



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF THE HOME STATE BANK, ROCHESTER, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of The Home State Bank, Rochester, Texas, by Home State Bank, Rochester, Texas, a newly-chartered subsidiary of Rochester Financial Corporation, Rochester, Texas.

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

The Home State Bank, which had total assets of \$8.8 million, was closed on Friday, June 27, 1986, by James L. Sexton, Texas Banking Commissioner, and the FDIC was named receiver. Mr. Sexton said: "The Home State Bank has experienced extensive deterioration in its loan portfolio, resulting in losses well in excess of the bank's capital and reserves. Attempts to recapitalize the bank were unsuccessful. As might be expected, the current difficulties of the agricultural and oil economies have somewhat contributed to the failure, but inadequate loan administration and losses on loans to insiders and out-of-territory interests were important factors in the depletion of the bank's capital."

Home State Bank will assume about \$8.5 million in 1,600 deposit accounts and has agreed to pay the FDIC a purchase premium of \$10,001. It also will purchase certain of the failed bank's loans and other assets for \$5.6 million. To facilitate the transaction, the FDIC will advance \$2.9 million to the assuming bank and will retain assets of the failed bank with a book value of about \$3.2 million.

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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 Home 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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