

BAUER FINANCIAL RATINGS 3RD QUARTER

Ratings fall for 3 banks serving county

Banks & Banking
Two credit unions, one bank see ratings improve

By JONDI GUMZ

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SANTA CRUZ — Bauer Financial, the independent rating service, lowered ratings on three banks serving Santa Cruz County for the third quarter, and raised the rating for one bank and two credit unions.

Liberty Bank, which serves the San Lorenzo Valley, and Valley Community Bank, which has a Santa Cruz loan office, dropped to two stars, signifying troubled.

The Sentinel earlier reported both banks signed regulatory agreements in the third quarter, and Karen Dorway of Bauer Financial said that was the reason for the change in the ratings.

Liberty Bank posted a \$444,000 profit for the quarter but it wasn't enough to break into the black.

Santa Cruz County Bank slipped from five stars, superior, to four stars, excellent.

David Heald, the president and chief financial officer, said growth in equity did not keep pace with growth of deposits.

He said the bank is seeing more inter-

est in commercial real estate.

Santa Barbara Bank & Trust, formerly Pacific Capital Bank, which has an office in Watsonville, was upgraded from two stars to three stars signifying adequate. The bank had a profitable quarter, and capital ratios improved.

Santa Cruz Community Credit Union was upgraded from three stars to four stars as was Patelco Credit Union.

Dorway said a reduction in delinquent loans made the difference for Santa Cruz Community Credit Union.

"We have noticed that many of our members, especially our business members, are starting to get back on track," said Carlos Rodriguez of Santa Cruz Community Credit Union. "We're hoping that this is only the beginning of a long-term economic recovery."

Regulators charged all federally insured credit unions an assessment that figured in third-quarter losses at Patelco, Bay Federal Credit Union and Santa Cruz County Employees Credit Union.

The assessment stems from losses incurred after corporate parents providing financial services to credit unions invested in mortgage-backed securities. Regulators sued several Wall Street banks over the losses but, according to the Credit Union Journal, a federal judge

hearing one of the cases issued a preliminary ruling last week indicating the statute of limitations may have expired before claims were filed.

Patelco posted a \$7.6 million loss but saw its rating improve. Patelco spokeswoman Alison Jones said she was not surprised because delinquent loans dropped and the loss did not result from core earnings.

Bay Federal was operationally profitable by \$514,000 before paying an assessment of \$1.25 million, spokeswoman Tonee Picard said.

"All credit unions paid the same percentage," she said. "It is expected to be much less in future years."

She said 2011 was "better than planned from a profitability standpoint" and mobile banking will be introduced in 2012.

"We're right on track with our budget projection," said Santa Cruz County Employees Credit Union chief Trey Dunbar. "We're feeling good about the year. Our default rate is very low."

The credit union is offering car loans with an annual percentage rate as low as 1.65 percent, and student loans are in demand.

"People who are applying are going into professional fields, doctor or lawyer," Dunbar said.

BAUER RATINGS

THIRD QUARTER 2011

BANKS	RATING 9/30/11	RATING 6/30/11	ASSETS	YTD INCOME	% NON-PERFORMING ASSETS
Bank of America	3 stars	3 stars	\$1.4T	\$7.1B	4.2%
Bank of the West	3 1/2 stars	3 1/2 stars	\$55.9B	\$334.9M	2.5%
Citibank	4 stars	4 stars	\$1.3T	\$8.5B	1.4%
Comerica	4 stars	4 stars	\$57.2B	\$340.1M	2%
JP Morgan Chase	3 1/2 stars	3 1/2 stars	\$1.8T	\$9.9B	2.2%
Liberty Bank	2 stars	2 stars	\$222.5M	(\$2M)	7.4%
Lighthouse Bank	3 1/2 stars	3 1/2 stars	\$126M	\$1M	.3%
Rabobank	3 1/2 stars	3 1/2 stars	\$10.7B	\$36M	4.4%
Santa Barbara Bank*	3 stars	2 stars	\$5.8B	\$60.9M	4%
S.C. County Bank	4 stars	5 stars	\$313.3M	\$1.8M	2%
US Bank	4 stars	4 stars	\$299.8B	\$3.4B	3.1%
Union Bank	5 stars	5 stars	\$79.5B	\$661.9M	1.4%
Valley Community	2 stars	2 stars	\$189.8M	(\$188,000)	8%
Wells Fargo	3 stars	3 stars	\$1.1T	\$9.6B	4.6%

CREDIT UNIONS	RATING 9/30/11	RATING 6/30/11	ASSETS	YTD INCOME	% NON-PERFORMING ASSETS
Bay Federal	3 stars	3 stars	\$634.8M	\$307,000	1.4%
Monterey	No rating	No rating	\$182.2M	\$1.4M	.8%
Patelco	4 stars	3 stars	\$3.6B	\$7.2M	2.3%
S.C. Community	4 stars	3 stars	\$94M	\$1.2M	3.2%
S.C. County Employees	4 stars	4 stars	\$24.9M	(\$21,000)	.2%
Watsonville Hospital	4 stars	4 stars	\$10.4M	\$68,000	2.4%

* Formerly Pacific Capital Bank

SOURCE: Bauer Financial