Audit Report

OIG-12-050

SAFETY AND SOUNDNESS: Material Loss Review of Integra Bank, National Association

April 12, 2012

Office of Inspector General

DEPARTMENT OF THE TREASURY

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Abbreviations

CRE	commercial real estate
LPO	loan production offices
FDIC	Federal Deposit Insurance Corporation
MRA	matter requiring attention
OCC	Office of the Comptroller of the Currency
ROE	report of examination

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April 12, 2012

Thomas J. Curry
Comptroller of the Currency

This report presents the results of our material loss review of the failure of Integra Bank, National Association (Integra), of Evansville, Indiana, and of the Office of the Comptroller of the Currency's (OCC) supervision of the institution. OCC closed Integra and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver on July 29, 2011. Section 38(k) of the Federal Deposit Insurance Act mandated this review because of the magnitude of Integra's estimated loss to the Deposit Insurance Fund.[1] As of December 31, 2011, FDIC estimated that loss at $205.9 million. FDIC also estimated that the failure of Integra would result in a loss of $51 million to FDIC's Debt Guarantee Program (DGP)[2]. In addition, the Department of Treasury (Treasury) expects that the $83.6 million that was provided to Integra's holding company, Integra Bank Corporation, under Treasury's Troubled Asset Relief Program (TARP) will not be repaid.

Our objectives were to determine the causes of Integra's failure; assess OCC's supervision of Integra, including implementation of the prompt corrective action (PCA) provisions of section 38; and make recommendations for preventing such a loss in the future. To accomplish these objectives, we reviewed the supervisory files and interviewed officials at OCC and FDIC. We conducted our fieldwork from November 2011 through February 2012. Appendix 1 contains a more detailed description of our review objectives, scope, and

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[1] Definitions of certain terms, which are underlined where first used in this report, are available in Treasury Office of Inspector General (OIG) *Safety and Soundness: Material Loss Review Glossary*, OIG-11-065 (Apr. 11, 2011). That document is available on the OIG's website at http://www.treasury.gov/about/organizational-structure/ig/Pages/by-date-2011.aspx.

[2] The Debt Guarantee Program is one of two limited guarantee programs provided by FDIC's Temporary Liquidity Guarantee Program (TLGP) which was announced October 14, 2008, and was designed to avoid or mitigate adverse effects on financial stability. DGP guaranteed newly issued senior unsecured debt of insured depository institutions and most U.S. holding companies.

methodology. Appendix 2 contains background information on Integra and OCC's supervision of the institution.

In brief, our review found that Integra failed because it pursued an aggressive growth strategy which led to high concentrations in commercial real estate loans (CRE). In connection with this strategy, Integra paid a significant premium to acquire Prairie Bank and Trust Company (Prairie), a state chartered bank in the Chicago metropolitan area with weak credit administration processes and a CRE portfolio of inferior asset quality. With the economic downturn, the performance of Integra's CRE loans declined, first by the former Prairie portfolio then by loans originated by Integra's loan production offices (LPO). This decline in performance led to sustained loan losses and required Integra to write off its entire goodwill[3] balance, including goodwill that was recorded when it acquired Prairie.

In regard to supervision, OCC provided ongoing supervision of Integra through regular on-site and off-site reviews. Although OCC's supervision did not prevent a material loss to the insurance fund, we concluded that its supervision of Integra was appropriate.

