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[21442012]

Furthermore , the regulatory maneuvering behind First Interstate 's loss suggests regulators have concluded that lenders ' reserves are far too low to absorb their future Arizona losses and are forcing bankers to do something about it .

[21442013]

Examiners from the Office of the Comptroller of the Currency had been combing through First Interstate 's real-estate portfolio since last month : they first recommended that First Interstate take a provision that was less than the eventual \$ 350 million third-quarter hit .

[21442014]

When First Interstate balked , arguing that the figure was too high , regulators responded by raising their recommendation to \$ 350 million .

[21442015]

" At that point , [First Interstate] decided it was the better part of valor not to negotiate further , " said one industry official close to the talks .

[21442016]

Thomas P. Marrie , chief financial officer , would n't comment about the details of the negotiations .

[21442017]

He said the provision " was n't forced upon us , but the regulators made it very clear what they thought was an appropriate number . "

[21442018]

The tough regulatory stance portends large future losses , especially at the state 's thrifts .

[21442019]

At least six of Arizona 's 12 savings and loan institutions have either been taken over by the government 's conservatorship program or are essentially insolvent ; they are sitting on enormous unrecognized losses .

[21442020]

For example , Western Savings & Loan Association , which is now in conservatorship , had tangible capital-assets minus liabilities - of a negative \$ 357.4 million at June 30 .

[21442021]

It had a \$ 258.9 million loss in the second quarter .

[21442022]

Yet it still held \$ 916.3 million of reposessed real estate , for which it maintains no reserves whatsoever .

[21442023]

It also had \$ 479.7 million of past-due loans ; its level of reserves against those was n't immediately available , though it is believed to be small .

[21442024]

The rapid deterioration of the Arizona thrifts only adds to the ever-swelling cost of the government 's massive thrift bailout , officially estimated at about \$ 166 billion .

[21442026]

They have no reserves against the real estate , and their reserves against the loans are miniscule compared with the levels of reserves banks are moving to set up .

[21442027]

The thrifts had a combined loss of \$ 487.8 million in the second quarter .

[21442030]

In the late 1970s and early 1980s , lenders and developers poured money into office buildings , condominiums and massive tracts of raw desert land , confident that Arizona 's population would grow at annual rates of 4 % to 6 % for years to come .

[21442033]

Many Arizona real-estate experts think the worst may be yet to come .

[21442034]

Ralph Shattuck , publisher of Foreclosure Update newsletter , said foreclosures have climbed to about 1,482 a month just in Maricopa County , where Phoenix is located .

[21442035]

That 's up from about 687 a month in 1985 , and it 's accelerating ; So far this month , foreclosures are averaging about 85 a day .

[21442036]

" It 's frightening , " Mr. Shattuck said .

[21442037]

Moreover , Mr. Shattuck and others said residential real estate , which had remained fairly strong through most of the downturn , is beginning to comprise more and more of the foreclosures .

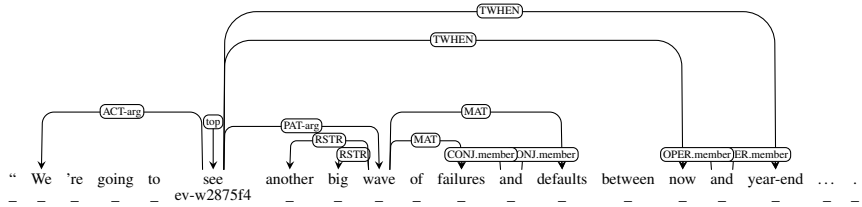
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And the generally frail condition of Arizona 's lenders means there is little capital available in the state to shore up the economy and slow down the slide .

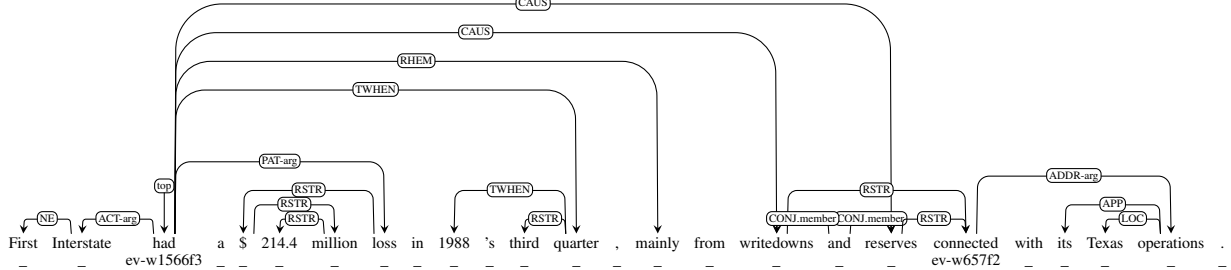
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" It 's reasonable to say there is not a solvent S&L in the state and the amount of viable bank capital is very low , " said Mr. Jackson .

