UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11223 / August 15, 2023

SECURITIES EXCHANGE ACT OF 1934
Release No. 98132 / August 15, 2023

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4441 / August 15, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21562

In the Matter of **MALVERN BANCORP, INC.** **and** **JOSEPH D. GANGEMI** **Respondents.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Malvern Bancorp, Inc. ("Malvern") and Joseph D. Gangemi ("Gangemi") (collectively "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the

Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

SUMMARY

1. Between December 2017 and February 2021 ("Relevant Period"), Malvern repeatedly failed to timely recognize and appropriately account for issues related to several large commercial real estate loans resulting in material misstatements of Malvern's financial statements for several quarters. Gangemi was Malvern's Chief Financial Officer and principal accounting officer and reviewed and approved Malvern's accounting that was improper. During the Relevant Period, Malvern failed to properly account for troubled debt restructurings, loan impairments and charge-offs, and impairment of other real estate owned. This led to Malvern's restatement of its financial statements in its amended Form 10-Q for the quarter-ended December 31, 2019 and in its amended Form 10-K for the fiscal year-ended September 30, 2020. Throughout the Relevant Period, Malvern's books and records with respect to these loans were inaccurate and its related internal accounting controls were ineffective.

2. Gangemi knew or should have known information indicating that Malvern's accounting for the assets was incorrect. As Chief Financial Officer and principal accounting officer, Gangemi also failed to maintain accurate books and records and implement effective internal controls over financial reporting.

3. As a result of this conduct, Malvern violated Section 17(a)(2) and 17(a)(3) of the Securities Act, Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, and Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. Gangemi caused Malvern's violations.

RESPONDENTS

4. Malvern Bancorp, Inc. ("Malvern") was a corporation with its headquarters in Paoli, Pennsylvania. Malvern was a bank holding company. At all relevant times, Malvern's common stock was registered under Section 12(b) of the Exchange Act, and traded on the NASDAQ under ticker symbol MVLF. Malvern had a fiscal year-end of September 30. During the Relevant Period, Malvern primarily operated through its wholly-owned subsidiary, Malvern Bank, National Association ("Bank"). The Bank had its principal place of business in Paoli, Pennsylvania, with other locations in Pennsylvania, New Jersey, and Florida. The principal business of Malvern, through its Bank subsidiary, was making commercial real estate loans, residential real estate loans, construction and development loans, commercial business loans, home equity loans and lines of credit, and other consumer loans. On July 17, 2023, pursuant to an Agreement and Plan of Merger By and Among First Bank, Malvern Bancorp, Inc. and Malvern Bank, National Association, dated December 13, 2022 ("Agreement"), Malvern Bancorp, Inc. merged with and into First Bank. Pursuant to the Agreement, First Bank is the surviving corporation and the successor to Malvern.

5. Joseph D. Gangemi, age 39, is a resident of Downingtown, Pennsylvania. Gangemi became Malvern's Chief Financial Officer in 2015 and continued to serve in that role throughout the relevant time. Gangemi is not a Certified Public Accountant.

FACTS

A. Accounting for Company A Loan

a. December 31, 2017 Troubled Debt Restructuring

6. Company A was a commercial real estate company incorporated to lease a large big box retail property it owned. Company A refinanced the property through a $7.2 million loan from the Bank in July 2016. The loan was secured by the retail property. Company A had a national retailer as its sole tenant. The loan to Company A was not guaranteed by the company's principals.

7. In March 2017, Company A's sole tenant declared bankruptcy. Company A did not have any other sources of operational cash flow. Company A attempted to re-tenant its property throughout 2017 and 2018 but failed to do so. After the tenant's bankruptcy, Company A's principals refused to continue paying on the loan until the Bank provided payment relief through a loan modification. In September 2017, the Bank approved a fifteen-month interest-only modification. In December 2017, the Bank approved a reduced interest rate. Company A then paid the delinquent loan payments to bring the loan current.

8. Despite the interest rate and payment term concessions granted by the Bank and Company A's financial difficulties and unwillingness to continue paying absent a modification, the Bank did not classify the restructuring of the loan as a Troubled Debt Restructuring ("TDR") as of December 31, 2017.[1] Gangemi reviewed the Bank's analysis and approved the decision not to classify the loan as a TDR. Malvern's conclusion that the loan restructuring was not a TDR as of December 31, 2017 was not appropriate. Malvern's TDR analysis did not address relevant circumstances surrounding the restructuring, including the borrower's poor financial condition after the loss of the property's lease (*i.e.*, no cash flow), the borrower's stated intention not to continue paying on the loan under the original loan terms, the lack of guarantors, the loan's delinquency, and the concessions provided by Malvern to reduce the borrower's loan payments due to the borrower's lack of cash flow. These facts demonstrate that the restructuring of the loan was a TDR as of December 31, 2017. Gangemi knew the relevant facts indicating that the loan was a TDR and that they were not incorporated into the TDR analysis. The Bank's analysis relied on irrelevant and unsupported assumptions, such as the potential of new leases materializing.

