



## NEWS RELEASE

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### FDIC TO AMEND CAPITAL FOREBEARANCE PROGRAM

Changes are being made to the Federal Deposit Insurance Corporation's capital forbearance program that should extend its applicability beyond agricultural and energy lenders, FDIC Chairman L. William Seidman said.

"The amended program will address many of the concerns we have heard. It will extend the time specified for application, clarify what is meant by external economic events and make an institution's potential viability an important consideration," Mr. Seidman said.

Mr. Seidman, addressing members of the Independent Bankers Association of America in Orlando, Florida, also said "the FDIC is presently studying the feasibility of using net worth certificates in commercial banks" as part of the capital forbearance program. "Again, our objective is to do what we can to keep well-run, viable institutions in business," he said.

Mr. Seidman also said that, despite adverse economic conditions and competition from new sources, many small banks have prospered. "The specter of competition from new sources is an opportunity to develop new products and marketing initiatives. Only a few years after deregulation, in fiscal year 1986, local bank assets grew by about 19 percent, compared to the 14 percent growth in out-of-state owned institutions," he observed.

Mr. Seidman said that community bankers have inherent advantages that will help them remain competitive in the financial marketplace. He noted that community bankers know their community and are able to act rapidly to satisfy customer needs. Furthermore, community bankers frequently are active in civic affairs. Perhaps of most importance, community bankers make their clients

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feel like valued customers. "You are to be commended for establishing and maintaining customer loyalty," Mr. Seidman said.

Mr. Seidman also called for community banks to more broadly diversify their assets. "Pooling risk could provide a better diversified portfolio than any one bank could achieve on its own," Mr. Seidman commented. He also said the FDIC has supported the idea of a secondary market for agricultural loans to help diversification. He encouraged community bankers to seek federal action in this area.

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