

Joint Release

Federal Deposit Insurance Corporation Office of the Comptroller of the Currency

FOR IMMEDIATE RELEASE
FDIC: PR-115-93
OCC: 93-105

September 24, 1993
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WESTERN UNITED NATIONAL BANK, LOS ANGELES, CALIFORNIA, IS CLOSED; INSURED DEPOSITORS PAID OFF

Western United National Bank, Los Angeles, California, was closed today by the Office of the Comptroller of the Currency (OCC) and the FDIC was named receiver. The insured deposits of Western United will be mailed to bank customers beginning Monday, September 27, 1993.

The FDIC board of directors determined that a payoff of insured depositors was required because no bids were received for the failed bank.

Western United National Bank, with total assets of about \$24 million, was closed by the OCC because the bank was insolvent — that is, its assets were less than its obligations to its creditors. In addition, the bank was in an unsafe and unsound condition to transact business and had no reasonable prospect of becoming adequately capitalized. In light of these findings, the OCC determined that closure and appointment of the FDIC as receiver was necessary to protect the interests of the bank's insured depositors and the deposit insurance fund.

The bank was active in commercial real estate and construction lending. It experienced loan losses that resulted from poor underwriting and loan administration standards, including failure to obtain collateral security, a high volume of loans not adequately supported by current and complete credit information, failure to properly account for nonaccrual loans and lack of problem loan identification. The weak local economy amplified the bank's problems. In January 1993, the bank stipulated to a consent order that required the directors

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and management to take actions to correct the bank's problems. The bank never fully complied with that order and it incurred losses that depleted all of its capital.

Deposits in about 1,200 accounts totaled about \$22.9 million. About \$1.1 million in 39 accounts exceeded the federal insurance limit of \$100,000. Insured depositors' checks will be mailed to customers beginning Monday.

The FDIC Board of Directors voted to make a prompt advance payment to uninsured depositors which will equal 70 percent of uninsured claims. Uninsured depositors can call an FDIC claims agent at the failed bank's office beginning Monday, September 27, to arrange payment.

The FDIC notes that, pursuant to federal law, 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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