304,650	$ 95,449	$ 234,749	$ 199,903	$ 84,844	$ 15,101	$ 1,125	$ 935,821

(Dollars in thousands, unless otherwise stated)

	For the Year Ended December 31, 2019							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowance for loan losses:								
Balance, beginning of year	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Provision charged to expense	(311)	(141)	36	(85)	151	608	—	258
Losses charged-off	(8)	—	—	—	—	(724)	—	(732)
Recoveries	23	—	—	9	—	110	2	144
Balance, end of year	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Ending balance: individually evaluated for impairment	$ 265	$ 149	$ —	$ 31	$ —	$ 14	$ —	$ 459
Ending balance: collectively evaluated for impairment	3,238	918	3,865	1,818	1,782	240	9	11,870
Total	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Loans:								
Ending balance: individually evaluated for impairment	$ 6,973	$ 5,572	$ —	$ 5,548	$ 1,125	$ 14	$ —	$ 19,232
Ending balance: collectively evaluated for impairment	298,299	86,371	250,239	201,677	98,184	10,863	1,231	946,864
Total	$ 305,272	$ 91,943	$ 250,239	$ 207,225	$ 99,309	$ 10,877	$ 1,231	$ 966,096

Loans are considered impaired when current information and events indicate all amounts due may not be collectable according to the contractual terms of the related loan agreements. Impaired loans, including troubled debt restructurings, are identified by applying normal loan review procedures in accordance with the allowance for loan losses methodology. Management periodically assesses loans to determine whether impairment exists. Any loan that is, or will potentially be, no longer performing in accordance with the terms of the original loan contract is evaluated to determine impairment.

(Dollars in thousands, unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following information relates to impaired loans as of and for the three months ended March 31, 2020 and 2019 and for the year ended December 31, 2019:

For the Three Months Ended March 31, 2020	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
Mortgage loans:							
1-4 Family residential	$ 11,859	$ 8,454	$ 2,462	$ 10,916	$ 258	$ 12,568	$ 57
Multifamily residential	—	—	—	—	—	6	—
Nonresidential properties	5,245	4,810	372	5,182	31	4,419	9
Construction and land	—	—	—	—	—	1,035	—
Nonmortgage loans:							
Business	—	—	—	—	—	129	—
Consumer	—	—	—	—	—	1	—
Total	$ 17,104	$ 13,264	$ 2,834	$ 16,098	$ 289	$ 18,158	$ 66

For the Three Months Ended March 31, 2019	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
Mortgage loans:							
1-4 Family residential	$ 14,901	$ 7,944	$ 5,841	$ 13,785	$ 558	$ 14,217	$ 191
Multifamily residential	13	13	—	13	—	6	—
Nonresidential properties	2,766	2,094	476	2,570	125	2,698	37
Construction and land	1,615	1,341	—	1,341	—	1,153	1
Nonmortgage loans:							
Business	696	40	275	315	275	399	—
Consumer	4	—	4	4	4	1	—
Total	$ 19,995	$ 11,432	$ 6,596	$ 18,028	$ 962	$ 18,474	$ 229

December 31, 2019	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
Mortgage loans:							
1-4 Family residential	$ 13,566	$ 8,390	$ 4,155	$ 12,545	$ 414	$ 12,995	$ 361
Multifamily residential	—	—	—	—	—	6	—
Nonresidential properties	5,640	5,173	375	5,548	31	3,988	121
Construction and land	1,465	1,125	—	1,125	—	1,219	6
Nonmortgage loans:							
Business	16	—	14	14	14	195	—
Consumer	—	—	—	—	—	1	—
Total	$ 20,687	$ 14,688	$ 4,544	$ 19,232	$ 459	$ 18,404	$ 488

(Dollars in thousands, unless otherwise stated)

The loan portfolio also includes certain loans that have been modified to troubled debt restructurings. Under applicable standards, loans are modified to troubled debt restructurings when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, unless it results in a delay in payment that is insignificant. These concessions could include a reduction of interest rate on the loan, payment and maturity extensions, forbearance, or other actions intended to maximize collections. When a loan is modified to a troubled debt restructuring, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful. If management determines that the value of the modified loan in a troubled debt restructuring is less than the recorded investment in the loan, impairment is recognized through a specific allowance estimate or charge-off against the allowance for loan losses.

During the three months ended March 31, 2020, there was no troubled debt restructuring and as of and for the year ended December 31, 2019, there was one loans restructured as troubled debt restructuring.

	Loans Restructured During Three Months Ended March 31, 2020			All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Number of Loans	Balance of Loans at the Time of Default
Mortgages:					
1-4 Family	—	$ —	$ —	—	$ —
Total	—	$ —	$ —	—	$ —
Combination of rate, maturity, other	—	$ —	$ —	—	$ —
Total	—	$ —	$ —	—	$ —

	Loans Restructured During Year Ended December 31, 2019			All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Number of Loans	Balance of Loans at the Time of Default
Mortgages:					
1-4 Family	1	$ 275	$ 283	—	$ —
Total	1	$ 275	$ 283	—	$ —
Combination of rate, maturity, other	1	$ 275	$ 283	—	$ —
Total	1	$ 275	$ 283	—	$ —

At March 31, 2020, there were 34 troubled debt restructured loans totaling $10,489 of which $7,390 are on accrual status. At December 31, 2019, there were 36 troubled debt restructured loans totaling $12,204 of which $8,601 are on accrual status. There were no commitments to lend additional funds to borrowers whose loans have been modified in a troubled debt restructuring. The financial impact from the concessions made represents specific impairment reserves on these loans, which aggregated to $289 and $459 at March 31, 2020 and December 31, 2019, respectively. At March 31, 2020 and at December 31, 2019, there was one loan in the amount of $1,030 held for sale, respectively.

(Dollars in thousands, unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

In accordance with the Interagency Statement, financial institutions are encouraged to provide payment accommodations, which may include payment deferrals, to any consumer and small businesses who can demonstrate financial hardship caused by the COVID-19 pandemic. As of May 7, 2020, the Bank has granted loan payment deferrals for 264 residential mortgage loans totaling $205,788, 68 nonresidential properties mortgage loans totaling $76,044, as well as deferrals for 10 construction loans totaling $43,733, 7 business loans totaling $1,208 and 3 consumer loans totaling $35. In accordance with the CARES Act and Interagency Statement, these modifications are not considered troubled debt restructurings.

Any furnisher of credit information that agrees to defer payments, forbear on any delinquent credit or account, or provide any other relief to consumers affected by the COVID-19 pandemic must report the credit obligation or account as current if the credit obligation or account was current before the accommodation.

Note 5. Premises and Equipment

Premises and equipment at March 31, 2020 and December 31, 2019 are summarized as follows:

	March 31, 2020	December 31, 2019
Land	$ 3,979	$ 3,979
Buildings and improvements	17,423	17,350
Leasehold improvements	25,559	25,534
Furniture, fixtures and equipment	8,751	8,513
	55,712	55,376
Less: accumulated depreciation and amortization	(23,232)	(22,630)
Total premises and equipment	$ 32,480	$ 32,746

Depreciation and amortization expense amounted to $602 and $509 for the three months ended March 31, 2020 and 2019, respectively, and are included in occupancy and equipment in the accompanying consolidated statements of income. Leasehold improvements increased by $25 to $25,559 and buildings and improvements increased by $73 to $17,423 at March 31, 2020 as part of the branch renovation initiative. Furniture, fixtures and equipment also increased by $238 to $8,751 at March 31, 2020, mainly as a result of purchases of laptops and software to facilitate remote working during the COVID-19 pandemic.

Note 6. Deposits

Deposits at March 31, 2020 and December 31, 2019 are summarized as follows:

	March 31, 2020	December 31, 2019
Demand	$ 110,801	$ 109,548
Interest-bearing deposits:		
NOW/IOLA accounts	31,586	32,866
Money market accounts	121,629	86,721
Reciprocal deposits (1)	62,384	47,659
Savings accounts	112,318	115,751
Total NOW, money market, reciprocal and savings	327,917	282,997
Certificates of deposit of $250K or more	81,486	84,263
Brokered certificates of deposits (2)	51,661	76,797
Listing service deposits (2)	55,842	32,400
Certificates of deposit less than $250K	202,034	196,038
Total certificates of deposit	391,023	389,498
Total interest-bearing deposits	718,940	672,495
Total deposits	$ 829,741	$ 782,043

(1) Included in reciprocal deposits are money market accounts and certificates of deposit.
(2) There were no individual brokered certificates of deposit or listing service deposits amounting to $250K or more.

(Dollars in thousands, unless otherwise stated)

Note 6. Deposits (Continued)

At March 31, 2020 scheduled maturities of certificates of deposit were as follows:

March 31,		
2021	$	221,316
2022		90,094
2023		50,154
2024		20,016
2025		9,443
	$	391,023

Overdrawn deposit accounts that have been reclassified to loans amounted to $74 and $199 as of March 31, 2020 and December 31, 2019, respectively.

Note 7. Borrowings

FHLBNY Advances: As a member of the FHLBNY, the Bank has the ability to borrow from the FHLBNY based on a certain percentage of the value of the Bank's qualified collateral, as defined in the FHLBNY Statement of Credit Policy, at the time of the borrowing. In accordance with an agreement with the FHLBNY, the qualified collateral must be free and clear of liens, pledges and encumbrances.

The Bank had $152,284 and $104,404 of outstanding term advances from the FHLBNY at March 31, 2020 and December 31, 2019, respectively. Additionally, the Bank had an unsecured line of credit in the amount of $25,000 with a correspondent bank at March 31, 2020 and December 31, 2019, of which $0 were outstanding as of March 31, 2020 and December 31, 2019, respectively. The Bank also had a guarantee from the FHLBNY through a standby letter of credit of $3,355 at March 31, 2020 and $3,455 at December 31, 2019, respectively.

Borrowed funds at March 31, 2020 and December 31, 2019 consist of the following and are summarized by maturity and call date below:

	March 31, 2020			December 31, 2019		
	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate
Correspondent Bank Overnight line of credit advance	$ —	$ —	—%	$ —	$ —	—
FHLBNY Term advances ending:						
2020	43,029	43,029	0.86	8,029	8,029	2.86
2021	3,000	3,000	1.84	3,000	3,000	1.84
2022	77,880	77,880	1.73	65,000	65,000	1.89
2023	28,375	28,375	2.82	28,375	28,375	2.82
	$ 152,284	$ 152,284	1.69%	$ 104,404	$ 104,404	2.21%

Interest expense on advances totaled $587 and $333 for the three months ended March 31, 2020 and 2019, respectively.

As of March 31, 2020 and December 31, 2019, the Bank had eligible collateral of approximately $305,089 and $301,753, respectively, in residential 1-4 family and multifamily mortgage loans available to secure advances from the FHLBNY.

(Dollars in thousands, unless otherwise stated)

Note 8. Income Taxes

The provision (benefit) for income taxes for the three months ended March 31, 2020 and 2019 consist of the following:

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Federal:		
Current	$ 158	$ 274
Deferred	(276)	8
	(118)	282
State and local:		
Current	58	101
Deferred	(690)	(289)
	(632)	(188)
Valuation allowance	541	213
Provision (benefit) for income taxes	$ (209)	$ 307

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% for the three months ended March 31, 2020 and 2019 respectively, to income before income taxes as a result of the following:

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Income tax, at federal rate	$ (299)	$ 205
State and local tax, net of federal taxes	(500)	(150)
Valuation allowance, net of the federal benefit	541	213
Other	49	39
	$ (209)	$ 307

Note 8. Income Taxes (Continued)

Management maintains a valuation allowance against its net New York State and New York City deferred tax assets as it is unlikely these deferred tax assets will impact the Company's tax liability in future years. The valuation allowance increased by $328 and $213 for the three months ended March 31, 2020 and 2019, respectively.

