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STATEMENT ON

H.R. 4701, LEGISLATION TO STRENGTHEN THE
EMERGENCY INTERSTATE ACQUISITION PROVISIONS
OF
TITLE II OF THE GARN-ST GERMAIN ACT,

PRESENTED TO *The*

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS SUPERVISION,
REGULATION & INSURANCE,
House COMMITTEE ON BANKING, FINANCE & URBAN AFFAIRS,
HOUSE OF REPRESENTATIVES

BY

⁸
L. WILLIAM SEIDMAN
CHAIRMAN
FEDERAL DEPOSIT INSURANCE CORPORATION

Room 2128, Rayburn House Office Building

May 8, 1986,
10:00 a.m.

I. INTRODUCTION

Mr. Chairman, I want to start by expressing my appreciation to you for initiating prompt hearings on H.R. 4701, a proposal to broaden the emergency interstate acquisition provisions of Title II of the Garn-St Germain Act. We at the FDIC, in conjunction with the other federal bank regulators, seek to anticipate potential bank problems. Our goal is to resolve these problems with minimal disruption to our financial system and at minimal cost to our insurance fund. You know from experience that we are not infallible, but I trust you will agree that we are right to try.

I will center my testimony today on the economic conditions underlying the need for expanded emergency interstate bank acquisition authority. First, however, I would like to share with you some of our recent insights on the handling of bank failures. I believe this experience bears directly on the legislation you are considering.

II. HANDLING OF BANK FAILURES

Coping with bank failures has proved a formidable administrative challenge in recent years. The FDIC handled 120 bank failures and assistance transactions in 1985. We expect a similar volume in 1986, possibly including some institutions that are larger than those which failed last year.

We are attempting to handle these failures through purchase and assumption transactions whenever we are authorized to do so by law. P&A transactions are desirable for three distinct reasons. First, P&As are less disruptive than payoffs to the affected communities. A P&A minimizes customer disruption by keeping the failing bank's doors open -- albeit under a new name. Moreover, under a P&A, all deposits and most other liabilities to general creditors^{1/} are assumed by the acquiring bank. Thus, all depositors and most general creditors come out whole. In contrast, when a bank is liquidated through a payoff, uninsured depositors and other general creditors usually do not receive the full amount of their claims.^{2/} Second, reliance on P&As in lieu of payoffs helps dispel the perception that we handle small bank failures differently than large bank failures. Third, experience shows that P&As are less costly than payoffs to the Insurance Fund.

^{1/} The exception to this statement involves general creditor obligations, where they exist, in state-chartered banks located in states that have depositor preference statutes.

^{2/} In early 1984 the FDIC utilized "modified payoffs," under which insured depositors' accounts -- but not the liabilities of uninsured depositors and other general creditors -- are transferred to an acquiring bank. These transactions proved less disruptive than straight payoffs, while retaining some market discipline from bank creditors. Modified payoffs have been used infrequently in the past two years, usually in situations where a P&A was not feasible. See L. W. Seidman, Statement on Deposit Insurance Reform 6-7, Senate Comm. on Banking, Housing, and Urban Affairs, 99th Cong., 2d Sess. (Mar. 13, 1986).

III. EMERGENCY INTERSTATE TAKEOVER LEGISLATION

Now let me return to the legislation currently before you. H.R. 4701 pertains to bank acquisitions involving FDIC assistance, as well as transactions not involving such aid. I will confine my remarks to assisted transactions. Before discussing specific provisions, I will review the changes in the banking environment that have created a need for the statutory modifications we seek.

Most of the failing banks we have seen in the past two years have been small. We have been able to deal with most of them effectively through intrastate acquisitions. In some cases, however, we have been unable to arrange P&As, due to a lack of interested within-state bidders.

The potential problems we face today are greater. Oil and gas banks are threatened by a continuation of today's oil prices. Assets of all the 62 farm banks that failed in 1985 would not equal the assets of the lead bank in some of those companies. In a recent survey, we identified 563 commercial banks as "energy" banks. Eighteen percent of them -- 103 institutions -- are on the problem bank list. At the April 1985 shared national credit review, 17.5 percent of oil and gas credits were criticized. The volume of problem loans is expected to expand dramatically in the next review, now under way.

While we prefer to rely on intrastate solutions, many of the failing bank situations we see today simply may not be resolvable through intrastate P&As. In some states, it may not be possible to find a buyer that is strong enough financially to make an acquisition of a failed or failing bank of moderate size. As recently as a year or two ago we had a sellers' market. In some areas of the country, we find we have to make deals increasingly attractive, even with very small banks. Furthermore, even healthy within-state institutions may not have an incentive to bid for troubled banks.

