



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-137-85 (9-13-85)

FDIC ANNOUNCES DEPOSIT ASSUMPTION OF FIRST SECURITY BANK OF DICKSON, DICKSON, TENNESSEE

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of First Security Bank of Dickson, Dickson, Tennessee, have been assumed by Peoples Bank, Vanleer, Tennessee. The failed bank's only office will attempt to reopen on Saturday afternoon, September 14, 1985, as a branch of Peoples Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

First Security Bank of Dickson was closed on Thursday, September 12, 1985, by William C. Adams, Tennessee Commissioner of Financial Institutions, and the FDIC was named receiver.

Peoples Bank will assume about \$14.8 million in 3,500 deposit accounts, including \$1.0 million in 10 accounts placed by deposit brokers. The assuming bank has agreed to pay the FDIC a purchase premium of \$451,500. It also will purchase certain of the failed bank's loans and other assets for \$11.2 million. To facilitate the transaction, the FDIC will advance \$3.3 million to the assuming bank and will retain assets of the failed bank with a book value of about \$4.2 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 Peoples Bank.

-more -

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.

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 First Security Bank of Dickson, the brokered funds originated through Continental Funding, Carle Place, New York; First Empire Funding Corporation, Huntington, New York, and Time Deposits, Inc., Dallas, Texas.

Institutions whose funds were placed in the failed bank included four banks, four credit unions, one savings and loan association, and one union pension fund.

The organizations for which the funds were deposited include:

COMMERCIAL & SAVINGS BANKS

First National Bank & Trust
McAlester, Oklahoma

Landmark Savings Bank
Hot Springs, Arkansas

Metropolitan National Bank
Farmington Hills, Michigan

Southwest National Bank
Lafayette, Louisiana

CREDIT UNIONS

Berrien Teachers Credit Union
St. Joseph, Michigan

Sea-Air Federal Credit
Union
Seal Beach, California

Chetco Federal Credit Union
Brookings, Oregon

Southwestern Michigan
Employees Credit Union
Kalamazoo, Michigan

Savings & Loan Association

Key Federal Savings & Loan
Randallstown, Maryland

Other

Amalgamated Transit Union
Division 1277
Los Angeles, California

#