FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC TO PAY OFF DEPOSITORS IN HERITAGE BANK, ANAHEIM, CALIFORNIA

The Board of Directors of the Federal Deposit Insurance Corporation announced today that the FDIC would begin paying off insured and secured depositors in the Heritage Bank, Anaheim, California, at 9 a.m., Tuesday, March 20, 1984. The bank was closed on March 16, 1984, by Louis Carter, California Superintendent of Banks, who named the FDIC receiver. Mr. Carter attributed the bank's insolvency to loan and operating losses.

Heritage's total deposits amounted to $153.3 million, of which $97.5 million were placed by deposit brokers. Deposits within the $100,000 statutory insurance limit, plus those fully secured, amounted to $146.6 million in 15,000 accounts. Owners of these deposits may receive full payment on their accounts at the bank's main office at 721 N. Euclid Avenue, Anaheim, by presenting identification and evidence of their account ownership.

Heritage held approximately $6.7 million in deposits that exceeded the insurance limit and were not secured. Owners of these deposits will share proportionately with the FDIC and any other uninsured general creditors in the proceeds realized from liquidation of the bank's assets. The FDIC will make a prompt advance payment to uninsured depositors and other general creditors, based on the estimated present value of assets to be liquidated, equal to 35 percent of their uninsured claims.

If actual collections on the assets, on a present value basis, exceed this estimate, uninsured creditors will ultimately receive additional payments on their claims. The estimate for the advance is believed to be conservative, and it is hoped that actual collections will be higher. If, however, the present

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value of actual collections should be less than 35 percent, the FDIC insurance will absorb the shortfall.

The advance of funds to uninsured creditors is a new feature of the FDIC's procedures for handling failed banks. The FDIC Board believes the advance, if used consistently as a matter of policy, will treat depositors in all failed banks in an equitable fashion and minimize the adverse effects of a closing on the uninsured creditors and the community.

In this case, the FDIC Board considered the large volume of known losses and contingent liabilities in the failed bank, and the fact that no takeover proposals were received, in deciding to handle it through a payoff of insured deposits and an advance to uninsured creditors.

It has not been determined whether the use of an advance in conjunction with a payoff or a transfer of insured deposits to another bank will be utilized in future bank failures, as the FDIC plans to conduct a careful evaluation of the procedure. If the procedure is successful, after a reasonable testing period, the FDIC would provide adequate public notice and substantial lead time before changing its general procedures for handling bank failures.

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