



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC TRANSFERS INSURED DEPOSITS OF SECURITY NATIONAL BANK
OF LUBBOCK, LUBBOCK, TEXAS, TO CITY BANK, N.A., LUBBOCK, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation today approved the transfer of both insured and secured deposits of the Security National Bank of Lubbock, Lubbock, Texas, to City Bank, N.A., Lubbock, Texas, a newly-chartered bank. Security National's sole office will reopen on Monday, April 16, 1984, as City Bank.

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

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

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Security National was closed on April 13, 1984, by Acting Comptroller of the Currency H. Joe Selby and the FDIC was named receiver. Mr. Selby said: "Over the past year Security National Bank experienced substantial deterioration in the quality of its loan portfolio. The bank was unable to remedy its problems and its losses finally exhausted the bank's capital, resulting in its insolvency."

Insured deposits in Security National amounted to \$40.6 million in 10,800 accounts. Additionally, the bank had \$3.4 million in accounts placed by deposit brokers. Because these deposits were placed in bearer form, insurance of these accounts will not be determined until depositors' documentation is reviewed. City Bank's administration of the deposits transferred to it will be funded by an equivalent cash payment from the FDIC. City Bank is paying the FDIC a premium of \$3.5 million for the right to receive the transferred deposits. City Bank will purchase Security National's installment loans and certain other assets totalling \$11.7 million.

In addition to the brokered bearer accounts, Security National held approximately \$1.1 million in deposits in about 60 accounts 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 general creditors, based on the estimated present value of assets to be liquidated, equal to 40 percent of their uninsured claims.

If actual collections on the assets, on a present value basis, exceed this estimate, uninsured creditors ultimately will 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 40 percent, the FDIC insurance fund will absorb the shortfall.

The FDIC Board determined that handling the failure of this bank through a transfer of both insured and fully secured deposits to another bank, rather than through a merger, represented the most cost-effective procedure to the FDIC. The existence of a substantial volume of known and potential non-book or contingent liabilities and other aspects of the bank's condition made it impractical to attempt a merger.

It has not been determined whether the "modified payoff plus advance" transaction employed in this case will be utilized in future bank failures. The FDIC continues its evaluation of the procedure.

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