
Joint Release

Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

For immediate release

April 1, 1994

**HOME BANK, SIGNAL HILL, CALIFORNIA, ASSUMES INSURED DEPOSITS
OF MECHANICS NATIONAL BANK, PARAMOUNT, CALIFORNIA:
MONEY-DESK DEPOSITS**

PAID OUT

Home Bank, Signal Hill, California, has assumed the insured deposits of Mechanics National Bank, Paramount, California, after Mechanics was closed today by the Office of the Comptroller of the Currency (OCC) and the FDIC was named receiver. The failed bank's money-desk deposits, which totaled about \$37.0 million in 373 accounts, will be paid out, up to the \$100,000 federal insurance limit. At the same time, Home Bank entered into separate purchase and assumption agreements to sell selected Mechanics National branches and assets to six other banking institutions.

Mechanics National, with assets of about \$165.8 million, was closed because the OCC found that the bank was in an unsafe and unsound condition to transact business and had incurred losses that depleted all of its capital. In addition, the bank demonstrated no likely prospects of becoming adequately capitalized.

Mechanics National Bank assets became highly concentrated in real estate loans, loans to service stations and Small Business Administration (SBA) loans over the past five years. The bank grew rapidly without adequate expertise, controls, policies or procedures. The bank's loan underwriting, administration and collection practices were poor. Many of these loans eventually became losses for the bank when the borrowers defaulted. The bank's board signed a consent order with the OCC in 1991, agreeing to ensure implementation of effective controls in the bank, but the bank did not comply with that order. Due to continued losses, the OCC placed Mechanics National Bank under a prompt corrective action directive in August of 1993. That directive required the bank to dismiss certain officers and raise capital. While the bank dismissed these officers, capital was never raised.

The bank's net losses over the past two years exceeded \$21.0 million. Mechanics National Bank received a national bank charter on January 28, 1965.

Of the failed bank's eight offices, the Paramount office will reopen on Monday, April 4, 1994, as an office of Home Bank. The failed bank's Torrance office will not reopen, but customers can access their accounts on Monday at Home Bank's office at 2860 W. Sepulveda Blvd., Torrance.

Of the six remaining offices:

- The Downey branch will reopen as a branch of Pacific Western National Bank, Pico Rivera.
- The Huntington Park branch will open as a branch of Cerritos Valley Bank, Norwalk.
- The Mira Loma branch will reopen as a branch of De Anza National Bank, Riverside.

All offices will reopen Monday.

The following three failed bank branches will not reopen, but customers can access their accounts as follows:

Branch	Customers can access accounts Monday at:
Brea	Landmark Bank, 390 N. Brea Blvd., Brea
Encino	California United Bank, N.A. 16030 Ventura Blvd., Encino
Upland	Foothills Independent Bank, 569 N. Mountain Ave., Upland

The failed banks' depositors automatically will become depositors of their respective assuming banks. Customers of the failed bank's money desk will have their deposits, up to the federal \$100,000 insurance limit, mailed to them beginning Monday, April 4, 1994.

Home Bank will assume about \$107.6 million in about 13,800 deposit accounts. At the time the bank failed, about 130 accounts totaling \$4.8 million exceeded the federal insurance limit of \$100,000 and will not be assumed by Home Bank.

The FDIC Board of Directors also voted to make a prompt advance payment to uninsured depositors equal to 62 percent of uninsured claims. Uninsured depositors can call an FDIC claims agent at the failed bank's main office beginning Saturday, April 2, 1994, to arrange payment.

The assuming bank will pay a premium of \$55,000 for the right to receive the failed bank's deposits and will purchase \$20.5 million of the failed bank's assets.

The failure of Mechanics National is the first bank failure of 1994. In the first three months of 1993, seven banks failed, and 35 banks failed during the same period of 1992. Mechanics National Bank had no affiliation with similarly named Mechanics Bank, Richmond, California.

The Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the

FDIC. The FDIC notes that its claim on recoveries from the sale of the failed bank's assets will have priority over non-depositor creditors of the failed bank.

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PR-21-94