FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE
PR-167-92 (12-4-92)

Media Contact:
Andrew Porterfield (202) 898-6593

FDIC APPROVES ASSUMPTION OF DEPOSITS OF HERITAGE BANK FOR SAVINGS, HOLYOKE, MASSACHUSETTS

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assumption of the deposits of Heritage Bank for Savings, Holyoke, Massachusetts, by Fleet Bank of Massachusetts, N.A., Boston, Massachusetts, at an estimated cost to the Bank Insurance Fund of $14.7 million.

Of the failed bank's 25 offices, 20 will reopen for business on as usual on Saturday, December 5, or Monday, December 7, 1992, as branches of Fleet Bank, and its depositors automatically will become depositors of the assuming bank. The following five offices will not reopen:

- **330 Whitney Ave., Holyoke**
- **1235 Sumner Ave., Springfield**
- **1063 Riverdale St., West Springfield**
- **142 Russell St., Hadley**
- **60 Main St., Hatfield**

Customers at these offices will have access to their accounts at any of the 20 former Heritage Bank offices that will reopen.

Heritage Bank for Savings, with total assets of $1.32 billion, was closed on Friday, December 4, 1992, by Alan R. Morse, Jr., Massachusetts Bank Commissioner, and the FDIC was named receiver.

Fleet Bank will assume about $984.7 million in about 136,800 deposit accounts, including about $33.3 million in 302 accounts that exceeded the FDIC insurance limit of $100,000. The Mutual Savings Central Fund, Inc., a corporation established to provide financial assistance and deposit insurance to Massachusetts' savings banks, through its Deposit Insurance Fund provided

(more)

the FDIC $426,000 to facilitate the assumption of the $33.3 million in uninsured deposits.

The assuming bank will pay a premium of $11.1 million for the right to receive the failed bank's deposits and will purchase $1.2 billion of the failed bank's assets. To facilitate the transaction, the FDIC's initial outlay is about $108.7 million. The FDIC will retain assets of the failed bank with a book value of about $125.5 million.

Fleet Bank will be provided with a five-year loss-sharing arrangement on approximately $356.3 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 customers. During the five-year period, the FDIC will reimburse Fleet Bank for 80 percent of net charge-offs on these assets. Fleet Bank will absorb the remaining 20 percent. The FDIC has agreed that if net charge-offs exceed $53 million, the FDIC will increase its coverage to 95 percent of additional net charge-offs on these assets and Fleet Bank 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 Board of Directors approved the deposit assumption under its authority to do so whenever it determines that such a transaction will reduce the potential loss to the FDIC. Non-depositor creditors will share proportionately with the FDIC in the proceeds realized from liquidation of the failed bank's assets.

###