

OFFICE OF THRIFT SUPERVISION

Receivership Of A Federal Savings Bank

Date: July 9, 2010
Order No.: 2010-39
OTS No.: 08283

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 Ideal Federal Savings Bank, Baltimore, Maryland (Savings Bank).

GROUND FOR APPOINTMENT OF FDIC AS RECEIVER FOR THE SAVINGS BANK

The Acting Director, or his designee, based upon 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 by resolution of its board of directors has consented to the appointment of a receiver;
- (iii) The Savings Bank is undercapitalized as defined in section 38(b) of the Federal Deposit Insurance Act (FDIA) and has no reasonable prospect of becoming adequately capitalized;
- (iv) The Savings Bank is undercapitalized as defined in section 38(b) of the FDIA, and has failed to become adequately capitalized when required to do so under 12 U.S.C. § 1831o(f)(2)(A); and
- (v) The Savings Bank is undercapitalized as defined in section 38(b) of the FDIA and has failed to implement a capital restoration plan submitted and accepted under 12 U.S.C. § 1831o(e)(2).

The Savings Bank is a Deposit Insurance Fund-insured, federally chartered mutual savings bank headquartered in Baltimore, Maryland, operating through a single office located in Baltimore, Maryland.

As of March 31, 2010, the Savings Bank reported in its Thrift Financial Report (TFR) that it had approximately \$6.305 million in assets, \$6.045 million in liabilities, \$260,000 in equity capital, and net losses for the year ended December 31, 2009, and the quarter ended March 31, 2010, of approximately \$379,000 and \$22,000, respectively. In its March 31, 2010, TFR, the Savings Bank reported tier one (core), and total risk-based capital of 4.08 percent, and 7.65 percent, respectively. Based on the capital ratios in the Savings Bank's March 31, 2010, TFR, the Savings Bank is undercapitalized.

The Savings Bank had classified assets of \$712,000 as of March 31, 2010, which is a high level, in light of the Savings Bank's small size. The Savings Bank has had losses for 13 consecutive quarters, and these losses have resulted in capital shortfalls. As of March 31, 2010, non-performing assets totaled approximately 88.6 percent of core capital plus allowances for loan and lease losses. Further, the Savings Bank's loan portfolio contains a significant concentration in high-risk non-residential and land loans. The Savings Bank has been unable to implement appropriate risk management practices, and has not complied with Bank Secrecy Act and Anti-Money laundering regulations. Deposit concentrations create concern due to the uncertainties associated with the risk of withdrawal due to the Savings Bank's financial condition.

On May 24, 2010, OTS approved the Savings Bank's voluntary supervisory conversion application, and a related holding company application. The OTS approval order conditioned approval on consummation of the proposed transactions within 30 days of approval. OTS subsequently extended the period for consummation to July 7, 2010. The acquiror has been unsuccessful in completing the acquisition within the timeframe provided.

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 FDIA, 12 U.S.C. § 1821(c)(5), exist.

Unsafe and Unsound Condition to Transact Business

Under section 11(c)(5)(C) of the FDIA, OTS may appoint a receiver for a savings association if it is in an unsafe and unsound condition to transact business. An unsafe or unsound condition has been identified as one where an institution is operated in a manner that causes an unacceptable risk to its depositors' funds. See Franklin Savings Association v. Director, OTS, 934 F.2d 1127, 1145 (10th Cir. 1991), cert. denied, 503 U.S. 937 (1992).

The Savings Bank is in an unsafe and unsound condition due to its capital deficiency, lack of profitability, poor asset quality, management deficiencies and liquidity risk. Over the past several years the Savings Bank has experienced significant losses, which have resulted in the Savings Bank becoming undercapitalized. In light of the Savings Bank's high-risk loan concentrations and asset quality deficiencies, additional losses are likely, thereby further depleting capital and jeopardizing the Savings Bank's operations. 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 24, 2010, consented to the appointment of a conservator or receiver by OTS, and effective March 5, 2010, the Savings Bank entered into a stipulation and consent agreement for such an appointment by OTS. Therefore, the Acting Director, or his designee, concludes that the Savings Bank, by resolution of its board of directors, has consented to the appointment of a receiver for the Savings Bank.

