



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF FRONTIER NATIONAL BANK, VISTA, CALIFORNIA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Frontier National Bank, Vista, California, by Rancho Vista National Bank, Vista, California.

The failed bank's only office will reopen on Friday, October 3, 1986, as a branch of Rancho Vista National Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Frontier National Bank, with total assets of \$9.8 million, was closed on Thursday, October 2, 1986, by Robert J. Herrmann, Senior Deputy Comptroller of the Currency, and the FDIC was named receiver. Mr. Herrmann said: "The bank's failure is attributable to poor lending practices in the face of heavy competition. The bank grew rapidly with much of the growth funded by high-cost volatile deposits. Poor lending practices by prior management included a concentration of out-of-area credits which were not properly supervised."

Rancho Vista National Bank will assume about \$9.6 million in 2,500 deposit accounts and has agreed to pay the FDIC a purchase premium of \$401,000. It also will purchase certain of the failed bank's loans and other assets for \$6.0 million. To facilitate the transaction, the FDIC will advance \$3.2 million to the assuming bank and will retain assets of the failed bank with a book value of about \$3.8 million.

The Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the

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potential loss to the FDIC. The Board made such a finding in this case because of the premium paid by Rancho Vista National 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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