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Four More Failures Hit Industry

Closures bring an estimated cost of $1.1 billion to the FDIC

American Banker | Friday, July 17, 2009

By Joe Adler

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Two Southern California banks — totaling over $3 billion in assets — succumbed to construction loan losses Friday evening, and the Federal Deposit Insurance Corp. endured another busy night.

Vineyard Bank, with $1.9 billion in assets, was closed after a deal for the Rancho Cucamonga-based institution fell through in late May. Regulators also closed $1.5 billion-asset Temecula Valley Bank, in Temecula, after investors had similarly backed away from saving it.

The failures — along with two closures of smaller institutions earlier in the night — brought an estimated cost of $1.1 billion to the FDIC, and stretched the year's failure total to 57. Seventeen institutions have now failed over the last three weeks.

But the FDIC was able to protect all depositors at the four institutions.

The 16 branches of Vineyard, which was closed by the Office of the Comptroller of the Currency, will reopen under normal hours as branches of California Bank & Trust. The acquirer agreed to assume the nonbrokered portion of Vineyard's $1.6 billion in deposits, and take over $1.8 billion of its assets. The FDIC said it will pay the bank's $134 million of brokered deposits directly.

"The OCC acted" to close the Vineyard National Bancorp subsidiary "after finding that the bank had experienced substantial dissipation of assets and earnings due to unsafe and unsound practices," the agency said in a press release.

The FDIC and California Bank & Trust entered into a loss-sharing agreement for roughly $1.5 billion of Vineyard's assets. The failure is estimated to cost the federal government $579 million, the agency said.

Temecula Valley, meanwhile, failed after announcing July 2 that a group of private-equity investors would not, as previously planned, inject $210 million into the bank. The subsidiary of Temecula Valley Bancorp Inc. had until Wednesday to become adequately-capitalized under a prompt corrective action order from the FDIC, but missed the deadline.

First-Citizens Bank and Trust Co., in Raleigh, N.C., agreed to assume the nonbrokered amount of Temecula Valley's $1.3 billion in deposits, and also acquire virtually all of its assets. The failed bank's 11 branches will reopen Monday under the First-Citizens name. The FDIC said it will pay the failed bank's $304 million in brokered deposits directly.

The FDIC and the acquirer entered into a loss-sharing agreement on roughly $1.3 billion of Temecula Valley's assets. The agency said the failure is estimated to cost $391 million.

Earlier in the evening, state regulators closed smaller institutions in Georgia and South Dakota.

BankFirst, a $275 million-asset bank, closed in Sioux Falls, S.D.

Alerus Financial in Grand Forks, N.D., agreed to assume all $254 million of BankFirst's deposits. The acquirer also took over roughly $72 million of the failed bank's assets. In a separate transaction, Bank Beal Nevada in Las Vegas agreed to buy $177 million of

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BankFirst's loans.

Alerus will operate BankFirst's Sioux Falls location as a branch of First Dakota National Bank. Its Minneapolis branch will operate under the Alerus name. Both branches will reopen on Monday. The failure is estimated to cost the government $91 million, the FDIC said.

Meanwhile, Georgia regulators closed $115 million-asset First Piedmont Bank in Winder, the 10th failed institution in the state this year. First American Bank and Trust Co. in Athens paid a 1.01% premium for the closed institution's $109 million of deposits. The acquirer also agreed to buy roughly $111 million of the failed bank's assets, and entered into a loss-sharing agreement with the FDIC for $90 million of those assets.

First Piedmont's failure is estimated to cost the FDIC $29 million.

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