



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF FARMERS SAVINGS BANK, MASSENA, IOWA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of Farmers Savings Bank, Massena, Iowa, have been assumed by Union National Bank, Massena, Iowa, a newly-chartered bank. The failed bank's sole office will reopen on Monday, May 6, 1985, as Union National Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Farmers Savings Bank was closed on Friday, May 3, 1985, by Thomas H. Huston, Iowa Superintendent of Banking, and the FDIC was named receiver.

Mr. Huston said: "The bank failed because of substantial loan losses and the inability of the owners to recapitalize the bank or find a buyer for it."

In addition to assuming about \$14.9 million in 2,800 deposit accounts, Union National Bank has agreed to pay the FDIC a purchase premium of \$78,000. The assuming bank will purchase the failed bank's installment loans, real estate loans, and certain other assets for \$2.0 million. To facilitate the transaction, the FDIC will advance cash amounting to \$12.9 million to the assuming bank and will retain assets of the failed bank with a book value of about \$12.7 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 Union National 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 nondepositor creditors and the shareholders of the closed bank.

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