

FDIC VOLUNTARY MERGER PLAN

In addition to providing assistance under Title II of the Garn-St Germain Depository Institutions Act of 1982, the Federal Deposit Insurance Corporation will consider granting financial assistance to facilitate voluntary mergers of savings banks. Assistance provided would be in the form of income maintenance payments, interest-bearing notes, cash or any other form agreed to by the FDIC. A logically conceived merger proposal, with FDIC assistance, should enhance the prospects for the long-run survival of the merging institutions (as contrasted to the Title II program where ultimate survival is by no means guaranteed). In evaluating merger proposals, the following general policies would apply:

1. at least one of the merging institutions must have a surplus ratio of 3 percent or less;
2. unless an extremely strong case can be made, assistance to merge institutions which are both (all) eligible for Title II assistance will not ordinarily be given--it remains the FDIC's clear preference to merge weak institutions into stronger ones (two or more institutions eligible for Title II assistance may be permitted to enter into a well-conceived merger if the resulting entity seeks no assistance other than that available under Title II);
3. the transaction will be exposed to other potential acquirers (which may include out-of-state and non-thrift firms) to determine if the transaction can be accomplished, on an economically sound basis, at a lower cost (there will be no requirement on the part of the FDIC to accept a lower offer, and the savings bank to be merged out will not be forced to enter into a merger with the firm submitting the better offer);
4. the merger must be expected to result in real economic benefits either in the form of economies of operation or other business advantages such as diversification of deposit base;
5. the assistance agreement should normally provide a means for recapture of the present value of the FDIC's outlays from future profits;
6. the transaction must not involve more than nominal legal, accounting, investment banking or other fees or more than nominal severance pay arrangements; and
7. although there will be no automatic requirement to dismiss top management or trustees, reduction in high-level staff and trustees will be expected (the resulting board of trustees should be as small as possible, normally not to exceed 10-15 persons).