



## More Bay Area bank failures expected

By George Avalos  
The Oakland Tribune

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Two new bank failures, involving one bank in Oakland and another in San Rafael, won't be the last in the Bay Area and are a reminder that the region's economy remains wobbly, analysts said Monday.

Oakland-based Innovative Bank and San Rafael-based Tamalpais Bank were seized by bank regulators last Friday and turned over to new owners.

Los Angeles-based Center Bank took over Innovative and San Francisco-based Union Bank took over Tamalpais Bank, said the Federal Deposit Insurance Corp., the regulatory agency that seized the banks and turned them over to the new owners.

"I expect more bank failures throughout the West Coast, including California," said Walter Mix, a managing director with LECG Corp., an expert services and consulting firm.

Bank failures have mounted in recent months in the Bay Area amid a sour economy. Last fall, the FDIC closed two San Francisco-based banks, Pacific National Bank and United Commercial Bank, and turned them over to new owners.

"We are not out of the woods yet," said Hans Schroeder, a principal executive with San Francisco-based Green Street Capital Management. "The

banking problems are definitely not over. There will be more failures."

Some experts believe the FDIC could close banks with more frequency if it so chose. Christopher Thornberg, an economist and co-owner with Beacon Economics, said the FDIC is simply biding its time before it charges in to close more banks.

"The FDIC is taking on the role of the lion on the savannah," Thornberg said. "They are circling around and picking off the weak ones at the back of the herd."

All of the branches of the two failed banks were open during normal business hours over the weekend and on Monday.

Innovative had four branches: two in downtown Oakland, one in Santa Clara and one in Los Angeles. Tamalpais Bank had seven branches: two in San Rafael, and one each in Mill Valley, Greenbrae, San Anselmo, Corte Madera and Tiburon.

During 2009, Innovative lost \$14.5 million, nearly twice the 2008 loss of \$7.6 million, a bank regulatory filing showed. Innovative Bank had \$268.9 million in assets and \$225.2 million in deposits at the end of 2009.

Tamalpais Bank lost \$36.2 million in 2009. That represented a steep erosion from the bank's profit in 2008 of \$6 million. On Dec. 31, 2009, Tamalpais had \$628.9 million in assets and \$487.6 million in deposits.

"Innovative and Tamalpais Bank had a lot of construction loans," Schroeder said.

As of Dec. 31, 2009, Innovative had \$27.5 million

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in failed loans. That was up 86 percent from the \$14.8 million in nonperforming loans in 2008 that were no longer accruing income.

At the end of 2009, 57 percent of Innovative Bank's failed loans were in real estate, including 50 percent in commercial real estate. About 43 percent of the failed loans were general business loans.

A similar pattern of real estate-oriented loans emerged at Tamalpais.

At the end of 2009, Tamalpais Bank had \$43.1 million in failed loans. That was more than double, or 157 percent higher, than the \$16.8 million in nonperforming loans at the end of 2008.

About 99.5 percent of Tamalpais Bank's failed loans were in real estate. About 49 percent of the nonperforming loans were in commercial real estate.


"As unemployment stays high in California and the economy doesn't recover, banks will struggle due to problem assets," Mix said.

Small and medium-sized institutions such as community banks are expected to have considerable problems down the road.

"Most of the regional banks that are heavily oriented toward commercial real estate are under water," Thornberg said. "They are a mess, a disaster."

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