



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **FDIC APPROVES THE ASSUMPTION OF THE INSURED DEPOSITS OF THE FIRST NATIONAL BANK OF THE PANHANDLE, PANHANDLE, TEXAS**

FOR IMMEDIATE RELEASE

The Board of Directors of the Federal Deposit Insurance Corporation approved the assumption of the insured deposits of The First National Bank of the Panhandle, Panhandle, Texas, by Sun Bank, Sunray, Texas, and The Plains National Bank of West Texas, Lubbock, Texas.

First National was closed today by the Comptroller of the Currency (OCC), and the FDIC was named receiver. First National, with assets of \$78.7 million and total deposits of \$76.1 million as of February 1996, received a national bank charter from the OCC in May 1927.

The OCC used its authority under the FDIC Improvement Act of 1991 to close the bank when it found that First National was critically undercapitalized, having less than two percent tangible equity capital. The bank's financial troubles were due primarily to alleged fraudulent lending activities committed by a former senior officer. Insufficient application of the bank's credit controls and procedures allowed these practices to remain undetected. As a result, First National incurred huge loan losses that depleted substantially all of its capital.

In light of these events, the OCC determined that closing the bank and appointing FDIC receiver was necessary to protect the interests of the bank's insured depositors.

First National's former main office in Panhandle will reopen on Monday, June 17, as Sun Bank. Its Amarillo branch will reopen on Monday, June 17, as The Plains National Bank of West Texas. Drive-up windows at both locations, however, will be open



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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Saturday, June 15. Deposit customers of the failed bank automatically will become depositors of Sun Bank or Plains National, depending on where they opened their account.

Sun Bank will assume about \$40 million in 4,900 deposit accounts and will pay the FDIC a premium of \$1.7 million for the right to receive the failed bank's Panhandle insured deposits and to purchase \$10.7 million in assets.

Plains National will assume about \$36 million in 2,500 deposit accounts and will pay the FDIC a premium of \$1.8 million for the right to receive the failed bank's Amarillo insured deposits and to purchase \$12.6 million of the failed bank's assets.

At the time First National was closed, about \$752,000 in 102 accounts exceeded the federal insurance limit of \$100,000 and will not be assumed by either bank. Depositors of the failed bank who believe they may have uninsured deposits should call to make an appointment with an FDIC Claims Agent at the office where they opened their account. Uninsured depositors at the Panhandle office should call (806) 537-3351 while uninsured depositors at the Amarillo branch should call (806) 355-9927.

In separate agreements with two other area banks, the FDIC will sell an additional \$23.4 million of the failed bank's assets. Boatmen's First National Bank of Amarillo will purchase \$10.2 million of the failed bank's assets at a premium of \$134,000, and First American Bank, SSB, Bryan, Texas, will purchase \$13.2 million in assets at a premium of \$643,000.

The FDIC will retain approximately \$32.0 million of the failed bank's assets. Because First National held deposits insured by both the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), the estimated \$12.4 million cost of this transaction will be allocated between the two FDIC-administered funds, with approximately \$11.9 million attributed to BIF and \$500,000 to the SAIF.

The FDIC Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the insurance funds. Under federal law, uninsured depositors and creditors holding deposit claims will receive priority in payment from the sale of assets of the failed bank over creditors holding non-deposit claims.

The First National Bank of the Panhandle is the third FDIC-insured bank failure in the U.S. this year and the second in Texas.

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The OCC charters, regulates and examines approximately 2,800 national banks and 70 federal branches and agencies of foreign banks in the U.S., accounting for more than half the nation's banking assets. Its mission is to ensure the safety and soundness of the national banking system.