U.S. Banks Failing At Fastest Pace In 2 Decades

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WASHINGTON — Regulators shut down four more banks Friday, bringing the 2010 total to 143, topping the 140 shuttered last year and the most in a year since the savings-and-loan crisis two decades ago.

The Federal Deposit Insurance Corp. took over K Bank, based in Randallstown, Maryland, with $538.3 million in assets, and Pierce Commercial Bank, based in Tacoma, Washington, with $221.1 million in assets. The FDIC also seized two California banks: Western Commercial Bank in Woodland Hills, with $98.6 million in assets, and First Vietnamese American Bank in Westminster, with assets of $48 million.

M&T Bank, based in Buffalo, N.Y., agreed to assume the deposits and $410.8 million of the assets of K Bank. First California Bank, based in Westlake Village, Calif., is acquiring the assets and deposits of Western Commercial Bank. Heritage Bank, based in Olympia, Wash., is taking the assets and deposits of Pierce Commercial Bank, while Los Angeles-based Grandpoint Bank is assuming the assets and deposits of First Vietnamese American Bank.

In addition, the FDIC and M&T Bank agreed to share losses on $289 million of K Bank's loans and other assets. The FDIC and First California Bank are sharing losses on $83.9 million of Western Commercial Bank's assets.

The failure of K Bank is expected to cost the deposit insurance fund $198.4 million. That of Western Commercial Bank is expected to cost $25.2 million; Pierce Commercial Bank, $21.3 million, and First Vietnamese American Bank, $9.6 million.

Like these four financial institutions, the banks that have failed this year are smaller, on average, than those that succumbed in 2009. That has meant the deposit insurance fund has suffered a milder loss, which has reached about $21 billion so far this year, compared with $36 billion in 2009.

Still, banks, especially small community institutions, are falling as soured loans have mounted and the economy has sputtered. The wave of closings points to the lingering power of the recession more than a year after its official end.

Florida, Georgia, Illinois and California have each seen bank failures in the double digits this year. Some communities in those states are still reeling from the financial meltdown that brought an avalanche of bad loans, especially for commercial real estate.

The closures have compounded the problems in areas already straining under high unemployment, foreclosed homes and vacant malls and office buildings.

The pace of failures has accelerated as banks' losses on loans for commercial property and development have mounted. Many companies have shut down in the recession, vacating shopping malls and office buildings financed by the loans. That has brought delinquent loan payments and defaults by commercial developers.

The 2009 total of bank failures had been the highest annual toll since 1992, at the height of the savings and loan crisis. More than 1,000 banks went under in the savings-and-loan crisis of 1987-1992.

Twenty-five banks failed in 2008, the year the financial crisis struck with force; only three succumbed in 2007.

The growing bank failures have sapped billions of dollars out of the FDIC's deposit insurance fund. It fell into the red last year, and its deficit stood at $15.2 billion as of June 30. The FDIC expects the cost of resolving failed banks to total around $52 billion from 2010 through 2014.

Depositors' money — insured up to $250,000 per account — is not at risk, with the FDIC backed by the government. That insurance cap was made permanent in the financial overhaul law enacted in July.