Management has determined that it is not required to establish a valuation allowance against any other deferred tax assets since it is more likely than not that the deferred tax assets will be fully utilized in future periods. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods that the temporary differences comprising the deferred tax assets will be deductible.

At March 31, 2020 and December 31, 2019, the Company had no unrecognized tax benefits recorded related to uncertain tax positions. The Company does not expect that the total amount of unrecognized tax benefits will significantly increase in the next twelve months.

The Company is subject to U.S. federal income tax, New York State income tax, New Jersey income tax, and New York City income tax. The Company is no longer subject to examination by taxing authorities for years before 2016.

On March 27, 2020, the President signed the CARES Act to help individuals and businesses that have been negatively impacted by the COVID-19 pandemic. Among other provisions, the CARES Act allows net operating losses, which were modified with the Tax Cuts and Jobs Act of 2017, to be carried back five years. It also modifies the useful lives of qualified leasehold improvements, relaxing the excess loss limitations on pass-through and increasing the interest expense limitation. The Company does not expect the CARES Act to have a material tax impact on the Company's consolidated financial statements.

(Dollars in thousands, unless otherwise stated)

Note 8. Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2020 and December 31, 2019 are presented below:

	March 31, 2020	December 31, 2019
Deferred tax assets:		
Allowance for loan losses	$ 4,364	$ 3,990
Interest on nonaccrual loans	449	338
Unrealized loss on available-for-sale securities	(18)	7
Amortization of intangible assets	83	88
Deferred rent payable	104	—
Depreciation of premises and equipment	30	30
Net operating losses	4,576	4,258
Charitable contribution carryforward	1,612	1,675
Compensation and benefits	324	182
Other	103	130
Total gross deferred tax assets	11,627	10,698
Deferred tax liabilities:		
Cumulative contribution in excess of net periodic benefit costs, net	—	85
Deferred loan fees	695	638
Other	7	7
Total gross deferred tax liabilities	702	730
Valuation allowance	6,785	6,244
Net deferred tax assets	$ 4,140	$ 3,724

Note 9. Compensation and Benefit Plans

401(k) Plan:

The Company provides a qualified defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) Plan qualifies under the Internal Revenue Service safe harbor provisions, as defined. Employees are eligible to participate in the 401(k) Plan at the beginning of each quarter (January 1, April 1, July 1, or October 1). The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided. The Company is currently making a safe harbor contribution of 3%. The 401(k) expenses recorded in the consolidated statements of income amounted to $266 and $90 for the three months ended March 31, 2020 and 2019, respectively.

Employee Stock Ownership Plan:

In connection with the reorganization, the Company established an ESOP for the exclusive benefit of eligible employees. The ESOP borrowed $7,238 from the Company sufficient to purchase 723,751 shares (approximately 3.92% of the common stock sold in the Company's initial stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Company and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, and then the remainder will be applied to principal. The loan is expected to be repaid over a period of 15 years. Shares purchased with the loan proceeds are held by the trustee in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants, subject to applicable regulations.

(Dollars in thousands, unless otherwise stated)

Contributions to the ESOP are to be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, compensation expense equal to the average market price of the shares for the respective periods are recognized, and the shares become outstanding for earnings per share computations (see Note 10).

A summary of the ESOP shares as of March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Shares committed-to-be released	12,063	48,250
Shares to be allocated to participants	144,750	96,500
Unallocated shares	566,938	579,001
Total	723,751	723,751
Fair value of unearned shares	$ 5,822	$ 8,511

The Company recognized ESOP related compensation expense, including ESOP equalization expense, of $156 and $203 for the three months ended March 31, 2020 and 2019, respectively.

Supplemental Executive Retirement Plan:

The Bank maintains a non-qualified supplemental executive retirement plan (“SERP”) for the benefit of one key executive. The SERP expense recognized for the three months ended March 31, 2020 and 2019 was $15 and $17, respectively.

2018 Incentive Plan

The Company’s stockholders approved the PDL Community Bancorp 2018 Long-Term Incentive Plan (the “2018 Incentive Plan”) at the Special Meeting of Stockholders on October 30, 2018. The maximum number of shares of common stock which can be issued under the 2018 Incentive Plan is 1,248,469. Of the 1,248,469 shares, the maximum number of shares that may be awarded under the 2018 Incentive Plan pursuant to the exercise of stock options or stock appreciation rights (“SARs”) is 891,764 shares (all of which may be granted as incentive stock options), and the number of shares of common stock that may be issued as restricted stock awards or restricted stock units is 356,705 shares. However, the 2018 Incentive Plan contains a flex feature that provides that awards of restricted stock and restricted stock units in excess of the 356,705 share limitation may be granted but each share of stock covered by such excess award shall reduce the 891,764 share limitation for awards of stock options and SARs by 3.0 shares of common stock. The Company converted 462,522 awards of stock options into 154,174 restricted stock units in 2018.

Under the 2018 Incentive Plan, the Company made grants equal to 674,645 shares on December 4, 2018 which include 119,176 incentive options to executive officers, 44,590 non-qualified options to outside directors, 40,000 restricted stock units to officers, 322,254 restricted stock units to executive officers and 148,625 shares of restricted stock units to outside directors. Awards to directors generally vest 20% annually beginning with the first anniversary of the date of grant. Awards to a director with fewer than five years of service at the time of grant vest over a longer period and will not become fully vested until the director has completed ten years of service. Awards to the executive officer who is not a director vest 20% annually beginning on December 4, 2020. As of March 31, 2020 and December 31, 2019, the maximum number of stock options and SARs remaining to be awarded under the Incentive Plan was 265,476 for both periods. As of March 31, 2020 and December 31, 2019, the maximum number of shares of common stock that may be issued as restricted stock or restricted stock units remaining to be awarded under the Incentive Plan was 0, for both periods. If the 2018 Incentive Plan’s flex feature described above were fully utilized, the maximum number of shares of common stock that may be awarded as restricted stock or restricted stock units would be 88,492, but would eliminate the availability of stock options and SARs available for award.

(Dollars in thousands, unless otherwise stated)

The product of the number of units granted and the grant date market price of the Company's common stock determine the fair value of restricted stock units under the Company's 2018 Incentive Plan. Management recognizes compensation expense for the fair value of restricted stock units on a straight-line basis over the requisite service period for the entire award.

A summary of the Company's restricted stock units awards activity and related information for the three months ended March 31, 2020 and year ended December 31, 2019 are as follows:

	March 31, 2020	
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	420,744	$ 12.78
Granted	—	—
Forfeited	—	—
Vested	—	—
Non-vested at March 31	420,744	$ 12.78

	December 31, 2019	
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	510,879	$ 12.77
Granted	29,725	12.93
Forfeited	(29,725)	12.77
Vested	(90,135)	12.77
Non-vested at December 31	420,744	$ 12.78

Compensation expense related to restricted stock units for the three months ended March 31, 2020 and 2019, was $324 and $300, respectively. As of March 31, 2020, the total remaining unrecognized compensation cost related to restricted stock units was $4,959, which is expected to be recognized over the next 31 quarters.

A summary of the Company's stock option awards activity and related information for the three months ended March 31, 2020 and year ended December 31, 2019 are as follows:

	March 31, 2020	
	Options	Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$ 12.78
Granted	—	—
Exercised	—	—
Forfeited	—	—
Outstanding at March 31 (1)	163,766	$ 12.78
Exercisable at March 31 (1)	24,788	$ 12.77

(Dollars in thousands, unless otherwise stated)

	December 31, 2019	
	Options	Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$ 12.77
Granted	8,918	12.93
Exercised	—	—
Forfeited	(8,918)	12.77
Outstanding at December 31 (1)	163,766	$ 12.78
Exercisable at December 31 (1)	24,788	$ 12.77

(1) The aggregate intrinsic value, which represents the difference between the price of the Company's common stock at respective periods and the stated exercise price of the underlying options, was $0 and $315 for outstanding options and $0 and $48 for exercisable options at March 31, 2020 and December 31, 2019, respectively.

The weighted-average exercise price for the options as of March 31, 2020 was $12.78 per share and the weighted average remaining contractual life is 8.7 years. The weighted average period over which it is expected to be recognized is 5.2 years. There were 24,788 shares exercisable as of March 31, 2020 and December 31, 2019, respectively. Total compensation cost related to stock options recognized was $29 and $26 for the three months ended March 31, 2020 and 2019, respectively. As of March 31, 2020, the total remaining unrecognized compensation cost related to unvested stock options was $445, which is expected to be recognized over the next 31 quarters.

The fair value of each option grant is estimated on the date of grant using Black-Scholes option pricing model with the following weighted average assumptions:

	For the Three Months Ended March 31,	
	2020	2019
Dividend yield	0.00%	0.00%
Expected life	6.5 years	6.5 years
Expected volatility	16.94%	16.94%
Risk-free interest rate	2.51%	2.51%
Weighted average grant date fair value	$4.01	$4.01

The expected volatility is based on the Company's historical volatility. The expected life is an estimate based on management's review of the various factors and calculated using the simplified method for plain vanilla options. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

Treasury Stock:

The Company adopted a share repurchase program effective March 25, 2019 which expired on September 24, 2019. Under the repurchase program, the Company was permitted to repurchase up to 923,151 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this second program, the Company was permitted to repurchase up to 878,835 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The Company's share repurchase program was terminated on March 27, 2020.

As of March 27, 2020, the Company had repurchased a total of 1,253,423 shares under the repurchase programs at a weighted average price of $14.18 per share, which were reported as treasury stock. Of the 1,253,423 shares of treasury stock, 90,135 shares were reissued to directors and executive officers under the Company's 2018 Long-Term Incentive Plan pursuant to restricted stock units which vested on December 4, 2019. As of March 31, 2020, 1,163,288 shares are reported as treasury stock in the Company's consolidated statement of financial condition.

Note 10. Earnings (Loss) Per Share

The following table presents a reconciliation of the number of shares used in the calculation of basic and diluted earnings (loss) per common share:

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
	(Dollars in thousands except share data)	
Net income (loss)	$ (1,213)	$ 668
Common shares outstanding for basic EPS:		
Weighted average common shares outstanding	17,379,406	18,462,412
Less: Weighted average unallocated Employee Stock Ownership Plan (ESOP) shares	578,868	627,117
Basic weighted average common shares outstanding	16,800,538	17,835,295
Basic earnings (loss) per common share	$ (0.07)	$ 0.04
Dilutive potential common shares:		
Add: Dilutive effect of restricted stock awards and stock options	—	29,032
Diluted weighted average common shares outstanding	16,800,538	17,864,327
Diluted earnings (loss) per common share	$ (0.07)	$ 0.04

Note 11. Commitments, Contingencies and Credit Risk

Financial Instruments With Off-Balance-Sheet Risk: In the normal course of business, financial instruments with off-balance-sheet risk may be used to meet the financing needs of customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless. The same credit policies are used in making commitments and contractual obligations as for on-balance-sheet instruments. Financial instruments whose contractual amounts represent credit risk at March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Commitments to grant mortgage loans	$ 51,832	$ 64,829
Unfunded commitments under lines of credit	28,850	27,833
Standby letters of credit	3,355	3,455
	$ 84,037	$ 96,117

(Dollars in thousands, unless otherwise stated)

Note 11. Commitments, Contingencies and Credit Risk (Continued)

Commitments to Grant Mortgage Loans: Commitments to grant mortgage loans are agreements to lend to a customer as long as all terms and conditions are met as established in the contract. Commitments generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. Material losses are not anticipated as a result of these transactions.

