



SR003_7: Failed Bank Report

First Federal Bank of North Florida

511 St Johns Ave

Palatka, FL 32177

(4/1/1934 – 4/16/2010)

Report Objective

This report has **two** objectives, using the bank's **data***

1. To examine the bank finances in the quarters prior to its failure.
2. To analyze the bank finances using our Key Performance Indicator (KPI) scoring approach to determine if the bank's failure is something we could have predicted.

*Data source: FDIC and company filings.

Bank Background

FDIC Certificate #	28886
Parent Holding Company	
Bank Charter Class	Saving Association
Asset Concentration	All other < \$1Billion
Product Specialty	Personal and Business Banking Services
Number of Branches	8 (as of March 31, 2010)
Number of Employees	90 (as of March 31, 2010)

Executives	
President and C.E.O.	Tito S. Smith
C.F.O.	Michael L. Riddick

What took place?

First Federal Bank of North Florida, Palatka, FL was closed by the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation (FDIC) was named Receiver. The estimated cost to the FDIC Deposit Insurance is \$6,000,000. TD Bank Financial acquired the banking operations and all the deposits of AmericanFirst Bank, First Federal Bank of North Florida and Riverside National Bank of Florida.

Key Performance Indicators

KPI Summary for 2010 Q1	
Normalized Income Rating	Moderate
Delinquent Asset Rating	Very Poor
Asset: Liability Rating	Very Poor
Real Estate Asset Rating*	Very Poor
Bankability Composite Score	-3.14** (Very Poor)

Possible ratings: *Excellent, Good, Moderate, Poor, Very Poor.*

*This rating is relevant to the current “financial crisis” fueled by mortgage security backed loans.

**This is out of 100.

Bank Financial Snapshot

Financial Data Overlay (thousands)			
	2009 Q1	2010 Q1	Percentage Change
Assets	\$420,228	\$440,122	↑4.73%
Liabilities	\$392,148	\$433,870	↑10.64%
Net Income	-\$1,095	\$205	↑118.72%

- The average net income change for all FDIC banks was 237.36% in the same period.
- The average net income change for all the commercial lending specialization banks was 180.45% in the same period.
- Compared with the whole industry and other commercial lending specialization banks, First Federal Bank of North Florida's change in Net Income was relatively healthy (118.72%) during the time period.

Normalized Income Analysis

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4 	2010Q1
Normalized Income	-0.43%	-0.26%	-0.87%	-1.23%	-3.34%	0.05%
SD's from Average*	-0.15	-0.32	-0.72	-1.23	-2.81	-0.45
Ranking	Moderate	Moderate	Moderate	Poor	Very Poor	Poor

- First Federal Bank of North Florida had a normalized income of 0.05% in the first quarter of 2010, the quarter before it failed.
- Banks of the same asset concentration hierarchy (All other < \$1 Billion) had an average normalized income of 0.19%. The standard deviation of the normalized incomes was 0.24%, which means First Federal Bank of North Florida was 0.45 SD's below the average.
- First Federal Bank of North Florida's normalized income in relation to banks of the same asset concentration hierarchy has shown signs of stress in the last 3 quarters, suffering loss total to over 4% of its assets.

*Average of banks of the same asset concentration hierarchy





Indicates sign of bank in financial distress

Delinquent Asset Analysis

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1 
Weighted Delinquent Asset	4.89%	3.71%	3.05%	2.57%	4.25%	5.17%
SD's from Average*	1.49	0.77	0.62	0.36	1.16	2.17
Ranking	Poor	Moderate	Moderate	Moderate	Poor	Very Poor

- First Federal Bank of North Florida had a weighted delinquent assets out of total assets ratio 5.17% in the first quarter of 2010, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average weighted delinquent asset of 1.72%. The standard deviation of the delinquent assets was 2.18%, which means that First Federal Bank of North Florida was about 2.17 SD's above average.
- First Federal Bank of North Florida's weighted delinquent assets ratio has shown signs of stress in the last two quarters compared to banks in the same specialization.

 *Average of banks of the same asset concentration hierarchy
 Indicates sign of bank in financial distress

Real Estate Loan Asset Analysis

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1 
Real Estate Loan Asset Ratio	85.32%	83.55%	81.53%	73.72%	78.21%	68.49%
SD from Average*	1.95	1.90	1.80	1.29	1.66	2.45
Ranking	Very Poor	Very Poor	Very Poor	Very Poor	Very Poor	Very Poor

- First Federal Bank of North Florida had a R/A ratio of 68.49% in 2010 Q1, the quarter before it failed.
- In 2010 Q1, banks of the same asset concentration hierarchy (commercial lending specialization) had an average R/A ratio of 39.37%. The standard deviation of the R/A ratio was 11.84%, which means that First Federal Bank of North Florida was actually 2.45 SD's above the average, earning the rank of "Very Poor."

* Average of banks of the same asset concentration hierarchy



Indicates sign of bank in financial distress

Asset: Liability Analysis

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1 
Asset: Liability Ratio	107.63%	107.16%	106.25%	104.48%	101.62%	101.44%
Median A/L Ratio*	111.93%	111.71%	111.71%	112.12%	111.66%	111.50%
Ranking	Poor	Poor	Very Poor	Very Poor	Very Poor	Very Poor

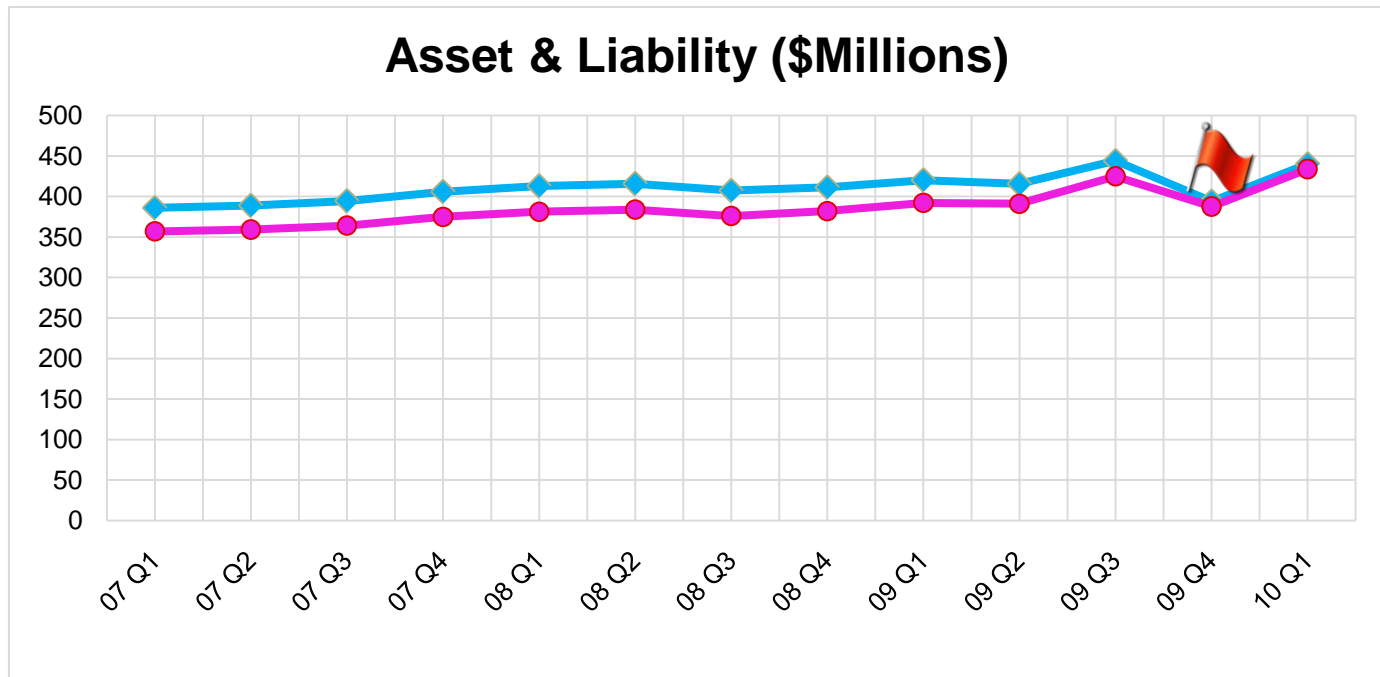
- First Federal Bank of North Florida's A/L ratio has been declining over the last 6 quarters and showed strong signs of stress in the last 3 quarters, at 101.44% before it failed.
- The median A/L ratio for all banks in the same asset concentration hierarchy (all others < \$1billion) was 111.50% in the same period, meaning that First Federal Bank of North Florida was more than 9% under the median. The median A/L ratio for all banks in 2010 Q1 was 111.01%.
- Of the 45 banks failed in 2010 Q2, 100% of them had an A/L ratio under 107%.