We are also reporting on three other matters regarding OCC's supervision of Integra. Specifically, as the first matter, OCC's examination working papers for Integra were not complete, a deficiency we have noted in prior material loss reviews.[4] As the second matter, while OCC examiners reviewed Integra's due diligence performed in connection with the Prairie acquisition, OCC does not have formal guidance for examiners to use when evaluating bank acquisitions. In discussions with officials, OCC does not believe additional guidance is necessary since OCC Division of Licensing procedures address the approval of bank acquisitions. The review of bank acquisitions is an area we will consider for future audit work. As the third matter, we noted that in OCC's review process for recommending approval of the TARP application by Integra's holding company, certain information about Integra's financial condition, such

[3] Goodwill is an accounting concept meaning the value of an entity over and above the value of its assets. In a purchase transaction it can be defined as the difference between the fair value of the price paid for a business and the aggregate of the fair values of its separable net assets. It may be carried as an intangible fixed asset on the balance sheet.
[4] Treasury OIG, *Safety and Soundness: Material Loss Review of Amcore Bank, N.A.*, OIG-12-035 (Dec. 28, 2011).

as a potential goodwill impairment, was not included in the OCC TARP case decision memo. OCC officials, however, cited a number of factors why they considered the TARP funding appropriate.

During our review, we noted that OCC opened an Order of Investigation regarding allegations of fraudulent activity by bank officials. We referred these matters to the Treasury Inspector General's Office of Investigation.

We reaffirm recommendations from our prior material loss reviews related to limits on risky concentrations and documentation of supervisory activity. We did not identify any new recommendations in this material loss review.

We provided a draft of this report to OCC for review. In a written response, which is included as appendix 3, OCC stated that it agreed with our conclusions as to the causes of Integra's failure.

Causes of Integra's Failure

Concentrations in Commercial Real Estate Loans

In 2003, Integra's board of directors and management initiated a growth strategy focused primarily in CRE lending. The bank opened LPOs in Cleveland, Cincinnati, Columbus, Louisville, and Nashville. From 2003 through 2006, while Integra's portfolio reflected a slight increase in concentration of CRE loans, its total loans outstanding remained relatively stable. However, starting in 2007, loan growth accelerated with total loans increasing 39 percent during 2007 and 2008. A major factor in this growth was Integra's acquisition, in April 2007, of Prairie, a state chartered bank in the Chicago area with a niche in commercial construction lending for small condominium projects. Prairie became Integra's Chicago Banking Center.

The purchase of Prairie significantly increased Integra's already growing CRE concentrations, including a concentration in acquisition, development and construction (ADC) loans. OCC guidance to examiners provides that when the total reported loans for construction, land development and other land loans represents more than 100 percent of an institution's total risk-based capital or when the total CRE loans represent more than 300 percent of total risk-based capital, a concentration risk exists and may need further analysis.[5] According to OCC, when Integra acquired Prairie in 2007, the combined entity had an ADC concentration of 145 percent and total CRE concentration of 308 percent. Both of these ratios continued to grow with total ADC loans and total CRE loans comprising 239 percent and 436 percent, respectively, of Integra's total risk-based capital at December 31, 2008.

Prairie had weak credit administration practices and, as a whole, the overall credit quality of its loan portfolio was inferior to that of Integra's. With the downturn in the economy, the performance of Prairie's portfolio deteriorated first, followed by deterioration in the CRE loans originated by Integra's LPOs. In addition, the economic downturn led to a decline in the permanent financing market. As a result, Integra's ADC borrowers were unable to obtain permanent financing for construction projects from other lenders so these deteriorating loans remained on Integra's books beyond what was initially anticipated by the bank. As the economic downturn intensified and despite participation in Treasury's TARP program, sustained credit losses depleted Integra's capital. Additionally, beginning in the fall of 2008, Integra significantly increased its already elevated reliance on brokered deposits for funding. When the bank fell below the PCA adequately capitalized level as of December 31, 2010, Integra's access to brokered deposits was restricted.

Write-Off of Goodwill Associated With the Acquisition of Prairie Bank and Trust

Integra paid a premium to acquire Prairie and in 2007 recorded goodwill of approximately $79 million. As a result, Integra reported goodwill at $123 million on December 31, 2007. However, deteriorating economic conditions led to higher than anticipated losses and lower income projections, requiring Integra to write off its entire goodwill balance by December 31, 2008. This write-off, which increased Integra's losses and diminished its capital, was necessary under generally accepted accounting principles, and it occurred just over a year and a half after the acquisition of Prairie.

