FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC TRANSFERS INSURED DEPOSITS OF PARK WEST BANK, NATIONAL ASSOCIATION, FARMERS BRANCH, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved the transfer of insured deposits and fully secured or preferred deposits of the Park West Bank, N.A., Farmers Branch, Texas, to Park West State Bank, Farmers Branch, Texas, a newly-chartered state bank. The failed bank's only office will reopen on Monday, August 19, 1985, as Park West State Bank.

Park West Bank, N.A., was closed on Thursday, August 15, 1985, by Michael Patriarca, Deputy Comptroller of the Currency, and the FDIC was named receiver.

At the time the bank closed, its deposits amounted to about $16.9 million in 1,500 deposit accounts, including about $3.0 million in fully insured funds placed by the Bureau of Indian Affairs and about $5.5 million in deposits that exceeded the $100,000 statutory insurance limit. Uninsured depositors and nondepositor creditors will share proportionately with the FDIC in the proceeds realized from the liquidation of the failed bank's assets.

The FDIC continues to be concerned about the practice of the Bureau of Indian Affairs in placing large amounts of fully insured deposits in banks solely on the basis of the rate of interest paid, without regard to the condition of the institutions involved. Banks paying above-market rates of interest often are experiencing serious problems. When such banks receive large amounts of funds and subsequently fail, the cost to the deposit insurance fund is substantially and unjustifiably increased.

In the past three and one-half years, 28 failed banks, including Park West Bank, have had at least $69 million in Bureau of Indian Affairs deposits among their insured liabilities.

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Deposits in Park West Bank up to the statutory insurance limit of $100,000 will be available to their owners immediately. Checks drawn on the failed bank's accounts will continue to be honored.

Even though insured depositors can automatically continue to conduct banking transactions with the acquiring bank for an 18-month period, they are encouraged to visit the bank during the next several weeks to discuss the continuation of their banking relationships with the new bank. From the standpoint of customer convenience and service, it would be preferable for these visits to be spread out over the next month or longer rather than to occur within the next week or so.

Administration of the $11.4 million in insured deposits transferred to the new bank will be funded by an equivalent cash payment from the FDIC. The new bank is paying the FDIC a premium of $169,000 for the right to receive the transferred deposits, and will purchase certain assets of the failed bank for $11.3 million.

The Board of Directors decided to arrange an insured deposit transfer because no acceptable bids were received for a merger of the failed bank into another institution, an approach that would have resulted in protection of depositors with claims above the insurance limit.

The Board also voted to make a prompt advance payment to uninsured depositors, based on the estimated present value of assets to be liquidated, equal to 50 percent of the uninsured claims.

If actual collections on the assets, on a present value basis, exceed this estimate, uninsured depositors ultimately will receive additional payments on their claims. The estimate for the advance is believed to be conservative, and it is hoped that actual collections will be higher. If, however, the present value of actual collections should be less than 50 percent, the FDIC insurance fund will absorb the shortfall.

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