*Average of banks of the same asset concentration hierarchy



Indicates sign of bank in financial distress

Asset & Liability History

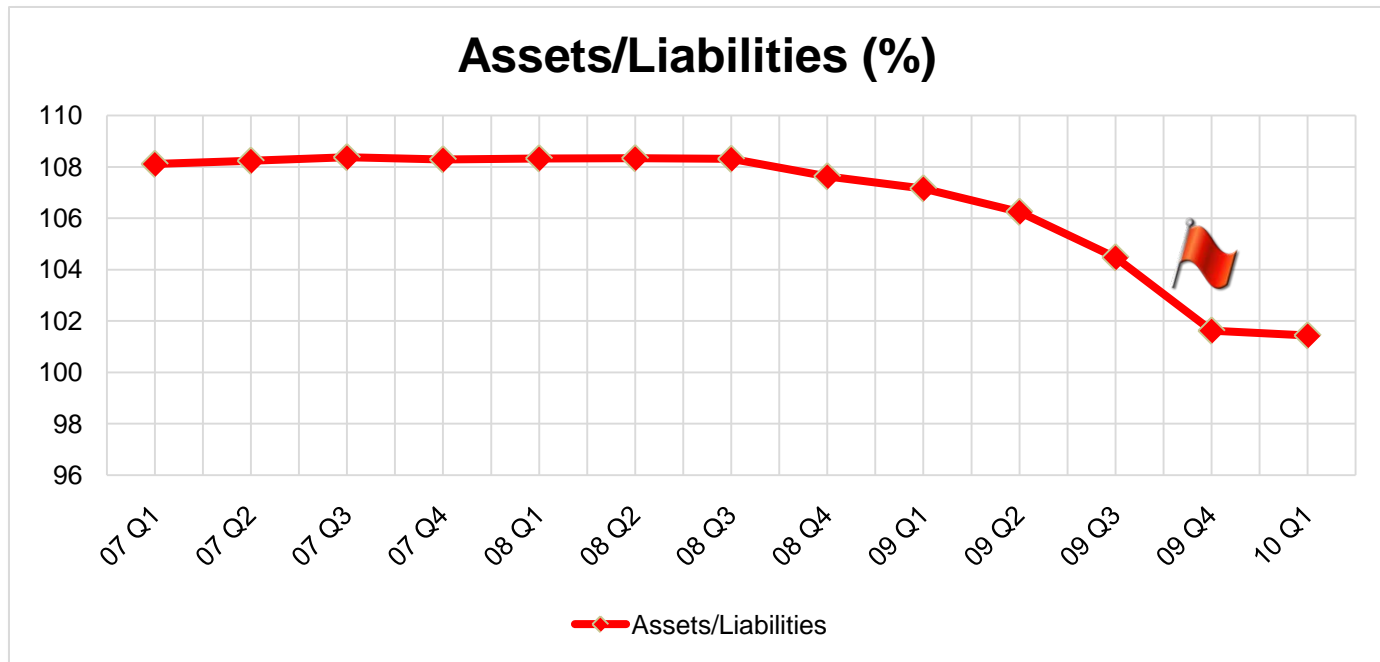


- The difference between asset and liability was getting closer in 09 Q4.



Indicates sign of bank in financial distress

Asset/Liability History

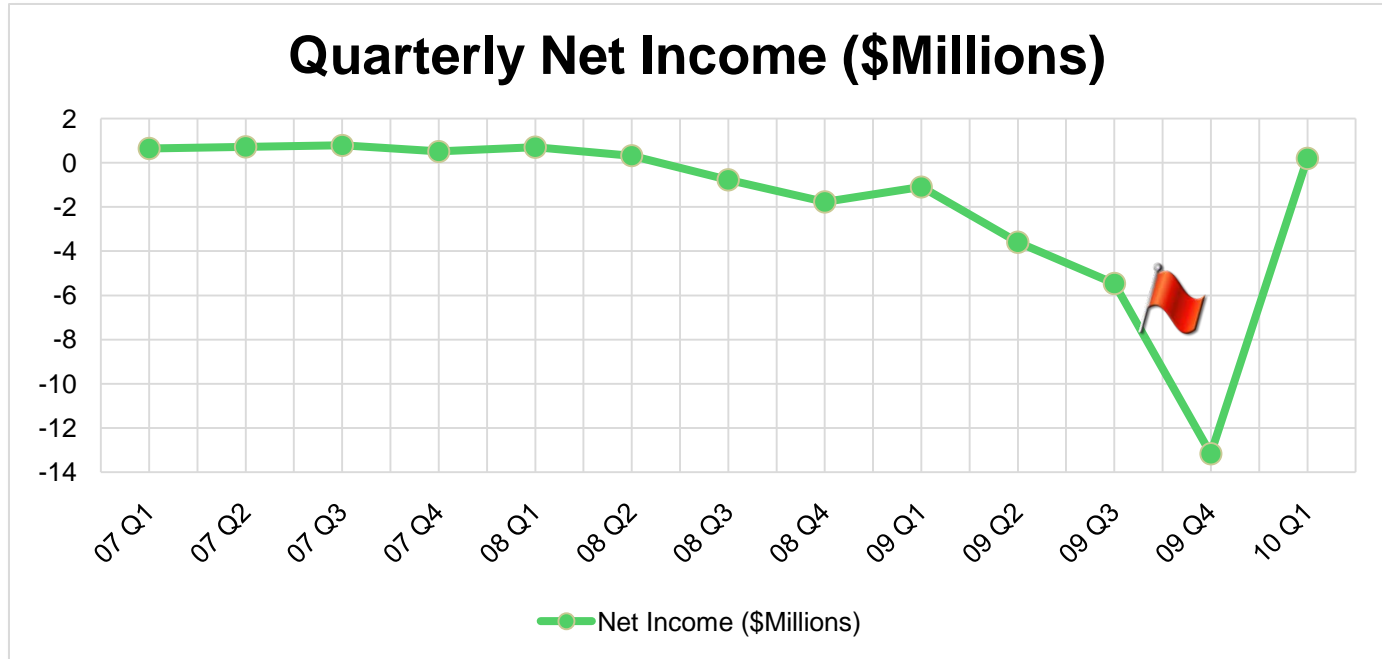


- Bank's 2010 Q1 asset/liability ratio experienced a decrease of 5.34% as compared to the same quarter in 2009.
- The asset/liability ratio for all FDIC banks experienced an increase of 0.024%.
- The asset/liability ratio for all banks in the All Others < \$1billion Specialization experienced a decrease of 0.188%.