9. By failing to identify this significant loan as a TDR, Malvern materially misrepresented the true status of the loan. Gangemi caused the misstatement.

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[1] As defined within Accounting Standard Codification ("ASC") 310-40-20, a TDR is a restructuring of a debt whereby "the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider."

b. March 31, 2018 Loan Impairment

10. Malvern reported the loan as a TDR in its March 31, 2018 Form 10-Q, after a review of the loan by the Bank's primary federal banking regulator. Per ASC 310-40-35-10, "[a] loan restructured in a troubled debt restructuring is an impaired loan." Per ASC 310-10-35-22, when a loan is impaired, "a creditor shall measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on […] the fair value of the collateral if the loan is a collateral-dependent loan. If that practical expedient is used, Topic 820 shall apply." The Bank's March 31, 2018 impairment analysis treated the loan as collateral dependent and – relying on an April 2016 appraisal – concluded no impairment was required as of March 31, 2018. As defined within ASC 310-10-20, a collateral-dependent loan is a "loan for which the repayment is expected to be provided solely by the underlying collateral." Bank policy stated the Bank should obtain an updated appraisal for a collateral dependent loan. However, contrary to this policy, the Bank did not obtain an updated appraisal until July 2018 and thus delayed recognizing any impairment until then.

11. The Bank concluded no impairment was required as of March 31, 2018 based on a brief impairment analysis, which was reviewed by Gangemi. The impairment measurement was unreasonable and failed to accurately determine fair value because it relied on an appraisal that was 21-months old. Per ASC 820-10-35-2, fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." As the April 2016 appraisal did not consider the current condition of the property as of the measurement date of March 31, 2018, it was an inappropriate representation of the fair value of the property as of that date. Gangemi knew these relevant facts indicating the appraisal did not reflect the current conditions of the property. When the Bank obtained an updated appraisal in July 2018, it provided a valuation that indicated a material loan impairment. The Bank's failure to timely recognize and record a loan impairment caused a material misstatement of its financial statements for the quarter ended March 31, 2018. Gangemi caused the misstatement.

c. June 30, 2018 Loan Impairment

12. The August 2018 appraisal reported an "as is" value of $6.2 million and a "Prospective Market Value at Stabilization" value of $7.6 million. The calculated impairment based on the as-is value was approximately $1.3 million, and the impairment based on the as-stabilized value was $172,000. The Bank determined to use a weighted average of the two appraisal values to determine impairment of the loan. The Bank assigned an 85% probability that a new lease for the property would be signed and assigned an 85% weight to the lower impairment calculation based on the as-stabilized value. It assigned a 15% weight to the higher impairment calculation based on the as-is value. Gangemi approved the use of the weighted average method, which resulted in an impairment of $356,000, reported in Malvern's financial statements filed in its June 30, 2018 Form 10-Q. The weighted average method reduced the loan impairment by approximately $1 million when compared to the impairment it would have recognized using only the as-is value.

13. The Bank's use of an 85% probability of lease-up was primarily based on the fact that Company A had been negotiating with a potential tenant in late 2017 and early 2018.

However, at the time of the impairment analysis in July 2018, the Bank and Gangemi were aware that this potential tenant was no longer interested in leasing the property.

14. The Bank's reliance on a draft lease that was no longer under consideration to value the collateral was not appropriate. There were no prospective leases under consideration at the time of impairment. Gangemi's approval of the Bank's selection of 85% was not supported. None of the Bank's internal documentation prepared under Gangemi's supervision supported or explained the appropriateness of an 85% probability of lease-up. Based on the facts and circumstances that existed at the time of the measurement date, the Bank should have impaired the loan using the as-is value of the property as of June 30, 2018. Per ASC 820-10-35-9, "[a] reporting entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use in pricing the asset or liability, assuming that market participants act in their economic best interest." Gangemi knew or should have known the Bank's reliance on the "Prospective Market Value at Stabilization" when determining the fair value of the property as of June 30, 2018 was unreasonable, as such a value would not be considered by a market participant, acting in their economic best interest, under the circumstances that existed at that time.