Undercapitalized and No Reasonable Prospect of Becoming Adequately Capitalized

Under section 11(c)(5)(K)(i) of the FDIA, OTS may appoint a receiver if a savings association is undercapitalized as defined in 12 U.S.C. § 1831o(b) and has no reasonable prospect of becoming adequately capitalized. Under section 1831o(b) an institution is undercapitalized if it fails to meet any required minimum capital level. OTS has determined that an institution is undercapitalized if it has a total risk-based capital ratio that is less than 8 percent.

The Savings Bank reported that as of March 31, 2010, the Savings Bank had total risk-based capital ratio of 7.65 percent. As discussed above, the Savings Bank has reported in its TFR that it is undercapitalized.

Given the Savings Bank's operations and assets, it is not likely that the Savings Bank will be able to achieve adequately capitalized status through internal means, such as sales of existing assets or otherwise. The only prospect of becoming adequately capitalized through an external infusion of capital has been through the completion of the voluntary supervisory conversion and acquisition that OTS approved in May. However, the acquiror has been unable to complete the acquisition.

Therefore, the Acting Director, or his designee, concludes that the Savings Bank is undercapitalized and that it has no reasonable prospect of becoming adequately capitalized.

Undercapitalized and Failed To Become Adequately Capitalized When Required To Do So

Under section 11(c)(5)(K)(ii) of the FDIA, OTS may appoint a receiver if a savings association is undercapitalized as defined in 12 U.S.C. § 1831o(b) and fails to become adequately capitalized when required to do so under 12 U.S.C. § 1831o(f)(2)(A).

As discussed above, OTS has determined that the Savings Bank is undercapitalized. OTS issued a Prompt Corrective Action (PCA) directive that became effective on March 5, 2010. The PCA directive required the Savings Bank to become adequately capitalized on or before May 1, 2010. The Savings Bank did not become adequately capitalized by May 1, 2010, and remains undercapitalized.

Therefore, the Acting Director, or his designee, concludes that the Savings Bank is undercapitalized and has failed to become adequately capitalized when required to do so.

Undercapitalized and Has Materially Failed to Implement an Approved Capital Restoration Plan

Under section 11(c)(5)(K)(iv) of the FDIA, OTS may appoint a receiver if a savings association is undercapitalized and has materially failed to implement a capital restoration plan submitted and accepted under 12 U.S.C. § 1831o(e)(2),

As discussed above, OTS has determined that the Savings Bank is undercapitalized. The Savings Bank submitted a capital restoration plan to OTS, and OTS conditionally approved the capital restoration plan under 12 U.S.C. § 1831o(e)(2) on February 22, 2010. The capital restoration plan contemplated recapitalization of the Savings Bank through the completion of the voluntary supervisory conversion and holding company acquisition that OTS approved on May 24, 2010. The proposed acquiror, however, has not been successful in completing the transaction within the timeframe provided.

Therefore, the Acting Director, or his designee, concludes that the Savings Bank is undercapitalized and that the Savings Bank has failed implement an approved capital restoration plan.

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

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

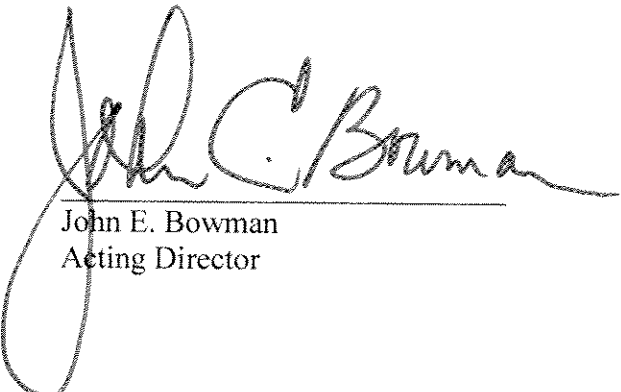
The Acting Director, or his designee, hereby appoints the FDIC as receiver for the Savings Bank, for the purpose of liquidation or winding up the affairs of the Savings Bank, pursuant to section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), and section 11(c)(6)(B) of the FDIA, 12 U.S.C. § 1821(c)(6)(B).

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: (i) certify orders; (ii) sign, execute, attest, or certify other documents of OTS issued or authorized by this Order; (iii) 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 (iv) perform such other functions of OTS necessary or appropriate for 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, hereby 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: (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 9th day of July, 2010.



John E. Bowman
Acting Director