Indicates sign of bank in financial distress

Net Income History

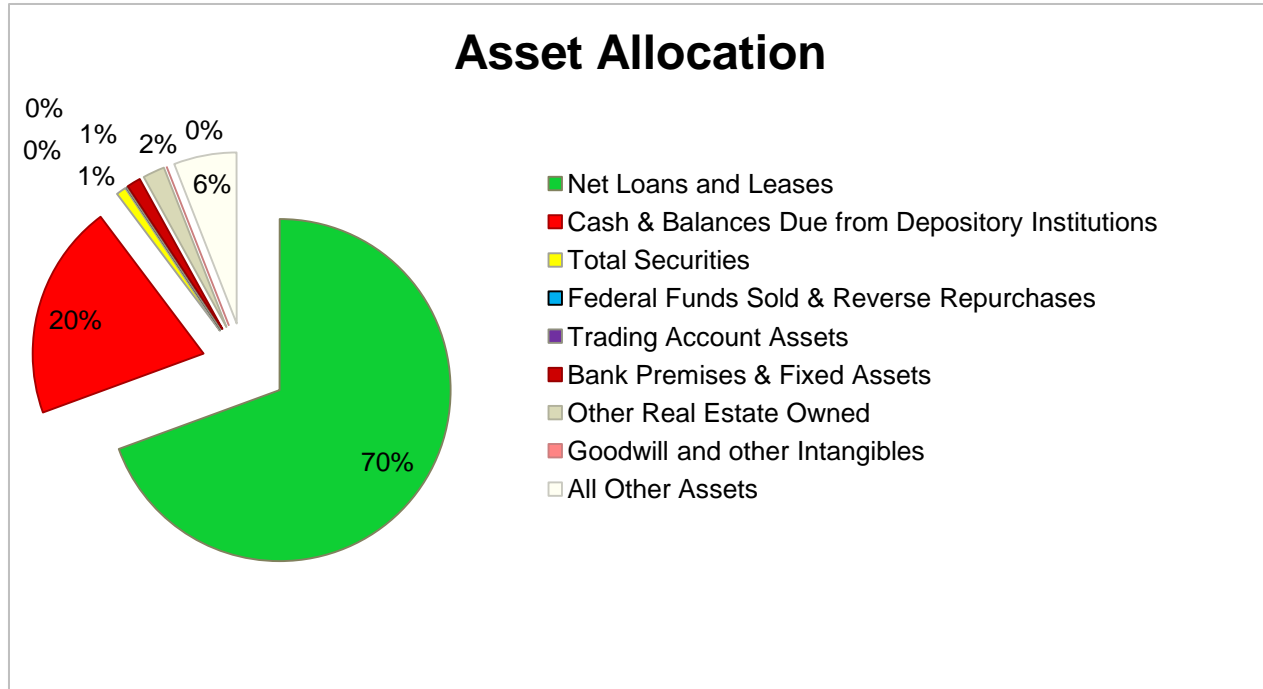


- The bank started reporting losses after 08 Q2.



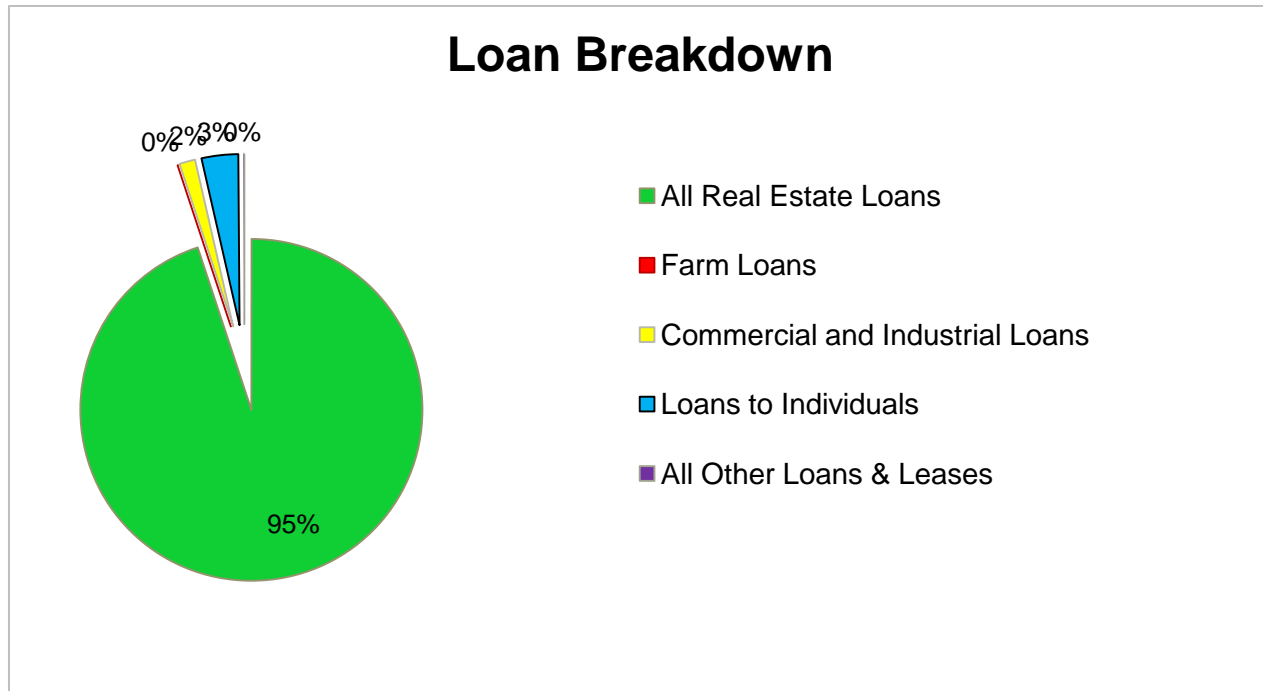
Indicates sign of bank in financial distress

Asset Allocation



- The average percentage of Net Loans for banks of the same Asset Concentration Hierarchy in the first quarter of 2010 was 54.90%.
- The average Net Loan percentage of all banks in the first quarter of 2010 was 62.77%.

Loan Breakdown



- The average percentage of Real Estate Loans for banks of the same Asset Concentration Hierarchy in the first quarter of 2010 was 70.66%. The average percentage for all banks in the first quarter of 2010 was 72.28%.

