



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC ANNOUNCES DEPOSIT ASSUMPTION OF FIRST PEOPLES BANK OF WASHINGTON COUNTY, JOHNSON CITY, TENNESSEE

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of the First Peoples Bank of Washington County, Johnson City, Tennessee, have been assumed by First American National Bank-Eastern, Kingsport, Tennessee. The nine offices of the closed bank will reopen August 1, 1983, as branches of First American National Bank-Eastern. All depositors of the closed bank automatically will become depositors of the assuming bank. The transaction is subject to approval by the appropriate court.

The First Peoples Bank was closed on July 29, 1983, by Tennessee Commissioner of Banking William C. Adams, and the FDIC was named receiver. Commissioner Adams attributed the failure to excessive loan losses.

The deposit assumption was made possible with assistance from the FDIC and avoids the necessity for a payoff of the estimated 40,000 accounts in the failed bank. It also prevents possible financial loss to the owners of deposits that exceed the statutory insurance limit of \$100,000.

In addition to assuming about \$176.3 million in deposits and other liabilities, the First American National Bank-Eastern has agreed to pay a purchase premium of \$6,525,000. 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 \$82.7 million to the assuming bank. In addition, the FDIC will retain assets of the failed bank with a book value of \$86 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 the case because

of the premium paid by First American National Bank-Eastern. 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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