Office of Thrift Supervision

FACT SHEET

1700 G Street, N.W., Washington, D.C. 20552 • Telephone (202) 906-6677 • www.ots.treas.gov

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CONTACT:
William Ruberry
(202) 906-6677

OTS Fact Sheet on Guaranty Bank

Institution Profile (June 30, 2009)

- Total assets: $13.5 billion
- Headquarters: Austin, Texas
- Branches: 162 (103 branches in Texas and 59 branches in California)
- Employees: 1,716

Financial Details (June 30, 2009)

- Retail Deposits: $11.9 billion or 88.1 percent of total liabilities and capital
- Brokered Deposits: $516.7 million or 3.8 percent of total liabilities and capital
- FHLB Advances: $1.51 billion or 11.2 percent of total liabilities and capital
- Total equity: Negative $381.4 million
- Loan portfolio: 1-4 family permanent residential mortgage loans ($1.6 billion (12 percent of total assets), nonresidential mortgage loans ($1.13 billion or 8.4 percent of total assets), land loans ($329.5 million or 2.4 percent of total assets), commercial nonmortgage loans ($2.9 billion or 21.4 percent of total assets), multifamily loans ($1.20 billion or 8.9 percent of total assets) and construction loans ($2.4 billion or 17.8 percent of total assets)
- Option Adjustable Rate Mortgage (ARM) portfolio: $357.5 million or 21.9 percent of 1-4 single family loan portfolio and 2.6 percent of total assets
- Mortgage backed securities (MBS) investment portfolio: $2.5 billion or 19 percent of total assets
- Delinquent loans and real estate owned (REO) totaled $829.1 million or 6.2 percent of total assets

Institution History

- Guaranty Financial Group (GFG) was the second largest publicly-traded financial institution holding company headquartered in Texas.

- Guaranty Bank was formed in 1988 as a federally chartered savings and loan association after acquiring several failed thrifts. Temple Inland, Inc. (TIN), a manufacturing, timber and forest services company, acquired its interest in the Bank in September 1988 with government assistance through FSLIC. In December 2007, Guaranty Bank's parent company spun off from TIN, and changed its name to Guaranty Financial Group, Inc (GFG). GFG owned 100 percent of the stock of Guaranty Bank through a mid-tier holding company, Guaranty Holdings, Inc.
- Guaranty restructured its lending operations between 2004 and 2007, eliminating its residential mortgage origination platform and increasing purchases of AAA-rated non-agency MBS. The Bank shifted its focus to commercial real estate and construction lending, including concentrations to residential homebuilders, and other commercial lending.
- The Bank maintained a substantial portfolio of higher risk loans, including commercial, nonresidential mortgage, construction, and land loans. As of June 30, 2009, the higher risk loan portfolio totaled $8.2 billion or 83.6 percent of total loans and 55.4 percent of total assets.
- The combination of adverse market and economic conditions and deteriorating performance in the Bank's concentration of higher risk loans and non-agency MBS overwhelmed Guaranty's capacity to absorb losses.

Key Facts and Events

- *Asset Quality:* Deteriorating credit quality in Guaranty's portfolio of higher risk loans led to increased loan loss provisions, causing material operating losses. Additionally, Guaranty's non-agency MBS portfolio, consisting of primarily Alt-A Option ARMs with some interest only mortgages, declined in market value due in part to lack of liquidity and an inactive market. Fair value marks taken on the Bank's non-agency MBS portfolio resulted in significant losses totaling $1.62 billion as of June 30, 2009.

- *Earnings and Capital:* Guaranty's earnings were critically deficient and inadequate to support the Bank's operating needs. Loan portfolio deterioration required large loan loss provisions, coupled with other-than-temporary impairment (OTTI) credit losses resulted in significant negative earnings and negative capital. As of June 30, 2009, Guaranty Bank was capital insolvent with core and risk-based capital ratios of negative 7.11 percent and negative 7.36 percent.

- *Receivership:* Guaranty Bank was in an unsafe and unsound condition because of its deteriorating asset quality, negative operating earnings, capital insolvency, and strained liquidity position. With no viable alternatives for Guaranty Bank to return to profitability and restore capital adequacy, OTS closed the Bank on August 21, 2009 and appointed the FDIC as receiver.

OTS Enforcement/Supervisory Actions

- Board Resolution - June 16, 2008
- Brokered Deposit Supervisory Directive – January 21, 2009
- Notice of Troubled Condition – February 20, 2009
- Cease and Desist Orders against Bank and GFG – April 6, 2009
- Supervisory Directive – May 19, 2009
- Supervisory Directive – May 27, 2009
- Supervisory Directive – May 27, 2009
- Supervisory Correspondence - Notice of Objection to Capital Plan – June 9, 2009
- Supervisory Directive – June 18, 2009
- Memorandum of Understanding (Information Technology) – June 30, 2009
- Supervisory Directive – July 10, 2009
- Prompt Corrective Action (PCA) Notice – July 10, 2009
- OTS Request for Agreement and Consent to the Appointment of a Conservator or Receiver - July 10, 2009
- PCA Directive and Stipulation Consent – August 19, 2009

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OTS Profile

- Established – 1989
- Thrift institutions supervised, as of June 30, 2009 - 794
- Thrift industry assets supervised, as of June 30, 2009 - $1.098 trillion