Unfunded Commitments Under Lines of Credit: Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extension of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and, ultimately, may not be drawn upon to the total extent to which the Company is committed.

Standby Letters of Credit: Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Standby letters of credit are largely cash secured.

Concentration by Geographic Location: Loans, commitments to extend credit and standby letters of credit have been granted to customers who are located primarily in New York City. Generally, such loans most often are secured by one-to-four family residential. The loans are expected to be repaid from the borrowers' cash flows.

Lease Commitments: At March 31, 2020, there are noncancelable operating leases for office space that expire on various dates through 2034. One such lease contains an escalation clause providing for increased rental based primarily on increases in real estate taxes. Rental expenses under operating leases, included in occupancy and equipment, totaled $129 and $354 for the three months ended March 31, 2020 and 2019, respectively.

The projected minimum rental payments under the terms of the leases at March 31, 2020 are as follows:

March 31,		
Remainder of 2020	$	1,008
2021		1,380
2022		1,290
2023		1,277
2024		1,311
2025		1,280
Thereafter		4,566
	$	12,112

Legal Matters: The Company is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Company’s financial condition or results of operations.

Note 12. Fair Value

The following fair value hierarchy is used based on the lowest level of input significant to the fair value measurement. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Note 12. Fair Value (Continued)

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Cash and Cash Equivalents, Accrued Interest Receivable, Advance Payments by Borrowers for Taxes and Insurance, and Accrued Interest Payable: The carrying amount is a reasonable estimate of fair value. These assets and liabilities are not recorded at fair value on a recurring basis.

Available-for-Sale Securities: These financial instruments are recorded at fair value in the consolidated financial statements on a recurring basis. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using pricing models (e.g., matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency bonds and mortgage-backed securities. Level 3 securities are securities for which significant unobservable inputs are utilized. There were no changes in valuation techniques used to measure similar assets during the period.

FHLBNY Stock: The carrying value of FHLBNY stock approximates fair value since the Bank can redeem such stock with FHLBNY at cost. As a member of the FHLBNY, the Company is required to purchase this stock, which is carried at cost and classified as restricted equity securities.

Loans: For variable rate loans, which reprice frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolios. The fair value of fixed rate loans is estimated by discounting the future cash flows using estimated market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolios. Impaired loans are valued using a present value discounted cash flow method, or the fair value of the collateral. Loans are not recorded at fair value on a recurring basis.

Loans Held for Sale: Loans held for sale are carried at the lower of cost or fair value. The fair value of loans held for sale is determined from actual bids from bona fide investors. These assets are classified as Level 2.

Other Real Estate Owned: Other real estate owned represents real estate acquired through foreclosure, and is recorded at fair value less estimated disposal costs on a nonrecurring basis. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the asset is classified as Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the asset is classified as Level 3.

Deposits: The fair values of demand deposits, savings, NOW and money market accounts equal their carrying amounts, which represent the amounts payable on demand at the reporting date. Fair values for fixed-term, fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on certificates of deposit to a schedule of aggregated expected monthly maturities on such deposits. Deposits are not recorded at fair value on a recurring basis.

FHLBNY Advances: The fair value of the advances is estimated using a discounted cash flow calculation that applies current market-based FHLBNY interest rates for advances of similar maturity to a schedule of maturities of such advances. These borrowings are not recorded at fair value on a recurring basis.

Off-Balance-Sheet Instruments: Fair values for off-balance-sheet instruments (lending commitments and standby letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

(Dollars in thousands, unless otherwise stated)

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2020 and December 31, 2019, and indicate the level within the fair value hierarchy utilized to determine the fair value:

		March 31, 2020		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-Sale Securities:				
U.S. government and federal agencies	$ 5,507	$ —	$ 5,507	$ —
Corporate bonds	8,678	—	8,678	—
Mortgage-Backed Securities:				
FNMA Certificates	4,527	—	4,527	—
GNMA Certificates	428	—	428	—
	$ 19,140	$ —	$ 19,140	$ —

		December 31, 2019		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-Sale Securities:				
U.S. government and federal agencies	$ 16,354	$ —	$ 16,354	$ —
Mortgage-Backed Securities:				
FNMA Certificates	4,659	—	4,659	—
GNMA Certificates	491	—	491	—
	$ 21,504	$ —	$ 21,504	$ —

Management's assessment and classification of an investment within a level can change over time based upon maturity or liquidity of the investment and would be reflected at the beginning of the quarter in which the change occurred.

The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of March 31, 2020 and December 31, 2019 and indicate the fair value hierarchy utilized to determine the fair value:

	March 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans	$ 16,098	$ —	$ —	$ 16,098

	December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans	$ 19,232	$ —	$ —	$ 19,232

Losses on assets carried at fair value on a nonrecurring basis were *de minimis* for the three months ended March 31, 2020 and 2019, respectively.

The fair value information about financial instruments are disclosed, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The estimated fair value amounts for 2020 and 2019 have been measured as of their respective period-ends and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at each period.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other banks may not be meaningful.

(Dollars in thousands, unless otherwise stated)

Note 12. Fair Value (Continued)

As of March 31, 2020 and December 31, 2019, the book balances and estimated fair values of the Company's financial instruments were as follows:

	Carrying Amount	Fair Value Measurements Level 1	Level 2	Level 3	Total
March 31, 2020					
Financial assets:					
Cash and cash equivalents	$ 103,960	$ 103,960	$ —	$ —	$ 103,960
Available-for-sale securities	19,140	—	19,140	—	19,140
Loans held for sale	1,030	—	—	1,047	1,047
Loans receivable, net	972,979	—	—	988,936	988,936
Accrued interest receivable	4,198	—	4,198	—	4,198
FHLBNY stock	7,889	7,889	—	—	7,889
Financial liabilities:					
Deposits:					
Demand deposits	110,801	110,801	—	—	110,801
Interest-bearing deposits	327,917	327,917	—	—	327,917
Certificates of deposit	391,023	—	396,603	—	396,603
Advance payments by borrowers for taxes and insurance	8,295	—	8,295	—	8,295
Advances from FHLBNY	152,284	152,284	—	—	152,284
Accrued interest payable	86	—	86	—	86
December 31, 2019					
Financial assets:					
Cash and cash equivalents	$ 27,677	$ 27,677	$ —	$ —	$ 27,677
Available-for-sale securities	21,504	—	21,504	—	21,504
Loans held for sale	1,030	—	—	1,035	1,035
Loans receivable, net	955,737	—	—	959,942	959,942
Accrued interest receivable	3,982	—	3,982	—	3,982
FHLBNY stock	5,735	5,735	—	—	5,735
Financial liabilities:					
Deposits:					
Demand deposits	109,548	109,548	—	—	109,548
Interest-bearing deposits	282,997	282,997	—	—	282,997
Certificates of deposit	389,498	—	393,254	—	393,254
Advance payments by borrowers for taxes and insurance	6,348	—	6,348	—	6,348
Advances from FHLBNY	104,404	104,404	—	—	104,404
Accrued interest payable	97	—	97	—	97

Off-Balance-Sheet Instruments: Loan commitments on which the committed interest rate is less than the current market rate are insignificant at March 31, 2020 and December 31, 2019.

(Dollars in thousands, unless otherwise stated)

Note 13. Regulatory Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by the Federal Reserve Board and the OCC, respectively. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's operations and financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require the maintenance of minimum amounts and ratios (set forth in the table below) of total risk-based and Tier 1 capital to risk-weighted assets (as defined), common equity Tier 1 capital (as defined), and Tier 1 capital to adjusted total assets (as defined) adjusted total assets (as defined). As of March 31, 2020 and December 31, 2019, all applicable capital adequacy requirements have been met.

The below minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was phased in from 0% for 2015 to 2.5% by 2019. The applicable capital buffer was 9.8% at March 31, 2020 and 10.6% at December 31, 2019.

The most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, common equity risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There were no conditions or events since then that have changed the Bank's category.

The Company's and the Bank's actual capital amounts and ratios as of March 31, 2020 and December 31, 2019 as compared to regulatory requirements are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2020						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 165,968	20.16%	$ 65,866	8.00%	$ 82,332	10.00%
Tier 1 Capital to Risk-Weighted Assets	155,634	18.90%	49,399	6.00%	65,866	8.00%
Common Equity Tier 1 Capital Ratio	155,634	18.90%	37,050	4.50%	53,516	6.50%
Tier 1 Capital to Total Assets	155,634	14.55%	42,776	4.00%	53,470	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 146,434	17.84%	$ 65,649	8.00%	$ 82,062	10.00%
Tier 1 Capital to Risk-Weighted Assets	136,133	16.59%	49,237	6.00%	65,649	8.00%
Common Equity Tier 1 Capital Ratio	136,133	16.59%	36,928	4.50%	53,340	6.50%
Tier 1 Capital to Total Assets	136,133	12.76%	42,691	4.00%	53,364	5.00%

(Dollars in thousands, unless otherwise stated)

Note 13. Regulatory Capital Requirements (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 168,268	21.35%	$ 63,044	8.00%	$ 78,805	10.00%
Tier 1 Capital to Risk-Weighted Assets	158,382	20.10%	47,283	6.00%	63,044	8.00%
Common Equity Tier 1 Capital Ratio	158,382	20.10%	35,462	4.50%	51,223	6.50%
Tier 1 Capital to Total Assets	158,382	14.97%	42,334	4.00%	52,917	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 146,451	18.62%	$ 62,923	8.00%	$ 78,654	10.00%
Tier 1 Capital to Risk-Weighted Assets	136,584	17.37%	47,192	6.00%	62,923	8.00%
Common Equity Tier 1 Capital Ratio	136,584	17.37%	35,394	4.50%	51,125	6.50%
Tier 1 Capital to Total Assets	136,584	12.92%	42,275	4.00%	52,843	5.00%

Note 14. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows:

	March 31, 2020		
	December 31, 2019	Change	March 31, 2020
Unrealized gains on available-for-sale securities, net	$ 20	$ 90	$ 110
Total	$ 20	$ 90	$ 110

	December 31, 2019		
	December 31, 2018	Change	December 31, 2019
Unrealized gains (losses) on available-for-sale securities, net	$ (291)	$ 311	$ 20
Unrealized losses on pension benefits, net	(7,844)	7,844	—
Total	$ (8,135)	$ 8,155	$ 20

Note 15. Transactions With Related Parties

Directors and officers of the Company have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Aggregate loan transactions with related parties for the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31,	
	2020	2019
Beginning balance	$ 1,260	$ 1,278
Originations	—	—
Payments	(16)	(23)
Ending balance	$ 1,244	$ 1,255

The Company held deposits in the amount of $8,523 and $8,302 from officers and directors at March 31, 2020 and December 31, 2019, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Management's discussion and analysis of financial condition and results of operations at March 31, 2020 and December 31, 2019, and for the three months ended March 31, 2020 and 2019, is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto appearing in Part I, Item 1, of this quarterly report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "believe," "contemplate," "continue," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of the Company's goals, intentions and expectations;
- statements regarding its business plans, prospects, growth and operating strategies;
- statements regarding the quality of its loan and investment portfolios; and
- estimates of the risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Management is under no duty to and does not assume any obligation to update any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- the scope, duration and severity of the COVID-19 pandemic and its effects on our business and operations, our customers, including their ability to make timely payments on loans, our service providers, and on the economy and financial markets in general;
- changes in consumer spending, borrowing and savings habits;
- general economic conditions, either nationally or in the market areas, that are worse than expected;
- the Company's ability to manage market risk, credit risk and operational risk in the current economic environment;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- the ability to access cost-effective funding;
- fluctuations in real estate values and real estate market conditions;
- demand for loans and deposits in the market area;
- the Company's ability to implement and change its business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce the Company's margins and yields, its mortgage banking revenues, the fair value of financial instruments or the level of loan originations, or increase the level of defaults, losses and prepayments on loans the Company have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of the Company's loan or investment portfolios;

- technological changes that may be more difficult or expensive than expected;
- the inability of third party providers to perform as expected;
- the Company's ability to enter new markets successfully and capitalize on growth opportunities;
- the Company's ability to successfully integrate into its operations any assets, liabilities, customers, systems and management personnel the Company may acquire and management's ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- the Company's ability to retain key employees;
- the Company's compensation expense associated with equity allocated or awarded to its employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that the Company may own.

