
Joint Release

**Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency**

For Immediate Release

July 9, 1999

**FDIC APPROVES THE ASSUMPTION OF ALL THE DEPOSITS OF EAST TEXAS
NATIONAL BANK OF MARSHALL, MARSHALL, TEXAS**

East Texas National Bank of Marshall, Marshall, Texas, was closed today by the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) was named receiver. The FDIC entered into an agreement with Fredonia State Bank, Nacogdoches, Texas, to assume all the failed bank's deposits and substantially all its assets.

The three former offices of East Texas National will reopen on Monday, July 12, as branches of Fredonia State Bank, and depositors of East Texas National will automatically become depositors of the assuming bank. The drive-through facilities located at the Main office and the Pinecrest branch will be open on Saturday, July 10, from 8:00 a.m. until 12:00 noon.

The OCC used its receivership authority under the FDIC Improvement Act of 1991 (FDICIA) to close East Texas National after finding that the bank was "critically undercapitalized," that is, the bank's tangible equity capital was less than two percent of its total assets. Poor credit underwriting and loan administration practices by management of the bank and inadequate supervision by the bank's board of directors resulted in deterioration in asset quality. Loan losses and subsequent provisions to ensure an adequate allowance for future loan losses depleted the bank's remaining capital and eventually led to a critically undercapitalized position. In light of these findings, the OCC determined that it was necessary to close the bank and appoint the FDIC as receiver to protect the interests of the bank's insured depositors. East Texas National received its charter from the OCC on July 16, 1984.

As part of the agreement entered into with the FDIC, Fredonia State Bank will purchase \$113.7 million of the failed bank's \$127.3 million in total assets at a discount of \$5.5 million, as well as assume all of its \$113.0 million in total deposits. The FDIC as receiver will retain the remaining \$13.6 million of assets for later disposition. The FDIC estimates this transaction will cost the Bank Insurance Fund (BIF) \$6.2 million.

This is the third bank failure in the U.S. this year, and the first BIF-insured bank failure in Texas since The First National Bank of the Panhandle, Panhandle, Texas, failed on June 14, 1996.

#

FDIC: PR-38-99

Last Updated 07/26/1999