PRESS RELEASE

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FDIC APPROVES GENERAL COUNSEL OPINION ON SOURCE OF FICO FUNDING

FOR IMMEDIATE RELEASE

The FDIC General Counsel issued a legal opinion today which concludes that certain dividends from receiverships transferred to the FDIC upon dissolution of the Federal Savings and Loan Insurance Corporation (FSLIC) can be used to pay interest on Financing Corporation (FICO) bonds if assessment income is no longer adequate to meet interest and other expenses. The opinion further concludes that liquidating dividends from Resolution Trust Corporation (RTC) receiverships cannot be used for such purposes. As a result, any recoveries by former RTC receiverships in the goodwill cases would not be available to FICO.

The General Counsel opinion, which was approved by the FDIC's Board of Directors, differentiates between two elements of the FSLIC Resolution Fund, or FRF. One is FRF-FSLIC, which manages receiverships inherited from the former FSLIC. The other is FRF-RTC, which took responsibility for assets transferred from the RTC when it went out of business December 31, 1995.

The legal opinion notes that the RTC, which Congress established to take over the FSLIC's duties for resolving thrift failures, was funded by the Resolution Funding Corporation (REFCORP) and from appropriations. The RTC received no FICO funding. Therefore, after all outstanding liabilities of the RTC have been paid, the FDIC is to transfer the net proceeds of the RTC's asset sales to REFCORP and to the Department of Treasury -- not to FICO.

FICO was created in 1987 to recapitalize the former FSLIC. FICO issued 30-year non-callable bonds in principal amounts of $8.1 billion that mature over a three-year period beginning in 2017. However, FICO is at risk of default because the deposit base that can be assessed to pay interest on the bonds has been shrinking.