[5] OCC Bulletin 2006–46, Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (Dec. 6, 2006)

OCC's Supervision of Integra

OCC Appropriately Supervised Integra

OCC identified the key risks in Integra's operations through its on-site and off-site reviews. These risks included an asset growth strategy that resulted in high concentrations of CRE and weaknesses in credit risk management practices. OCC timely identified and reported these problems to Integra, issued enforcement actions and used its authority under PCA. Based on our review of the supervisory record, we concluded that OCC's supervision of Integra was appropriate.

Table 1 summarizes the results of OCC's examinations of Integra from 2006 to 2011. Generally, MRAs represent the most significant items reported in ROEs requiring corrective action.

Table 1. Summary of OCC's Integra Examinations and Enforcement Actions

		Examination Results			
Date started/type of exam	Assets (billions)[a]	CAMELS rating	No. of MRAs	No. of suggestions or recommendations	Informal/Formal enforcement actions
4/16/2007 (Full-scope examination)	$2.7	2/222221	0	10	None
4/14/2008 (Full-scope examination)	$3.3	2/232221	2	17	None
11/14/2008 Examination of Chicago LPO)	$3.3	2/232331	3	5	None
11/20/2008 (Periodic monitoring)	$3.3	2/232321	0	0	None
1/5/2009 (Liquidity review)	$3.3	2/232331	0	4	None

2/19/2009 (Expanded periodic monitoring)	$3.3	3/343431	2	1	Formal agreement issued 5/20/2009, civil money penalty issued 5/22/2009, and individual minimum capital ratio issued 8/10/2009
8/12/2009 (Full-scope examination)	$3.3	4/443432	0	3	None
5/19/2010 (Full-scope examination)	$2.9	5/554543	1	3	Capital directive issued 8/12/2010
6/9/2011 (Interim examination)	$2.2	5/554543	0	1	None

Source: OCC supervisory documentation.
[a] Asset amounts are as of the immediately preceding quarter.

As early as 2004, OCC identified loan policy exceptions in Integra's CRE loan portfolio. In the 2006 and 2007 ROEs, OCC commented about risks associated with Integra's CRE strategies that resulted in credit concentrations. While weaknesses were noted and recommendations made in these ROEs, OCC concluded that CRE risks were adequately controlled and did not issue any MRAs during this time.

In January 2007, OCC conducted a review of Prairie in connection with its proposed acquisition. In the report on this review, OCC noted that the acquisition would result in a CRE concentration in the combined entity that exceeded guidelines established in OCC Bulletin 2006-46. In addition, OCC noted significant concerns with Prairie's credit administration processes and stated that a softening in Prairie's niche market could lead to increased levels of problem loans. As a result, OCC made three credit administration-related recommendations to Integra's management. OCC officials told us that they chose this method of addressing the findings, as opposed to a stronger action such as an MRA or a formal condition on the approval of the acquisition, because they had confidence in management's willingness and ability to address the concerns when integrating Prairie into Integra.

In the fall of 2007, Integra pursued the acquisition of another bank, Peoples Community Bancorp (Peoples). OCC performed a review of Peoples and determined that the acquisition should be denied or heavily conditioned due to the potential for a negative effect on Integra's asset quality. Integra did not acquire Peoples.

OCC officials told us that Integra's management made initial attempts to address OCC's recommendations related to the Prairie acquisition. OCC followed-up on the recommendations and noted some progress made by Integra. OCC's March 10, 2008, report on a targeted review of Integra's Chicago Banking Center noted that, despite continuing concerns with the credit quality of the portfolio, some strengthening in credit administration practices had occurred. However, OCC told us that because of the demands placed on Integra's management by worsening economic conditions at the time, Integra's management was unable to sustain improvement in credit administration practices. In a ROE issued October 2008, OCC determined that Integra's asset quality was less than satisfactory and its related CAMELS component rating was downgraded from a 2 to a 3. A number of recommendations and an MRA were included in the ROE to address OCC's concerns with credit risk management, primarily in the areas of underwriting and credit monitoring. Integra ceased originating CRE loans in the fall of 2008. In November 2008, OCC began another on-site review of Integra's Chicago Banking Center which resulted in additional credit administration-related MRAs being issued to Integra in February 2009.