As we confront situations where few or no within-state buyers are to be found, it becomes important to expand the number of potential bidders. This can be done by allowing out-of-state institutions to make bids. Opening up P&As to out-of-state bidders greatly increases the pool of potential purchasers. It thereby heightens competition and maximizes a bank's sales price. This reduces costs to the FDIC and thus to other banks around the country. The new combined institutions tend to be more diversified and healthier than the unions that result from more limited auctions. As a result, both the stability of the banking system and economic efficiency are enhanced.

We prefer to rely on within-state solutions to troubled bank situations whenever feasible. We fully respect the deference to state authority over banking embodied in the Douglas Amendment and the McFadden Act. But if interstate banking is necessary, it should be accomplished directly. Our aim is to be given adequate tools to cope effectively with the failing bank situations we may confront.

The current interstate acquisition provisions have some very helpful features. They provide for out-of-state purchases of failed commercial banks and failed or failing mutual savings banks with assets of \$500 million or more. These provisions have materially increased the FDIC's options and reduced its costs in handling several bank failures. In February of this year, for example, they were used in the failure of Park Bank in Florida, and at least \$37 million was saved by the FDIC as a result of this transaction alone.

But these provisions have significant limitations. Eligible commercial banks may be acquired only if they are closed. In contrast, an eligible mutual savings bank may be acquired prior to closing. Absent specific state legislation, existing law does not provide for acquisition of holding company affiliates of a failed or failing bank. In addition, if a bank is acquired by an out-of-state bank holding company, the bank may expand throughout the state by branching if permitted, but not by holding company acquisitions. This means in unit banking states, the out-of-state bank holding company's entry is limited to the site of the bank it acquires.

As a result, we believe that existing law needs not only to be extended but also to be broadened and improved. Our purpose is to provide the FDIC greater flexibility in order to reduce the cost to the Federal Deposit Insurance Fund and therefore to member banks, minimize disruption of financial services to the communities involved, and maintain the safety and soundness of the banking system as a whole.

Briefly, our proposal would do four things. First, it would lower the size threshold of a bank eligible for acquisition. Second, it would permit the acquisition of failing as well as failed commercial banks. Third, it would extend the scope of interstate acquisition authority to include bank holding company systems when the failing bank exceeds the statutory size threshold and represents a sizeable part of the holding company system. Fourth, it would authorize acquiring banks to expand to the three largest metropolitan statistical areas in the state of acquisition. Our proposal also reflects our sensitivity to federalism concerns and to the continued importance of the dual banking system.

Lowering the Size Threshold

Now for some specifics. The existing interstate provision works this way. When a bank of \$500 million or more in total assets is closed, the FDIC, as receiver, may arrange the sale of assets and assumption of liabilities of the closed bank by an out-of-state bank or holding company. The \$500 million threshold is too high a hurdle, as most troubled banks are considerably smaller. We propose a reduction to at least \$250 million.

As of the end of 1985, 953 insured commercial banks had assets greater than \$250 million, of which 78 were on our problem list. Of this total, 443 banks had between \$250 million and \$500 million in assets. Thus, our proposal would almost double the number of institutions eligible for emergency acquisition transactions. An attachment to this testimony provides a detailed state-by-state breakdown of banks falling into the "\$250-500 million" and "over \$500 million" asset categories.

Others have suggested that the threshold should be lowered further or eliminated altogether for a temporary period for farm banks. Should the Congress decide to do this, the FDIC would have no objection. We would note however, that a small farm bank in a unit banking state would probably not attract many out-of-state bids. On the other hand, in unit banking states that permit multibank holding companies, interstate buyers might be attracted to purchasing the holding company. Permitting this at a threshold lower than \$250 million might help resolve some problems in the agricultural sector.

Failing Bank Assistance

Second, arranging an assistance transaction for a failing bank before failure can be cost effective. Franchise value would be less eroded by the flight of bank customers and tax benefits may be retained. This would

increase the bank's sales price, thereby decreasing the FDIC's costs and increasing our flexibility to pass assets. In addition, this could avoid the process of decline into insolvency that might create a ripple effect in the financial community. Thus, an out-of-state acquisition should be permitted not only for failed banks, but also for banks in danger of closing, i.e., banks that are expected to close if assistance is not provided.

