



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF STATE BANK OF BOYD, BOYD, MINNESOTA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of the State Bank of Boyd, Boyd, Minnesota, have been assumed by State Bank of Madison, Madison, Minnesota. The failed bank's sole office will reopen on Thursday, October 25, 1984, as a branch of State Bank of Madison and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The State Bank of Boyd was closed on October 24, 1984, by Michael Hatch, Minnesota Commissioner of Commerce, and the FDIC was named receiver. Mr. Hatch said: "The bank failed because of a combination of many factors including poor lending practices, excessive overhead costs, and a weakened farm economy." He noted that the condition is not representative of other banks in the area.

In addition to assuming about \$5.9 million in 2,200 deposit accounts, including \$350,000 (six percent) in deposits placed by deposit brokers, State Bank of Madison has agreed to pay the FDIC a purchase premium of \$226,000. 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 \$4.5 million and will retain assets of the failed bank with a book value of approximately \$4.9 million.

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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 State Bank of Madison.

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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