

Senator Prodded Fed to Aid Ailing Lender

By [DAMIAN PALETTA](#)

WASHINGTON—Sen. Robert Menendez of New Jersey urged the Federal Reserve last July to approve an acquisition to save a struggling bank in his state. He didn't mention that the bank's chairman and vice chairman were big contributors to his political campaign.

If the acquisition had been approved, it would have prevented the two executives from losing what was left of their investments in the bank.

In his letter to the Fed July 21, Mr. Menendez said there was a strong likelihood that First BankAmericano, of Elizabeth, N.J., would fail in three days, which would "send yet another negative message to consumers and investors and further impact our fragile economy." The one-page letter, obtained by The Wall Street Journal under the Freedom of Information Act, urged Fed Chairman Ben Bernanke to approve a sale of the bank to JJR Bank Holding Co. of Brick, N.J.

The Fed didn't act on the request from Mr. Menendez, a Democrat, and First BankAmericano, which was closely held, failed July 31.

While lawmakers routinely forward requests from constituents to government agencies, it is rare for them to make specific requests along the lines of this letter asking specific actions, bank attorneys and congressional aides said. One reason is to avoid any appearance of trying to influence the regulatory process for political ends.

The chairman of First BankAmericano at the time of the letter, Joseph Ginarte, is a high-profile attorney with offices in New York and New Jersey. He has given a total of about \$30,000 to Mr. Menendez and his political-action committee since 1999, according to federal records.

The vice chairman of the bank was Raymond Lesniak, a New Jersey state senator and local political heavyweight. He also has given generously to Mr. Menendez's campaign coffers. In 2006, Mr. Lesniak held a fund-raiser at his home for the senator featuring former President Bill Clinton, according to news reports at the time.

When the bank failed, the shareholders, many of them board members, lost their investments. Had the acquisition been approved, Messrs. Ginarte and Lesniak still would have lost a large chunk of their investment but not all, according to First BankAmericano's former chief executive, Holly Bakke. The size and value of their investments couldn't be learned.



Sen. Robert Menendez of New Jersey urged the Fed to save a struggling bank in his state. But he didn't disclose his link to campaign contributors who were on the bank's board. The Fed didn't act on the request.

William Black, a federal bank regulator during the savings-and-loan crisis two decades ago, and like Mr. Menendez a Democrat, called the senator's letter "grotesquely inappropriate," given his ties to the two directors. Mr. Black, now a law professor at the University of Missouri-Kansas City, said the letter crossed an unofficial line by asking regulators to approve an application instead of simply asking that it be given consideration.

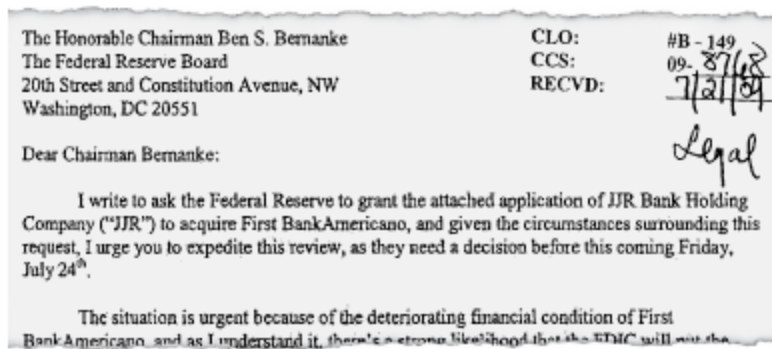
In a written statement, Mr. Menendez said helping the community bank, which mostly served Hispanics, was the right thing to do. "If any New Jersey constituent—regardless if it is a family or a local community bank—comes to me seeking assistance with a legitimate federal matter, not only is it important to help, I was elected to help," he said. "Telling them 'no' would be abdicating my responsibility."

An aide to the senator said the political contributions didn't influence the decision to write the letter. The aide called its language a mistake, saying it should have stopped short of asking the Fed to take specific action.

Mr. Ginarte, the bank's former chairman, didn't return a series of messages. Mr. Lesniak's office agreed to an interview but then canceled it.

The senator's aide and Ms. Bakke said the request to write the letter didn't come from the two directors but from FinPro Inc., a New Jersey consulting firm that was trying to help the bank complete its sale. FinPro officials didn't return calls seeking comment.

Mr. Menendez is a member of the Senate Banking Committee and also runs Democrats' Senate re-election efforts for this year's voting.



In a twist, after the bank failed and the Federal Deposit Insurance Corp. auctioned it off, it was bought by a subsidiary of JJR—the same firm to which it would have been sold if the Fed had approved the acquisition. The failure cost the FDIC \$15 million. First BankAmericano had \$163 million of assets when it failed.

Michael Horn, an attorney for the bank from 2007 until it failed, said it sought political help from Mr. Menendez because Fed officials wouldn't indicate whether they would approve the sale. "I believe Sen. Menendez was well-intentioned for this reason: First BankAmericano was a minority bank that served the Hispanic community well," Mr. Horn said.

New Jersey officials had approved the acquisition of the state-regulated bank, saying the deal would add "financial and managerial strength." Fed approval was needed because JJR is federally regulated.

First BankAmericano, founded in 1997, had several branches catering mostly to Hispanic business owners. It had heavy losses on commercial loans. Ms. Bakke said some branches were closed by the buyer. "This bank should have been too small to fail," she said. "It served the community."

More than 175 banks have failed since January 2008. Some lawmakers have pushed for bailout funds or special consideration for home-state banks. They typically describe the effort as constituent service.