



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC TO PAY OFF INSURED DEPOSITORS IN PETROBANK, N.A., HOUSTON, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved paying off insured depositors in the Petrobank, N.A., Houston, Texas. The bank, which had total assets of \$38.1 million, was closed on Thursday, June 12, 1986, by Dean S. Marriott, Senior Deputy Comptroller of the Currency, and the FDIC was named receiver.

Mr. Marriott said: "The bank's failure was primarily the result of inadequate management by the board of directors and liberal lending practices. The bank never has been profitable because of high overhead expenses and large loan losses. Less than 5 percent of its loan portfolio consisted of direct loans to the energy sector."

The FDIC Board of Directors determined that a payoff of insured depositors was required because no bids were received for the failed bank.

Deposits in Petrobank, N.A., amounted to about \$36.8 million in 2,000 accounts. The FDIC estimates that all but about \$2.6 million of the deposits, in 102 accounts, are within the federal insurance limit of \$100,000, or are otherwise secured. Owners of such uninsured deposits will share proportionately with the FDIC in the proceeds realized from liquidation of the bank's assets.

The Board also voted to make a prompt advance payment to uninsured depositors, based on the estimated present value of assets to be liquidated, equal to 45 percent of the uninsured claims.

If actual collections on the assets, on a present value basis, exceed this estimate, uninsured depositors ultimately will receive additional

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payments on their claims. The estimate for the advance is believed to be conservative, and it is hoped that actual collections will be higher. If, however, the present value of actual collections should be less than 45 percent, the FDIC insurance fund will absorb the shortfall.

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