



NEWS RELEASE

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FDIC APPROVES ASSUMPTION OF DEPOSITS OF
FIRST CONSTITUTION BANK, NEW HAVEN, CONNECTICUT

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assumption of the deposits of First Constitution Bank, New Haven, Connecticut, by First Federal Bank, FSB, Waterbury, Connecticut.

The failed bank's 16 offices will reopen for business as usual on Saturday, October 3 or Monday, October 5, 1992, as branches of First Federal, and its depositors will become depositors of the assuming bank.

First Constitution Bank, with total assets of \$1.6 billion, was closed on Friday, October 2, 1992, by Ralph M. Shulansky, Connecticut Bank Commissioner, and the FDIC was named receiver.

First Federal will assume all deposits totalling \$1.4 billion in about 130,000 deposit accounts. It will purchase \$1.4 billion of the failed bank's assets at a discount of \$24.2 million. The FDIC will retain certain troubled assets of the failed bank with a book value of about \$250 million. To assist in capitalizing this transaction, the FDIC has agreed to purchase \$30 million of cumulative perpetual preferred stock as bridge equity from Webster Financial Corporation, Waterbury, Connecticut, First Federal's holding company. The FDIC estimates the total cost of this resolution to be approximately \$122 million. The FDIC's initial cash outlay to the assuming bank will be approximately \$4.2 million.

First Federal will be provided with a five-year loss-sharing arrangement on approximately \$277 million in multi-family residential, commercial real estate and commercial loans. The arrangement is expected to reduce losses to the Bank Insurance Fund while minimizing disruption to loan

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customers. During the five-year period, the FDIC will reimburse First Federal for 80 percent of net charge-offs on these assets. First Federal will absorb the remaining 20 percent. The FDIC has agreed that if net charge-offs exceed \$49.2 million, the FDIC will increase its coverage to 95 percent of additional net charge-offs on these assets and First Federal will absorb the remaining five percent of net charge-offs. During this period and for two years thereafter, the FDIC will receive 80 percent of all recoveries of charged-off assets.

The FDIC has also provided First Federal with a measure of additional protection on the non-loss-sharing assets assumed by First Federal only if expected losses on these assets are exceeded.

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 resolution. The FDIC notes that its claim on recoveries from the sale of the failed bank's assets will have priority over non-depositor creditors of the failed bank.

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