Events Timeline

- Mar 4, 08** - SEC voted to disclose information for the secondary market ETF investors in Form N-1A.
- Mar 7, 08** - The Fed will initiate a series of term repurchase transactions that are expected to cumulate to \$100 billion.
- Mar 19, 08** - Fannie Mae and Freddie Mac is expected to provide support to the U.S. mortgage market, up to \$200 billion immediate liquidity.
- May 29, 08** - U.S.-Canada mutual recognition arrangement: U.S. Securities markets and certain U.S. financial service firms could gain greater freedom to operate in Canada under SEC.
- Jun 10, 08** - FDIC releases a supervisory letter to all banks on interest reserves that examines the risks that this underwriting practice presents.
- Jun 11, 08** - SEC voted on a comprehensive series of credit rating agency reforms to bring increased transparency to credit rating process.
- Jun 17, 08** - New HOPE NOW guidelines to deal with issues surrounding second mortgages and short sales.
- Jun 26, 08** - FDIC adopts Basel II-Based Standardized Approach as an alternative risk-based capital framework available to all banks except the largest and most complex banks.
- Jun 26, 08** - FRS, FDIC, and OCC issued the host state loan-to-deposit ratios, which help indicate branches outside of the home state that were established or acquired for the purpose of deposit production.

Events Timeline

- Jul 13, 08** - Paulson Announces a three-part plan for GSEs: a temporary increase in the line of credit, a temporary authority for Treasury to purchase equity, and an advisory role is given to the Fed.
- Aug 20, 08** - FDIC's implementation in Loan Modification Program will help to modify troubled Indy Mac mortgages loans.
- Sep 17, 08** - SEC clarified that bank support of money market mutual funds generally are not required to present the fund on-balance sheet, but disclosure of the nature of the support provided is expected.
- Sep 18, 08** - SEC requires that certain institutional money managers report their new short sales of certain publicly traded securities.
- Sep 19, 08** - SEC prohibited short selling in 779 financial institutions.
- Sep 20, 08** - Treasury Secretary Hank Paulson releases \$700 billion proposal to purchase troubled mortgage-related assets.
- Oct 7, 08** - Emergency Economic Stabilization Act of 2008 Temporarily Increases Basic FDIC Insurance Coverage from \$100,000 to \$250,000 per Depositor.
- Oct 14, 08** - FDIC creates new program to guarantee bank debts and fully insure non-interest bearing deposit transaction accounts.
- Oct 14, 08** - The Treasury Department will invest up to \$250 billion in the nation's banks via the Capital Purchase Program.
- Nov 20, 08** - FDIC announces the availability of Indy Mac Loan Modification Model.

Events Timeline

- Nov 25, 08** - Created the Term Asset-Backed Securities Loan Facility to support the issuance of asset-backed securities collateralized by loans.
- Dec 3, 08** - SEC approved measures to strengthen oversight of credit rating agencies.
- Dec 16, 08** - Troubled banks have to provide certain position level and counterparty level data and QFC counterparty and portfolio identifiers to FDIC in a timely manner.
- Dec 23, 08** - Treasury provides TARP funds to focal Banks by purchasing \$2.8 billion investment from 49 banks.
- Dec 30, 08** - The Fed announced that it will purchase mortgage-backed securities.
- Jan 15, 09** - The Senate voted to allow access to the remaining bailout funds of \$350 billion.
- Jan 27, 09** - As part of the Capital Purchase Program, Treasury announced investments of \$386 million in 23 healthy banks.
- Feb 10, 09** - A Capital Assistance Program to help ensure banks hold sufficient capital, produce a more consistent and forward-looking assessment of risks on banks' balance and their potential capital needs.
- Feb 10, 09** - A Public-Private Investment Fund will combine public and private capital with government financing to help free up capital to support new lending.
- Feb 10, 09** - Geithner rolls out the Financial Stability Plan, promises to perform “stress tests” on big banks, and commit \$100 billion to boost the TALF.

Events Timeline

- Feb 10, 09** - Treasury and Fed expanded the Term Asset-Backed Securities Lending facility up to \$1 trillion.
- Feb 18, 09** - President Obama signs the American Recovery and Reinvestment Act of 2009, which limits bonuses of the highest earning executives.
- Mar 4, 09** - Treasury announced loan modification guidelines under the Administration's Homeowner Affordability and Stability Plan.
- Mar 23, 09** - Using TARP capital and capital from private investors, the Public-Private Investment Program will generate \$500 billion in purchasing power to buy legacy assets.
- May 1, 09** - The Fed announces that, starting in June, commercial mortgage backed securities and securities backed by insurance premium finance loans will be eligible collateral under the TALF. The Treasury purchases a total of \$45.5 million in preferred stock from 7 U.S. banks under the Capital Purchase Program.
- May 8, 09** - The Treasury purchases of total of \$42 million in preferred stock from 7 U.S. banks under the Capital Purchase Program.
- May 13, 09** - The Treasury proposes amendments to the Commodity Exchange Act and securities laws to enhance govt. regulation of over the counter derivatives markets.
- May 14, 09** - SEC proposed rule amendments to strengthen safeguards of investor funds controlled by investment advisers.

Events Timeline

- May 29, 09** - FDIC tightens the deposit interest rates paid by banks that are less than well capitalized. Generally, such banks will be permitted to offer to "national rate" plus 75 basis points.
- Jun 9, 09** - 10 Of the largest U.S financial institutions are expected to make CPP repayments to Treasury.
- Jul 2, 09** - FDIC proposed guidelines require private equity firms to hold bank purchases for 3yrs and maintain capital levels.
- Jul 8, 09** - The Legacy Securities program is designed to facilitate price discovery to re-deploy capital and extend new credit to households and businesses. Treasury will invest up to \$30 billion of equity and debt.
- Jul 15, 09** - SEC voted unanimously to propose rule amendments to improve the quality and timeliness of municipal securities disclosure.
- Jul 29, 09** - SEC announced several actions that would protect against abusive short sales and make more short sale information available to the public.
- Aug 26, 09** - Banking organizations affected by the new accounting standards generally will be subject to higher minimum regulatory capital requirements. New standards for investors interested in acquiring or investing in the deposit liabilities of failed banks or thrifts.
- Aug 27, 09** - Aggregate net loss of \$3.7 billion in the second quarter of 2009, a decline of \$8.5 billion from the \$4.8 billion in profits the industry reported in the second quarter of 2008.

Events Timeline

- Aug 29, 09** - The SEC issued an Order approving the application of the Financial Industry Regulatory Authority, Inc. (FINRA) for relief from a statutory disqualification to permit David Bonrouhi to associate with Fallbrook Capital Securities Corporation (Fallbrook), a member of FINRA.
- Sep 9, 09** - FDIC Board adopted a Notice of Proposed Rulemaking that reaffirms the expiration of the debt guarantee component of the Temporary Liquidity Guarantee Program.
- Sep 17, 09** - SEC voted unanimously to take several rulemaking actions to bolster oversight of credit ratings agencies by enhancing disclosure and improving the quality of credit ratings.
- Sep 24, 09** - Credit quality declined sharply for loan commitments of \$20 million or more held by multiple federally supervised institutions.
- Sep 28, 09** - SEC (Section 31) fee rate applicable to securities transactions on the exchanges and in the over-the-counter markets will be set at \$12.70 per million dollars.
- Sep 29, 09** - Institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012.
- Oct 2, 09** - The Securities and Exchange Commission announced that the smallest publicly reporting companies will begin complying in nine months with the final portion of a key provision of a 2002 corporate governance law, which requires companies to report to the public about the effectiveness of their internal control over financial reporting.
- Oct 5, 09** - SEC Suspends Trading in the Securities of SpongeTech Delivery Systems and Inc. Lori Schock Named Director of SEC Office of Investor Education and Advocacy SEC Approves New Exchange Rules for Breaking Clearly Erroneous Trades.