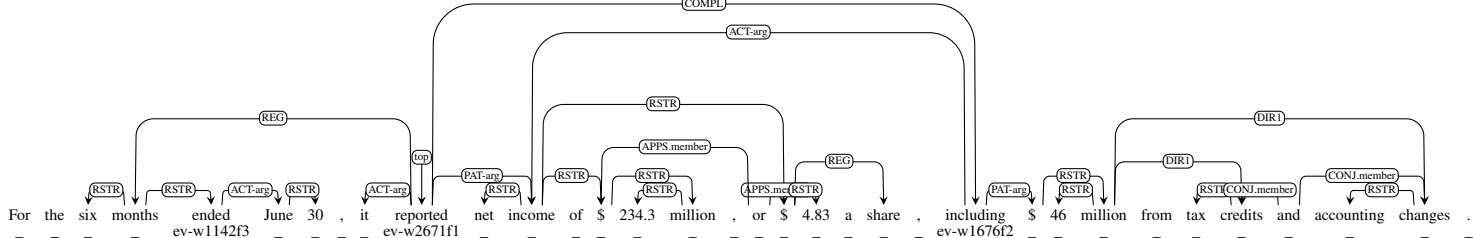
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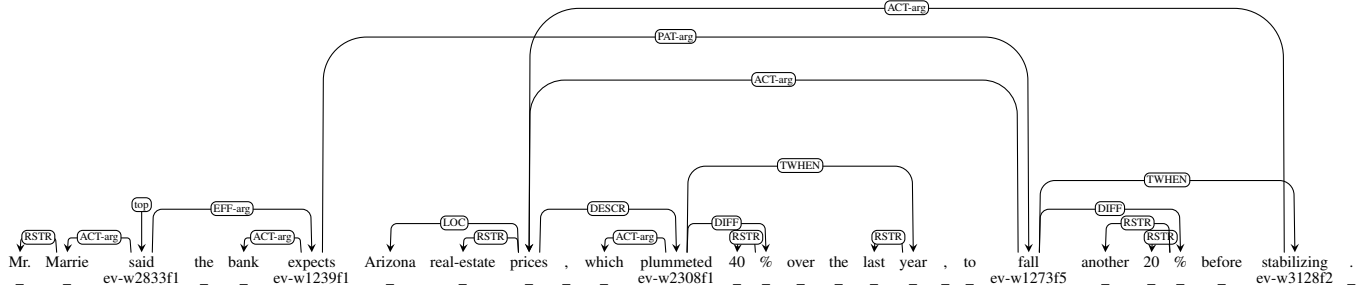
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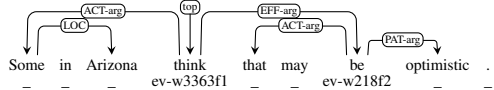
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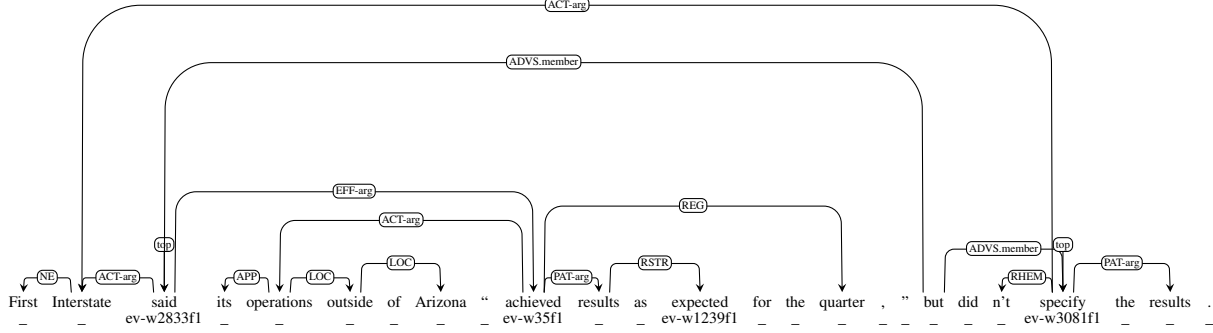
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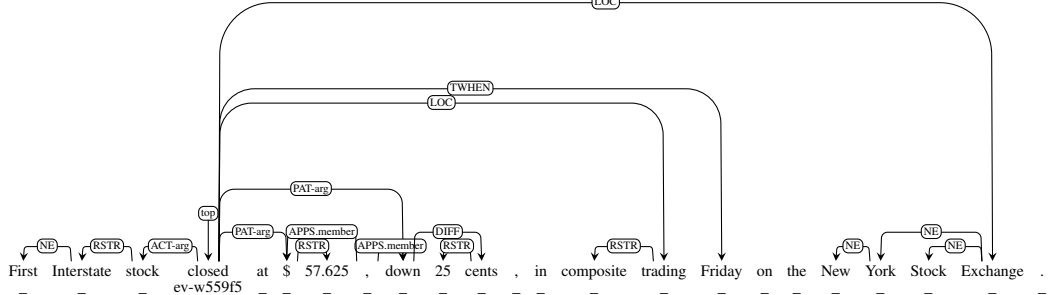
