

OFFICE OF THRIFT SUPERVISION

Receivership of a Federal Savings Bank

Date: March 5, 2010
Order No.: 2010-10
Docket No.: 15436

The Acting Director of the Office of Thrift Supervision (OTS), or his designee, in cooperation with the Federal Deposit Insurance Corporation (FDIC), has determined to appoint the FDIC as receiver of Waterfield Bank, Germantown, Maryland (Savings Bank).

GROUND FOR APPOINTMENT OF FDIC AS RECEIVER FOR THE SAVINGS BANK

The Acting Director, or his designee, based on the administrative record, finds and determines the following:

- (i) The Savings Bank's assets are less than the Savings Bank's obligations to its creditors and others;
- (ii) The Savings Bank is in an unsafe and unsound condition to transact business;
- (iii) The Savings Bank has consented to the appointment of a receiver;
- (iv) The Savings Bank is critically undercapitalized; and
- (v) The Savings Bank has substantially insufficient capital.

The Savings Bank is a Federally chartered stock savings bank, the accounts of which are insured by the Deposit Insurance Fund (DIF). The Savings Bank's home office is in Germantown, Maryland. The Savings Bank reported in its Thrift Financial Report (TFR) for the period ending December 31, 2009, that it had approximately \$155.6 million in assets, \$163.3 million in liabilities, and negative \$7.74 million in stockholders' equity. The Savings Bank's December 31, 2009, TFR reported tangible, tier one (core), tier one risk-based, and total risk-based capital of negative 4.69 percent, negative 4.69 percent, negative 7.73 percent, and negative 7.73 percent, respectively. The Savings Bank's December 31, 2009, TFR indicates that the Savings Bank is "critically undercapitalized." The Savings Bank experienced a net loss for the year ending December 31, 2008, of approximately \$5.7 million, and a net loss for the year ending December 31, 2009, of approximately \$17.78 million.

**DISCUSSION OF GROUNDS FOR APPOINTMENT
OF A RECEIVER FOR THE SAVINGS BANK**

Section 5(d)(2)(A) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(d)(2)(A), provides that OTS may appoint a receiver for any insured savings association if OTS determines that one or more grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1821(c)(5), exist.

Assets Insufficient for Obligations

Under section 11(c)(5)(A) of the FDIA, OTS may appoint a receiver if a savings association's assets are less than its obligations to its creditors and others.

As of December 31, 2009, the Savings Bank reported negative equity capital of \$7.74 million. The Savings Bank's liabilities exceed its assets, and the Acting Director, or his designee, concludes that the Savings Bank's assets are less than its obligations to its creditors and others.

Unsafe or Unsound Condition to Transact Business

Under section 11(c)(5)(C) of the FDIA, OTS may appoint a receiver for a savings association if a savings association is in an unsafe or unsound condition to transact business.

As of December 31, 2009, the Savings Bank reported tangible, tier one (core), tier one risk-based, and total risk-based capital of negative 4.69 percent, negative 4.69 percent, negative 7.73 percent, and negative 7.73 percent, respectively. The Savings Bank experienced a net loss for the year ending December 31, 2008, of approximately \$5.7 million, and additional losses of \$17.78 million in the year ending December 31, 2009, which losses have depleted its equity and regulatory capital.

The Savings Bank's operations have suffered due to the declining values of its loan and securities portfolios, and loan delinquencies that required significant provisions for loan losses. Classified assets totaled \$44.2 million as of December 31, 2009, which represented 28.4 percent of total assets.

Therefore, the Acting Director, or his designee, concludes that the Savings Bank is in an unsafe and unsound condition to transact business.

Consent

Under section 11(c)(5)(I) of the FDIA, OTS may appoint a receiver if the institution, by resolution of its board of directors, consents to the appointment. The Acting Director, or his designee, finds that the board of directors of the Savings Bank, by resolution dated February 4, 2010, consented to the appointment of a conservator or receiver by OTS and, on February 3,

2010, the Savings Bank entered into a Stipulation and Consent agreement with OTS for such an appointment.

