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Vineyard Bank Goes Under

By Glenn Barr

Federal regulators closed Vineyard Bank's 16 branches Friday, paving the way for the troubled 28-year-old company's acquisition by San Diego-based California Bank & Trust.

Branches in Lake Arrowhead and Crestline opened under new ownership on Saturday, amid pledges from CB&T management for a "seamless" transition.



Customers who arrived at Vineyard branches on Saturday were given no advance warning of the change as Federal Deposit Insurance Corporation (FDIC) regulations require. Instead, they were met by CB&T signs posted over Vineyard's logo.

Officials of the 93-branch chain assured Vineyard customers it would be "business as usual" for several months, while Vineyard's financial products are reviewed, its fee structure is studied and any future operational changes are considered.

During that time, Vineyard's 224 employees will remain in their jobs, while CB&T senior managers meet with each one over the next few weeks to review their jobs, assess their skills and decide their futures, said Steven Borg, the company's director of marketing.

NOTHING LOST

Meanwhile, federal officials are reassuring nervous Vineyard customers that their funds are intact. "No one lost anything on deposit at Vineyard Bank," says a recorded voice at the Federal Deposit Insurance Corporation (FDIC) call center, 877-ASK -FDIC (275-3342). The voice provides additional details about the bank's change in ownership.

For the next several months, before Vineyard's operations are fully absorbed into the CB&T system, Borg said, Vineyard customers will be able to use their debit cards, pay bills with Vineyard checks and continue having automatic deposits credited to their

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accounts, as routing numbers will not change.

Asked whether CB&T might close any of its branches, Borg said the company has “no plans to do that at this point.”

The Vineyard acquisition is the second bank CB&T has taken over this year. In February, the company, a wholly owned subsidiary of the 64-year-old Zions Bancorporation of Utah, absorbed the five branches of Alliance Bank of Culver City. CB&T itself was formed in 1998 through the merger of three California banks.

In addition to Vineyard’s failure, three other banks—one in Temecula, one in Georgia and one in South Dakota—were also closed Friday by the federal comptroller of the currency. The closures bring the total of federally insured banks to fail this year to 57.

“This definitely presents an opportunity for us in California,” Borg said of the Vineyard acquisition. “We want to grow. But we’re going to be very prudent about how we do that. We want to remain solid.”

‘PERFECT

ACQUISITION’

Borg said acquiring Vineyard “fills a hole for us. We didn’t have many branches in the Inland Empire. This is the perfect acquisition. It’s the best way to expand quickly.” Previously, he said, CB&T had branches in San Bernardino, Claremont and Pomona.

When banks are about to fail, Borg explained, the FDIC seeks strong banks to acquire their assets and operate them. CB&T had been considering making a bid for Vineyard for some time, he said. It was one of two banks to bid to acquire Vineyard.

“We made our final bid Tuesday. The FDIC decided on Wednesday, and it happened on Friday,” Borg said. When asked if it had been a whirlwind week for CB&T, Borg said, “you can say that again.”

“I don’t know specifically what caused the distress with Vineyard Bank,” Borg said. The Corona-based firm’s stock, which had shot up to about \$32 during the housing boom in 2004, had plummeted to just pennies in recent days, and opened on Friday at 8.5 cents.

Michael Natzic, an executive with Stone Youngberg LLC in Big Bear Lake, attributes Vineyard’s collapse in published reports largely to the bank’s heavy involvement in so-called “loan pools,” in which it merged capital with other banks to make big loans during the housing boom.

Borg said he was “not at liberty to disclose” the price CB&T paid for Vineyard. But the cost to the FDIC’s Deposit Insurance Fund will be \$579 million, according to an FDIC press release dated July 17. The money represents loans made by Vineyard that have either defaulted or are expected to, referred to in the banking industry as “rotten assets.”

Borg said it will take “several weeks” for CB&T officials to determine what changes, if any, they wish to make at Vineyard branches, including whether any will close. At that time, he said, customers will receive a 30-day notice of what they will need to do to accommodate those changes.

Calls to the branches in Lake Arrowhead and Crestline were referred to a corporate spokesperson. In addition to its local branches, Vineyard Bank’s San Bernardino County facilities included branches in Chino and Rancho Cucamonga.

CB&T employs some 2,000 persons. According to a fact sheet available at the Crestline branch, “CB&T is ranked as the nation’s #1 SBA 504 lender.”