



NEWS RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF MONCOR BANK, NATIONAL ASSOCIATION, HOBBS, NEW MEXICO

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of Moncor Bank, National Association, Hobbs, New Mexico, have been assumed by United Bank of Lea County, Hobbs, New Mexico, a new state-chartered bank. The failed bank's four offices will reopen on Tuesday, September 3, 1985, as United Bank of Lea County and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Moncor Bank was closed on Friday, August 30, 1985, by Michael A. Mancusi, Senior Deputy Comptroller of the Currency, and the FDIC was named receiver. Mr. Mancusi said: "Between 1981 and 1983, the bank pursued an aggressive and expansionary program which resulted in significant growth in the size of the bank. Safe and sound lending practices were sacrificed in favor of this rapid growth, resulting in substantial deterioration in the quality of the loan portfolio. The bank was unable to remedy its problems and losses finally exhausted the bank's capital, resulting in the insolvency. The principal cause of the loan portfolio deterioration was poor lending practices; the weak energy and agricultural sectors of the local economy were only contributing factors."

United Bank of Lea County will assume about \$120 million in deposits and other liabilities and has agreed to pay the FDIC a purchase premium of \$2.1 million. It also will purchase certain of the failed bank's loans and other

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assets for \$151 million. The FDIC will retain assets of the failed bank with a book value of approximately \$58 million and assume an outstanding debt to the Federal Reserve of approximately \$83 million. Since assets purchased by United Bank of Lea County exceed the liabilities it is assuming, the FDIC will place a six-month interest-bearing deposit of approximately \$30 million in the bank to facilitate the transaction.

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. The Board made such a finding in this case because of the premium paid by United Bank of Lea County.

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 has priority over the claims of shareholders of the closed bank.

The Bureau of Indian Affairs continues to place large amounts of fully-insured deposits in banks--in the case of Moncor Bank, over \$10 million--solely on the basis of the rate of interest paid, without regard to the condition of the institution involved. Banks paying above-market rates of interest often are experiencing serious problems. When such banks receive large amounts of fully-insured deposits from agencies such as the Bureau of Indian Affairs or from deposit brokers and subsequently fail, the cost to the deposit insurance fund is substantially and unjustifiably increased.

In the past three and one-half years, 29 failed banks, including Moncor Bank, have had at least \$79 million in Bureau of Indian Affairs deposits among their insured liabilities.

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