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Regulators seize Temecula bank

Operation is one of four shut down by the FDIC

By Mike Freeman

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Banking regulators seized troubled Temecula Valley Bancorp late yesterday, making it the first community bank in the region to fail under the weight of bad real estate loans made to developers during the housing boom.

Meanwhile, a second San Diego area bank – California Bank & Trust – agreed to take over the deposits of Vineyard Bank of Rancho Cucamonga, after it was seized by regulators.

It was a busy day for bank regulators in the region. First, Temecula Valley, which has seven of its 11 branches in San Diego County, was taken over by the California Department of Financial Institutions and the Federal Deposit Insurance Corp. Its deposits will be assumed by First Citizens Bank & Trust Co. of Raleigh, N.C.

The bank's branches will reopen Monday as branches of First Citizens, and Temecula Valley's depositors will become customers of First Citizens. The deposits will continue to be insured.

Temecula Valley had about \$1.5 billion in total assets – mostly loans – and \$1.3 billion in deposits.

The FDIC entered into a loss-sharing arrangement with First Citizens regarding Temecula Valley's loans and other assets. First Citizens will take over about \$1.3 billion in Temecula Valley's loans, and the FDIC will assume a portion of any losses from the loan portfolio.

Temecula Valley bet big on residential housing developers during the real estate boom. When those loans started to sour, it expanded its U.S. Small Business Administration lending. But the SBA program didn't expand fast enough to generate the income necessary to counter the bad real estate loans.

In February, Temecula entered into a cease-and-desist order with the regulators to improve its operations. A key part of the order required the bank to raise \$71 million in new capital by July 15.

The bank had a preliminary deal with Bancroft Capital of Manhattan Beach to inject up to \$210 million into the institution. But that deal fell apart about two weeks ago, leaving Temecula with few options.

In yesterday's second deal, California Bank & Trust, a San Diego-based subsidiary of Utah's Zions Bancorp., acquired the banking operations of Vineyard Bank.

The takeover includes \$1.4 billion in loans and \$1.5 billion of deposits, both insured and uninsured. The bank also said it will enter into a loss-sharing agreement with the FDIC on loans and real estate owned by Vineyard.

Vineyard Bank, which also was a big real estate lender, mostly in the Inland Empire, has 16 branches statewide, mostly in Los Angeles and San Bernardino counties. It has one branch in San Diego County. Those offices will reopen Monday as California Bank & Trust branches.

This is the second troubled bank to be swallowed by California Bank & Trust during this current financial crisis. In February, it acquired assets and deposits of Alliance Bank of Culver City under a similar FDIC brokered deal.

Before it acquired Vineyard, California Bank & Trust operated 93 branches statewide. It has \$10 billion in total assets and \$8.5 billion of deposits – making it San Diego's largest community bank.

Also yesterday, regulators seized two smaller banks in Georgia and South Dakota, increasing to 57 the number of federally insured banks to fail this year.

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