



## NEWS RELEASE

FOR IMMEDIATE RELEASE

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### FDIC GRANTS ASSISTANCE TO PREVENT FAILURE OF THE FALUN STATE BANK, FALUN, KANSAS

The Board of Directors of the Federal Deposit Insurance Corporation today announced it has granted financial assistance under Section 13(c) of the Federal Deposit Insurance Act to prevent the failure of The Falun State Bank, Falun, Kansas. The transaction is effective December 29, 1987. The FDIC acted following notification by W. Newton Male, Kansas State Bank Commissioner, that The Falun State Bank was in danger of failing.

As a result of this action, The Falun State Bank is merging with The Farmers State Bank of Galva, Galva, Kansas, and will operate as a branch, providing uninterrupted service to all deposit and loan customers of the merged institutions. The Falun State Bank operates one office in Falun, Kansas, and has assets of \$3.1 million and deposits of \$3.0 million.

The FDIC's financial assistance consists of a cash infusion of \$50,000. A key feature of the assistance program is that the FDIC assumes none of the bank's assets and will have no further obligation.

The FDIC usually acts following the failure of a commercial bank either to arrange for its deposits to be assumed by a healthy bank or, if that is not possible, to pay off insured depositors and liquidate the failed bank's assets. However, the FDIC's Board, as a matter of policy, generally will approve a request for assistance to prevent the closing of an insured bank or thrift if it determines that the proposal is clearly the least costly alternative available to the FDIC and the bank will have managerial resources capable of returning it to viability. An assistance proposal must provide for sufficient capitalization of a failing bank and should include capital

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infusions from non-FDIC sources. Furthermore, the financial effect of FDIC assistance upon shareholders and creditors of the bank, or of the bank's holding company, must approximate the effect on these parties which would have resulted had the assisted bank failed.

In granting financial assistance, the FDIC will attempt to avoid acquiring an equity position in a bank or acquiring or servicing the institution's assets. Responsibility for pursuing legal claims against bonding and insurance companies and others should remain with the bank in most cases.

The FDIC Board voted to approve the assistance to The Falun State Bank based on the determination that it was in compliance with the mandatory cost test as well as these policy criteria.

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