FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC APPROVES ASSUMPTION OF DEPOSITS OF THE HOWARD SAVINGS BANK, NEWARK, NEW JERSEY

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assumption of the deposits of The Howard Savings Bank, Newark, New Jersey, by First Fidelity Bank, N.A., Newark, New Jersey.

The failed bank's 68 offices will reopen for business as usual on Saturday, October 3 or Monday, October 5, 1992, depending on normal banking hours, as branches of First Fidelity. Its depositors will become depositors of the assuming bank. Customers with questions about their accounts can call First Fidelity at 1-800-CALL-FFB (1-800-225-5332).

The Howard Savings Bank, headquartered in Livingston, New Jersey, with total assets of $3.6 billion, was closed on Friday, October 2, 1992, by Jeff Connor, New Jersey Banking Commissioner, and the FDIC was named receiver.

First Fidelity will assume all deposits, totalling $3.4 billion in more than 400,000 deposit accounts. It will pay a premium of $73.5 million for the right to receive the failed bank's deposits and will purchase about $3.0 billion of the failed bank's assets. The FDIC will retain certain troubled assets of the failed bank with a book value of about $616 million. The FDIC estimates the total cost of this resolution to be $117 million. The FDIC's initial cash outlay to the assuming bank will be $310 million.

The two-branch Howard Federal Savings Bank, Berlin, New Jersey, a subsidiary of the Howard Savings Bank, has also been purchased and will operate as usual as branches of First Fidelity.

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First Fidelity will be provided with a five-year loss-sharing arrangement on approximately $867 million in multi-family residential, commercial real estate and commercial and industrial loans. The loss-sharing arrangement is expected to reduce losses to the Bank Insurance Fund while minimizing disruption to loan customers. During the five-year period, the FDIC will reimburse First Fidelity for 80 percent of net charge-offs on these assets. First Fidelity will absorb the remaining 20 percent. The FDIC has agreed that if net charge-offs exceed $130 million, the FDIC will increase its coverage to 95 percent of additional net charge-offs on these assets and First Fidelity will absorb the remaining five percent. During the five-year period and for two years thereafter, the FDIC will receive 80 percent of all recoveries of charged-off assets.

The Board of Directors approved the assumption of all deposits under its authority to do so whenever it determines that such a transaction is the least costly. Non-depositor creditors will share proportionately with the FDIC in the proceeds realized from liquidation of the failed bank's assets.

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