

Mike Allen >> FINANCE

The Early 1990s Still Holds Record for Local Bank Failures



Four more local banks failed at the end of July, bringing the total this year to 69.

That's the highest since 1992 when the nation and San

Diego were dealing with another recession, according to the Federal Deposit Insurance Corp.

In 1992, 179 lending institutions failed, including the largest savings and loan based here, HomeFed Bank.

While that sounds terrible, it was less than half of the 381 failures recorded in 1990, when the S&L crisis was at its apex.

In addition to HomeFed, three other major San Diego-based thrifts also toppled due to surging defaults: Central Savings and Loan, Imperial Savings, and Great American Bank, each of which had hundreds of branches and thousands of employees.

It's impossible to say whether the current recession will suffer a high level of failures similar to the early 1990s, but the signs don't portend a rebound, says Larry Hartwig, chief executive at California Community Bank in Escondido.

Hartwig, then CEO at an Anaheim-based Southern California Bank, said the region was devastated when the aerospace and defense industries went into a freefall, and unemployment skyrocketed.

"Real estate appreciation stopped, as well as the demand. People were handing their keys to us," Hartwig said.

This recession is different in that it's far

more global and affecting far more industries, he says. "It's everywhere right now."

The prospects for many lenders aren't good, particularly as more commercial loans go into default, Hartwig says.

With rising vacancy rates for both office and industrial space, the economy appears to be deteriorating, he says.

And, as more loans go bad, and banks are forced to increase reserves, bank capital declines and regulators take over.

"We are not coming out of this thing yet, and I think there's more (failures) to come," Hartwig says.

Temecula Valley Bank Parent To File Bankruptcy: Temecula Valley Bancorp, parent of failed Temecula Valley Bank, said in a recent securities filing it will file for bankruptcy protection. That's not unusual as once the holding company's primary asset is gone, there's not much left.



Frank Mercardante

Frank Mercardante, former CEO of Discovery Bank, said he followed a similar path after the Bank of San Diego failed in early 1993. The bank's parent has bills to pay without the means, so it seeks court protection.

TVB, with six of 11 offices in San Diego County, was seized by regulators July 17 after it failed to raise capital levels. The bank is now owned by First Citizens Bank & Trust in North Carolina.

In other TVB news, CEO Frank

Basirico and President and COO Martin Plourd resigned from their positions and from the company's board of directors.

Vibra Bank Grows In First Year: After its first year of operations, Vibra Bank in Chula Vista reports total assets of \$36.9 million, which includes net loans of \$22 million.

Total deposits as of June 30 were \$24.8 million.

Of course, there are no earnings, only losses, due to startup costs.

For the first six months of this year, Vibra reported a net loss of \$919,000, which was expected, says CEO Scott Parker.

Those losses will continue until Vibra reaches its break even size, says Parker, who did not provide that particular number.

Vibra, the only local bank to launch in the region last year, is targeting the Hispanic market.

First PacTrust Profits In Second Quarter: First PacTrust Bancorp, parent of Pacific Trust Bank in Chula Vista, reported \$685,000 in net profit for the second quarter, compared with a net loss of \$1.8 million for the like quarter of 2008.

For the first half, the company reported a net loss of \$1.9 million compared with a net loss of \$630,000 for the first half of 2008.

PacTrust increased its reserves by \$2.7 million during the quarter for its problem loan balance of \$41.7 million at the end of June. That was down from the December problem loan total of \$46.8 million. As a percent of total assets,

problem loans and foreclosed real estate make up 5.57 percent, compared to 4.29 percent as of the end of 2008.

PacTrust's total assets rose by \$17 million in the quarter to about \$893 million on June 30, but all of that was due to the purchase of mortgage securities.

CEO Hans Ganz says the bank is trying to lend money, but the market for short-term jumbo mortgages of more than \$400,000 remains slow.

Small Change: Wells Fargo Bank invested \$250,000 in the Bankers Small Business Community Development Corp., a multi-bank consortium of large banks that provide capital for micro-loan programs. It's Wells Fargo's second investment in the program this year, bringing the total to \$520,000 ... Hanmi Bank in Los Angeles, with a single office in San Diego, said it had to restate its first-quarter results because of a recent examination, which increased the net loss to \$17.2 million from the earlier loss of \$5.2 million. Hanmi is raising \$11 million in new capital from a South Korean securities broker-dealer in a transaction that should be completed by September ... Accion San Diego, the nonprofit microlender, said Executive Director Elizabeth Makee received a Job Generator award from the California Association for Micro Enterprise Opportunity at its annual convention last month.

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