



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF FIRST AMERICAN BANKING COMPANY, PENDLETON, OREGON

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of the First American Banking Company, Pendleton, Oregon, have been assumed by Inland Empire Bank, Hermiston, Oregon. The failed bank's two offices will reopen on Monday, November 19, 1984, as branches of Inland Empire Bank and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The First American Banking Company was closed on November 16, 1984, by Oregon Superintendent of Banks John B. Olin and the FDIC was named receiver. Mr. Olin said: "Because of the acquisition of a substantial volume of low-yield fixed-rate loans as a result of a 1982 merger with two savings and loan associations, the bank's income was insufficient to cover operating expenses during the ensuing rising interest rate period. Efforts to restructure the loan portfolio were unsuccessful."

In addition to assuming about \$13.5 million in 4,600 deposit accounts, Inland Empire Bank has agreed to pay the FDIC a purchase premium of \$26,000. The assuming bank will purchase the failed bank's installment loans, real estate loans, and certain other assets. To facilitate the transaction, the FDIC will advance cash amounting to \$7.7 million and will retain assets of the failed bank with a book value of \$8.0 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 Inland Empire Bank.

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 nondepositor creditors and shareholders of the closed bank.

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