FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF THE FARMERS STATE BANK, SELDEN, KANSAS

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of The Farmers State Bank, Selden, Kansas, have been assumed by Selden State Bank, a newly-chartered bank. The failed bank's sole office will reopen on December 21, 1984, as Selden State Bank, and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The Farmers State Bank was closed on December 20, 1984, by Eugene T. Barrett, Jr., Kansas State Bank Commissioner, and the FDIC was named receiver. Mr. Barrett said: "The Farmers State Bank experienced substantial deterioration in the quality of its loan portfolio."

Selden State Bank is assuming about $13.8 million in 1,600 deposit accounts, including about $2.9 million in accounts placed by deposit brokers and $4.8 million in directly-solicited, high-cost, volatile deposits, with a substantial volume coming from out-of-area credit unions and banks. The assuming bank has agreed to pay the FDIC a purchase premium of $21,000, and will purchase the failed bank's real estate loans, and certain other assets. To facilitate the transaction, the FDIC will advance cash amounting to $10.9 million, and will retain assets of the failed bank with a book value of approximately $11.8 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 Selden State Bank.

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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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