



NEWS RELEASE

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FDIC BOARD APPROVES POLICY STATEMENT ON CRITERIA FOR EVALUATING INSURANCE APPLICATIONS

A new statement of policy clarifying the guidelines used in reviewing and approving applications for deposit insurance submitted to the Federal Deposit Insurance Corporation by thrift institutions or other operating institutions was approved today by the FDIC Board of Directors.

The Board's action was taken in response to numerous inquiries from potential insurance applicants who sought guidance on whether the FDIC's capital or other requirements would be modified in the future to accommodate certain classes of financial institutions which may seek deposit insurance coverage. Capital requirements have been modified for a limited number of institutions already insured by the FDIC in response to specific industry needs, but no new insurance applicant has been approved if its capital was below the FDIC's minimum requirements.

The new statement of policy states that all applicants for FDIC deposit insurance coverage must have a minimum ratio of total capital to total assets of 6.0 percent and primary capital to total assets of 5.5 percent. The policy statement also states that in certain cases, a higher capital ratio may be required.

In addition, the policy statement says applicants for deposit insurance who currently exercise corporate powers inconsistent with the Federal Deposit Insurance Act will be required to submit a plan demonstrating how those inconsistent powers will be terminated.

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The new policy statement also states that applicants with more than \$50 million in assets are expected to have a full scope independent audit unless a waiver is obtained from the FDIC. In some cases, applicants with less than \$50 million in assets also will be expected to have an independent audit. Copies of these auditor reports would be considered as part of the insurance application.

The policy statement's guidelines apply to all insurance applications submitted to the FDIC by state-chartered institutions that are not members of the Federal Reserve System. The guidelines also will be used to evaluate applications involving a merger of FDIC-insured and non-FDIC insured institutions if the resulting entity would be insured by the FDIC.

The criteria used by the FDIC to evaluate applications for deposit insurance cover a range of factors such as an institution's financial condition, capital adequacy, earnings potential, corporate powers and plans for future operations. Eligibility for FDIC insurance is considered by the Office of the Comptroller of the Currency for institutions seeking national bank charters and by the Board of Governors of the Federal Reserve System for state-chartered institutions seeking Federal Reserve System membership. Those agencies apply standards consistent with the criteria established by the FDIC.

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