Critically Undercapitalized

Under section 11(c)(5)(L)(i) of the FDIA, OTS may appoint a receiver for a savings association if it is critically undercapitalized, as defined in 12 U.S.C. § 1831o(b). Under section 1831o(b), an institution is critically undercapitalized if it fails to meet any level of capital specified under section 1831o(c)(3)(A) of the FDIA. Section 1831o(c)(3)(A) provides for the appropriate banking agency to set a ratio of tangible equity to total assets at which an institution is critically undercapitalized. OTS has promulgated 12 C.F.R. § 565.4(b)(5), which defines an institution as critically undercapitalized if it has a ratio of tangible equity to total assets that is equal to or less than two percent. As of December 31, 2009, the Savings Bank reported a tangible capital ratio of negative 4.69 percent. Thus, the Acting Director, or his designee, concludes that the Savings Bank is critically undercapitalized.

Substantially Insufficient Capital

Under section 11(c)(5)(L)(ii) of the FDIA, OTS may appoint a receiver for a savings association if it has substantially insufficient capital. Pursuant to the authority granted in sections 5(t)(1)(A)(i) and 5(t)(2)(A) of the HOLA, OTS has promulgated 12 C.F.R. Part 567 requiring all savings associations that are not “one” rated to maintain a minimum leverage capital ratio of 4 percent and all savings associations to maintain a minimum total risk-based capital ratio of 8 percent of the institution’s risk-weighted assets, as defined. OTS has concluded that failure to maintain at least two-thirds of any capital required by 12 C.F.R. Part 567 constitutes a substantial capital insufficiency within the meaning of the 12 U.S.C. § 1821(c)(5)(L)(ii).

The Savings Bank is not “one” rated and has a leverage capital ratio of negative 4.69 percent. The Savings Bank’s total risk-based capital ratio is negative 7.73 percent. Both the Savings Bank’s leverage capital ratio and its total risk-based capital ratio are less than two-thirds of the applicable capital requirements. Accordingly, the Acting Director, or his designee, concludes that the Savings Bank has substantially insufficient capital.

The Acting Director, or his designee, therefore, has determined that grounds for the appointment for a receiver for the Savings Bank exist under section 5(d)(2) of the HOLA, and sections 11(c)(5)(A), (C), (I), (L)(i) and (L)(ii) of the FDIA, 12 U.S.C. §§ 1821(c)(5)(A), (C), (I), (L)(i) and (L)(ii).

ACTIONS ORDERED OR APPROVED

Appointment of a Receiver

The Acting Director, or his designee, hereby appoints the FDIC as receiver for the Savings Bank, for the purpose of liquidation or winding up the affairs of the Savings Bank,

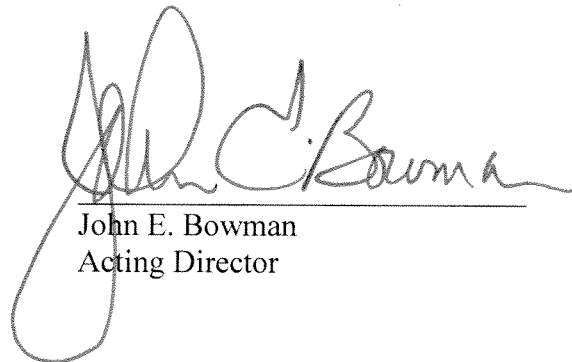
pursuant to section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), and section 11(c)(6)(B) of the FDIA, 12 U.S.C. § 1821(c)(6)(B).

DELEGATION OF AUTHORITY TO ACT FOR OTS

The Acting Director, or his designee, hereby authorizes (i) the OTS Southeast Regional Director, or his designee, or (ii) the Deputy Chief Counsel in the Business Transactions Division of the Chief Counsel's Office, or his designee, to: (1) certify orders; (2) sign, execute, attest or certify other documents that OTS has issued or authorized by this Order; (3) designate the persons or entity that will give notice of the appointment of a receiver for the Savings Bank and serve the Savings Bank with a copy of this Order pursuant to 12 C.F.R. § 558.2; and (4) perform such other functions of OTS necessary or appropriate for the implementation of this Order. All documents to be issued under the authority of this Order must be first approved, in form and content, by the Chief Counsel's Office. In addition, the Acting Director, or his designee, authorizes the Deputy Chief Counsel in the Business Transactions Division, or his designee, to make any subsequent technical corrections, that might be necessary, to this Order, or any documents issued under the authority of this Order.

By Order of the Acting Director of OTS, or his designee, effective: (a) as to the above matters regarding the delegation of authority, immediately upon signature; and (b) as to the above matters regarding the appointment of the FDIC as receiver immediately upon service of this Order on the Savings Bank.

Executed this 21st day of March, 2010.



John E. Bowman
Acting Director