

Eight Banks Fail in Four States

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Eight banks were shuttered by regulators Friday, bringing the 2010 tally of U.S. bank failures to 118.

Six of the eight failed banks were included in *TheStreet's* [Bank Watch List](#) of undercapitalized institutions, based on second-quarter regulatory data provided by *SNL Financial*.

The Federal Deposit Insurance Corp. found buyers for the deposits and branches for all of the failed institutions and estimated the combined cost to its deposit insurance fund would be \$473.5 million.

The largest failure on Friday was **ShoreBank** of Chicago, which had \$2.16 billion in total assets. ShoreBank received wide media coverage after *Bloomberg* reported Aug. 5 that the institution had been denied federal bailout funds that would have been required to complete an earlier deal to raise \$145 million in capital from an investor group that included **Citigroup**([C](#)), **Bank of America**([BAC](#)), **JPMorgan Chase**([JPM](#)), **Wells Fargo**([WFC](#)), **Morgan Stanley**([MS](#)), **Goldman Sachs**([GS](#)) and **Northern Trust**([NTRS](#)).

Early Friday, the *Wall Street Journal* reported that the same investor group had agreed to back ShoreBank's new management team in a new bid to buy ShoreBank's assets from the FDIC were it to fail.

This is indeed what happened. After Illinois regulators shuttered ShoreBank, the FDIC sold the failed institution's deposits for a 0.50% premium to the newly formed **Urban Partnership Bank** of Chicago, which also acquired ShoreBank's assets, with the FDIC agreeing to share in 80% of losses on \$1.41 billion of the acquired assets.

Because of the unusual nature of the failed bank's resolution and the wide media coverage before ShoreBank's failure, the FDIC released additional details about its marketing efforts for the failed bank, saying that the Urban Partnership Bank bid was the only one received and emphasizing that the senior managers retained from ShoreBank were the new management team that had joined the bank in June.

FDIC spokesman David Barr told *TheStreet* that if the agency hadn't received the offer from the Urban Partnership group, liquidating ShoreBank could have cost the deposit insurance fund "close to \$700 million." He also emphasized that ShoreBank was a designated community development bank with a business strategy of serving "underserved low-to-moderate income communities," and that Urban Partnership Bank's management would follow the same strategy and eventually seek the same designation from the Treasury.

The 15 branches of ShoreBank in Chicago, Detroit and Cleveland were set to reopen during normal business hours as branches of Urban Partnership Bank. The FDIC estimated the cost to the deposit insurance fund would be \$367.7 million.

Four California Failures

The California Department of Financial Institutions took over **Butte Community Bank** of Chico, Calif., which had \$499 million in total assets, and **Pacific State Bank** of Stockton, which had total assets of \$312 million. The FDIC was appointed receiver and sold the deposits and assets of both failed banks to **Rabobank, NA** of El Centro, Calif. Rabobank paid the FDIC a 4.05% premium for Butte Community's deposits, but it paid no premium for Pacific State Bank's deposits

The failed banks were not affiliated with each other. Their combined 23 branches were scheduled to reopen during normal business hours as Rabobank branches. The FDIC agreed to share in losses on \$425 million of Butte Community Bank's assets and \$250 million of Pacific State Bank's assets and estimated the cost to the deposit insurance fund would be \$17.4 million for Butte Community's failure and \$32.6 for Pacific State Bank

California regulators also shut down **Sonoma Valley Bank** of Sonoma, Calif., which had \$337 million in total assets. The FDIC sold it to **Westamerica Bank** of San Rafael, Calif., which is the main subsidiary of **Westamerica Bancorporation**([WABC](#)).

Westamerica paid the FDIC a 2% premium for the failed bank's deposits. The FDIC estimated the cost of Sonoma Valley Bank's failure to the deposit insurance fund would be \$10.1 million. The failed bank's branches were set to reopen Saturday as Westamerica branches.

The Office of Thrift Supervision closed **Los Padres Bank** of Solvang, Calif., which had \$870 million in total assets. The FDIC sold the failed bank to **Pacific Western Bank** of San Diego, Calif., with the acquirer paying a 0.45% premium for Los Padres Bank's deposits.

Pacific Western Bank is held by **PacWest Bancorp**([PACW](#)).

The FDIC agreed to share in losses on \$580 million in assets acquired by Pacific Western Bank and estimated the cost to the deposit insurance fund would be \$8.7 million. The failed bank's 14 offices were scheduled to reopen as branches of Pacific Western on Monday.

Two Florida Failures

The Office of the Comptroller of the Currency shut down **Community National Bank at Bartow** and **Independent National Bank** of Ocala, Fla. The FDIC was appointed receiver and arranged for **CenterState Bank of Florida** to acquire all of the deposits and assets of both failed banks. CenterState is held by **CenterState Banks of Florida**([CSFL](#)).

Community National Bank at Bartow had \$68 million in total assets, and Independent National Bank had \$156 million in total assets. The FDIC agreed to share in losses on \$52 million of the assets CenterState acquired from Community National Bank at Bartow and \$120 million of the assets acquired from Independent National Bank. The failed banks' five branches were scheduled to reopen during normal business hours as CenterState branches.

The FDIC estimated the deposit insurance fund would incur costs of \$10.3 million for Community National Bank at Bartow's failure and \$23.2 million for Independent national Bank.

Imperial Savings and Loan

The OTS shut down **Imperial Savings and Loan** of Martinsville, Va. The FDIC was appointed receiver and sold the failed thrift, which had \$9.4 million in total assets, to **River Community Bank, NA**, also of Martinsville, Va. The sole office of Imperial Savings and Loan was scheduled to reopen Monday as a River Community branch, and the FDIC estimated the cost to the insurance fund would be \$3.5 million.

Ongoing Bank Failure Coverage

All previous bank closures since the beginning of 2008 are detailed in *TheStreet's* interactive bank failure map:



[CLICK HERE FOR TABLE](#)

The bank failure map is color-coded, with states having the greatest number of failures highlighted in red, and states with no failures in gray. By moving your mouse over a state you can see its combined 2008-2010 totals. Clicking on a state will open a detailed map pinpointing the locations of the failures and providing additional information about each one.

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