



## NEWS RELEASE

FOR IMMEDIATE RELEASE

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### FDIC APPROVES DEPOSIT ASSUMPTION OF RAINSVILLE BANK, RAINSVILLE, ALABAMA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Rainsville Bank, Rainsville, Alabama, by Jacobs Bank, Scottsboro, Alabama.

The failed bank's only office will reopen on Monday, May 12, 1986, as a branch of Jacobs Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Rainsville Bank, which had total assets of \$16.6 million, was closed on Friday, May 9, 1986, by James E. Goldsborough, Alabama Superintendent of Banks, and the FDIC was named receiver. Mr. Goldsborough said: "Over the past several years, Rainsville Bank experienced substantial deterioration in the quality of its loan portfolio due to poor lending practices and inadequate supervision by prior bank management. Present bank management was unable to remedy the problems, and losses finally exhausted the bank's capital, resulting in its insolvency."

Jacobs Bank will assume about \$15.6 million in 4,500 deposit accounts and has agreed to pay the FDIC a purchase premium of \$1,096,000. It also will purchase certain of the failed bank's loans and other assets for \$11.6 million. To facilitate the transaction, the FDIC will advance \$3.0 million to the assuming bank and will retain assets of the failed bank with a book value of about \$5.0 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 Jacobs 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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