FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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Media Contact:
Andrew Porterfield (202) 898-6593

FDIC APPROVES ASSUMPTION OF DEPOSITS OF MERITOR SAVINGS BANK, PHILADELPHIA, PENNSYLVANIA

The Board of Directors of the Federal Deposit Insurance Corporation has approved the assumption of the deposits of Meritor Savings Bank, Philadelphia, Pennsylvania, by Mellon Bank, N.A., Pittsburgh, Pennsylvania. The offices of Meritor Savings located in Philadelphia had operated under the name Philadelphia Savings Fund Society. Meritor Savings, with total assets of $4.1 billion, was closed on Friday, December 11, 1992, by Sarah W. Hargrove, Pennsylvania Secretary of Banking, and the FDIC was named receiver.

The failed bank's 27 offices will reopen for business as usual on Saturday, December 12 or Monday, December 14, 1992, as branches of Mellon Bank, which operate in the Philadelphia area as "Mellon PSFS." The failed bank's depositors automatically will become depositors of the assuming bank.

Mellon Bank will assume about $2.9 billion in about 344,000 deposit accounts, according to September 30, 1992, figures. It will pay a premium of $181.3 million for the right to receive the failed bank's deposits and will purchase $2.6 billion of the failed bank's assets. The FDIC will retain assets of the failed bank with a book value of about $1.4 billion.

Mellon Bank will be provided with a five-year loss-sharing arrangement on approximately $819.8 million in multi-family residential, commercial real estate and commercial and industrial loans. During the five-year period, the FDIC will reimburse Mellon Bank for 80 percent of net charge-offs on these assets. Mellon Bank will absorb the remaining 20 percent. The FDIC has

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agreed that if net charge-offs exceed $60 million, the FDIC will increase its coverage to 95 percent of additional net charge-offs on these assets and Mellon Bank will absorb the remaining five percent. During this period and for two years thereafter, the FDIC will receive 80 percent of all recoveries of charged-off assets. The loss-sharing agreement is expected to maximize returns on the assets covered by the arrangement by keeping these assets in the private sector. The agreement is also expected to minimize disruption for the loan customers involved.

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. The FDIC estimates that the Bank Insurance Fund ultimately may not suffer any losses as a result of this resolution. That estimate, however, is dependent on future events and conditions involving collections and asset disposition values of assets retained by the FDIC.

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