



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-21-85 (2-15-85)

FDIC TRANSFERS INSURED DEPOSITS OF CITIZENS STATE BANK OF FULDA, FULDA, MINNESOTA

The Board of Directors of the Federal Deposit Insurance Corporation today approved the transfer of insured deposits and fully secured or preferred deposits of Citizens State Bank of Fulda, Fulda, Minnesota, to Fulda State Bank, Fulda, Minnesota, a newly-chartered subsidiary of Fulda Bancorporation, Inc. The failed bank's sole office will reopen on Tuesday, February 19, 1985.

Citizens State Bank of Fulda was closed on February 15, 1985, by Michael A. Hatch, Minnesota Commissioner of Finance, and the FDIC was named receiver. Mr. Hatch said: "The bank's unsafe lending practices over a period of time led to excessive loan losses, operating losses and insolvency. Other factors included poor management, the weakened farm economy, and possible improper use of bank funds by a bank officer who was removed last year." Mr. Hatch said the conditions at Citizens State Bank are not representative of other banks in the area. He noted that there are many well-run banks in the area which are capable of servicing the local farm sector.

Deposits in the failed bank, up to the statutory insurance limit of \$100,000, will be available to their owners immediately. Checks drawn on the failed bank's accounts will continue to be honored, and customers who had interest-bearing accounts in the failed bank will continue to earn interest on such deposits.

more

Even though insured depositors in the failed bank can automatically continue to conduct their banking transactions with the acquiring bank for an 18-month period, they are encouraged to visit the bank during the next several weeks to discuss continuation of their banking relationships with the new bank. From the standpoint of customer convenience and service, it would be preferable for these visits to be spread over the next month or longer rather than to occur within the next week or so.

At the time the bank closed, its deposits amounted to \$35 million in 5,200 accounts. All but about \$331,000 of the bank's deposits in 15 accounts were within the federal insurance limit of \$100,000 or otherwise secured. Owners of such uninsured deposits will share proportionately with the FDIC in the proceeds realized from liquidation of the failed bank's assets.

Administration of the transferred insured deposits will be funded by an equivalent cash payment from the FDIC. The acquiring bank is paying the FDIC a premium of \$301,000 for the right to receive the transferred deposits, and will purchase certain assets of the failed bank totalling \$9.6 million.

The FDIC Board of Directors decided to arrange an insured deposit transfer because no acceptable bids were received to allow the FDIC to arrange a purchase and assumption transaction for the failed bank. The Board said the existence of significant uncertainty and contingent liabilities resulting from irregularities in the bank made it necessary to obtain a higher bid than any potential bidders were willing to provide.

###