

## Regulators close N.J.-based bank

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State and federal regulators yesterday closed Elizabeth-based First BankAmericano and agreed to allow Crown Bank, another small community-based banking business, to take its assets, deposits and debts.

Under the agreement with regulators, First BankAmericano's six branches will reopen as branches of Crown Bank this morning. Customers, whose accounts will continue to be insured by the Federal Deposit Insurance Corp., should be unaffected by the transfer.

First BankAmericano is the second bank to be shut in New Jersey. In May, regulators closed Citizens Community Bank, which operated a single branch in Ridgewood.

First BankAmericano, which opened 12 years ago with a mission of serving the Hispanic community, had operated on a probation-like set of conditions for more than a year. In May, as its loan losses mounted, the bank's board agreed to merge with Crown Bank, which would have provided a financial lifeline.

While the state quickly signed off on the proposed deal, federal regulators opted instead to close First BankAmericano and transfer its business to Crown. Yesterday, the FDIC estimated the cost to the Deposit Insurance Fund will be \$15 million -- and the least-costly resolution.

But Michael Horn, the bank's attorney for the past two years, said he was baffled by the decision of the FDIC to use \$15 million to close First BankAmericano when Crown had proposed to acquire the bank for \$1 million.

"This didn't have to happen," Horn said.

Neil Jasey, commissioner of the New Jersey Department of Banking and Insurance, said the bank's management and board had worked closely with regulators and tried to address issues raised through two separate cease and desist orders targeting the bank's procedures and lending practices.

"Unfortunately, the bank's poor asset quality, despite attempted and well coordinated corrective actions, made (this) action necessary to protect consumers," he said.

At the end of June, First BankAmericano had assets of \$163 million and total deposits of \$155 million. Its loans totaled \$110 million.

While the real estate market was hot, First BankAmericano helped to finance millions of dollars worth of redevelopment. The majority of those loans were made to local real estate developers proposing multi-family housing in small cities like Elizabeth and Jersey City.

Its lending practices and loose banking procedures initially caught the attention of regulators in August 2007, according to sources familiar with the bank's problems. In response to the order, First BankAmericano's board brought in new management to run the bank, including Holly Bakke, a former state banking commissioner.

Among the numerous problems listed by regulators, the order noted the bank was operating without adequate supervision and direction by the board of directors.

The bank's board of directors, who were also its shareholders, included prominent businessmen and lawyers, including state Sen. Ray Lesniak (D-Union), who was the board's vice chairman. Lesniak did not return numerous phone calls seeking comment.

Jacinto Rodrigues, chief executive officer of Brick Township-based Crown Bank, said late yesterday that after the proposed merger did not go through, he made a bid for the bank through the FDIC. He would not disclose the amount of the bid.

"FBA did business in some of the same communities as we do," he said. "We're going to expand and try to do that better."