Additional factors that may affect the Company's results are discussed in Form 10-K under the heading "Risk Factors" filed with the SEC on March 17, 2020.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. The Company assumes no obligation to update any forward-looking statements except as may be required by applicable law or regulation.

COVID-19 Pandemic and the CARES Act

On March 27, 2020, Congress passed, and the President signed, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to address the economic effects of the COVID-19 pandemic.

The CARES Act appropriated $349.0 billion for "paycheck protection loans" through the Paycheck Protection Program ("PPP"). On April 24, 2020, the PPP received another $310.0 billion in funding, bringing the total appropriations for PPP loans to $659.0 billion. Loans under the PPP that meet U.S. Small Business Administration ("SBA") requirements may be forgiven in certain circumstances, and are 100% guaranteed by the SBA. As of May 7, 2020, the Bank has received SBA approval for approximately 556 PPP loans totaling approximately $82.3 million. PPP loans have a two-year term and earn interest at a rate of 1%. It is our expectation that a significant portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. These loans are estimated to result in approximately $2.2 million in gross processing fee income, which will be deferred over the life of the respective loan. The average authorized loan size is $148,000 and the median authorized loan size is $25,000. We believe that the aggregate number of jobs positively impacted is approximately 10,543. The SBA reported that, as of May 8, 2020, the 28 financial institutions that are both Minority Designated Institutions ("MDIs") and Community Development Financial Institutions ("CDFIs") had received SBA approvals for 6,090 loans for $582.1 million, or approximately 218 loans for $20.8 million per MDI/CDFI. The Bank, both an MDI and a CDFI, was approved by the SBA for 556 loans in the amount of $82.3 million significantly exceeded the reported average MDI/CDFI performance.

In conjunction with the PPP, the Board of Governors of the Federal Reserve System (the "Federal Reserve") has created a lending facility for qualified financial institutions. The Paycheck Protection Program Liquidity Facility will extend credit to depository institutions with a term of up to two years at an interest rate of 0.35%. Only loans issued under the PPP can be pledged as collateral to access the facility.

As New York became the hotbed of the COVID-19 pandemic in the United States, the Company altered the way it has historically provided services to its deposit customers while seeking to maintain normal day-to-day back-office operations and lending functions. To that end, all back-office and lending personnel transitioned to a remote work environment while the branch network provided traditional banking services to its communities using varying hours of operations and shifting service delivery to electronic and web-based products. The Company embarked on an extensive and intensive communications program geared to informing customers of the alternative resources provided by the Company for retaining access to financial services, closing loans and conducting banking transactions, such as ATM networks, online banking, mobile applications, remote deposits and the Company's Contact Center. The Company proactively manages its day-to-day operations by using video and telephonic conferences.

A significant focus of the Company is the health and well-being, physical and financial, of staff. Recognizing the increasing stress levels of the staff understandably resulting from personal health concerns, the demise of friends, relatives and co-workers, childcare pressures amid telecommuting, increasing costs of food and supplies, to name a few, the Company paid every staff member regardless of work status, provided recurring town hall and mental health sessions, instituted additional compensation for branch personnel, subsidized branch personnel commuting using non-public transportation, facilitated paid-time-off for childcare and ensured staff suffering from COVID-19 symptoms had ample paid-time-off. To ensure the proper enforcement of safe distancing rules, the Company retained security guards at all branches, in many cases multiple guards.

Critical Accounting Policies

Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management and that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Management believes that the most critical accounting policy relates to the allowance for loan losses.

The allowance for loan losses is established as probable incurred losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The discussion and analysis of the financial condition and results of operations are based on the company's consolidated financial statements, which are prepared in conformity with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. The estimates and assumptions used are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

See Note 1, "Nature of Business and Summary of Significant Accounting Policies," to the accompanying Financial Statements for a discussion of summary of significant accounting policies.

Vision 2020

Since 2019, the Company has engaged in a multi-prong effort to upgrade its infrastructure, adopt electronic banking services and restructure its retail business model. Dubbed internally "Vision 2020," the effort has had significant beneficial results, continues to involve significant investments and has served to ameliorate the otherwise detrimental effects of the COVID-19 pandemic.

The infrastructure upgrade has focused primarily on implementing technology, cybersecurity and network progression while establishing a Virtual Private Network ("VPN"). Centered largely on the Company's core processor, to date the infrastructure upgrade has resulted in relocating and migrating network and in-house servers, replacing outdated PCs, enhancing internet capabilities, purchasing and deploying VPN-enabled laptops to a significant majority of personnel and the redeployment of disaster recovery capabilities. The Company has achieved certain manpower-related cost savings and enabled the uninterrupted continuity of operations by its staff working remotely during the COVID-19 pandemic and the virtual emptying of its operations and headquarters premises using its newly deployed disaster recovery capabilities. The infrastructure upgrade has added resiliency, capacity and redundancies to the Company's technology structures and resulted in a net increase of $38,000 in recurring monthly data processing costs.

The Company has adopted over 48 new electronic banking services, products and applications since late 2018. These services range from on-line banking, mobile banking, bill pay, positive pay, remote deposit capture, cash management services, e-statements, data storage and management, ACH services, social media capabilities, electronic document storage, a paperless environment and VoIP telecommunications with an automation-based, dual-language Customer Contact Center. The expansion of electronic banking capabilities was accomplished largely with minimal additional operating expenses as a result of renegotiations of the Company's core processing arrangements. Importantly, these services enabled the Company to continue serving its customers as they, and the Company, switched to remote work environments. The document scanning and creation of a paperless environment continues, with an overall expected remaining cost of $1.0 million through 2020. The Company expects a substantial return on investment based on efficiencies and automation of otherwise manual intensive processes. During the quarter ended March 31, 2020, the Company rolled out its first Fintech-based product in partnership with the startup company Grain Technologies. The product, Grain, is a mobile application geared to the underbanked and new generations entering the financial services market. First debuted in New York and California, it is being expanded nationwide. The Company is also rolling out a Fintech-based small business automated lending product in partnership with LendingFront Technologies. The product is a laptop and iPad application that enables the Company to originate, close and fund small business loans within very short spans of time and without requiring a physical presence within banking offices. The Company expects that all of its Commercial Relationship Officers and Business Development Managers will utilize these capabilities upon the easing of the COVID-19 pandemic.

The Company's on-going adoption of a new retail business model has been all-encompassing. It has involved the redesign of its retail branches, the shift of branch operations to a centralized back office, the deployment of smart ITM-enabled ATMs and Teller Cash Recyclers, the automation of manual processes and, importantly, the adoption of universal bankers and retail sales. In 2019, the

Company earned national recognition as Branch Innovators of the Year for its retail banking model at the 2019 Future Branches Retail Banking Summit in Austin, Texas. The Company has completed the redesign and renovation of two branches at a buildout cost of $2.4 million, including the relocation of one branch to a smaller footprint. The relocation has resulted in a reduction of monthly operating costs and will result in a recognition of significant gains from the previously announced scheduled sale of the real estate associated with the former branch. The Company anticipates renovating most, if not all of its branches over the next 18 months, at costs significantly less than previous efforts largely as a result of economies of scale, design modifications and adoption of buildout techniques used by non-bank retail organizations. The first of this next wave of renovations had already been fully bid and scheduled prior to the COVID-19 pandemic shutdowns with a budgeted cost of $356,000 and we anticipate completing the project within 8-10 weeks after restrictions are lifted. The Company expects to incorporate into its retail branches mortgage origination personnel once the Company completes its acquisition of Mortgage World Bankers. In 2019, the Company mostly completed the deployment of new smart ATMs and TCRs at a capitalized cost of $1.0 million. The new equipment has improved customer satisfaction and speeded up transaction processing; it also enabled the Company to reduce manned hours of operations while continuing to service retail customers during the COVID-19 pandemic. The shift of branch operations activities and the automation of the processes have improved operating efficiencies and enabled branch personnel to focus on customer service and retail sales. In early 2019, the Company launched a retail sales initiative focused on increasing demand deposits and banking relationships through the use of retail sales training, incentives and direct mail solicitations. As of March 31, 2020, the initiative has resulted in an investment of $685,000, with over 4,264 net new deposit accounts with balances of $56.2 million, excluding deposit accounts opened as a result of PPP lending. Beginning in 2020, the Company has begun to implement SalesForce applications throughout the organization, including retail services, lending processes, back-office operations, digital banking and loan underwriting. The Company retained consulting firms to assist in the implementation. The Company anticipates investing over the initial five-year arrangement a total of $2.3 million, with a positive return on investment within 18 months. The implementation has slowed somewhat due to the COVID-19 pandemic but continues to progress.

Vision 2020 will enable the Company to manage the process of returning to more normal operations upon governmental authorities adopting enabling pronouncements. The Company is presently adopting a plan to increase gradually the hours of retail operations, shifting its operations and headquarters personnel to work less remotely, all with due consideration to the health and well-being of its personnel and customers.

The following table presents the Company's PPP loans approved by SBA as of May 7, 2020 due to the COVID-19 pandemic:

State	Counties	Number of Loans	Aggregate Amount of Loans	Median Amount of Loans	Average Amount of Loans
			(Dollars in Thousands)		
New York	Kings	68	$ 42,611	$ 37	$ 627
	Bronx	126	13,318	17	106
	Queens	139	9,627	31	69
	New York	99	6,221	25	63
	Nassau	24	1,627	35	68
	Westchester	21	1,528	12	73
	Richmond	6	521	12	87
	Rockland	2	460	230	230
	Albany	1	129	129	129
	Suffolk	5	107	12	21
	Ulster	1	6	6	6
	Total New York	492	$ 76,155	$ 25	$ 155
New Jersey	Monmouth	5	$ 1,920	$ 48	$ 384
	Essex	9	1,663	227	185
	Hudson	15	911	17	61
	Passaic	4	564	140	141
	Union	8	363	26	45
	Bergen	8	241	28	30
	Morris	3	229	32	76
	Middlesex	1	12	12	12
	Ocean	1	9	9	9
	Total New Jersey	54	$ 5,912	$ 33	$ 109
Indiana	Lake	9	$ 177	$ 16	$ 20
	Total Indiana	9	$ 177	$ 16	$ 20
Connecticut	Fairfield	1	$ 9	$ 9	$ 9
	Total Connecticut	1	$ 9	$ 9	$ 9
Total		556	$ 82,253	$ 25	$ 148

Comparison of Financial Condition at March 31, 2020 and December 31, 2019

Total Assets. Total assets increased $97.2 million, or 9.2%, to $1.2 billion at March 31, 2020 from $1.1 billion at December 31, 2019.

