

UCBH Holdings' Bank Is Seized, 120th U.S. Lender Shut This Year

By Dakin Campbell

Nov. 7 (Bloomberg) -- [UCBH Holdings Inc.](#)'s United Commercial Bank, a San Francisco-based lender with \$11.2 billion in assets, was seized by regulators, becoming the 120th U.S. bank to fail this year.

United Commercial was bought by [East West Bancorp](#) of Pasadena, California, the Federal Deposit Insurance Corp. said. United Commercial was the fifth U.S. lender to be seized by regulators yesterday as banks fail at the fastest rate since 1992.

East West paid a premium of 1.1 percent to acquire United Commercial's \$7.5 billion in deposits, and picks up 63 U.S. branches as well as banking operations in China. East West said it is now the second-largest independent bank based in California, and the largest in the U.S. specializing in serving Asian-Americans.

"This is a transformational event," East West Chief Executive Officer [Dominic Ng](#) said in the statement. "The transaction strengthens our presence in key markets throughout the U.S. and Asia."

Banks are buckling under the weight of souring real estate loans caused by the worst recession in more than 25 years. The Labor Department said the unemployment rate rose to 10.2 percent in October, a 26-year high. Banks shut yesterday had total assets of \$11.6 billion and deposits of \$7.9 billion.

East West and the FDIC will share losses on \$7.7 billion of assets. The agency agreed to share losses on other deals, including [Ameris Bancorp's](#) acquisition of United Security Bank of Sparta, Georgia. Based in Moultrie, Georgia, Ameris paid a premium of 0.36 percent to purchase \$150 million in deposits. The loss-sharing agreement covers \$123 million of assets.

FDIC's Fund

Loss-sharing agreements defray the cost to the FDIC deposit-insurance fund. Bank closures have depleted the fund and led the FDIC to propose charging banks three years worth of fees to raise about \$45 billion. Yesterday's transactions cost the fund about \$1.5 billion, the FDIC said.

With its acquisition, Ameris now has 53 branches in Georgia, Florida, Alabama and South Carolina, according to the company's statement. The lender bought American United Bank in Lawrenceville, Georgia, with the FDIC's backing last month.

[Alerus Financial Corp.](#), based in Grand Forks, North Dakota, acquired the \$175.6 million in deposits at Prosperan Bank in Oakdale, Minnesota.

Commercial real-estate loans have been a leading cause of bank failures in the past two years. The loans totaled almost \$1.1 trillion as of June, according to the FDIC.

"The most prominent area of risk for rising credit losses at FDIC-insured institutions during the next several quarters is in CRE lending," FDIC Chairman [Sheila Bair](#) said Oct. 14 during testimony before a Senate subcommittee.

Failures will peak next year, Bair said. The agency had 416 banks on its confidential problem list of lenders deemed at heightened risk of failure as of June 30. Most banks on the list don't fail, Bair has said.

The following table lists the banks that were seized yesterday. Asset and deposit figures are in millions of U.S. dollars.

Failed Bank Buyer Assets Deposits

United Commercial East West Bancorp 11,200 7,500 San Francisco Pasadena, CA

Prosperan Bank Alerus Financial 199.5 175.6 Oakdale, MN Grand Forks, ND

United Security Bank Ameris Bank 157 150 Sparta, Georgia Moultrie, GA

Gateway Bank of Central Bank of 27.7 27.9 St. Louis Kansas City

Home Federal Savings Bank Liberty Bank & Trust 14.9 12.8 Detroit New Orleans

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