Holding Company Acquisitions

Third, if the failing bank or banks exceed the statutory size threshold and represent a sizeable part of the bank holding company system, an out-of-state holding company should have the ability to buy the stock of the failing bank and to buy stock of any of the bank's affiliates. The existing law does not provide for the situation where a failing bank is an integral part of a larger banking organization. Because healthy holding company affiliates cannot be acquired, potential acquirers may be willing to pay far less than otherwise for a troubled bank. This diminution in a bank's sales value may raise the FDIC's costs. It may also result in the dismemberment of existing established systems, with disruptive effects in the local community.

Post-Acquisition Expansion

Fourth, acquiring institutions would automatically be entitled to expand into the three largest metropolitan areas in the acquired bank's state, under the same conditions applied to bank holding companies already located in that state. This would enhance institutions' incentives to bid on troubled banks and thereby increase the total number of troubled bank P&As that can be carried out -- to the benefit of depositors, creditors, and affected

communities. At the same time, the limitations on the scope of expansion would allow states to retain substantial control over bank expansion within their borders.

Safeguards

The proposal reflects our continued sensitivity to federalism concerns and the importance of the dual banking system. When the existing interstate legislation was enacted in 1982, Congress provided specific safeguards to protect the states' interests. Our proposal retains these safeguards. It does this: (1) by providing state bank supervisors notice and an opportunity to object to proposed out-of-state assistance transactions; (2) by authorizing state bank authorities to determine whether a state-chartered institution is "failing", for purposes of out-of-state bids; and (3) by providing for rebidding procedures under certain circumstances. These safeguards provide an important role for state banking supervisors.

IV. CONCLUSION

Mr. Chairman, that concludes my prepared remarks. I would be pleased to answer any questions you may have.

Attachment

ATTACHMENT
All Insured Commercial Banks with Assets greater than \$250 Million
As of December 31, 1985
(\$ Amounts in Millions)

STATE	Number of Banks w/ Assets of \$250 - \$500	Assets of Banks w/ Assets of \$250 - \$500	Number of Banks w/ Assets Over \$500	Assets of Banks w/ Assets Over \$500
ALABAMA	7	\$2,134	5	\$14,013
ALASKA	4	\$1,477	3	\$2,605
ARIZONA	0	\$0	6	\$22,850
ARKANSAS	8	\$2,793	2	\$1,864
CALIFORNIA	22	\$8,167	29	\$259,559
COLORADO	6	\$1,969	4	\$8,103
CONNECTICUT	4	\$1,156	6	\$21,385
DELAWARE	4	\$1,583	6	\$7,171
DISTRICT OF COLUMBIA	3	\$1,089	5	\$13,315
FLORIDA	27	\$9,255	29	\$52,277
GEORGIA	7	\$2,369	9	\$29,370
HAWAII	1	\$360	4	\$8,405
IDAHO	2	\$718	3	\$5,471
ILLINOIS	34	\$11,409	17	\$90,551
INDIANA	20	\$6,308	13	\$18,152
IOWA	4	\$1,370	4	\$3,808
KANSAS	8	\$2,676	2	\$2,229
KENTUCKY	6	\$1,825	5	\$10,824
LOUISIANA	13	\$4,733	14	\$15,678
MAINE	1	\$387	5	\$3,691
MARYLAND	2	\$661	11	\$26,749
MASSACHUSETTS	21	\$7,775	17	\$50,559
MICHIGAN	26	\$8,910	17	\$41,684
MINNESOTA	10	\$3,191	6	\$23,758
MISSISSIPPI	5	\$1,652	5	\$7,555
MISSOURI	10	\$3,302	11	\$19,029
MONTANA	3	\$938	0	\$0
NEBRASKA	1	\$487	4	\$4,573
NEVADA	1	\$461	4	\$6,416
NEW HAMPSHIRE	6	\$2,103	1	\$667
NEW JERSEY	14	\$4,418	29	\$47,119
NEW MEXICO	3	\$951	2	\$2,585
NEW YORK	15	\$5,624	46	\$602,987
NORTH CAROLINA	2	\$534	10	\$45,322
NORTH DAKOTA	1	\$275	0	\$0
OHIO	16	\$5,463	28	\$57,163
OKLAHOMA	8	\$2,512	5	\$8,341
OREGON	2	\$577	4	\$14,842
PENNSYLVANIA	18	\$6,245	41	\$108,635
RHODE ISLAND	1	\$396	2	\$8,216
SOUTH CAROLINA	1	\$312	5	\$11,035
SOUTH DAKOTA	1	\$252	4	\$11,898
TENNESSEE	7	\$2,469	11	\$19,224
TEXAS	52	\$18,580	41	\$97,572
UTAH	2	\$526	5	\$7,947
VERMONT	4	\$1,809	1	\$850
VIRGINIA	7	\$2,308	10	\$33,794
WASHINGTON	2	\$791	7	\$26,937
WEST VIRGINIA	6	\$1,999	1	\$535
WISCONSIN	9	\$2,697	7	\$10,265
WYOMING	2	\$558	0	\$0
PUERTO RICO	4	\$1,527	4	\$8,754
	443	\$152,081	510	\$1,896,332



