



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF FIDELITY BANK OF DENVER, DENVER, COLORADO

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of Fidelity Bank of Denver, Denver, Colorado, have been assumed by American Bank of Commerce, Denver, Colorado, a newly-chartered bank. Fidelity bank of Denver was closed on Friday, March 29, 1985, by Richard B. Doby, Colorado State Bank Commissioner, and the FDIC was named receiver.

The failed bank's sole office will reopen on Monday, April 1, 1985, as American Bank of Commerce, and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

In addition to assuming about \$27.4 million in 3,800 deposit accounts, American Bank of Commerce has agreed to pay the FDIC a purchase premium of \$716,000. At the time Fidelity Bank failed, \$2.6 million of its deposits consisted of funds placed by deposit brokers.

The assuming bank will purchase the failed bank's installment and real estate loans and certain other assets for \$8.2 million. To facilitate the transaction, the FDIC will advance cash amounting to \$19.0 million and will assume responsibility for a \$13.8 million loan owed to the Federal Reserve.

The FDIC will retain assets of the failed bank with a book value of about \$35.7 million.

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The FDIC approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the Corporation. The Board of Directors made such a finding in this case because of the premium paid by American Bank of Commerce.

The FDIC expects to recover a substantial 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.

The FDIC continues to be concerned about deposit brokers that place funds in banks solely on the basis of the rate of interest paid, without regard to the condition of the institutions involved. A major source of these funds is other financial institutions such as credit unions, banks and savings and loan associations.

Banks paying above market rates of interest often are experiencing serious problems. When such banks receive large amounts of brokered funds and subsequently fail, the cost to the deposit insurance fund is substantially and unjustifiably increased.

Latest data available indicate that banks rated 3, 4 and 5 on the uniform bank rating system hold more than \$9.3 billion of the \$24.2 billion in brokered deposits in the banking system. (Banks rated 3 are considered "marginal" institutions, while those rated 4 and 5 are on the FDIC's formal "problem bank" list.).

In the case of Fidelity Bank, the brokered funds, in blocks of \$100,000 each, were placed by First United Funding, Garden City, New York, and First Empire Funding, Huntington, New York.

Institutions placing brokered deposits in the failed bank included four banks, three savings and loans associations, seventeen credit unions, and two other groups. They are:

Banks

Citizens Bank of Alabama
Oneonta, Alabama

The Evangeline Bank and Trust
Company
Ville Platte, Louisiana

Commerce Bank
Fort Collins, Colorado

Trans National Bank
Monterey Park, California

Savings and Loans Association

Anchor Savings and Loan
St. Petersburg, Florida

Third Savings & Loan Co.
Piqua, Ohio

Laredo Savings and Loan
Laredo, Texas

Credit Unions

ACM Employees Credit Union
Dearborn, Michigan

Livingston Oaklawn Federal Credit
Union
Farmington, Michigan

Animas Credit Union
Farmington, New Mexico

Midland County School Employees
Credit Union
Midland, Michigan

Birmingham Teachers Credit Union
Birmingham, Michigan

Oakland Catholic Credit Union
Clawson, Michigan

Communicating Arts Credit Union
Detroit, Michigan

Safeway Norwest Credit Union
Portland, Oregon

Community Family Credit Union
Saginaw, Michigan

Saginaw CP Employees Credit Union
Saginaw, Michigan

Detroit Edison Employees Credit
Union
Detroit, Michigan

Summit Credit Union
Akron, Ohio

Farmway Credit Union
Beloit, Kansas

Texas Dow Employee Credit Union
Lake Jackson, Texas

First Community Credit Union
St. Louis, Missouri

Twin City Co-ops Credit Union
Minneapolis, Minnesota

Forth Worth Federal Credit Union
Forth Worth, Texas

Others

City of Flint
Flint, Michigan

Idaho Potato Packer Corporation
Blackfoot, Idaho

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