

# Orange County Register

Published: Nov. 5, 2010

Updated: Nov. 6, 2010 9:29 a.m.

## FDIC closes Westminster bank

By RONALD CAMPBELL

THE ORANGE COUNTY REGISTER

WESTMINSTER – Regulators closed **First Vietnamese American Bank** on Friday, ending five years of losses.

The **Federal Deposit Insurance Corp.** seized the bank shortly after 5 p.m. and sold it to **Grandpoint Bank** of Los Angeles. The agency said it expects the takeover to cost \$9.6 million.

The FDIC said last week that the bank was "critically undercapitalized," making its takeover all but inevitable.

During the past year the bank's "Tier 1 capital," a key measure of its strength, fell by 82 percent. Closely watched "leverage ratios" sank far below levels the FDIC considers adequate.

The bank won state approval in July to bring in new investors, Philippine businessmen Charles and Michael Lhuillier. But the FDIC never signed off on the deal. In an order released last week the FDIC described the bank's recapitalization plan as "unacceptable."

The FDIC takeover wipes out existing shareholders.

Founded in early 2005 with \$15 million raised from local investors, First Vietnamese American Bank wanted to become a financial center for the county's large Asian community.

It got off to a rocky start. The FDIC slapped it with a cease-and-desist order less than a year after the bank opened its doors, citing weak management and greater than expected losses. The bank churned through three senior executives in its first 15 months.

Turmoil at the top ended in mid-2007 when Benjamin P. Palma-Gil became chief executive.

However, the bank never made money.

In addition to the weak economy, the bank appears to have been hurt by its dependence on expensive deposits during a time of record-low interest rates. A third of the bank's deposits consist of six-figure certificates of deposit maturing within 12 months.

This was the first bank failure in Orange County in more than a year following two failures each in 2008 and 2009. The last local bank to close was San Clemente-based **Pacific Coast National Bank** on Nov. 13, 2009.

First Vietnamese American Bank was the 143rd bank seized nationwide this year, eclipsing the 140 taken over in all of 2009. The FDIC's insurance fund, which pays off depositors in failed banks, is underwritten by the banking industry.