PRESS RELEASE

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FDIC PROPOSES SPEEDIER APPLICATION PROCEDURES FOR WELL-MANAGED, WELL-CAPITALIZED INSTITUTIONS

FOR IMMEDIATE RELEASE

The FDIC Board of Directors voted today to seek public comment on a proposal that would substantially expedite the processing of applications filed by well-managed, well-capitalized institutions. The agency also proposed to simplify and streamline its application rules.

"We believe it makes sense, for the industry and for the FDIC, to minimize regulatory burden associated with routine business decisions by well-managed institutions," said FDIC Chairman Andrew C. Hove, Jr. "This plan would allow the FDIC to focus its resources on applications that raise supervisory concerns or unique legal or policy issues."

The proposed rule would apply expedited processing procedures to applications for deposit insurance, mergers, branches, trust powers, stock buy-backs, and certain foreign banking activities. Some applications would be treated like notices. For example, applications to establish a branch or relocate an office represent approximately 50 percent of the filings received by the FDIC and typically take 30 days to process. Under the proposed rule, however, an eligible institution's branch application generally would be automatically approved 21 days after the FDIC receives a substantially complete application. That would mean a 30 percent reduction in the average processing time of branch applications.

During the first eight months of 1997, the FDIC acted on 2,155 applications, notices and other filings. It is estimated that about 1,975 of these requests (92 percent) were of types that would have expedited processing or notice procedures under the new proposal.

"This proposal would assure banks and thrifts that their applications would be decided in a timely manner," said FDIC Director Joseph H. Neely, who has coordinated the Corporation's efforts to eliminate excess regulatory burden. "We want well-managed institutions to know that their plans to conduct traditional activities will be acted on expeditiously by the FDIC."

The proposed revisions to Part 303 of the FDIC's rules would reduce regulatory burden for all FDIC-insured banks and savings associations, but particularly the approximately 6,200 state-chartered institutions that are supervised by the FDIC. To qualify for the expedited application procedures under the proposal, an insured bank or thrift must have:

- A composite rating of 1 or 2 on the interagency five-point scale for safety and soundness;

- A satisfactory or better rating for compliance with the Community Reinvestment Act;

- A rating of 1 or 2 for compliance with consumer laws and regulations based on a five-point scale used by examiners;

- A designation as being well-capitalized; and

- No formal or informal administrative action pending against it.

The FDIC estimates that more than 90 percent of all FDIC-supervised banks would meet these eligibility standards. Other aspects of the FDIC proposal would delete duplicative or outdated material, and update delegations of authority from the Board that permit designated FDIC staff to take final action on various applications, notices, requests and enforcement matters. The Board also proposed to remove inconsistencies or outdated procedures in policy statements involving applications. In particular, the Board proposed to substantially revise its policy on deposit insurance applications. The proposal would give regional FDIC officials more flexibility to approve insurance applications. It also would recognize the strength of a holding company when reviewing the capital of a proposed new depository institution, minimize duplication of efforts with the chartering authority when an institution applies for deposit insurance, and update the FDIC's policy on stock option plans proposed in conjunction with the establishment of a new bank.

The agency's policy statement on bank merger transactions also would be significantly revised to reflect statutory changes and other related matters. The FDIC also is proposing to rescind two policy statements on establishing or relocating bank offices.

"FDIC staff, under Joe Neely's direction, has reviewed our applications procedures from top to bottom," Chairman Hove said. "We believe these proposed changes would meet our objectives of reducing complexity and cutting costs while still maintaining high standards for safe and sound banking practices."

Hove also said the proposals would bring the FDIC's applications rules more closely in line with those of the other federal banking agencies.

Written comments on the proposed changes are due within 90 days after they are published in the Federal Register.

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