

BL-18-89
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RAPID ASSET GROWTH

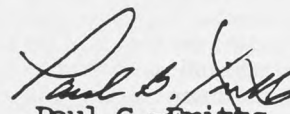
TO: CHIEF EXECUTIVE OFFICERS
OF ALL INSURED BANKSSUBJECT: Proposed notice of intent to rapidly increase assets

The Board of Directors of the Federal Deposit Insurance Corporation is requesting public and industry comment on a proposal to require advance notice by any insured bank planning to use special funding programs such as brokered deposits, out-of-area solicitations or borrowings to finance a rapid expansion of its assets.

Under the proposal, advance notification in the quarterly Reports of Condition and Income (Call Report) would be required of any institution anticipating asset growth of nine percent or more during any consecutive three months. Until the Call Report is modified to incorporate this notice, affected institutions would be required to send a brief "letter" notice to the FDIC. The proposed regulation also would require an insured bank to report to the agency within seven days if its assets grew by more than nine percent over three consecutive months without advance notice to the FDIC. Most new banks and recently merged institutions would be excluded from the reporting requirements, as would institutions where the growth is in line with normal seasonal fluctuations.

If adopted, the proposal would replace a reporting requirement now applicable to banks accepting significant amounts of brokered deposits and fully insured deposits from other depository institutions. Under the existing regulation, a bank must submit a letter report to the FDIC if insured deposits placed by brokers or other depository institutions as of the end of a calendar quarter exceed the bank's capital and reserves or five percent of total deposits.

Comments will be accepted on the proposal for 60 days after it is published in the Federal Register. Comments should be sent to Hoyle L. Robinson, Executive Secretary, FDIC, 550 17th Street, N.W., Washington, D.C. 20429. A copy of the proposal is attached.



Paul G. Fritts
Director

Distribution: All insured banks (Commercial and Savings)