15. As a result, Malvern materially misstated its financial statements in its June 30, 2018 Form 10-Q. Gangemi caused the misstatement. Had the Bank properly accounted for the impairment on the Company A loan, the Bank's income before taxes would have decreased from approximately $2.3 million to $1.3 million. Thus, Malvern's income before taxes was overstated by approximately 77%.

16. As Gangemi was aware, Malvern incorporated these materially misstated financial statements in the June 30, 2018 Form 10-Q into a prospectus for an October 2018 $25 million offering and sale of common stock.

d. September 30, 2018 Loan Charge-Off

17. During the quarter ended September 30, 2018, the Bank changed its impairment calculation and recorded an impairment of approximately $1.4 million based on the as-is value. The Bank's documentation stated that it changed its impairment calculation because the new lease did not materialize. As noted above, the Bank was aware in the prior quarter that the lease likely would not materialize.

18. The property owned by Company A remained vacant and the loan became delinquent again in 2018. In June 2018, the principals began discussing providing a deed-in-lieu ("DIL") of foreclosure to exit the loan. In December 2018, the Bank executed a DIL with Company A and recorded the collateral as an other real estate owned ("OREO") asset. The Bank charged off the loan for the amount that exceeded the collateral value based on the July 2018 appraisal.

19. The Bank's decision to charge off the loan as of December 31, 2018 instead of September 30, 2018 was not appropriate because the amount of the loan balance in excess of the appraised value was uncollectable as of September 30, 2018. Gangemi reviewed and approved the Bank's decision to charge off the loan as of December 31, 2018 instead of September 30, 2018. Per ASC 310-10-35-41, a "loan or trade receivable balance shall be charged off in the period in

which the loans or trade receivables are deemed uncollectible." There were numerous indications of uncollectability of the loan balance prior to September 30, 2018 (*e.g.*, no tenant, no operational cash flow, no guarantor, significant delinquencies in 2017 and 2018, loan concessions, and discussions of a possible DIL as early as June 2018). Gangemi knew these relevant facts indicating the loan was uncollectable. Gangemi also knew that the Bank decided to accept the DIL and approved the charge-off prior to the filing of the financial statements for the quarter-end and fiscal year end September 30, 2018 in the company's Form 10-K, which further demonstrates the Bank should have recorded the charge-off in that period.

20. As a result, Malvern materially misstated its financial statements in its September 30, 2018 Form 10-K. Gangemi caused the misstatement. The Bank should have recognized a loan charge-off of $1.2 million and recognized a $1.2 million provision for loan losses in connection with the charge-off, which would have reduced Malvern's quarterly income before taxes from approximately $3 million to $1.8 million. Thus, Malvern's quarterly income before taxes was overstated by approximately 67%.

e. December 31, 2020 Impairment of Company A OREO

21. The Bank did not obtain an updated appraisal for the OREO property until April 2021 (approximately two-and-a-half years after its prior appraisal). The Bank purportedly did not obtain an updated appraisal sooner due to the COVID-19 pandemic. Management, including Gangemi, later determined that it should have obtained appraisals sooner when it became apparent that the COVID-19 pandemic would be a long term impact. Between January 2019 and September 2020, the Bank did not record a material impairment of the asset as it continued to rely on the July 2018 appraised value

22. In its impairment analysis for the period ending September 30, 2020, the Bank continued to rely on the July 2018 appraisal to conclude no impairment was required. Because of the age of the appraisal, the Bank's policy stated the Bank should discount the appraisal by 20%. The Bank failed to do so and provided no justification for the departure from Bank policy.

23. During the December 31, 2020 quarter, Gangemi negotiated and executed a letter of intent ("LOI") to sell the property on behalf of the Bank. The Bank's policy stated that the Bank should record a charge-off for an asset when a LOI is signed with a lower purchase price than the Bank's recorded investment in the asset unless the Bank could document why the Bank would not take a loss. The policy also stated that the Bank must obtain approval from the relevant management committee if it did not record a charge-off. The Bank failed to perform an updated impairment analysis as of December 31, 2020 incorporating the information from the LOI. The Bank did not record an impairment as of December 31, 2020 and did not obtain the required approval under its policy. Gangemi knew these relevant facts.

24. In April 2021, the Bank obtained an updated appraisal of the OREO, which showed an impairment to the asset. The Bank did not record an impairment in the March 31, 2021 quarter. In the June 30, 2021 Form 10-Q, the Bank recorded an $850,000 impairment after obtaining an updated appraisal in June 2021.