Events Timeline

- Oct 14, 09** - SEC approved a temporary rule and form amendments that postpone the date by which companies that are non-accelerated filers must begin to comply with the auditor attestation report on internal control over financial reporting mandated by Section 404(b) of the Sarbanes-Oxley Act of 2002.
- Oct 14, 09** - SEC Orders Hearing on Registration Revocation Against Six Public Companies for Failure to Make Required Periodic Filings.
- Oct 15, 09** - The SEC announced that Barry Walters has been named Chief Freedom of Information Act and Privacy Act Officer. The House Financial Services Committee began its formal deliberations regarding the President's financial reform plan.
- Oct 16, 09** - Adam Storch Named Managing Executive of SEC's Enforcement Division.
- Oct 21, 09** - The Senior Supervisors Group (SSG) today issued a report that evaluates how weaknesses in risk management and internal controls contributed to industry distress during the financial crisis.
- Oct 21, 09** - The SEC today voted unanimously to propose measures intended to increase transparency of dark pools so investors get a clearer view of stock prices and liquidity.
- Oct 22, 09** - The Securities and Exchange Commission today launched its first-ever Web site devoted exclusively to investor education, providing investors with in-depth information and "top tips" on how to invest wisely, plan for the future, and avoid being scammed.
- Oct 23, 09** - The President restates his commitment to small business as key to economic recovery -- from the Recovery Act to Financial Stability to Health Reform -- and pledges more to come.

Events Timeline

- Oct 28, 09** - SEC Publishes 2010-2015 Draft Strategic Plan for Public Comment.
- Oct 29, 09** - Data released by the Commerce Department shows that real GDP grew at an annual rate of 3.5 percent in the third quarter of the year. Motor vehicle output added the largest contribution to quarterly economic growth in over a decade of 1.7% in the third quarter.
- Oct 30, 09** - SEC Office of the Chief Accountant releases staff accounting bulletin which shows the Recovery Act creating Jobs throughout the Nation. The President cites the recent dramatic turnaround in gross domestic product as a sign of better things to come, he also applauds the fact that the Recovery Act has now created or saved more than a million jobs.
- Nov 3, 09** - Norm Champ Named Associate Regional Director for Examinations in SEC New York Regional Office.
- Nov 6, 09** - Payroll employment declined 190,000 in October and, the employment loss in both August and September was revised down substantially.
- Nov 10, 09** - Robert W. Cook Named Director of SEC Division of Trading and Markets.
- Nov 13, 09** - Paul Beswick Named SEC Deputy Chief Accountant in Charge of Accounting Group.
- Nov 13, 09** - [The Office of Thrift Supervision issued First Federal Bank of North Florida the Cease and Desist order.](#)
- Nov 16, 09** - The retail sales report showed that sales rose even more than expected, 1.4%, which was a full half point more than the consensus forecast.
- Nov 17, 09** - The Federal Reserve Board announced proposed rules that would restrict the fees and expiration dates that may apply to gift cards. President Obama Establishes Interagency Financial Fraud Enforcement Task Force.

* All internal news are written in [blue color](#).

Events Timeline

- Nov 17, 09** - Eight federal regulatory agencies today released a final model privacy notice, which will make it easier for consumers to understand how financial institutions collect and share information about consumers.
- Nov 25, 09** - SEC Surpasses \$2 Billion in Fair Fund Distributions in 2009.
- Nov 30, 09** - The Federal Reserve offered \$25 billion in 42-day credit through its Term Auction Facility.
- Dec 7, 09** - Special Advisor and Former Deputy Director of the Division of Enforcement George Curtis Leaves the SEC.
- Dec 11, 09** - SEC Chairman Schapiro made Statement on House-Passed Financial Regulatory Reform Legislation.
- Dec 14, 09** - SEC Re-Opens Public Comment Period for Shareholder Director Nomination Proposal, and Announces \$418 Million Fair Fund Distribution to Harmed Investors in Invesco Mutual Funds.
- Dec 16, 09** - Eric Bustillo Named Regional Director of SEC's Miami Regional Office. SEC Approves Enhanced Disclosure About Risk, Compensation and Corporate Governance.
- Dec 16, 09** - The Federal Reserve Board approved an interim final rule to implement a recent statutory amendment requiring that notice be given to consumers when their mortgage loan has been sold or transferred.
- Dec 22, 09** - SEC Proposes Rule Amendments to facilitate access to capital markets.

Events Timeline

- Dec 22, 09** - The federal Reserve Board published its annual notice of the asset-size exemption threshold for depository institutions under Regulation C, which implements the Home Mortgage Disclosure Act (HMDA)
- Dec 31, 09** - The Federal Reserve Board has approved amendments to Appendix A of Regulation CC that reflect the restructuring of the Federal Reserve Banks' check-processing operations.
- Jan 4, 10** - SEC Chairman Mary L. Schapiro announced that Carlo V. di Florio has been named Director of the agency's Office of Compliance Inspections and Examinations.
- Jan 7, 10** - FDIC, in coordination with the other member agencies of FFIEC, released an advisory reminding institutions of supervisory expectations for sound practices to manage interest rate risk (IRR).
- Jan 12, 10** - The Board of Directors of FDIC approved an Advance Notice of Proposed Rulemaking (ANPR) seeking input on whether certain employee compensation structures pose risks that should be captured in the deposit insurance assessment program.
- Jan 13, 10** - The Enforcement Division of the SEC announced the appointment of the newest members of its national leadership team as the Division undertakes its most significant reorganization since its establishment in 1972.
- Jan 13, 10** - The SEC announced a series of measures to further strengthen its enforcement program and encourage greater cooperation by individuals and companies in the agency's investigations and enforcement actions.

Events Timeline

- Jan 13, 10** - The SEC voted unanimously to propose a new rule that would effectively prohibit broker-dealers from providing customers with "unfiltered" or "naked" access to an exchange or alternative trading system (ATS).
- Jan 13, 10** - The SEC moved forward with a broad review of the equity market structure, voting unanimously to issue a concept release seeking public comment on such issues as high frequency trading, co-locating trading terminals, and markets that do not publicly display price quotations.
- Jan 20, 10** - The SEC announced that Fredric D. Firestone, an Associate Director of the Division of Enforcement, will leave the SEC next month to become a partner at McDermott, Will & Emery, resident in the firm's Washington, D.C., office.
- Jan 21, 10** - The federal banking and thrift regulatory agencies announced the final risk-based capital rule related to the Financial Accounting Standards Board's adoption of Statements of Financial Accounting Standards Nos. 166 and 167. These new accounting standards make substantive changes to how banking organizations account for many items.
- Jan 25, 10** - The SEC announced that Daniel M. Gallagher, Jr., a Deputy Director of the Division of Trading and Markets, will leave the agency at the end of this month to return to private practice as a partner in the Washington, D.C., office of WilmerHale.