OFFICE OF THE CHAIRMAN

May 6, 1986

Honorable Fernand J. St Germain
Chairman
Subcommittee on Financial Institutions
Supervision, Regulation and Insurance
Committee on Banking, Finance
and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515-6051

Dear Chairman St Germain:

The following is provided in response to your questions regarding H.R. 4701 provided in your letter of May 1, 1986:

1. H.R. 4701, the Financial Institutions Emergency Acquisitions Amendments of 1986, would allow assisted and unassisted extraordinary acquisitions of insured banks (and their parent holding companies and affiliates) if the bank is "in danger of closing."

Please provide the Subcommittee with estimates on the number of institutions presently qualifying under the legislation's definition of "in danger of closing," the location on a state-by-state basis of these institutions, and the asset size levels of these institutions.

The chartering authority would have to make the determination of which banks are "in danger of closing" under the proposed legislation. Presently, there are about 1,000 banks with assets greater than \$250 million of which 78 are on our problem list. Recent experience indicates about 10 percent of the banks on the problem list fail or need FDIC assistance. We are reluctant to provide detailed information regarding the size or location of problem banks but there is an increasing number of larger institutions on the problem list.

2. Is it possible for a nonfinancial institution to avail itself of any of the provisions of H.R. 4701 in order to acquire an insured bank?

It is possible for a nonfinancial institution to acquire an insured bank under existing law and it would remain possible under H.R. 4701. This bill neither authorizes nor prohibits such a transaction.

3. Section 2 of H.R. 4701 confirms the FDIC's powers under section 13(c) of the Federal Deposit Insurance Act to assist a transaction. The Subcommittee is interested in the FDIC's use of section 13(c) in the past, the current level of outstanding assistance under 13(c) by the FDIC, and

FDIC's estimates on the future use of section 13(c) both generally, and in connection with certain extraordinary acquisitions under section 13(f) as amended by the legislation. Accordingly, please answer the following:

- a. From 1982 to the present, provide an annual compilation of the FDIC's assistance under section 13(c), with a breakdown of the total number of institutions assisted each year, including assistance to those persons acquiring control of insured banks under 13(f) as it is currently written, together with the name and location of each assisted institution or acquiring person, and an indication as to whether the action was taken to prevent the closing of an insured bank, to restore an insured closed bank to normal operation, or if such assistance was accorded to lessen the risk to the FDIC posed by the threat of instability due to severe financial conditions. Please include the amount of 13(c) assistance given in each transaction, broken down by the amount of loans to, deposits in, purchases of the assets of, or securities of, assumption of the liabilities of, or contributions made to insured banks or persons under section 13(c).
- b. Please state the level of FDIC assistance under section 13(c) currently outstanding, including an identical breakdown as specified above.

We have provided the information requested in tabular form on subsequent pages. In the interest of providing a timely response and in providing useful information we have excluded detail on assistance provided to facilitate within-state purchase and assumption transactions for banks that failed and were closed by their chartering authority. Such P&A transactions represent by far the most common form of assistance and will continue to be the most common form with or without new legislation. In 1982 there were 25 such transactions, 36 in 1983, 62 in 1984, 87 in 1985 and 29 through April 30, 1986. Information on these transactions can be provided at a later date if it is so desired.

- c. Please estimate the level of assistance anticipated under section 13(c) for the remainder of 1986, and for 1987, including separate estimates on the anticipated levels of assistance for transactions under the provisions in H.R. 4701 to amend section 13(f).

The circumstances surrounding problem banks and failing banks are constantly changing, often in unforeseen ways. It is not possible to anticipate the level or type of assistance with any degree of assurance beyond a very short time. However, we have had roughly 40 failures to date in 1986 and 120 in 1985. We do not foresee any improvement in those rates in 1986 and, therefore, expect approximately 80 or more additional failures by year-end. Presently there is little reason to expect significant improvement in 1987 but estimates that far in the future have little meaning.

