

**APPLICATION FOR WAIVER OF OTS REGULATION**

Date: November 18, 1997

OTS No: 97-118

Guaranty Federal Bank, F.S.B., Dallas, Texas (the "Institution"), has applied to the Office of Thrift Supervision (the "OTS") for a waiver of 12 C.F.R. Section 567.6(a)(1)(iv) so that the Institution's mortgage warehouse line-of-credit loans may be assigned a risk weight of 50%, instead of a risk weight of 100%, for the purposes of computing capital.

The OTS has reviewed the Application under Section 5(c) of the Home Owners' Loan Act and 12 C.F.R. Sections 500.30 and 567.6, and has determined that the credit risks associated with mortgage warehouse line-of-credit loans to business borrowers is distinct from the risk on pledged conventional mortgage loans, which are to individual borrowers. The OTS has concluded that the mortgage warehouse line-of-credit loans should not be assigned the same risk weight as a mortgage loan to an individual.

Accordingly, the OTS has determined that the Application does not show good cause to grant the waiver, and the request to waive 12 C.F.R. Section 563.6(a)(1)(iv) is denied.

By Order of the Director of the Office of Thrift Supervision, or his designee, effective November 18, 1997.

  
\_\_\_\_\_  
John F. Downey  
Executive Director, Supervision