Cash and Cash Equivalents. Cash and cash equivalents increased $76.3 million, or 275.6%, to $104.0 million at March 31, 2020, compared to $27.7 million at December 31, 2019. The increase in cash and cash equivalents was primarily the result of a $47.9 million increase in net advances from FHLBNY, an increase of $47.7 million in net deposits and $10.9 million from sales and maturities of available-for-sale securities, offset by increases of $17.2 million in net loans and $8.7 million purchases of available-for-sale securities.

Available-for-sale Securities. The composition of available-for-sale securities at March 31, 2020 and December 31, 2019 and the amounts maturing of each classification are summarized as follows:

	March 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
U.S. Government and Federal Agency Securities:				
Amounts maturing:				
Three months or less	$ 1,999	$ 2,003	$ 2,000	$ 2,000
After three months through one year	3,499	3,504	14,373	14,354
After one year through five years	—	—	—	—
	5,498	5,507	16,373	16,354
Corporate Bonds	8,638	8,678	—	—
Mortgage-Backed Securities	4,914	4,955	5,162	5,150
Total	$ 19,050	$ 19,140	$ 21,535	$ 21,504

The decrease in available-for-sale securities was due to $8.9 million in available-for-sale securities sold during the three months ended March 31, 2020 and one available-for-sale security in the amount of $2.0 million matured during the same period. The decrease was offset by purchases of corporate bonds in the amount of $8.7 million during the three months ended March 31, 2020.

Loans. The composition of gross loans receivable at March 31, 2020 and at December 31, 2019 and the percentage (%) of each classification to total loans are summarized as follows:

	March 31, 2020		December 31, 2019	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Mortgage loans:				
1-4 Family residential				
Investor-Owned	$ 308,206	31.3%	$ 305,272	31.6%
Owner-Occupied	93,887	9.5%	91,943	9.5%
Multifamily residential	259,326	26.3%	250,239	25.9%
Nonresidential properties	210,225	21.4%	207,225	21.5%
Construction and land	100,202	10.2%	99,309	10.3%
Nonmortgage loans:				
Business loans	11,183	1.2%	10,877	1.1%
Consumer loans	1,288	0.1%	1,231	0.1%
Total	$ 984,317	100.0%	$ 966,096	100.0%

The composition of the loan portfolio remained essentially the same at March 31, 2020 when compared to December 31, 2019. Based on our current internal loan reviews, we remain confident that the quality of our underwriting, our weighted average loan-to-value ratio of 55.8% and our customer selection processes have served us well and provided us with a reliable base with which to maintain a well-protected loan portfolio.

Commercial real estate loans, as defined by applicable banking regulations, include multifamily residential, nonresidential properties, and construction and land mortgage loans. At March 31, 2020, approximately 7.8% of the outstanding principal balance of the Bank's commercial real estate mortgage loans was secured by owner-occupied commercial real estate, compared to 8.0% at December 31, 2019. Owner-occupied commercial real estate is similar in many ways to commercial and industrial lending in that these loans are generally made to businesses predominantly on the basis of the cash flows of the business rather than on valuation of the real estate.

As of May 7, 2020, we had modified 352 loans aggregating $326.8 million, primarily consisting of the deferral of principal, interest, and escrow payments for a period of three months. These short-term modifications were made on a good faith basis in response to the COVID-19 pandemic and had been performing in accordance with their contractual obligations.

The following table presents the loans modified as a result of the COVID-19 pandemic:

	Number of Loans	Loan Amount	Weighted Average Loan-to-Value
		(Dollars in Thousands)	
Mortgage loans:			
1-4 Family residential			
Investor-Owned	155	$ 113,276	53.8%
Owner-Occupied	53	29,119	51.1%
Multifamily residential	56	63,393	47.0%
Nonresidential properties	68	76,044	48.3%
Construction and land	10	43,733	45.5%
Nonmortgage loans:			
Business loans	7	1,208	0.0%
Consumer loans	3	35	0.0%
Total	352	$ 326,808	49.8%

Banking regulations have established guidelines relating to the amount of construction and land mortgage loans and investor- owned commercial real estate mortgage loans of 100% and 300% of total risk-based capital, respectively. Should a bank's ratios be in excess of these guidelines, banking regulations generally require an increased level of monitoring in these lending areas by bank management. The Bank's policy is to operate within the 100% guideline for construction and land mortgage loans and up to 400% for investor owned commercial real estate mortgage loans. Both ratios are calculated by dividing certain types of loan balances for each of the two categories by the Bank's total risk-based capital. At March 31, 2020 and December 31, 2019, the Bank's construction and land mortgage loans as a percentage of total risk-based capital was 68.0% and 67.4%, respectively. Investor owned commercial real estate mortgage loans as a percentage of total risk-based capital was 358.9% and 349.7% as of March 31, 2020 and December 31, 2019, respectively. At March 31, 2020, the Bank was within the 100% guideline for construction and land mortgage loans established by banking regulations, but exceeded the 300% guideline for investor owned commercial real estate mortgage loans. However, the Bank was within its 400% policy limit established by the Bank's internal loan policy. Management believes that it has established the appropriate level of controls to monitor the Bank's lending in these areas.

Deposits. The composition of deposits at March 31, 2020 and December 31, 2019 and changes in dollars and percentages are summarized as follows:

	March 31, 2020	December 31, 2019	Increase (Decrease) Dollars	Percent
	(Dollars in thousands)			
Demand	$ 110,801	$ 109,548	$ 1,253	1.1%
Interest-bearing deposits:				
NOW/IOLA accounts	31,586	32,866	(1,280)	(3.9%)
Money market accounts	121,629	86,721	34,908	40.3%
Reciprocal deposits	62,384	47,659		
Savings accounts	112,318	115,751	(3,433)	(3.0%)
Total NOW, money market, reciprocal and savings	327,917	282,997	44,920	15.9%
Certificates of deposit of $250K or more	81,486	84,263	(2,777)	(3.3%)
Brokered certificates of deposit	51,661	76,797	(25,136)	(32.7%)
Listing service deposits	55,842	32,400	23,442	72.4%
Certificates of deposit less than $250K	202,034	196,038	5,996	3.1%
Total certificates of deposit	391,023	389,498	1,525	0.4%
Total interest-bearing deposits	718,940	672,495	46,445	6.9%
Total deposits	$ 829,741	$ 782,043	$ 47,698	6.1%

When wholesale funding is necessary to complement the Bank's core deposit base, management determines which source is best suited to address both liquidity risk and interest rate risk management objectives. The Bank’s Interest Rate Risk Policy imposes limitations on overall wholesale funding and noncore funding reliance. The overall reliance on wholesale funding and noncore funding were within those policy limitations as of March 31, 2020 and as of December 31, 2019. The Management Asset/Liability Committee generally meets on a weekly basis to review needs, if any, and to ascertain whether the Bank is operating within the approved limitations.

Borrowings. The Bank had outstanding borrowings at March 31, 2020 and December 31, 2019 of $152.3 million and $104.4 million, respectively. These borrowings are in the form of advances from the FHLBNY. The net increase in borrowings was due to net new FHLBNY advances of $47.9 million, with one term advance in the amount of $35.0 million and another in the amount of $12.9 million, at a weighted average rate of 0.6%.

Stockholders’ Equity. Total stockholders’ equity decreased $2.7 million, or 1.7%, to $155.7 million at March 31, 2020 from $158.4 million at December 31, 2019. The decrease in stockholders’ equity was mainly attributable to $2.0 million of stock repurchases and a net loss of $1.2 million, offset by increases in additional paid-in capital of $352,000 related to restricted stock units and stock options, $124,000 related to the Company’s Employee Stock Ownership Plan and $91,000 related to unrealized gains on available-for-sale securities.

Results of Operations

The discussion of the Company’s results of operations for the three months ended March 31, 2020 and 2019 are presented below. The results of operations for interim periods may not be indicative of future results.

Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

The following table presents the results of operations for the periods indicated:

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019	Increase (Decrease) Dollars	Increase (Decrease) Percent
	(Dollars in thousands, except per share data)			
Interest and dividend income	$ 13,030	$ 12,382	$ 648	5.2%
Interest expense	3,106	2,920	186	6.4%
Net interest income	9,924	9,462	462	4.9%
Provision for loan losses	1,146	149	997	669.1%
Net interest income after provision for loan losses	8,778	9,313	(535)	(5.7%)
Noninterest income	622	753	(131)	(17.4%)
Noninterest expense	10,822	9,091	1,731	19.0%
Income (loss) before income taxes	(1,422)	975	(2,397)	(245.8%)
Provision (benefit) for income taxes	(209)	307	(516)	(168.1%)
Net income (loss)	$ (1,213)	$ 668	$ (1,881)	(281.6%)
Earnings (loss) per share for the period				
Basic	$ (0.07)	$ 0.04	$ (0.11)	(275.0%)
Diluted	$ (0.07)	$ 0.04	$ (0.11)	(275.0%)

General. The $1.2 million net loss for the quarter ended March 31, 2020 compared to $668,000 in net income for the first quarter of 2019 reflects a $1.7 million, or 19.0%, increase in noninterest expense, a $997,000, or 669.1%, increase in provision for loan losses, a $186,000, or 6.4%, increase in interest expense and a $131,000, or 17.4%, decrease in noninterest income, offset by a $648,000, or 5.2%, increase in interest and dividend income and a $516,000 decrease in provision for income taxes. Basic and diluted loss per share for the three months ended March 31, 2020, was ($0.07) compared to a basic and diluted earnings per share of $0.04 for the three months ended March 31, 2019.

Interest and Dividend Income. Interest and dividend income increased $648,000 or 5.2%, to $13.0 million for the three months ended March 31, 2020 from $12.4 million for the three months ended March 31, 2019. The increase was due primarily to a $687,000, or 5.7%, increase in interest on loans, which is the Bank's primary source of interest income. Average balance of loans increased $39.6 million, or 4.2%, to $975.5 million for the three months ended March 31, 2020 from $935.9 million for the three months ended March 31, 2019. The increase in interest income on loans was primarily driven by increases of $632,000 in construction and land, $123,000 in multifamily residential, $86,000 in nonresidential properties and $6,000 in consumer loans. The increase was offset by decreases of $143,000 in business loans and $17,000 in 1-4 family residential mortgage loans. The average yield on loans increased 3 basis points to 5.27% for the three months ended March 31, 2020 from 5.24% for the three months ended March 31, 2019.

