



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC APPROVES DEPOSIT ASSUMPTION OF FARMERS STATE BANK, LUEDERS, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Farmers State Bank, Lueders, Texas, by Farmers and Merchants National Bank of Merkel, Merkel, Texas.

The failed bank's only office will reopen on Monday, December 22, 1986, as a branch of Farmers and Merchants National Bank of Merkel and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Farmers State Bank, with total assets of \$9.1 million, was closed on Friday, December 19, 1986, by Texas state banking authorities and the FDIC was named receiver.

Farmers and Merchants National Bank of Merkel will assume about \$8.4 million in 1,600 deposit accounts and has agreed to pay the FDIC a purchase premium of \$5,000. It also will purchase certain of the failed bank's loans and other assets for \$5.3 million. To facilitate the transaction, the FDIC will advance \$3.1 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 potential loss to the FDIC. The Board made such a finding in this case because of the premium paid by Farmers and Merchants National Bank of Merkel.

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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