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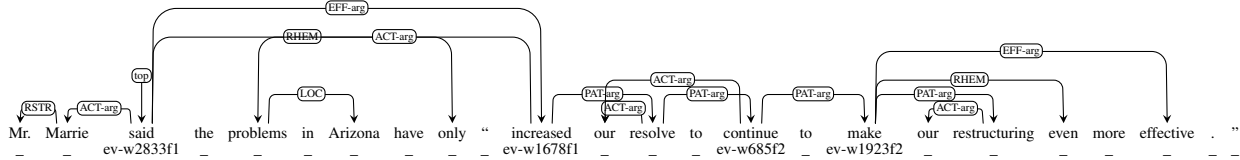
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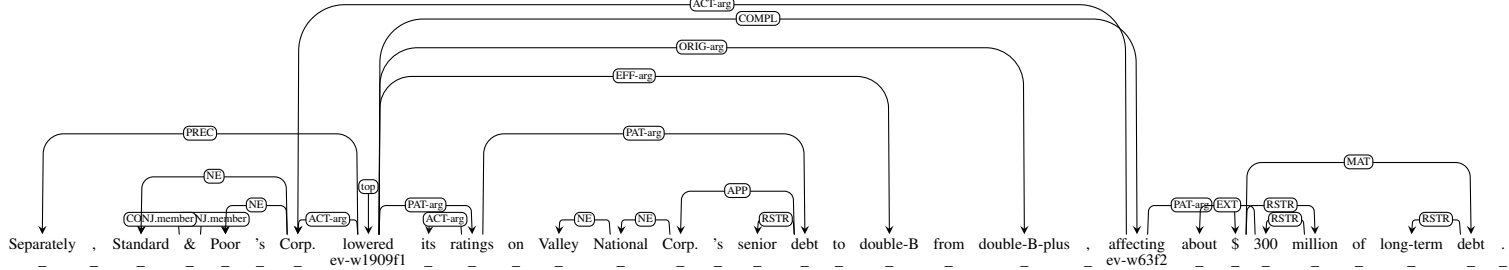
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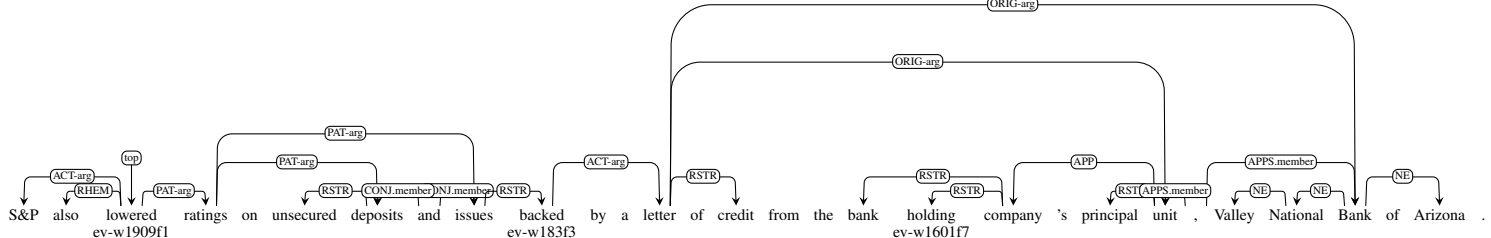
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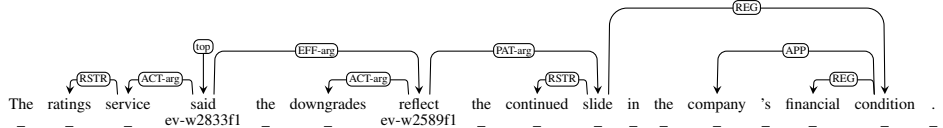
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