FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE PR-142-92 (10-13-92)

FDIC PROPOSES POLICY ON ADVANCE NOTICE BY BANKS OF PLANS TO CLOSE BRANCHES

The FDIC Board of Directors today approved issuing for public comment a proposed policy statement intended to implement a 1991 law requiring insured institutions to give regulators and consumers advance notice of any proposed branch closing.

In general, Section 228 of the FDIC Improvement Act of 1991 requires an insured institution to give its federal regulator a 90-day advance notice of a proposed branch closing, including a detailed statement of the reasons for closing the branch and any supporting information. The law also requires two types of advance notice to the branch's customers: a mailing at least 90 days before the branch closing (in a regular account statement or a separate mailing); and a conspicuous notice at the branch at least 30 days prior to the proposed closing. One of the primary purposes of the law is to prevent the sudden, unexpected disappearance of a branch from the neighborhood it serves.

Of special significance is how the FDIC proposes to treat a branch closing stemming from a bank's acquisition of a failed institution. Under the FDIC's proposed policy, a bank that temporarily operates a branch of a failed bank or savings association but does not purchase or lease the branch would be excluded from the advance notice requirements if it closes the branch before the end of any contractual option with the FDIC to retain the branch. This aspect of the proposed policy is intended to encourage acquirers that are unsure about the future status of a branch to keep it open temporarily rather than close it immediately for fear of triggering the 90-day advance notice requirements. This part of the proposal also is intended to minimize the

-morepossibility that a healthy institution will decide against bidding on a failed bank or thrift because of the branch closing issue, which in turn would drive up the government's cost of resolving the failed institution.

The Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision already have proposed similar policies for the institutions they regulate. The FDIC's proposed statement of policy would apply only to state-chartered banks that are not members of the Federal Reserve System.

The FDIC also is asking for public comment on whether the advance notice requirements should apply to closings of automated teller machines and certain branch relocations.

The FDIC proposal on branch closings would apply to each state nonmember bank with one or more branches. If an FDIC-supervised bank has no branches, it would be required to adopt a policy for branch closings before establishing its first branch.

Written comments will be accepted for 60 days after the FDIC proposal appears in the Federal Register.

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