As a result of Integra's deteriorating financial performance, OCC expanded the scope of its December 31, 2008, quarterly monitoring and issued a ROE in May 2009. This ROE downgraded Integra's CAMELS composite rating from a 2 to a 3 and designated the bank in troubled condition. Also in conjunction its May 2009 ROE, OCC issued a formal agreement primarily addressing Integra's credit administration practices and liquidity risk. In August 2009, OCC issued an individual minimum capital ratio (IMCR).

OCC began its regularly scheduled 2009 exam in August of that year. From that point until the bank failed, 2 years later, OCC conducted numerous supervisory reviews, issued two ROEs, and closely monitored the bank's condition and efforts to rehabilitate.

OCC Used PCA Appropriately

The purpose of PCA is to resolve problems of insured depository institutions with the least possible long-term loss to the DIF. PCA requires federal banking agencies to take specific actions when an institution's capital drops to certain levels. PCA also gives regulators flexibility to supervise institutions based on criteria other than capital levels to help reduce deposit insurance losses caused by unsafe and unsound practices. OCC appropriately implemented PCA as described below:

- On January 30, 2011, Integra filed its call report as of December 31, 2010, showing it was undercapitalized. In a letter dated February 3, 2011, OCC notified Integra of its undercapitalized status and required the bank to submit an acceptable capital restoration plan (CRP) no later than March 16, 2011.

- Integra submitted the CRP to OCC timely. In a letter dated April 7, 2011, OCC notified Integra that it did not accept the bank's CRP primarily because OCC could not determine that the plan was realistic and would succeed in restoring capital.

- On April 30, 2011, Integra filed its call report as of March 31, 2011, showing that it was critically undercapitalized. On July 29, 2011, OCC closed the bank and appointed FDIC as receiver.

Other Matters

Examination Working Papers

According to OCC guidance, its work papers must contain all essential information required to support conclusions regarding supervisory activities. However, during our review, we noted the following instances in which OCC examiners did not fully document supervision performed in the OCC's automated work papers system, known as Examiner View (EV).

- The documentation of OCC's review of the due diligence Integra performed in connection with the Prairie acquisition was incomplete as it did not detail the nature and extent of OCC's review.

- The follow-up on OCC recommendations related to the Prairie acquisition was not documented in EV.

- The write-ups of the field office's analyses of Integra performed in connection with its holding company's TARP application, and related emails, were not included in EV. The TARP application process is discussed in more detail below.

OCC officials agreed that documentation supporting the Prairie acquisition follow-up should have been maintained in EV but stated that the TARP application analysis was not documented in EV because it was a recommendation to senior management. It was expected that the final approval decision would be documented elsewhere within OCC.

Review of Bank Acquisitions

When discussing the documentation of OCC's review of Integra's due diligence with respect to the Prairie acquisition, OCC officials told us that there is no formal guidance for examiners to use when evaluating bank acquisitions. We were told it is the individual examiner's responsibility to evaluate the risks inherent in the proposed business combination and document the review. While certain aspects, such as the bank's due diligence process may be reviewed, other aspects such as an evaluation of the process to determine the price paid for the acquired institution are generally not considered within the examiner's scope. As noted earlier in this report, OCC performed reviews in connection with Integra's proposed acquisitions. The Prairie acquisition was a primary contributor to the failure of Integra. Accordingly, we considered whether guidance for examiners on the acquisition review process would enhance OCC's ability to ensure a consistent approach to the evaluation and documentation of this process, especially when assessing the bank's identification and management of acquisition risk. In discussions with OCC, officials told us that the OCC Division of Licensing has procedures in place to provide for the review by licensing staff, supervision staff, and legal staff of an acquisition application with licensing staff acting as the final checkpoint for ensuring the application was reviewed by all OCC staff that should be involved. OCC believes it has well defined policies and procedures to carry out both the statutory and regulatory criteria for approving a bank acquisition. Accordingly, they believe additional formal guidance is not necessary. While we accept OCC's position since our observation was based on only this bank, the review of bank acquisitions is an area we will consider for future audit work

