



NEWS RELEASE

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PR-22-84 (4-6-84)

FDIC APPROVES ASSUMPTION OF DEPOSITS OF FIRST SECURITY BANK, ERWIN,
TENNESSEE, AND WATAUGA VALLEY BANK, ELIZABETHTON, TENNESSEE

The Board of Directors of the Federal Deposit Insurance Corporation today approved the assumption of deposit liabilities of two Tennessee banks by other institutions. The deposits of First Security Bank, Erwin, have been assumed by Bank of Tennessee, Kingsport, Tennessee, and the deposits of Watauga Valley Bank, Elizabethton, have been assumed by Carter County Bank, Elizabethton.

First Security's two offices and Watauga Valley's two offices will reopen on Monday, April 9, as branches of their respective acquiring banks. Depositors of each failed bank automatically will become depositors of the assuming bank.

First Security and Watauga Valley were closed on April 6 by Tennessee Commissioner of Banking William C. Adams and the FDIC was named receiver. Mr. Adams cited excessive loan losses as the cause of failure in both cases. He said neither bank was part of the Butcher banking system, although some of the loan losses involved borrowers at banks that failed earlier.

The deposit assumptions were made possible with assistance from the FDIC and avoid the necessity to pay off the 5,669 accounts in First Security and the 5,475 accounts in Watauga Valley. The transactions also prevent possible financial loss to the owners of deposits that exceed the statutory insurance limit of \$100,000.

An analysis of account records reveals that First Security's \$21.8 million in deposits and other liabilities included \$3.3 million in brokered deposits. Watauga Valley's \$13.4 million in deposits and other liabilities included \$1.9 million in brokered deposits.

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Bank of Tennessee has agreed to pay the FDIC a purchase premium of \$776,000. It also will purchase First Security's installment loans and certain other assets. To facilitate the transaction, the FDIC will advance \$12.7 million to Bank of Tennessee and will retain assets of First Security with a book value of approximately \$14.4 million.

Carter County Bank will pay the FDIC a premium of \$452,000 and purchase Watauga Valley's installment loans and other assets. The FDIC will advance \$13.9 million to Carter County Bank and will retain assets of Watauga Valley with a book value of approximately \$15.6 million.

The FDIC approved these deposit assumptions under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the FDIC. The Board of Directors made such a finding in these cases because of the premiums paid by the assuming banks. The FDIC expects to recover a substantial portion of its outlays through the liquidation of assets not transferred to the assuming banks. In this respect, the FDIC notes that its claims will have priority over the claims of the shareholders of the closed banks.