



**1980 ANNUAL REPORT OF THE  
FEDERAL DEPOSIT INSURANCE CORPORATION**

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## Board of Directors



John G. Heimann  
Comptroller of the Currency

Irvine H. Sprague  
Chairman

William M. Isaac  
Director

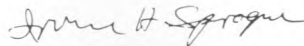


**LETTER OF TRANSMITTAL**

FEDERAL DEPOSIT INSURANCE CORPORATION  
Washington, D.C., June 15, 1981

SIRS: In accordance with the provisions of section 17(a) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation is pleased to submit its annual report for the calendar year 1980.

Very truly yours,

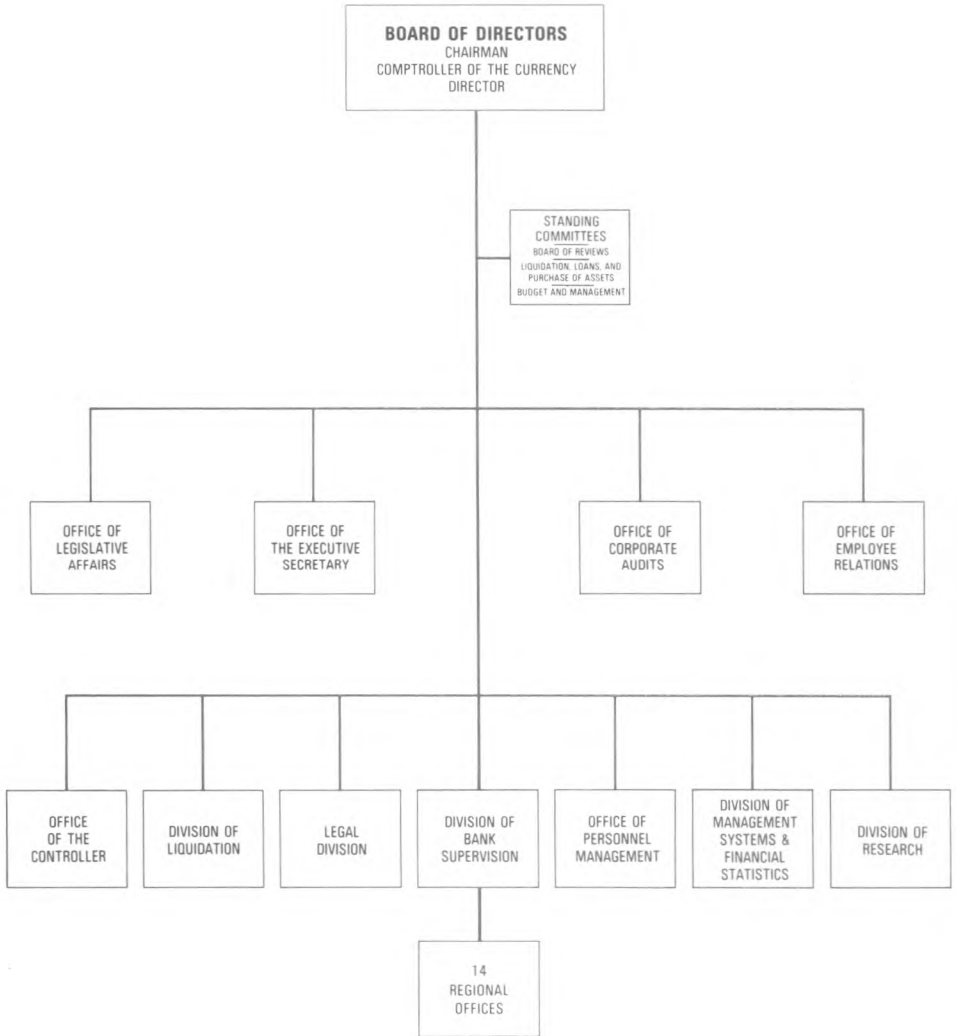


Irvine H. Sprague  
Chairman

THE PRESIDENT OF THE SENATE

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

# FEDERAL DEPOSIT INSURANCE CORPORATION



\* The Board of Directors on January 28, 1980, approved an organizational change which merged the functions of the Office of Consumer Affairs and Civil Rights and the Division of Bank Supervision's Consumer Affairs Section. The office was placed under the Division of Bank Supervision and renamed Office of Consumer and Compliance Programs.

## BOARD OF DIRECTORS

<i>Chairman</i> .....	Irvine H. Sprague
<i>Director</i> .....	William M. Isaac
<i>Comptroller of Currency</i> .....	John G. Heimann

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<i>Director, Division of Management Systems and Financial Statistics</i> .....	George G. Kershaw
<i>Director of Research</i> .....	Stanley C. Silverberg
<i>Director, Office of Legislative Affairs</i> .....	Kenneth Fulton
<i>Director, Office of Corporate Audits</i> .....	Robert D. Hoffman
<i>Director, Office of Personnel Management</i> .....	Jack C. Pleasant
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# FDIC

PART ONE  
OPERATIONS OF THE CORPORATION





# BACKGROUND

The Federal Deposit Insurance Corporation was established by the Banking Act of 1933 to restore confidence in the banking system, protect depositors in the nation's banks, and promote safe and sound banking practices. The FDIC accomplishes these purposes through a program of deposit insurance covering 14,758 commercial and mutual savings banks and through the regulation and supervision of the 9,336 insured State-chartered banks that are not members of the Federal Reserve System.

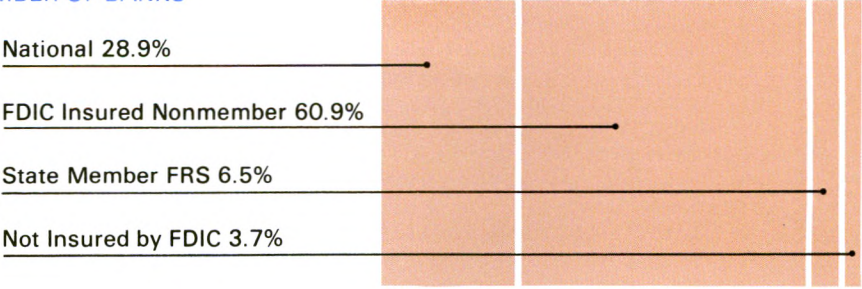
Incorporated banks and trust companies that engage in the business of receiving deposits may participate in Federal deposit insurance. Insurance is mandatory for national banks and State bank members of the Federal Reserve System.

Each depositor in an insured bank is protected by deposit insurance on the aggregate of all deposits held in the same right and capacity up to the maximum level provided by the Federal Deposit Insurance Act. The limit was \$2,500 when insurance became effective on January 1, 1934, and has been increased periodically since then, most recently on March 31, 1980, to \$100,000.

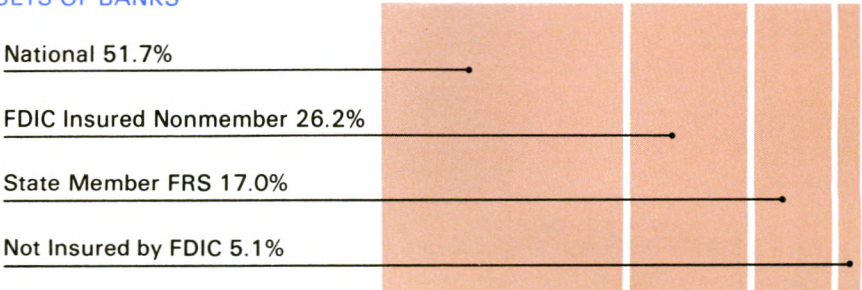
## SUPERVISORY CLASSES OF BANKS IN THE UNITED STATES, DECEMBER 31, 1980

### Commercial Banks and Mutual Savings Banks

#### NUMBER OF BANKS



#### ASSETS OF BANKS



# MAJOR DEVELOPMENTS OF 1980

Significant events of 1980 affecting the Federal Deposit Insurance Corporation and the banks it supervises included unprecedented interest rate levels, fundamental reform in banking law and the development of important cooperative programs between the FDIC and State banking departments.

## Interest Rate Developments.

The pattern of interest rate changes in 1980 was unparalleled in recent history, both with respect to the magnitude and frequency of change. Inflationary pressures produced record level interest rates early and late in the year, interrupted by a period of falling rates.

During the first six weeks of the year, the prime rate was about 15.25 percent. The Federal funds rate ranged between 13 and 14 percent and the rate on six-month Treasury bills between 12.6 percent and 13 percent. Both short- and long-term rates rose dramatically in March and April — the Federal funds rate ascending to more than 19 percent and the prime to a record 20 percent.

During the second quarter, the prime rate fell to less than 11 percent and the six-month Treasury bill rate dropped to nearly seven percent.

By late September, rates had resumed their climb. They continued to rise throughout the balance of the year to new peaks in mid-December: the prime rate to 21.5 percent, Federal funds to 20.2 percent and large negotiable certificates of deposit to 20.5 percent.

These wide fluctuations and the unprecedented levels to which interest rates rose imposed stresses on the economy and the banking industry, particularly on those institutions heavily invested in assets earning less than the institutions' costs of funds.

## Statutory Changes.

An increase in Federal deposit insurance to \$100,000 from \$40,000 per depositor was one feature of an omnibus financial statute signed into law on March 31, 1980, by President Carter. Other major provisions of the law, entitled the Depository Institutions Deregulation and Monetary Control Act of 1980 (Public Law 96-221), included:

- A mandate for a six-year phase-out of ceilings on the interest financial institutions can pay on deposits.
- A requirement that all depository institutions maintain reserves against transaction accounts and nonpersonal time deposits (a rule which previously applied only to banks belonging to the Federal Reserve System).
- Authorization nationwide of negotiable order of withdrawal (NOW) accounts effective December 31, 1980, and of automatic transfer services, savings and loan remote service units and credit union share draft accounts effective April 1, 1980.

Title II of the Act created the Depository Institutions Deregulation Committee (DIDC) and assigned it a mandate to oversee the orderly phase-out of interest rate ceilings for commercial banks, mutual savings banks and savings and loan associations. The DIDC's charter includes regulatory authority over all matters relating to interest rates during the phase-out period. The Committee's membership includes the Secretary of the Treasury and the Chairmen of the FDIC, the Federal Reserve Board, the Federal Home Loan Bank Board and the National Credit Union Administration. The Comptroller of the Currency serves as a nonvoting member.

The members of the Committee, at the DIDC's first meeting on May 6, 1980, elected Federal Reserve Chairman Paul A. Volcker and FDIC

Chairman Irvine H. Sprague as DIDC Chairman and Vice Chairman, respectively. (See *Interest Rate Regulations*, page 45, for a report on the DIDC's regulatory actions in 1980.)

### FDIC-State Cooperation.

While Congress was setting the stage for deregulation of financial institutions and redefining the relationships among types of institutions, the FDIC accelerated its efforts to improve bank supervision, lessen the regulatory burden on banks and improve service to the public through a coordinated series of initiatives to share resources and reduce duplication in FDIC and State supervisory operations.

FDIC initiatives to develop cooperative supervisory programs with State banking departments brought nearly 30 percent of the 9,336 State-chartered banks supervised by the FDIC under a program of alternate instead of dual Federal and State examinations in 1980.

By year-end, 14 States had entered into divided examination agreements with the FDIC, a figure that is expected to increase to at least 20 by 1982. Under these agreements, banks displaying no financial or supervisory problems are divided into two groups: the FDIC examines banks in one group and the State examines those in the other group and the two agencies exchange examination results. The next year, the two agencies switch groups. This results in fewer and more efficient examinations for the banks and significant savings in resources for the FDIC and participating States without compromising the commitment to safety and soundness of the banking system.

Banks with problems continue to be examined by both agencies each year or more frequently, depending on the circumstances in each case. Both problem and non-problem banks also are reviewed regularly under the FDIC's computerized Integrated Monitoring System (IMS).

The divided examination program is available to all interested States that have a qualified examination staff and that have statutes permitting their participation. The FDIC makes available legal drafting assistance to States desiring to join the program but whose laws require revision to participate. Enrolled States may participate in additional joint programs and services. Such initiatives begun or expanded in 1980 include:

- Regional typing centers in Minneapolis, Omaha, Kansas City and Dallas to expedite the typing of examination reports. Since establishing the centers, the FDIC has reduced to a maximum of 45 from as long as 90 days the time it takes to provide a bank with its examination report. States participating in the divided examination program may use this service at no cost.

- Access to the FDIC's computerized data base, which provides vital supervisory information from banks' quarterly Reports of Condition and semi-annual Reports of Income. This service also is restricted to States enrolled in the divided examination program.

- "Core forms" for bank use in applying for State and FDIC permission to merge, establish a branch or a remote service facility, move an office or receive a charter and Federal deposit insurance. These forms are designed to be adaptable to State use so that, after States add questions for their own needs, bankers need fill out only one form for both State and FDIC purposes and both regulators can consider a bank's application simultaneously, thus reducing processing time. A major effort was successful in reducing and simplifying the various FDIC application forms.

- Joint enforcement actions. Forty-four States now participate jointly with the FDIC in all or some forms of enforcement actions.

including memoranda of understanding and formal cease-and-desist orders spelling out steps to correct unsafe or improper banking practices.

The FDIC plans to intensify its efforts to find new ways to meet its burgeoning workload and increased statutory responsibilities in an era of employment ceilings and limited resources. Most of these initiatives will necessarily focus on the examination function — the backbone of FDIC's supervisory operations and the task that accounts for 70 per cent of its annual budget and staff.



## DIVISION OF BANK SUPERVISION

The Division of Bank Supervision (DBS), with 2,500 of the FDIC's 3,644 employees, is the Corporation's largest organizational element. Seventy-three percent of its employees are field examiners assigned to one of the Corporation's 14 regional or 150 field offices.

Examining banks is the Division's principal mission, but it administers other important functions as well, including consumer and civil rights programs, oversight of banks' securities, and review of applications to merge, set up new facilities, change locations or qualify for deposit insurance.

The Corporation's bank examination program is the foundation of a coordinated operation to promote safe and sound banking and to ensure compliance with banking laws, including Federal consumer protection and civil rights statutes. The program's overriding objective is to protect depositors and the economic health of the nation's communities by minimizing bank failures and the losses that accompany them.

The Corporation conducts four principal types of examinations: for safety and soundness, for compliance with consumer and civil rights laws and regulations, for proper performance of fiduciary responsibilities in trust departments, and for adequacy of internal controls in electronic data processing operations. The FDIC's examination workload has grown in recent years as examinations have broadened in scope and depth to reflect the increased complexity of banking and the enactment of diverse consumer and civil rights statutes.

Corporation examiners in 1980 conducted 19,769 examinations and investigations, compared to 17,688 a decade ago. Activities this year included 6,562 safety and soundness examinations, 6,373 consumer and civil rights compliance examinations, 1,379 examinations of trust departments, 1,071 examinations of data processing facilities, 1,697 investigations and 2,687 application reviews.

### Safety and Soundness Examinations.

The examination process consists of a detailed analysis and assessment of all relevant characteristics of a bank's financial structure and operations and the assignment of a composite rating of its condition, compliance with laws and regulations and overall operating soundness. These factors are described generally in the Uniform Financial Institutions Rating System adopted in 1980 by the five Federal regulatory agencies represented on the Federal Financial Institutions Examination Council (FFIEC).<sup>\*</sup> The factors include:

- the adequacy of the capital base, net worth and reserves for supporting present operations and future growth plans;
- the quality of loans, investments and other assets;
- the ability to generate earnings to maintain public confidence, cover losses and provide adequate security and return to depositors;
- the ability to manage liquidity and funding;
- the ability to meet the community's legitimate needs for financial services and cover all maturing deposit obligations, and
- the ability of management to properly administer all aspects of the financial business and plan for future needs and changing circumstances.

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<sup>\*</sup>Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, Federal Home Loan Bank Board, Office of the Comptroller of the Currency and National Credit Union Administration.

The assessment of management and administration includes the quality of internal controls, operating procedures and all lending, investment and operating policies; compliance with relevant laws and regulations; and the involvement of the directors, shareholders and officials in the bank's operations. Any other factors that bear significantly on the overall condition and soundness of the institution also are assessed.

The primary purpose of the uniform rating system is to help identify those institutions with financial, operating or compliance weaknesses that require special supervisory attention. Each bank is assigned a composite rating on a scale of 1 to 5, with 1 indicating the lowest level of supervisory concern and 5 the highest.

Banks rated 4 or 5 are defined as "problem banks." They are generally characterized by unsafe, unsound or other seriously unsatisfactory conditions and have a relatively high possibility of failure. They are monitored closely and are subject to a full-scope examination at least once each year.

A 3 rating is assigned those banks that have some combination of financial, operational, managerial or compliance deficiencies that pose little or no threat to their financial viability but warrant more than normal supervisory concern. These institutions are not considered to present a significant risk of failure or threat to the interests of depositors or the public, but do require a higher than normal level of supervision. They undergo a full-scope examination at least every 18 months.

Banks rated 1 and 2 are considered fundamentally sound, with only

**BANK EXAMINATION ACTIVITIES OF  
THE FEDERAL DEPOSIT INSURANCE CORPORATION  
IN 1979 AND 1980**

Activity	Number	
	1980	1979
<b>Bank examination activities—total</b> .....	<b>19,769</b>	<b>19,914</b>
<b>Safety and soundness examinations</b> .....	<b>6,562</b>	<b>7,214</b>
Regular examination of insured banks not members of Federal Reserve System .....	6,169	6,887
Re-examinations .....	153	127
Other examinations .....	240	200
<b>Compliance examinations</b> .....	<b>6,373</b>	<b>4,809</b>
<b>Examinations of departments</b> .....	<b>2,450</b>	<b>2,523</b>
Trust departments .....	1,379	1,510
Data-processing facilities .....	1,071	1,013
<b>Investigations</b> .....	<b>1,697</b>	<b>2,892</b>
<b>Application reviews</b> .....	<b>2,687</b>	<b>2,476</b>
New banks: State banks members of Federal Reserve System .....	14	30
New banks: Banks not members of Federal Reserve System .....	115	164
New branches .....	1,166	1,177
Mergers and consolidations .....	192	147
Other .....	1,200	958

minor problems which can be routinely corrected. The distinction between ratings 1 and 2 turns primarily on the level and amount of correction required to resolve noncritical deficiencies. Banks in these categories receive either a full-scope or modified examination in each 18-month period, except in those States which annually alternate examinations of non-problem banks with the FDIC (see *FDIC-State Cooperation*, page 5).

The FDIC supplements its examination activities by reviewing examination reports prepared by the Comptroller of the Currency on national banks and by the Federal Reserve Board on State-chartered banks which belong to the Federal Reserve System. This review enables the Corporation to more accurately assess the risk exposure of its insurance fund and to anticipate potential liabilities. In addition, the FDIC reviews Reports of Bank Holding Company Inspection prepared by the Federal Reserve.

### **Compliance Examinations.**

FDIC examiners check for compliance with consumer and civil rights statutes governing varied aspects of bank lending and other services. Major statutes enforced by DBS through its Office of Consumer and Compliance Programs (OCCP) are Truth in Lending Act, Fair Credit Reporting Act, Fair Housing Act, Community Reinvestment Act, Home Mortgage Disclosure Act, Fair Debt Collection Practices Act and Equal Credit Opportunity Act.

This was the third full year in which the FDIC conducted compliance examinations separately from safety and soundness examinations, and the resources devoted to such examinations have increased each year. The 6,373 compliance examinations conducted in 1980 each averaged 67 hours, compared to 4,809 examinations and an average of 56 hours each in 1979.

The FDIC's approach is first to attempt to correct or resolve informally any violations or deficiencies uncovered in the course of a compliance examination. Informal measures include follow-up examinations or visits and meetings with the bank's board of directors. If stronger steps are required, either the appropriate Regional Director or OCCP may recommend formal enforcement action under Section 8(b) of the FDI Act. In 1980, the FDIC's Board of Directors issued three cease-and-desist orders involving violations of consumer protection or civil rights laws and regulations.

### **Electronic Data Processing (EDP) Examinations.**

The reduced cost of automating records and operations brought by new technology and increased competition in the last decade have resulted in a dramatic change in the way American businesses function, and banks are no exception. Nearly 90 percent of the nation's banks today have some part of their operations automated — ranging from high volume checking account activity to safe deposit box recordkeeping.

About 1,400 of the 9,336 insured State nonmember banks, including some with assets of as little as \$5 million, now have in-house computers, and most of the remaining institutions receive EDP services from a correspondent bank or from one of 400 independent service centers supervised by the FDIC. This growth of automated systems has produced a corollary increase in the FDIC's examination workload. The number of EDP examinations conducted by FDIC personnel has grown steadily in the past five years, from 670 in 1976 to 850 in 1980.

An EDP examination probes every aspect of a data processing operation. Examination results are closely analyzed and deficiencies reported to management. If necessary, DBS takes appropriate follow-

up action to ensure that weaknesses are corrected, including requiring written memoranda of understanding outlining problems and specific corrective steps.

The EDP examination function was strengthened in 1980 by the issuance of an Interagency EDP Examination Handbook produced under the auspices of the FFIEC. The handbook was distributed in November to all data processing centers and to examiners of the three bank regulatory agencies. Nearly two years in development, it provides an overview of EDP concepts and controls and will serve as an important reference guide for examiners and service center personnel. In addition, a uniform EDP examination report was adopted by the agencies to promote standardization, particularly in examinations conducted on an interagency basis.

### Trust Department Examinations.

If an FDIC-supervised bank wishes to exercise trust investment powers, it must receive the Corporation's consent and meet any requirements imposed by its State regulator. In 1980, the FDIC approved fiduciary powers for 68 banks, reflecting an increased interest by banks in providing such services to their customers.

At the end of the year, the FDIC was supervising 2,083 trust departments, and for the year it conducted 1,379 examinations in this area, down from 1,510 in 1979. Although most of these departments are small, six of them manage more than \$1 billion in discretionary trust assets.

Trust examiners are responsible for detecting acts that have resulted in or could lead to losses or surcharges to the institution; violations of the governing account instrument, court orders, controlling statutes or regulations; and acts which are not consistent with generally accepted fiduciary standards.

To accomplish this, examiners assess the management and supervision exercised over the department. They review trust operations and audit coverage to insure that proper internal controls and safeguards are in effect. They analyze investments selected for trust accounts in light of those authorized by the account instrument, local law and the "prudent man" standard. They evaluate account administration for adherence to the terms of the instrument and service to the beneficiaries and for avoidance of conflicts of interest or instances of self-dealing. Finally, examiners review the profitability of the department as it affects the bank's overall performance.

In addition to trust departments, the FDIC supervises 441 banks that are registered as agents for the transfer, issuance and control of securities. Generally, a bank is required to register with the FDIC as a registrar or transfer agent whenever it acts in this capacity for any corporation that has \$1 million in assets and 500 or more holders of any class of its equity securities.

Registered transfer agent operations are reviewed on a regular basis by FDIC examiners to determine the extent of such activity, to evaluate the appropriateness of internal controls and operational procedures, to check for violations of law or regulations, and to evaluate whether a weakness in one of these areas could lead to a financial loss to the bank.

### Examiner Training.

Continuing, comprehensive and up-to-date training is the foundation of a successful bank examination program, and the typical FDIC examiner's career is marked by frequent periods of intensive schooling at the FDIC's modern training center in the Washington, D.C. suburb of Rosslyn, Virginia.

About 2,000 FDIC examiners received formal training this year in such areas as bank examination fundamentals, accounting and auditing techniques, credit appraisal, management, financial analysis, consumer and civil rights compliance, international banking, examination of electronic data processing departments and trust department examination. Some 291 examiners from State banking departments, foreign central banks and other Federal agencies also took courses in 1980.

The schools are conducted by an instructor staff of 150 examiners from the field and headquarters, augmented by speakers from banking, academia and related business fields.

Interagency training sponsored by the FFIEC also is conducted at the FDIC's training center. Programs in data processing, instructor training, management, international banking and trust department examinations were held this year for examiners from the five member agencies. The curriculum will be expanded in 1981 to encompass advanced international banking, white collar crime and consumer and civil rights compliance.

### Applications.

Banks supervised by the FDIC must apply to the Corporation to obtain deposit insurance, establish new branches or facilities or relocate existing offices. The Corporation also rules on merger, consolidation and purchase and assumption transactions when the resulting bank would be subject to FDIC supervision, or on any merger-type transaction involving an FDIC-insured bank and a noninsured institution.

In evaluating applications, the FDIC considers such factors as the bank's financial history and condition, its capital adequacy, its future earnings prospects, the general character of its management, the convenience and needs of the community, and — in a merger-type transaction — the effect on competition. In addition, it evaluates the bank's compliance with the Community Reinvestment Act, the National Environmental Policy Act of 1969 and the Historic Preservation Act.

During 1980, the FDIC considered:

- 137 applications of U.S. banks for deposit insurance, including 15 from State member banks applying for continuation of insurance following withdrawal from the Federal Reserve System;
- 12 applications of foreign banks for deposit insurance for 23 U.S. branch offices;

### FDIC APPLICATIONS

	1980	1979
<b>Deposit insurance—total</b> .....	<b>149</b>	<b>169</b>
Approved .....	148	167
Denied.....	1	2
<b>New Branches (prior consent)—total</b> .....	<b>1,312</b>	<b>1,437</b>
Approved .....	1,307	1,434
Branch .....	747	845
Limited Branch .....	137	122
Remote Service Facility .....	423	467
Denied.....	5	3
<b>Mergers*—total</b> .....	<b>85</b>	<b>53</b>
Approved .....	79	52
Denied.....	6	1

\*Certain mergers undertaken as part of internal reorganizations not included



- 1,312 applications to establish new branches or operate limited branch and remote service facilities;
  - 85 merger-type proposals, including 8 emergency cases;
  - 5 applications by U.S. banks to engage in overseas activities;
- All applications were approved except for one insurance application, five branch applications and six merger proposals.

To reduce handling time, the FDIC this year issued guidelines on the preparation and processing of applications and other kinds of required notices. The FDIC provides each applicant with a copy of the guideline for the type of application involved at the time initial inquiry is made.

Section 7(j) of the FDI Act was amended by Congress in 1978 and made effective in 1979 to give the Corporation authority to disapprove in advance certain changes in control of insured State nonmember banks. The law requires any person or persons acting in concert who are assuming control of a bank to provide the FDIC 60 days prior written notice, supported by detailed personal and financial background data, along with information on the terms and financing of the proposed acquisition.

