



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF THE MERCHANTS & FARMERS STATE BANK, BLYTHE, CALIFORNIA

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of The Merchants & Farmers State Bank, Blythe, California, have been assumed by Credit Bank, Blythe, California, a newly-chartered state bank. The single office of the closed bank will reopen Tuesday, and all depositors of the closed bank automatically will become depositors of the assuming bank. The appropriate court has approved the transaction.

Merchants & Farmers was closed on February 18, 1983, by California Acting Superintendent of Banks Harold D. Doyle and the FDIC was named receiver. Acting Superintendent Doyle said: "The bank had suffered substantial loan and operating losses which reduced its capital to an unsafe level and made it necessary to close the bank."

The deposit assumption was made possible with assistance from the FDIC and avoids the necessity for a payoff of the estimated 1,500 accounts in the failed bank, all of which appear to be within the statutory insurance limit of \$100,000.

In addition to assuming about \$5.5 million in deposits and other liabilities, Credit Bank has agreed to pay the FDIC a purchase premium of \$100,000. The assuming bank will purchase the failed bank's securities, installment loans and certain other assets. To facilitate the transaction, the FDIC will advance cash amounting to \$3 million to the assuming bank. In addition, the FDIC will retain assets of the failed bank with a book value of \$3.2 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 Credit 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 the shareholders of the closed bank.