FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC, AFTER REVIEW, TO KEEP LIMITED KNOXVILLE OFFICE OPEN THROUGH YEAR-END

The FDIC said today that it has postponed the closing of a Tennessee field office, choosing instead to maintain the operation on a limited basis through the end of the year.

The Knoxville office was established in 1983 primarily to liquidate assets acquired from several failed banks that were part of the Butcher brothers' Tennessee banking operations. The FDIC last month announced intentions to close the Knoxville office in June, primarily because the vast majority of the acquired assets there have been dealt with, and future bank failures in the area likely will not significantly add to the workload. After various Tennessee officials contended that keeping the office open would be cost effective, the FDIC recently agreed to reconsider the decision.

Today, after additional analysis by FDIC staff of the anticipated costs and needs for the Knoxville office, the agency announced it would keep the office open on a limited basis. Approximately 30 employees will remain on staff through the end of the year to complete outstanding matters. The FDIC added that it will consider keeping the office open beyond year-end if the outlook for bank failures changes.

FDIC Chairman L. William Seidman said: "We certainly understand the concerns of those in the Knoxville community about the closing of our office there. However, we also want others to understand that, in reality, the closing of a liquidation office is a positive sign for the community. It reflects our view that the long-term outlook is good and that the FDIC doesn't expect major problems with bank failures in the region in the future."

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Chairman Seidman added: "The FDIC opens liquidation offices in bad times with the goal of closing them in good times. That is exactly what happened with our Knoxville office."

Steven A. Seelig, Director of the Division of Liquidation at FDIC headquarters in Washington, noted that the agency's follow-up review went well beyond an analysis of future bank failures in Tennessee. "We considered projections for savings and loan failures as well as banks, and for the entire Southeast region of the United States, not just for Tennessee," Mr. Seelig said. "Based on this analysis, we decided that there would be insufficient liquidation activity to justify either maintaining the FDIC's office in Knoxville beyond the end of the year or arranging for the Resolution Trust Corporation to open an office in Knoxville for handling failed S&Ls."

The FDIC's analysis also indicated that the agency's savings from the reduced payroll will substantially outweigh the costs of absorbing expenses associated with the move, such as the outstanding office lease in Knoxville.

Mr. Seelig added: "The FDIC recognizes and appreciates the fine work done by our Knoxville employees. We are doing everything we can to ease the transition for them, including help in finding other positions."

Chairman Seidman informed interested members of Congress about the decision today. Mr. Seelig also sent a detailed letter to Knoxville Mayor Victor Ashe explaining the decision.

The Knoxville office opened in 1983 as the first of the FDIC's "consolidated" offices established to handle liquidation activities concentrated in a particular area. Including the Knoxville site, the FDIC has 17 consolidated liquidation offices nationwide.

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