



# NEWS RELEASE

FOR IMMEDIATE RELEASE

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## FDIC ANNOUNCES DEPOSIT ASSUMPTION OF MONCOR BANK, N.A., ROSWELL, NEW MEXICO

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of the deposit liabilities of Moncor Bank, N.A., Roswell, New Mexico, by First National Bank of Chaves County, Roswell, New Mexico, a newly-chartered bank. The failed bank's only office will reopen on Friday, September 13, 1985, as First National Bank of Chaves County and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

Moncor Bank, N.A., was closed on Thursday, September 12, 1985, by Michael Patriarca, Deputy Comptroller of the Currency, and the FDIC was named receiver. Mr. Patriarca said: "Since its inception, Moncor Bank, N.A., pursued an aggressive and expansionary growth program that was actively encouraged by Moncor, Inc. However, safe and sound lending practices were sacrificed in favor of this rapid growth, resulting in substantial deterioration in the quality of the bank's loan portfolio. The weak energy and agricultural sectors of the local economy were only contributing factors to the loan portfolio deterioration. The bank was unable to remedy its loan portfolio problems, and losses finally exhausted the bank's capital funds resulting in its insolvency."

First National Bank of Chaves County will assume about \$24.3 million in 2,000 deposit accounts, and \$7.7 million in indebtedness to the Federal Reserve. First National also has agreed to pay the FDIC a purchase premium of \$505,000 and will purchase some of the failed bank's installment loans, real estate loans and certain other assets for \$26.6 million. To facilitate

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the transaction, the FDIC will advance \$5.3 million to the assuming bank and will retain assets of the failed bank with a book value of about \$7.2 million.

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 First National Bank of Chaves 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 will have 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 the Moncor Bank in Roswell, \$6 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, 30 failed banks, including Moncor Bank, N.A., in Roswell, have had at least \$85 million in Bureau of Indian Affairs deposits among their insured liabilities.

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