TARP Funds Received by Integra's Holding Company

In October 2008, Integra's holding company, Integra Bank Corporation, submitted an application to participate in Treasury's TARP program. The application was considered by the TARP Capital Purchase Program Council[6] (Council) using September 30, 2008, financial data and was recommended for approval by that body on January 28, 2009. Treasury approved Integra Bank Corporation's application on February 19, 2009, and disbursed $83.5 million in TARP funds on February 27, 2009. The holding company subsequently infused over $60 million of these funds into Integra during 2009. Integra Bank Corporation filed for bankruptcy on July 30, 2011. The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) reported that as of September 30, 2011, Integra Bank Corporation missed 7 dividend payments to Treasury totaling $7.3 million. Additionally, all of Treasury's TARP investment in Integra is expected to be lost.[7]

We reviewed the OCC TARP case decision memo for Integra Bank Corporation and the summary of the Council meeting where Integra's application was recommended for approval. We compared these documents to the Integra analysis write-up prepared by OCC field office personnel and a follow-up email prepared by the field office on December 18, 2008. This email was prepared in response to questions from the Deputy Comptroller serving as the OCC member on the Council. The field office write-up generally mirrors the discussion of

[6] The TARP Capital Purchase Program Council was a group consisting of representatives from the four federal banking agencies - OCC, Board of Governors of the Federal Reserve, FDIC, and the former Office of Thrift Supervision – the Council functioned as an advisory body to Treasury and provided recommendations to TARP decision makers within Treasury on Qualifying Financial Institutions (QFIs) whose condition or supervisory records posed exceptions or unique issues relating to the QFI applicant's participation in the TARP Capital Purchase Program.
[7] SIGTARP, *Quarterly Report to Congress* (Oct. 27, 2011), pages 86 and 104.

Integra in the case decision memo and the Council meeting summary, and includes a recommendation for approval. However, the follow-up email contains a discussion of the potential for additional allowance for loan and lease loss provisions and goodwill impairment, as well as a warning that the bank was likely to be downgraded in the next quarter. These comments were not included in either the case decision memo or the Council summary.

Integra's financial results, as of December 31, 2008, reflected a deterioration from September 30, 2008. This contributed to OCC's downgrade of the bank to a 3 CAMELS composite rating in May 2009 and the related determination that Integra was in troubled condition.

OCC officials agreed that the information contained in the follow-up email did not appear in the documentation considered by the Council and could not provide documentation that the email had been sent to the Deputy Comptroller who requested it. However, the officials commented that TARP was for banks in trouble and that an impending downgrade of the institution would not have necessarily precluded approval. They also told us that, at the time of the approval recommendation, OCC believed that Integra was viable, even without TARP funds, and this was the primary criteria for the approval. They pointed out that Integra's management had taken appropriate steps to control credit risk and was not pursuing new CRE opportunities. Further, they noted that the examination which led to the downgrade and enforcement action did not begin in substance until after the TARP funds were approved and disbursed.

Concluding Remarks

We reaffirm two recommendations from our prior material loss reviews. First, that OCC work with its regulatory partners to determine whether to propose legislation and/or change regulatory guidance to establish limits or other controls for concentrations that pose an unacceptable safety and soundness risk, and determine an appropriate range of examiner response to high-risk concentrations.[8] Second, that OCC reemphasize to examiners its policy on the preparation of

[8] Treasury OIG *Safety and Soundness: Material Loss Review of Union Bank, National Association*, OIG-CA-10-009 (May 11, 2010).

supervision workpapers.[9] We did not identify any additional recommendations from this material loss review.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss the report, you may contact me at (202) 927-0384. Major contributors to this report are listed in appendix 4.

