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Home Valley Bank closed, acquired by South Valley Bank & Trust *Customers can expect business as usual*

(Salem) — The Oregon Department of Consumer and Business Services today ordered the closure of Home Valley Bank and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. South Valley Bank & Trust acquired essentially all of Home Valley Bank's assets and liabilities from the FDIC.

Home Valley Bank has four branches in Grants Pass and one in Cave Junction. All deposit accounts of Home Valley Bank are being transferred to South Valley Bank & Trust, and will be available immediately. Home Valley Bank branches will reopen Monday as South Valley Bank & Trust. In the meantime, depositors of Home Valley Bank can continue to access their accounts through automated teller machine transactions, checks, and debit transactions. Loan customers should make their payments as usual.

"Home Valley Bank was an important part of the Grants Pass community, and we are saddened to see it close," said Cory Streisinger, director of the Department of Consumer and Business Services. "However, it is fortunate that South Valley Bank & Trust is acquiring Home Valley to continue to serve the area. Customers should see no disruption."

Home Valley Bank was founded in 1980 and is headquartered in Grants Pass. As of March 31, 2010, Home Valley had total assets of approximately \$258 million and total deposits of \$229 million. Based in Klamath Falls, South Valley Bank & Trust has total assets of about \$600 million and total deposits of \$500 million. South Valley Bank & Trust has 18 offices, with locations in Klamath Falls/Lakeview, Central Oregon, and the Rogue Valley.

Because South Valley Bank & Trust is acquiring all of Home Valley Bank's operations – including its deposits, loans, and the majority of its assets – there will not be any losses for former Home Valley Bank depositors who have deposits exceeding the FDIC deposit insurance amount.

David Tatman, administrator of the department's Division of Finance and Corporate Securities, said Home Valley Bank's capital levels had dropped so low that the bank became insolvent. The primary cause for its problems was a heavy dependence on loans for local construction projects. Because of the continued downturn in the Southern Oregon economy, those loans were not performing, dragging down capital and earnings.

"Despite efforts by the Home Valley Bank management to turn things around, the bank was not able to recover in this current economic environment," Tatman said.

Declining real estate values and general economic weakness continue to pose problems for banks in Oregon and across the country. There were 140 bank closures nationwide in 2009, including three in Oregon, and more than 90 banks have closed in 2010. Home Valley is the second Oregon bank to close in 2010. Each time a bank has closed in Oregon, another bank has taken over the deposits of the failed bank. No Oregon depositor has lost money as the result of a bank closure.

Nonperforming real estate loans are particularly challenging for banks in Oregon. Many Oregon banks loaned a significant amount of money to developers for construction projects, and those developers have been unable to make payments during the economic downturn. Several Oregon banks have had success raising capital to offset some of those losses until the economy recovers.

“We are pleased to see investors showing confidence in our region by infusing capital into Oregon banks,” Streisinger said. “However, raising capital can be challenging, and for that reason we may see additional contraction among our community banks during this economic downturn.”

The FDIC has established a website and a toll-free phone number to answer questions from depositors, creditors, and other interested parties regarding the receivership of Home Valley Bank. The website is <http://www.fdic.gov/bank/individual/failed/homevalleyor.html>, and the toll-free phone number is 1-800-528-4893. The phone number will be operational this evening until 9 p.m., PDT; on Saturday from 9 a.m. to 6 p.m., PDT; on Sunday from noon to 6 p.m., PDT; and thereafter from 8 a.m. to 8 p.m., PDT.

Deposits of all banks are now insured by the FDIC up to \$250,000; this extended insurance coverage was made permanent by the federal financial reform bill signed this week by President Obama. Special rules are in place for accounts held in trust status, joint accounts, and non-interest bearing transaction accounts that may further expand deposit insurance coverage. You can find additional information on FDIC deposit insurance and other protections for your financial accounts at http://egov.oregon.gov/DCBS/safe_money.shtml.

The Department of Consumer and Business Services is Oregon’s largest business regulatory and consumer protection agency. The department’s Division of Finance and Corporate Securities regulates Oregon financial institutions. For more information on Oregon banks as well as frequently asked questions about today’s transaction, visit www.dfcs.oregon.gov.

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