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Treasury takes stakes in 21 more banks

Investments totaling \$33.5 billion are added to the rescue program in an effort to shore up lending.

By E. Scott Reckard

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The federal government said Monday that it had invested \$33.5 billion in 21 more banks as part of its \$700-billion rescue plan for financial firms.

Beneficiaries of the capital infusions ranged from U.S. Bancorp, a 2,556-branch Minneapolis-based giant that received \$6.6 billion, to Broadway Financial Corp., a five-branch Los Angeles bank focusing on African American and Latino customers, which got \$9 million.

The Treasury Department's latest purchases of preferred stock and warrants are part of a plan to beef up healthy institutions so they will resume lending, a change of course from the initial strategy of using the \$700 billion to buy troubled mortgage assets from institutions.

The government's first investment round, totaling \$125 billion and completed Oct. 28, went to nine giant financial institutions, including Bank of America Corp., Wells Fargo & Co. and Citigroup Inc.

The latest investments, made Friday in 21 publicly held banks, are part of a \$125-billion second round.

Many other publicly traded banks have said they have won tentative approval to receive capital infusions under the program, and thousands of privately held banks have until Dec. 8, or later in some cases, to apply for a government investment.

Recent recipients include California Bank & Trust parent Zions Bancorp of Salt Lake City, which got \$1.4 billion, and several banks with largely Asian American customers, including UCBH Holdings of San Francisco, which received \$299 million.

Banks not on the list that have said the government tentatively granted their requests for funds include Pasadena's East West Bancorp, which also focuses on a Chinese American clientele. East West is getting \$316 million, and Koreatown's Nara Bancorp will receive \$67 million.

Investors have punished the shares of banks and thrifts that are considered less likely to receive Treasury funds, leaving them to scramble for private investment, a scarce commodity these days.

One such troubled institution, Vineyard National Bancorp of Corona, said last week that its chairman, Douglas M. Kratz, would attempt to raise \$125 million privately to back a new corporation that would buy all the shares of Vineyard National's main subsidiary, Vineyard Bank.

Vineyard National said Kratz had agreed, contingent on raising the money, to purchase the bank for as much as \$18 million.

Of the purchase price, \$10 million would be payable at the closing of the transaction, with \$9 million of that to be paid to Vineyard's senior lender, First Tennessee Bank.

Vineyard shares closed at 39 cents Thursday, when it announced the deal, but have sagged since then. The stock was down 5 cents Monday at 30 cents a share.

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