In 1980, the FDIC received 478 reports of change in control, compared to 469 the previous year. The FDIC's review of 206 cases requiring "prior notice" resulted in the issuance of 181 "letters of intent not to disapprove"; nine notices were withdrawn prior to action. The FDIC Board of Directors disapproved three transactions and at year-end 10 were pending. In three cases, the 60-day review period was allowed to expire without the issuance of a "letter of intent not to disapprove," which permitted the change to occur. Average processing time of "prior notices" acted on in 1980 was 33 days.

### International Banking.

Part 346 of the FDIC's regulations authorizes, and in some cases requires, insurance coverage of deposits in U.S. branches of foreign banks. A State branch of a foreign bank which accepts initial deposits of less than \$100,000 must become insured if it is located in a State that requires State banks to have deposit insurance. A branch may be exempted from this requirement if the acceptance of initial deposits of less than \$100,000 is limited to one or more exempt categories. A branch which is exempt from the insurance requirement must notify its depositors that deposits in the branch are not insured.

The FDIC's review process is designed to ensure that only foreign banks in sound financial condition with capable management qualify for deposit insurance for their U.S. branches. Further, the Corporation must weigh the likelihood that the branch will be a viable, well-managed operation. In 1980 the Corporation approved applications of 12 foreign banks for deposit insurance in 23 domestic branches, bringing to 26 the number of such branches and to 14 the number of foreign banks with insured U.S. offices.

In 1980, the FDIC conducted 17 examinations of insured U.S. branches of foreign banks under a new Uniform Report of Examination for Foreign Agencies and Branches adopted this year by the three Federal banking agencies and by nine States. At year-end, the FDIC also was supervising the activities of 41 U.S. banks which are owned by foreign banks or bank holding companies and 21 in which foreign individuals own 25 percent or more of the bank's stock.

During 1980 the Corporation approved five applications by FDIC-supervised U.S. banks to engage in foreign activities, bringing to 30 the number of such banks operating offshore branches or other overseas entities. Six FDIC-supervised banks operate Edge Act or Agreement Corporations to facilitate their international activities.

Effective June 11, 1980, the Federal bank regulators adopted a

Uniform Guideline on Internal Control for Foreign Exchange Activities in Commercial Banks. The guideline sets forth minimum standards for policy documentation, internal accounting controls and audit documentation in foreign exchange operations.

International lending by U.S. banks is closely monitored by their Federal regulators. The agencies apply a uniform supervisory treatment of country risk factors which encourages diversification of risk and sound management policies as the best means of moderating risk in overseas lending. An interagency committee meets regularly to evaluate country risk in international lending and its findings are used in examining banks with foreign loans. To monitor banks' international loan portfolios between examinations, the bank regulators require large banks with significant overseas activities to file a semi-annual Country Exposure Report.

### **Securities Registration and Reporting.**

Each insured nonmember bank with more than \$1 million in assets and 500 or more holders of any class of equity security must register with the FDIC and file periodic public reports as required by the Securities Exchange Act of 1934. In 1980, 31 banks filed registration statements with the FDIC and six registered banks converted from national to State charter. Thirty-five banks terminated registration during the year, for a year-end total of 398 registered banks.

As part of the FDIC's commitment to help banks understand their responsibilities under the securities disclosure laws and regulations, the Corporation this year conducted one-day seminars in Richmond, San Francisco, New Orleans and Indianapolis for more than 350 bankers, attorneys and accountants representing 200 registered banks. The seminars focused on 1979 revisions to the FDIC's regulations (Part 335) governing disclosure requirements in proxy statements and on 1980 changes to financial statement disclosure requirements.

An FDIC policy statement outlines minimum standards under the anti-fraud provisions of securities laws for the disclosure by circular of material facts in connection with the offer and sale of bank securities. The statement is designed to acquaint banks with their legal exposure when offering securities for sale and to promote greater awareness of their responsibilities under the anti-fraud provisions of the law.

Although FDIC policy does not require that offering circulars be filed with the Corporation, it encourages the submission of circulars for review and, in some cases involving banks subject to enforcement orders, requires the use of circulars in connection with the sale of securities. The FDIC also reviews whether public investors have been provided sufficient disclosure of material facts. The FDIC's staff is available for consultation and assistance as needed, and in 1980, 59 banks submitted offering circulars for staff review and suggestions.

### **Consumer Protection and Civil Rights Initiatives.**

The FDIC in 1980 continued to broaden its efforts to reach more consumers with more information about their rights under Federal consumer protection and civil rights statutes and to help bankers learn about their responsibilities under these laws.

FDIC regional and headquarters staff members this year conducted 55 Banker Compliance Seminars attended by some 6,000 bank officers and employees to help the bankers understand and meet their responsibilities. For banks, the seminars are intended to improve customer relations and reduce exposure to administrative sanctions and possible civil or criminal liability for noncompliance. For the FDIC, the

seminars are expected to reduce supervisory and enforcement costs by improving bank compliance through "self-help" measures learned at the sessions. Consumers benefit from an increased assurance that they will receive the protections afforded by law.

Other 1980 initiatives included: (1) a day-long consumer awareness seminar in Boston for 41 representatives of minority and consumer organizations, (2) funding of a contract with a minority business firm to develop a comprehensive consumer and civil rights media campaign aimed at minority consumers, and (3) development and release with other Federal bank regulators of a citizens' guide for submitting comments on and challenges to deposit facility applications under the Community Reinvestment Act (CRA). The FDIC also continued a project begun in 1979 to publish its various consumer pamphlets in both Spanish and English.

Another important function is resolving consumer complaints and inquiries involving FDIC-supervised banks. The FDIC in 1980 processed 3,357 complaints and 13,252 questions compared to 2,801 and 5,270 in 1979. These increases are due primarily to the institution this year of a toll-free consumer "hotline" and to the Corporation's added emphasis on programs to enhance consumer awareness. Most questions fielded by OCCP specialists focused on early deposit withdrawal penalties, banks' deposit policies, the Equal Credit Opportunity Act and the Truth in Lending Act.

An additional innovation was the adoption in May of a computer-assisted program to monitor discrimination in home mortgage loans and help examiners identify situations where discriminatory practices are likely to exist. Dubbed COMPASS, the new system categorizes and compares by race, sex and marital status successful and unsuccessful loan applications and loan terms granted borrowers.

Under the CRA, the FDIC monitors the records of banks in meeting the credit needs of their communities, including low- and moderate-income neighborhoods. CRA performance is taken into account by the Corporation in considering applications for insurance, establishment of branches, relocations of offices, mergers, consolidations, acquisitions of assets or assumptions of liabilities.

Six community organizations filed CRA protests with the FDIC this year opposing the branch applications of seven banks. The FDIC Board of Directors denied two applications in whole or in part because of unsatisfactory CRA performance.

#### **Bank Secrecy.**

Treasury Department regulations under the Bank Secrecy Act of 1970 require banks to maintain records and file reports with the Internal Revenue Service on certain currency transactions of more than \$10,000. The reports are intended to serve as an aid in criminal and regulatory investigations and proceedings.

In June, Treasury amended its rules to tighten reporting exemption provisions and to clarify the types of transactions that must be reported. The FDIC has joined with other Federal bank regulators to revise and expand examination procedures to more effectively assess bank compliance. The general approach is to design procedures that are progressively extensive in scope, from limited review in most banks to the application of broad-scale examinations on a random basis and in banks exhibiting particular characteristics. The agencies expect to have the revised examination procedures in operation early in 1981.

#### **Bank Security.**

The FDIC in 1980 received and reviewed 1,467 Reports of Crime from banks compared to 1,451 in 1979, under its regulations imple-



menting the Bank Protection Act of 1968. In addition, the Corporation receives reports on the installation, maintenance and operation of bank security devices.

Part 326 of the FDIC's regulations spells out guidelines for discouraging robberies, burglaries and larcenies and prescribes procedures to help identify and apprehend persons committing such crimes. Near the end of the year, revisions to the regulations were developed which would strengthen and simplify reporting requirements under the statute.

The changes being considered would eliminate the routine collection of information on security devices and lessen the administrative costs of processing and safeguarding such reports. In addition, the proposal would simplify the reporting of crimes and expand it to include internal crimes and frauds against banks.

#### Uniform Supervisory Policies and Procedures.

The FDIC in recent years has joined with its partner financial regulators on the Federal level in a concerted effort to develop uniform supervisory standards and procedures. Several important projects were completed in 1980 and significant progress was achieved on others.

The principal forum for interagency cooperation on supervisory matters is the Federal Financial Institutions Examination Council (FFIEC). The Council was established in 1979 under a 1978 law and consists of the FDIC, the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board, the Federal Home Loan Bank Board (FHLBB), and the National Credit Union Administration (NCUA).

The FFIEC in 1979 established task forces to address several objectives: (1) the development of a common monitoring system for banks, (2) coordination of supervisory activities, (3) uniform administration of consumer protection laws and regulations, (4) common financial institution reporting systems, and (5) common examiner education programs.

Projects completed by the task forces and approved by the FFIEC in 1980 included:

- a uniform policy for classifying consumer installment loans;
- the development of a uniform bank performance report;
- a joint policy on assessing civil money penalties;
- a policy statement on administrative enforcement of the restitution provisions of the Truth in Lending Act;
- uniform guidelines on internal control for foreign exchange operations in commercial banks;
- an information statement on the Community Reinvestment Act;
- a handbook for electronic data processing examinations;
- uniform terms for describing the competitive effects of proposed bank mergers;
- uniform standards for referring violations of the Employee Retirement Income Security Act to the Department of Labor;
- a policy statement on the disposition of income from the sale of credit life insurance by bank officers or employees;
- a staff study on capital trends in Federally-regulated financial institutions; and
- examination procedures for financial institutions associated with the Clearinghouse Interbank Payments System (CHIPS).

The question of capital adequacy was among issues pending at the end of 1980. The Council has asked its subcommittee on capital to prepare a working paper on the use of ratio benchmarks and judgmental criteria in capital analysis, the feasibility of employing multi-tier

capital standards for different types and sizes of institutions, and double-leveraging by bank holding companies.

The FFIEC also authorized a study of the agencies' examination philosophies, procedures and concepts. Different approaches to aspects of the examination process have been identified and work is underway to resolve these differences where possible and achieve greater consistency in agency programs.

Other ongoing projects of the FFIEC are the development of uniform examination procedures and enforcement guidelines under the Equal Credit Opportunity Act, the Electronic Funds Transfer Act and fair housing regulations.

(For a complete report on the FFIEC's activities, see the Council's *1980 Annual Report*.)

The FDIC in 1980 continued its participation with OCC and the Federal Reserve in an annual review of shared national credits — loans aggregating \$20 million or more to one borrower which are participated in or shared by two or more banks. Shared national credits are reviewed and classified annually by specially-selected joint examiner teams assigned to the lead bank or agency for such credits. However, any participating bank may request an interim review of an individual credit. A total of 332 FDIC-supervised banks participated in shared national credits in 1980.

### **Problem Banks.**

Most banks are added to the FDIC's problem list because of poor loan quality and mismanagement. Although the number of problem banks declined in 1980, a new phenomenon developed: banks requiring special supervisory attention because of a severe earnings squeeze.

This squeeze results from a mismatch of fixed rate assets and variable rate liabilities in a period of high and volatile interest rates. Banks that had invested heavily in long-term, fixed-rate assets during earlier periods of relatively low and stable interest rates experienced sharply reduced earnings as record level interest rates drastically increased their costs of funds. In short, they were earning less on their assets than they were forced to pay on their deposits and other funds and their earnings suffered correspondingly.

The rapid nature of interest rate changes during much of the year further tested these banks' stability. High rates were a particularly serious problem for the mutual savings bank industry, whose assets consist mainly of long-term mortgages earning the lower rates prevailing when they were issued.

As part of its monitoring system, the FDIC maintains a current list of problem banks, those rated 4 or 5 under the Uniform Financial Institutions Rating System. The number of banks on the list, which peaked at 385 in November 1976, has declined steadily and stood at 217 at the end of 1980 (representing about 1.5 percent of all insured banks).

This trend may not continue in light of the unfavorable economic conditions which developed this year. However, any rise or leveling off in the number of problem banks may not be evident until some time in 1981 due to two factors: the delay before banks are affected by an economic cycle and the time lag between an examination and completion of the review and analysis process.

The adoption in 1980 of the uniform rating system resulted in some minor changes in the FDIC's definition of a problem bank and in problem bank data from previous years, but it did not cause any significant difference in the total number of banks on the problem list. Banks on the list are rated:

#### Composite 4

Institutions in this group have an immoderate volume of serious financial weaknesses or a combination of other conditions that are unsatisfactory. Major and serious problems or unsafe and unsound conditions may exist which are not being satisfactorily addressed or resolved. Unless effective action is taken to correct these conditions, they could reasonably develop into a situation that could impair future viability, constitute a threat to the interests of depositors and/or pose a potential for disbursement of funds by the insuring agency. A higher potential for failure is present but is not yet imminent or pronounced. Institutions in this category require close supervisory attention and financial surveillance and a definitive plan for corrective action.

#### Composite 5

This category is reserved for institutions with an extremely high immediate or near term probability of failure. The volume and severity of weaknesses or unsafe and unsound conditions are so critical as to require urgent aid from stockholders or other public or private sources of financial assistance. In the absence of urgent and decisive corrective measures, these situations will likely require liquidation and the payoff of depositors, or some form of emergency assistance, merger or acquisition.

As insurer of bank deposits, the FDIC's problem list includes national, State member and insured State nonmember banks. The Comptroller of the Currency and the Federal Reserve maintain separate supervisory lists of the banks they supervise. However, all the lists are based on the uniform rating system and any differences among them generally result from timing differences in the review process.

Section 13(c) of the FDI Act authorizes the Corporation to assist directly an operating insured bank if the bank is in danger of closing and its continued operation is essential to maintain adequate banking service in the community. The FDIC may make loans to, purchase the assets of or make deposits in the troubled bank.

The FDIC Board of Directors has approved such assistance only five times since authorized by Congress in 1950 to do so, most recently on April 28, 1980. On that date, the FDIC, the Federal Reserve and the Comptroller of the Currency jointly announced a \$500 million assistance package to assure the viability and continued strength of First Pennsylvania Bank, N.A., a subsidiary of First Pennsylvania Corporation of Philadelphia.

The assistance to First Pennsylvania Bank, at the time Philadelphia's largest bank and the 23rd largest in the nation, was in the form of \$500 million in five-year subordinated notes: \$325 million provided by the FDIC and \$175 million by a group of leading banks in the nation and in the Philadelphia area. It was supplemented by a \$1 billion bank line of credit and access to the Federal Reserve discount window.

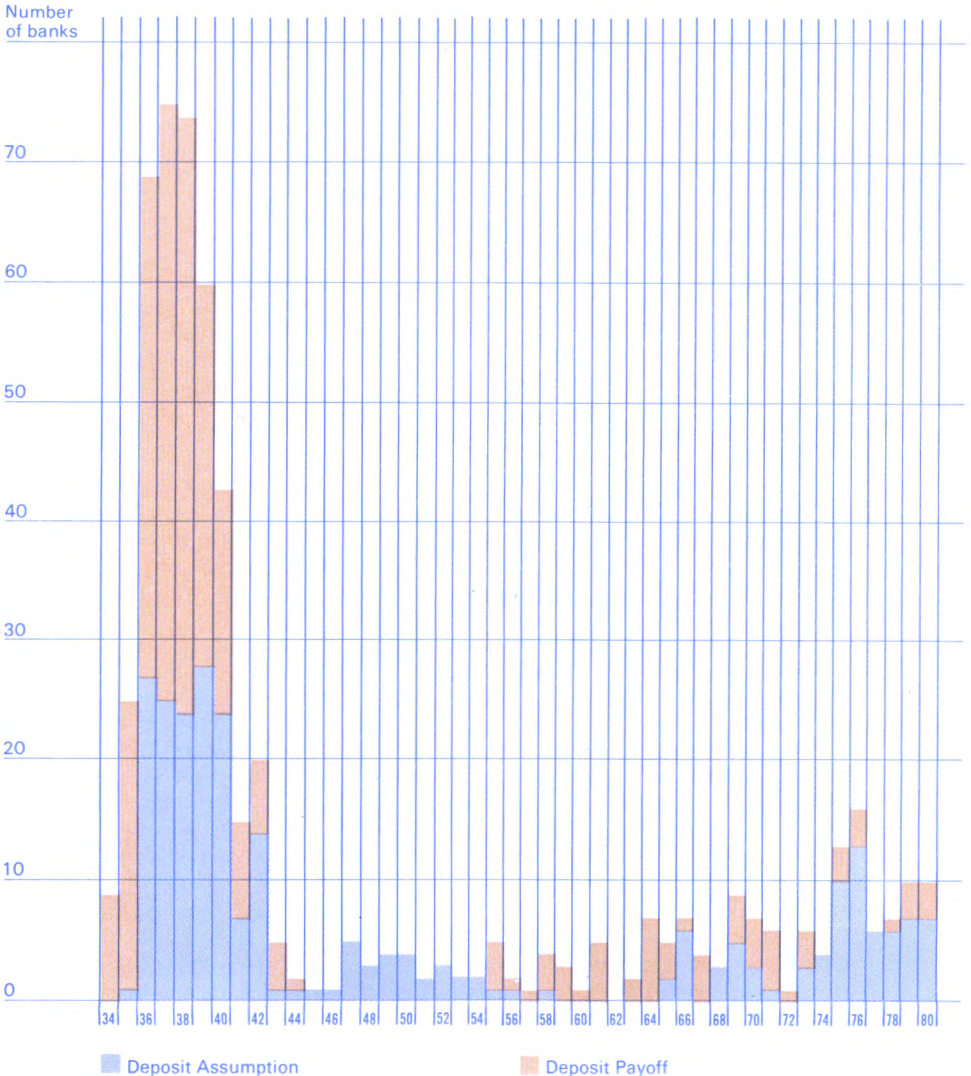
The assistance agreement between First Pennsylvania Bank and the FDIC provides that the FDIC's loan is interest free for the first year and bears a rate for the last four years of 125 percent of the yield on the FDIC's investment portfolio. The agreement also carries 20 million warrants for stock purchases in the bank's holding company by the FDIC and the bank lenders at \$3 per share. During the life of the loans, the bank and its holding company and affiliates are subject to special reporting requirements and supervision and FDIC approval of operating plans.

## DIVISION OF LIQUIDATION

Measures to promote sound banking are central to Federal deposit insurance, and supervision by the FDIC and other Federal and State agencies has substantially reduced the likelihood of bank failure. However, banks are subject to the uncertainties that confront any business enterprise in a free economy, and — in the rare event that a bank is closed by its chartering authority — the Corporation responds immediately.

The purchase and assumption and the deposit payoff are the two principal methods available to the FDIC to protect depositors. In the 568 insured bank failures in the Corporation's 47-year history, the agency has arranged 258 purchase and assumptions and made 310

## INSURED BANK FAILURES, 1934 — 1980



**INSURED BANKS CLOSED DURING 1980 REQUIRING DISBURSEMENTS  
BY THE FEDERAL DEPOSIT INSURANCE CORPORATION**

Name and location	Date of deposit payout or assumption	Number of depositors or accounts	Amount of deposits (in millions of dollars)
Bank of Lake Helen, Lake Helen, Florida .....	January 14, 1980	1,673	4.3
First National Bank of Carrington Carrington, North Dakota ....	February 15, 1980	2,913	10.4
Mohawk Bank & Trust Company Greenfield, Massachusetts ...	February 16, 1980	4,443	5.0
The Citizens State Bank, Viola, Kansas .....	June 6, 1980	924	1.6
City and County Bank of Campbell County Jellico, Tennessee .....	June 28, 1980	8,608	35.2
Mission State Bank and Trust Company Mission, Kansas .....	August 8, 1980	26,800	78.6
The Metro Bank of Huntington, Inc. Huntington, West Virginia ...	September 12, 1980	12,200	21.5
The Rochelle Bank and Trust Company Rochelle, Illinois .....	October 11, 1980	4,700	8.1
Citizens State Bank of Galena Galena, Kansas .....	November 21, 1980	4,059	8.9
East Gadsden Bank Gadsden, Alabama .....	December 31, 1980	12,078	42.5

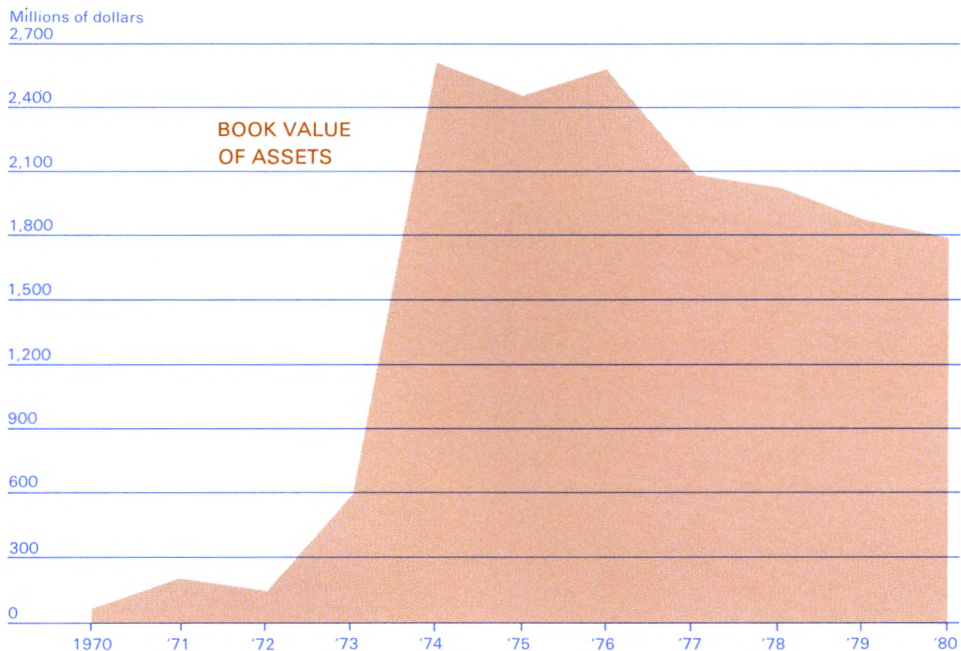
deposit payoffs, with the assumption approach increasingly the method of choice in recent years.

Ten insured banks with deposits of \$216.3 million failed in 1980. In seven cases involving banks holding deposits of \$199.8 million, the FDIC arranged for a healthy bank, either new or existing, to purchase selected assets of the closed bank and assume its deposits. This procedure continues banking services to the communities involved, usually without interruption, and protects all accounts, including those in excess of the insurance limit. In three failures of banks with \$16.3 million in deposits, the FDIC proceeded immediately to begin paying off depositors up to the statutory limit (\$40,000 prior to March 31, 1980; \$100,000 since that date).

In two of the payoffs, the FDIC Board concluded it could not arrange a purchase and assumption because of uncertainty about the volume or nature of the failed bank's assets and liabilities. The third payoff occurred because of difficulty in finding a party interested in a takeover.



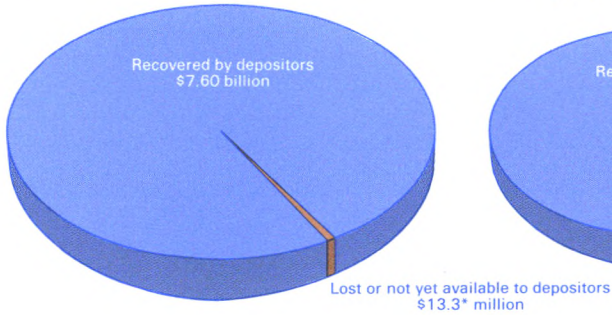
## LIQUIDATION ACTIVITY FEDERAL DEPOSIT INSURANCE CORPORATION, 1970 — 1980



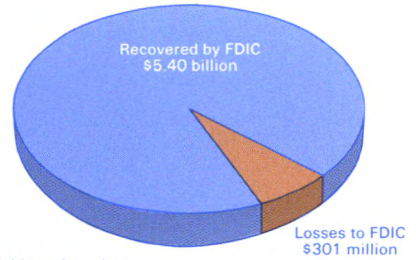
In all failed bank cases, 99.9 percent of depositors had received or were assured of payment up to the legal limit by the end of 1980, and 99.8 percent of total deposits had been paid or made available for payment. In the 310 deposit payoffs, 99.2 percent of depositors had aggregate accounts totalling less than the statutory ceiling on insurance and realized full recovery. While recovery of uninsured portions of deposits varies, in the aggregate nearly 97.3 percent of total deposits in payoffs had been paid or made available at year-end. About 70 percent of this amount was provided by FDIC insurance, with additional recovery resulting from the proceeds of liquidated assets, offsets against indebtedness and pledged assets.

**DEPOSITS AND LOSSES IN ALL INSURED BANKS  
REQUIRING DISBURSEMENTS BY FDIC, 1934—1980**

**TOTAL DEPOSITS**  
\$7.62 billion



**DISBURSEMENTS BY FDIC\*\***  
\$5.70 billion



\*Revised

\*\*Includes collections and disbursements by liquidators in the field (\$1.5 billion) which were previously excluded from this chart.

In the event of a deposit payoff, the FDIC immediately makes payment in full to each depositor up to the insurance limit and, when designated as receiver, begins liquidating the assets of the failed bank. When a purchase and assumption transaction is arranged, the FDIC takes over for liquidation any assets the acquiring bank may not want. Assets accepted by the FDIC for liquidation may include bad loans and investments, bank buildings and equipment and security from defaulted loans.

In disposing of assets it retains from a purchase and assumption, the Corporation first repays the insurance fund the cash it advanced to facilitate the transaction and then returns any excess to subordinated debt holders and shareholders. When the FDIC has paid off insured depositors, it shares any liquidation proceeds proportionally with depositors having accounts in excess of the insurance limit and with other general creditors. The FDIC converts the assets of closed banks to cash as early as practical and strives to realize maximum recovery.

There were 3.9 million depositors in the 568 insured banks which closed between January 1, 1934, and December 31, 1980, with total deposits of \$6.2 billion. In meeting its responsibilities, the FDIC as insurer disbursed \$5.7 billion and as liquidator recovered \$5.4 billion, for a net loss to the Corporation of \$300 million since it began operations. At the end of 1980, there were 70,968 assets having an appraised value of about \$700 million to be liquidated.