The following table presents interest income on loans receivable for the periods indicated:

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019	Change Amount	Change Percent
	(Dollars in thousands)			
1-4 Family residential	$ 5,005	$ 5,022	$ (17)	(0.3%)
Multifamily residential	3,057	2,934	123	4.2%
Nonresidential properties	2,457	2,371	86	3.6%
Construction and land	2,083	1,451	632	43.6%
Business loans	153	296	(143)	(48.3%)
Consumer loans	27	21	6	28.6%
Total interest income on loans receivable	$ 12,782	$ 12,095	$ 687	5.7%

Interest and dividend income on deposits due from banks, available-for-sale securities and FHLBNY stock decreased $39,000, or 13.6%, to $248,000 for the three months ended March 31, 2020 from $287,000 for the three months ended March 31, 2019. The average balance of deposits due from banks, available-for-sale securities and FHLBNY stock decreased $1.1 million, or 1.9%, to $56.4 million for the three months ended March 31, 2020 from $57.5 million for the three months ended March 31, 2019. The average rate earned on deposits due from banks, available-for-sale securities and FHLBNY stock decreased 24 basis points to 1.76% for the three months ended March 31, 2020 from 2.00% for the three months ended March 31, 2019.

The following table presents interest and dividend income on deposits due from banks, available-for-sales securities and FHLBNY stock for the periods indicated:

	For the Three Months Ended March 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Interest on deposits due from banks	$ 66	$ 149	$ (83)	(55.7%)
Interest on available-for-sale securities	83	86	(3)	(3.5%)
Dividend on FHLBNY stock	99	52	47	90.4%
Total interest and dividend	$ 248	$ 287	$ (39)	(13.6%)

Interest Expense. Interest expense increased $186,000, or 6.4%, to $3.1 million for the three months ended March 31, 2020 from $2.9 million for the three months ended March 31, 2019. Interest expense on borrowings increased $254,000, or 76.3%, to $587,000 for the three months ended March 31, 2020 from $333,000 for the three months ended March 31, 2019. The average balance on borrowings increased $58.1 million, or 114.8%, to $108.6 million for the three months ended March 31, 2020 from $50.6 million for the three months ended March 31, 2019, and the average rate the Bank paid on borrowings decreased 50 basis points to 2.17% for the three months ended March 31, 2020 from 2.67% for the three months ended March 31, 2019.

Interest expense on money market accounts increased $54,000, or 9.6% to $618,000 for the three months ended March 31, 2020 from $564,000 for the three months ended March 31, 2019. The average balance of money market accounts increased $47.1 million, or 41.6%, to $160.5 million for the three months ended March 31, 2020 from $113.4 million for the three months ended March 31, 2019, while the average rate paid on money market accounts decreased 47 basis points to 1.54% for the three months ended March 31, 2020 from 2.01% for the three months ended March 31, 2019.

Interest expense on certificates of deposit decreased $129,000, or 6.6%, to $1.8 million for the three months ended March 31, 2020 from $2.0 million for the three months ended March 31, 2019. The average balance on certificates of deposit decreased $40.0 million, or 9.5%, to $379.2 million for the three months ended March 31, 2020 from $419.1 million for the three months ended March 31, 2019, and the average rate paid on certificates of deposit increased 4 basis points to 1.93% for the three months ended March 31, 2020 from 1.89% for the three months ended March 31, 2019.

The following table presents interest expense for the periods indicated:

	For the Three Months Ended March 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Certificates of deposit	$ 1,827	$ 1,956	$ (129)	(6.6%)
Money market	618	564	54	9.6%
Savings	35	40	(5)	(12.5%)
NOW/IOLA	38	26	12	46.2%
Advance payments by borrowers	1	1	—	0.0%
Borrowings	587	333	254	76.3%
Total interest expense	$ 3,106	$ 2,920	$ 186	6.4%

Net Interest Income. Net interest income increased $462,000, or 4.9%, to $9.9 million for the three months ended March 31, 2020 from $9.5 million for the three months ended March 31, 2019, primarily as a result of organic loan growth and a lower average cost of funds on interest bearing liabilities. Average net interest-earning assets decreased by $18.7 million, or 7.4%, to $233.0 million for the three months ended March 31, 2020 from $251.7 million for the three months ended March 31, 2019, due primarily to increases of $58.1 million in average borrowings and $47.1 million in average money market accounts offset by a decrease of $40.0 million in average certificates of deposit, an increases of $39.6 million in average loans and a decrease of $8.8 million in average savings. The net interest rate spread increased by 5 basis points to 3.51% for the three months ended March 31, 2020 from 3.46% for the three months ended March 31, 2019, and the net interest margin increased by 1 basis points to as 3.87% for the three months ended March 31, 2020 from 3.86% March 31, 2019.

Management continued in the first quarter of 2020 to deploy various asset and liability management strategies to manage the Bank's risk of interest rate fluctuations. Net interest margin increased 1 basis point in the first quarter of 2020, to 3.87% from 3.86% in the first quarter of 2019, reflecting that pricing for creditworthy borrowers and meaningful depositors remained very competitive. The Federal Reserve Board reduced the federal funds interest rate by 25 basis points on each of July 31, September 18, and October 30, 2019. Further, on March 3, 2020, and March 15, 2020, the Federal Reserve Board, in emergency actions, decreased the targeted federal funds rate by an aggregate of 150 basis points due to the onset of the COVID-19 pandemic. These March 2020 rate cuts were in response to severe market turmoil as a result of the onset of the COVID-19 pandemic. As a result of these rate cuts and in the event that short-term interest rates were to be cut further in 2020 or beyond, the Bank's net interest margin will likely be negatively impacted as management's ability to lower funding costs on interest-bearing deposits would more than likely not exceed the pace with which these cuts would impact the Bank's yields on its earning assets.

Although it could be anticipated that the Bank's net interest margin may decrease in 2020, we believe net interest income should continue to increase compared to 2019 primarily due to increased average earning asset volumes, primarily loans. Management will continue to seek to fund these increased loan volumes by growing its core deposits, but will utilize funding alternatives, as needed.

Provision for Loan Losses. The provision for loan losses represents a charge to earnings necessary to establish an allowance for loan losses that, in management's opinion, should be adequate to provide coverage for the inherent losses on outstanding loans.

In evaluating the level of the allowance for loan losses, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. See Note 1, "Nature of Business and Summary of Significant Accounting Policies —Allowance for Loan Losses" of the Notes to the accompanying Consolidated Financial Statements for additional information.

After an evaluation of these factors, the Bank established a provision for loan losses for the three months ended March 31, 2020 of $1.2 million as compared to $149,000 for the three months ended March 31, 2019. The increase in provision for loan losses is a direct result of the impact of the COVID-19 pandemic on our borrowers. The Company's assessment of the economic impact of the COVID-19 pandemic on borrowers indicates that it is likely that it will be a detriment to their ability to repay in the short-term and that the likelihood of long-term detrimental effects depends significantly on the resumption of normalized economic activities, a factor not yet determinable.

The increase of $1.0 million in provision of loan losses was primarily driven by increases of $514,000 in multifamily residential, $482,000 in 1-4 family investor owned residential mortgage, $293,000 in nonresidential properties, $221,000 in construction and land and $160,000 in 1-4 family owner-occupied residential mortgage, offset by a decrease of $673,000 in business loans. The allowance for loan losses was $13.5 million, or 1.37% of total loans, at March 31, 2020, compared to $12.3 million, or 1.28% of total loans, at December 31, 2019.

Factoring in the uncertainty about the COVID-19 pandemic and to the best of management's knowledge, the Bank recorded all loan losses that are both probable and reasonably expected. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to the Bank's loan portfolio, could result in material increases in the Bank's provision for loan losses. In addition, the OCC, as an integral part of its examination process, periodically reviews the Bank's allowance for loan losses and as a result of such reviews, the Bank may determine to adjust the allowance for loan losses. However, regulatory agencies are not directly involved in establishing the allowance for loan losses as the process is management's responsibility and any increase or decrease in the allowance is the responsibility of management. The Bank has selected the CECL model and has begun running scenarios. The extent of the change to ALLL is indeterminable at this time as it will be dependent upon the portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time. The Company is taking advantage of the extended transition period for complying with this new accounting standard. Assuming it remains a smaller reporting company, the Company will adopt the CECL standard for fiscal years beginning after December 15, 2022. See Note 1, "Nature of Business and Summary of Significant Accounting Policies" of the Notes to the accompanying Consolidated Financial Statements for a discussion of the CECL standard.

Non-interest Income. Total non-interest income decreased $131,000, or 17.4% to $622,000 for the three months ended March 31, 2020 from $753,000 from the three months ended March 31, 2019. The decrease in non-interest income for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to decreases of $70,000 in other non-interest income, $59,000 in brokerage commissions and $20,000 in late and prepayment charges related to mortgage loans, offset by an increase of $18,000 in service charges and fees.

	For the Three Months Ended March 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Service charges and fees	$ 248	$ 230	$ 18	7.8%
Brokerage commissions	50	109	(59)	(54.1%)
Late and prepayment charges	119	139	(20)	(14.4%)
Other	205	275	(70)	(25.5%)
Total noninterest income	$ 622	$ 753	$ (131)	(17.4%)

Non-interest Expense. Total non-interest expense increased $1.7 million, or 19.0%, to $10.8 million for the three months ended March 31, 2020, compared to $9.1 million for the three months ended March 31, 2019. The increase in noninterest expense was attributable to increases of $1.1 million in professional fees, $208,000 in marketing and promotional expenses, $123,000 in other operating expenses, $114,000 in data processing expenses as a result of system enhancements and implementation charges related to software upgrades and additional product offerings, $106,000 in occupancy and equipment expense due to software licenses, offset by a decrease in rent expenses related to deferred rent, $56,000 in direct loan expenses and $38,000 in insurance and surety bond premiums. The increase in noninterest expense was partially offset by decreases of $14,000 in directors fees, $10,000 in regulatory dues and $6,000 in compensation and benefits for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The increase of $1.1 million in professional fees is a result of increases in consulting fees of $639,000, professional services of $274,000 related to the document imaging project adopted in late 2019, professional services of $146,000 related to internal audit and $33,000 related to our annual report.

	For the Three Months Ended March 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 5,008	$ 5,014	$ (6)	(0.1%)
Occupancy and equipment	2,017	1,911	106	5.5%
Data processing expenses	467	353	114	32.3%
Direct loan expenses	212	156	56	35.9%
Insurance and surety bond premiums	121	83	38	45.8%
Office supplies, telephone and postage	316	317	(1)	(0.3%)
Professional fees	1,627	510	1,117	219.0%
Marketing and promotional expenses	234	26	208	800.0%
Directors fees	69	83	(14)	(16.9%)
Regulatory dues	46	56	(10)	(17.9%)
Other operating expenses	705	582	123	21.1%
Total noninterest expense	$ 10,822	$ 9,091	$ 1,731	19.0%

Income Tax Provision. The Company had an income tax benefit of $209,000 for the three months ended March 31, 2020 and incurred an income tax expense of $307,000 for the three months ended March 31, 2019, resulting in effective tax rates of 14.7% and 31.5%, respectively.

