

SEARCH 

You are here: [LAT Home](#) > Business

News/Opinion

- [California | Local](#)
- [National](#)
- [World](#)
- [Business](#)
- [Sports](#)
- [Washington](#)
- [Science](#)
- [Environment](#)
- [Opinion](#)

Arts/Entertainment

- [Entertainment](#)
- [The Guide](#)
- [Company Town](#)
- [Arts & Culture](#)
- [Calendar](#)
- [The Envelope](#)
- [TV Listings](#)
- [Movie Showtimes](#)

Living

- [Travel](#)
- [Health](#)
- [Autos](#)
- [Home & Garden](#)
- [Food](#)
- [Image](#)
- [Books](#)
- [Brand X](#)

Data Desk

- [Video](#)
- [Photography](#)
- [Obituaries](#)
- [Crosswords/Sudoku](#)
- [Your Scene](#)

Blogs

- [Columnists](#)
- [Print Edition](#)
- [Readers Rep](#)
- [Corrections](#)
- [All Sections](#)

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- [Jobs](#)
- [Cars](#)
- [Real Estate](#)
- [Foreclosure Sale](#)
- [Rentals](#)
- [Personals](#)
- [Local Values](#)
- [Coupons](#)
- [Newspaper Ads](#)

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FDIC takes over Vineyard Bank and Temecula Valley Bank

1:40 PM, July 19, 2009

Two failed Southern California banks will reopen Monday under new owners, after the Federal Deposit Insurance Corp. took control of them late Friday.

Vineyard Bank of Corona, which has 16 branches, was sold to [California Bank & Trust](#) of San Diego, the FDIC said.

Separately, Temecula Valley Bank of Temecula and its 11 branches were sold to [First Citizens Bank and Trust](#) of Raleigh, N.C.

Both Vineyard and Temecula Valley have been careening toward collapse for the last year amid huge losses on real estate-related loans.

Vineyard had assets of \$1.9 billion as of March 31, the FDIC said. Temecula Valley's assets were \$1.5 billion as of May 31.

The official FDIC announcements are [here](#) for Vineyard and [here](#) for Temecula Valley.

All deposits of the two banks, except those brought in by brokers, will be transferred to the acquiring banks. As often occurs in small-bank failures, the FDIC will pay off the brokered deposits, which tend to be hot money that was looking for above-average yields on savings certificates.



California Bank & Trust, which has about \$10 billion in assets and 93 offices in California, is a unit of Zions Bancorp. of Utah.

First Citizens, with \$17.2 billion in assets, operates 354 branches mostly in the Southeast. But it also has a toehold in California via its [IronStone Bank](#) unit, which has nine offices in the state, mainly in San Diego and Orange counties.

The FDIC said it entered into loss-sharing agreements with the acquiring banks to deal with the rotten assets of Vineyard and Temecula Valley. The FDIC will share losses with California Bank & Trust on \$1.5 billion of Vineyard's assets. The agency will share losses with First Citizens Bank on \$1.3 billion of Temecula Valley's assets.

Even so, the FDIC estimated that the failures would cost its insurance fund nearly \$1 billion in total -- \$579 million for Vineyard and \$391 million for Temecula Valley.

The demise of Vineyard and Temecula Valley brings the total number of failed U.S. banks this year to 57, including eight in California.

-- Tom Petruno

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Tom Petruno has been chronicling financial markets' highs and lows since 1979, and has been the Times' financial columnist since 1990. He writes on markets, corporate finance and the economy, and how it all ties in to individual investors' portfolios.