The Division of Liquidation is now handling 88 liquidation cases in 25 States and the U.S. Virgin Islands and Puerto Rico. Of these, five are handled from the Washington Office and 83 are handled from 50 field liquidation offices. The Division has 431 employees involved in the liquidation of failed bank assets, of which 170 are permanent employees and 261 are temporary employees who live in the area of the closed bank and assist the permanent staff.

## DIVISION OF MANAGEMENT SYSTEMS AND FINANCIAL STATISTICS

Computer services play a significant role in the development and maintenance of the Corporation's data base of information on the financial and operating condition of the nation's banks.

The data base contains comprehensive bank structure and financial files on each of the 14,758 insured commercial and mutual savings banks in the U.S. The data which make up the base are derived from quarterly Reports of Condition and semi-annual Reports of Income filed by the banks. They provide a wealth of information to FDIC examiners and those of State banking departments linked to the base — information which is critical in monitoring banks between examinations and signaling when a bank is beginning to experience difficulties.

This was the second year in which the FDIC's Division of Management Systems and Financial Statistics (DMSFS) processed Reports of Income and Condition for 4,427 national banks in addition to the 9,336 insured State nonmember banks supervised by the FDIC. The Office of the Comptroller of the Currency receives a complete file of national bank data for use in its National Bank Surveillance System. The Federal Reserve collects corresponding data for 981 State member banks and provides it for incorporation in the FDIC data base.

The FDIC achieves cost savings and enhanced efficiency by sharing its processed bank data with Federal and State authorities through a teleprocessing system accessed through on-line terminals. In addition to the FDIC's network of 70 terminals serving its Washington and regional offices, there are 20 terminals in nine State banking departments, eight Federal Reserve Banks, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Justice Department. The New York Banking Department has elected to dispense with its separate Report of Condition and Income and now relies on the FDIC system to provide this information.

The system aids supervision by giving FDIC regional offices immediate access to the bank data base and to the Integrated Monitoring System (IMS). Scheduling of examinations is improved and examiners can focus their attention more effectively on particular areas of concern. The system adapts quickly to special monitoring tasks and provides a range of financial analysis capabilities for use in special studies and bank monitoring.

The IMS performs certain basic tests from data in banks' Reports of Condition and Income. These tests measure a bank's capital adequacy, asset quality, liquidity, profitability and asset and liability mix and growth. If a bank fails one or more of these tests, further analysis of additional data available from the system is performed. If an adverse condition or a potential problem is indicated, appropriate supervisory action is initiated. The IMS enables the Corporation to identify with greater accuracy banks or particular aspects of a bank's operation that merit closer supervisory attention, thus allowing swifter and more effective response.

IMS reports were supplemented this year for FDIC examiners and financial analysts by the Comparative Performance Report (CPR). This report is the latest revision of the Bank Performance Report the FDIC has sent to all insured banks since 1967 and shows both individual bank and peer group data. An expanded CPR containing historical information for the most recent five-year period will be sent to FDIC-supervised banks and to examiners and financial analysts for use with IMS information.

The FDIC this year entered into an agreement with the Federal



Reserve and the Comptroller of the Currency to develop and produce in 1981 a Uniform Bank Performance Report for all insured commercial banks. The report will be processed by the FDIC and will be distributed to examiners and financial analysts of all three agencies, to State bank supervisors who request it, and to all insured commercial banks.

DMSFS implemented new data processing systems in 1980 to provide computerized support of internal FDIC operations. Among these were a liquidation accounting system, a system for tracking outside legal fees in closed bank cases and systems to improve monitoring of bank compliance with consumer and civil rights protection statutes.

## LEGAL DIVISION

The Legal Division furnishes general legal services to the FDIC's Board of Directors, divisions and offices. In this role, it analyzes and interprets the laws and regulations affecting the Corporation and the banks the FDIC supervises. Its responsibilities also include the drafting of regulations, prosecution of enforcement actions against banks and bankers and participation in litigation arising from the Corporation's liquidation activities.

To improve its handling of liquidation cases, the Legal Division this year reorganized and enlarged its Closed Bank Litigation and Liquidation Section, designating specialized focal points to coordinate the section's work on bond claims, directors' liability suits, bankruptcy and loan workouts and litigation arising from liquidation activities.

To help the Corporation better supervise and evaluate the performance of outside counsel, the division started an automated monitoring program this year. The FDIC is involved in more than 4,000 lawsuits connected with liquidation and other closed-bank matters for which it retains more than 200 locally hired attorneys or law firms. The new computer program assists the Legal Division in monitoring the progress of these suits and in evaluating the performance of local counsel. It also is expected to allow FDIC staff attorneys to participate more in liquidation cases and take over more work for which the FDIC has been retaining private law firms.

In addition to lawsuits arising from closed bank liquidation activities, the Legal Division is involved in considerable litigation arising from the Corporation's administrative and supervisory activities. In 1980, division attorneys represented the FDIC in 25 legal proceedings involving such diverse issues as a challenge to the terms of the FDIC's financial assistance to First Pennsylvania Bank, actions seeking the release of information held by the FDIC under the Freedom of Information Act, and challenges to consumer guidelines adopted by the FDIC under the Truth in Lending Act.

The Legal Division is continuing an exhaustive review of FDIC's existing regulations in an effort to reduce the regulatory and paperwork burden on banks and the public, and ease the disproportionate impact that regulations tend to have on smaller banks. As a result of this review, eight regulations were simplified and shortened this year.

### Enforcement Proceedings.

The authority to order the termination of improper banking practices is an essential part of the FDIC's efforts to promote a safe and sound banking system. If a bank fails to correct an unsafe or unsound practice or a violation of a law, rule, regulation or written agreement with the FDIC, the Corporation may impose a cease-and-desist order directing specific corrective steps. If the bank does not comply, the FDIC may seek enforcement of its order in a U.S. District Court or levy a fine.

The Corporation is granted authority to issue cease-and-desist orders by Sections 8(b) and 8(c) of the FDI Act. During 1980, the Board of Directors authorized 36 such actions, resulting in 25 final orders under Section 8(b) and three temporary orders under Section 8(c), with eight orders pending at year-end. In addition, there were 13 final orders issued in 1980 stemming from cease-and-desist proceedings begun in 1979.

The FDIC brought two actions in 1980 in the appropriate U.S. District Court for violations of final orders issued under Section 8(b) — one against a bank and one against a bank's officers. In addition, the FDIC levied four civil money penalties. In two instances, the assessed fines were paid. In one case, the assessment of a money penalty was chal-

lenged. The matter was tried before an administrative law judge and a decision by the FDIC Board of Directors is expected early in 1981. The remaining case was pending at year-end.

The Corporation first used its authority to issue cease-and-desist orders to correct weaknesses or compliance violations in banks in 1971, and from 1971 through 1975 it issued 37 orders. In the last five years, it has issued 217 orders. In 1980, three were to correct violations of consumer protection laws and regulations and 38 were primarily to correct unsatisfactory financial conditions or management practices.

Under the FDI Act, a bank may seek judicial review of a final FDIC order to cease-and-desist. The first such appeal was filed in 1980 and the case was pending at the end of the year.

The FDIC also is authorized under Section 8(a) of its Act to initiate termination-of-insurance proceedings if it finds a bank is in an unsafe or unsound financial condition. If a bank does not correct its deficiencies within a prescribed period, an administrative hearing is held during which the bank can respond to the Corporation's charges. If the charges are upheld, the FDIC may terminate the bank's insurance. The depositors are then notified of the termination, but deposits (less subsequent withdrawals) continue to be insured for two years.

The FDIC in 1980 initiated eight termination-of-insurance proceedings, five of which were still pending at the end of the year. Two were made moot by the failure of the banks involved and one was terminated by the Board of Directors after the bank was sold and recapitalized.

From 1934 through 1980, the FDIC has taken action under Section 8(a) against 260 banks, and 254 cases had been closed at the end of

**CEASE-AND-DESIST ORDERS AND ACTIONS TO CORRECT  
SPECIFIC UNSAFE OR UNSOUND PRACTICES OR VIOLATIONS  
OF LAW OR REGULATIONS: 1977, 1978, 1979, AND 1980**

	1980	1979	1978	1977
Actions authorized by Board of Directors .....	36	59	51	50
Actions in negotiation at end of year .....	11	16	22	6
<b>Cease-and-desist orders outstanding at beginning of year-total .....</b>	<b>88</b>	<b>70</b>	<b>65</b>	<b>36</b>
Section 8(b) .....	88	67	63	34
Section 8(c) .....	0	3	2	2
<b>Cease-and-desist orders issued during year-total .....</b>	<b>28</b>	<b>43</b>	<b>31</b>	<b>39</b>
Section 8(b) .....	25	37	26	31
Section 8(c) .....	3	6	5	8
<b>Cease-and-desist orders issued in actions authorized in prior year-total .....</b>	<b>13</b>	<b>15</b>	<b>6</b>	<b>13</b>
Section 8(b) .....	13	15	6	13
<b>Cease-and-desist orders terminated-total .....</b>	<b>39</b>	<b>40</b>	<b>32</b>	<b>23</b>
Section 8(b) .....	38	31	28	15
Section 8(c) .....	1	9	4	8
<b>Cease-and-desist orders in force at end of year-total .....</b>	<b>90</b>	<b>88</b>	<b>70</b>	<b>65</b>
Section 8(b) .....	88	88	67	63
Section 8(c) .....	2	0	3	2

1980. In slightly less than half of the closed cases, the banks involved made the necessary corrections. In most of the remaining cases, the banks were absorbed by other banks or ceased operations before a date was set to terminate insurance. In 15 cases, insurance was terminated or the bank ceased operations after a date was fixed to terminate its insurance.

Under Section 8(e) of the FDI Act, the FDIC may remove an officer, director or other person participating in the management of an FDIC-supervised bank if the person has (1) violated a law, rule, regulation or final cease-and-desist order; (2) engaged in unsafe or unsound banking practices, or (3) breached his or her fiduciary duty. The individual's action must involve personal dishonesty or a willful disregard for the safety and soundness of the bank. Also, the action must entail substantial financial damage to the bank, seriously prejudice the interests of its depositors or result in financial gain to the individual. In 1980, three actions were taken under this section, resulting in the temporary removal of three individuals. Permanent removal proceedings were pending at year-end.

Section 8(g) authorizes the FDIC to suspend or remove officers, directors or other persons participating in a bank's affairs who are indicted for a felony involving dishonesty or breach of trust. One individual was suspended under this section in 1980.

Section 19 of the FDI Act prohibits anyone convicted of a criminal offense involving dishonesty or breach of trust from serving as a director, officer or employee of any insured bank without the Corporation's consent. During 1980, the FDIC considered 67 requests under Section 19 for permission to serve, granting consent in all but four.

## RESEARCH DIVISION

The Research Division provides staff support to the Board of Directors and to other FDIC divisions and offices, primarily on economic and financial matters. Division studies are used in the legislative, regulatory and administrative activities of the Corporation and involve basic research on current and emerging issues, monitoring of economic and financial developments and analysis of policy alternatives.

A number of studies this year involved issues considered by the Depository Institutions Deregulation Committee (DIDC), established on March 31, 1980 by the Depository Institutions Deregulation and Monetary Control Act. The Division analyzed the implications for non-member commercial and mutual savings banks of the reserve requirements imposed by the legislation, the effects on institutions of the scheduled phase-out of deposit interest rate ceilings and the impact of expanded liability powers granted to thrift institutions.

Other matters reviewed for the DIDC included penalties for early withdrawal of time deposits, the use of premiums and finder's fees in deposit campaigns and interim maximum deposit interest rates. In response to a Congressional request, the Division analyzed the current economic viability of depository institutions, disintermediation and the effects of DIDC actions on flows of funds among types of institutions and on housing finance.

The staff participated in the Interagency Task Force on Thrift Institutions, whose June 1980 report addressed options to help thrifts meet asset/liability management problems. Active monitoring of earnings and deposit flows of mutual savings banks continued. The Division also worked with DBS personnel in developing and implementing a mutual savings bank surveillance system.

Other topics of legislative or regulatory interest studied by the Division included markets in financial futures, forward and standby contracts; general issues relating to interstate banking; foreign acquisitions of U.S. banks; stock market evaluation of bank performance; asset/liability matching; capital adequacy; antitrust issues in commercial banking, and prospective developments in mutual savings bank mergers and charter conversions.

Small banks were the subject of several studies, including the impact of different recession scenarios on small bank earnings, interest sensitivity in small banks, suggestions for promoting investments by money market mutual funds in small banks, and the costs to banks of regulatory actions.

The Division supported other divisions and offices of the FDIC on several internal projects. These included a manual for examiners on customer reimbursements for bank violations of truth in lending regulations; a study of examination staffing needs; computerized monitoring of fair housing compliance; alternative investment strategies for managing the FDIC's securities portfolio; and the options for Corporation assistance to banks in trouble that continue to operate or in facilitating purchase and assumption transactions for those that close.

# ADMINISTRATIVE SERVICES

## Office of Personnel Management

Programs for the hiring, advancement and recognition of FDIC employees are the province of the Corporation's Office of Personnel Management (OPM). These include the administration of employee benefits, recruitment and promotions, and position management and classification.

### Employment.

FDIC employment at the end of 1980 totaled 3,644. This included 492 nonpermanent employees, such as college students participating in a work-study program and clerical workers employed on a short-term or as-needed basis. About 70 percent of the Corporation's employees are assigned to the Division of Bank Supervision; 73 percent of those are field bank examiners. During the year, the number of commissioned examiners increased to 1,249 from 1,235.

The 1980 turnover rate for field examiners was 8.9 percent, compared to 9.3 percent for 1979. Of the 166 examiners who resigned during the year, 40 took employment with banks. For all employees—exclusive of temporary field personnel, college students in the FDIC's cooperative work-study program and temporary summer personnel—the turnover rate was 13.8 percent, compared to 13.4 percent in 1979.

**NUMBER OF OFFICIALS AND EMPLOYEES  
OF FEDERAL DEPOSIT INSURANCE CORPORATION  
DECEMBER 31, 1979 AND 1980**

Unit	Total		Washington office		Regional and field offices	
	1980	1979	1980	1979	1980	1979
<b>Total</b> .....	<b>3,644</b>	<b>3,598</b>	<b>982</b>	<b>956</b>	<b>2,662</b>	<b>2,642</b>
Directors .....	2	2	2	2	0	0
Executive Offices .....	14	15	14	15	0	0
Legal Division .....	107	100	91	83	16	17
Division of Bank Supervision .....	2,544	2,540	167	178	2,377	2,362
Division of Liquidation.....	460	432	207	186	253	246
Division of Management						
Systems and Financial						
Statistics .....	187	187	187	187	0	0
Research Division .....	33	25	33	25	0	0
Office of the Controller ....	176	181	160	164	16	17
Office of Corporate						
Audits .....	33	33	33	33	0	0
Office of Employee						
Relations.....	10	8	10	8	0	0
Office of Personnel						
Management.....	49	44	49	44	0	0
Office of Legislative						
Affairs .....	15	16	15	16	0	0
Office of Executive						
Secretary .....	14	15	14	15	0	0

Position vacancy announcements issued in 1980 totaled 367. Increased emphasis this year on hiring the handicapped or disabled resulted in the appointment of 13 such persons, including several veterans, with apparently successful results.

Because of unsatisfactory results in recruiting trainee bank examiners from the Professional and Administrative Career Examination (PACE) administered by the U.S. Office of Personnel Management, the FDIC has been granted delegated authority to administer a recruitment and selection program using a ranking plan specifically oriented to these positions.

The first open period under this program was held from March 3-28, 1980, resulting in the filling of 110 vacancies and a clear improvement in the selection of minorities and women. About 14 percent of the new hires were minority members and 25 percent were women. The examination was reopened for the month of November and more than 500 candidates filed, of which about 23 percent were minorities and 30 percent were women.

### Training.

OPM coordinates a variety of in-house courses to better equip FDIC employees to perform their assigned duties and advance in their career fields. For the most part, these courses are developed and presented by instructors drawn from the FDIC field and headquarters staff.

Training in 1980 encompassed such subjects as: personnel management for supervisors; career development; accounting; basic mathematics; labor relations; computer systems; report writing; communications, and equal employment opportunity. Courses developed for presentation in 1981 include: trends and issues in banking; statistics for non-statisticians; automated data processing for managers, and dealing with employee problems.

### Health Unit.

The Health Unit continued to provide treatment to injured or ill employees and to sponsor important preventive health services. Special programs conducted by the unit included training in cardiopulmonary resuscitation and first aid. The unit also sponsored a health fair, blood pressure screening, a stop-smoking program and glaucoma detection tests.

## Office of Employee Relations

Progress continued in 1980 in efforts to increase the representation of women and minorities in the Corporation's workforce. Based on third-quarter data for 1979 and 1980, women employees in the General Graded ranks increased to 31.1 percent from 30.3 percent. The number of minority employees rose slightly during this period, to 15.3 percent from 14.8 percent.

Women in bank examiner positions, including student assistants, assigned to the FDIC's 14 Regions increased to 15.3 percent in 1980, up from 14.3 percent in 1979. Minorities in these jobs increased to 9.7 percent, compared to 9.3 percent in 1979.

The Office of Employee Relations' responsibilities also include oversight of the FDIC's labor relations program. At year-end, the Corporation was dealing with unions representing employees in seven bargaining units: one in each of five Regions and two in the Washington office.



## Office of the Executive Secretary

The Office of the Executive Secretary performs corporate secretarial functions, such as issuing notices of all meetings of the Board of Directors and the FDIC's standing committees, recording all votes and minutes of these meetings, maintaining an index of all official Corporation actions, publishing in the *Federal Register* notices of proposed or final rulemaking and receiving public comments on proposed regulatory actions.

In 1980 the Executive Secretary's staff performed secretarial functions for 127 Board meetings and numerous committee meetings. The Office also provided staff coordination for nine proposed regulatory actions on which public comment was received.

The Office of the Executive Secretary coordinates and administers FDIC compliance with the Freedom of Information Act, the Government in the Sunshine Act and the Privacy Act of 1974. It also performs editorial functions in connection with the FDIC's loose-leaf reporting service of laws, regulations and related materials.

In addition, the Executive Secretary serves as the Corporation's Ethics Counselor under the Ethics in Government Act of 1978 and FDIC's own regulations. This official also serves as the FDIC's Records Management Officer.

## Office of Corporate Audits

The Office of Corporate Audits (OCA) has complete internal audit and investigative responsibility for the FDIC's corporate financial and operational activities. OCA performs audits which provide an independent appraisal of operations, thus assisting the Board of Directors and staff management officials in applying resources efficiently, economically and effectively.

Reports detailing audit findings and recommendations are submitted to the Board of Directors. A formal policy requiring response by units audited, executive committee arbitration of differences and monitoring of corrective action insures the expeditious resolution of audit findings.

OCA in 1980 performed audits to determine whether financial operations were properly conducted, accounting reports fairly presented, applicable laws and regulations complied with, resources efficiently managed and Corporation objectives effectively achieved.

## Office of Legislative Affairs

The Office of Legislative Affairs (OLA) advises the Board of Directors on legislative issues and coordinates the development of responses to congressional inquiries on banking matters, including testimony on pending legislation.

The Office of Information is a branch of OLA and serves as the FDIC's main point of contact with the public and the news media, responding to about 100 phone calls and 150 written requests each day for data, information and publications on Corporation activities. The Information Office is responsible for the preparation and distribution to banks and FDIC staff of bulletins on proposed or adopted regulations, the FDIC's annual report, news releases and other literature describing FDIC operations and procedures.

The Information Office works jointly with the Office of the Executive



Secretary in administering the Corporation's reporting service on the FDI Act, regulations and related statutes.

## Office of the Controller

The Office of the Controller is responsible for the finances of the Corporation and for a variety of administrative and support services, including budget preparation, accounting, building maintenance, telecommunications and library services.

### Deposit Insurance Fund.

A principal function of the Controller is the administration of the Corporation's insurance fund, the basic resource for the protection of depositors. The fund grew in 1980 by \$1.2 billion to \$11 billion, the largest in an uninterrupted series of annual increases since 1935. The fund is backed by statutory authority to borrow up to \$3 billion from the U.S. Treasury, an authority the FDIC has never had to exercise.

Part of the deposit insurance fund's strength derives from the high degree of liquidity existing in its assets, 92 percent of which are in the form of U.S. Treasury securities having a market value of \$9.4 billion. Their average maturity is just over four years, with more than \$1.7 billion due to mature in 1981. Cash flows of about \$1 billion per year stemming from FDIC operations also contribute to liquidity, as do recoveries from the liquidation of assets of failed banks. Failed bank assets under liquidation had an appraised value of about \$700 million at the end of 1980.

Another sizable insurance fund asset consists of \$472 million in notes receivable from commercial banks. These notes were purchased in some cases to assist operating banks and in others to help banks through temporary difficulties.

The FDIC's only significant liability at the end of the year consisted of \$569 million in deposit insurance premium credits which were due banks. This liability does not require future cash outlays, but will be offset as banks apply their shares of the total liability against their insurance assessment payments falling due by the end of July 1981.

### Income and Expenses.

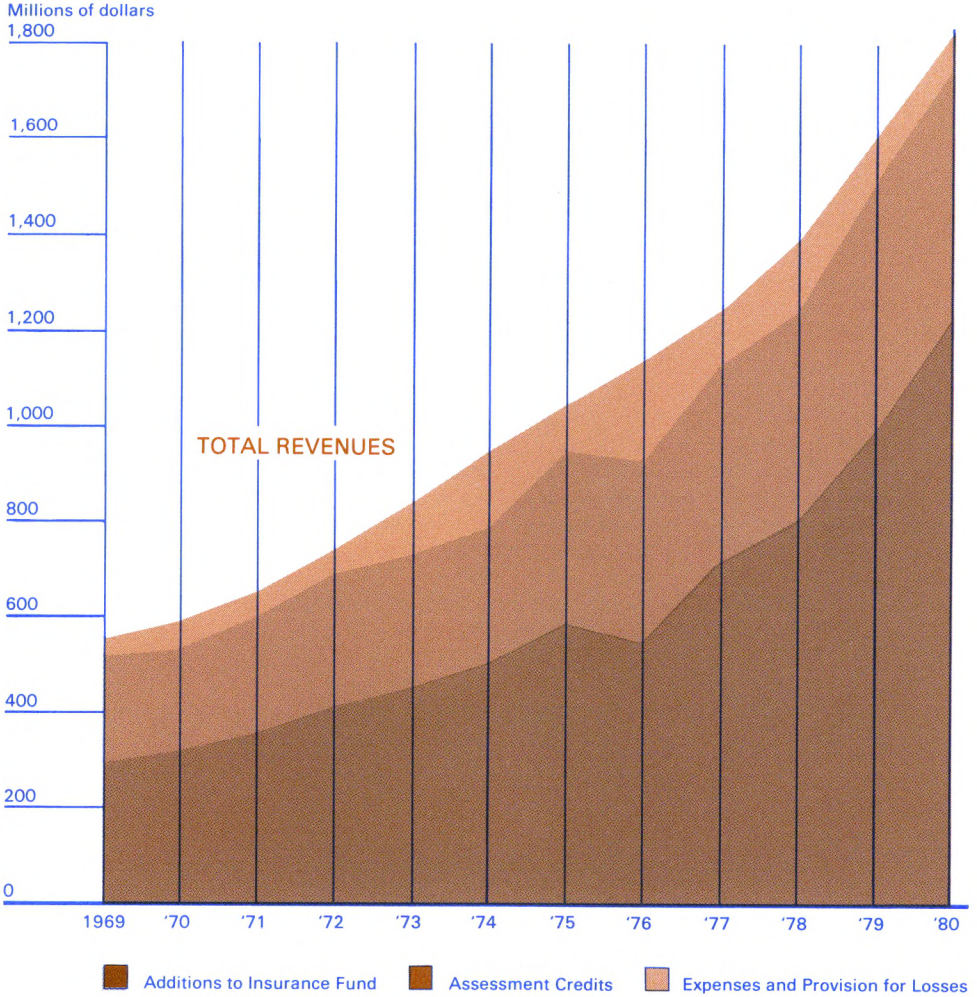
Net FDIC revenues came to \$1.3 billion in 1980: \$863 million from investments in U.S. Treasury securities, \$431 million in net assessments paid by banks for deposit insurance, and \$17 million from interest on notes receivable and other sources.

Although banks are assessed for deposit insurance coverage, credits against this assessment reduce their insurance costs. The basis for determining these credits was revised by the omnibus financial statute enacted on March 31, 1980 (Public Law 96-221). The assessment is set by law at 1/12 of one percent of banks' total assessable deposits. The credit is computed after deducting the FDIC's administrative and operating expenses, nonrecoverable insurance expenses and additions to reserves for losses.

The 1980 statute changed the basis for the credit to 60 percent from 66-2/3 percent of net assessment income and authorized the FDIC Board of Directors to make adjustments to the credit to maintain the insurance fund within a range of 1.25 percent to 1.40 percent of estimated insured deposits and mandated adjustments to keep the fund no lower than 1.10 percent and no higher than 1.40 percent of insured deposits.

The ratio of the fund to insured deposits in 1980 was 1.15 percent. Based on an assessment credit rate of 60 percent, the total credit for

## APPLICATION OF REVENUES FEDERAL DEPOSIT INSURANCE CORPORATION, 1969 — 1980



the year was \$521.1 million and net assessment costs were \$431 million. The net cost to banks for the year was 1/27 of one percent of assessable deposits, compared to 1/30 of one percent in 1979.

Corporation cash outlays in 1980 included \$119 million in connection with the year's 10 bank failures and \$325 million in the form of a loan to an operating bank. Total disbursements of \$444 million represented just 36 percent of 1980 net income and the FDIC expects to recover most of these disbursements.

The FDIC's administrative expenses in 1980 amounted to \$118.2 million, an increase of 10.7 percent over 1979, compared with an increase of 17.3 percent for overall Federal outlays and an estimated 12.5 percent increase in the consumer price index. This was the second straight year in which the FDIC held budget increases significantly below the rates of inflation and overall Federal spending.

All divisions and offices have joined in efforts to hold spending to

the minimum through improved efficiency and enhanced productivity and this cooperation has produced tangible results.

The Division of Bank Supervision was one of the 10 Federal organizations selected to receive the President's Award for Federal Energy Efficiency for its record in reducing auto mileage in official travel. Through carpooling and use of public transportation, DBS examiners for the year ending March 31, 1980, drove 20 million miles, a reduction of 4.45 million miles or 18.2 percent from the previous year, with no loss of productivity or curtailment of bank examinations.

Long-term savings will result from the purchase this year for \$17.4 million of a 164,198-square-foot office building adjacent to the FDIC's headquarters, permitting the Corporation to begin consolidating its headquarters staff in one location. Previously, more than 40 percent of the FDIC's permanent Washington complement worked in leased quarters at four locations at an annual rental cost of \$1.2 million. This figure was projected to increase to \$1.9 million in 1983. The new facility is expected to satisfy the FDIC's space needs at least through the year 2000 at a substantial savings in rental costs.

By carefully reviewing paperwork and record-keeping requirements, FDIC offices have managed to hold the growth in records to less than two percent in each of the last four years. A number of internal forms have been shortened and others redesigned to make them easier to use and to reduce clerical processing.

# COMPARATIVE STATEMENT OF FINANCIAL POSITION (In thousands)

## ASSETS:

	December 31, 1980	December 31, 1979
Cash	\$ 1,986	\$ 1,497
<b>Current investment in U.S. Treasury obligations:</b>		
Securities at amortized cost (Note 1)	1,479,433	1,221,595
Accrued interest receivable	226,921	186,511
<b>Total</b>	<b>1,706,354</b>	<b>1,408,106</b>
<b>Current maturities on notes purchased from insured banks:</b>		
Principal (Note 2)	43,219	20,683
Accrued interest receivable	3,018	3,294
<b>Total</b>	<b>46,237 ✓</b>	<b>23,977</b>
Other receivables and prepaid items (Note 3)	4,997	2,765
<b>Total Current Assets</b>	<b>1,759,574</b>	<b>1,436,345</b>
<b>Long-term investment in U.S. Treasury notes and bonds (Note 1)</b>	<b>9,014,547</b>	<b>8,228,000</b>
<b>Long-term notes purchased from insured banks (Note 2)</b>	<b>428,431 ✓</b>	<b>146,650</b>
<b>Equity in assets acquired from insured banks:</b>		
Depositors' claims paid	41,640	31,676
Depositors' claims unpaid	1,458	802
Loans and assets purchased	565,984	746,583
Assets purchased outright	39,658	40,560
Less: Allowance for losses (Note 4)	239,042	277,384
<b>Total</b>	<b>409,698 ✓</b>	<b>542,237</b>
Land and office buildings, less accumulated depreciation on buildings	23,370	6,148
<b>Total Assets</b>	<b>\$11,635,620</b>	<b>\$10,359,380</b>

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

## LIABILITIES AND THE DEPOSIT INSURANCE FUND

	December 31, 1980	December 31, 1979
Accounts payable and accrued liabilities	\$ 7,912	\$ 5,309
Collections held for others	4,169	1,920
Accrued annual leave of employees	6,174	5,393
<b>Due insured banks:</b>		
Net assessment income credits:		
Available July 1, 1980	0	524,672
Available July 1, 1981 (Note 5)	521,086	0
Available excess credits (Note 6)	<u>47,631</u>	<u>13,981</u>
<b>Total</b>	<b>568,717</b>	<b>538,653</b>
Current maturities on notes payable plus accrued interest (Notes 7 and 8)	3,094	1,778
<b>Total Current Liabilities</b>	<b>590,066</b>	<b>553,053</b>
Long-term notes payable — 1776 F Street Property (Note 7)	13,335	0
<b>Liabilities incurred in failures of insured banks:</b>		
Long-term notes payable (Note 8)	11,220	12,793
Depositors' claims unpaid	<u>1,458</u>	<u>802</u>
<b>Total</b>	<b>12,678</b>	<b>13,595</b>
<b>Total Liabilities</b>	<b>616,079</b>	<b>566,648</b>
Deposit Insurance Fund	11,019,541	9,792,732
<b>Total Liabilities and The Deposit Insurance Fund</b>	<b>\$11,635,620</b>	<b>\$10,359,380</b>

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

# COMPARATIVE STATEMENT OF INCOME AND THE DEPOSIT INSURANCE FUND (In thousands)

	For the twelve months ended	
	December 31, 1980	December 31, 1979
<b>Income:</b>		
Gross assessments earned	\$ 952,535	\$ 881,970
Less: Provision for assessment credits	<u>521,780</u>	<u>525,538</u>
<b>Total</b>	<b>430,755</b>	<b>356,432</b>
<hr/>		
Interest on U.S. Treasury obligations	867,873	699,900
Amortization of premiums and discounts (net)	<u>( 4,766)</u>	<u>4,433</u>
<b>Total</b>	<b>863,107</b>	<b>704,333</b>
<hr/>		
Interest earned on notes receivable	12,620	12,370
<hr/>		
Rents earned on leased space	666	0
<hr/>		
Other income	3,232	17,280
<hr/>		
<b>Total Income</b>	<b>1,310,380</b>	<b>1,090,415</b>
<hr/>		
<b>Expenses and Losses:</b>		
Administrative and operating expenses (net)	118,221	106,791
Nonrecoverable insurance expenses	3,448	4,137
Provision for insurance losses	<u>(38,098)</u>	<u>(17,252)</u>
<b>Total Expenses and Losses</b>	<b>83,571</b>	<b>93,676</b>
<hr/>		
<b>Net Income</b>	<b>1,226,809</b>	<b>996,739</b>
<hr/>		
<b>Deposit Insurance Fund—January 1</b>	<b>9,792,732</b>	<b>8,795,993</b>
<hr/>		
<b>Deposit Insurance Fund—December 31</b>	<b>\$11,019,541</b>	<b>\$9,792,732</b>

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.



# COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION (In thousands)

	For the twelve months ended	
	December 31, 1980	December 31, 1979
<b>Sources of Working Capital</b>		
<b>From operations:</b>		
Net income	\$1,226,809	\$ 996,739
Add: Depreciation expense	287	135
Amortization not affecting working capital	9,288	(2,830)
Allowance for loss adjustments	<u>(38,098)</u>	<u>(17,252)</u>
<b>Total working capital generated from operations</b>	<b>1,198,286</b>	<b>976,792</b>
<b>From other sources:</b>		
Portion of long-term investments in U.S.T. notes & bonds at amortized cost transferred as currently due	1,293,571	1,079,673
Portion of notes purchased transferred as currently due	43,219	20,683
Collections from assets acquired from insured banks:		
Receivership and payoff cases	3,820	12,211
Deposit assumption transactions	333,077	329,345
Increase of notes payable - land and building	<u>14,406</u>	<u>0</u>
<b>Total sources of working capital</b>	<b>2,886,379</b>	<b>2,418,704</b>
<b>Uses of Working Capital</b>		
Increase of notes purchased from insured banks	325,000	0
Payment of notes payable	23	0
Portion of notes payable transferred as currently due	2,621	1,572
Assets acquired from insured banks:		
Receivership and payoff cases	13,895	9,907
Deposit assumption transactions	151,700	131,029
Purchase of U.S.T. notes and bonds	2,089,406	1,922,762
Purchase of land and building	<u>17,509</u>	<u>0</u>
<b>Total uses of working capital</b>	<b>2,600,154</b>	<b>2,065,270</b>
<b>Net increase (decrease) in working capital</b>	<b>\$ 286,225</b>	<b>\$ 353,434</b>
<b>Changes in Working Capital Accounts</b>		
		Working Capital (Increase — (Decrease))
Cash	\$ 489	\$ (723)
Current investment in U.S.T. securities at amortized cost	257,838	393,235
Accrued interest receivable	40,410	23,791
Current maturities on notes purchased from insured banks	22,536	18,600
Accrued interest receivable on notes purchased	(276)	114
Other receivables and prepaid items	2,232	6
Accounts payable and accrued liabilities	(2,603)	(346)
Collections held for others	(2,240)	2,973
Accrued annual leave of employees	(781)	(677)
Net assessment income credits due insured banks	(30,064)	(83,562)
Current payment on notes payable	(1,048)	0
Accrued interest on notes payable	<u>(268)</u>	<u>23</u>
<b>Net increase (decrease) in working capital</b>	<b>\$ 286,225</b>	<b>\$ 353,434</b>

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**General.** These statements do not include accountability for assets and liabilities of closed insured banks for which the Corporation acts as receiver or liquidating agent. Periodic and final accountability reports of its activities as receiver or liquidating agent are furnished by the Corporation to courts, supervisory authorities, and others as required.

**U.S. Treasury Obligations.** Securities are shown at amortized cost which is the purchase price of the securities less the amortized premium or plus the accreted discount. Such amortization and accretion are computed on a daily straight-line basis from the date of acquisition to the date of maturity.

**Deposit Insurance Assessments.** The Corporation assesses insured banks at the rate of 1/12 of one percent per year on the bank's average deposit liability less certain exclusions and deductions. Assessments are due in advance for each six-month period and credited to income each month. On March 31, 1980, President Carter signed into law the Depository Institutions Deregulation and Monetary Control Act of 1980, one provision of which revised the mechanism for determining the credit banks receive against the annual assessment they pay for deposit insurance. The statute changes the basis for the assessment credit to 60 percent from 66 2/3 percent of net assessment income and authorizes the FDIC Board of Directors to make adjustments to this percentage within certain limits in order to maintain the FDIC Deposit Insurance Fund between 1.25 and 1.40 percent of estimated insured deposits. If this ratio falls below 1.10 percent or above 1.40 percent, the FDIC is mandated to make further reductions, up to 50 percent, or increases to the percentage distribution of net assessment income.

**Allowance for Losses.** It is the policy of the Corporation to establish an estimated allowance for loss at the time a bank fails. These allowances are reviewed every six months and adjusted as required, based on financial developments which accrue during each six-month period. The Corporation does not state its estimated contingent liability for unknown future bank closings because such estimates are impossible to make. The Corporation's contingent liability for eventual net losses depends upon factors which cannot be assessed until or after a bank has actually failed. The Corporation's entire deposit insurance fund and borrowing authority are available, however, for such contingencies.

**Depreciation.** The Washington Office Buildings are depreciated on a straight-line basis over a 50-year estimated life. The cost of furniture, fixtures, and equipment is expensed at time of acquisition.

## **Reclassifications and Accounting Procedures Changes.**

1. Assets and Liabilities:
  - a) Beginning with the March 31, 1980 Financial Statements, assets and liabilities have been presented under two major groups, current and noncurrent.
  - b) Assets acquired from insured banks, which in prior presentations have been shown under two separate groupings, have been consolidated into a single major asset category.
2. Income Statement: Items related to income from securities and income from assessments have been regrouped in order to provide a more meaningful presentation of income derived from each of these major categories of income to the Corporation.
3. Liquidators Cash Collections: Cash collected by the Liquidators will only be recognized in the books of the Corporation at the time the funds are received by the Corporation.
4. Reclassifications: Reclassifications have been made in the 1979 Financial Statements to conform to the presentation used in 1980.

**Accrued Interest.** Accrued interest, when classified in the current portions of the Comparative Statement of Financial Position, represents the entire amount of interest due to or due from the Corporation within one year, including interest accrued on those principal amounts classified as long-term.

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## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1980 and 1979

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1. **U.S. Treasury Obligations.** All cash received by the Corporation which is not used to defray operating expenses or for outlays related to assistance to banks and liquidation activities, is invested in U.S. Treasury securities. As of December 31, 1980, the Corporation's investment portfolio consisted of the following:

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Maturity	Description	(In thousands)			
		Par Value	Book Value	Market Value	Cost
1 Day	Special Treasury Certificates	\$ 185,862	\$ 185,862	\$ 185,862	\$ 185,862
Less Than 1 Year	U.S.T. Notes and Bonds	1,293,324	1,293,571	1,248,249	1,293,266
	<b>Total Current</b>	<b>1,479,186</b>	<b>1,479,433</b>	<b>1,434,111</b>	<b>1,479,128</b>
1-5 Years	U.S.T. Notes and Bonds	4,851,596	4,906,695	4,552,407	4,916,791
5-10 Years	U.S.T. Notes and Bonds	4,036,626	4,034,666	3,405,701	4,038,110
Over 10 Years	U.S.T. Notes and Bonds	75,546	73,186	53,449	71,807
	<b>Total Long-Term</b>	<b>8,963,768</b>	<b>9,014,547</b>	<b>8,011,557</b>	<b>9,026,708</b>
	<b>Total Investment</b>	<b>\$10,442,954</b>	<b>\$10,493,980</b>	<b>\$9,445,668</b>	<b>\$10,505,836</b>

2. **Notes Purchased from Insured Banks.** On May 29, 1980, the Corporation purchased a variable rate subordinate note due May 28, 1985 for the principal sum of \$325,000,000 from First Pennsylvania Bank N.A. Interest will commence accruing on May 29, 1981 at the "Applicable Interest Rate", which means for each Interest Period, that annual rate which equals 125% of the FDIC Portfolio Rate as determined as of the business day immediately preceding the first day of such Interest Period. The Corporation's outstanding principal balances on notes purchased from insured banks at December 31, 1980 and 1979 are:

	1980	1979
<b>To Assist Operating Banks:</b>		
Unity Bank and Trust Company	\$ 1,400,000	\$ 1,500,000
Bank of the Commonwealth	34,500,000	35,500,000
First Pennsylvania Bank, N.A.	325,000,000	0
	<b>360,900,000</b>	<b>37,000,000</b>

**To Facilitate Deposit Assumptions:**

Clearing Bank	0	1,000,000
Marine National Exchange Bank of Milwaukee	0	1,500,000
First Tennessee National Corporation	16,000,000	16,000,000
First Tennessee National Bank	8,000,000	8,000,000
Bank Leumi Trust Company of New York	7,500,000	8,750,000
New Orleans Bancshares, Inc.	5,000,000	5,833,000
European-American Bancorp.	70,000,000	85,000,000
Drovers Bank of Chicago	4,000,000	4,000,000
Town-Country National Bank	250,000	250,000
	<b>110,750,000</b>	<b>130,333,000</b>
<b>Total</b>	<b>\$471,650,000</b>	<b>\$167,333,000</b>

3. **Other Receivables and Prepaid Items.** The Corporation's other receivables and prepaid items at December 31, 1980 and 1979 are:

	1980	1979
Receivables	\$4,047,000	\$2,134,000
Prepaid Items	950,000	631,000
	<b>\$4,997,000</b>	<b>\$2,765,000</b>

4. **Allowance for Losses.** An analysis of the changes in the allowance for losses on the accounts described below for years ended December 31, 1980 and 1979 follows:

	1980	1979
<b>Depositors' claims paid:</b>		
Balance, beginning of period	\$ 16,800,000	\$ 14,475,000
Add (Subtract):		
Provision charged to expense	7,015,000	4,100,000
Net adjustment to prior years	(5,352,000)	(1,775,000)
Write-off at termination	(117,000)	0
Balance, end of period	<b>18,346,000</b>	<b>16,800,000</b>
<b>Loans and assets purchased:</b>		
Balance, beginning of period	222,324,000	240,763,500
Add (Subtract):		
Provision charged to expense	13,775,000	9,255,000
Net adjustment to prior years	(52,137,000)	(27,683,000)
Write-off at termination	0	(11,500)
Balance, end of period	<b>183,962,000</b>	<b>222,324,000</b>

Assets purchased outright:		
Balance, beginning of period	38,260,000	39,410,000
Add (Subtract):		
Provision charged to expense	0	0
Net adjustment to prior years	(1,526,000)	(1,150,000)
Write-off at termination	0	0
Balance, end of period	<u>36,734,000</u>	<u>38,260,000</u>
<b>Total</b>	<b>\$239,042,000</b>	<b>\$277,384,000</b>

5. **Assessment Credits Due Banks July 1, 1981** . The computation of net assessment income credits that will become available to banks on July 1, 1981 is as follows:

Computation		
Gross Assessment Income C.Y. 1980		\$951,315,000
Less: Administrative and Operating Expenses	\$117,555,000	
Provision for Losses	(38,098,000)	
Insurance Expense	<u>3,445,000</u>	<u>82,902,000</u>
Net Assessment Income		<u>\$868,413,000</u>
Distribution:		
40% to FDIC	\$347,365,000	
60% to Insured Banks	<u>521,048,000</u>	<u>\$868,413,000</u>

Assessment Credit Available to Banks - July 1, 1981:

Assessment Credit C.Y. 1980	\$521,048,000
Prior Years Credits	<u>38,000</u>
Assessment Credit Available July 1, 1981	<u>\$521,086,000</u>

Effective Rate of Assessment for C.Y. 1980: 1/27 of 1% of Total Assessable Deposits

7. **Notes Payable — 1776 F Street Property** . On June 30, 1980, the Corporation purchased property located at 1776 F Street, N.W., Washington, D.C. for a purchase price of \$17,406,308, plus closing costs. The purchase price of the land was \$2,378,880, and the building purchase price amounted to \$15,130,221. This purchase was financed by cash outlays amounting to \$3,102,793, the assumption of the existing mortgage on the property amounting to \$6,406,308, and the issuance of a promissory note, maturing over seven years, amounting to \$8,000,000.

8. **Notes Payable — Incurred in Failures of Insured Banks** . These amounts represent the unpaid principal and accrued interest on the Corporation's unsecured notes designated "5.775% Series A Notes due January 1, 1988" and "5.775% Series B Notes due January 1, 1990" as set forth in the consents, exchange agreement, and agreements of release and satisfaction related to the sale of Franklin Buildings, Inc. to European-American Bank and Trust Company.


9. **Southern Bancorporation Note Receivable** . On December 9, 1976, Southern Bancorporation repaid in full the \$8 million note that the Corporation had purchased on September 24, 1974. Southern Bancorporation financed this transaction by obtaining a loan from First Union National Bank of North Carolina. To induce FUNB to enter the loan agreement, the FDIC agreed to guarantee the payment of 75 percent of the unpaid principal amount of the loan on the terms and conditions set forth in the guarantee agreement. As of December 31, 1980 and 1979, FUNB's outstanding principal due on the loan totaled \$5.0 million and \$5.8 million, respectively.

10. **Lease Commitments** . Rental expense of \$5,708,000 (1980) and \$4,556,000 (1979) for office premises has been charged to expense. Minimum rentals for each of the next five years and for subsequent years thereafter are as follows:

1981	1982	1983	1984	1985	1986 or after
\$5,040,000	\$3,421,000	\$2,122,000	\$1,535,000	\$899,000	\$3,102,000

Most office premise lease agreements provide for increase in basic rentals resulting from increased property taxes and maintenance expense.

11. **Bank Failure — December 31, 1980** . On December 31, 1980, the East Gadsden Bank, Gadsden, Alabama was closed. The funds required to purchase the remaining assets were not disbursed by the Corporation until January 2, 1981.



**PART TWO  
REGULATIONS AND LEGISLATION**



## LEGISLATION — 1980

### Depository Institutions Deregulation and Monetary Control Act of 1980.

Public Law 96-221, approved March 31, 1980, is a far-reaching and comprehensive piece of banking legislation. The major provisions of this law—

- (1) Increased Federal deposit insurance to \$100,000 from \$40,000, and revised the insurance assessment credit formula.
- (2) Provided for a six-year phase-out of Regulation Q interest ceilings.
- (3) Required all depository institutions to maintain reserves against transaction accounts and nonpersonal time deposits.
- (4) Authorized nationwide negotiable order of withdrawal (NOW) accounts, effective December 31, 1980.
- (5) Made permanent the existing authority for bank automatic transfer services, savings and loan remote service units, and credit union share draft accounts.
- (6) Provided expanded lending powers for Federal savings and loan associations.
- (7) Provided limited business loan and deposit powers for Federal mutual savings banks.
- (8) Preempted permanently State usury laws for mortgage loans but allowed any State to exempt itself within three years.
- (9) Preempted for three years State usury laws for business and agricultural loans in excess of \$25,000, while allowing any State to exempt itself at any time.
- (10) Granted permanent authority to State-chartered depository institutions to make any loan at one percent above the Federal Reserve discount rate irrespective of State usury laws and without provision for State exemption.
- (11) Permitted the National Credit Union Administration to suspend for up to 18 months the 12 percent interest rate ceiling for loans made by Federal credit unions.
- (12) Prohibited the establishment of bank trust offices across State lines for 18 months.
- (13) Simplified the disclosures required under Truth in Lending.
- (14) Prohibited foreign acquisitions of domestic banks until July 1, 1980.

### Housing and Community Development Act of 1980.

Public Law 96-399, approved October 8 1980, contains a number of provisions affecting governmental assistance to finance housing. This legislation also extended the Home Mortgage Disclosure Act for five years, requiring that financial institutions make annual disclosures of the number, location and dollar amount of their mortgage loans on a calendar year basis and that aggregate data be compiled for each standard metropolitan statistical area and be made publicly available at a central depository in that area. This Act also amended the Depository Institutions Deregulation and Monetary Control Act of 1980 to permit business and agricultural loans of \$1,000 or more (previously \$25,000) to be made at a rate of five percent above the Federal Reserve discount rate or the maximum authorized by State law, whichever is higher, and to permit an individual to finance the sale of his or her principal residence at an interest rate higher than allowed by State law.

### Regulatory Flexibility Act.

Public Law 96-354, approved September 19, 1980, requires agencies to prepare a cost analysis of the impact which regulations will have

on small businesses and to explore other alternatives for achieving the same regulatory purpose. The Act also establishes a mechanism for reviewing existing regulations and ascertaining their impact on small businesses and requires that agencies publish a regulatory flexibility agenda every six months describing all proposed regulations which could have a significant impact on small businesses. The Act would be implemented by the Small Business Administration, which would be granted the right to intervene in judicial proceedings as *amicus curiae* and to consult with the various agencies in defining what is small business and developing regulations to minimize small business costs.

#### **Paperwork Reduction Act.**

Public Law 96-511, approved December 12, 1980, generally empowered the Office of Management and Budget to provide overall direction of information policy, statistical activity, records management, Federal automatic data processing and clearance of any new paperwork requirements. The OMB Director would be required to insure that information requested by agencies is necessary, not duplicative, and collected efficiently. He would be able to approve or deny agencies requests to collection information, but independent regulatory agencies could override any OMB disapproval.

## **RULES AND REGULATIONS — 1980**

#### **Public Access to Application Files (Part 303)**

On November 24, 1980, the FDIC amended Section 303.14(c) of its regulations to eliminate the requirement that a separate public file comprised of nonconfidential information be maintained for every insurance application. The FDIC found that, compared to the number of applications filed, it received very few requests to review its public files. Under the amendments, the information previously kept in the public files is still retained as a part of the application file. In addition, up to 180 days after a final decision on an application, the FDIC makes available the nonconfidential portions of the application file within one working day after a request to see the file is received. The amendment is intended to reduce FDIC's costs while still meeting the public's need for access to information.

#### **Disclosure of Information (Part 309)**

In the past, the FDIC has made information collected in its Summary of Deposits survey available for public inspection. The Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMoCA, Public Law 96-221) requires the FDIC to calculate its assessments based on the ratio of FDIC's deposit insurance fund to the total amount of insured deposits. In order to calculate this figure, the FDIC is now collecting additional information in its Summary of Deposits survey. This new information is confidential financial data on banks. As a result, on May 5, 1980, FDIC amended Section 309.4(b)(4) of its regulations to provide that the new information collected for the Summary of Deposits survey will not be publicly available.

The FDIC also amended Part 309 on July 30, 1980, to fully implement the Right to Financial Privacy Act of 1978. This Act restricts government access to bank customer records. Part 309 governs the ability of the FDIC to disclose to other Federal agencies information it holds on the public. The amendments restrict access by Federal agencies to FDIC information that is derived from bank customer records, thereby

protecting bank customer information as Congress intended in enacting the Right to Financial Privacy Act.

### Interest Rate Regulation (Part 329)

In response to high interest rates and the potential disruption high rates would have on financial institutions holding a high proportion of long-term, fixed-rate loans, the FDIC amended Part 329 effective March 1, 1980, to place a limitation on the rate of interest a bank may pay on 2½ year variable rate time deposits. A temporary ceiling of 12 percent for insured savings banks and 11¾ percent for insured non-member commercial banks are the maximum rates of interest on these deposits.

Effective March 3, 1980, the FDIC amended Part 329 to permit insured savings banks to sell unsecured, short-term commercial paper in denominations of \$100,000 or more without regard to the limits on advertising and payment of interest which apply to deposits. The FDIC determined that these restrictions on obligations such as commercial paper sales are inappropriate and that they might interfere unnecessarily with their marketability. To be eligible, a savings bank's commercial paper must: (1) be in writing; (2) be unsecured; (3) have an original maturity of not more than nine months; (4) have a face amount of \$100,000 or more; (5) expressly state that it will not bear interest after maturity except if the issuer has defaulted; (6) expressly state that it is not insured by the FDIC; and (7) expressly state that no fractional interest in the paper may be offered or sold to the public by the bank or anyone acting on the bank's behalf.

In addition, also effective March 3, 1980, Part 329 was amended to permit insured nonmember banks to borrow from credit unions without regard to the interest rate ceilings and other restrictions which apply to deposits. FDIC regulations had previously excluded interbank borrowings from the restrictions of Part 329. But, the definition of a bank for this purpose had included a wide variety of financial institutions but not credit unions. The amendment expanded the definition of bank to include credit unions.

In order to facilitate the orderly administration of prescribed interest rate limitations on deposits, effective March 17, 1980, the FDIC further amended Part 329 to impose interest rate limitations on certain obligations issued by parent bank holding companies of insured nonmember banks. The amendment defined as deposits and placed interest rate restrictions on obligations: (1) issued in denominations of less than \$100,000; (2) required to be registered with the Securities and Exchange Commission; (3) issued or guaranteed in whole or in part by the parent; and (4) issued with an original maturity of four years or less, or redeemable at intervals of four years or less at the option of the holder.

As a result of DIDMoCA, effective March 31, 1980, FDIC's authority to set maximum rates of interest for deposits of insured nonmember banks was placed in a new interagency group called the Depository Institutions Deregulation Committee (Deregulation Committee). The Deregulation Committee consists of the chairmen of the Federal Reserve Board, the FDIC, the Federal Home Loan Bank Board (FHLBB) and the National Credit Union Administration Board, and the Secretary of the Treasury. In addition, the Comptroller of the Currency is a non-voting member. Under DIDMoCA, FDIC's interest rate regulations contained in Part 329 remain effective until repealed, amended or superseded by the Deregulation Committee. Although the power to set rates of interest was transferred to the Deregulation Committee, FDIC retains the authority to define deposits and the power to regulate the advertising of interest on deposits.



Effective May 6, 1980, the Deregulation Committee promulgated a new Part 1204. It permits depositors to withdraw interest earned on a time deposit at any time without penalty, unless the deposit agreement specifically provides otherwise. If a deposit renews automatically on the same terms, the financial institution may pay interest accrued during the preceding term or terms, as well as the renewal term, at any time without penalty. Also effective on May 6, the Deregulation Committee adopted a regulation which permits financial institutions to provide in their time deposit contracts that they will pay interest on funds withdrawn not more than seven days after maturity of the deposit. During this "extension period", interest paid will be at the rate originally specified in the contract or at a lower rate (but no less than the current rate paid on regular savings accounts by the institution).

Effective June 2, 1980, the Deregulation Committee adopted final regulations that revised the rules governing the payment of interest on six-month money market certificates and 2½ year variable rate time deposits, as well as early withdrawal penalties. Money market certificates are issued by financial institutions in minimum denominations of \$10,000 and with maturities of 26 weeks. Their yields are determined by the discount rate of the current six-month Treasury bill. Under the new rules, a minimum ceiling rate of 7¾ percent is established for money market certificates when the six-month Treasury bill rate falls below 7¼ percent. When the Treasury bill rate is between 7¼ percent and 7½ percent, commercial banks are permitted to pay 7¾ percent and thrift institutions are permitted to pay the Treasury bill rate plus 50 basis points. If the Treasury bill rate exceeds 7½ percent, commercial banks may pay the Treasury bill rate plus 25 basis points and thrifts may add 50 basis points until the Treasury bill rate reaches 8½ percent. When the Treasury bill rate is between 8½ percent and 8¾ percent, commercial banks continue to be permitted to pay the Treasury bill rate plus 25 basis points. Thrift institutions may pay 9 percent. When Treasury bill rates exceed 9 percent, both commercial banks and thrift institutions are permitted to pay the Treasury bill rate plus 25 basis points. The Deregulation Committee also provided that between May 29, 1980 and November 30, 1980, commercial banks could renew maturing money market certificates with the same depositor at a rate equal to the ceiling rate for thrifts. With respect to 2½ year variable rate certificates, the ceiling rate was changed from a monthly to a biweekly period. The maximum "cap" established earlier remained unchanged, but a minimum ceiling of 9¼ percent for commercial banks and 9½ percent for thrifts was established. Between the minimum and the cap rates, the scale of interest was increased by 50 basis points. Thrift institutions may pay the Treasury 2½ year rate (rather than 50 basis points below as earlier provided) and commercial banks may pay 25 basis points (rather than 75) less than the Treasury rate.

Finally, the penalty for the premature withdrawal of funds (other than interest) from a time deposit was established as an amount equal to three months simple, nominal interest when the original maturity is one year or less and six months simple, nominal interest when the original maturity is longer. In the past, the minimum required penalty did not exceed interest accrued or already paid; under the new rule, the penalty may require a reduction in the principal sum of the account. These steps were taken to ensure a steady and adequate flow of funds to depository institutions and to discourage deposit withdrawals in response to rising interest rates.

Effective July 2, 1980, the Deregulation Committee adopted a rule providing that a penalty need not be applied to a withdrawal from an IRA



or Keogh account time deposit prior to the maturity of the account, if the owner is disabled or age 59½ or over. The FDIC and the Federal Reserve previously permitted this; the Deregulation Committee's action was intended to conform the rules of the FHLBB to the existing rules of the Federal Reserve and the FDIC.

Because the Federal Reserve shortened the minimum maturity of time deposits for purposes of reserve requirements from 30 to 14 days, effective October 30, 1980, the FDIC amended Part 329 to establish 14 days as the minimum maturity for a time deposit. Effective on the same date, the Deregulation Committee established a maximum rate of interest of 5¼ percent on time deposits of under \$100,000 with original maturity of 14 to 90 days.

The Deregulation Committee took several actions, which were effective on December 31, 1980, with respect to premiums, finder's fees, and the prepayment of interest on deposits subject to interest rate ceiling limitations. Under these rules, premiums (whether in the form of merchandise, credit or cash) are regarded as the payment of interest and are included within the maximum permissible interest for the deposit *except* if: (1) the premium is given to a depositor only at the time of the opening of a new account or an addition to or renewal of an existing account; (2) no more than two premiums per account are given within a twelve-month period; and (3) the value of the premium or, in the case of articles of merchandise, the total cost (including shipping, packaging and handling expenses) does not exceed \$10 for deposits of less than \$5,000 and \$20 for deposits of \$5,000 or more. Averaging the price of various premiums is prohibited and depository institutions are required to certify that the total cost of a premium does not exceed the \$10 or \$20 limitations. With respect to finder's fees, such fees are defined as a payment of interest to the depositor and must be paid only in cash. Finally, depository institutions are prohibited from prepaying interest on deposits of less than \$100,000 in either cash or merchandise.

Also effective December 31, 1980, the Deregulation Committee raised the ceiling rate of interest payable on negotiable order of withdrawal (NOW) accounts to 5¼ percent.

### Management Official Interlocks (Part 348)

In July 1979, the FDIC published Part 348 of its regulations which prohibits certain management official interlocks between depository institutions, depository holding companies, and their affiliates. These regulations implement the Depository Institution Management Interlocks Act. Effective February 27, 1980, the FDIC amended Part 348. In addition to a number of technical changes, the amendments provided: (1) that the regulation affects only those indirect interlocks where a "natural person" has a representative or nominee serving as a management official; (2) a description of eligibility for grandfather rights; (3) an explanation of when "changes in circumstances" shorten the period of grandfather rights or cause nongrandfathered interlocks to become prohibited; and (4) an exception to the prohibitions that may be approved by FDIC's Board of Directors when an institution faces the loss of more than half of its management officials due to a change in circumstances, such as a merger, consolidation, branching or growth in asset size.

### Simplification of FDIC Rules and Regulations

The FDIC policy statement on regulations provides for the review every five years of each existing regulation to determine whether it should be continued, revised or eliminated. During 1980, eight regula-

tions (Parts 304, 307, 308, 327, 335, 339, 341 and 343) were reviewed. As a result of these reviews, each regulation was simplified and shortened.

### **Employee Responsibilities and Conduct (Part 336)**

Effective January 1, 1981, the FDIC amended its regulations governing employee conduct to allow bank examiners to have credit cards from banks affiliated with banks supervised by the FDIC. Previously, FDIC regulations had prohibited examiners from becoming obligated on any extension of credit (including credit extended through the use of a credit card) by: (1) insured State nonmember banks (banks examined by the FDIC); or (2) national banks (banks examined by the Office of the Comptroller of the Currency); or (3) State banks which are members of the Federal Reserve System (banks examined by the Federal Reserve Board) that were affiliated with insured State nonmember banks. The amendment permits FDIC examiners to have credit cards from banks affiliated with FDIC-supervised banks as long as the total extension of credit at no time exceeds \$5,000 and is on terms no more favorable than those available to other bank customers.

In addition to the changes regarding credit cards, the amendments permit FDIC examiners to liquidate any extension of credit in accordance with its original terms where: (1) the extension is made by a bank that subsequently becomes affiliated with an FDIC-supervised bank; (2) the extension is made by a bank that subsequently converts to or merges into an FDIC-supervised bank; or (3) the loan was made to an FDIC examiner by an FDIC-supervised bank or a bank affiliated with an FDIC-supervised bank prior to the examiner's employment by the FDIC. In each of these instances, the FDIC examiner is disqualified from examining the lending institution or the FDIC-supervised bank affiliated with the lending institution as long as the extension of credit is outstanding.

FDIC amended its regulations in order to provide for the legitimate credit needs of its examiners without affecting the objectivity of their work.

# FDIC

PART THREE  
ENFORCEMENT PROCEEDINGS





# ENFORCEMENT ACTIONS

## Actions to Terminate Insurance Status

### Federal Deposit Insurance Act - Section 8(a)

The Corporation has issued 50 termination of insurance orders since January 1971, including eight in 1980. In each case, the bank was found to be in unsafe or unsound condition.

As in the case of cease-and-desist actions, the threat of termination of insurance has caused many banks to take affirmative steps to correct deficiencies, thus eliminating the need for final action.

#### Summary of Cases

**Bank No.**

- 43 Deposits—\$6.3 million  
Notice of intention to terminate insured status issued on March 31, 1980. Bank ordered to provide acceptable management and to increase capital.
- 44 Deposits—\$93.4 million  
Notice of intention to terminate insured status issued on May 5, 1980. Bank ordered to provide acceptable management; increase capital; reduce adversely classified assets; establish an adequate loan loss reserve; correct violations of laws, rules and regulations; obtain regulatory approval prior to payment of dividends; and provide an acceptable asset condition and a certain level of capital.
- 45 Deposits—\$ 10.5 million  
Notice of intention to terminate insured status issued on August 25, 1980. Bank ordered to provide acceptable management; increase capital; reduce adversely classified assets; establish an adequate loan loss reserve; correct violations of laws, rules and regulations; obtain regulatory approval prior to payment of dividends; become fully aware of its fiduciary undertakings and responsibilities and operate the trust department in compliance with the Statement of Principles of Trust Department Management; obtain regulatory approval prior to payment of a salary and any remuneration to a certain insider or any of his related interests; and provide an acceptable asset condition and a certain level of capital.
- 46 Deposits—\$ 7 million  
Notice of intention to terminate insured status issued on October 6, 1980. Bank ordered to provide acceptable management; increase capital; reduce adversely classified assets; establish an adequate loan loss reserve; correct violations of laws, rules and regulations; obtain regulatory approval prior to payment of dividends; and provide an acceptable asset condition and a certain level of capital.
- 47 Deposits—\$ 14.8 million  
Notice of intention to terminate insured status issued on October 10, 1980. Bank ordered to provide acceptable management; increase capital; reduce adversely classified assets; establish an adequate loan loss reserve; establish a plan to control expenses; eliminate internal control deficiencies and adopt a plan for an annual audit; and provide an acceptable asset condition and a certain level of capital.
- 48 Deposits—\$ 2.2 million  
Notice of intention to terminate insured status issued on October 10, 1980. Bank ordered to provide acceptable management; increase capital; reduce adversely classified assets and concentrations of credit;

adopt acceptable written loan policies; establish an adequate loan loss reserve; correct violations of laws, rules and regulations; seek reimbursement for any expense paid by the bank from a specific date and determined to be improper or otherwise not incurred incidental to the business and operation of the bank; and provide an acceptable asset condition and a certain level of capital.

49 Deposits—\$8.4 million

Notice of intention to terminate insured status issued on October 20, 1980. Bank ordered to provide acceptable management; increase capital; reduce adversely classified assets, concentrations of credit and loan volume; adopt acceptable written loan policies; develop and implement an acceptable liquidity and funds management policy; correct violations of laws, rules and regulations; strengthen and/or collect all loans and other extensions of credit to directors and their related interests outstanding as of a specified date and bring same into compliance with Federal Reserve Regulation O; and provide an acceptable asset condition and a certain level of capital.

50 Deposits—\$47.5 million

Notice of intention to terminate insured status issued on October 27, 1980. Bank ordered to provide acceptable management; increase capital; obtain regulatory approval prior to acceptance of capital funds originated in any manner from the proceeds of any loan or other extensions of credit obtained by an affiliate of the bank; reduce adversely classified assets; establish an adequate loan loss reserve; correct violations of laws, rules and regulations; obtain regulatory approval prior to payment of dividends; and provide an acceptable asset condition and a certain level of capital.

## Cease-and-Desist Actions

### Federal Deposit Insurance Act - Section 8(b)

The Corporation has issued 227 orders since January 1971, including 38 in 1980. In addition, 27 temporary cease-and-desist orders were issued in that period, including 3 in 1980. In each case, the bank was ordered to cease-and-desist from unsafe or unsound practices and to take affirmative action to correct conditions. Several such actions are in various stages of processing.

On six other occasions, but none in 1980, formal written agreements between banks and the Corporation were ratified by the FDIC Board of Directors. Noncompliance with these formal written agreements can result in a cease-and-desist action.

### Summary of Cases

Bank No.

190 Docket No. FDIC-80-2b  
Deposits: \$ 11.5 million  
Notice of Charges Issued: December 10, 1979  
Order Issued: January 7, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection practices; had not maintained an adequate reserve for loan losses; and was in violation of FDIC and State regulations and laws. The bank's directors failed to provide adequate supervision and direction over active officers to prevent practices and violations cited.



The bank consented to the entry of a cease-and-desist order and was ordered to provide qualified management and prohibit lending authority of the controlling owner; eliminate violations of laws, rules, and regulations; collect certain out-of-territory loans; charge-off losses and reduce other classifications; not make any new loans to borrowers already adversely classified; establish written loan policies; reduce the past due loan ratio; strengthen credit file documentation; and maintain an adequate loan loss reserve.

191 Docket No. FDIC-80-3b  
Deposits: \$12.6 million  
Notice of Charges Issued: October 22, 1979  
Order Issued: January 14, 1980

The bank was charged with having violated a number of consumer protection, civil rights and certain other laws and regulations, namely: Truth in Lending Regulation Z by failing to properly disclose the annual percentage rate, finance charge, amount financed, number, amount and total of payments, and the amount of balloon payments, and by failing to properly provide customers with the required notice of the right to rescind certain transactions and by distributing loan proceeds within three business days of consummation of such transactions; HUD Regulation X, which implements the Real Estate Settlement Procedures Act, by failing to provide mortgage loan applicants with Special Information Booklets and complete Good Faith Estimates of settlement costs and by failing to retain the HUD-1 Uniform Settlement Statement for two years; FDIC Part 338 by failing to collect and retain fair lending monitoring information with respect to mobile home loan inquiries and applications and by failing to use the prescribed nondiscriminatory lending statement in home improvement loan advertisements; and the Treasury Department's Financial Recordkeeping and Reporting of Currency and Foreign Transactions regulations by failing to maintain the names, addresses and account numbers of individuals from whom the bank was unable to obtain a taxpayer identification number and by failing to maintain records granting signature authority over deposit accounts.

The bank, its board of directors and officers consented to the issuance of an Order which required them to cease-and-desist from the violations described and to take affirmative action to correct the conditions resulting from such violations by searching the bank's loan files for additional violations of Regulation Z of the type identified and by redisclosing loan terms and/or reimbursing charges to the affected customers and, where applicable, by notifying them of their right to rescind their credit transactions and affording them an opportunity to do so. The bank was further required to hire or designate a compliance officer to bring the bank into full compliance with the regulations violated and to adopt a program, including appropriate training for bank officers and employees, designed to assure future compliance with the regulations cited.

192 Docket No. FDIC-80-5b  
Deposits: \$10.4 million  
Notice of Charges Issued: October 29, 1979  
Order Issued: January 21, 1980

The FDIC charged that the bank was operating without an adequate level of capital protection; had not provided a reserve for loan losses; was operating without adequate provisions for liquidity; was engaging in hazardous lending and lax collection practices; and was in violation of certain laws, rules and regulations. The bank's subsidiary paid fees,

not based on services rendered, to certain directors of the bank. The directors of the bank failed to provide adequate supervision and direction over active officers to prevent the practices and violations charged.

The bank consented to the entry of a cease-and-desist order and was ordered to inject new capital and maintain a given capital ratio; to establish an adequate loan loss reserve and maintain at least a given minimum ratio; to cease payment of cash dividends and bonuses to directors, officers, and employees and to have the subsidiary not pay any fees to the bank's directors without written prior consent; to adopt acceptable written investment policies; to charge-off losses; to reduce loan volume, other adverse classifications, delinquent loans, direct and indirect credit to directors, officers and their interests, and concentrations of credit; to not make any new loans to borrowers already adversely classified; to adopt acceptable written loan policies; to provide acceptable management; to correct all violations and take steps to insure future compliance with all laws, rules, and regulations; and to furnish periodic progress reports.

193 Docket No. FDIC-80-9b  
Deposits: \$11.8 million  
Notice of Charges Issued: December 20, 1979  
Order Issued: February 5, 1980

The FDIC charged that the bank was operating without an adequate level of capital protection; had an excessive volume of assets subject to adverse classification; conducted hazardous lending practices; had not provided an adequate reserve for loan losses; was operating with an excessive volume of loans, overdue loans, and without an acceptable written loan policy; was operating with disproportionately large lines of credit to certain obligors in relation to its capital posture; and, was in violation of certain laws, rules and regulations, including obligations of certain insiders. The bank and its management failed to provide adequate supervision and direction over active officers to prevent the practices and violations charged.

The bank consented to the entry of a cease-and-desist order and was ordered to provide acceptable management; charge-off loss and 50% of doubtful classifications and reduce remaining classifications to specified levels; cease extending credit to borrowers whose obligations have been charged off or are adversely classified; reduce overdue loans, concentrations of credit, and loan volume; correct loan documentation deficiencies; adopt acceptable written loan policies; provide for an adequate loan valuation reserve; increase total capital and reserves; correct violations of laws, rules and regulations; discontinue payment of cash dividends; and furnish periodic progress reports.

194 Docket No. FDIC-80-8b  
Deposits: \$41.2 million  
Notice of Charges Issued: November 19, 1979  
Order Issued: February 11, 1980

The FDIC charged that the bank was operating with an inadequate level of capital protection; was following hazardous lending and lax collection policies; allowed the trust department to be operated in such a manner as to incur substantial potential losses; and was in violation of FDIC rules and regulations. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to provide and retain acceptable management; establish

and continue to maintain an adequate reserve for potential losses in the trust department; correct all violations of laws, rules, and regulations; charge-off losses and reduce other classifications; reduce overdue loans; not make any new loans to borrowers with classified loans; and develop written loan policies.

195 Docket No. FDIC-80-13b  
Deposits: \$6.1 million  
Notice of Charges Issued: October 15, 1979  
Order Issued: February 20, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection practices resulting in a disproportionate volume of poor quality and overdue loans; was operating with an inadequate level of capital protection; was in violation of an FDIC order to cease-and-desist, an order of the United States District Court, and order of the state banking authority, and was in violation of FDIC rules and regulations; was operating with an insufficient level of liquidity; had failed to establish and maintain an adequate loan loss reserve; and was operating in such a manner as to result in operating losses in every year since the bank's inception. The bank's directors were charged with failing to provide supervision and direction over operating officers to prevent the practices and violations cited.

At the conclusion of a hearing conducted pursuant to Section 8(b) of the Federal Deposit Insurance Act, management agreed to the issuance of a cease-and-desist order by consent. The bank was ordered to provide qualified management; establish an adequate loan loss reserve; eliminate violations of laws, rules and regulations; charge-off losses and reduce other classifications; not make any new loans to borrowers already adversely classified; reduce the past-due loan ratio to a specified percentage; establish written loan policies; strengthen credit file documentation; maintain adequate liquidity; establish a budget and plan to control expenses; and adopt procedures to ensure compliance with Part 335 of the FDIC Rules and Regulations.

196 Docket No. FDIC-80-11b  
Deposits: \$7.1 million  
Notice of Charges Issued: December 17, 1979  
Order Issued: February 20, 1980

The FDIC charged that the bank maintained hazardous lending and lax collection policies; had an excessive and disproportionately large volume of poor quality assets and delinquent loans; approved loans without sufficient credit information and/or documentation; failed to charge-off or eliminate nonbankable assets; failed to maintain an adequate reserve for loan losses; failed to properly amortize expenses; permitted hazardous self-dealing activities; and failed to maintain an adequate level of capital protection. Further, the bank was operated without adequate internal audit controls; adequate directors' and stockholders' minutes were not maintained; a hazardous conflict of interest with the bank's outside audit firm existed; and violations of certain Federal and State laws and regulations occurred. The directors of the bank failed to provide adequate supervision and direction over the officers to prevent these unsafe or unsound practices and violations.

The bank consented to the entry of a cease-and-desist order and was ordered to provide and maintain adequate management; to eliminate all losses; to cease lending to entities with outstanding adversely classified balances or unpaid charged-off balances; to reduce the volume of adverse classifications; to enforce repayment terms of cer-

tain insider loans and cease further credit extensions thereto; to adopt an acceptable written loan policy; to establish and maintain an adequate reserve for loan losses; and to cease lending for the financing of purchases of the bank's stock, eliminate any existing loan advanced for this purpose and obtain new equity capital to replace amounts of such loans eliminated through charge-off. Additionally, the bank was ordered to abide by its by-laws; to review and document salaries and benefits paid to directors and executive officers for appropriate changes and adjustments; to restrict lending to a specified trade area; to collect preferential loans to insiders and cease preferential lending to this group; to achieve and maintain a specified equity capital ratio; to refrain from dividend payments; to collect all loan documentation exceptions; to correct all deficient internal audit procedures; to maintain adequate minutes of director and stockholder meetings; to refrain from utilizing audit services from any firm that has credit outstanding with the bank; to recognize all expenses in accordance with accepted accounting practices; to eliminate all violations of laws and regulations and ensure future compliance; and to submit periodic progress reports.

- 197 Docket No. FDIC-80-15b  
Deposits: \$9.7 million  
Notice of Charges Issued: December 10, 1979  
Order Issued: February 25, 1980

The FDIC charged that the bank was operating without adequate capital; engaging in hazardous lending and lax collection practices; operating with an excessive volume of other real estate; having a serious lack of liquidity and having violated State banking law.

The bank consented to the entry of a cease-and-desist order and was ordered to provide acceptable management; increase total equity capital; charge-off loss and 50% doubtful classifications and reduce remaining classifications to specific levels; cease extending credit to borrowers whose obligations had been charged-off or are adversely classified; charge-off or sell other real estate classified loss and reduce remaining adversely classified other real estate to specific levels; give prior board of director approval for certain loans; reduce overdue loan volume; adopt a liquidity policy; discontinue payment of cash dividends without prior approval; implement procedures to assure an adequate loan loss reserve; reduce a concentration of credit to specified levels; correct the violation of law and adopt a written loan policy. Additionally, certain insiders were required to reimburse the bank for losses associated with their transactions.

- 198 Docket No. FDIC-80-14b  
Deposits: \$9.9 million  
Notice of Charges Issued: December 17, 1979  
Order Issued: February 25, 1980

The FDIC charged that the bank was operating with an insufficient level of liquidity; was engaging in hazardous lending and lax collection practices; had failed to properly recognize operating expenses which would have resulted in an operating loss in 1979; was operating without an adequate audit program and had excessive deficiencies in internal routine and controls; and was in violation of applicable regulations and laws. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to adopt and begin implementation of an acceptable

liquidity program; reduce classified assets; reduce overdue loans to a specified percentage of total loans; adopt and follow acceptable loan policies; properly reflect all operating expenses; correct all violations of laws, rules, and regulations; correct all internal routine and control deficiencies; and provide qualified management.

199 Docket No. FDIC-80-17b  
Deposits: \$8.3 million  
Notice of Charges Issued: February 25, 1980  
Order Issued: March 17, 1980

The bank was charged with having violated a number of consumer protection and civil rights laws and regulations, namely: Truth in Lending Regulation Z by failing to properly disclose in connection with various consumer credit transactions the annual percentage rate, finance charge, amount financed, the number, amount, due dates or periods of payments and total of payments, the amount of balloon payments, the date on which the finance charges begins to accrue, the method of computing any delinquency charge, a clear description or identification of any security held, the method of computing the rebate of any unearned finance charge and by distributing loan proceeds within three business days of consummation of transactions subject to a right of rescission; FDIC Part 338 by failing to collect and retain fair lending monitoring information with respect to home loan inquiries and applications; the Fair Credit Reporting Act by failing to properly disclose to credit applicants the name and address of a consumer reporting agency furnishing reports that contributed to the denial of credit and by failing to properly disclose the right of applicants to make a written request for the nature of adverse information furnished by third parties other than consumer reporting agencies; the Equal Credit Opportunity Act by failing to provide applicants with the ECOA notice and by failing to disclose the name and address of the FDIC as the administrative enforcement agency; FDIC Part 326 by failing to fully implement and provide for the administration of a security program, including the installation of a tamper resistant lock on the door of a remote drive-up teller facility; and the Treasury Department's Financial Recordkeeping and Reporting of Currency and Foreign Transactions regulations by failing to maintain a record of each depositor's taxpayer identification number.

The bank and its board of directors consented to the issuance of an Order which required the bank, its board of directors, officers and employees to cease-and-desist from the violations described and to take affirmative action to correct the conditions resulting from such violations by searching the bank's loan files for additional violations of Regulation Z of the type identified and by redisclosing loan terms and/or reimbursing charges to the affected customers. The bank was further required to designate a compliance officer to bring the bank into full compliance with the regulations violated and to adopt a program, including appropriate training for bank officers and employees, designed to assure future compliance with the regulations cited.

200 Docket No. FDIC-80-1b  
Deposits: \$34.4 million  
Notice of Charges Issued: January 7, 1980  
Order Issued: March 24, 1980

The FDIC charged that the bank was operating without an adequate level of capital protection; was operating without satisfactory management; had engaged in hazardous lending and lax collection practices; was operating with a lack of sufficient liquidity; had engaged in



lending practices in violation of law; and had failed to adequately provide for potential loan losses. The bank and its management had failed to provide adequate supervision and direction over active officers to prevent the practices and violations charged.

The bank consented to the entry of a cease-and-desist order and was ordered to provide acceptable management; increase total capital and reserves by a specified amount; charge-off loss and 50% of doubtful classifications and reduce remaining adverse classifications to specified levels; cease extending credit to borrowers whose obligations have been charged off or classified doubtful or loss; reduce loan volume and overdue loans; adopt a satisfactory written loan policy; provide for an adequate loan valuation reserve; adopt an acceptable written liquidity policy; obtain regulatory approval prior to payment of dividends; bring all loans into conformance with legal lending limits; and furnish periodic progress reports.

201 Docket No. FDIC-80-28b  
Deposits: \$33.9 million  
Notice of Charges Issued: December 20, 1979  
Order Issued: April 14, 1980

The FDIC charged that the bank had failed to comply fully with a previously agreed to Memorandum of Understanding; was operating with an insufficient level of liquidity; had failed to adhere to adequate written loan policies; had extended certain loans having inadequate collateral, inadequate documentation, and/or insufficient financial information; had repeatedly funded an excessive volume of guaranteed loans for eventual sale in the secondary market rather than for investment purposes; had failed to structure, supervise, and effect repayment terms on certain loans; had extended credit to certain borrowers without regard to their ability to repay; had failed to establish and maintain an adequate reserve for loan losses; and was operating with an inadequate level of capital protection. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to follow an acceptable investment policy; establish and maintain an adequate reserve for loan losses; charge-off losses and reduce classified assets; reduce overdue loans to a specified percentage; not make new loans to borrowers already adversely classified; increase equity capital by a specific amount; and make guaranteed loans only in its normal trade area.

202 Docket No. FDIC-80-12b  
Deposits: \$4.6 million  
Notice of Charges Issued: February 20, 1980  
Order Issued: April 14, 1980

The FDIC charged that the bank was operating without adequate level of capital protection; had an excessive volume of assets subject to adverse classification; had not provided an adequate reserve for loan losses; was operating with an excessive volume of loans, overdue loans, and loans with inadequate documentation; had failed to adhere to an effective loan policy; had extended additional credit to borrowers whose previous credit lines have been adversely classified; was operating without adequate audit controls and safeguards; and had violated applicable laws, rules and regulations. The bank and its management had failed to provide adequate supervision and direction over active officers to prevent the practices and violations charged.

The bank consented to the entry of a cease-and-desist order and



was ordered to provide acceptable management; increase total capital and reserves; charge-off loss and 50% doubtful classifications and reduce remaining adverse classifications to specified levels; establish a program to dispose of adversely classified other real estate; cease extending credit to borrowers whose obligations have been charged off or classified doubtful or loss; adopt a satisfactory written loan policy; reduce loan volume and overdue loans; provide adequate collateral and credit file documentation; provide for an adequate loan valuation reserve; adopt an adequate written internal audit program; obtain regulatory approval prior to payment of dividends; comply with laws, rules and regulations; and furnish periodic progress reports.

203 Docket No. FDIC-80-30b  
Deposits: \$4 million  
Notice of Charges Issued: April 21, 1980  
Order Issued: April 21, 1980

The FDIC charged that the bank failed to properly eliminate nonbankable assets from the books; failed to provide an adequate reserve for future loan losses; approved loans without requiring sufficient credit information and/or documentation; maintained an excessive volume of loans; maintained hazardous lending and lax collection practices; failed to adopt written loan policies; maintained an excessive volume of poor quality and overdue loans; failed to adequately diversify risk; failed to adopt written investment policies; operated without adequate internal audit controls; failed to continuously maintain an adequate level of capital protection and violated certain applicable Federal and State laws and regulations. In addition, the board of directors was charged with failing to adequately supervise the officers of the bank.

The bank consented to the entry of a cease-and-desist order and was ordered to eliminate losses from the books; maintain an adequate reserve for loan losses; observe specific restrictions regarding classified borrowers; eliminate all technical exceptions and ascertain that necessary supporting documentation is obtained before any further credit is extended; maintain a specified limit on loan volume and obtain prior board of director approval for new credits and renewals exceeding a specified amount; review present loan policies and submit revised written loan policies to supervisory authorities; draft and submit a written investment policy to supervisory authorities; correct all violations of law and regulations and correct any cited violations in future regulatory examination reports; reduce asset concentrations; correct deficiencies in internal routine and controls; cease dividend payments; maintain capital and reserves at no less than a specified percent of average assets; and, submit periodic progress reports.

By virtue of a previous outstanding enforcement order, the bank was ordered to provide no less than a specified amount of additional equity capital and to provide and maintain management acceptable to supervisory authorities.

204 Docket No. FDIC-80-26b  
Deposits: \$8.3 million  
Notice of Charges Issued: March 31, 1980  
Order Issued: May 12, 1980

The FDIC charged that the bank had conducted hazardous lending and lax collection practices; failed to adhere to written loan policies; maintained an excessive volume of poor quality and overdue loans; failed to properly dispose of other real estate; approved loans without requiring sufficient credit information; failed to properly eliminate nonbankable assets; failed to adopt sound written investment policies;

failed to exercise prudence in purchasing investment securities; diverted insurance commission income to the controlling stockholder without reimbursement for expenses incidental to production of such income; failed to maintain an adequate level of capital protection and an adequate reserve for future loan losses; operated without adequate internal audit controls and failed to maintain proper records of unearned income. Additionally, the bank was charged with violating certain applicable Federal and State laws and regulations.

The bank consented to the entry of a cease-and-desist order and was ordered to provide acceptable management; eliminate losses, reduce classified assets, and follow specific restrictions regarding classified borrowers; review its written loan policies for appropriate changes and submit to regulatory authorities for approval; take appropriate measures to ensure that lending and collection activities conform with the written loan policy; draft a policy for marketing bank-owned real estate and submit to regulatory authorities for review and approval; correct all documentation exceptions; adopt an acceptable investment policy and submit to regulatory authorities for review and approval; seek reimbursement for losses resulting from securities transactions with a specific individual and related interest and cease credit extensions and securities transactions with that individual and related interest; maintain capital and reserves no lower than a specified minimum ratio; maintain an adequate loan loss reserve; cease cash dividends; review operating expenses; retain all insurance commission income; correct all internal routine and control deficiencies; establish general ledger account for unearned income; and submit periodic progress reports.

205

Docket No. FDIC-80-37b

Deposits: \$5.6 million

Notice of Charges Issued: December 20, 1979

Order Issued: May 12, 1980

The bank and its board of directors were charged with operating without adequate capital; having an excessive and disproportionately large volume of loans; having an excessive and disproportionately large volume of poor quality loans; following hazardous lending and lax collection practices and failure to implement effective written loan policies and programs; granting loans without sufficient credit information and/or without collateral; having an excessive volume of overdue loans; extending credit to borrowers whose previous credits were adversely classified; violating laws, rules and regulations; failure to make an adequate provision for loan losses; operating without adequate liquidity; operating without adequate audit controls and safeguards and operating with a management having policies and practices detrimental to the bank. The FDIC further charged that the board of directors failed to provide direction and supervision over the officers of the bank.

The bank was ordered to obtain a qualified lending officer and define the responsibilities of the president; eliminate and/or correct all violations of laws; charge-off all loss and portions of certain doubtful loans; reduce the remaining adversely classified loans; prohibit additional credit extensions to borrowers whose credit is adversely classified or charged off; maintain a specified ratio of adjusted capital to adjusted assets and submit a plan to augment capital if such a ratio is not maintained; adopt and strictly follow written loan policies; reduce overdue loans; strengthen credit files and correct technical exceptions; take action to obtain financial statements from certain obligors; obtain credit information, appraisals and evidence of insurance where

required by sound banking practice; implement a plan for the maintenance of an adequate reserve for loan losses; adopt and follow an acceptable investment policy; adopt and follow an acceptable internal audit program; pay no cash dividends without prior consent of supervisory authorities; and submit periodic progress reports.

206 Docket No. FDIC-80-18b  
Deposits: \$32.6 million  
Notice of Charges Issued: March 3, 1980  
Order Issued: May 19, 1980

The bank and its board of directors were charged with operating without adequate capital; engaging in hazardous lending and lax collection practices; operating without sufficient liquidity and violating State banking laws.

The bank was ordered to provide and retain acceptable management; increase total capital and reserves by a specified amount; charge-off all loss and 50% of doubtful classifications; reduce the remaining adverse classifications; discontinue extending credit to borrowers whose loans have been charged off or are adversely classified; remove the lending authority from an officer and require prior board of director approval for certain loans; reduce overdue loans, curtail credit to borrowers having a concentration of credit and reduce concentrations of credit, correct loan limit violations; formulate a written liquidity policy acceptable to supervisory authorities and install a moratorium on certain types of loans; formulate an acceptable written loan policy; omit payment of dividends without prior approval of the supervisory authorities; implement procedures to assure an adequate loan valuation reserve; and submit periodic progress reports.

207 Docket No. FDIC-80-24b  
Deposits: \$21.1 million  
Notice of Charges Issued: March 31, 1980  
Order Issued: May 19, 1980

The FDIC charged that the bank operated with hazardous lending and lax collection practices; without adequate provisions for liquidity; without adequate internal controls; without adequate capital; with a management whose policies and practices were detrimental to the bank and jeopardized the safety of its deposits; and that the bank violated the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of the Securities and Exchange Commission and Federal Reserve Regulation O. Certain insiders were named as individual respondents and charged with obtaining loans from the bank without providing adequate security. The directors were charged with failure to provide adequate supervision and direction over the officers of the bank in order to prevent the unsafe or unsound practices and violations charged.

The bank and the individual respondents consented to the entry of a cease-and-desist order and the bank was ordered to provide acceptable management; cease extending credit without adequate documentation for secured credits, without adequate financial information where applicable, and without repayment programs; restrict lending when loans are excessive in relation to deposits and/or liquidity is low; sell no loans with recourse; remove examination losses from the books; adopt and follow acceptable loan and liquidity policies; correct certain internal control deficiencies; reduce classified assets; extend to certain stock purchasers the right to rescind their purchases with that notification to be accompanied by accurate disclosure of the financial condition of the bank; and increase capital. The individual respondents were

ordered to comply with all requirements of Regulation O. Both the bank and the individual respondents were ordered to provide the Regional Office with written reports detailing the extent of compliance with the order.

208 Docket No. FDIC-80-43b  
Deposits: \$15.2 million  
Notice of Charges Issued: July 30, 1979  
Order Issued: June 2, 1980

The FDIC charged that the board of directors failed to follow the bank's lending policies; failed to adequately supervise the chief executive officer; approved loans without regard to whether they were supported by adequate credit information; approved loans without adequate security; approved loans without regard to their legality; failed to inform themselves adequately about the bank's operation; failed to provide for annual independent audits; and retained the chief executive officer after it became apparent that the individual had been providing false information. Additionally, delinquent and adversely classified loans were excessive and disproportionate to total loans, and the bank was operating with an inadequate level of capital.

After a hearing, conducted pursuant to Section 8(b) of the Federal Deposit Insurance Act, a cease-and-desist order was issued and the bank was ordered to refrain from further extensions of credit to borrowers whose loans are classified loss or are charged-off and remain uncollected; to refrain from extending credit without a completed signed debt instrument, adequate security or financial information, and other specified documentation to protect the bank's security interests; employ a capable executive officer who shall have necessary delegated authority from the board; reduce the volume of substandard assets to specified levels within specified time periods; and achieve and maintain a specified level of capital and reserves. Upon compliance with the order or not later than a specified time, the bank shall provide a written report to the Regional Director detailing the extent of compliance.

209 Docket No. FDIC-80-21b  
Deposits: \$4.6 million  
Notice of Charges Issued: March 31, 1980  
Order Issued: June 2, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection policies; had committed certain violations of law; and was operating with excessive deficiencies in internal routine and controls. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to provide acceptable management; charge-off losses and reduce classified assets; not make any new loans to borrowers already adversely classified; reduce the past due loan ratio to a specified level; eliminate violations of law; and correct operational deficiencies and procedures.

210 Docket No. FDIC-80-10b  
Deposits: \$14.8 million  
Notice of Charges Issued: February 5, 1980  
Order Issued: June 9, 1980

The FDIC charged the bank and its management with engaging in hazardous lending practices; having an excessive and disproportionately large volume of poor quality loans; having an excessive volume of

past due loans; having suffered a large amount of loan losses; operating with an inadequate level of capital protection; failing to maintain an adequate reserve for loan losses; having an excessive and disproportionately large volume of loans; and having committed violations of State law. The FDIC further charged the bank's board of directors with failure to provide supervision and direction over the active officers of the bank.

The bank was ordered to retain management acceptable to the FDIC and provide the management with written authority for implementing and maintaining lending, investment and operating policies; eliminate from its books all loss and 50% of doubtful classification; reduce the remaining adversely classified assets to specified levels; prohibit additional credit to borrowers whose loans were classified doubtful, loss or had been charged off; eliminate a concentration of credit; increase total capital and reserves by a specific amount; establish and maintain an adequate valuation reserve for loan losses; take steps to eliminate and/or correct violations of law; develop a written loan policy and, after approval from the FDIC, implement the policy; reduce total loans; pay no cash dividends without prior approval of the FDIC; and provide progress reports.

211 Docket No. FDIC-80-23b  
Deposits: \$6.8 million  
Notice of Charges Issued: March 31, 1980  
Order Issued: June 23, 1980

The FDIC charged the bank and its board of directors with operating without adequate capital; engaging in hazardous lending and lax collection practices; having an excessive amount of other assets classified loss; operating with a serious lack of liquidity; violating State law; failing to provide for potential loan losses; and having excessive operating expenses.

The bank consented to the entry of a cease-and-desist order and was ordered to retain management acceptable to the supervisory authorities; increase total capital and reserves by a specific amount; charge-off or collect all loans or portions of loans classified loss and 50% of those classified doubtful and reduce the remaining loans classified to specific levels within specified time frames and prohibit additional credit to borrowers whose loans had been charged-off or classified loss or doubtful; reduce overdue loans; formulate a written loan policy acceptable to the supervisory authorities; prohibit additional credit to any borrower having concentrations of credit and reduce the concentrations of credit; remove from the books all other assets classified loss; review, approve and document expense items paid by the bank and submit an acceptable plan to the supervisory authorities to reduce salaries and other operating expenses; secure supervisory authority approval for all fixed asset-related expenditures exceeding a specified amount; cease making new loans until the loan to deposit ratio reaches a certain level; adopt a liquidity policy acceptable to the supervisory authorities; pay no dividends without prior approval of the supervisory authorities; implement procedures to assure that the loan valuation reserve reaches an adequate level; correct lending limit violations and establish procedures to ensure future compliance with laws and regulations; and provide progress reports.

212 Docket No. FDIC-80-19b  
Deposits: \$21.4 million  
Notice of Charges Issued: March 31, 1980  
Order Issued: June 30, 1980

The FDIC charged that the bank had engaged in hazardous lending



and lax collection practices; was operating without an adequate level of capital protection; had failed to adequately provide for potential loan losses; and had conducted its business with certain excessive operating expenses. The bank and its management had failed to provide adequate supervision and direction over active officers to prevent the practices charged.

The bank consented to the entry of a cease-and-desist order and was ordered to provide acceptable management; increase total capital and reserves by a specified amount; charge-off loss and 50% doubtful classifications and reduce remaining adverse classifications to specified levels; cease extending credit to borrowers whose obligations have been charged-off or classified doubtful or loss; adhere to certain restrictions regarding the purchase of loans from other banks; reduce overdue loans to specified levels; place loans considered statutory bad debts into a nonaccrual status and expense related costs on a current basis; adhere to certain restrictions regarding officers' lending authority and approval of extensions of credit; establish and enforce repayment programs and/or institute appropriate collection action and cease extending credit to shareholders or former shareholders of an affiliate whose loans are subject to adverse classification; provide for an adequate loan valuation reserve; adopt a satisfactory written loan policy; adopt and implement a program for adequate documentation and specified periodic review and approval of all bank expenses and remuneration to official family members; adhere to limitation on remuneration to a certain director; obtain regulatory approval prior to payment of dividends and payments of any nature to an affiliate; and furnish periodic progress reports.

213 Docket No. FDIC-80-32b  
Deposits: \$6.7 million  
Notice of Charges Issued: April 28, 1980  
Order Issued: June 30, 1980

The FDIC charged that the bank had committed certain violations of law; was operating with an inadequate level of liquidity and without benefit of a formal investment/liquidity policy; was engaging in hazardous lending and lax collection practices; had failed to establish and maintain an adequate reserve for loan losses; and was operating with an inadequate level of capital protection. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to provide and retain management acceptable to supervisory authorities; follow acceptable investment and liquidity policies; charge-off losses and reduce classified assets; establish and maintain an adequate reserve for loan losses; refrain from making new loans to borrowers adversely classified; adopt and follow written loan policies; operate with a sufficient capital structure; eliminate violations of law; and furnish periodic progress reports.

214 Docket No. FDIC-80-22b  
Deposits: \$25.3 million  
Notice of Charges Issued: April 8, 1980  
Order Issued: June 30, 1980

The bank was charged with having violated a number of consumer protection and civil rights laws and regulations, namely: Truth in Lending Regulation Z by failing to properly disclose the annual percentage rate, finance charge, amount financed, the number, amount, due dates or periods of payments and total of payments, the method of comput-

ing any delinquency charge, the type of any security held and the property to which it relates, and by failing to properly provide customers with the required notice of the right to rescind certain transactions; HUD Regulation X, which implements the Real Estate Settlement Procedures Act, by failing to provide mortgage loan applicants with proper Good Faith Estimates of settlement costs; Equal Credit Opportunity Regulation B by failing to provide appropriate written notifications to applicants against whom adverse action was taken; FDIC Part 338 by failing to collect and retain fair housing lending monitoring information with respect to home loan inquiries and applications; and FDIC Part 345 by failing to include the Community Reinvestment Act notice in its Community Reinvestment Act Statement.

The bank and its board of directors consented to the issuance of an order which required the bank, its board of directors, officers and employees to cease-and-desist from the violations described and to take affirmative action to correct the conditions resulting from such violations by searching the bank's loan files for additional violations of Regulation Z of the type identified and by redisclosing loan terms and/or reimbursing affected customers and, where applicable, by notifying them of their right to rescind their credit transactions and affording them an opportunity to do so. In addition, the bank was required to review loan applications received during the six months prior to the last examination date to identify those applicants not provided proper notifications of adverse action and provide each such applicant with the required notifications as prescribed by Equal Credit Opportunity Regulation B. The bank was further required to adopt a program, including appropriate training for bank officers and employees, designed to assure future compliance with the regulations cited.

215 Docket No. FDIC-80-44b  
Deposits: \$5 million  
Notice of Charges Issued: June 30, 1980  
Order Issued: June 30, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection practices; had not provided an adequate reserve for loan losses; was operating without an adequate level of capital protection; was operating with inadequate internal routine and controls; had failed to maintain the minutes of the directors' meetings in adequate detail which indicated a failure to inquire into and review the bank's affairs; and was in violation of certain laws, rules and regulations. The directors of the bank failed to provide adequate supervision and direction over active officers to prevent the practices and violations charged.

The bank consented to the entry of a cease-and-desist order and was ordered to adopt procedures to insure the maintenance of complete and accurate minutes of board meetings; implement adequate internal routine and control procedures; charge-off loss and 50% of doubtful classifications and reduce remaining classified assets; amend its loan and investment policies; correct and/or eliminate all technical exceptions; establish an adequate reserve for loan losses; correct all violations of laws and regulations; increase total capital and reserves by a specified amount; increase the directorate to at least nine members; provide acceptable management; and furnish periodic progress reports.



216 Docket No. FDIC-80-20b  
Deposits: \$8.3 million  
Notice of Charges Issued: March 24, 1980  
Order Issued: July 7, 1980

The FDIC charged that the bank had engaged in hazardous lending and lax collection practices; was operating without an adequate level of capital protection; had not followed generally accepted accounting principles with respect to certain items and had an excessive amount of assets classified loss carried in its fixed asset and other asset accounts; had operated with a lack of sufficient liquidity; had failed to adequately provide for potential loan losses; and had conducted its business with excessive operating expenses. The bank and its management had failed to provide adequate supervision and direction over active officers to prevent the practices charged.

The bank consented to the entry of a cease-and-desist order and was ordered to provide acceptable management; increase total capital and reserves by a specified amount; charge-off loss classifications and reduce remaining adverse classifications and assets listed for special mention to specified levels; cease extending credit to borrowers whose obligations have been charged-off or classified loss; reduce loan volume and overdue loans to specified levels; adopt a satisfactory written loan policy; provide for an adequate loan valuation reserve; adopt an acceptable written liquidity policy; adopt and implement a program for adequate documentation and specified periodic review and approval of all bank expenses and remuneration to official family members; limit additional fixed asset purchases and the execution of additional leases and obtain regulatory approval for purchases and/or execution of same over a specified amount; obtain regulatory approval prior to payment of dividends; and furnish periodic progress reports.

217 Docket No. FDIC-80-47b  
Deposits: \$7.8 million  
Notice of Charges Issued: May 7, 1979  
Order Issued: July 14, 1980

The FDIC charged that the bank was operating in such a manner as to sustain net operating losses which were primarily caused by excessive management fees and heavy loan loss provisions; was operating without an adequate level of capital protection; had recapitalized itself by using the funds of the bank; had an excessive volume of assets subject to adverse classification; and had not provided an adequate reserve for loan losses. The directors of the bank failed to provide adequate supervision and direction over active officers to prevent the practices charged.

After a hearing, conducted pursuant to Section 8(b) of the Federal Deposit Insurance Act, a cease-and-desist order was issued and the bank was ordered to obtain regulatory approval prior to payment of management, consultant or other fees or salaries for the benefit of the directors or their interests; increase capital and reserves by specified amounts and with no part of the increase being funded from money lent by the bank; establish an adequate valuation reserve for loan losses; charge-off loss and 50% of doubtful classifications and reduce remaining adverse classifications to specified levels; cease extending credit to borrowers whose obligations have been charged-off or classified doubtful or loss; and furnish periodic progress reports.

218 Docket No. FDIC-80-41b  
Deposits: \$12.9 million  
Notice of Charges Issued: June 9, 1980  
Order Issued: July 24, 1980

The FDIC charged the bank with operating hazardous lending and lax collection practices; without adequate loan policies; without adequate internal controls and safeguards; with excessive poor quality and overdue loans; and with a management whose policies are detrimental to the bank and its deposits; approving loans without adequate credit information and documentation; failing to remove nonbankable assets from the books; failing to maintain adequate capital protection; failing to establish controls over overdrafts; failing to provide and maintain an adequate reserve for future loan losses, and failing to provide proper controls over repossessed collateral; and violating certain laws and regulations. In addition, the bank's board was charged with failing to provide adequate supervision and direction over the officers of the bank in order to prevent the practices and violations charged.

The bank consented to the entry of a cease-and-desist order and was ordered to provide management acceptable to the Regional Director; cease extending credit without a thorough review, without a positive credit investigation where applicable, or without the approval of the board of directors where prescribed; extend no credit to any borrower whose loans were classified doubtful or loss; pay no overdrafts over the prescribed amount without officer approval; revise and adopt loan policies acceptable to the Regional Director; adopt and execute formal agreements covering acceptance of dealer paper according to the guidelines provided; establish and maintain an adequate reserve for loan losses; eliminate 100% of loans classified loss and 50% of those classified doubtful; develop and implement controls and procedures over repossessed collateral; eliminate all violations; correct internal control and data processing deficiencies; eliminate all technical exceptions; maintain a prescribed minimum capital ratio; pay no dividends without supervisory approval; and submit periodic progress reports.

219 Docket No. FDIC-80-27b  
Deposits: \$47.5 million  
Notice of Charges Issued: April 14, 1980  
Order Issued: August 4, 1980

The FDIC charged the bank and its board of directors with operating without adequate capital; engaging in hazardous lending and lax collection practices; operating without satisfactory management; operating without sufficient liquidity; violating State law; failing to adequately provide for potential loan losses and operating without adequate blanket bond and without excess employee dishonesty insurance.

The bank and its board of directors consented to the entry of a cease-and-desist order and were ordered to retain management acceptable to the supervisory authorities; increase capital by a specified amount within certain time frames; charge-off or collect all assets classified loss and 50% of those classified doubtful, reduce remaining adversely classified assets, refrain from granting additional credit to borrowers whose credit was classified loss, doubtful or had been charged-off; restrict officer lending authority and require prior approval of the board of directors for loans exceeding a specified amount; reduce overdue loans; reduce concentrations of credit; correct violations of law; formulate a written liquidity policy acceptable to the supervisory authorities and reduce loan volume; formulate a written loan policy acceptable to the supervisory authorities; pay no dividend

without prior approval of the supervisory authorities; implement procedures to assure an adequate loan valuation reserve; seek specific amounts of indemnity protection; and provide progress reports.

220 Docket No. FDIC-80-39b  
Deposits: \$21.8 million  
Notice of Charges Issued: June 2, 1980  
Order Issued: August 11, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection policies resulting in an excessive volume of poor quality loans; had failed to establish and maintain an adequate reserve for loan losses; was operating with an inadequate level of capital protection; had committed certain violations of law; had extended excessive credit to the benefit of insiders; had allowed the excessive use of uncollected funds by certain individuals; had extended certain loans with insufficient documentation; and had operated in such a manner as to result in extremely low operating income. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to provide and retain management acceptable to the supervisory authorities; increase equity capital by a specific amount; reduce the past due loan ratio to a specified level; establish and maintain an adequate reserve for loan losses; eliminate violations of law; charge-off losses and reduce classified assets; refrain from making new loans to borrowers adversely classified; limit extension of credit to directors and their interests to a specific level; adopt and follow written guidelines for the elimination of excessive use of uncollected funds; review present loan policies and adopt necessary changes; strengthen credit files; and furnish periodic progress reports.

221 Docket No. FDIC-80-38b  
Deposits: \$76.9 million  
Notice of Charges Issued: June 2, 1980  
Order Issued: September 2, 1980

The FDIC charged that the bank operated without adequate liquidity and with inadequate capital.

The bank consented to a cease-and-desist order and was ordered to refrain from the purchase of securities whose maturities exceed one year unless the loan to deposit ratio is below a mandated percentage and the liquidity ratio exceeds a specified percentage; from extending credit during any month in excess of 50% of the prior month's principal reductions if the specified loan to deposit and liquidity targets are not met; and from engaging in the sale of loans or portions thereof unless a written non-recourse agreement is obtained. Further, the bank was ordered to develop, adopt and strictly follow acceptable written investment and liquidity policies and to achieve specified ratios of adjusted capital and valuation reserves within specific time periods. Finally, a written report to the supervisory agencies detailing compliance with the order is required by a specified date.

222 Docket No. FDIC-80-45b  
Deposits: \$8.9 million  
Notice of Charges Issued: August 4, 1980  
Order Issued: September 22, 1980

The FDIC charged that the bank engaged in hazardous lending and lax collection practices including extending inadequately secured credit, extending credit without obtaining complete or current financial information, failing to enforce repayment programs, extending

additional credit to previously classified borrowers and failing to obtain evidence of priority of liens on real estate secured loans; all resulting in an excessive and disproportionately large volume of poor quality loans. Additionally, the bank failed to adequately reserve for possible loan losses and operated with inadequate liquidity and an inadequate level of capital. The bank and three individual respondents were also charged with violations of law. Finally, the bank's board of directors was charged with failure to provide adequate supervision over the officers of the bank.

The bank and the three individual respondents entered into a consent agreement and a cease-and-desist order was issued. The bank was ordered to cease-and-desist from extending credit without established repayment programs and without obtaining proper documentation on secured and unsecured loans above a specific amount; extending credit in excess of 50% of the prior month's total principal reductions when total loans exceed a specified percent of total deposits or the liquidity ratio is below a given level; and selling loans or portions thereof without obtaining a written non-recourse agreement. Further, the bank was ordered to enforce all loan repayment agreements; charge-off losses; refrain from extending additional credit to borrowers who have not repaid charged-off loans, loans classified loss or doubtful, and substandard loans above a specified amount; maintain an adequate reserve for loan losses; provide and maintain management acceptable to the supervisory authorities; provide evidence of title and priority of liens on secured loans above a specified amount; reduce classified assets not required to be charged-off to designated levels within specified time periods; achieve a specific ratio of capital and reserves to total assets by a specified date; and submit a written report to the Regional Director of the FDIC detailing compliance with the order within a mandated time period. Finally, the bank and three insiders were ordered to correct violations of law and the bank is to ensure future compliance with all laws, rules and regulations.

223

Docket No. FDIC-80-49b & 49c

Deposits: \$8.4 million

Notice of Charges Issued: August 11, 1980

Order Issued: September 29, 1980

The FDIC charged that the bank extended excessive credit in the form of cash items to a director and a related interest, failed to diversify the loan portfolio and extended an excessive credit concentration to the director and his related interest; maintained an excessive loan volume; and failed to maintain sufficient liquid assets to meet depositor and other creditor demands. Further, the bank continued the aforementioned practices despite prior regulatory warnings to cease such practices and take appropriate corrective action. Finally, the bank's board of directors failed to provide adequate supervision and direction over the officers of the bank to prevent such practices.

Simultaneously, with the issuance of the notice of charges, a temporary cease-and-desist order was issued requiring the bank to refrain from: granting further extensions of credit, including cash items, to a specified director and any related interests without regulatory approval; selling loans or portions of loans of the aforementioned director and his related interests unless a written non-recourse agreement is obtained; repurchasing any loan or portion thereof previously sold without regulatory approval; and extending further credit to any borrower which in the aggregate would be in excess of a specified ratio of total equity capital.

Subsequently, a cease-and-desist order was issued by consent, incorporating all prohibitions of the temporary order.

224 Docket No. FDIC-80-46b  
Deposits: \$14.4 million  
Notice of Charges Issued: August 11, 1980  
Order Issued: October 6, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection policies resulting in an excessive volume of poor quality loans; failed to provide an adequate reserve for loan losses; had committed certain violations of law; and was operating with an inadequate level of capital protection. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to provide and retain management acceptable to the supervisory authorities; limit the lending authority of the chief executive officer to a specific amount; increase equity capital by a specific amount; charge-off losses and reduce classified assets; refrain from renewing or extending loans to classified borrowers outside the bank's trade area; refrain from making new loans to borrowers whose obligations are classified doubtful or loss or have been charged-off; strengthen credit file documentation; comply with the previously adopted loan policy; refrain from making new loans outside the bank's trade area without prior supervisory approval; perform quarterly review of adequacy of the loan loss reserve; eliminate violations of law; and furnish periodic progress reports.

225 Docket No. FDIC-80-40b  
Deposits: \$4.7 million  
Notice of Charges Issued: June 2, 1980  
Order Issued: October 6, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection policies and had failed to establish and maintain an adequate reserve for loan losses. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices cited.

The bank consented to the entry of a cease-and-desist order and was ordered to provide and retain management acceptable to the supervisory authorities; reduce the past due loan ratio to a specified level; establish and maintain an adequate reserve for loan losses; reserve monthly a specific amount against a particular loan category; charge-off losses and reduce classified assets; refrain from making new loans to borrowers classified doubtful or loss; and furnish periodic progress reports.

226 Docket No. FDIC-80-48b  
Deposits: \$17.3 million  
Notice of Charges Issued: August 18, 1980  
Order Issued: November 3, 1980

The FDIC charged that the bank was engaging in hazardous lending and lax collection policies resulting in an excessive volume of poor quality loans; failed to establish and maintain an adequate reserve for loan losses; had committed certain violations of law; and was operating with an inadequate level of capital protection. The bank's directors failed to provide supervision and direction over the bank's operating officers to prevent the practices and violations cited.

The bank consented to the entry of a cease-and-desist order and was ordered to provide and retain management acceptable to the



supervisory authorities; increase equity capital by a specific amount; charge-off losses and reduce classified assets; strengthen credit file documentation; refrain from renewing any credit without collecting interest due and without the prior approval of the board of directors; perform quarterly review of adequacy of loan loss reserve; eliminate violations of law; and furnish periodic progress reports.

- 227 Docket No. FDIC-80-52b  
Deposits: \$14.6 million  
Notice of Charges Issued: September 15, 1980  
Order Issued: December 15, 1980

The FDIC charged that the bank extended and maintained an excessive and disproportionately large volume of poor quality assets and overdue loans; failed to properly eliminate nonbankable assets from the books of the bank; and failed to maintain an adequate level of capital. The bank's board of directors was charged with a failure to provide adequate supervision and direction over the officers of the bank in order to prevent such practices.

The bank entered into a consent agreement and a cease-and-desist order was issued. The bank was ordered to eliminate losses from its books in accordance with examination findings; to refrain from further extensions of credit to borrowers whose loans remain classified loss or doubtful or are uncollected; to reduce specific classified assets to given levels within mandated time frames; to obtain a given amount of common capital by a specified time period and to maintain a specific minimum mid-year capital ratio. The bank is also required to submit periodic progress reports detailing actions taken to secure compliance with the order.

## Temporary Cease-and-Desist Actions

### Federal Deposit Insurance Act Section 8(c)

#### Bank No.

- 25 Deposits—\$8 million  
Temporary cease-and-desist order issued on August 11, 1980. The bank was ordered to cease extending further credit to a director and any related interests; cease the sale of loan participations involving the director except under certain conditions; cease repurchasing loan participations; and cease extending credit to borrowers in excess of a specified percentage of the bank's capital account.  
A permanent cease-and-desist order was issued on September 29, 1980.
- 26 Deposits—\$55 million  
Temporary cease-and-desist order issued on October 10, 1980. The bank was ordered to cease-and-desist from entering into business transactions with, or for the benefit of, a certain director and/or anyone employed by him or engaged in business with him.
- 27 Deposits—\$6.1 million  
Temporary cease-and-desist order issued on October 27, 1980. The bank and a director were ordered to cease use of the bank's telex machine. The director was ordered to cease-and-desist from acting as agent and/or representative of the bank or using the bank or its name in connection with any business transaction. The bank was ordered not to enter into business transactions with the director.

## Assessment of Civil Money Penalties

The Financial Institutions Regulatory and Interest Rate Control Act of 1978 provides that the Federal financial institutions regulatory agencies may assess civil money penalties for the violation of a final cease-and-desist order or violations of the provisions of certain other statutes. Four such actions were begun in 1980, two of which were pending at year end.

### Summary of Cases

1 Docket No. FDIC-80-34k

Notice of Assessment Issued: May 12, 1980

The FDIC charged the bank's former president and director with failure to take appropriate actions to prevent the bank from repurchasing loans in violation of a cease-and-desist order, granting loans in violation of a cease-and-desist order, extending loans to one of his business interests in excess of the maximum prescribed by Regulation O, and concealment of his interest in that business.

The individual consented to the entry of an order to pay, and was ordered to pay a civil money penalty.

2 Docket No. FDIC-80-70k

Notice of Assessment Issued: November 17, 1980

The FDIC found that the bank paid numerous checks which created overdrafts against the personal checking account of a director, and paid some or all of the checks creating overdrafts on this account without assessing service charges in the amount which it assesses other customers of the bank in similar circumstances. This constituted the extension of credit to a director at terms more favorable than those prevailing for comparable transactions with other persons who were not "executive officers, directors, or principal shareholders", in violation of Regulation O.

None of the parties involved requested a hearing and a penalty was assessed against the director whose account was overdrawn and penalties were assessed against the individual board members approving the transactions.





**PART FOUR**  
**MERGER DECISIONS OF THE CORPORATION**



BANKS INVOLVED IN ABSORPTION APPROVED BY  
THE FEDERAL DEPOSIT INSURANCE CORPORATION IN 1980

State	Town or City	Bank	Page
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	Thorsby	Chilton County Bank	203
		First Alabama Bank of Chilton County (in organization)	203
Arizona	Phoenix	Surety Savings and Loan Association	188
	Sun City	City Bank	188
California	Cathedral City	Desert Empire Bank	95
	Hawthorne	Commonwealth Bank	93
	Lodi	Mid-Cal National Bank	139
	Los Angeles	Ojai Merger Corporation (in organization)	203
		Los Angeles (P.O. Encino)	Halifax Bank (in organization)
	Ojai	Independence Bank	203
		Ojai Valley State Bank	203
	Rocklin	Placer Bank	179
	Sacramento	FCB Corporation (in organization)	202
		First Commercial Bank	202
	San Bernardino	American Security Bank	133
	San Diego	Mexican American National Bank	104
	San Francisco	Bank of America National Trust and Savings Association	143
		French Bank of California	88
		Hibernia Financial Corporation (in organization)	201
		The Hibernia Bank	178, 201
	San Jose	Bank of the West	88
		Community Bank of San Jose	104
		Pacific Valley Bank	204
PVB Financial Corporation (in organization)		204	
Stockton	Bank of Stockton	139	
Tustin	Eldorado Bank	133	
Walnut Creek	Security National Bank	178	
Walnut Grove	Bank of Alex Brown	179	
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	Jensen Beach	Jensen Beach Bank	164
	Lauderhill	Pan American Bank of Broward	99
	Longboat Key	Ellis Longboat Key Bank	191
	Manatee County (P.O. Sarasota)	Ellis Manasota Bank	191
	Miami	The Bank of Miami	137, 153
		Interamerican Bank of Miami	137
	Palm Beach Gardens (P.O. West Palm Beach)	First National Bank of Palm Beach Gardens	164
	Pensacola	Barnett Bank of Pensacola	193
	Pompano Beach	Fidelity National Bank	99
	Riviera Beach	First National Bank and Trust Company of Riviera Beach	164
	Sarasota	Ellis Sarasota Bank & Trust Company	191
		Ellis American Bank	191
		Ellis Commercial Bank	191
	Sebastian	Southeast Bank of Sebastian	159
	St. Petersburg	Sun Bank and Trust Company of St. Petersburg	138
	Tampa	Southeast Bank of Tampa	109
		Southeast Bank of Westshore	109
	Vero Beach	Southeast Bank of Indian River, N.A.	159
	West Palm Beach	Citizens Bank of Palm Beach County	164
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Georgia	Bowden	The Commercial Bank	201
		Trust Interim Company No. 2 (in organization)	201
	Chamblee	Peachtree Bank and Trust Company	203
		Peachtree Interim Company, Inc. (in organization)	203
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		Trust Company of Rockdale (in organization)	200
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		Trust Interim Company (in organization)	200
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Illinois	Astoria	Farmers State Bank & Trust Company (in organization)	203
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	Chicago	Continental Illinois National Bank and Trust Company of Chicago	189
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		State Bank & Trust Company (in organization)	201
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	Woodbine	The Woodbine National Bank	182
Massachusetts	Attleboro	Attleboro Trust Company	95
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		The Home Savings Bank in Boston	197
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### APPLICATIONS DENIED BY THE BOARD OF DIRECTORS

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## Bank Absorptions Approved by the Corporation

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>The Bowery Savings Bank</b> New York (Manhattan), New York	5,122,472	18	27
<i>to merge with</i> <b>Equitable Federal Savings and Loan Association</b> New York (Brooklyn), New York	162,980*	9	

\*Total Deposits

### Summary report by Attorney General, November 19, 1979

We have reviewed this proposed transaction and conclude that it would have no significant adverse effect.

### Basis for Corporation Approval, January 10, 1980

The Bowery Savings Bank, New York (Manhattan), New York ("Bowery"), an insured mutual savings bank with total resources of \$5,122,472,000 and total deposits of \$4,744,030,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Equitable Federal Savings and Loan Association, New York (Brooklyn), New York ("Equitable"), a Federally-insured savings and loan association with total deposits of \$162,980,000. The two institutions would merge under the charter and title of Bowery and, incident to the merger, the nine offices of Equitable would become branches of the resultant institution, which would commence operation with a total of 27 offices.

### Competition

The largest thrift institution in New York State, Bowery operates its main office and ten branches in New York County (Manhattan), three branches in Nassau County, two in Queens County, and one each in Kings and Suffolk Counties. All of these offices are located within 50 miles of midtown Manhattan. Equitable operates out of nine offices, four of which are located in Kings County, two in Queens County, and one each in Nassau, Suffolk and New York Counties. While there is significant commutation throughout the entire New York City area (including portions of New Jersey), it is within Equitable's five county market area that the effects of the proposed merger would be most immediate and direct. This market area is included entirely within the area serviced by Bowery, and the closest offices of the proponents are separated by only 1,320 feet (in the midtown section of Manhattan). Other offices of each institution are separated by at least 4 to 5 miles. While Bowery controls the largest share of thrift institution deposits in the relevant area (7.4 percent) there are 98 thrift institutions represented in the market (776 banking offices), including all but one of the state's ten largest thrift institutions. Equitable's share of the market is less than 0.3 percent and the proposed transaction would not significantly increase Bowery's share of the market, and there would be no appreciable lessening of competition in the area. The potential for a significant increase in competition to develop between the proponents is considered remote due to Equitable's relatively limited financial resources, as

well as the statutory limitation of one *de novo* branch per year available to Bowery.

Based on the foregoing, the Board of Directors is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of Bowery are adequate for the purposes of this application; however, Equitable has experienced loss operations and is severely undercapitalized. Due to the disparity in size of the two participants, the merger will have little effect on the financial condition of the resultant bank and future prospects are considered favorable.

**Convenience and Needs of the Community to be Served**

The proposed merger would have little effect on convenience and needs of the relevant market. The resultant institution would offer no services which are not already available in the market. Considerations of convenience and needs of the community are, nevertheless, consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statement of Bowery and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to meet the credit needs of its entire community, including low and moderate income neighborhoods, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Buffalo Savings Bank Buffalo, New York	2,435,180	15	16
<i>to merge with</i> Fillmore Savings & Loan Association Buffalo, New York	6,281*	1	

\*Total Deposits

**Summary report by Attorney General, December 14, 1979**

We have reviewed this proposed transaction and conclude that it would not have an adverse effect upon competition.

**Basis for Corporation Approval, January 28, 1980**

The Buffalo Savings Bank, Buffalo, New York ("Applicant"), an insured mutual savings bank with total resources of \$2,435,138,000 and total deposits of \$2,260,150,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for consent to merge, under its charter and title, with Fillmore Savings & Loan Association, Buffalo, New York ("Association"), a Federally-insured, State-chartered mutual savings and loan association with total deposits of \$6,281,000. Incident to the proposed transaction, the sole existing office and an approved, but unopened office of Association would be established as branches of the resultant institution.

**Competition**

Applicant, organized in 1846, operates a total of fifteen offices in the city of



Buffalo and in nearby communities in northern Erie County. Growth and expansion in recent years has been most pronounced in the establishment of EFT units, with a total of 73 units now operated in four adjacent counties of western New York State. Additionally, six *de novo* branches and two public accommodation offices have been established since 1972.

Association, organized in 1909, has confined its activity to serving a small localized community centered in the vicinity of its head office which is located approximately 1 road mile east of Buffalo's "downtown" business district. This local community, with a population of approximately 20,000, is a closely-knit, ethnic neighborhood. Demographic characteristics indicate an aging population base with the historic ethnic composition of the community undergoing a radical change. Federal and city funds have been directed to this area in recent years in order to upgrade the neighborhood; however, many of the community's younger families have settled in nearby suburban areas.

Applicant, headquartered near the business district of Buffalo, is not represented in this local community or in the vicinity of Association's proposed branch site. While the service area of Association is clearly wholly contained within the trade area of Applicant, in light of the modest size of Association and its close ties to a single community and ethnic customer base, the actual volume of direct competition between the proponents is considered slight. Consummation of the proposed transaction would, therefore, have no significant effect on existing competition between the two institutions.

A total of ten thrift institutions operate 70 offices in the city of Buffalo and nearby communities in northern Erie County. Applicant, holding 43.2 percent of the area's thrift institution savings and time deposits, ranks as its largest thrift institution. The area's three largest mutual savings banks, all based in Buffalo, dominate the area's thrift institution banking, aggregately holding more than 92 percent of the thrift institution deposit base. The acquisition of Association, the area's smallest thrift institution holding a declining market share of approximately 0.1 percent, by merger with the area's largest thrift institution would add nominally to the level of concentration of resources in this highly concentrated market; however, the *de minimis* relative size and limited competitive posture of Association serve to minimize the proposal's impact. Accordingly, the proposed merger would have no material effect upon the structure of thrift institution banking or upon the level of concentration of resources in this area.

New York statutes permit statewide merger and *de novo* branching activity, however, limit *de novo* branching by mutual savings banks to a single office each twelve-month period. In light of this statutory limitation, it would appear unlikely that Applicant would branch *de novo* into the localized neighborhood now served by Association, considering the community's uncertain economic prospects. Association, hampered by its limited resources and declining share of the market, is unlikely to become a significant competitive force in the foreseeable future. The potential for increased levels of competition to develop between the proponents appears remote.

Based on the foregoing, the Board of Directors is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

The proposed merger would resolve a potential management succession problem at Association. The financial and managerial resources of Applicant

are regarded as acceptable for purposes of this transaction, and the resultant institution is anticipated to have favorable future prospects.

### Convenience and Needs of the Community to be Served

Association, with its limited financial and managerial resources, has been able to offer the community only a limited scope of savings aide a number of thrift institution services not presently available at Associ including a broad range of savings instruments, and should make available ry into this local community will prova relatively large resource base capable of investing, on a significantly larger scale, in the community's redevelopment efforts. Considerations relating to convenience and needs of the local community are consistent with, and add weight in favor of, approval of the proposal.

A review of available information, including the Community Reinvestment Act Statements of both proponents, disclosed no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with its safe and sound operation.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Bank of the West</b> San Jose, California	565,655	37	42
<i>to merge with</i> <b>French Bank of California</b> San Francisco, California	121,815	5	

### Summary report by Attorney General, October 26, 1979

We have reviewed this proposed transaction and conclude that it would not have an adverse effect on competition.

### Basis for Corporation Approval, February 11, 1980

Bank of the West, San Jose, California ("BW"), an insured State nonmember bank with total resources of \$565,655,000 and total IPC deposits of \$430,741,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under its charter and title, with French Bank of California, San Francisco, California ("French Bank"), an insured State nonmember bank with total resources of \$121,815,000 and total IPC deposits of \$74,630,000, to establish 5 offices of French Bank as branches of the resulting bank, and to redesignate its main office to the present main office site of French Bank. In a related application, BW also requests the Corporation's prior consent to retire convertible capital notes.

### Competition

BW was established in 1874 under a national charter. It converted to a state chartered institution on January 2, 1979 and changed its name from The First National Bank of San Jose. BW currently operates 37 offices in the southern portion of the San Francisco Bay area, and it is a wholly-owned subsidiary of BancWest Corporation, a one-bank holding company. Its main office and 30 branches are located in Santa Clara County, with additional branches located in the adjacent counties of Alameda (four branches and one approved and

unopened branch), San Mateo County to the west (one branch), and Monterey County to the south (one branch). Approval has also been received to establish a branch in Santa Cruz County directly to the west of Santa Clara County. The market area served by BW consists of Santa Clara County and portions of these four adjacent counties. The area is heavily populated and its economy is largely dependent on manufacturing. Santa Clara County is the most populous county in northern California with one of the highest median household effective buying incomes (\$22,738 for 1978) and one of the lowest unemployment rates in the state. There are currently 241 offices of 28 commercial banks operating in Santa Clara County. While BW controls the fourth largest share of the county's commercial bank IPC deposits (8.9 percent), the three largest banks in the area control 68 percent of such deposits.

French Bank was established in 1972 and, except for directors' qualifying shares, is a wholly-owned subsidiary of Banque Nationale de Paris ("BNP"). BNP is the largest commercial bank in France and, together with its subsidiaries, one of the five largest banking organizations in the world. As of December 31, 1978 the Republic of France owned 91.4 percent of BNP. In addition to French Bank, BNP owns uninsured branches in Chicago and in New York City, as well as an agency in San Francisco and in Los Angeles. French Bank operates its main office in San Francisco (San Francisco County), two branches in Los Angeles County, and one branch each in Santa Clara and Orange County.

The only area of market overlap between the proponents is in the Palo Alto area of Santa Clara County. It is within this area of market overlap that the competitive effects of this proposal will be most immediate and direct. French Bank's branch is only 0.7 miles from the nearest office of BW. Within this market there are 73 offices of 18 commercial banks. BW operates 5 branches in the area and is sixth largest in terms of area commercial bank IPC deposits, but it only controls 2.6 percent of such deposits. French Bank has one office and controls the smallest share of the market with only 0.2 percent. The two largest banks in the market control 61.3 percent. The proposed merger, therefore, will not have any material effect on competition within the relevant market.

California statutes permit statewide merger and *de novo* branching activity. This proposal would therefore eliminate the potential for increased levels of competition to develop between the proponents through further expansion by either proponent into markets served by the other institution. In light of the modest deposit shares held by the proponents and the number of actual and potential competitors in these areas, the loss of such potential would have little competitive impact.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

Both proponents have satisfactory financial and managerial resources, as would the resultant bank. Future prospects appear favorable.

#### **Convenience and Needs of the Community to be Served**

The proposed transaction should not result in any measurable change in the degree of public convenience in any of the market areas served by the proponents, as an extensive array of such services is available at offices of relatively large statewide banking organizations which are heavily represented in the area. To the extent, however, that BW provides trust services not presently available at French Bank and also is more consumer-finance oriented than

French Bank, these services would be available to French Bank's customers at the resultant bank. In addition, the customers of BW would have access to international finance services of a broader nature than presently available to them at BW. Considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the two banks, disclosed no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Northwest Pennsylvania Bank & Trust Co. Oil City, Pennsylvania	318,736	22	24
<i>to merge with</i>			
The Merchants and Manufacturers National Bank of Sharon Sharon, Pennsylvania	51,123	2	

### Summary report by Attorney General, no report received.

#### Basis for Corporation Approval, February 20, 1980

Northwest Pennsylvania Bank & Trust Co., Oil City, Pennsylvania ("Northwest Bank"), an insured State nonmember bank with total resources of \$318,736,000 and total IPC deposits of \$261,022,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under its charter and title, with The Merchants and Manufacturers National Bank of Sharon, Sharon, Pennsylvania ("National Bank"), with total resources of \$51,123,000 and total IPC deposits of \$44,420,000. Incident to the proposed transaction the two existing offices and the approved but unopened office of National Bank will be established as branches of the resultant bank.

#### Competition

Northwest Bank operates 22 offices in four counties (Venango, Crawford, Clarion and Mercer) in northwestern Pennsylvania and has received regulatory approval to establish an additional *de novo* office in northwestern Crawford County. National Bank, organized in 1903, operates two offices and has received regulatory approval to establish a third office; all of these offices are in the extreme western portion of Mercer County in western Pennsylvania.

The relevant market in which to assess the competitive impact of the proposed merger is regarded as the area within an approximate 15-mile radius of the city of Sharon, encompassing most of western Mercer County and the adjoining northwestern portion of Lawrence County in Pennsylvania, as well as adjacent portions of Trumbull and Mahoning Counties in Ohio. The city of Sharon (1970 population 22,653), is situated adjacent to the Pennsylvania - Ohio state line and, along with other developed communities in the Shenango

Valley, is highly industrialized. The manufacturing of durable goods forms the economic base, with industrial employment estimated at 10,000 in Sharon and nearby communities. In close proximity are the major industrial centers of Warren, Niles and Youngstown, Ohio, which are easily accessible from Sharon via major highway arteries. These cities provide additional employment opportunities as well as commercial, retail and banking alternatives for many of the residents of the Sharon area.

Northwest Bank's nearest offices to Sharon are located in the borough of Mercer (1970 population 2,654), approximately 13 road miles east of National Bank's closest office. The fact that many residents of the Mercer area commute to the Sharon area for employment indicates that some direct competition between the two banks does occur. The volume of such direct, existing competition, however, is modest, and consummation of the proposed transaction would have no major impact upon existing competition between the proponents.

In the relevant market 16 commercial banks operate 96 offices. National Bank and Northwest Bank rank among the smaller banks in this market, in terms of local deposit shares, holding 2.7 percent and 1.8 percent respectively, of its IPC deposits. Upon consummation of the instant proposal, the resultant bank would rank as the market's 9th largest. The market's four largest banks, in share of total deposits held, aggregately hold almost 50 percent of this market's total commercial bank deposit base.

Pennsylvania statutes permit merger and *de novo* branching activity in a bank's home office county and in counties contiguous thereto; thus there is some potential for increased levels of competition to develop between the proponents. National Bank, in its more than 75 years of operation, however, has confined its activity to a small geographic area in the vicinity of Sharon. Expansion into more distant areas in which Northwest Bank is heavily represented, while possible under governing statutes, is not likely in the foreseeable future. Northwest Bank, with its larger resource base and existing branch network is clearly capable of successful *de novo* entry in the Sharon area, thus, some potential competition would be eliminated by the proposal. National Bank is one of the Sharon area's smallest commercial banks, however, and the number of relatively large banking organizations already firmly established in this market assures the continuation of a competitive banking environment.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of both proponents are regarded satisfactory and the resultant bank is anticipated to have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

The proposed transaction would have little material effect upon the level and pricing of commercial banking services in the areas served by National Bank, as most such services are available in the community at offices of other banks. Considerations relating to the convenience and needs of the community to be served are, however, consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.



Based on the foregoing, the Board of Directors has concluded that the approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>The Northwestern Bank</b> North Wilkesboro, North Carolina	1,510,431	179	180
<i>to merge with</i> <b>The Bank of Eden</b> Eden, North Carolina	8,538	1	

### Summary report by Attorney General, March 21, 1980

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

### Basis for Corporation Approval, February 25, 1980

The Northwestern Bank, North Wilkesboro, North Carolina, ("Northwestern"), an insured State nonmember bank with total resources of \$1,510,431,000 and total IPC deposits of \$1,144,904,000 has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under its charter and title, with The Bank of Eden, Eden, North Carolina ("BOE"), an insured State member bank with total resources of \$8,538,000 and total IPC deposits of \$4,620,000, and to establish the two approved offices of BOE as branches of the resultant bank.

