Written by [Raven Clabough](#) on June 2, 2010

78 Bank Closings in 2010 — And Counting

Bank closures throughout the United States continue to be telling of the state of the economy. Friday witnessed the closing of three more banks in Florida and one in Nevada and California, totaling 78 failed banks in this year alone.

Friday's bank closings in Florida bring the number of failed banks in that state up to 13, making Florida one of the states with the largest number of bank closings in the country. Last year, Florida observed the closing of 14 banks.

A close second to Florida is Illinois, where 10 banks have closed this year. Interestingly enough, however, while those banks were permitted to fail, Democrats intervened to prevent the closing of Shorebank, likely because of the bank's affiliation with "green" projects and generous donations to Democratic candidates.

In addition to Florida and Illinois, the states with the greatest number of bank closings are Georgia, California, and Minnesota, respectively, all with at least five failed banks. Other states, including Arizona, Washington, Missouri, New York, Ohio, and Utah, have witnessed the closing of one or two banks. Even Puerto Rico has seen three banks closed in 2010.

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The Associated Press notes that the rate at which banks are being closed this year doubles that of 2009 as "banks' losses mount on loans made for commercial property and development." By May of last year, only 36 banks were closed. Overall, 2009 witnessed the closure of 140 banks, costing the insurance fund $30 billion, and the estimated figures for 2010 are expected to surpass that amount. As of March, th deposit insurance fund fell into the red by $20.7 billion as a result of the growing bank failures.

According to Zacks Equity Research, "When a bank fails, FDIC reimburses customers for their deposits of up to $250,000 per account. The outbreak of bank failures has significantly stretched the regulator's deposit insurance fund." Fortunately, the FDIC has a reserve of $66 billion to cover losses from bank closings, with an additional line of credit of $500 billion from the Treasury Department.

The 2008 failure of Washington Mutual, which was then acquired by JPMorgan Chase, remains the largest failure in U.S. banking history In addition to JPMorgan, institutions like Fifth Third Bancorp, U.S. Bancorp, Zions Bancorp, SunTrust Banks, PNC Financial, BB&T Corporation, and Regions Financial have acquired many of the failed banks.

In the last quarter of 2009, the FDIC's list of problem institutions grew from 552 to 702. Since then, that number has increased further to 775, despite the fact that the banking industry boasted its best quarter in two years overall.

While large banks are boasting profit gains, it is the smaller banks that are continuing to suffer throughout this crisis. The Associated Press predicts that these banks will find little comfort in the coming months and years, as a result of "soured loans for office buildings and development projects."

Zack's Equity Research estimates that commercial real estate portfolios will continue to turn out high loan losses, and are expected to cause hundreds of more bank failures over the course of the next few years, potentially totaling $100 billion.

Photo: AP Images