



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-112-86 (7-17-86)

FDIC APPROVES DEPOSIT ASSUMPTION OF NEW MEXICO NATIONAL BANK, ALBUQUERQUE, NEW MEXICO

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of New Mexico National Bank, Albuquerque, New Mexico, by First Interstate Bank of Albuquerque, Albuquerque, New Mexico.

The failed bank's five offices will reopen on Friday, July 18, 1986, as branches of First Interstate Bank of Albuquerque and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

New Mexico National Bank, which had total assets of approximately \$158.0 million, was closed on Thursday, July 17, 1986, by Robert J. Herrmann, Deputy Comptroller of the Currency, and the FDIC was named receiver. Mr. Herrmann said: "New Mexico National Bank, under the guidance of its former parent company First City Financial Corporation, formerly Moncor Incorporated which is now in voluntary bankruptcy, pursued liberal lending practices, resulting in excessive loan losses and a large amount of nonperforming assets. The bank was unable to remedy its loan portfolio problems, and losses finally exhausted the bank's capital resulting in its insolvency."

First Interstate Bank of Albuquerque will assume about \$146.3 million in 11,000 deposit accounts and has agreed to pay the FDIC a purchase premium of \$2,860,000. It also will purchase certain of the failed bank's loans and other assets for \$102.9 million. The FDIC will retain assets of the failed bank with a book value of about \$55.1 million.

-more-

In lieu of making a cash advance to the assuming bank, the FDIC will provide a note receivable of about \$40.0 million, payable in one year and bearing an interest rate of 7.0 percent. 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. 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 First Interstate Bank of Albuquerque.

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 nondepositor creditors and shareholders of the closed bank.

###