



# Audit Report



OIG-11-062

SAFETY AND SOUNDNESS: Failed Bank Review of The Bank of Miami, N.A.

March 3, 2011

Office of  
Inspector General

Department of the Treasury





DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

March 3, 2011

OIG-11-062

MEMORANDUM FOR JOHN WALSH  
ACTING COMPTROLLER OF THE CURRENCY

FROM: Jeffrey Dye /s/  
Director, Banking Audits

SUBJECT: Failed Bank Review of The Bank of Miami, N.A.

This memorandum presents the results of our review of the failure of The Bank of Miami, N.A., located in Coral Gables, Florida. The Bank of Miami opened in February 1964 as Fidelity National Bank of South Miami, and changed its name to The International Bank of Miami in 2002 to reflect its business of serving customers from the Latin American and the Caribbean communities. In September 2008, The Bank of Miami adopted its current name. The Bank of Miami operated its main office in Coral Gables and two branch offices in Miami, Florida. OCC closed the bank and appointed the Federal Deposit Insurance Corporation (FDIC) receiver on December 17, 2010. As of September 30, 2010, The Bank of Miami had approximately \$448.2 million in total assets and \$374.2 million in total deposits. FDIC estimated that the loss to the Deposit Insurance Fund is \$64 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 The Bank of Miami that was limited to (1) ascertaining the grounds identified by OCC for appointing 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, and (3) interviewed OCC examination 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 Bank of Miami's Failure**

OCC appointed FDIC as receiver based on the following grounds: (1) the bank had experienced substantial decline of assets or earnings due to unsafe and unsound practice, (2) the bank was in an unsafe and unsound condition to transact business, and (3) the bank's capital had been severely impaired.

The primary cause of The Bank of Miami's failure was significant asset quality deterioration that resulted from management's deficient risk controls during the height of an inflated local real estate market in 2006 and 2007. The Bank of Miami's lending focused on borrowers purchasing and developing local real estate, including commercial real estate (CRE), and loans to companies that made residential mortgage loans (mortgage warehouse loans). The bank did not (1) set CRE concentration limits; (2) consistently obtain and analyze borrowers' financial information on a timely basis; and (3) implement an effective program to identify, monitor, and report credit exceptions. The Bank of Miami hired a new president in February 2008 who initiated positive changes. However, upon his departure in October 2009, existing bank management was unable to maintain the commensurate level of experience and skill necessary to manage the bank's problem loan portfolio. As a result of significant loan losses, the bank's capital level became critically deficient and the board was unable to identify and obtain additional sources of capital.

## **Conclusion**

Based on our review of the causes of The Bank of Miami's failure and the grounds identified by OCC for appointing FDIC receiver, we determined that there were no unusual circumstances surrounding the bank's failure or the supervision exercised by OCC. Accordingly, we have determined that a more in-depth review of the 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 Bank of Miami's failure 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 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 Theresa Cameron, Audit Manager, at (202) 927-1011.

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: March 1, 2011

Subject: Response to Failed Bank Review of The Bank of Miami, N. A.

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We have received and reviewed your draft report titled "Failed Bank Review of The Bank of Miami, N. A. (The Bank of Miami)." 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 The Bank of Miami 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; 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 cause of The Bank of Miami's failure was significant asset quality deterioration that resulted from management's deficient risk controls during the height of an inflated local real estate market in 2006 and 2007. 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