Events Timeline

- Jan 27, 10** – The SEC adopted new rules designed to significantly strengthen the regulatory requirements governing money market funds and better protect investors.
- Jan 27, 10** – The SEC voted to provide public companies with interpretive guidance on existing SEC disclosure requirements as they apply to business or legal developments relating to the issue of climate change.
- Jan 29, 10** – The Reserve Primary Fund today completed distribution of \$3.4 billion in assets to investors who held shares of the fund when its net asset value fell below \$1 per share in September 2008. This distribution, which follows earlier distributions, represents the bulk of the fund's remaining assets.
- Feb 1, 10** – SEC Chairman Mary Schapiro and UK Financial Services Authority (FSA) Chairman Adair Turner and Chief Executive Hector Sants met in London as part of the SEC-FSA Strategic Dialogue to engage at the senior levels of the two agencies on current matters affecting the U.S. and UK capital markets and areas of future collaboration.
- Feb 1, 10** – Schapiro makes a statement regarding the President's FY 2011 budget request of \$1.258 billion for the SEC: "If enacted, the President's request will do a great deal to help us keep pace with the continuing growth of the markets and provide necessary resources to support important regulatory initiatives in 2011."
- Feb 3, 10** – The SEC announced that Rhea Kemble Dignam has been named Director of the SEC's Atlanta Regional Office.

Events Timeline

- Feb 3, 10** – The SEC announced that William P. Hicks has been named Associate Regional Director for Enforcement in the SEC's Atlanta Regional Office.
- Feb 4, 10** – The SEC charged Boston-based State Street Bank and Trust Company with misleading its investors about their exposure to subprime investments while selectively disclosing more complete information to specific investors.
- Feb 5, 10** – The federal financial regulatory agencies and the Conference of State Bank Supervisors (the regulators) issued a statement on prudent lending to creditworthy small business borrowers. The regulators recognize that small businesses play an important role in the economy.
- Feb 22, 10** – The SEC announced a series of steps to educate investors about proxy voting and support greater investor participation in corporate elections.
- Feb 23, 10** – SEC staff will conduct a public seminar to help companies and preparers comply with rules that require financial reports to be filed using eXtensible Business Reporting Language, (XBRL), which can provide investors quicker access to the data they want in a format that's easily used, searched and analyzed.
- Feb 23, 10** – Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of \$914 million in the fourth quarter of 2009, a \$38.7 billion improvement from the \$37.8 billion net loss the industry sustained in the fourth quarter of 2008, but still well below historical norms for quarterly profits

Events Timeline

- Feb 24, 10** – The SEC adopted a new rule to place certain restrictions on short selling when a stock is experiencing significant downward price pressure. The measure is intended to promote market stability and preserve investor confidence.
- Feb 24, 10** – The Securities and Exchange Commission voted to issue a statement that lays out its position regarding global accounting standards and makes clear that the Commission continues to believe that a single set of high-quality globally accepted accounting standards would benefit U.S investors.
- Feb 25, 10** – The FDIC has issued the public list of institutions that it has scheduled for a CRA examination during the second quarter of 2010. This list is published pursuant to revised CRA regulations published in May 1995 that require each federal bank and thrift regulator to publish a quarterly CRA examination schedule at least 30 days before the beginning of each quarter.
- Feb 26, 10** – The Federal Deposit Insurance Corporation (FDIC) today released a list of orders of administrative enforcement actions taken against banks and individuals in January
- Mar 1, 10** – Pursuant to Section 31 of the Securities Exchange Act of 1934, the Commission has determined that a mid-year adjustment to the Section 31 transaction fee rate is necessary. Effective on April 1, 2010, the Section 31 transaction fee rate will be set at \$16.90 per million.
- Mar 3, 10** – The SEC and the Internal Revenue Service today announced that the two agencies agreed to work more closely to monitor and regulate the municipal bond market and industry.

Events Timeline

- Mar 9, 10** – The SEC announced that Chief Economist James A. Overdahl will leave the Commission to rejoin the private sector after serving since July 2007 as principal economic advisor to the Commission on policy, rulemaking, and litigation support.
- Mar 11, 10** – FDIC Board Approves An Extension Regarding the Safe Harbor Protection for Securitizations.
- Mar 12, 10** – The Federal Deposit Insurance Corporation (FDIC) today closed on a sale of notes backed by residential mortgage backed securities (RMBS) from seven failed bank receiverships.
- Mar 17, 10** – The federal banking agencies in conjunction with the Conference of State Bank Supervisors (CSBS), released a policy statement on their expectations for sound funding and liquidity risk management practices.
- Mar 23, 10** – Senior officials of the FDIC held a roundtable discussion with a wide variety of interested groups to discuss the application of the FDIC Statement of Policy on the Acquisition of Failed Insured Institutions, published on September 2, 2009.
- Mar 25, 10** – The SEC announced that Howard A. Scheck has been named Chief Accountant for the SEC's Division of Enforcement.
- Mar 26, 10** – The SEC's Office of the Chief Accountant has selected eight professional accounting fellows for two-year terms beginning in 2010.
- Mar 31, 10** - First Federal Bank of North Florida had total assets of about \$440.1 million, total deposits \$369.6 million, loans \$305.5 million, profit \$0.2 million, capital \$-3.7 million, reserves \$12.1 million, and total troubled assets \$38.4 million.

Events Timeline

- Apr 1, 10** - The SEC announced that Kathleen Griffin has been named the agency's first Chief Compliance Officer - the latest in a series of measures undertaken to strengthen the SEC's internal compliance program.
- Apr 5, 10** - The SEC announced that Robert J. Keyes has been named Associate Regional Director and Chief of Regional Office Operations in the agency's New York Regional Office.
- Apr 5, 10** - The U.S. Department of the Treasury and the Office of Management and Budget (OMB) announced the opening of a new office created to improve and streamline financial management across the U.S. government. The Office of Financial Innovation and Transformation (FIT) will be located in the Treasury Department and will work in collaboration with OMB to reduce costs, streamline processes, and provide better transparency of financial information.
- Apr 6, 10** - U.S. Secretary of the Treasury Tim Geithner and Indian Finance Minister Pranab Mukherjee launched the U.S.-India Economic and Financial Partnership to strengthen bilateral engagement and understanding on macroeconomic, financial sector and infrastructure-related issues.
- Apr 7, 10** - The SEC proposed rules that would revise the disclosure, reporting and offering process for asset-backed securities (ABS) to better protect investors in the securitization market.
- Apr 9, 10** - Beach First National Bank was closed by the Office of the Comptroller of the Currency, and the FDIC was named Receiver.
- Apr 12, 10** - The Federal Reserve Board announced the appointment of William B. English as director of the Division of Monetary Affairs, effective July 23, 2010.

Events Timeline

- Apr 13, 10** - The Board of Directors of the FDIC approved an interim rule to extend the Transaction Account Guarantee (TAG) program to December 31, 2010.
- Apr 13, 10** - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approved a Notice of Proposed Rulemaking (NPR) to revise the deposit insurance assessment system for large institutions, which pose unique and concentrated risks to the Deposit Insurance Fund.
- Apr 14, 10** - The SEC voted to propose the creation of a large trader reporting system that would enhance its ability to identify large market participants, collect information on their trades, and analyze their trading activity.
- Apr 14, 10** - The SEC proposed to put in place two investor protection measures in options markets that currently exist in stock markets.
- Apr 14, 10** - The U.S. Department of the Treasury and the Department of Housing and Urban Development released March data for the Administration's Home Affordable Modification Program (HAMP).
- Apr 15, 10** - Eight federal regulators today released an Online Form Builder that financial institutions can download and use to develop and print customized versions of a model consumer privacy notice.
- Apr 15, 10** - The U.S. Department of the Treasury released Treasury International Capital (TIC) data for February 2010.
- Apr 16, 10** - First Federal Bank of North Florida was closed by the Office of Thrift Supervision, and the FDIC was named Receiver.
- Apr 20, 10** - Lael Brainard was confirmed by the United States Senate to serve as the U.S. Department of the Treasury's Under Secretary for International Affairs.