Average Balance Sheets

The following table sets forth average outstanding balances, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are monthly average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended March 31,					
	2020			2019		
	Average Outstanding Balance	Interest	Average Yield/Rate (1)	Average Outstanding Balance	Interest	Average Yield/Rate (1)
	(Dollars in thousands)					
Interest-earning assets:						
Loans (2)	$ 975,499	$ 12,782	5.27%	$ 935,877	$ 12,095	5.24%
Available-for-sale securities	18,218	83	1.83%	23,790	86	1.47%
Other (3)	38,220	165	1.73%	33,714	201	2.42%
Total interest-earning assets	1,031,937	13,030	5.07%	993,381	12,382	5.06%
Non-interest-earning assets	37,467			34,441		
Total assets	$ 1,069,404			$ 1,027,822		
Interest-bearing liabilities:						
NOW/IOLA	$ 29,026	$ 38	0.53%	$ 28,407	$ 26	0.37%
Money market	160,471	618	1.54%	113,354	564	2.01%
Savings	113,710	35	0.12%	122,559	40	0.13%
Certificates of deposit	379,154	1,827	1.93%	419,108	1,956	1.89%
Total deposits	682,361	2,518	1.48%	683,428	2,586	1.53%
Advance payments by borrowers	7,980	1	0.05%	7,709	1	0.05%
Borrowings	108,640	587	2.17%	50,570	333	2.67%
Total interest-bearing liabilities	798,981	3,106	1.56%	741,707	2,920	1.60%
Non-interest-bearing liabilities:						
Non-interest-bearing demand	108,646	—		110,644	—	
Other non-interest-bearing liabilities	2,968	—		5,056	—	
Total non-interest-bearing liabilities	111,614	—		115,700	—	
Total liabilities	910,595	3,106		857,407	2,920	
Total equity	158,809			170,415		
Total liabilities and total equity	$ 1,069,404		1.56%	$ 1,027,822		1.60%
Net interest income		$ 9,924			$ 9,462	
Net interest rate spread (4)			3.51%			3.46%
Net interest-earning assets (5)	$ 232,956			$ 251,674		
Net interest margin (6)			3.87%			3.86%
Average interest-earning assets to interest-bearing liabilities			129.16%			133.93%

(1) Annualized where appropriate.

(2) Loans include loans and loans held for sale.

(3) Includes FHLBNY demand account and FHLBNY stock dividends.

(4) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(5) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(6) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on the Bank's net interest income for the periods indicated. The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	For the Three Months Ended March 31, 2020 vs. 2019		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans (1)	$ 450	$ 237	$ 687
Available-for-sale securities	(69)	66	(3)
Other	226	(262)	(36)
Total interest-earning assets	607	41	648
Interest-bearing liabilities:			
NOW/IOLA	(33)	45	12
Money market	813	(759)	54
Savings	5	(10)	(5)
Certificates of deposit	(281)	152	(129)
Total deposits	504	(572)	(68)
Borrowings	801	(547)	254
Total interest-bearing liabilities	1,305	(1,119)	186
Change in net interest income	$ (698)	$ 1,160	$ 462

(1) Loans include loans and loans held for sale

Management of Market Risk

General. The most significant form of market risk is interest rate risk because, as a financial institution, the majority of the Bank's assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of the Company's operations is to manage interest rate risk and limit the exposure of its financial condition and results of operations to changes in market interest rates. The Bank's Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in the Bank's assets and liabilities, for determining the level of risk that is appropriate, given the business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with policies and guidelines approved by the Board of Directors. The Bank currently utilizes a third-party modeling solution that is prepared on a quarterly basis, to evaluate its sensitivity to changing interest rates, given the Bank's business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors.

The Bank does not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

Net Interest Income Simulation Models. Management utilizes a respected, sophisticated third party designed asset liability modeling software that measures the Bank's earnings through simulation modeling. Earning assets, interest-bearing liabilities and off-balance sheet financial instruments are combined with forecasts of interest rates for the next 12 months and are combined with other factors in order to produce various earnings simulations over that same 12-month period. To limit interest rate risk, the Bank has policy guidelines for earnings risk which seek to limit the variance of net interest income in both gradual and instantaneous changes to interest rates. As of March 31, 2020, in the event of an instantaneous upward and downward change in rates from management's flat interest rate forecast over the next twelve months, assuming a static balance sheet, the following estimated changes are calculated:

Rate Shift (1)	Net Interest Income Year 1 Forecast	Year 1 Change from Level
	(Dollars in thousands)	
+400	$ 37,199	(3.58%)
+300	38,181	(1.03%)
+200	38,775	0.51%
+100	38,952	0.96%
Level	38,580	0.00%
-100	38,407	(0.45%)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

Although an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, management believes that a gradual shift in interest rates would have a more modest impact. Further, the earnings simulation model does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could alter any potential adverse impact of changes in interest rates.

The behavior of the deposit portfolio in the baseline forecast and in alternate interest rate scenarios set out in the table above is a key assumption in the projected estimates of net interest income. The projected impact on net interest income in the table above assumes no change in deposit portfolio size or mix from the baseline forecast in alternative rate environments. In higher rate scenarios, any customer activity resulting in the replacement of low-cost or noninterest-bearing deposits with higher-yielding deposits or market-based funding would reduce the benefit in those scenarios.

At March 31, 2020, the earnings simulation model indicated that the Bank was in compliance with the Board of Directors approved Interest Rate Risk Policy.

Economic Value of Equity Model. While earnings simulation modeling attempts to determine the impact of a changing rate environment to net interest income, the Economic Value of Equity Model ("EVE") measures estimated changes to the economic values of assets, liabilities and off-balance sheet items as a result of interest rate changes. Economic values are determined by discounting expected cash flows from assets, liabilities and off-balance sheet items, which establishes a base case EVE. Rates are then shocked as prescribed by the Interest Rate Risk Policy to measure the sensitivity in EVE values for each of those shocked rate scenarios versus the base case. The Interest Rate Risk Policy sets limits for those sensitivities. At March 31, 2020, the EVE modeling calculated the following estimated changes in EVE due to instantaneous upward and downward changes in rates:

				EVE as a Percentage of Present Value of Assets (3)	
		Estimated Increase (Decrease) in EVE			
Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Amount	Percent	EVE Ratio (4)	Increase (Decrease) (basis points)
		(Dollars in thousands)			
+400	$ 124,087	$ (25,725)	(17.17%)	11.46%	(140)
+300	132,283	(17,529)	(11.70%)	11.99%	(87)
+200	139,607	(10,205)	(6.81%)	12.42%	(44)
+100	145,863	(3,949)	(2.64%)	12.74%	(12)
------	149,812	—	0.00%	12.86%	—
-100	160,226	10,414	6.95%	13.52%	66

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

(2) EVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(4) EVE Ratio represents EVE divided by the present value of assets.

Although an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, management believes that a gradual shift in interest rates would have a more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, EVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could alter the adverse impact of changes in interest rates.

At March 31, 2020, the EVE model indicated that the Bank was in compliance with the Board of Directors approved Interest Rate Risk Policy.

Most Likely Earnings Simulation Models. Management also analyzes a most-likely earnings simulation scenario that projects the expected change in rates based on a forward yield curve adopted by management using expected balance sheet volumes forecasted by management. Separate growth assumptions are developed for loans, investments, deposits, etc. Other interest rate scenarios analyzed by management may include delayed rate shocks, yield curve steepening or flattening, or other variations in rate movements to further analyze or stress the balance sheet under various interest rate scenarios. Each scenario is evaluated by management and weighted to determine the most likely result. These processes assist management to better anticipate financial results and, as a result, management may determine the need to review other operating strategies and tactics which might enhance results or better position the balance sheet to reduce interest rate risk going forward.

Each of the above analyses may not, on its own, be an accurate indicator of how net interest income will be affected by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as interest rate caps and floors) which limit changes in interest rates. Prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the maturity of certain instruments. The ability of many borrowers to service their debts also may decrease during periods of rising interest rates. The Asset/Liability Committee reviews each of the above interest rate sensitivity analyses along with several different interest rate scenarios as part of its responsibility to provide a satisfactory, consistent level of profitability within the framework of established liquidity, loan, investment, borrowing, and capital policies.

Management's model governance, model implementation and model validation processes and controls are subject to review in the Bank’s regulatory examinations to ensure they are in compliance with the most recent regulatory guidelines and industry and regulatory practices. Management utilizes a respected, sophisticated third party designed asset liability modeling software to help ensure implementation of management's assumptions into the model are processed as intended in a robust manner. That said, there are numerous assumptions regarding financial instrument behaviors that are integrated into the model. The assumptions are formulated by combining observations gleaned from the Bank’s historical studies of financial instruments and the best estimations of how, if at all, these instruments may behave in the future given changes in economic conditions, technology, etc. These assumptions may prove to be inaccurate. Additionally, given the large number of assumptions built into Bank’s asset liability modeling software, it is difficult, at best, to compare its results to other banks.

The Asset/Liability Committee may determine that the Bank should over time become more or less asset or liability sensitive depending on the underlying balance sheet circumstances and its conclusions regarding interest rate fluctuations in future periods. The Federal Reserve Board decreased the targeted federal funds interest rate by 25 basis points in each of July 2019, September 2019 and October 2019. On March 3, 2020 and March 15, 2020, the Federal Reserve Board, in emergency actions, decrease this targeted federal funds rate by an aggregate of 150 basis points due to the onset of the COVID-19 pandemic. These rate cuts were in response to unprecedented market turmoil. We cannot make any representation as to whether, or how many times, the Federal Reserve Board will decrease or increase the targeted federal funds rate in the future.

GAP Analysis. In addition, management analyzes interest rate sensitivity by monitoring the Bank’s interest rate sensitivity "gap." The interest rate sensitivity gap is the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest bearing-liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets maturing or repricing during a period exceeds the amount of interest rate sensitive liabilities maturing or repricing during the same period, and a gap is considered negative when the amount of interest rate sensitive liabilities maturing or repricing during a period exceeds the amount of interest rate sensitive assets maturing or repricing during the same period.

The following table sets forth the Bank's interest-earning assets and the Bank's interest-bearing liabilities at March 31, 2020, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at March 31, 2020, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans.

	March 31, 2020 Time to Repricing								
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Five Years Plus	Total Earning Assets & Costing Liabilities	Non Earning Assets & Non Costing Liabilities	Total
	(Dollars in thousands)								
Assets:									
Interest-bearing deposits in banks	$ 90,795	$ 90,795	$ 90,795	$ 90,795	$ 90,795	$ 90,795	$ 90,795	$ 13,165	$ 103,960
Available-for-sale securities	5,760	6,276	6,622	9,928	11,509	19,049	19,049	91	19,140
Net loans (includes LHFS)	108,674	177,168	262,037	490,787	931,690	977,517	977,517	(3,508)	974,009
FHLBNY stock	7,889	7,889	7,889	7,889	7,889	7,889	7,889	—	7,889
Other assets	—	—	—	—	—	—	—	45,945	45,945
Total	$ 213,118	$ 282,128	$ 367,343	$ 599,399	$ 1,041,883	$ 1,095,250	$ 1,095,250	$ 55,693	$ 1,150,943
Liabilities:									
Non-maturity deposits	$ 327,917	$ 327,917	$ 327,917	$ 327,917	$ 327,917	$ 327,917	$ 327,917	$ 110,801	$ 438,718
Certificates of deposit	52,428	99,720	209,317	299,411	391,023	391,023	391,023	—	391,023
Other liabilities	35,000	41,629	43,029	58,909	152,284	152,284	152,284	13,175	165,459
Total liabilities	415,345	469,266	580,263	686,237	871,224	871,224	871,224	123,976	995,200
Capital	—	—	—	—	—	—	—	155,743	155,743
Total liabilities and capital	$ 415,345	$ 469,266	$ 580,263	$ 686,237	$ 871,224	$ 871,224	$ 871,224	$ 279,719	$ 1,150,943
Asset/liability gap	$ (202,227)	$ (187,138)	$ (212,920)	$ (86,838)	$ 170,659	$ 224,026	$ 224,026		
Gap/assets ratio	51.31%	60.12%	63.31%	87.35%	119.59%	125.71%	125.71%		

The following table sets forth the Bank's interest-earning assets and the Bank's interest-bearing liabilities at December 31, 2019, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at December 31, 2019, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans.

