



NEWS RELEASE

IMMEDIATE RELEASE

PR-19-84 (3-16-84)

FDIC TRANSFERS INSURED DEPOSITS OF SEMINOLE STATE NATIONAL BANK,
SEMINOLE, TEXAS, TO SEMINOLE NATIONAL BANK, SEMINOLE, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved the transfer of insured deposits (and also those fully secured) of the Seminole State National Bank, Seminole, Texas, to Seminole National Bank, a newly-chartered subsidiary of First West Texas Bancshares, Inc., Midland, Texas. Seminole's office will reopen on Monday, March 19, 1984, as Seminole National Bank.

Up to the statutory insurance limit of \$100,000, deposits in Seminole will be immediately available to their owners. Checks drawn on Seminole accounts will continue to be honored, and customers who had interest-bearing accounts in Seminole will continue to earn interest on such deposits.

Even though insured Seminole depositors can automatically continue to conduct their banking transactions with Seminole National for an 18-month period, they are encouraged to personally visit the bank during the next three months to discuss the continuation of their banking relationships with Seminole National. It would be preferable from the standpoint of customer convenience and service for these visits to be spread out over a three-month period than to occur within the next few days or weeks.

Seminole was closed on March 16, 1984, by Acting Comptroller of the Currency H. Joe Selby and the FDIC was named receiver. Mr. Selby said: "Over the past year, the bank experienced substantial deterioration in the quality of its loan portfolio. Seminole State National Bank was unable to remedy its problems and losses finally exhausted the bank's capital funds, resulting in its insolvency."

- more -

Insured deposits in Seminole amounted to \$41.3 million in 5,800 accounts. Seminole National's administration of the deposits transferred to it will be funded by an equivalent cash payment from the FDIC. Seminole National is paying the FDIC a premium of \$2.3 million for the right to receive the transferred deposits. Seminole National will purchase Seminole's installment loans and certain other assets totalling \$19.7 million.

Seminole held approximately \$705,000 in deposits that exceeded the \$100,000 insurance limit and were not secured. Owners of these deposits will share proportionately with the FDIC and any other uninsured general creditors in the proceeds realized from liquidation of the bank's assets. The FDIC Board announced that the FDIC will make a prompt advance payment early next week to uninsured depositors and other general creditors, based on the estimated present value of assets to be liquidated, equal to 55 percent of their uninsured claims.

If actual collections on the assets, on a present value basis, exceed this estimate, uninsured creditors will ultimately receive additional payments on their claims. The estimate for the advance is believed to be conservative, and it is hoped that actual collections will be higher. If, however, the present value of actual collections should be less than 55 percent, the FDIC insurance fund will absorb the shortfall.

The advance of funds to uninsured creditors is a new feature of the insured deposit transfer approach tested by the FDIC in three bank failures over the past year. The purpose of the deposit transfer is to avoid the unintended effect of providing 100 percent protection to uninsured depositors and other general creditors that occurs when a failed bank is merged with another institution. The FDIC Board believes the deposit transfer coupled with the advance, if used consistently as a matter of policy, will treat depositors in all failed banks in an equitable fashion and minimize the adverse effects of a closing on the uninsured creditors and the community.

In this case, the FDIC Board also determined that handling the failure through a transfer of insured (and fully secured) deposits to another bank, rather than through a merger, represented the most cost-effective procedure to the FDIC.

It has not been determined whether the "modified payoff plus advance transaction" employed in this case will be utilized in future bank failures, as the FDIC plans to conduct a careful evaluation of the procedure. If the procedure is successful, after a reasonable testing period, the FDIC intends to provide adequate public notice and substantial lead time before changing its general procedures for handling bank failures.

#