



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-41-91 (3-20-91)

FDIC MODIFIES STRUCTURE OF BANK OF NEW ENGLAND RESOLUTION

The FDIC today announced a modification in the structure of the upcoming Bank of New England resolution, designed to reduce the cost to the Bank Insurance Fund.

This change reflects the FDIC's intention — with which the Department of the Treasury concurred — to borrow from the Federal Financing Bank and carry the assets on its own books. There is no change, however, in the intention that the winning bidder collect the loans for the FDIC under a service contract.

In previous large transactions, the FDIC has reimbursed the acquirer for its cost of carrying the problem loans. Borrowing rates from the Federal Financing Bank are expected to be lower than an assisted institution's marginal cost of funds. In addition, the removal of several billion dollars of assets from the former Bank of New England banks' balance sheets should reduce pressure on certificate of deposit rates in the region.

The FDIC also reconfirmed March 29 as the deadline for bids and said that its target for announcing a winner is April 16.

####