25. The Bank's accounting for the Company A OREO asset as of December 31, 2020 was not appropriate. Gangemi was ultimately responsible for the Bank's OREO impairment analysis. The purchase price within the LOI had been recently negotiated and represented what a willing buyer was willing to pay to purchase the property in an arms-length transaction. The Bank's policy, which Gangemi did not follow, expressly recognized that an LOI was a reliable indicator of fair value. The value in the LOI was a better indicator of fair value than the two-year old appraisal relied upon by the Bank. The Bank's internal documentation did not support the Bank's decision to rely on the outdated appraisal when there was a more recent and reliable indicator of fair value available. Gangemi did not incorporate the information from the LOI into Malvern's analysis.

26. As a result, Malvern materially misstated its financial statements in its December 31, 2020 Form 10-Q. Gangemi caused the misstatement. Had the Bank properly accounted for the OREO property, it would have been written down by approximately $980,000 in its financial statements in the December 31, 2020 Form 10-Q. This would have reduced Malvern's income before taxes from approximately $3 million to $2.02 million. Thus, Malvern's income before taxes was overstated by approximately 49%.

B. Accounting for Loan to Company B

a. December 31, 2017 Troubled Debt Restructuring

27. Company B was a commercial real estate company incorporated to lease a large big box retail property that it owned. Company B refinanced the property through a $9.7 million loan from the Bank in July 2016. Company B's principals were the same as Company A. Company B had a national retailer as its sole tenant. The tenant was the same national retailer as Company A. The loan to Company B had limited guarantees at origination of approximately 6% of the loan balance. The guarantees reduced each month by the amount of principal repaid.

28. Like Company A, Company B's tenant declared bankruptcy in March 2017. Company B did not have any other sources of operational cash flow. After the tenant's bankruptcy, Company B's principals refused to continue paying on the loan until the Bank provided payment relief through a loan modification. In September 2017, the Bank approved a one-year interest-only modification. In December 2017, the Bank approved a reduced interest rate. Company B then paid the delinquent loan payment to bring the loan current.

29. The Bank did not classify the loan as a TDR during its initial assessment of the loan modification as of December 31, 2017. The Bank's analysis and conclusion was similar to its analysis and conclusion when it concluded the loan to Company A was not a TDR.

30. Malvern reported the loan as a TDR in its March 31, 2018 Form 10-Q after a review of the loan by the Bank's primary federal banking regulator.

31. Gangemi reviewed and approved the Bank's analysis and conclusion that the loan was not a TDR. Malvern's conclusion that the loan to Company B was not a TDR as of December 31, 2017 did not address relevant circumstances surrounding the restructuring, including the borrower's poor financial condition after the loss of the properties' lease (*i.e.*, no cash flow), the

borrower's stated intention not to continue paying on the loan under the original loan terms, the loan's delinquency, the absence of full guarantees, and the concessions provided by Malvern to reduce the borrower's loan payments due to the borrower's lack of cash flow. Gangemi knew these relevant facts indicating the loan was a TDR. These facts demonstrate that the loan was a TDR as of December 31, 2017. The Bank's analysis relied on unsupported assumptions, such as new leases and the purported willingness of limited guarantors to pay the entire loan balance.

32. As a result, Malvern materially misstated its reported aggregate outstanding loan balances for TDRs in its December 31, 2017 Form 10-Q. Gangemi caused the misstatement. Had the Bank properly classified the loans to Company A and Company B as TDRs, Malvern's reported aggregate outstanding loan balances for TDRs would have increased from approximately $2.2 million to $18.8 million, an approximate 750% increase.

b. December 31, 2019 Impairment / Charge-Off

33. The Company B loan was impaired and a TDR. Throughout 2018 and 2019, the Bank did not consider the loan to be collateral dependent because of the limited guarantee. During this time, the Bank only required small amounts of impairment based on a present value of future cash flows impairment analysis.

34. By January 2020, the guarantee had reduced to zero and the loan was due to reset at a higher interest rate. The Bank attempted to restructure the loan to obtain a new limited guarantee. For impairment purposes at December 31, 2019, the Bank – at Gangemi's direction – initially calculated two different impairment amounts. The first assumed the loan was collateral dependent and used the fair value of the collateral, which resulted in a $3.1 million impairment. The second assumed the loan was not collateral dependent and used the present value of the loan's future cash flows, which resulted in a $36,000 impairment. The Bank assumed a 50% probability that Company B would accept the loan restructuring and applied a 50% weight to the present value of future cash flows approach. The Bank assumed a 50% probability that Company B would not accept the restructuring and applied a 50% weight to the fair value of the collateral approach. Using this weighted approach, Malvern recorded a $1.56 million impairment based on this methodology in its financial statements in the originally filed December 31, 2019 Form 10-Q. This impairment was approximately $1.5 million less than had the impairment been calculated using only the collateral's fair value.

