



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF SOUTH COAST BANK, COSTA MESA, CALIFORNIA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of South Coast Bank, Costa Mesa, California, have been assumed by Harbor Bank, Long Beach, California. South Coast Bank was closed on Friday, April 12, 1985, by California Superintendent of Banks Louis Carter and the FDIC was named receiver.

The failed bank's two offices will reopen on Monday, April 15, 1985, as branches of Harbor Bank, and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The FDIC said loan losses, primarily in real estate credits extended by former management, and high overhead expenses were the major contributing factors to the failure.

Harbor Bank will assume about \$26.8 million in 5,500 deposit accounts, including \$2.5 million (9 percent) placed by deposit brokers. Harbor Bank has agreed to pay the FDIC a purchase premium of \$915,000 and also will purchase the failed bank's installment loans, real estate loans and certain other assets for \$12.6 million. To facilitate the transaction, the FDIC will provide \$17.6 million to Harbor Bank and will retain assets of the failed bank with a book value of about \$19.1 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 Harbor Bank.

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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 South Coast Bank, the brokered funds, in blocks of \$100,000 each, were placed by First United Fund, Ltd., Garden City, New York, and First Atlantic, Miami, Florida.

Institutions placing brokered deposits in the failed bank included two banks, six savings and loan associations, nine credit unions, and eight other groups. They are:

COMMERCIAL & SAVINGS BANKS

First National Bank in Tuscumbia
Tuscumbia, Alabama

M Bank
Miami, Florida

Lincoln Trust Company
Denver, Colorado

CREDIT UNIONS

Tiger Federal Credit Union
Los Angeles, California

Local 441 Federal Credit Union
Santa Ana, California

Sears Hawaii Credit Union
Honolulu, Hawaii

Farmway Credit Union
Beloit, Kansas

Communicating Arts Credit Union
Detroit, Michigan

Flint Municipal Credit Union
Flint, Michigan

Michigan State University Federal
Credit Union
East Lansing, Michigan

DML Federal Credit Union
Columbus, Ohio

Safeway Norwest Credit Union
Portland, Oregon

K-25 Federal Credit Union
Oakridge, Tennessee

SAVINGS & LOAN ASSOCIATIONS

Houston Federal Savings and Loan
Warner Robins, Georgia

First Community Federal Savings and Loan
Winfield, Kansas

Deposit Trust Savings and Loan
Monroe, Louisiana

Granville Federal Savings and Loan
Oxford, North Carolina

First Federal Savings and Loan
Newark, Ohio

ALL OTHERS

City of Flint
Flint, Michigan

Bayshore Community Hospital
Holmdel, New Jersey

Childrens Medical Center
Dayton, Ohio

Pacific Northwest Generating Company
Portland, Oregon

American Guardian Life Assurance
Company
Jenkintown, Pennsylvania

Big Beaver Falls Area School
Beaver Falls, Pennsylvania

Township of Upper Dublin
Port Washington, Pennsylvania

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