

OFFICE OF THRIFT SUPERVISION

Receivership of a Federal Savings Bank

Date: December 18, 2009
Order No.: 2009-62
Docket No.: 07939

The Acting 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 Peoples First Community Bank, Panama City, Florida (Savings Bank).

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

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

- (i) The Savings Bank is in an unsafe or unsound condition to transact business;
- (ii) The Savings Bank is likely to be unable to pay its obligations or meet its depositors' demands in the normal course of business;
- (iii) The Savings Bank, by resolution of its board of directors, has consented to the appointment of a receiver; and
- (iv) The Savings Bank has substantially insufficient capital.

The Savings Bank is a Federally chartered savings bank, the accounts of which are insured by the Deposit Insurance Fund. The Savings Bank's home office is in Panama City, Florida. The Savings Bank operates from its home office and 32 branch offices in Florida. The Savings Bank's Thrift Financial Report (TFR) for the period ended September 30, 2009, reported approximately \$1.795 billion in assets, \$1.777 billion in liabilities, \$18.345 million in stockholders' equity, and a net loss for the nine months ended September 30, 2009, of approximately \$135.88 million. At September 30, 2009, the Savings Bank reported tangible, tier 1 (core), tier 1 risk-based, and total risk-based capital of 1.02 percent, 1.02 percent, 1.29 percent, and 2.55 percent, respectively. The Savings Bank's September 30, 2009, TFR indicates that the Savings Bank is "critically undercapitalized."¹ The Savings Bank experienced a net loss for the year ended December 31, 2008, of approximately \$22.57 million.

¹ The Savings Bank has stated that it may be entitled to a benefit of approximately \$20.8 million under the Worker, Homeownership, and Business Assistance Act of 2009 (WHBAA). WHBAA enables some savings associations to obtain a tax benefit from a provision relating to the timing of the use of net operating losses. If the \$20.8 million were included in the Savings Bank's capital as of November 30, 2009, the Savings Bank would have tangible and core capital ratios of 2.01 percent.

The Savings Bank experienced significant deposit outflows for account payments and other scheduled payments in early December 2009. Additionally, the Savings Bank has indicated that certificates of deposit (CDs) are maturing during December 2009, and it is expected that the Savings Bank will retain only approximately 31 percent of such deposits because of recent publicity regarding the Savings Bank's financial condition and because the Savings Bank's deposit interest rates are below current competitive rates. In addition, the Savings Bank has received a short-term borrowing from the Federal Home Loan Bank of Atlanta which must be repaid in December 2009. The Savings Bank has no other contingent funding sources. Access to additional funding sources was curtailed due to the Savings Bank's "troubled condition" status.

Because the local economy has experienced difficulties, the Savings Bank's mortgage loan portfolio has experienced increased delinquencies and losses, and such losses have eliminated most of the Savings Bank's equity and most of its regulatory capital.

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 OTS may appoint a receiver for any insured savings association if OTS 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.

Unsafe or Unsound Condition to Transact Business

Under section 11(c)(5)(C) of the FDIA, OTS may appoint a receiver for a savings association if a savings association is in an unsafe or unsound condition to transact business.

Because the local economy has experienced difficulties, the Savings Bank's mortgage loan portfolio has experienced increased delinquencies and losses. The Savings Bank's operations have suffered due to the declining values of its loan portfolio caused by loan delinquencies that required significant provisions for loan losses. The Savings Bank's loan portfolio continues to experience a high amount of delinquent loans that will likely require additional provisions for loan losses.

At September 30, 2009, the Savings Bank reported tangible, tier one (core), tier one risk-based, and total risk-based capital of 1.02 percent, 1.02 percent, 1.29 percent, and 2.55 percent, respectively.² The Savings Bank experienced a net loss for the year ended December 31, 2008, of approximately \$22.57 million, and additional losses of \$135.88 million in the first three quarters of 2009. These losses have caused significant declines in the Savings Bank's equity and regulatory capital.

² See note 1 for additional information on the Savings Bank's regulatory capital ratios.

Therefore, the Acting Director, or his designee, concludes that the Savings Bank is in an unsafe or unsound condition to transact business.

Inability to Meet Obligations

Under section 11(c)(5)(F) of the FDIA, OTS may appoint a receiver if a savings association is likely to be unable to pay its obligations or meet its depositors' demands in the normal course of business. The Savings Bank has suffered significant cash outflows in part because of adverse publicity relating to its deteriorating asset quality and poor earnings. These factors are expected to continue to cause significant deposit and other cash outflows into the foreseeable future.

The Savings Bank has limited and diminishing liquidity sources available to it. Further, the Savings Bank has been unable to find anyone who is willing and able to invest sufficient capital to alleviate the Savings Bank's problems or to acquire the Savings Bank.

Therefore, the Acting Director, or his designee, concludes that the Savings Bank is likely to be unable to pay its obligations or meet its depositors' demands in the normal course of business.

Consent

Under section 11(c)(5)(I) of the FDIA, OTS may appoint a receiver for an association if the association's board of directors, by resolution, has consented to such an appointment. The board of directors of the Savings Bank, by resolution dated November 27, 2009, consented to the appointment of a conservator or receiver. Therefore, the Acting Director, or his designee, concludes that a receiver may be appointed on the basis of the consent of the Savings Bank's board of directors.

Substantially Insufficient Capital

Under section 11(c)(5)(L)(ii) of the FDIA, OTS may appoint a receiver for a savings association if it has substantially insufficient capital. Pursuant to the authority granted in sections 5(t)(1)(A)(i) and 5(t)(2)(A) of the HOLA, OTS has promulgated 12 C.F.R. Part 567 requiring all savings associations that are not "one" rated to maintain a leverage capital ratio of 4 percent. OTS has concluded previously that failure to maintain at least two-thirds of any capital required by 12 C.F.R. Part 567 constitutes a substantial capital insufficiency within the meaning of the 12 U.S.C. § 1821(c)(5)(L)(ii).

The Savings Bank is not "one" rated and has a leverage capital ratio of 1.02 percent. Even if the \$20.8 million WHBAA refund is considered, the Savings Bank's leverage capital ratio would equal 2.01 percent. Under both scenarios, the Savings Bank's leverage capital ratio is less than two-thirds of the applicable capital requirement. Accordingly, the Acting Director, or his designee, concludes that the Savings Bank has substantially insufficient capital.

The Acting 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), (F), (I), and (L)(ii) of the FDIA, 12 U.S.C. §§ 1821(c)(5)(C), (F), (I), and (L)(ii).

ACTIONS ORDERED OR APPROVED

Appointment of a Receiver

The Acting Director, or his designee, hereby appoints the FDIC as receiver for the Savings Bank, for the purpose of liquidation or winding up the affairs of the Savings Bank, pursuant to section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), 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 Acting Director, or his designee, hereby authorizes: (i) the OTS Southeast Regional Director, or his designee; or (ii) the Deputy Chief Counsel for Business Transactions of the Chief Counsel's Office, or his designee, to: (1) certify orders; (2) sign, execute, attest or certify other documents of OTS issued or authorized by this Order; (3) designate the person 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 (4) perform such other actions of OTS necessary or appropriate for the implementation of such 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. Further, the Acting Director, or his designee, authorizes the Deputy Chief Counsel for Business Transactions, 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 Acting Director of OTS, or his designee, effective: (a) as to the above matters regarding the delegation of authority, immediately upon signature; and (b) as to the above matters regarding the appointment of the FDIC as receiver, immediately upon service of this Order on the Savings Bank.

Executed this 18th day of December, 2009.



John E. Bowman
Acting Director