

Press Releases

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OTS 09-005 - OTS Closes Suburban Federal and Appoints FDIC Receiver

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Washington, D.C. — The Office of Thrift Supervision (OTS) today closed the \$353 million Suburban Federal Savings Bank of Crofton, Maryland, and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver.

The OTS determined that Suburban was critically undercapitalized and in unsound condition. The institution had seven branches, 60 employees and retail deposits of nearly \$302 million.

The Bank of Essex of Tappahannock, Va., acquired all of Suburban's deposits and Suburban's branches will open tomorrow as usual as branches of the Bank of Essex. Customers can continue to write checks and use their ATM or debit cards.

Suburban was founded in 1955 and focused on traditional single-family mortgage lending for most of its history. Its problems resulted from the failure of the Board of Directors and managers to oversee an aggressive lending program that began in 2005. The program included reduced documentation, single-family loans and expanded into residential acquisition and development, construction loans and land loans. The program led to a significant increase in problem assets in 2006 and a series of quarterly losses starting in the third quarter of 2007.

An OTS examination that began in February 2007 found problem assets had increased dramatically from the previous examination. In response to the finding, the OTS Regional Director issued a "Troubled Condition" letter prohibiting the thrift from originating any more loans for construction, acquisition and development, or land.

After a "field visit" by OTS examiners in August 2007 showed that the thrift's condition had continued to worsen, the OTS issued a Cease and Desist Order, a formal enforcement action.

Suburban was unable to find a buyer with sufficient capital to address its problems.

Depositors' accounts at Suburban are insured by the FDIC's Deposit Insurance Fund up to the statutory limits. Customers with questions about the institution or about federal deposit insurance can call the FDIC toll-free at 1-800-822-7182. The telephone line will be available tonight until 9 p.m.; Saturday from 9 a.m. to 6 p.m.; Sunday from noon to 6 p.m.; and thereafter from 8 a.m. to 8 p.m. (Eastern Standard Time).