Jeffrey Dye /s/
Audit Director

[9] Treasury OIG *Safety and Soundness: Material Loss Review of First National Bank of Nevada and First Heritage Bank, National Association*, OIG-09-033 (February 27, 2009).

We conducted this material loss review of Integra Bank, National Association (Integra), of Evansville, Indiana, in response to our mandate under section 38(k) of the Federal Deposit Insurance Act.[10] This section provides that if the Deposit Insurance Fund incurs a material loss with respect to an insured depository institution, the inspector general for the appropriate federal banking agency is to prepare a report to the agency that:

- ascertains why the institution's problems resulted in a material loss to the insurance fund;
- reviews the agency's supervision of the institution, including its implementation of the prompt corrective action (PCA) provisions of section 38; and
- makes recommendations for preventing any such loss in the future.

At the time of Integra's failure, section 38(k) defined a loss as material if it exceeded $200 million. The Federal Deposit Insurance Corporation (FDIC) initially estimated that the loss to the Deposit Insurance Fund for Integra would be $170 million. In October 2011, FDIC notified us that they had revised the estimated loss for Integra to $210.1 million. We then initiated a material loss review of Integra based on the revised loss estimate. As of December 31, 2011, FDIC estimated that the loss to the insurance fund from Integra's failure would be $205.9 million

Our objectives were to determine the causes of Integra's failure; assess the Office of the Comptroller of the Currency's (OCC) supervision of Integra, including implementation of the prompt corrective action provisions of section 38; and make recommendations for preventing such a loss in the future. To accomplish our objectives, we conducted fieldwork at OCC's headquarters in Washington, DC, and OCC's field office in St. Louis, Missouri. We also interviewed FDIC investigators and case managers, and collected and reviewed certain bank records. We conducted our fieldwork from November 2011 through February 2012.

[10] 12 U.S.C. § 1831o(k).

To assess the adequacy of OCC's supervision of Integra, we determined (1) when OCC first identified Integra's safety and soundness problems, (2) the gravity of the problems, and (3) the supervisory response OCC took to get the bank to correct the problems. We also assessed whether OCC (1) might have discovered problems earlier; (2) identified and reported all the problems; and (3) issued comprehensive, timely, and effective enforcement actions that dealt with any unsafe or unsound activities. Specifically, we performed the following work:

- We determined that the time period relating to OCC's supervision of Integra covered by our audit would be from August 2006 through Integra's failure on July 29, 2011. This period included four full-scope safety and soundness examinations, an expanded quarterly monitoring, and interim examination, as well numerous monitoring activities and targeted reviews.

- We analyzed examination reports, supporting workpapers, and related supervisory and enforcement correspondence. We performed these analyses to gain an understanding of the problems identified, the approach and methodology OCC used to assess the bank's condition, and the regulatory action OCC used to compel bank management to address deficient conditions identified during examinations. We did not conduct an independent or separate detailed review of the external auditor's work or associated workpapers other than those incidentally available through the supervisory files.

- We interviewed and discussed various aspects of Integra's supervision with OCC officials, and examiners to obtain their perspective on the bank's condition and the scope of the examinations.

- We interviewed FDIC officials from Risk Management Supervision and Division of Resolution and Receivership staff responsible for monitoring Integra for federal deposit insurance purposes and its closing.

- We reviewed reports of examination prepared by the Federal Reserve Bank of St. Louis for Integra's holding company, to gain an understanding of its assessment of the holding company's condition.

- We reviewed Integra documents inventoried by FDIC upon closing the bank that were relevant to bank's failure and OCC's supervision of the institution.

