



**Department of Consumer and Business Services**  
350 Winter Street NE, Room 200  
P.O. Box 14480  
Salem, Oregon 97309-0405  
(503) 947-7872  
[www.cbs.state.or.us](http://www.cbs.state.or.us)

## **Closure of Home Valley Bank**

### **Frequently Asked Questions**

#### **Why did Home Valley Bank close?**

The state closed Home Valley Bank because it was insolvent. The bank's problems resulted primarily from nonperforming real estate loans, which dragged down capital and earnings.

In November 2009, the Oregon Department of Consumer and Business Services (DCBS) and the Federal Reserve Bank of San Francisco issued a cease-and-desist order against Home Valley Bank for unsafe and unsound banking practices. To read about the specific problems the agencies found, go to [http://www.cbs.state.or.us/dfcs/securities/enf/orders/09-186-WA\\_RB-HC.pdf](http://www.cbs.state.or.us/dfcs/securities/enf/orders/09-186-WA_RB-HC.pdf).

The order specified that Home Valley take many actions to improve its situation, but the management team was unable to address the bank's problems in a timely manner.

#### **I'm a customer of Home Valley Bank - are my deposits safe?**

Yes. If you have an account with Home Valley Bank, you should expect business as usual. South Valley Bank & Trust has acquired Home Valley Bank, and you will automatically become a depositor of South Valley Bank & Trust. Home Valley Bank branches will reopen Monday, July 26, as South Valley Bank & Trust. In the meantime, you can continue to access your account through automated teller machine transactions, checks, and debit transactions.

South Valley Bank & Trust also has acquired Home Valley Bank's loans. Loan customers should make their payments as usual.

For more information about your account, please visit the FDIC's webpage on the closure of Home Valley Bank at <http://www.fdic.gov/bank/individual/failed/homevalleyor.html>, or call the FDIC's toll-free phone number at 1-800-528-4893.

#### **Will Home Valley Bank's closure affect other banks in Oregon?**

No. Home Valley Bank's closure has no impact on other Oregon banks.

#### **Should customers of Home Valley Bank switch banks?**

There is no need for Home Valley customers to change banks. All branches will reopen Monday, July 26, as South Valley Bank & Trust. However, there continue to be a variety of local and federal banking institutions that serve the Grants Pass area.

#### **How are other banks performing?**

Community banks across the nation continue to face significant challenges due to the downturn in the economy, particularly the real estate market. In 2009, 140 banks closed nationwide, including three in

Oregon. This year, more than 100 banks have closed nationwide. Home Valley is the second Oregon bank to close in 2010.

In Oregon, many banks have high concentrations of real estate loans that funded construction and development projects when the economy was growing. When the real estate market dropped, these banks were faced with an increasing number of nonperforming loans, which reduced capital and earnings. With continued softness in both the residential and commercial real estate markets, many banks are in critical need of capital. Several Oregon banks have successfully raised capital in recent months, which will help them weather the downturn.

### **How do I know if my bank accounts are safe?**

Deposits in all state-chartered banks and financial institutions are federally insured up to \$250,000. In addition, businesses can receive unlimited insurance coverage on non-interest bearing transactional accounts through 2012.

Go to [http://egov.oregon.gov/DCBS/safe\\_money.shtml](http://egov.oregon.gov/DCBS/safe_money.shtml) for more information on the safety of your banking and other types of financial accounts.

Even if a bank does fail, another institution typically acquires the failed bank's deposits. In that case, customers see no disruption. They can still access their deposits and conduct transactions. In the five bank closings in Oregon during this current economic downturn, no depositors have lost money.

### **How does the state protect bank customers?**

DCBS' Division of Finance and Corporate Securities conducts regular examinations of Oregon's state-chartered banks to monitor their safety and soundness. To address the increasing challenges banks are facing during the current economic downturn, the division has expanded its examination staff.

The division, along with the FDIC, examines all state banks at least once every two years, and when banks are rated less than satisfactory, the division revisits institutions at least every six months and often more frequently until their performance improves. Like all bank regulators, the division uses the "CAMELS" rating system adopted by the Federal Financial Institutions Examination Council. The acronym, CAMELS, includes an individual rating for Capital, Asset (loan) quality, Management, Earnings, Liquidity, and Sensitivity to market risk.

When banks score less than satisfactory on their exams, they must enter into an agreement with the division – either formal or informal, depending on the severity of the problems – to take corrective action. The division will close the bank if the bank cannot make the necessary improvements and no longer can meet its financial obligations.

### **Where can I learn more about Oregon banks?**

Visit the banks and trusts section of the Division of Finance and Corporate Securities' website at [http://www.cbs.state.or.us/dfcs/banks\\_trusts.html](http://www.cbs.state.or.us/dfcs/banks_trusts.html) or call the division at 503-378-4140 or toll-free 866-814-9710.