



# Audit Report



OIG-11-060

SAFETY AND SOUNDNESS: Failed Bank Review of United  
Americas Bank, National Association

February 24, 2011

Office of  
Inspector General

Department of the Treasury





DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

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OIG-11-060

MEMORANDUM FOR JOHN WALSH  
ACTING COMPTROLLER OF THE CURRENCY

FROM: Jeffrey Dye /s/  
Director, Banking Audits

SUBJECT: Failed Bank Review of United Americas Bank, National  
Association, Atlanta, Georgia

This memorandum presents the results of our review of the failure of United Americas Bank, National Association (United Americas) located in Atlanta, Georgia. United Americas operated its branches in the Atlanta metropolitan area and was designated by the Office of the Comptroller of the Currency (OCC) as a minority-owned bank. OCC closed United Americas and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver on December 17, 2010. As of September 30, 2010, United Americas had approximately \$242.3 million in total assets and \$193.8 million in total deposits. FDIC estimated that the loss to the Deposit Insurance Fund is \$75.8 million.

Because the loss to the Deposit Insurance Fund is less than \$200 million, as set forth by section 38(k) of the Federal Deposit Insurance Act (FDIA), we conducted a review of the failure of United Americas that was limited to (1) ascertaining the grounds identified by OCC for appointing the FDIC as receiver and (2) determining whether any unusual circumstances exist that might warrant a more in-depth review of the loss. In performing our review we (1) examined documentation related to the appointment of FDIC as receiver, (2) reviewed OCC reports of examination for the 5 year period before the bank's failure, and (3) interviewed OCC personnel.

We conducted this performance audit during December 2010 and January 2011 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.

## Causes of the United Americas Failure

OCC appointed FDIC as receiver based on the following grounds: (1) the bank had experienced a substantial depletion of assets or earnings due to unsafe or unsound practice, (2) the bank's losses depleted all or substantially all of its capital and there was no reasonable prospect for the bank to become adequately capitalized, and (3) the bank was critically undercapitalized.

The primary causes of the United Americas failure were excessive concentrations in commercial real estate (CRE), coupled with inadequate risk management practices, a lack of core funding sources, and weak oversight by the bank's board of directors. The bank's loan portfolio was also heavily concentrated in mortgage loans made to first-time homebuyers using individual tax identification numbers (ITIN).<sup>1</sup> These loans were referred to in OCC documentation as the ITIN loan portfolio. In 2007, the bank's ITIN loan portfolio began to deteriorate when many of the ITIN borrowers became unemployed as a result of more stringent Georgia immigration laws. In 2008, the bank's CRE and ITIN loan portfolios significantly deteriorated due to the rapid decline in Atlanta's real estate market. The bank's board and management were slow to react to increasing levels of problem loans and failed to take effective corrective action to address regulator criticisms. By 2010, numerous unsafe and unsound credit practices resulted in declining asset quality and increasing credit losses and expenses, which rapidly depleted earnings and eroded capital.

## Conclusion

Based on our review of the causes of the United Americas failure and the grounds identified by OCC for appointing FDIC as receiver, we determined that there were no unusual circumstances surrounding the bank's failure or the supervision exercised by OCC. While the bank's lending to foreign nationals was a business strategy we have not encountered in our prior reviews of bank failures, risky concentrations in loan products has been a consistent theme that led to most bank failures we have reviewed. Accordingly, we have determined that a more in-depth review of this bank's failure by our office is not warranted.

We provided a draft of this memorandum to OCC management for comment. In its response, OCC stated it agreed with our conclusion as to the causes of the failure of United Americas and that it had no concerns with our determination that an in-depth review of the bank's failure was not warranted. The response is provided as

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<sup>1</sup> The Internal Revenue Service issues ITINs, regardless of immigration status, to foreign nationals and others who have federal tax reporting or filing requirements and do not qualify for social security numbers.

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Attachment 1. A list of the recipients of this memorandum is provided as Attachment 2.

We appreciate the courtesies and cooperation provided to our staff during the audit. If you have any questions, you may contact me at (202) 927-0384 or Rashmi Bartlett, Audit Manager, at (202) 927-5839.

Attachments



## MEMORANDUM

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

To: Jeffrey Dye, Director, Banking Audits

From: John Walsh, Acting Comptroller of the Currency /s/

Date: February 17, 2011

Subject: Response to Failed Bank Review of United Americas Bank, National Association

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We have received and reviewed your draft report titled "Failed Bank Review of United Americas Bank, National Association, Atlanta, Georgia (United Americas)." Because the loss to the Deposit Insurance Fund is less than \$200 million, as set forth by section 38(k) of the Federal Deposit Insurance Act, you conducted a review of the failure of United Americas that was limited to: (1) ascertaining the grounds identified by the OCC for appointing the FDIC as receiver; and, (2) determining whether any unusual circumstances exist that might warrant a more in-depth review of the loss. In performing your review you: (1) examined documentation related to the appointment of FDIC as receiver; (2) reviewed OCC reports of examination for the five year period before the bank's failure; and, (3) interviewed OCC personnel.

You conducted this performance audit during December 2010 and January 2011 in accordance with generally accepted government auditing standards. Those standards require that you plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for your findings and conclusions based on your audit objectives. You believe that the evidence obtained provides a reasonable basis for your findings and conclusions based on your audit objectives.

You concluded that the primary causes of United Americas' failure were excessive concentrations in commercial real estate (CRE), coupled with inadequate risk management practices, a lack of core funding sources, and weak oversight by the bank's board of directors. We agree.

You determined that there were no unusual circumstances surrounding the bank's failure or the supervision exercised by OCC. As a result, you determined that a more in-depth review of the bank's failure by the OIG is not warranted. We have no concerns with your determination.

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 Mid-size and Community Bank Supervision, at 202-874-5020.

**Department of the Treasury**

Deputy Secretary  
Office of Strategic Planning and Evaluations  
Office of Accounting and Internal Control

**Office of the Comptroller of the Currency**

Acting Comptroller of the Currency  
Liaison Officer

**Office of Management and Budget**

OIG Budget Examiner