Events Timeline

- Apr 21, 10** - The Federal Reserve System released the 2009 annual comparative financial statements for the combined Federal Reserve Banks, the 12 individual Federal Reserve Banks, the limited liability companies (LLCs) that were created to respond to strains in financial markets, and the Board of Governors. The individual and combined Reserve Bank financial statements and those of the consolidated LLCs and the Board are audited annually by an independent auditing firm.
- Apr 23, 10** - The Federal Reserve Board on Friday announced that it will hold four public hearings, beginning in July, on potential revisions to Regulation C, which implements the Home Mortgage Disclosure Act. The act requires mortgage lenders to provide detailed annual reports of their mortgage lending activity to regulators and the public. Consumers, community and consumer organizations, mortgage lenders, and other interested parties will be invited to participate in the hearings.
- Apr 28, 10** - The Federal Deposit Insurance Corporation (FDIC) will hold a day-long symposium on May 11, 2010, on combating the threats posed by cyber criminals targeting small and midsize businesses.
- Apr 29, 10** - The Federal Financial Institutions Examination Council (FFIEC) released the revised Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual.
- Apr 30, 10** - The federal financial regulatory agencies issued final guidance to address the risks associated with funding and credit concentrations arising from correspondent relationships. A correspondent relationship occurs when a financial organization provides another financial organization with service related to deposits, lending, or other activities.

Events Timeline

- Apr 30, 10** - The Federal Deposit Insurance Corporation (FDIC) released a list of orders of administrative enforcement actions taken against banks and individuals in March.
- May 3, 10** - The SEC announced that it recently completed its 20th Annual International Institute for Securities Market Development.
- May 3, 10** - The SEC announced that Richard A. Levine has been named an Associate General Counsel for Legal Policy in the agency's Office of the General Counsel.
- May 5, 10** - SEC staff would conduct a public seminar next month to help mutual funds comply with new rules that require them to file data in the risk/return summary section of the prospectus using Extensible Business Reporting Language (XBRL), which can provide investors with quicker access to the data they want in a format that is easily used, searched, and analyzed.
- May 6, 10** - The U.S. Department of the Treasury released its monthly comprehensive update on Build America Bonds issuances, including state-by-state data, showing nearly \$97 billion have been issued through April 30, 2010. Build America Bond issuers benefit from substantial savings in borrowing costs when compared to issuing tax exempt debt.
- May 11, 10** - SEC Chairman Mary Schapiro and Commodity Futures Trading Commission Chairman Gary Gensler announced the formation of a joint committee that will address emerging regulatory issues. The establishment of the Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues was one of the 20 recommendations included in the agencies' harmonization report issued last year.
- May 11, 10** - Thomas J. Dujenski, a 27-year FDIC veteran, has been appointed FDIC Regional Director for the Division of Supervision and Consumer Protection's (DSC) Atlanta Region.

Events Timeline

- May 11, 10** - The FDIC issued for public comment a proposed rule that would require certain identified insured depository institutions ("IDIs") that are subsidiaries of large and complex financial parent companies to submit to the FDIC analysis, information, and contingent resolution plans that address and demonstrate the IDI's ability to be separated from its parent structure, and to be wound down or resolved in an orderly fashion.
- May 11, 10** - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approved a Notice of Proposed Rulemaking (NPR) to clarify the safe harbor protection in a conservatorship or receivership for financial assets transferred by an insured depository institution (IDI) in connection with a securitization or participation.
- May 12, 10** - U.S. Treasury Secretary Tim Geithner appointed Richard L. Gregg to the position of Fiscal Assistant Secretary.
- May 12, 10** - U.S. Treasury Secretary Timothy Geithner and European Commissioner Michel Barnier met today and reaffirmed their strong determination to cooperate closely in strengthening the global financial system and in putting in place the G-20 financial reform agenda.
- May 13, 10** - The SEC's Investor Advisory Committee today announced the agenda for its public meeting on May 17, 2010. The committee was formed by the SEC in 2009 to advise the Commission as to its regulatory priorities.
- May 13, 10** - The SEC announced that Gerald Hodgkins has been appointed as an Associate Director of the Division of Enforcement, a senior position in which he will assist in planning and directing the agency's enforcement efforts.

Events Timeline

- May 17, 10** - The U.S. Department of the Treasury and the Department of Housing and Urban Development (HUD) released April data for the Administration's Home Affordable Modification Program (HAMP) showing permanent modifications for almost 300,000 homeowners - an increase of 68,000 or almost 13 percent over March.
- May 18, 10** - The SEC announced that in response to the market disruption on May 6, the national securities exchanges and the Financial Industry Regulatory Authority (FINRA) are filing proposed rules under which they would pause trading in certain individual stocks if the price moves 10 percent or more in a five-minute period.
- May 20, 10** - Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of \$18.0 billion in the first quarter of 2010, a \$12.5 billion improvement from the \$5.6 billion the industry earned in the first quarter of 2009, but still well below historical norms for quarterly profits.
- May 21, 10** - SEC Chairman Mary L. Schapiro announced that Kenneth A. Johnson has been named Chief Financial Officer for the agency.
- May 21, 10** - The U.S. Department of the Treasury announced the guidelines for applying for the new Therapeutic Discovery Project Program created by the Affordable Care Act. The program will provide tax credits and grants to small firms that show significant potential to produce new and cost-saving therapies, support good jobs and increase U.S. competitiveness.
- May 24, 10** - Consumer credit card agreements from more than 300 credit card issuers are now online in a searchable database created by the Federal Reserve Board.
- May 26, 10** - The SEC voted unanimously to approve rule changes improving the quality and timeliness of municipal securities disclosure.

Events Timeline

- May 26, 10** - The SEC proposed a new rule that would require the self-regulatory organizations (SROs) to establish a consolidated audit trail system that would enable regulators to track information related to trading orders received and executed across the securities markets.
- May 26, 10** - The Federal Deposit Insurance Corporation (FDIC) and the China Banking Regulatory Commission (CBRC) announced their agreement to enhance cooperation and coordination on cross border resolutions.
- May 27, 10** - The SEC announced the appointment of Vrian Croteau as Deputy Chief Accountant for the Professional Practice Group in the agency's Office of the Chief Accountant (OCA). Mr. Croteau previously served in OCA as a Senior Associate Chief Accountant.
- May 27, 10** - The SEC announced that Jeff Heslop has been named the agency's first-ever Chief Operating Officer (COO) for information technology, financial reporting, and records management.
- May 27, 10** - The Federal Deposit Insurance Corporation (FDIC) has issued the public list of institutions that it has scheduled for a Community Reinvestment Act (CRA) examination during the third quarter of 2010. This list is published pursuant to revised CRA regulations published in May 1995 that require each federal bank and thrift regulator to publish a quarterly CRA examination schedule at least 30 days before the beginning of each quarter.
- May 27, 10** - The U.S. Department of the Treasury announced that Deputy Secretary of State Jacob J. Lew signed, on behalf of the United States, a Protocol to the Convention on Mutual Administrative Assistance on Tax Matters, as it was jointly opened for signature by the Organization for Economic Cooperation and Development (OECD) and the Council of Europe.

