



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF GUARANTY STATE BANK OF SAINT PAUL, ST. PAUL, MINNESOTA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of Guaranty State Bank of Saint Paul, St. Paul, Minnesota, have been assumed by Shelard National Bank, St. Louis Park, Minnesota. The failed bank's sole office will reopen on Friday, July 20, 1984, as a branch of Shelard National Bank and its depositors automatically will become depositors of the assuming bank.

Guaranty State Bank was closed on July 19, 1984, by David A. Shern, Deputy Commissioner of Commerce for Financial Institutions, and the FDIC was named receiver.

Guaranty State Bank had about \$25.2 million in 4,900 deposit accounts, including about \$2.3 million in funds placed by three deposit brokers. The bank began using brokered funds in April 1981, with brokered funds and other large certificates of deposit growing from \$3.5 million to \$16.3 million at the end of 1982 and peaking at \$18.1 million in January 1983. These deposits were used principally to fund high risk loans.

Shelard National Bank has agreed to pay the FDIC a purchase premium of \$1,710,000. The assuming bank will purchase the failed bank's installment loans and certain other assets. To facilitate the transaction, the FDIC will advance cash amounting to \$13.3 million to Shelard National and will retain assets of the failed bank with a book value of approximately \$17.3 million.

The FDIC approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the Corporation. The Board of Directors made such a finding in this case because of the premium paid by Shelard National.

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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 the shareholders of the closed bank.

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