



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC AMENDS CAPITAL FORBEARANCE POLICY

More banks are eligible to apply for temporary waivers of minimum capital requirements under amended capital forbearance guidelines adopted today by the Board of Directors of the Federal Deposit Insurance Corporation. The new guidelines are effective immediately. They are similar to changes to capital forbearance guidelines that are expected to be adopted soon by the Office of the Comptroller of the Currency.

The capital forbearance program was initiated on March 27, 1986, for banks experiencing financial difficulty as a result of their loans to the agricultural, oil and gas sectors of the economy. The amended guidelines extend the program beyond agricultural and energy lenders to include any well-run bank experiencing financial difficulties due to underlying economic problems beyond the control of the bank's management. In addition, because problems in the agriculture and energy sectors are not expected to abate by the end of 1987 when access to the program originally was scheduled to expire, the FDIC will accept applicants for two more years until December 31, 1989. The expiration of the program also is extended two years to January 1, 1995.

Fixed minimum capital ratios have been eliminated in the amended guidelines. Furthermore, the FDIC will not issue a capital directive or take formal administrative action to enforce normal capital standards as long as bank management does not engage in abusive, unsafe or unsound practices. A bank will have to provide an acceptable plan for restoring capital and file annual progress reports regarding its capital plan.

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Banks that are now subject to administrative action addressing capital may apply for a modification to that action if they meet the qualifications for the capital forbearance program. The FDIC reserves the right to terminate participation in the program if a bank engages in unsafe and unsound practices or if it cannot comply with its capital plan.

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