

## OFFICE OF THRIFT SUPERVISION

### Receivership Of A Federal Savings Association

**Date:** November 21, 2008  
**Order No.:** 2008-50  
**OTS No.:** 01405

The Director of the Office of Thrift Supervision (OTS), or his designee, in cooperation with the Federal Deposit Insurance Corporation (FDIC), has determined to appoint the FDIC as receiver of PFF Bank & Trust, Pomona, California (Savings Bank).

#### **GROUND FOR APPOINTMENT OF FDIC AS RECEIVER FOR THE SAVINGS BANK**

The Director, or his designee, based upon the administrative record finds and determines the following:

The Savings Bank is in an unsafe or unsound condition to transact business; and

The Savings Bank is undercapitalized and has failed to submit a capital restoration plan that is acceptable to the OTS within the time prescribed.

The Savings Bank is a Federally chartered savings association, the accounts of which are insured by the Deposit Insurance Fund (DIF). The Savings Bank has its home office in Pomona, California. As of September 30, 2008, the Savings Bank reported total assets of \$3.715 billion.

#### **DISCUSSION OF GROUNDS FOR APPOINTMENT OF A RECEIVER FOR THE SAVINGS BANK**

Section 5(d)(2)(A) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(d)(2)(A), provides that the Director may appoint a receiver for any insured savings association if the Director determines that one or more grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1821(c)(5), exist.

Under section 11(c)(5)(C) of the FDIA, the Director may appoint a receiver if a savings association is in an unsafe or unsound condition to transact business. The Savings Bank is in an unsafe and unsound condition as a result of its severe liquidity strain, deteriorating asset quality, continuing significant negative operating earnings and declining capital ratios.

The Savings Bank's asset quality has rapidly declined. This deterioration results from the Savings Bank's large concentration of tract construction and land loans, and the fact that the steadily declining house values in the areas where the underlying properties are located have adversely affected the inherent risks in these portfolios.

The Savings Bank has suffered significant net losses due to asset quality trends. Such losses have accelerated in the current calendar year. For the 12 months ended December 31, 2007, the Savings Bank reported a net loss of \$2.3 million. In the first three quarters of 2008, the Savings Bank reported a net loss of approximately \$170.7 million, including a loss of \$62.1 million in the quarter ending September 30, 2008.

As the level of classified and non-performing assets increases, the Savings Bank's earnings will continue to decline significantly, resulting in the Savings Bank's inability to offset projected increased loan losses, provide sufficient funds to meet potential deposit outflows, and supplement capital required to return to safe and sound condition.

In addition, the Savings Bank has marginal liquidity. It suffered significant deposit outflows earlier in 2008 and must conserve its resources to be able to meet current and future deposit withdrawals. Thus, the Savings Bank is restricted in the manner in which it may employ its funds to increase earnings and capital.

Because of the significant losses the Savings Bank has suffered, the Savings Bank's capital has steadily declined over recent periods. As of December 31, 2007, the Savings Bank reported Tier One (Core) Capital of 8.62 percent and Total Risk-Based Capital of 11.30 percent. In the following quarter, the Savings Bank's PCA capital level dropped to Adequately Capitalized with reported capital levels of Tier One (Core) and Total Risk-Based of 6.68 percent and 9.00 percent, respectively. The Savings Bank reported that, as of the quarter ended September 30, 2008, it was Undercapitalized, with Total Risk-Based Capital of 6.72 percent and Tier One (Core) Capital of 4.53 percent.

Under section 11(c)(5)(K)(iii) of the FDIA, the Director may appoint a receiver if a savings association is undercapitalized and fails to submit a capital restoration plan that is acceptable to its federal banking regulator within the time prescribed under 12 U.S.C. § 1831o. The Savings Bank is undercapitalized and it failed to file an acceptable capital restoration plan in the time provided.

The Savings Bank reported that, as of September 30, 2008, it was undercapitalized. Thereafter, OTS informed the Savings Bank that it had to file a capital restoration plan. After granting one extension, the OTS required that the plan be filed on November 14, 2008. A plan was filed on that date, but that plan principally relied on a proposed acquisition by a particular financial institution to resolve the Savings Bank's capital deficiency. The alternative strategies provided in the plan did not demonstrate that the Savings Bank would be adequately capitalized by either December 31, 2008 or December 31, 2009. Because the alternative scenarios did not demonstrate adequate capitalization within a reasonable period and because the proposed acquirer does not have

and is not likely, in the foreseeable future, to obtain the necessary regulatory approvals to consummate the transaction, OTS determined that the plan was unacceptable.

The Director, or his designee, therefore, has determined that grounds for the appointment for a receiver for the Savings Bank exist under section 5(d)(2) of the HOLA, and sections 11(c)(5)(C) and 11(c)(5)(K)(iii) of the FDIA, 12 U.S.C. §§ 1821(c)(5)(C) and 1821(c)(5)(K)(iii).

### **ACTIONS ORDERED OR APPROVED**

#### **Appointment of a Receiver**

The Director, or his designee, hereby appoints the FDIC as receiver for the Savings Bank, for the purpose of liquidation, pursuant to section 5(d)(2) of the HOLA, and section 11(c)(6)(B) of the FDIA, 12 U.S.C. § 1821(c)(6)(B).

#### **Delegation of Authority to Act for OTS**

The Director, or his designee, hereby authorizes the OTS West Regional Director, or his designee, and the Deputy Chief Counsel for the Business Transactions Division of the Chief Counsel's office, or his designee, to: (i) certify orders; (ii) sign, execute, attest, or certify other documents of OTS issued or authorized by this Order; (iii) designate the persons or entity that will give notice of the appointment of a receiver for the Savings Bank and serve the Savings Bank with a copy of this Order pursuant to 12 C.F.R. § 558.2; and (iv) perform such other functions of OTS necessary or appropriate for implementation of this Order. All documents to be issued under the authority of this Order must be first approved, in form and content, by the Chief Counsel's Office. In addition, the Director, or his designee, hereby authorizes the Deputy Chief Counsel for the Business Transactions Division of the Chief Counsel's office, or his designee, to make any subsequent technical corrections, that might be necessary, to this Order, or any documents issued under the authority of this Order.

By Order of the Director of OTS, effective November 21, 2008.

  
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John M. Reich  
Director