



NEWS RELEASE

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FDIC PROPOSES LIMITATIONS ON INSURED BANKS ENGAGING IN REAL ESTATE AND INSURANCE

The Board of Directors of the Federal Deposit Insurance Corporation today proposed to amend its regulations to prohibit any insured bank from directly engaging in underwriting insurance and developing real estate, with certain limited exceptions. The FDIC will conduct a public hearing on the proposed amendments on July 12, 1985, in its Washington Office.

The Board's proposals are a continuation of its actions beginning in the fall of 1983 when it issued an Advance Notice of Proposed Rulemaking concerning the need for regulation in this area to protect bank safety and soundness. After receiving comments, the FDIC published a Notice of Proposed Rulemaking in November 1984 covering a wide range of activities including the direct and indirect involvement of insured banks in real estate brokerage and underwriting, insurance brokerage and underwriting, data processing for third parties, travel agency activities and other financially-related services.

An important provision of the 1984 proposed regulation required that activities authorized for an insured bank by its charterer be conducted in a bona fide subsidiary of the bank. Furthermore, a bank's investment in such a subsidiary would not be counted in computing the bank's regulatory capital. The 1984 proposal also contained restrictions governing brokerage, data processing and travel agency services by insured banks.

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The revised proposed regulation announced today contains significant changes in response to the more than 500 comments received on the 1984 proposal. First, an insured bank would be permitted to conduct real estate development in-house with certain limits on the amount of its investment, and could operate a life insurance underwriting department within the bank if it is done under a state law requiring a separate department. The latter provision permits savings banks in several northeastern states to continue to offer life insurance. Next, a definition of the term "real estate development" has been added to the proposal. Finally, the proposed restrictions on travel agency activities, insurance and real estate brokerage, and data processing have been dropped because the FDIC was convinced by a large number of comments that safety and soundness concerns involving these activities can be dealt with on a case-by-case basis.

Persons wishing to participate in the public hearing should send a written request to participate to Hoyle L. Robinson, Executive Secretary, Room 6108, FDIC, 550 17th Street, N.W., Washington, D.C. 20429. Participants will be limited to a ten-minute oral presentation and will be advised in writing of the time scheduled for their presentation. Those wishing to comment in writing may send their comments to the above address no later than 45 days after the proposed amendments are published in the Federal Register. A copy of the proposed amendments is attached.

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Distribution: All Insured Banks