

FOR IMMEDIATE RELEASE  
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Contact: Phil Battey (202) 898-7192  
Contact: Janis Smith (202) 874-5770

**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.

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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.

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 10,390 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed.

FDIC press releases and other information are available on the Internet via the World Wide Web at [www.fdic.gov](http://www.fdic.gov) and may also be obtained through the FDIC's Public Information Center (800-276-6003 or 202-416-6940).

The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches of foreign banks in the U.S., accounting for more than 58 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.