35. The Bank attributed the change in impairment methodology for December 31, 2019 to the death of one of the guarantors. The Bank's internal documentation suggested that the guarantor died in January 2020. However, the guarantor actually died in August 2018, a fact that some Bank employees were aware of but was not clearly communicated to management, including Gangemi.

36. In March 2020, the Bank obtained an updated appraisal showing a $2.3 million collateral shortfall compared to the Bank's recorded investment in the loan.

37. After an examination by the Bank's primary federal banking regulator, the Bank determined the loan to Company B was collateral dependent as of December 31, 2019 and that a charge-off should have been recognized in its financial statements during that quarter. As a result,

the Bank determined there was an error in the originally filed Form 10-Q and restated its financial statements because the loan was collateral dependent and the $2.3 million impairment should have been charged off in the December 31, 2019 quarter based on the appraised value. The Bank never filed a Form 8-K Item 4.02 to report non-reliance on the financial statements filed in the original Form 10-Q. Despite the restatement to correct errors in the financial statements, management concluded there was no material weakness in internal controls.

38. The Bank's accounting for the loan to Company B in its originally filed December 31, 2019 Form 10-Q was not appropriate. Gangemi reviewed and approved the impairment analysis. The loan was collateral dependent as of December 31, 2019 based on the borrower's limited cash flow (*i.e.*, the new tenant's lease was not sufficient to establish a realistic repayment plan), the looming balloon payment at maturity, the elimination of the loan guarantee, and discussions with the loan sponsor of additional loan modifications due to higher reset interest rate. Because the loan was collateral dependent, the Bank's policy stated it should have immediately ordered an updated appraisal and charged down the amount of the loan balance in excess of the appraised value. However, the Bank did not obtain an updated appraisal for December 31, 2019 reporting purposes. Moreover, the use of a 50%-50% blended impairment methodology that relied in part on the loan's cash flows was not appropriate for a collateral dependent loan. Such a methodology that relied in part on the loan's cash flows is not consistent with the definition of a collateral dependent loan, which states that payment is expected to come "solely" from the collateral. Gangemi knew or should have known that the Bank's methodology was not consistent with the definition of a collateral dependent loan.

39. As a result, Malvern materially misstated its financial statements in its originally filed December 31, 2019 Form 10-Q. Gangemi caused the misstatement. Had the Bank properly accounted for the impairment of the Company B loan, its net income would have been reduced from approximately $2.5 million to $785,000. Thus, Malvern's net income was overstated by approximately 218%. This adjustment was reported in the amended December 31, 2019 Form 10-Q to restate the financial statements.

C. Accounting for Loan to Company C

40. Company C was a commercial real estate company incorporated to lease retail space it owned in a mixed-use commercial and residential building in New York City. Company C obtained a $20.5 million loan from the Bank in 2017 with $18.7 million advanced initially. The loan eventually had cash flow issues due to difficulty finding tenants. Throughout 2019 and 2020, the Bank did not classify the loan as collateral dependent citing the strength of the guarantor.

38. Beginning in March 2020, the Bank granted three consecutive 90-day deferrals to the borrower due to COVID-19. During this time, the Bank requested – but never received – updated financial information on the borrower and its guarantor.

41. On November 9, 2020, the Bank issued a preliminary earnings release for the quarter-ended and fiscal year ended September 30, 2020 based on financial statements that provided for no impairment of the Company C loan. The preliminary earnings release was furnished on Form 8-K. At the time of this release, the Bank, including Gangemi, knew that the

borrower was having financial difficulties. Subsequent to the release, the Bank, including Gangemi, learned the guarantor was having financial difficulties.

42. On December 29, 2020, Malvern filed a late filing notice of the Form 10-K notifying investors it was evaluating the loan to Company C as collateral dependent. On January 20, 2021, Malvern filed a Form 8-K signed by Gangemi notifying investors not to rely on the preliminary earnings release and that the Bank was recording a $2.9 million charge-down and $581,000 impairment related to the Company C loan. On January 29, 2021, Malvern filed its Form 10-K with the information regarding Company C from the January 20, 2021 Form 8-K incorporated.

