

Ratings show many banks still vulnerable

By James Dowd

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Despite the federal bailout program initiated nearly two years ago, a new study suggests that a sizable number of financial institutions are still on shaky ground.

Using information collected through Dec. 31, 2009, the Weiss Ratings released on Monday list 2,259 U.S. banks and savings and loan institutions as "still vulnerable to financial difficulties or even possible failure."

These include some of the nation's largest banks, which have \$5.8 trillion, or nearly 44 percent, of the industry's total assets. Among them are Bank of America, Citibank, Wachovia Bank, SunTrust Bank and Regions Bank.

"Major U.S. banks continue to be plagued by toxic assets and an inability to raise capital," said Martin D. Weiss, chairman of Weiss Ratings. "Despite the federal government's help, we've witnessed 73 bank failures so far in 2010, more than double last year's pace -- a pattern that is bound to continue as further loan deterioration and regulatory reform take their toll on already shaky banks.

"Although most vulnerable banks will not ultimately fail, the failure rate could rise sharply if the U.S. experiences any further economic or financial adversity."

The vulnerable institutions received a rating of "D+" (weak) or lower, and included nine based in Shelby County.

"For consumers and also for bank regulators, the big dilemma is that many of the largest banks are still weak, while most of the strongest banks are relatively small and have fewer branches," Weiss said.

Memphis-based First Tennessee Bank, which received a "D" rating, has experienced problems in the past, but has made great strides in the last couple years, said a bank official.

"There is room for improvement, but we've made a lot of progress since the challenges of the last two years and we're looking forward to a bright future," said Mike Edwards, Mid-South market president for First Tennessee. "We now have one of the best capital ratings in the country, and for the fourth quarter in a row we've maintained or improved our loan rating."

In addition, Edwards said that First Tennessee's stock price increased more than 35 percent last year.

Similarly, [Bank of Bartlett](#) officials said its "E-" rating does not reflect the institution's current status, but rather the national financial meltdown.

"All our loans were perfectly underwritten, but there was an economic implosion in this country the likes of which we hadn't seen since the Great Depression," said Bank of Bartlett president Harold Byrd. "We've worked our way through it, and we're in much better shape than what that data indicated last year."

On the positive side, there were 962 financial institutions with \$484 billion, or 3.7 percent, of the industry's assets that earned a rating of "B+" (good) or higher.

Only one locally based bank appeared on the Weiss list of strongest banks, Financial Federal Savings Bank, [which received a "B+" rating.](#)

"Obviously we're pleased to be considered one of the strongest on the list, but as with any ratings of this sort, the most important factor to consider is capital," said William Tayloe, president of Financial Federal. "We have a strong capital base, which has been very important during these challenging times and has helped secure our continued growth and prosperity."

No local banks earned a top "A" rating, and no local financial institutions received a failing "F" rating.

The Jupiter, Fla.-based Weiss compiles ratings on more than 12,000 banks, savings and loan institutions and insurance companies.

For more information, go to weissratings.com.

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Weiss Ratings Scale

A: Excellent

B: Good

C: Fair

D: Weak

E: Very weak

F: Failed

+: The upper third of each grade range

-: The lower third of each grade range

Shelby County bank listed as Strong

Financial Federal Savings Bank: **B+**

Shelby County banks listed as Weak

Bank of Bartlett: **E-**

BankTennessee: **D-**

First Alliance Bank: **D**

First Capital Bank: **D**

First Tennessee Bank: **D**

Landmark Community Bank: **D**

Paragon National Bank: **D**

Tri-State Bank: **D**

Trust One Bank: **D**



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