



# NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-60-83 (7-14-83)

## FDIC REPORTS ON LIQUIDATION OF THE FRANKLIN NATIONAL BANK, NEW YORK CITY

The Federal Deposit Insurance Corporation today released the following report as of February 28, 1983, on the status of the Franklin National Bank (FNB) Receivership, which has been in liquidation since the bank's failure on October 8, 1974. This report is part of the FDIC's effort to keep the public and the creditors and stockholders of the failed bank fully informed of the progress of the receivership.

### BACKGROUND

FNB was declared insolvent and closed by the Comptroller of the Currency on October 8, 1974, and the FDIC was named Receiver. There were about 620,000 depositors in FNB representing a total of \$3.5 billion in deposit and other liabilities. In a competitive bidding process that immediately followed the closing, European-American Bank and Trust Company (EAB) won the right to assume FNB's deposits and certain other liabilities amounting to about \$1.6 billion and to purchase assets from the FNB portfolio in an amount equal to the liabilities assumed, less its winning bid of \$125 million.

By March 31, 1976, EAB had selected assets totalling just under \$1.5 billion, representing all of the FNB assets that it was required to select under the Purchase and Assumption Agreement of October 8, 1974, plus additional assets totalling \$11.6 million for which EAB reimbursed the Receivership.

### COLLECTION OF FRANKLIN ASSETS

In the period from May 31, 1982, the date of the last collections reported, through February 28, 1983, the FDIC collected approximately \$22.3 million for the Receivership estate. This amount represents collections of both principal and interest.

### ADVANCES FROM FEDERAL DEPOSIT INSURANCE FUND

On October 7, 1977, the FDIC advanced the FNB Receivership \$607.8 million from the Federal Deposit Insurance Fund to enable payment of the balance due on the \$1.7 billion window loan FNB had at the Federal Reserve Bank of New York when it closed. This advance plus interest has been completely repaid to the FDIC from the liquidation of the assets of the Receivership estate.

### ASSETS REMAINING FOR LIQUIDATION

The principal book balance of the remaining assets held for liquidation is \$151.8 million. The Receivership estate also has cash or cash equivalent of

- more -

\$32.7 million. The Liquidator's latest appraisal of the remaining assets is significantly less than the remaining book value. However, it is estimated that collections will be sufficient to provide substantial payments to the remaining creditors.

REMAINING CREDITORS AND LIABILITIES OF THE RECEIVERSHIP ESTATE

Since June 1982, the Receiver has made payment to the holders of 4.75% FNB Capital Debentures of approximately 50% of the \$27 million principal owed, leaving a remaining unpaid principal balance of approximately \$13.5 million. We are making arrangements to pay the remaining principal due on these obligations and expect to begin making payments momentarily. After payment of the principal owed the 4.75% Capital Debenture holders, the Trustee in Bankruptcy of Franklin New York Corporation, the holder of a \$30 million FNB Subordinated Capital Note, will be entitled to payment of principal. In this connection, we expect to pay \$18.5 million to this creditor within the next month. It also is estimated that this class of creditor will be paid principal in full by mid-1984.

Any excess collections after the payment of the remaining unpaid principal to the 4.75% FNB Capital Debenture holders and the \$30 million Capital Noteholder will be applied pro rata to interest owed to both classes of creditors. It is estimated that the total interest owed both classes will be approximately \$31 million.

Since the interest due the Capital Debenture and Note holders must be paid before the FNB Preferred Stockholders can receive any payments, it appears, based on the Liquidator's present appraisal of remaining assets and the anticipated timing of collections, that there may not be significant funds available for distribution to the Preferred Stockholders.

Payments to creditors and stockholders also are subject to the satisfaction of liabilities and obligations incurred during the course of the liquidation and to the establishment of appropriate reserves to cover contingencies. Known contingent liabilities at this time are estimated at approximately \$9 million. With respect to certain long term obligations which have been reduced to approximately \$5.9 million, the Receiver may continue to retire such remaining long term obligations earlier at negotiated discounts.

We caution all interested parties that the foregoing statements are not intended as assurances, but are based upon the FDIC's projection which may vary depending upon economic conditions, the length of time it will take the FDIC to reduce the remaining assets to cash, the future status of contingent liabilities, etc.

NEW LOCATION OF RECEIVERSHIP OFFICE

The Receivership office was moved in December 1982 and is now consolidated with other FDIC liquidation offices. The address and telephone number of the Receivership is: Federal Deposit Insurance Corporation, Receiver of Franklin National Bank, 116 West 32nd Street, 12th Floor, G.P.O. Box 1689, New York, New York 10116. Telephone: (212) 944-3001.