



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF COMMERCIAL STATE BANK, POCAHONTAS, IOWA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Commercial State Bank, Pocahontas, Iowa, by Citizens State Bank, Pocahontas, Iowa, a newly-chartered subsidiary of Carroll County Bancshares, Inc., Carroll, Iowa.

The failed bank's two offices will reopen on Monday, June 30, 1986, as Citizens State Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Commercial State Bank, which had total assets of \$50.4 million, was closed on Friday, June 27, 1986, by William R. Bernau, Iowa Superintendent of Banking, and the FDIC was named receiver. Mr. Bernau said: "The bank's capital account was depleted and shareholders did not recapitalize the bank."

Citizens State Bank will assume about \$42.5 million in 7,700 deposit accounts and has agreed to pay the FDIC a purchase premium of \$11,000. It also will purchase certain of the failed bank's loans and other assets for \$11.2 million. The FDIC will retain assets of the failed bank with a book value of about \$39.2 million.

In lieu of making a cash advance to the assuming bank, the FDIC will provide a note receivable of about \$36.4 million, payable in one year and bearing an interest rate of 7.5 percent, which is approximately the FDIC's opportunity cost of funds. The assuming bank elected this option instead of receiving the customary cash advance and may elect to receive cash payments on the note during the term in increments of \$1 million, thereby making funds immediately available in the community. Because the note bears a market rate

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of interest, it represents a no-cost transaction to the FDIC. Recently, some potential bidders have indicated a reluctance to submit bids for failed banks and receive cash because of limited loan demand and an inability to invest at a profitable rate of return.

The Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the FDIC. The Board made such a finding in this case because of the premium paid by Citizens State Bank.

The FDIC will recover a portion of its outlay through the liquidation of assets not transferred to the assuming bank. In this respect, the FDIC notes that its claim will have priority over the claims of shareholders of the closed bank.

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