



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-141-85 (9-13-85)

FDIC DETERMINES TO PAY INSTITUTIONAL DEPOSITORS OF STRONG'S BANK, DODGEVILLE, WISCONSIN

The Federal Deposit Insurance Corporation has determined that \$2.4 million in deposit claims filed by institutional depositors of Strong's Bank, Dodgeville, Wisconsin, are entitled to payment. The insured deposits, up to the statutory insurance limit of \$100,000, are immediately available to their owners without interest from the date of the bank's closing.

Strong's Bank was closed by the Wisconsin Commissioner of Banking on June 14, 1985. Insurance payments on the \$2.4 million in institutional certificates of deposit had been initially withheld because most had not been recorded as deposits on the records of the bank, and it appeared that the funds may have been linked to several fraudulent loan transactions.

An investigation by the FDIC revealed that these brokered deposits had in fact been used to fund fraudulent loan transactions which had drained more than \$2 million from the bank shortly before it was closed. Although these deposits were used to further the fraudulent scheme, the FDIC cannot determine that an agency relationship existed between the depositors and the money broker involved in placing the deposits or that the depositors were aware of, or had any reason to be alerted to the possibility of, fraud. If the FDIC had been able to establish an agency relationship between the broker and the depositors or that the depositors were aware of or should have been aware of the fraudulent activity, the FDIC's resolution of this situation may have been quite different.

The FDIC is continuing its investigation to determine who was responsible for the fraudulent activity and will report its findings to the U.S. Attorney.

#