	December 31, 2019 Time to Repricing								
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Five Years Plus	Total Earning Assets & Costing Liabilities	Non Earning Assets & Non Costing Liabilities	Total
	(Dollars in thousands)								
Assets:									
Interest-bearing deposits in banks	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 20,915	$ 6,762	$ 27,677
Available-for-sale securities	8,345	14,289	17,317	17,780	18,971	21,535	21,535	(31)	21,504
Net loans (includes LHFS)	89,160	150,369	252,643	449,840	916,284	957,901	957,901	(1,134)	956,767
FHLBNY stock	5,735	5,735	5,735	5,735	5,735	5,735	5,735	—	5,735
Other assets	—	—	—	—	—	—	—	42,073	42,073
Total	$ 124,155	$ 191,308	$ 296,610	$ 494,270	$ 961,905	$ 1,006,086	$ 1,006,086	$ 47,670	$ 1,053,756
Liabilities:									
Non-maturity deposits	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 282,997	$ 109,548	$ 392,545
Certificates of deposit	73,784	119,986	216,963	327,082	389,499	389,498	389,498	—	389,498
Other liabilities	—	—	—	11,029	104,404	104,404	104,404	8,907	113,311
Total liabilities	356,781	402,983	499,960	621,108	776,900	776,899	776,899	118,455	895,354
Capital	—	—	—	—	—	—	—	158,402	158,402
Total liabilities and capital	$ 356,781	$ 402,983	$ 499,960	$ 621,108	$ 776,900	$ 776,899	$ 776,899	$ 276,857	$ 1,053,756
Asset/liability gap	$ (232,626)	$ (211,675)	$ (203,350)	$ (126,838)	$ 185,005	$ 229,187	$ 229,187		
Gap/assets ratio	34.80%	47.47%	59.33%	79.58%	123.81%	129.50%	129.50%		

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income and economic value tables of equity presented assume that the composition of the interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net interest income and EVE tables provide an indication of the interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and EVE and will differ from actual results. Furthermore, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset. In the event of changes in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the gap table.

Interest rate risk calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of loans, deposits and borrowings.

Liquidity and Capital Resources

Liquidity describes the ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of the Bank's customers and to fund current and future planned expenditures. The primary sources of funds are deposits, principal and interest payments on loans and securities and proceeds from the sale of loans. The Bank also has access to borrow from the FHLBNY. At March 31, 2020 and December 31, 2019, the Bank had $152.3 million and $104.4 million, respectively, of term and overnight outstanding advances from the FHLBNY, and also had a guarantee from the FHLBNY through a standby letter of credit of $3.4 million, and $3.5 million, respectively. At March 31, 2020, there was eligible collateral of approximately $305.1 million in mortgage loans available to secure advances from the FHLBNY. The Bank also has an unsecured line of credit of $25.0 million with a correspondent bank, of which there was $0 million outstanding at March 31, 2020 and December 31, 2019, respectively. The Bank did not have any securities sold under repurchase agreements with brokers as of March 31, 2020 and December 31, 2019, respectively.

Although maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and competition. The most liquid assets are cash and interest-bearing deposits in banks. The levels of these assets are dependent on operating, financing, lending, and investing activities during any given period.

Net cash provided by operating activities was $1.3 million and $2.8 million for the three months ended March 31, 2020 and 2019, respectively. Net cash (used in) investing activities, which consists primarily of disbursements for loan originations, offset by principal collections on loans, purchase of new securities, proceeds from maturing securities and pay downs on mortgage-backed securities, was $(18.5 million) and $(2.8 million) for the three months ended March 31, 2020 and 2019, respectively. Net cash provided by (used in) financing activities, consisting of activities in deposit accounts and advances, was $93.6 million and $(28.2 million) for the three months ended March 31, 2020 and 2019.

Based on our current assessment of the economic impact of the COVID-19 pandemic on our borrowers, we have determined that it will likely be a detriment to borrowers' ability to repay in the short-term and that the likelihood of long-term detrimental effects will depend significantly on the resumption of normalized economic activities, a factor not yet determinable. Bank management also took steps to enhance the Bank's liquidity position by increasing its on balance sheet cash and cash equivalents position in order to meet unforeseen liquidity events and to fund upcoming funding needs.

At March 31, 2020 and December 31, 2019, all regulatory capital requirements were met, resulting in the Company and the Bank being categorized as well capitalized at March 31, 2020 and December 31, 2019. Management is not aware of any conditions or events that would change this categorization.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, the Bank routinely is a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent the Bank's future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans originated. At March 31, 2020 and December 31, 2019, the Bank had outstanding commitments to originate loans and extend credit of $84.0 million and $96.1 million, respectively. It is anticipated that the Bank will have sufficient funds available to meet its current lending commitments. Certificates of deposit that are scheduled to mature in less than one year from March 31, 2020 totaled $221.3 million. Management expects that a substantial portion of the maturing time deposits will be renewed. However, if a substantial portion of these deposits is not retained, the Bank may utilize FHLBNY advances, unsecured credit lines with correspondent banks, or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of the Bank's operations, the Bank enters into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is included in Part I, Item 2 of this report under "Management of Market Risk".

Item 4. Controls and Procedures.

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of March 31, 2020. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective.

During the quarter ended March 31, 2020, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not involved in any pending legal proceedings as a plaintiff or a defendant other than routine legal proceeding occurring in the ordinary course of business. At March 31, 2020, the Company was not involved in any legal proceedings the outcome of which management believes would be material to its financial condition or results of operations.

Item 1A. Risk Factors.

The risk factors presented below supplement, update, supersede and/or replace, as appropriate, the risk factors found in our Annual Report on Form 10-K for the year ended as December 31, 2019 ("2019 Annual Report") filed with the SEC on March 17, 2020.

The COVID-19 pandemic, or other widespread health crises, could have a material adverse effect on our business, financial condition or results of operations

The COVID-19 pandemic has caused significant economic disruption, including volatility in the global, national and local markets. Due to the uncertainty related to the duration, magnitude and impact of COVID-19 pandemic, its effects on our business are uncertain and difficult to predict, but may include:

- Significant failures, errors, delays, disruptions or instability affecting our key products or services, vendors, suppliers. information technology platforms, data processing, production and delivery systems, applications or processes, including those that negatively affect our ability to calculate, process or distribute our products or services to our customers effectively;
- adverse effect on market conditions, volatility in the financial markets and unforeseen lending and investment trends resulting in a reduction in our income;
- an inability to sustain revenue growth through obtaining new customers and achieving and maintaining a high level of existing customers;
- delays in our ability to collect on our loans receivables;
- higher than expected noninterest expense resulting from efforts to mitigate the COVID-19 pandemic; and
- increased strain on our workforce, management and other resources, including employee absenteeism and illness of key personnel.

These effects, alone or taken together, could have a material adverse effect on our business, financial conditions or results of operations. If the COVID-19 pandemic is sustained or prolonged, these effects could be exacerbated. For a discussion of the risk factors affecting the Company, see "Risk Factors" in Part I, Item IA of our 2019 Annual Report. Many of these risk factors may be exacerbated by global widespread health crises such as the COVID-19 pandemic, including risks related to our dependence on third party data processing, withdrawals and reductions in services, technology instability and failure, lower growth and profitability rates, changes in investment practices and trends, and our ability to remain competitive.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information regarding the shares of common stock repurchased by the Company during the three months ended March 31, 2020:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs(2)
January 1, 2020 - January 31, 2020	42,035	$ 14.54	257,739	621,096
February 1, 2020 -February 29, 2020	32,919	$ 14.43	290,658	588,177
March 1, 2020 - March 31, 2020	76,440	$ 12.11	367,098	—
Total	**151,394**	**$ 13.29**		

(1) The Company repurchased 151,394 shares of its common stock at an aggregate cost of $2.0 million during the three months ended March 31, 2020.

(2) There were no shares yet to be purchased under the repurchase program at March 31, 2020, as the repurchase program terminated on March 27, 2020.

The Company adopted a share repurchase program effective March 25, 2019 which expired on September 24, 2019. Under the repurchase program, the Company was permitted to repurchase up to 923,151 shares of its common stock, or approximately 5% of the Company's then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this second program, the Company was permitted to repurchase up to 878,835 shares of its common stock, or approximately 5% of the Company's then current issued and outstanding common shares. The second repurchase program was terminated on March 27, 2020.

As of March 27, 2020, the Company had repurchased an aggregate of 1,253,423 shares under its repurchase programs, at a weighted average price per share of $14.18, which were reported as treasury stock. Of the 1,253,423 shares classified as treasury stock, 90,135 shares were reissued to directors and executive officers under the Company's 2018 Long-Term Incentive Plan pursuant to restricted stock units which vested on December 4, 2019. As of March 31, 2020, 1,163,288 shares are reported as treasury stock in the Company's consolidated statement of financial condition

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

None

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Number	Description
3.1	Charter of PDL Community Bancorp (attached as Exhibit 3.1 to the Registrant's amendment No. 1 to the Form S-1 (File No. 333-217275) filed with the Commission on May 22, 2017).
3.2	Bylaws of PDL Community Bancorp (attached as Exhibit 3.2 to the Registrant's amendment No. 2 to the Form S-1 (File No. 333-217275) filed with the Commission on July 27, 2017.
4.1	Form of Common Stock Certificate of PDL Community Bancorp (attached as Exhibit 4.1 to the Registrant's amendment No. 2 to the Form S-1 (File No, 333-217275) filed with the Commission on July 27, 2017).
4.2	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (attached as Exhibit 4.2 Form 10-K (File No. 001-38224) filed with the Commission on March 17, 2020).
10.1	Ponce Bank Employee Stock Ownership Plan (attached as Exhibit 10.1 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.2	Ponce Bank ESOP Equalization Plan (attached as Exhibit 10.2 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.3	Ponce De Leon Federal Deferred Compensation Plan (attached as Exhibit 10.3 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.4	Employment Agreement dated as of March 23, 2017, by and between Ponce de Leon Federal Bank and Carlos P. Naudon (attached as Exhibit 10.4 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.5	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Carlos P. Naudon (attached as Exhibit 10.5 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.6	Employment Agreement dated March 23, 2017, by and between Ponce De Leon Federal Bank and Steven Tsavaris (attached as Exhibit 10.6 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.7	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Steven Tsavaris (attached as Exhibit 10.7 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.8	Employment Agreement dated March 31, 2017, by and between Ponce De Leon Federal Bank and Frank Perez (attached as Exhibit 10.8 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.9	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Frank Perez (attached as Exhibit 10.9 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
21.1	Subsidiaries of the Registrant (attached as Exhibit 21.1 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		Company Name
Date: May 14, 2020	By:	/s/ Carlos P. Naudon
		Carlos P. Naudon
		President and Chief Executive Officer
Date: May 14, 2020	By:	/s/ Frank Perez
		Frank Perez
		Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carlos P. Naudon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PDL Community Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 14, 2020

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank Perez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PDL Community Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 14, 2020

By: /s/ Frank Perez
Frank Perez
Executive Vice President
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of PDL Community Bancorp (the "Company") on Form 10-Q for the period ending March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 14, 2020

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PDL Community Bancorp (the “Company”) on Form 10-Q for the period ending March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 14, 2020

By: /s/ Frank Perez
Frank Perez
Executive Vice President
Chief Financial Officer