

One Of Three Down; Is The FDIC Still Solvent?

Friday, August 14. 2009

[Here we go!](#)

Colonial, Alabama's second-largest bank, is being closed by regulators today, the person said, becoming the largest U.S. bank failure of 2009 after an expansion into Florida saddled the lender with more than \$1.7 billion in soured real-estate loans.

The FDIC usually waits until the close of business Friday; they must have had a slight problem with withdrawals.....

Left unsaid is what's going to happen to the FDIC's deposit insurance fund on this one - my guess is that it will be ugly, as these guys were up to their necks in Florida on development projects that went bad. The "value" of that paper may be very close to zero; if the FDIC avoids doing one of their 40% loss deals I will be quite surprised.

A 40% loss on this one would, if my math is right, kill the rest of their insurance fund plus quite a bit and put the FDIC in the position of immediately needing to go hit up Treasury for more money.

That ought to be good for confidence, right?

Oh, there are two more on the "you're dead" list that I've been talking about for a while: CORUS and Guaranty, both of which have said they (as of last filing) have a **negative** Tier Capital Ratio, meaning that they are formally underwater and IMHO should have been seized months ago.

But don't worry, Treasury has an infinite credit card to keep funding the FDIC with, right?

"Heh Mr. Chinaman, can you spare an extra trillion - or three?"

<http://market-ticker.denninger.net/archives/1335-One-Of-Three-Down;-Is-The-FDIC-Still-Solvent.html>