During 1985, the FDIC disbursed \$2.3 billion in connection with bank failures and assistance transactions, about one quarter of these cases were depositor

payoffs with the rest being purchase and assumption or assistance transactions. We note however, the ultimate cost to the insurance fund will be considerably less than the amount disbursed.

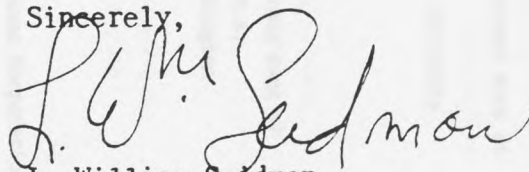
We have used the interstate provisions of section 13(f) three times. Only once has it resulted in an acquisition by an out-of-state bank. However, the existence of out-of-state bidders is believed to have been an important influence in obtaining a satisfactory bid from within-state institutions in the other two instances. We have not formally used the interstate provisions in handling any of the larger savings banks but in several cases we did informally make out-of-state inquiries to see if there was any interest. The interstate provisions are not expected to be needed frequently but may well be critical in handling selected institutions of modest to large size in a manner that provides the least disruption to the banking system and minimizes the impact to the FDIC fund.

4. H.R. 4701 would preserve the eligibility of insured banks (or their parent holding company or affiliated banks) to be acquired by an out-of-state bank or bank holding company, even after FDIC assistance has been granted under section 13(c) of the Federal Deposit Insurance Act, provided such assistance was initially granted after April 15, 1986, and remains outstanding.

Should out-of-state banks and bank holding companies continue to be allowed to acquire institutions receiving FDIC assistance, even after those institutions may no longer be in danger of closing or when the severe financial conditions which precipitated the assistance have subsided?

Our proposal envisions situations where the institution would fail but for FDIC assistance. Therefore, even though assistance has prevented failure the bank is not financially independent. The FDIC as a matter of policy does not desire to routinely maintain long-term financial involvement in insured banks. Having given assistance, which may involve continuing exposure to the FDIC fund, we would like to be able to seek a private market solution if the opportunity exists. Given the size of the banks involved, the normal inability of banks in the same area to diversify through acquisition of another area bank, and the potential that other major within state banks would be financially strained due to common economic problems, a private market solution is likely to require involvement of an out-of-state bank. Broadening the possible alternatives should also allow the FDIC to reduce the potential impact on the insurance fund. Therefore, so long as the FDIC is at risk in a given institution, that institution should be available for acquisition by out-of-state banks.

Sincerely,



L. William Seidman
Chairman

<u>Name of Institution</u>	<u>Amount</u>	<u>Description</u>	<u>Current Bal.</u>	<u>Reason</u>	<u>Acquiring Institution</u>
<u>1982</u>					
Farmers and Merchants Savings Bank Minneapolis, Minnesota	\$30 million \$50 million \$32 million	Cash Contribution Income Maintenance Payments Purchase Assets of	-0- \$20.2 million -0-	Facilitate Merger	Marquette National Bank of Minneapolis Minneapolis, Minnesota
Fidelity Mutual Savings Bank Spokane, Washington	\$15.7 million \$24.3 million \$21.5 million \$30.0 million	Income Maintenance Payments Loan to Purchase Assets of Deposit in	\$40 million -0- -0- -0-	Facilitate Merger	First Interstate Bank of Washington, N.A. Seattle, Washington
Abilene National Bank Abilene, Texas	\$50 million	Deposit In	\$50 million	Facilitate Purchase	Mercantile Texas Corporation Dallas, Texas
Oklahoma National Bank Oklahoma City, Oklahoma	\$28.8 million	Purchase Assets of	\$23 million	Facilitate Merger	First National Bank and Trust Company of Oklahoma City Oklahoma City, Oklahoma
Western Savings Bank Buffalo, New York	\$30 million	Cash Contribution	-0-	Facilitate Merger	Buffalo Savings Bank Buffalo, New York
New York Bank for Savings New York, New York	\$ 20 million \$35 million \$80 million \$204 million	Cash Contribution Cash Contribution Loan to Income Maintenance Payments	-0- -0- -0- \$308.5 million	Facilitate Merger	Buffalo Savings Bank Buffalo, New York

