



NEWS RELEASE

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* (141-92) 92

Media Contact:

Frank Gresock (202) 898-6634

FDIC APPROVES ASSISTANCE PROGRAM FOR FREEDOM BANK, RANGER, TEXAS

The Board of Directors of the Federal Deposit Insurance Corporation has approved granting assistance under Section 13 (c) of the Federal Deposit Insurance Act (FDIA) to prevent the failure and closing of Freedom Bank, Ranger, Texas.

The FDIC acted following notification by the State Banking Department of Texas that Freedom Bank, with \$21.6 million in assets and \$20.9 million in deposits, was in danger of failing. The FDIC solicited open bank proposals through a competitive bidding process. The approved plan is expected to be significantly less costly to the Bank Insurance Fund (BIF) than if the bank had been closed.

Under the assistance plan, the Peoples State Bank, Clyde, Texas, will acquire the Freedom bank stock through a private sale. The existing shareholder, Freedom Bank Group, Inc., will have no interest in the resulting institution. The bank in Ranger, Texas, will be operated as a branch of The Peoples State Bank. As a result of this transaction, all deposit and loan customers of Freedom Bank will be afforded uninterrupted service.

The FDIC financial assistance consists of a one-time cash payment of \$360,970. The FDIC may recover a portion of its \$360,970 outlay through a collection account established for recoveries from charged-off Freedom Bank assets.

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The Peoples State Bank may charge off future losses of Freedom Bank assets to the collection account at any time during the five-year term of the agreement. Fifty percent of all recoveries in the collection account at the end of the term will be remitted to the FDIC, up to the amount of the assistance given. The FDIC will receive an assignment of all fidelity bond claims, directors' and officers' claims, and similar litigation.

The FDIC may provide assistance to banks in danger of failing under Section 13 (c) of the FDIA. The criteria that must be met when applying for assistance are contained in an FDIC Statement of Policy. Key elements include: (1) the cost to the BIF clearly must be less than other available alternatives; (2) the proposal must provide for an infusion of sufficient outside tangible capital; (3) the financial effect on shareholders and creditors of the failing institution must approximate the effect that would have occurred had the bank been closed; and (4) the proposal must be considered within a competitive bidding process. In addition, the transaction complies with the requirements of Section 13 (c) (8) of the FDIA, which requires the FDIC to make certain determinations as to the management and the troubled condition of the assisted institution.

The assistance agreement with The Peoples State Bank became final on September 25. The merger will be consummated once all regulatory agencies have approved the appropriate applications.

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