- We assessed OCC's actions based on its internal guidance and requirements of the Federal Deposit Insurance Act.[11]

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[11] 12 U.S.C. § 1811 et seq.

History of Integra National Bank Association

Integra Bank, National Association (Integra) of Evansville, Indiana, was chartered in 1850 as Canal Bank and became The National City Bank of Evansville (National City) in 1863. During the 1990s, National City began acquiring community banks in Indiana, Illinois and Kentucky. The bank changed to its current name in 2000 and maintained its headquarters in Evansville, Indiana. The bank had a total of 55 offices with 30 in Indiana. In 2003, Integra initiated a growth strategy in commercial real estate loans, a strategy that ultimately resulted in its failure.

Integra was a full service community bank with trust powers wholly owned by Integra Bank Corporation, Evansville, Indiana, a one-bank holding company. At its peak in 2008, Integra employed over 850 employees and held more than $3.4 billion in assets. By June 30, 2011, about a month before it failed, Integra's assets had declined to approximately $2.2 billion.

OCC Assessments Paid by Integra

OCC funds its operations in part through semiannual assessments on national banks. OCC publishes annual fee schedules, which include general assessments to be paid by each institution based on the institution's total assets. If the institution is a problem bank (i.e., it has a CAMELS composite rating of 3, 4, or 5), OCC also applies a surcharge to the institution's assessment to cover additional supervisory costs. These surcharges are calculated by multiplying the sum of the general assessment by 50 percent for 3-rated institutions or by 100 percent for 4- and 5-rated institutions. Table 1 shows the assessments that Integra paid to OCC from 2006 through 2011.

Table 1: Assessments Paid by Integra to OCC, 2006–2011

Billing Period	Exam Rating	Amount Paid	% of Total Collection
March 2006	2	$241,229	0.08%
September 2006	2	243,627	0.08%
March 2007	2	247,148	0.07%
September 2007	2	285,712	0.08%
March 2008	2	281,018	0.08%
September 2008	2	284,479	0.08%
March 2009	2	286,887	0.07%
September 2009	3	428,811	0.11%
March 2010	4	520,402	0.14%
September 2010	4	526,784	0.14%
March 2011	5	452,556	0.12%

Source: OCC.

Number of OCC Staff Hours Spent Examining Integra

Table 2 shows the number of OCC staff hours spent examining Integra from 2006 to 2011.

Table 2: Number of OCC Hours Spent on Examining Integra, 2006-2011

Examination Cycle	Number of Examination Hours
2011	3,700
2010	7,579
2009	6,971
2008	6,964
2007	4,683
2006	4,895

Source: OCC.

MEMORANDUM

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

To: Jeffrey Dye, Audit Director

From: Thomas J. Curry, Comptroller of the Currency

Date: April 12, 2012

Subject: Response to Material Loss Review of Integra Bank, National Association

We have received and reviewed your draft report titled "Material Loss Review of Integra Bank, National Association (Integra)." This review is mandated by section 38(k) of the Federal Deposit Insurance Act because of the magnitude of the bank's estimated loss to the Deposit Insurance Fund at the time of its failure. Your objectives were to determine the causes of Integra's failure; assess OCC's supervision of the bank, including implementation of the prompt corrective action (PCA) provisions of section 38; and make recommendations for preventing such a loss in the future. To accomplish these objectives, you reviewed the supervisory files and interviewed officials at OCC and FDIC.

You concluded that the primary causes of Integra's failure were concentrations in commercial real estate loans and write off of goodwill associated with the acquisition of Prairie Bank and Trust. You also concluded that the OCC appropriately supervised Integra and used PCA appropriately. We agree with these conclusions.

Your report did not contain any new recommendations.

Thank you for the opportunity to review and comment on your draft report. If you need additional information, please contact Jennifer Kelly, Senior Deputy Comptroller for Midsize and Community Bank Supervision, at 202-874-5020.

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