

More Than 100 U.S. Banks Lack Capital

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NEW YORK (TheStreet) -- More than 100 banks and savings and loan institutions in the U.S. were **undercapitalized** as of June 30, according to preliminary data from SNL Financial.

That means capital levels at these 108 banks fell short of standards set by federal and state regulators. SNL Financial's data includes 99% of the 8,500 banks in the U.S., but less than 20% of the roughly 785 savings and loan institutions.

Undercapitalized banks are more likely to fail than those that meet regulatory requirements. To stay afloat, these banks must suspend dividends and raise capital, through their current investors or private equity, or arrange asset sales or mergers with stronger institutions.

Among the 89 undercapitalized banks and S&Ls on a list published by TheStreet.com in late May, 27 have already failed. The largest was Vineyard Bank NA of Corona, Calif., which failed on July 18. The Federal Deposit Insurance Corp. sold its deposits and branches to California Bank & Trust of San Diego, a subsidiary of Zions Bancorp (ZION Quote).

A bank or S&L typically needs to maintain tier 1 leverage, tier 1 risk-based and total risk-based capital ratios of at least 5%, 6% and 10%, respectively, to be considered well-capitalized. The ratios need to be at least 4%, 4% and 8% for an institution to be considered adequately capitalized.

Many institutions have been forced to hold even higher levels of capital, including Corus Bankshares (CORS Quote). The Chicago-based condominium lender had been ordered boost its tier 1 leverage ratios to at least 9% by June 18. On Friday, Corus said its tier 1 capital had dropped to negative \$157 million as of June 30.

Four other banks had negative capital ratios according to preliminary regulatory reports for the second quarter. After Corus, which had \$7 billion in total assets, the largest of these was Mainstreet Bank of Forest Lake, Minn., with \$459 million.

Undercapitalized Banks and Thrifts

The list of undercapitalized banks is based on preliminary data that's subject to revision. Banks or S&Ls might have raised capital since June. The list also excludes banks and thrifts whose capital ratios meet government standards but are considered undercapitalized because regulators are requiring them to hold additional money.

The list is sorted by state in ascending order by tier 1 leverage ratio:

Undercapitalized Banks and S&Ls - 6/30/09 -
Preliminary Regulatory Data (\$Mil)

Ariz.	\$206	-\$4.1	11.36	4.31
Ariz.	\$43	-\$0.4	16.69	4.57
Calif.	\$7,065	-\$19.3	5.38	0.94
Calif.	\$1,211	-\$37.4	10.32	1.49
Calif.	\$3,396	-\$43.1	3.63	1.69

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Source: SNL Financial Inc.

Georgia leads the U.S. with 21 banks and thrifts fail since the beginning of 2008. Behind it are Illinois with 14 failures, California with 13, Florida with six and Nevada with four.

Large bank holding companies such as SunTrust Banks (STI Quote), Fifth Third Bancorp (FITB Quote) and U.S. Bancorp (USB Quote) have been buying failed institutions for the past 18 months. JPMorgan Chase (JPM Quote) acquired Washington Mutual, the largest-ever bank or thrift to fail in the U.S.

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In addition, the Financial Strength Ratings for 4,000 life, health, annuity, and property/casualty insurers are available on the [Insurers & HMOs Screener](#). *The writer owns shares in Riverside Banking Co., the holding company for Riverside National Bank of Florida, of Fort Pierce, a former employer.*

-- Reported by Philip van Doorn in Jupiter, Fla.

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