



## NEWS RELEASE

FOR IMMEDIATE RELEASE

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### FDIC ANNOUNCES DEPOSIT ASSUMPTION OF CAPISTRANO NATIONAL BANK, SAN JUAN CAPISTRANO, CALIFORNIA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of Capistrano National Bank, San Juan Capistrano, California, have been assumed by Farmers and Merchants Bank, Long Beach, California.

Capistrano National Bank was closed on Friday, April 5, 1985, by H. Joe Selby, Senior Deputy Comptroller of the Currency, and the FDIC was named receiver. Mr. Selby said: "Over the past year the bank experienced substantial deterioration in the quality of its loan portfolio. The bank was unable to remedy its problems and losses finally exhausted the bank's capital funds, resulting in its insolvency."

The failed bank's four offices will reopen on Monday, April 8, 1985, as branches of Farmers and Merchants Bank, and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

In addition to assuming about \$41 million in 8,900 deposit accounts and about \$8 million in other liabilities, Farmers and Merchants Bank has agreed to pay the FDIC a purchase premium of \$3.05 million. At the time Capistrano National Bank failed, its deposits included \$2.5 million placed by deposit brokers and \$1.5 million placed by the Bureau of Indian Affairs.

The assuming bank will purchase the failed bank's installment loans, real estate loans and certain other assets for \$13 million. To facilitate

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the transaction, the FDIC will provide \$33.6 million to the assuming bank and will retain assets of the failed bank with a book value of about \$37 million.

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 Farmers and Merchants Bank.

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 shareholders of the closed bank.

The FDIC continues to be concerned about deposit brokers who 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.

In the case of Capistrano National Bank, the brokered funds, in fully-insured blocks of \$100,000 each, were placed by American Money Market Services, Inc., Irvine, California; Diversified Financial, Alhambra, California; First Empire Funding Corporation, Huntington, New York; and Pioneer Service, Melville, New York.

Institutions whose funds were placed in the failed bank included seven banks, nine savings and loan associations, seven credit unions, and two other groups. They are:

COMMERCIAL & SAVINGS BANKS

Independent National Bank  
Covina, California

The First National Bank of Thomas  
Thomas, Oklahoma

The Colonial National Bank  
Wilmington, Delaware

City National Bank  
Weatherford, Oklahoma

Bank of Highwood  
Highwood, Illinois

The First National Bank of Keystone  
Keystone, West Virginia

Southwest National Bank of Lafayette  
Lafayette, Louisiana

SAVINGS & LOAN ASSOCIATIONS

Sentinel Savings and Loan Association  
Sonora, California

First Federal Savings & Loan  
of Newcastle  
New Castle, Pennsylvania

North Shore Savings and Loan  
Michigan, Illinois

United Savings Association  
Philadelphia, Pennsylvania

First Federal Savings & Loan of Bath  
Bath, Maine

Northeast Federal Savings and Loan  
Southampton, Pennsylvania

Eastern Savings Association  
Timonium, Maryland

First Federal Savings & Loan  
of Littlefield  
Littlefield, Texas

Collective Federal Savings and Loan  
Egg Harbor, New Jersey

CREDIT UNIONS

Etowah Steel Workers Federal Credit Union  
Gadsden, Alabama

Animas Credit Union  
Farmington, New Mexico

Grand Rapids Teachers Credit Union  
Grand Rapids, Michigan

Oregon Telco Credit Union  
Portland, Oregon

Anheuser Busch Employee Credit Union  
St. Louis, Missouri

Texas Dow Employee Credit Union  
Lake Jackson, Texas

First Community Credit Union  
St. Louis, Missouri

OTHERS

Southern California  
Jt. Powers Authority  
(Public Funds)  
La Palma, California

Lansing Auto Makers  
Lansing, Michigan

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