Events Timeline

- May 28, 10** - The Federal Deposit Insurance Corporation (FDIC) released a list of orders of administrative enforcement actions taken against banks and individuals in April.
- May 28, 10** - The Federal Reserve Board announced final clarifications to aspects of its November 2009 final rule under Regulation E (Electronic Fund Transfers) and its December 2008 final rule under Regulation DD (Truth in Savings) pertaining to overdraft services.
- Jun 3, 10** - The U.S. Department of the Treasury released its monthly comprehensive update on Build America Bonds issuances, including state-by-state data, showing \$106 billion has been issued through May 31, 2010. Build America Bond issuers benefit from substantial savings in borrowing costs when compared to issuing tax-exempt debt.
- Jun 10, 10** - The SEC approved rules that will require the exchanges and FINRA to pause trading in certain individual stocks if the price moves 10 percent or more in a five-minute period. The rules, which were proposed by the national securities exchanges and FINRA and published for public comment, come in response to the market disruption of May 6.
- Jun 11, 10** - Vice Chairman Donald L. Kohn announced that, at the request of Federal Reserve Chairman Ben S. Bernanke, he plans to remain on the Board until a new Governor is appointed but to leave no later than September 1.
- Jun 14, 10** - The U.S. SEC, Quebec Autorité des marchés financiers (AMF) and Ontario Securities Commission (OSC) announced a comprehensive arrangement to facilitate their supervision of regulated entities that operate across the U.S. - Canadian border.
- Jun 15, 10** - The U.S. Department of the Treasury released Treasury International Capital (TIC) data for April 2010.

Events Timeline

- Jun 15, 10** - The SEC voted unanimously to propose rule amendments to help clarify the meaning of a date in a target date fund's name and enhance the information provided to investors in these funds as they invest for retirement.
- Jun 15, 10** - The Federal Reserve Board approved a final rule to protect credit card users from unreasonable late payment and other penalty fees and to require credit card issuers to reconsider interest rate increases imposed since the beginning of last year.
- Jun 17, 10** - The federal bank and thrift regulatory agencies announced a series of upcoming public hearings on modernizing the regulations that implement the Community Reinvestment Act (CRA). Interested parties are invited to provide testimony and written comments.
- Jun 17, 10** - The federal bank and thrift regulatory agencies announced a proposed change to the Community Reinvestment Act (CRA) regulations to support stabilization of communities affected by high foreclosure levels. The proposed change specifically would encourage depository institutions to support the Neighborhood Stabilization Program (NSP) administered by the U.S. Department of Housing and Urban Development (HUD).
- Jun 17, 10** - The Federal Reserve Board announced the discussion topics for its upcoming public hearings on potential revisions to Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). Members of the Board's Consumer Advisory Council (CAC), who represent consumer and community organizations, the financial services industry, academic institutions, and state agencies, will join Board officials in presiding at the hearings.

Events Timeline

- Jun 21, 10** - The Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and the Federal Deposit Insurance Corporation (FDIC) issued a final guidance to ensure that incentive compensation arrangements at financial organizations take into account risk and are consistent with safe and sound practices. The guidance was originally proposed by the Federal Reserve last year.
- Jun 22, 10** - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) adopted a final rule extending the Transaction Account Guarantee (TAG) program for six months, from July 1, 2010 through December 21, 2010. Under the TAG program, customers of participating insured depository institutions are provided full coverage on qualifying transaction accounts.
- Jun 23, 10** - State Housing Finance Agencies (HFAs) in Arizona, California, Florida, Michigan, and Nevada can begin to use \$1.5 billion in "Hardest Hit Fund" foreclosure-prevention funding under plans approved today by the Obama Administration. This aid will support innovative local initiatives to assist struggling homeowners in those states, as part of the first round of funding available under this new program.
- Jun 24, 10** - The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued the host state loan-to-deposit ratios that the banking agencies will use to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. These ratios update data released on June 29, 2009.
- Jun 25, 10** - The Federal Deposit Insurance Corporation (FDIC) released a list of orders of administrative enforcement actions taken against banks and individuals in May.

Events Timeline

- Jun 28, 10** - The Federal Reserve Board announced that it will implement changes to its Payment System Risk (PSR) policy in early 2011. A specific implementation date will be announced at least 90 days in advance.
- Jun 30, 10** - The SEC voted unanimously to approve new rules to significantly curtail the corrupting influence of "pay to play" practices by investment advisers.
- Jun 30, 10** - The SEC published for public comment proposals by the national securities exchanges and FINRA to expand a recently adopted circuit breaker program to include all stocks in the Russell 1000 Index and certain exchange-traded funds.
- Jul 1, 10** - S. Leslie Ireland was confirmed on May 30, 2010 by the United States Senate to serve as the U.S. Department of the Treasury's Assistant Secretary for Intelligence and Analysis. In this role, Ireland will lead the Office of Intelligence and Analysis, which is responsible for the receipt, analysis, and dissemination of intelligence related to the Department's mission to safeguard the international financial system from abuse and to combat threats to U.S. national security.
- Jul 2, 10** - SEC Chairman Mary Schapiro and Japan Financial Services Agency (JFSA) Commissioner Katsunori Mikuniya met in Washington, D.C., this week as part of the annual SEC-JFSA Bilateral High-level Dialogue. The purpose of the Dialogue, is to provide a forum whereby the senior officials of the two agencies can meet to identify and discuss issues of common concern affecting the U.S. and Japanese capital markets and promote areas of future collaboration.

Events Timeline

- Jul 8, 10** - The U.S. Department of the Treasury released the concluding statement by the staff of the International Monetary Fund (IMF) following this year's Article IV Consultation with the United States. This statement represents the independent judgment and assessment by IMF staff of U.S. economic performance and policies.
- Jul 8, 10** - The U.S. Department of the Treasury sent to Congress the Semi-Annual Report on International Economic and Exchange Rate Policies, consistent with Sections 3004 and 3005 of the Omnibus Trade and Competitiveness Act of 1988.
- Jul 9, 10** - The Federal Reserve Board announced the agenda and panelists for the first of four public hearings this year on potential revisions to Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). The event will be held July 15 at the Federal Reserve Bank of Atlanta.
- Jul 12, 10** - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) voted to revise its Memorandum of Understanding with the primary federal banking regulators to enhance the FDIC's existing backup authorities over insured depository institutions that the FDIC does not directly supervise.

Report Summary – *Surprise?*

Based on the methods with which we analyzed First Federal Bank of North Florida, its failure was ***not a surprise***.

Here are the indications that First Federal Bank of North Florida should fail:

- 1) **First Federal Bank of North Florida's weighted delinquent asset ratio was up to over 5% in the last quarter.**
- 2) **Its real estate loans make up over 68% of its total assets.**
- 3) **The bank's asset to liability ratio dropped to 101.44% the quarter before it failed.**
- 4) **First Federal Bank of North Florida had a bankability composite score of -3.14 the quarter before it failed, indicating the bank's very poor overall financial health and likelihood to fail.**

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