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Genworth buying bank, applying for gov't funds

Genworth to buy InterBank as part of plan to tap government's \$700 billion relief program

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NEW YORK (Associated Press) - After reaching a deal to acquire Interbank fsb, insurer Genworth Financial Inc. said it is applying to become a savings and loan, in a move to become eligible for funds under the government's \$700 billion bank rescue package.

Genworth, a provider of life and mortgage insurance products, will acquire the Maple Grove, Minn.-based bank for an undisclosed sum. The community bank has about \$1 billion in assets.

If the acquisition and change in status to a savings and loan holding company are approved, Genworth will be able to receive funding as part of the government's broad program to provide financial support to banks. Thus far the program has been available to banks only and not other types of financial services firms.

Genworth did not disclose how much capital it will apply for as part of the program.

The government investment, administered by the U.S. Treasury Department, is part of a broader program to stabilize the financial services sector and spur lending between banks and to consumers and other businesses.

Many banks have been hit hard over the past year-and-a-half by a sharp rise in mortgage defaults

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and a freezing of credit markets. As some financial firms collapsed in recent months, banks shied away from lending to each other and to customers for fear that losses would mount.

The program calls for the Treasury to receive preferred stock and warrants in return for its investments.

Genworth has suffered from rising mortgage defaults since the middle of 2007, forced to pay out an increasing number of claims. The insurer, like many others, has also seen investment losses swell amid the ongoing credit crisis and downturn in the equity markets. Those combined losses have led to shrinking capital reserves.

During the third quarter, Genworth lost \$258 million, or 60 cents per share. The results reflected \$478 million in net investment losses, which included losses tied to investments in mortgages.

Genworth is not the only company to apply for a change in its regulatory status as part of a plan to tap the government program. Both credit card lender American Express Co. and commercial lender CIT Group Inc. recently applied to change their structure to bank holding companies as part of a plan to access the government's relief program. ■

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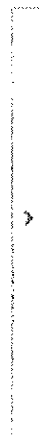
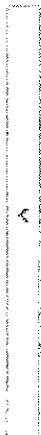
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By Andrew Frye

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Nov. 15 (Bloomberg) -- Hartford Financial Services Group Inc., Genworth Financial Inc. and Lincoln National Corp. plan to buy lenders, a move that may entitle the insurers to billions of dollars from the Treasury's bank rescue fund.

Hartford, which posted a \$2.6 billion third-quarter loss, jumped 21 percent in New York trading after agreeing to buy Sanford, Florida-based Federal Trust Corp. for \$10 million. That may allow the insurer to convert to a savings-and-loan holding company and qualify for \$1.1 billion to \$3.4 billion from the Treasury, according to a company statement yesterday.

Genworth and Lincoln also sought recognition as S&L holding companies as they seek to buy thrift institutions in Minnesota and Indiana, Office of Thrift Supervision spokesman Bill Ruberry said. They're following American Express Co., Goldman Sachs Group Inc. and Morgan Stanley, which sought bank status to get U.S. backing and bolster themselves against the worst financial crisis since the Great Depression.

"Wave a wand and suddenly Hartford is not an insurance company but a bank -- it's voodoo," said Jim Glickenhaus, who helps manage \$2 billion at Glickenhau & Co. in New York. Treasury and lawmakers "need to take a

deep breath and see what they're doing."

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- Aegon NV, the Dutch insurer that got a 3 billion-euro lifeline from the Netherlands last month, said it wants to buy Suburban Federal Savings Bank of Crofton, Maryland. Aegon owns U.S. insurer Transamerica.
- Hartford surged \$2.19 to \$12.65 at 4:15 p.m. in New York Stock Exchange composite trading, after touching \$9.55 earlier in the day. The stock is down 82 percent this year. Chief Executive Officer [Ramani Ayer](#) is seeking a second capital injection, five weeks after investment losses forced the company to sell \$2.5 billion in stock and bonds to Allianz SE.

Declining Equities

Lincoln dropped 5.2 percent to \$14.35 and Genworth, based in Richmond, Virginia, fell 3.9 percent to \$1.47.

Hartford joins more than 50 regional banks that applied to tap the government aid program by yesterday's deadline. Treasury Secretary [Henry Paulson's](#) \$250 billion recapitalization program injected \$125 billion into nine of the largest lenders, and set aside more than \$46 billion to buy preferred shares from smaller and regional banks. New York-based [American International Group Inc.](#) got \$40 billion from a separate \$100 billion fund in the Treasury's Troubled Asset Relief Program.

Hartford is "looking for maximum flexibility and stability," Ayer said in the company's statement. Securing capital on the government's terms "could be a prudent course in this market environment."

Genworth, Lincoln

The insurer was rocked by the declining value of equities that back client annuities and a slump in bonds tied to ailing financial companies. Ayer announced plans this month to cut 500 jobs, or about 2 percent of staff, after the insurer had its credit grade cut by Fitch Ratings.

Genworth, whose stock is down 94 percent this year, plans to buy Inter Savings Bank of Maple Grove, Minnesota, [Ruberry](#) said. Richmond, Virginia-based Genworth was hurt by a surge in claims at its mortgage insurance division as well as investment losses. Philadelphia-based Lincoln is seeking to acquire Newton County Loan & Savings of Goodland, Indiana, he said.

"We've said previously that the TARP program is one of a series of levers we are considering," Genworth spokesman [Al Orendorff](#) said, reading from a prepared statement. [Laurel O'Brien](#), a spokesman for Lincoln, didn't return an after-hours phone call seeking comment.

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