FDIC ANNOUNCES DEPOSIT ASSUMPTION OF
THE BANK OF LORETTO, LORETTO, TENNESSEE

The Board of Directors of the Federal Deposit Insurance Corporation today announced that the deposit liabilities of The Bank of Loretto, Loretto, Tennessee, have been assumed by First Farmers and Merchants National Bank of Columbia, Columbia, Tennessee. The failed bank's three offices will reopen on Friday, September 6, 1985, as branches of First Farmers and Merchants National Bank of Columbia and its depositors automatically will become depositors of the assuming bank, subject to approval by the appropriate court.

The Bank of Loretto was closed on Wednesday, September 4, 1985, by William C. Adams, Tennessee Commissioner of Financial Institutions, and the FDIC was named receiver. Commissioner Adams attributed the failure to excessive loan losses.

First Farmers and Merchants National Bank of Columbia will assume about $24 million in 6,600 deposit accounts and has agreed to pay the FDIC a purchase premium of $301,255. It also will purchase certain of the failed bank's loans and other assets for $20 million. To facilitate the transaction, the FDIC will advance $4.0 million to the assuming bank and will retain assets of the failed bank with a book value of about $4.7 million.

The Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the FDIC. The Board made such a finding in this case because of the premium paid by First Farmers and Merchants National Bank of Columbia.
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 shareholders of the closed bank.

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