<u>Name of Institution</u>	<u>Amount</u>	<u>Description</u>	<u>Current Bal.</u>	<u>Reason</u>	<u>Acquiring Institution</u>
Western Savings Fund Society of Philadelphia Haverford, Pennsylvania	\$112 million \$180 million \$216 million \$ 2 million	Loan To Income Maintenance Loan To Loss Indemification	-0- \$112 million \$216 million -0-	Facilitate Merger	PSFS Phildelphia, Pennsylvania
United Mutual Savings Bank New York, New York	\$30 million	Loan To	-0-	Facilitate Merger	American Savings Bank New York, New York
Mechanics Savings Bank Elmira, New York	\$2.5 million	Loan To	\$1.5 million	Facilitate Merger	Syracuse Savings Bank Syracuse, New York
United States Savings Bank Newark, New Jersey	\$29.8 million \$11.4 million \$28 million	Assume Liability Cash Contribution Cash Contribution	-0- -0- -0-	Facilitate Merger	Hudson City Savings Bank Paramus, New Jersey
<u>1983</u>					
Dry Dock Savings Bank New York, New York	\$32 million \$25 million	Income Maintenance Net Worth Cert.	-0-	Facilitate Merger	Dollar Dry Dock Savings Bank New York, New York
Oregon Mutual Savings Bank Portland, Oregon	\$11.9 million	Cash Contribution	-0-	Facilitate Merger	Moore Financial Group Boise, Idaho

<u>Name of Institution</u>	<u>Amount</u>	<u>Description</u>	<u>Current Bal.</u>	<u>Reason</u>	<u>Acquiring Institution</u>
Auburn Savings Bank Auburn, New York	\$2.9 million	Loan to	\$2.9 million	Facilitate Merger	Syracuse Savings Bank Syracuse, New York
First National Bank of Midland Midland, Texas	\$100 million	Interim Loan to	-0-	Stabilize situation	Later Acquired by Republic Bancorporation Dallas, Texas, in a closed bank purchase and assumption transaction

1984

Orange Savings Bank Livingston, New Jersey	\$26 million	Cash Contribution	-0-	Facilitate Merger	Hudson City Savings Bank Paramus, New Jersey
Continental Illinois National Bank and Trust Company Chicago, Illinois	\$1.5 billion \$3.5 billion \$1.0 billion	Interim Loan to Assumption of Liab Purchase of Prefer. Stock	-0- \$3.0 billion \$1.0 billion	Stabilize situation Prevent Closing	None.

1985

The Commercial Bank Andalusia, Alabama	\$0.1 million	Assumption of Liabilities	\$0.1 million	Facilitate Merger	First Alabama Bancshares, Inc. Montgomery, Alabama
Bowery Savings Bank New York, New York	\$165 million \$183 million \$100 million \$115 million	Cash Contribution Income Maintenance Payments Loan to Purchase Assets of	-0- \$183 million \$100 million \$110 million	Facilitate Acquisition	Bowery Savings Bank New York, New York

<u>Name of Institution</u>	<u>Amount</u>	<u>Description</u>	<u>Current Bal.</u>	<u>Reason</u>	<u>Acquiring Institution</u>
Home Savings Bank	\$8.5 million	Cash Contribution	-0-	Facilitate Merger	Home Hamburg Savings Bank
White Plains, New York	(\$2.4 million)	Income Maintenance Payments	-0-		New York, New York
	\$15 million	Loan to	\$15 million		
	\$1.2 million	Purchase Assets of	\$1.2 million		
Bank of Oregon	\$19.9 million	Purchase of Assets	\$13 million	Facilitate Merger	Alaska Pacific Bancorporation
Woodburn, Oregon					Anchorage, Alaska

1986

The Talmage State Bank	\$1.7 million	Loan to	\$1.7 million	Prevent Closing
Talmage, Kansas				

In addition there was one purchase and assumption transaction under section 13(f). In 1986, the FDIC purchased \$240 million of assets in the Park Bank of Florida, St Petersburg, Florida. There were four bids received for this bank, only one of which was from a Florida institution (a second Florida bank was a subsidiary of a major out-of-state holding company and their bid represented those interests rather than the Florida bank's interests). The winning bid was approximately \$38 million higher than the within-state bid. In 1983, First National Bank of Midland, Midland, Texas and United American Bank, Knoxville, Tennessee were offered for bid interstate under section 13(f). In both instances a within-state institution submitted the winning bid.

Figures displayed under the heading Current Bal. in reference to Income Maintenance Payments are the current (as of 12-31-85) estimate of the amounts that the FDIC will be required to disburse given the current level of interest rates. Current estimates can vary significantly from original estimates due to the terms of the assistance agreement and the difference in the level of interest rates.