



FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, D. C. 20429

OFFICE OF THE CHAIRMAN

June 5, 1985

Honorable Slade Gorton
Chairman
Subcommittee on Financial Institutions and
Consumer Affairs
Committee on Banking, Housing and Urban Affairs
United States Senate
513 Hart Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

Let me again commend you for your hearings on brokered deposits. It gave us the first real opportunity to put this important issue in proper perspective from the regulatory standpoint.

Mr. Chairman, I understand that several incorrect assertions were made during the testimony of the money brokers that I would like to correct for the record.

The Merrill-Lynch representative stated that while they did have a very large sum of money in the First National Bank of Midland, Midland, Texas, the bank did not, in fact, fail. That assertion is incorrect. The First National Bank of Midland was closed on October 14, 1983 by the Acting Comptroller of the Currency. The end result is that the FDIC expects to lose several hundred million dollars on this failure.

The FAIC representative indicated that I was incorrect in stating that FAIC has been consistently involved in banks that closed over the last several years. The fact is they have been very much involved. Our records show that FAIC had fully insured brokered deposits in 11 failed banks during 1984 alone (a list showing the 11 banks is enclosed).

Again, the opportunity you afforded us to be heard on the brokered deposit issue is greatly appreciated. Please include this letter in the official record.

Sincerely yours

A handwritten signature in black ink, appearing to read "William M. Isaac". The signature is fluid and cursive, with the first name "William" being the most prominent.

William M. Isaac
Chairman

Enclosure

cc: Honorable Jake Garn
Honorable Chic Hecht
Honorable Phil Gramm
Honorable Alfonse M. D'Amato
Honorable Paul S. Sarbanes
Honorable William Proxmire
Honorable Alan Cranston
Honorable Christopher J. Dodd