



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF THE CITIZENS BANK, OGDEN, UTAH

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of The Citizens Bank, Ogden, Utah, have been assumed by Commercial Security Bank, Ogden, Utah.

The failed bank's five offices will reopen on Monday, October 21, 1985, as branches of Commercial Security Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The Citizens Bank was closed on Friday, October 18, 1985, by Elaine B. Weis, Commissioner of Financial Institutions, and the FDIC was named receiver.

Commercial Security Bank will assume about \$81.1 million in 14,800 deposit accounts, including \$1.6 million in 35 accounts in excess of the federal insurance limit of \$100,000 and \$2.0 million in 20 accounts placed by deposit brokers. The assuming bank has agreed to pay the FDIC a purchase premium of \$411,500 and also will purchase certain of the failed bank's loans and other assets for \$43.5 million. To facilitate the transaction, the FDIC will advance \$40.7 million to the assuming bank and will retain assets of the failed bank with a book value of about \$46.6 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 Commercial Security Bank.

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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 nondepositor creditors and shareholders of the closed bank.

The FDIC continues to be concerned about deposit brokers who 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 The Citizens Bank, the brokered funds originated through: Caray Investment Co., Inc., Laguna Hills, California; Consolidated Monetary Services, El Toro, California; First American Bank of N.L.R., N.A., North Little Rock, Arkansas; First Atlantic Investment Co., Miami, Florida; First United Fund Ltd., Garden City, New York; The Kominz Company, Playa Del Rey, California, and Texas International, Chicago, Illinois.

Institutions whose funds were placed in the failed bank included nine banks, three savings and loan associations, six credit unions, and one other organization.

The organizations for which the funds were deposited include:

COMMERCIAL AND SAVINGS BANKS

Bank of Dardanelle
Dardanelle, Arkansas

Clinton State Bank
Clinton, Arkansas

First State Bank of Danvers
Danvers, Illinois

Merchants and Farmers Bank
West Helena, Arkansas

Danville State Bank
Danville, Arkansas

Union Bank and Trust Co.
North Little Rock, Arkansas

Farmers & Merchants Bank of
Hutsonville
Hutsonville, Illinois

Valley Bank
Knoxville, Tennessee

First Bank of Greater Pittston
Pittston, Pennsylvania

SAVINGS AND LOAN ASSOCIATIONS

Columbia Savings Association, F.A.
Emporia, Kansas

Newberry Federal Savings &
Loan
Newberry, South Carolina

Henderson Home Service Savings
and Loan Association
Henderson, Kentucky

CREDIT UNIONS

A.G.E. Federal Credit Union
Albany, Georgia

I.U. & C.O.
Nominee for RCA Credit Union
Columbia City, Indiana

Alaska District Engineers
Credit Union
Anchorage, Alaska

Mutual of Omaha
Companies Credit Union
Omaha, Nebraska

Bergen Passaic Postal Credit Union
Paterson, New Jersey

RHP&F Credit Union
Rock Hill, South Carolina

OTHERS

Yorst and Co.
York, Pennsylvania

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