

FDIC to Shut Down West Coast Office

By Anna Scott

The Federal Deposit Insurance Corp. will shutter its Irvine office early next year, a move the agency says reflects the improving health of the West Coast's banking industry.

The closure raises questions among some attorneys as to whether it will affect the speed of the FDIC's ongoing offensive against former officials of failed financial institutions, even as the regulator continues to shut down insolvent California banks.

"From my perspective, it's going to be a situation where what is already a very slow process of resolving failed bank matters is going to take even longer," said attorney Jeffrey Tisdale of Tisdale & Nicholson LLP in Century City, who represents former officers and directors of five collapsed California banks. "All of those officers and directors who are wondering what their future holds in terms of potential liability... are going to have to wait longer. The boots-on-the-ground thing is a very real benefit."

FDIC spokesman Andrew Gray said the closure of the Irvine outpost - dubbed the West Coast temporary satellite office - has been long-anticipated and will not affect the agency's ability to move efficiently in litigation and other actions that might follow local bank takeovers by the federal receiver.

"I wouldn't read too much into it in terms of what we may or may not do out of receivership," Gray said. "Those functions can continue without a specific presence there."

The FDIC's Irvine office, which houses 490 temporary employees and contractors and occupies 200,000 square feet at the Irvine Spectrum complex, was launched in November 2008 during the onset of the banking crisis to manage bank failures in Western states. The agency's board of directors initially funded the office and its workforce for three years, with an option to extend the term if the workload demanded it.

In a Feb. 11 statement, the FDIC announced that based on the "improving health of the banking industry in the western United States," the agency's "current projected workload does not support continuing the temporary office beyond its initial three-year term."

The office is scheduled to close Jan. 13, 2012.

Two other temporary satellite offices set up to handle the high volume of bank failures in the past two years, located in Jacksonville, Fla. and Schaumburg, Ill., respectively, are also likely to close after their initial terms expire, Gray said. The workload of all three satellite offices will be folded into the FDIC's Dallas operations.

The FDIC has taken a lesson from the last banking crisis, Gray added, when the FDIC and the now-defunct Resolution Trust Corp. added approximately 20,000 permanent employees to deal with the crush of work. As a result, the bank regulator faced "painful downsizing" post-crisis.

"This time, we wanted to approach things in a more strategic way," he said.

California saw its first bank collapse with the failure of the Pasadena-based mortgage lender IndyMac Bank in 2008. Since then, 35 banks in the state have failed, including Canyon National Bank in Palm Springs on Friday. The FDIC has made clear its plans to aggressively pursue civil and criminal changes against former officers and directors of those banks, though the cases have moved slowly.

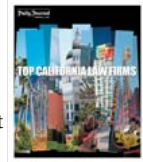
As of the beginning of February, the FDIC reported it authorized lawsuits against 130 professionals with roles in bank failures. The FDIC is seeking damages of more than \$2.6 billion to replenish the nation's deposit insurance fund. Many of the cases will settle before reaching court. Only four complaints have been filed so far.

Two of those lawsuits are pending in California federal court. One targets former officers and directors with IndyMac, and the other case names as defendants 12 former officials with 1st Centennial Bank in Redlands, which failed in 2009.

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Entertainment & Sports

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Intellectual Property

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California Supreme Court

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Tax

Both cases hinge on negligence claims related to construction and development loans that went bad. Defense attorneys in both cases have disputed the FDIC's allegations.

The exact role of the FDIC's Irvine office in preparing and pursuing those cases is unclear. Gray said most of the work related to such investigations is done through Washington D.C. because legal actions must be approved by the FDIC's board there.

Attorney Dan Marmalefsky of Morrison & Foerster LLP in Los Angeles, who represents the 1st Centennial defendants, said he does not expect the closure of the Irvine office to affect that case.

"I deal with [the FDIC's] outside counsel, who's based in New York," he said. "I'm dealing with lawyers in private firms, not the agency."

But Tisdale, who represents some former bank officers and directors who have received warnings of potential legal action from the FDIC but have not yet faced charges, said he is concerned about the efficiency of those matters going forward.

"I'm concerned already about how long it's taking," he said. "There's only two civil actions against two institutions in California that have failed ... there are a lot of them in the queue."

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Entertainment & Sports

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Band Wins Appeal in Video Game Dispute

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Government

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