

First Guaranty Mortgage Corp. Files for Chapter 11 Bankruptcy Protection

- **The action has no impact on closed mortgages.**
- **Company has arranged financing to fund critical operations.**

Plano, TX (June 30, 2022) – First Guaranty Mortgage Corp. (“FGMC” or “the Company”) today announced that the Company and affiliate Maverick II Holdings, LLC filed for chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the District of Delaware to protect the business while exploring all available restructuring options. The Company has begun notifying its regulators and other pertinent parties.

The action has no impact on closed mortgages, which are already serviced by third parties.

The Company has taken action to accommodate the maximum number borrowers who have started but not yet completed the loan process. FGMC is finalizing debtor-in-possession financing that will enable it to close and fund approved consumer loans, under existing terms and conditions. In addition, the Company has further identified one or more potential partners to provide optionality to support the pipeline of in-process loans.

The debtor-in-possession financing, once approved by the Court, will also support the Company’s operations, including go-forward payments to employees and vendors in the ordinary course and in accordance with bankruptcy provisions. Additionally, FGMC is in the process of developing an employee incentive and retention program, which requires Court approval.

“While we have made considerable efforts to address our ongoing financial challenges related to the state of the mortgage market, we ultimately must do what is best for our borrowers and consumers,” said Aaron Samples, chief executive officer of FGMC. “After careful review and consideration, the Company determined that pursuing the protections of chapter 11 is the right and responsible path at this time. As part of this process, the Company retained a portion of its workforce to manage the day-to-day business. We are requesting that the court approve a variety of motions that will promote a smooth transition for all pertinent parties while also preserving value for the benefit of the Company’s stakeholders.”

The chapter 11 filing was necessitated by significant operating losses and cash flow challenges experienced by the Company due to unforeseen historical adverse market conditions for the mortgage lending industry, including unanticipated market volatility. The sharp and unexpected decline in performance reflects the intense pressure on mortgage originations due to the dramatic collapse of the mortgage refinance market and the weakening mortgage purchase market, which has suffered from a lack of housing inventory and increasing affordability issues. These factors have resulted in significant losses on the Company’s total mortgage revenues and overall liquidity constraints.

Federal law prohibits the Company from paying amounts owed with respect to obligations arising prior to the June 30, 2022, filing date, without a court order. Entities owed funds may be eligible to file a claim. For information about the claims filing process, please visit <http://www.kccllc.net/FGMC>.