



## NEWS RELEASE

FOR IMMEDIATE RELEASE

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### FDIC ANNOUNCES DEPOSIT ASSUMPTION OF THE ENERGY BANK, NATIONAL ASSOCIATION, DALLAS, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of The Energy Bank, National Association, Dallas, Texas, have been assumed by Oak Bank & Trust, Dallas, Texas, a newly-chartered bank. The failed bank's sole office will reopen on Friday, May 17, 1985, as Oak Bank & Trust and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The Energy Bank, National Association, was closed on Thursday, May 16, 1985, by Michael Patriarca, Deputy Comptroller of the Currency, and the FDIC was named receiver. Mr. Patriarca 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."

Oak Bank & Trust will assume about \$24.3 million in 2,500 deposit accounts, including \$2.8 million in 28 accounts originated by deposit brokers. Brokered deposits had been used by The Energy Bank since June 1984, and reached a high of approximately \$12 million in November 1984. These deposits were used to fund loans, many of poor quality.

Oak Bank & Trust has agreed to pay the FDIC a purchase premium of \$1.2 million. It also will purchase the failed bank's installment loans, real estate loans, and certain other assets for \$7.1 million. To facilitate the transaction, the FDIC will advance \$16.2 million to the assuming bank and will retain assets of the failed bank with a book value of about \$23.5 million.

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

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 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.

In the case of The Energy Bank, the brokered funds, in fully-insured blocks of \$100,000 each, were placed by First United Fund Limited, Garden City, New York; Meyers Pollack Robbins, Inc., New York, New York, and The Kominz Company, Playa Del Rey, California. Available records and documentation at the bank are incomplete, making it impossible to establish conclusively that every one of the accounts listed below originated with a deposit broker. Institutions whose funds were placed in the failed bank included two banks, five savings and loan associations, and 14 credit unions as follows:

BANKS

Home Savings Bank  
Boston, Massachusetts

Bradford Trust Company  
New York, New York

SAVINGS & LOANS

First Federal Savings & Loan  
Cedartown, Georgia

Third Savings & Loan of Piqua  
Piqua, Ohio

King City Federal Savings & Loan  
Mount Vernon, Illinois

Zanesville Mutual Federal  
Savings & Loan  
Zanesville, Ohio

Wilkinson County Savings & Loan  
Woodville, Mississippi

CREDIT UNIONS

Rohr Employee Federal Credit Union  
Chula Vista, California

Clark Rolston Area Credit Union  
Battle Creek, Michigan

Tropical Telco Federal Credit Union  
Miami, Florida

Northwest Industrial Credit Union  
Kalamazoo, Michigan

AGE Federal Credit Union  
Albany, Georgia

Saginaw Telephone Employees Credit Union  
Saginaw, Michigan

TIC Federal Credit Union  
Fort Benning, Georgia

BNF Teachers Federal Credit Union  
Farmington, New York

Oahu Educational Employees Federal  
Credit Union  
Honolulu, Hawaii

Tinker Credit Union  
Tinker Air Force Base, Oklahoma

Gulf Chemical Employees Federal Credit Union  
Pittsburg, Kansas

Hidalgo Federal Credit Union  
McAllen, Texas

St. Croix Parish Federal Credit Union  
Lewiston, Maine

Lafayette Federal Credit Union  
Arlington, Virginia

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