



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF THE CITIZENS STATE BANK, DONNA, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of The Citizens State Bank, Donna, Texas, by Raymondville State Bank, Raymondville, Texas.

The failed bank's only office will reopen on Friday, November 7, 1986, as an office of Raymondville State Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court. FDIC Chairman L. William Seidman noted that a recent change in the state's banking laws enabled the Raymondville State Bank to acquire the failed bank as an office, thus preventing a payoff of the insolvent institution's insured depositors and avoiding the loss of banking services in the community.

The Citizens State Bank, with total assets of \$27.8 million, was closed on Thursday, November 6, 1986, by Texas Banking Commissioner James L. Sexton and the FDIC was named receiver. Mr. Sexton said: "The bank's asset condition had experienced steady deterioration over the past several examinations, resulting in a severely weakened capital structure. A high concentration of poor quality loans led to further significant losses, exceeding the remaining capital funds."

Raymondville State Bank will assume about \$27.6 million in 7,800 deposit accounts and has agreed to pay the FDIC a purchase premium of \$135,000. It also will purchase certain of the failed bank's loans and other assets for \$18.2 million. To facilitate the transaction, the FDIC will advance \$9.4 million to the assuming bank and will retain assets of the failed bank with a book value of about \$9.6 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 Raymondville 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 nondepositor creditors and shareholders of the closed bank.

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