FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC ADOPTS POLICY FOR ADVANCE NOTICE OF BRANCH CLOSINGS

The FDIC Board of Directors today adopted an interagency policy statement implementing a statutory requirement that banks and thrifts provide advance notice of plans to close a branch. The notices are intended to prevent the sudden disappearance of a branch and to allow customers sufficient time to make new banking arrangements.

Section 228 of the FDIC Improvement Act of 1991 (Section 42 of the Federal Deposit Insurance Act) generally requires each insured institution with branches to: (1) have a policy on branch closings; (2) give its federal regulator a 90-day advance notice of a proposed branch closing; (3) mail a notice of a branch closing plan to customers of the branch at least 90 days before the scheduled closing; and (4) place a conspicuous notice of the plan at the affected branch at least 30 days prior to the scheduled closing.

The policy statement clarifies how the law will be enforced. For instance, a depository institution that temporarily operates a branch of a failed bank or savings association but does not purchase or lease the branch will be excluded from the advance notice requirements if it closes the branch before the end of any contractual option with the FDIC or the Resolution Trust Corporation to retain the branch. Also, the advance notice requirements will not apply to the closing of an automated teller machine or to a branch relocation.

The FDIC worked with the Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision in developing the policy statement. The three other agencies are in the process of adopting

-morethe same policies for the institutions they supervise. The policy statement will go into effect after the four agencies agree to it and it is published in the Federal Register. In the meantime, existing interim guidance provided by the agencies remains in effect.

An important aspect of the policy statement is how the agencies are differentiating a branch relocation (exempt from the closing notice requirements) from instances where an institution simultaneously closes one branch and opens another. The policy defines a relocation as the closing of one office and the opening of another in the same immediate neighborhood, with the customers served by the closed branch being substantially unaffected by the move. A relocation involving a longer distance will be considered a branch closing and will be subject both to the advance notice requirements under Section 228 and the FDIC's existing application rules for establishing new branches.

In a related development today, the FDIC Board issued for public comment a proposal that would incorporate this new definition of a branch relocation into the agency's separate rules governing applications. The FDIC will accept written comments on this proposal for 30 days after it appears in the Federal Register.

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