



# NEWS RELEASE

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## FDIC CREATES NEW DIVISION FOR HANDLING FAILED BANKS, ANNOUNCES STAFF CHANGES

The FDIC Board of Directors announced today the establishment of a new Division of Resolutions (DOR), a move designed to consolidate and enhance the agency's resources for handling bank failures and assisting institutions that are in danger of failing.

In related personnel actions, the Board announced that:

- o Paul G. Fritts, currently Director of the Division of Supervision (DOS), will be promoted to a new position of Executive Director for Supervision and Resolutions where he will be responsible for oversight of both DOS and the new Division of Resolutions.
- o John W. Stone, currently Associate Director of the operations and assistance transactions branch within DOS, will replace Mr. Fritts as DOS Director.
- o Harrison Young, a Managing Director with Dean Witter Reynolds Inc., New York, has been named DOR Director. Mr. Young has been an advisor to the FDIC on failed bank transactions and financing strategies.

The creation of the new Division is intended primarily to centralize much of the staff work on failing bank situations that now is split between DOS and the Division of Liquidation (DOL).

FDIC Chairman L. William Seidman said: "Given the continued high number of bank failures and our projections for the future, we believe it is prudent to have a single unit within the FDIC that is dedicated to handling failing institutions. We also believe that acquirers and investors will appreciate the ability to work with a single entity at the FDIC that can resolve outstanding

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issues. The net effect from enhancing and streamlining our system in this way should be to increase efficiency, reduce costs, add consistency and deepen expertise across the entire agency."

Mr. Seidman added: "The success of this new structure will depend a great deal on effective management and coordination by the top staff. That is why I am particularly pleased to be able to turn to proven FDIC veterans like Paul Fritts and John Stone, and to Harrison Young, a trusted advisor who we approached to join the FDIC because of his special qualifications."

The Division of Resolutions will be responsible for planning for and handling all bank failures. This includes assembling data about anticipated failures, conducting meetings with potential acquirers, coordinating with other FDIC Divisions and government agencies, and overseeing other aspects of resolutions. The Division also will develop the FDIC's overall resolution policies and financing strategies.

The new Division's responsibilities include: the administration of resolution agreements, including post-agreement adherence to terms; the design and negotiation of asset service agreements; interim management of FDIC-owned "bridge banks" that are established when an insured bank is closed and time is needed to find a permanent solution; and the management and sale of capital instruments acquired from assisted banks.

The FDIC has projected that about 180 banks will fail this year and another 160 will close in 1992. Last year, 168 banks failed and one obtained assistance to prevent being closed.

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