

FOR IMMEDIATE RELEASE

PR-188-89 (9-27-89)

CAPITAL REQUIREMENTS ADOPTED FOR FAILED THRIFT RESOLUTIONS

The Boards of Directors of the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation (RTC) today adopted a policy defining the procedures that will be used to qualify financial institutions interested in bidding on RTC's savings institutions. In addition, the FDIC adopted capital requirements for newly-formed state-chartered nonmember banks and thrifts created as a result of RTC transactions.

At the same time, the RTC announced that today's deadline for submission of bids on five institutions has been delayed to permit all parties interested in bidding to evaluate this newly adopted policy. The RTC plans to meet with interested bidders on October 3.

The policy follows:

In order to qualify as an acceptable bidder for a failed thrift institution, potential bidders must be deemed acceptable by the primary federal regulator, and holding company and state chartering authorities if applicable. In addition, the RTC will obtain the opinion of the FDIC that the ultimate transaction results in no undue risk to the deposit insurance funds.

The FDIC will require a 4-1/2% tangible capital-to-assets ratio for new applications for deposit insurance by state-chartered nonmember banks and thrifts resulting from RTC transactions. Capital in these cases would be defined by risk-based guidelines. It would include at least 3% Tier 1 capital and no more than 1-1/2% from Tier 2. Loan loss reserves would be excluded.

In adopting this policy, the FDIC Board emphasized that the policy is designed to expedite the thrift resolution process and does not affect long-term capital standards. Directors Robert L. Clarke and M. Danny Wall specifically indicated that their votes approving the policy were intended to permit the RTC to go forward with case resolutions but did not indicate endorsement of the specific ratio set forth in the policy for institutions under their supervision.

(The five savings institutions for which the RTC has delayed the deadline of submission of bids are: Freedom Savings & Loan Association, Tampa, Florida; Hill Financial Savings Association, Red Hill, Pennsylvania; Pacific Savings Bank, Costa Mesa, California; Peoples Heritage Savings, A Federal Savings & Loan Association, Salina, Kansas; and University Federal Savings Association, Houston, Texas.)

\*\*\*