43. On February 26, 2021, the Bank amended its Form 10-K after receiving an updated appraisal to record an additional $3.1 million impairment. Management also disclosed a material weakness in its Internal Control over Financial Reporting based on its failure to timely identify the loan to Company C as collateral dependent, which resulted in the inaccurate November 9, 2020 earnings release. Bank management later concluded the company's decision not to order an appraisal in 2020 due to COVID-19 was incorrect.

44. These errors caused Malvern's net income reported in its November 9, 2020 earnings release and January 29, 2021 Form 10-K to be materially misstated. Gangemi caused the misstatements. Malvern reported net income for the quarter of $2.2 million in its earnings release, compared to a net loss of $3.5 million reported in the amended Form 10-K filed on February 26, 2021, an overstatement in the earnings release of approximately $5.7 million or 164%. The originally filed Form 10-K reported net loss for the quarter of $546,000, an overstatement of approximately $3 million or 84%.

45. The Bank's failure to recognize the loan to Company C as collateral dependent and impaired as of September 30, 2020 prior to issuing an earnings release was inappropriate. Gangemi was ultimately responsible for the Bank's impairment analysis. The Bank should have determined the loan was collateral dependent and impaired as of September 30, 2020. The Bank requested updated financial information from the borrower and the guarantor but never received it throughout 2020. The Bank relied on outdated information when approving loan deferrals and measuring impairment. The loan to Company C was collateral dependent at the time of the earnings release based upon the cash flow concerns and the borrower's inability or unwillingness to provide updated financial information concerning the guarantor, which prevented the Bank from reasonably concluding that the guarantor's financial condition had sufficiently improved to alleviate such concerns. Gangemi knew facts indicating the loan was impaired and collateral dependent as of the date of the preliminary earnings release. Moreover, as the Bank later concluded, it should have obtained an updated appraisal for purposes of September 30, 2020 financial reporting and immediately charged the loan down to appraised value and recognized a corresponding loan loss provision. As a result, on November 9, 2020, Malvern issued a materially inaccurate September 30, 2020 preliminary earnings release signed by Gangemi. On February 26, 2021, Malvern restated its September 30, 2020 Form 10-K, and concluded there was a material weakness in internal controls.

VIOLATIONS

46. Section 17(a)(2) of the Securities Act proscribes, in the offer or sale of a security, obtaining "money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading." As a result of the conduct described above, Malvern violated Section 17(a)(2) of the Securities Act. Gangemi caused Malvern's violation of Section 17(a)(2).

47. Section 17(a)(3) of the Securities Act proscribes, in the offer or sale of a security, engaging "in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser." As a result of the conduct described above, Malvern violated Section 17(a)(3) of the Securities Act. Gangemi caused Malvern's violation of Section 17(a)(3).

48. Section 13(a) of the Exchange Act and Rules 13a-1, 13a-11, and 13a-13 thereunder require issuers with a class of securities registered pursuant to Section 12 of the Exchange Act to file such periodic reports and other reports as the Commission may prescribe and in conformity with such rules as the Commission may promulgate. The obligation to file such reports embodies the requirement that they be true and correct. In addition to the information expressly required to be included in such reports, Rule 12b-20 of the Exchange Act requires issuers to add such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading. As a result of the conduct described above, Malvern violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder. Gangemi caused Malvern's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

49. Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets. As a result of the conduct described above, Malvern violated Section 13(b)(2)(A) of the Exchange Act. Gangemi caused Malvern's violations of Section 13(b)(2)(A) of the Exchange Act.

50. Section 13(b)(2)(B) of the Exchange Act, which requires issuers of securities registered pursuant to Section 12 of the Exchange Act to devise and maintain a system of internal accounting controls sufficient, among other things, to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles or any other criteria applicable to such statements. As a result of the conduct described above, Malvern violated Section 13(b)(2)(B) of the Exchange Act. Gangemi caused Malvern's violations of Section 13(b)(2)(B) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent Malvern cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act and Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13 thereunder.

B. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent Gangemi cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act and Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13 thereunder.

C. Respondent Malvern shall, within ten (10) business days of the entry of this Order, pay a civil money penalty in the amount of $350,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

D. Respondent Gangemi shall, within ten (10) business days of the entry of this Order, pay a civil money penalty in the amount of $40,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Malvern Bancorp, Inc., or Joseph D. Gangemi, as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Carolyn Welshhans, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Gangemi, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Gangemi under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Gangemi of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary