

## OFFICE OF THRIFT SUPERVISION

### Receivership of a Federal Savings Bank

Date: August 28, 2009  
Order No.: 2009-47  
Docket No.: 01348

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 Bradford Bank, Baltimore, 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 is in an unsafe and unsound condition to transact business;
- (ii) The Savings Bank has incurred or is likely to incur losses that will deplete all or substantially all of its capital, and there is no reasonable prospect for the Savings Bank to become adequately capitalized (as defined in 12 U.S.C. § 1831o(b)) without Federal assistance;
- (iii) The Savings Bank has engaged in an unsafe or unsound practice or condition that is likely to cause insolvency or substantial dissipation of assets or earnings, weaken the Savings Bank's condition, or prejudice the interests of depositors or the Deposit Insurance Fund (DIF);
- (iv) The Savings Bank, by resolution of its board of directors, consents to the appointment of a receiver;
- (v) The Savings Bank is critically undercapitalized; and
- (vi) The Savings Bank has substantially insufficient capital.

The Savings Bank is a Federally chartered savings bank, the accounts of which are insured by the DIF. The Savings Bank's home office is in Baltimore, Maryland. The Savings Bank is wholly owned by Bradford Mid-Tier Company (Mid-Tier Company). The Mid-Tier Company is wholly owned by Bradford Bank, MHC (MHC). As of June 30, 2009, the Savings Bank reported in its Thrift Financial Report (TFR) that it had approximately \$451.888 million in

assets, approximately \$450.203 million in liabilities, and approximately \$1.685 million in stockholders' equity. At June 30, 2009, the Savings Bank reported tangible, tier one (core), tier one risk-based, and total risk-based capital of 0.99 percent, 0.99 percent, 1.55 percent, and 2.80 percent, respectively. The Savings Bank's June 30, 2009 TFR indicates that the Savings Bank is "critically undercapitalized." The Savings Bank experienced a net loss for the fiscal year ended December 31, 2008, of approximately \$6.908 million, and additional losses of \$17.19 million in the first and second quarters of 2009, which losses have depleted substantially all of its equity and regulatory capital.

The Savings Bank's reliance on a concentration of highly speculative commercial real estate loans for land acquisition and development has resulted in the Savings Bank incurring significant losses. The Savings Bank's loan portfolio continues to experience a high amount of delinquent loans and will likely require additional provisions for loan losses. As of June 30, 2009, the Savings Bank reported non-performing and non-accrual loans of approximately \$40.2 million of total loans of \$335.586 million, or a 11.98 percent delinquency rate.

#### **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.

#### **Unsafe or Unsound Condition to Transact Business**

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

At June 30, 2009, the Savings Bank reported tangible, tier one (core), tier one risk-based, and total risk-based capital of 0.99 percent, 0.99 percent, 1.55 percent, and 2.80 percent, respectively. The Savings Bank's June 30, 2009 TFR indicates that the Savings Bank is "critically undercapitalized." The Savings Bank experienced a net loss for the fiscal year ended December 31, 2008, of approximately \$6.908 million, and additional losses of \$17.19 million in the first and second quarters of 2009, which losses have depleted its equity and regulatory capital.

The Savings Bank has engaged in high risk commercial real estate lending for the purpose of financing land acquisition and development. The Savings Bank's operations have suffered due to the declining values of its loan portfolio caused by loan delinquencies that required significant provisions for loan losses. Provisions for loan losses totaled \$10.898 million for fiscal 2008. First and second quarter 2009 operating losses included \$14.414 million in loan loss provisions. The Savings Bank's loan portfolio continues to experience a high amount of delinquent loans that will likely require additional provisions for loan losses. As of June 30,

2009, the Savings Bank reported delinquent loans of approximately \$48.992 million, of total loans of \$335.586 million, or a 11.98 percent delinquency rate.

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

#### Losses

Under section 11(c)(5)(G), OTS may appoint a receiver for a savings association if the savings association has incurred or is likely to incur losses that will deplete all or substantially all of its capital, and there is no reasonable prospect for the institution to become adequately capitalized (as defined in 12 U.S.C. § 1831o(b)) without Federal assistance.

The Savings Bank engaged in high risk commercial real estate lending, that has caused significant losses, and such losses have significantly depleted the Savings Bank's equity and regulatory capital. Based on the current level of loan delinquencies and existing economic conditions, additional loan loss provisions are anticipated that will further deplete equity and regulatory capital. Attempts to raise capital from investors, locate an acquiror, or accomplish an offering of common stock have been unsuccessful.

The Acting Director, or his designee, concludes that the Savings Bank has incurred losses that have depleted substantially all of its capital and the Savings Bank has no reasonable prospect of becoming adequately capitalized without Federal assistance.

#### Unsafe or Unsound Condition or Practice

Under section 11(c)(5)(H), OTS may appoint a receiver if the savings association is in an unsafe or unsound condition or has conducted unsafe or unsound practices that are likely to cause insolvency or substantial dissipation of assets or earnings, weaken its condition, or otherwise seriously prejudice the interests of its depositors or the DIF.

The Savings Bank is in an unsafe and unsound condition which is likely to cause insolvency and the Savings Bank has incurred substantial dissipation of its assets due to certain unsafe or unsound practices. The Savings Bank concentrated its lending in speculative high risk commercial real estate lending that, as discussed above, has experienced significant delinquencies and losses.

Therefore, the Acting Director, or his designee, concludes that the Savings Bank is in an unsafe or unsound condition and has engaged in unsafe or unsound practices that are likely to cause insolvency or substantial dissipation of assets or earnings, weaken its condition, or otherwise seriously prejudice the interests of its depositors or the DIF.

### Consent

Under section 11(c)(5)(I), OTS may appoint a receiver for an association if the association's board of directors, by resolution, has consented to such an appointment. The board of directors of the Savings Bank, by resolution dated July 22, 2009, agreed to the appointment of a conservator or receiver and thereafter, on July 24, 2009, the Savings Bank stipulated to such an appointment. Therefore, the Acting Director, or his designee, concludes that a receiver may be appointed on the basis of the association's consent.

### Critically Undercapitalized

Under section 11(c)(5)(L)(i), OTS may appoint a receiver for a savings association if an institution 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 June 30, 2009, the Savings Bank reported a tangible capital ratio of 0.99 percent. Therefore, the Acting Director, or his designee, concludes that the Savings Bank is critically undercapitalized.

### Substantially Insufficient Capital

Under section 11(c)(5)(L)(ii), 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 leverage capital ratio of 4 percent and all savings associations to maintain a minimum risk-based capital ratio of 8 percent of the institution's risk-based assets, as defined. OTS has concluded previously 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 0.99 percent. The Savings Bank's risk-based capital ratio is 2.80 percent. Accordingly, the Savings Bank's leverage capital ratio and risk-based capital ratio both 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)(C), (G), (H), (I), (L)(i) and (L)(ii) of the FDIA, 12 U.S.C. §§ 1821(c)(5)(C), (G), (H), (L)(i) and (L)(ii).

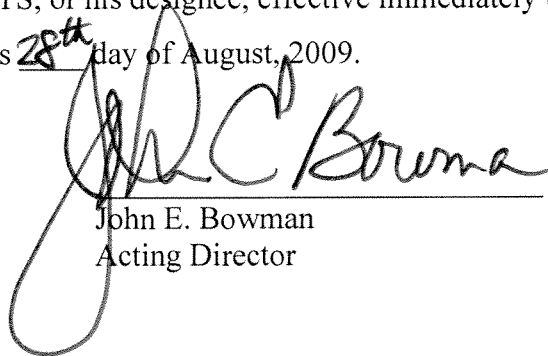
**ACTIONS ORDERED OR APPROVED****Appointment of a Receiver**

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 the OTS Southeast Regional Director, or his designee, and the Deputy Chief Counsel for Business Transactions of the Chief Counsel's Office, or his designee, to: (1) certify orders; (2) sign, execute, attest or certify other documents of OTS issued or authorized by this Order; (3) designate the person 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 actions of OTS necessary or appropriate for the implementation of such 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. Further, the Acting Director, or his designee, authorizes the Deputy Chief Counsel for Business Transactions, 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 immediately upon service of this Order on the Savings Bank this 28<sup>th</sup> day of August, 2009.



John E. Bowman  
Acting Director