



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-6-91

(1-15-91)

FDIC BOARD REVIEWS DECISIONS IN FREEDOM NATIONAL BANK LIQUIDATION

The FDIC Board of Directors announced today that, after an extensive review of the agency's handling of the closed Freedom National Bank of New York, it can find no basis under existing law for handling the November failure differently.

At a meeting today, the Board agreed with the finding of the agency's Legal Division that the FDIC lacked the authority and the flexibility under existing law to fully reimburse all depositors at Freedom National.

However, the Board also agreed that the application of existing law sometimes results in inequitable treatment of uninsured depositors in small failed banks compared to those in large failed banks. As a result, the FDIC Board:

- o Said it stands ready to work with Congress to correct apparent inequities regarding large and small bank failures.
- o Instructed the staff to continue reviewing whether certain uninsured deposits at Freedom National, such as those of not-for-profit charities, could be fully protected under the law.
- o Reiterated the FDIC's pledge to members of Congress and the community that, if a group of qualified investors wants to establish a new minority-owned bank to obtain Freedom National's remaining loans and uninsured deposits, the agency would cooperate in every way it can.

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An effort to satisfy the essentiality standard, for example, was seriously undercut both by the number of other financial institutions in the community and the fact that Freedom National's loans were predominantly to borrowers outside the bank's community.

Typically, FDIC assistance is granted to assist in the acquisition of the institution by another party. In the Freedom National case, starting in the early fall, the agency made several unsuccessful attempts to find a new or existing institution to acquire the closed bank's deposits.

Chairman Seidman added today: "We will continue to study our options to provide additional protection to charitable organizations and other categories of depositors consistent with existing law. As always, we also will be glad to work with members of Congress to consider legislation that would ensure greater equity in the application of deposit insurance."

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