

The Risk Professional: First US bank failure of 2010



It ain't over until it's over and the first Friday of 2010 showed that the long tail of the financial turmoil that started with US housing loan defaults rising at the end of 2006 is still winding its way through the US banking sector. **Horizon Bank** of Bellingham, Washington, has the dubious distinction of being the first bank to be closed in the USA this decade.

In 1922, in Bellingham, Washington, a Savings and Loan company was formed. Called Bellingham Savings & Loan Association, it continued in that role until 1934 when it obtained its federal charter and became Bellingham First Federal Savings & Loan Association.

The S&L survived the Great Depression, then the S&L crisis of the 1970s. In 1979, it converted to a mutual bank charter and became Horizon Mutual Savings Bank.

In 1986, it changed its name again and became Horizon Bank and launched an IPO, becoming listed on NASDAQ.

In 1995, a holding company was formed, called Horizon Financial Corp. is formed and in 1999 it made a successful takeover offer for Bellingham Bankcorporation.

In 2005, Horizon became a commercial bank and its assets reached USD1,000 million and the management team grew and was strengthened.

By mid 2007, the bank's shares were trading at approximately USD25. Yesterday, they closed at USD0.22 - and that was a rebound from an even lower figure in recent days. As of 30 September, 2009, Horizon Bank had approximately USD1,300 million in total assets and USD1,100 million in total deposits.

Horizon Bank was a community bank operating eighteen branch locations, four Commercial

Banking centres, and four Mortgage Loan centres throughout Whatcom, Skagit, Snohomish and Pierce Counties.

But yesterday, after a string of departures amongst senior officers, losses, a warning notice from NASDAQ and a supervisory notice, FDIC stepped in and closed the bank, transferring its operations, deposits and assets (subject to a shared loss agreement) to Washington Federal Savings and Loan Association, Seattle, Washington which paid no premium.

Officially, the bank no longer exists as an independent entity and is absorbed into WFLA, although, unusually in cases of this type, Horizon's website is operational some 12 hours after the announcement of its closing.

Horizon may gain some notoriety by being the first to close this year: but there are many more banks which have lost senior officers, made losses, had regulatory notices from both market and financial sector regulators.

The question for 2010 is not how few banks will be closed, but whether the number will top the record set in 2009 when First Federal Bank of California became, on 18th December, the 140th and last bank to be closed that year.