### Competition

Northwestern was established in 1937 and has grown, through mergers and *de novo* branching, to become the fourth largest commercial bank in North Carolina, controlling 8.5 percent of the state's commercial bank deposits. It is a wholly-owned subsidiary of Northwestern Financial Corporation (registered one-bank holding company) and operates 179 offices, all of which are located in the central and western portions of the state, with offices in 44 of the state's 98 counties.

BOE was organized in 1975 and operates a sole office located in the extreme north central portion of North Carolina, approximately 3 miles from the Virginia border. Approval to establish another banking office in Eden has also been received.

BOE is one of the smallest banks in the state and serves a very localized market, consisting of Eden and the immediate surrounding area. It is within this market that the effects of this proposal will be most immediate and direct. Northwestern is not represented in the market, and its closest branch is located approximately 11 miles west of Eden, in Stoneville. Five banks operate a total of 11 offices in the relevant market, including branches of North Carolina's 2 largest commercial banks which control 79.2 percent of the area's commercial bank IPC deposits. BOE controls the second smallest share of such deposits, 7.7 percent. The proposed transaction would provide a more viable competitor with the potential to deconcentrate a highly concentrated market.

Under North Carolina law, each bank could establish *de novo* branches in areas served by the other bank. Because of its limited resources, BOE is unlikely to engage in any large-scale *de novo* branching activity. While Northwestern's further expansion into the Eden market is possible, the modest deposit volume of BOE, as well as the numerous established banks competing in the area,

minimizes the effect of this transaction on possible increased future competition.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of Northwestern are adequate for the purposes of this application; however, BOE has experienced some problems in these areas which would be resolved by the transaction. Due to the disparity in size of the two participants, the merger will have little effect on the financial condition of the resultant bank and future prospects are considered favorable.

**Convenience and Needs of the Community to be Served**

The relevant market area is served by several other large financial institutions, as well as branches of Northwestern, and such additional services as would be offered at BOE's offices are already available in the market. Therefore, the proposed merger would not have any material effect on the convenience and needs of the community as a whole.

A review of available information, including the Community Reinvestment Act Statements of both proponents, and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of the entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Commonwealth Bank</b> Hawthorne, California	34,789	2	3
<i>to merge with</i> <b>Desert Empire Bank</b> Cathedral City, California	7,634	1	

**Summary report by Attorney General, November 30, 1979**

We have reviewed this proposed transaction and conclude that it would not have an adverse effect upon competition.

**Basis for Corporation Approval, February 25, 1980**

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, Commonwealth Bank, Hawthorne, California, an insured State non-member bank with total resources of \$34,789,000 and total IPC deposits of \$23,195,000, has applied for the Corporation's consent to merge, under its charter and title, with Desert Empire Bank, Cathedral City, California which has total resources of \$7,634,000 and total IPC deposits of \$6,163,000. Incident to the transaction, the one existing office and a proposed *de novo* branch office of Desert Empire Bank would be established as branches of the resultant bank. The Corporation's advance consent to the retirement provisions of subordinated capital notes to be issued in conjunction with this transaction is also sought.



## Competition

Commonwealth Bank, established June 2, 1975, operates its head office in the city of Hawthorne (1970 population 53,304) in southern Los Angeles County and a branch, established in 1978, in the adjacent city of Torrance (1970 population 134,584). Desert Empire Bank, established October 1, 1973, operates its sole office in the unincorporated community of Cathedral City (1970 population 3,640) located near the city of Palm Springs in southern Riverside County. An application for the Corporation's consent to establish a *de novo* branch in the community of Palm Desert, approximately 7 road miles southeast of Cathedral City, has been approved by the Corporation's Board of Directors, by separate action this day.

There is no evidence of any material existing competition between the proponents as their respective offices are located approximately 125 road miles apart, separated by highly developed urbanized areas. Desert Empire Bank serves a market in the rapidly developing portion of the Coachella Valley between the city of Palm Springs and the community of Indian Wells. This area, containing an estimated 1970 population of 50,000, has enjoyed rapid growth and is characterized as affluent with estimated median household buying levels substantially higher than nearby areas and the comparable state figure. The economic base is heavily dependent upon the area's attraction as a resort and recreational center for the populous southern California areas to the west.

In this relevant market area a total of 11 commercial banks operate 27 offices. Desert Empire Bank, holding a modest 1.3 percent share of the market's IPC deposit base, has failed to establish itself as an effective competitor, experiencing little deposit growth since 1975, a period in which most of its competitors in this market have enjoyed relatively dynamic growth. Commercial banking in this market is dominated by offices of many of California's largest banking organizations, with the state's two largest banks, in terms of deposits held, aggregately controlling 59.2 percent of the IPC deposits in the local market. In such a banking market, the proposed merger of Desert Empire Bank with Commonwealth Bank, in light of the proponents' modest relative sizes, would have no adverse impact upon the level of concentration of commercial banking resources.

California statutes permit statewide *de novo* branching activity; however, there is little potential for either of the proponents to this proposed transaction to seek such expansion into the market area now served by the other. Desert Empire Bank, with its relatively limited level of resources, could not mount any serious expansion effort outside of the Palm Springs - Palm Desert area in the foreseeable future. Commonwealth Bank, while regarded as successful and rapidly growing in its local market area, would be unlikely, in the absence of the current merger proposal, to branch *de novo* into the distant Palm Springs area where some of the state's largest banks are well established.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

## Financial and Managerial Resources; Future Prospects

Considerations relating to the managerial resources of Commonwealth Bank are regarded as satisfactory for purposes of this proposal. The equity capital level is lower than desired, and the Corporation is concerned about Commonwealth Bank's unfulfilled capital commitment arising from the opening of its Torrance branch. Management's present commitment to provide not less than \$600,000 in new equity capital funds will provide a sufficient base to support

the resultant bank's activities at this time. It is understood that the board of directors of Commonwealth Bank has given its assurance that these funds will be provided in a timely manner. Desert Empire Bank has resolved many of the financial and managerial problems which plagued its early years of operation. The resultant bank, with the proposed addition to its equity capital structure, is anticipated to have favorable future prospects.

### Convenience and Needs of the Community to be Served

The proposal will have little material affect upon the convenience and needs of the banking public in the area now served by Desert Empire Bank. Services which the resultant bank would offer are available at a number of offices of relatively large banking organizations already serving this area. Considerations relating to the convenience and needs of the community to be served are, however, consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>B.M.C. Durfee Trust Company</b> Fall River, Massachusetts (change title to Durfee Attleboro Bank)	95,209	7	13
<i>to merge with</i> <b>Attleboro Trust Company</b> Attleboro, Massachusetts	55,087	6	

### Summary report by Attorney General, January 18, 1980

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

### Basis for Corporation Approval, February 27, 1980

B.M.C. Durfee Trust Company, Fall River, Massachusetts ("Durfee Trust"), an insured state nonmember bank with total resources of \$95,209,000 and total IPC deposits of \$67,125,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Attleboro Trust Company, Attleboro, Massachusetts ("Attleboro Trust"), an insured State nonmember bank with total resources of \$55,087,000 and total IPC deposits of \$43,789,000. These banks would merge under the charter of Durfee Trust and with the title "Durfee Attleboro Bank." Incident to the transaction, the six offices of Attleboro Trust would be established as branches of the resultant bank which would commence operations with a total of 13 offices.

### Competition

Essentially a corporate reorganization, the proposal would provide a means by which Multibank Financial Corp. Quincy, Massachusetts, a multi-bank holding company controlling eight banks, may consolidate its operations in Bristol

County. The proponents have been under common control since 1973. The proposed merger would not affect the structure of commercial banking or the concentration of banking resources within the relevant market.

In view of the foregoing, the Corporation is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Proponents' financial and managerial resources are considered adequate for the purposes of this proposal and the future prospects of the resultant bank appear favorable.

**Convenience and Needs of the Community to be Served**

Services to be offered in the relevant market by the resultant bank would not differ materially from those presently offered by each proponent.

A review of available information, including the Community Reinvestment Act Statements of the proponents, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

On the basis of the foregoing information, the Director of the Division of Bank Supervision, acting on behalf of the Board of Directors under delegated authority, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Hagerstown Trust Company Hagerstown, Maryland	98,213	9	10
<i>to merge with</i>			
Boonsboro Bank of Boonsboro, Maryland Boonsboro, Maryland	12,519	1	

**Summary report by Attorney General, no report received.**

**Basis for Corporation Approval, March 17, 1980**

Hagerstown Trust Company, Hagerstown, Maryland ("Hagerstown Trust"), an insured State nonmember bank with total resources of \$98,213,000 and total IPC deposits of \$85,160,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with Boonsboro Bank of Boonsboro, Maryland, Boonsboro, Maryland ("Boonsboro Bank"), an insured State nonmember bank with total resources of \$12,519,000 and total IPC deposits of \$11,284,000. Incident to the transaction, the sole office of Boonsboro Bank would be established as a branch of the resultant bank, which would commence operations with a total of ten offices.

**Competition**

Hagerstown Trust operates its main office and seven branches in the city of Hagerstown (1970 population 35,862) located in northeastern Washington County, Maryland, and another branch in the city of Hancock (1970 population 1,832) located in the narrow panhandle of western Washington County near the Pennsylvania and West Virginia State borders. Boonsboro Bank operates its sole office in the town of Boonsboro (1970 population 1,410) located in southeastern Washington County.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as an area within approximately 15 road miles of Boonsboro which includes most of eastern Washington County and the adjoining portion of Frederick County and the city of Frederick. Washington County (1970 population 103,829, an increase of 13.8 percent since 1960) is primarily agriculturally oriented with manufacturing activity centered in the vicinity of Hagerstown. Washington County's 1978 median household buying level was \$13,282 compared to \$17,446 for the state.

Hagerstown Trust's nearest office to Boonsboro Bank is located approximately 10 road miles away in Hagerstown. The fact that many residents of the Boonsboro area commute to Hagerstown for employment indicates that there is some direct competition between the two banks. The volume of such direct, existing competition, however, is modest and consummation of the proposed transaction would have no major impact upon existing competition between the proponents.

Maryland state statutes permit statewide merger and *de novo* branching activity, subject to certain minimum capitalization requirements, and therefore, each proponent has the potential to expand into areas now served by the other. Boonsboro Bank has operated as a unit bank since its establishment in 1901, and has neither the experience nor resources to branch *de novo* into areas served by Hagerstown Trust, but Hagerstown Trust, established in 1933, clearly has the capability to branch *de novo* into the Boonsboro area. Citizens Bank of Keedysville, Keedysville has received approval to establish a branch in Boonsboro, so it is unlikely that the area could support a third entrant. Thus, the loss of this limited potential for future competition to develop between the proponents is regarded as having little competitive impact.

In the relevant market, 16 banking organizations, including the state's four largest, operate 57 offices. The market's six largest banking organizations hold 78.2 percent of the IPC deposits. Hagerstown Trust, which presently controls 13.3 percent of the IPC deposits, ranks third, and is the second largest bank in the market that is not affiliated with a bank holding company. Boonsboro Bank, with 1.8 percent of the IPC deposits, ranks eleventh in the market. Acquisition of Boonsboro Bank by Hagerstown Trust would not have a significantly adverse effect on the structure of commercial banking in the market given the circumstances of Boonsboro Bank's relatively small size and geographic location within the market, as well as the fact that the market is open to *de novo* entry.

Hagerstown Trust presently controls 0.8 percent of the total deposits in the state. Acquisition of Boonsboro Bank, which controls only 0.1 percent of such funds, would have no material impact upon the level of concentration of commercial banking resources in Maryland.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly or in any other manner be in restraint to trade.

#### **Financial and Managerial Resources; Future Prospects**

Considerations relating to financial and managerial resources have been satisfactorily resolved and the resultant bank is anticipated to have favorable future prospects:

#### **Convenience and Needs of the Community to be Served**

Considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit

needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Onondaga Savings Bank Syracuse, New York	870,614	14	15
<i>to merge with</i>			
Savings and Loan Association of Auburn Auburn, New York	25,241	1	

**Summary report by Attorney General, no report received.**

**Basis for Corporation Approval, March 17, 1980**

Onondaga Savings Bank, Syracuse, New York ("OSB"), an insured mutual savings bank with total resources of \$870,614,000 and total deposits of \$795,181,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Savings and Loan Association of Auburn, Auburn, New York ("S&L"), a Federally insured savings and loan association with total resources of \$25,241,000 and total deposits of \$20,864,000. The two institutions would merge under the charter and title of OSB and, incident to the merger, the sole office of S&L would become a branch of the resultant institution.

**Competition**

OSB was established in 1855 and currently operates a main office and 13 branches in Onondaga County. All of these offices are located in Syracuse, New York or the immediate surrounding area. S&L was incorporated in 1920 and operates from a sole office in Auburn, New York. Auburn is located approximately 25 miles southwest of Syracuse in Cayuga County (adjacent to Onondaga County) and is the residential, Commercial and industrial hub of the county. While the population of Auburn declined slightly from 35,249 in 1960 to 34,599 in 1970, and it is projected that the 1980 census will show a further decline, the population of the surrounding area has steadily increased. S&L's market area consists of the city of Auburn, as well as other areas within 15 road miles of its office. This market encompasses the central portion of Cayuga County and the western portion of Onondaga County along Routes 5 and 20 (including the city of Skaneateles) as well as the city of Seneca Falls, in eastern Seneca County.

It is within S&L's market area that the effects of this proposal will be most immediate and direct. Six thrift institutions currently operate a total of 10 offices in the area, with S&L controlling the second smallest share of area thrift deposits, 5.7 percent. OSB is not represented in the market and its closest office is approximately 21 road miles northeast in Camillus Township. While neither proponent has an office located in the other's market area, their market areas overlap to some extent, resulting in some minimal competition for deposits. This loss of competition is considered insignificant, and there would not be any adverse impact upon the structure of thrift institution banking in the relevant market.



The possibility that any significant level of competition may develop between the proponents through *de novo* branching appears remote. OSB, governed by a state statute which limits such *de novo* expansion to one branch per year, is viewed as an unlikely potential entrant into the Auburn area in the foreseeable future. The modest size and limited resources of S&L, which has operated from a single office since inception, would seem to preclude any meaningful *de novo* expansion effort on its part in the Syracuse market.

Based on the foregoing, the Board of Directors is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of OSB are satisfactory; however, S&L has experienced some problems in these areas which would be resolved by this transaction. The future prospects of the resultant bank are considered favorable.

#### **Convenience and Needs of the Community to be Served**

The proposed merger would provide S&L's customers with an increased and expanded range of services not now offered by S&L, including checking accounts, expanded loan services and deposit accounts, as well as life insurance and a full range of retirement accounts.

A review of available information, including the Community Reinvestment Act Statement of both proponents and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Pan American Bank of Broward Lauderhill, Florida	42,966	4	6
<i>to merge with</i>			
Fidelity National Bank Pompano Beach, Florida	24,947	2	

#### **Summary report by Attorney General, May 20, 1980**

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

#### **Basis for Corporation Approval, March 31, 1980**

Pan American Bank of Broward, Lauderhill, Florida ("Pan American Bank"), an insured state nonmember bank with total resources of \$42,966,000 and total IPC deposits of \$34,385,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with Fidelity National Bank, Pompano Beach, Florida ("Fidelity Bank"), with total resources of \$24,947,000 and total IPC deposits of \$21,666,000. Incident to the transaction, the two offices of Fidelity Bank would be established as branches of the resultant bank, which would commence operations with a total of six offices.

## Competition

Pan American Bank operates its main office in the city of Lauderhill (1970 population 8,465) and one branch each in the cities of Hollywood (1970 population 106,873), Oakland Park (1970 population 16,261) and Pembroke Pines (1970 population 15,520), all of which are located in the southeastern part of Broward County along the Atlantic Coast. Pan American Bank is the only Broward County subsidiary of Pan American Bancshares, Inc., Miami, Florida, a multi-bank holding company presently controlling nine banks whose total deposits aggregate \$674,910,000. Fidelity Bank operates its main office and only branch in the city of Pompano Beach (1970 population 37,724) in northeastern Broward County along the Atlantic Coast.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as Broward County (1970 population 620,100, an increase of 85.7 percent from 1960) The economy of the county is changing from one based on agriculture and tourism to a more diversified one that includes residential, financial and commercial segments. Real estate development and related activities are also of economic importance due to the rapid growth and expansion of the county's population. Broward County's 1978 median household buying level was \$15,053, compared to \$13,173 for the state.

Pan American Bank's closest office to Fidelity Bank is located in Oakland Park, some three miles southwest of Pompano Beach. This proximity of offices would indicate that the two banks are in competition with each other in the relevant market, and this existing competition would be eliminated by consummation of the proposed transaction. Similarly, as Florida statutes presently permit county-wide merger and *de novo* branching activity, the proposal would preclude the potential for increased levels of competition to develop between them in this market. This market, however, is highly developed and urbanized, containing numerous offices of large statewide banking organizations located in close proximity to offices of both proponents. In this light, the loss of some existing and potential competition between the two banks, as a consequence of the proposal, is regarded as having little competitive impact.

In the relevant market, 32 banking organizations with 125 offices control IPC deposits of \$2,872,843,000. Pan American Bank presently controls 1.2 percent of those deposits and acquisition of Fidelity Bank would only add 0.8 percent to that share. As the relevant market has numerous banking alternatives, acquisition of Fidelity Bank by Pan American Bank would not have a significantly adverse effect on the level of deposit concentration or on the structure of commercial banking in the market.

Pan American Bancshares, Inc. presently controls 2.04 percent of the total deposits in the state. Acquisition of Fidelity Bank, which controls only 0.06 percent of such funds, would have no material impact on the level of concentration of commercial banking resources in Florida.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly or in any other manner be in restraint of trade.

## Financial and Managerial Resources; Future Prospects

With the contemplated addition to its capital structure, the financial and managerial resources of Pan American Bank appear sufficient to support the acquisition of Fidelity Bank, and the resultant bank is anticipated to have favorable future prospects.



**Convenience and Needs of the Community to be Served**

Consummation of the proposed transaction will have little effect on the level and pricing of commercial banking services in the areas served by the proponents. The resultant bank's increased resources and capital will allow it to compete more effectively with the larger banks in the county. Considerations relating to convenience and needs are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Jefferson Bank Biloxi, Mississippi (change title to Coast Commercial Bank)	6,994	1	3
<i>to merge with</i> Singing River Bank Moss Point, Mississippi	10,767	2	

**Summary report by Attorney General, December 14, 1979**

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

**Basis for Corporation Approval, March 31, 1980**

Jefferson Bank, Biloxi, Mississippi ("Jefferson"), an insured state non-member bank with total resources of \$6,994,000 and total IPC deposits of \$2,899,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Singing River Bank, Moss Point, Mississippi ("SRB"), with total resources of \$10,767,000 and total IPC deposits of \$6,982,000. The banks would merge under the charter of Jefferson and with the title of Coast Commercial Bank. Incident to the merger the two offices of SRB would become branches of the resultant bank.

**Competition**

Jefferson, established in 1977, operates its sole office in the city of Biloxi (Harrison County) on the Mississippi Gulf Coast. Biloxi (1970 population 48,486) is the largest city in the southern portion of the state. SRB, established in 1975, operates a main office in the city of Moss Point (Jackson County) and one branch approximately three miles south in Pascagoula. Moss Point (1970 population 19,321) and Pascagoula (1970 population 27,264) are contiguous and are situated on the Gulf Coast, approximately 16 miles east of the city limits of Biloxi.

Jefferson's trade area is regarded as the area within approximately 15 road miles of its sole office, encompassing southeastern Harrison County and the southwestern portion of adjacent Jackson County, including the cities of Gulfport, Biloxi and Ocean Springs, Mississippi. This coastal area provides port

facilities for deep water ships, as well as fishing and pleasure boats. The economy of the area is also influenced by the presence of Keesler Air Force Base in Biloxi. Within this market area there are currently 39 offices of 10 commercial banks. Jefferson has the smallest share of area commercial bank IPC deposits (0.8 percent) and SRB is not represented in the market.

SRB's trade area is regarded as the area within approximately 15 road miles of its two banking offices, encompassing southeastern Jackson County, including the cities of Moss Point and Pascagoula, Mississippi. This area is more industrial, with its economy largely dependent upon shipbuilding, shipping, an oil refinery, chemical fertilizers, paper manufacturing and commercial fishing. There are currently 19 offices of six commercial banks serving this market. SRB has the second smallest share of the area's commercial bank IPC deposits (5.8 percent), and Jefferson is not represented.

The closest offices of the two banks are separated by approximately 22 road miles and, while their market areas overlap to some extent, there is no evidence of any existing competition between the proponents. Because of the limited financial resources of the two institutions, neither is expected to embark on any extensive branching program in the other's market area. The transaction should not have any significant effect on existing competition, potential competition, or the structure of commercial banking in any relevant area.\*

The Board of Directors is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

Considerations relating to financial and managerial resources have been satisfactorily resolved, and the resultant bank is anticipated to have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

The proposal will have little material effect upon the convenience and needs of the residents in the areas now served by the proponents. Services which the resultant bank would offer are available at a number of offices of larger banks already serving these areas. Considerations relating to the convenience and needs of the community to be served are, however, consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

\* Both banks are controlled by Fred M. Bayles. Since this affiliation between the two banks has not heretofore been subject to regulatory scrutiny, the affiliation is of no persuasive value in determining, for the purposes of the Bank Merger Act, what competitive impact, if any, the proposed transaction may have. Therefore, in accordance with past agency practice, the Board of Directors has ignored the affiliation in its assessment of the proposal.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Bergen Bank of Commerce</b> Paramus, New Jersey (change title to Northeastern Bank)	47,899	2	8
<i>to merge with</i> <b>Franklin Bank</b> Paterson, New Jersey	95,824	6	

### Summary report by Attorney General, February 1, 1980

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

### Basis for Corporation Approval, April 8, 1980

Bergen Bank of Commerce, Paramus, New Jersey ("BOC"), an insured state nonmember bank with total resources of \$47,899,000 and total IPC deposits of \$37,075,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Franklin Bank, Paterson, New Jersey ("Franklin"), with total resources of \$95,824,000 and total IPC deposits of \$77,940,000. The banks would merge under the charter of BOC and with the title of Northeastern Bank. Incident to the merger the six approved offices of Franklin would be established as branches of the resultant bank, and the present main office of Franklin would be redesignated as the main office of the resultant bank.

### Competition

BOC, established in May of 1972, operates a main office and one branch in Paramus, New Jersey. The branch was opened in 1974 and is located one-half mile north of the main office. The borough of Paramus (1970 population 29,495) is located in the northeast corner of New Jersey, approximately 12 miles from New York City. The area is highly developed, with an extensive retail concentration, four industrial parks and several large office buildings. BOC's market is relatively localized, consisting of Paramus and the immediate surrounding area. In July of 1979 BOC was purchased by Horizon Bancorp. Horizon Bancorp owns two other banks, which operate a total of 47 banking offices, located in central and north-central New Jersey. These affiliated banks are American National Bank and Trust Company of New Jersey, Morristown, New Jersey ("ANBT") (total resources \$576,530,000; IPC deposits \$419,593,000) and Princeton Bank and Trust Company, Princeton, New Jersey (total resources \$201,233,000; total IPC deposits \$166,024,000).

Franklin, established in 1917, operates a main office and one branch in Paterson, Passaic County, New Jersey, one branch each in Totowa and Hawthorne (also Passaic County) and one branch in Butler, Morris County, New Jersey. Approval has also been granted to open an additional branch in Clifton, Passaic County, New Jersey. Passaic County, located in northern New Jersey, is adjacent to Bergen County, to the north, and Morris County, to the south. Franklin's service area consists of the southeastern portion of Passaic County, as well as the far northeastern part of Morris County. It is within this area that the effects of this proposal will be most immediate and direct. The area is largely residential (1970 population 4 substantial amounts of industrial and retail business. A total of 18 commercial banks operate 90 offices in this market area, with the four largest (in terms of area deposits) holding 82 percent of the

area's commercial bank IPC deposits. Franklin has the fifth largest share of such deposits (4.1 percent). While neither BOC or its affiliates are located within the relevant market, the area is bordered on the north by BOC's market area and on the south by ANBT's market area. In spite of this there is no evidence of any material competition between these institutions, and the proposed transaction would have no significant effect on existing competition or the structure of commercial banking in the relevant area. New Jersey banking law provides for statewide *de novo* branching, subject to certain limitations. It is possible that either BOC (or one of its affiliates) or Franklin would enter the other's market through *de novo* branching. Therefore, while some potential competition will be eliminated, there are numerous banking alternatives available in the area, and the effect of this loss of potential competition is not considered significant.

The Board of Directors is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Both proponents have satisfactory financial and managerial resources, as would the resultant bank. Future prospects appear favorable.

**Convenience and Needs of the Community to be Served**

The proposal will have little material effect upon the convenience and needs of the residents in the areas now served by the proponents. Services which the resultant bank would offer are available at numerous offices of other banks already serving these areas. Considerations relating to the convenience and needs of the community to be served are, however, consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Community Bank of San Jose San Jose, California	76,296	4	7
<i>to merge with</i>			
Mexican American National Bank San Diego, California	22,856	3	

**Summary report by Attorney General, March 21, 1980**

We have reviewed this proposed transaction and conclude that it would not have an adverse effect upon competition.

**Basis for Corporation Approval, April 21, 1980**

Community Bank of San Jose, San Jose, California ("Community Bank"), an

insured state nonmember bank with total resources of \$76,296,000 and total IPC deposits of \$61,065,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with Mexican American National Bank, San Diego, California ("Mexican American"), with total resources of \$22,856,000 and total IPC deposits of \$17,002,000. Incident to the transaction, the three offices of Mexican American would be established as branches of the resultant bank, which would commence operations with a total of seven offices.

### **Competition**

Community Bank operates its main office and three branches in the city of San Jose (1970 population 445,779) located in northwestern Santa Clara County (1970 population 1,066,421) in west-central California some 48 miles south of San Francisco. Mexican American operates its main office in the city of San Diego (1970 population 696,769) in west-central San Diego County (1970 population 1,357,854) and a branch in the city of San Ysidro approximately 13 miles south of San Diego near the Mexican Border. Mexican American also operates a branch in the south-central portion of adjoining Imperial County in the city of Calexico near the Mexican Border.

There is no evidence of any material existing competition between the proponents as their respective offices are located over 400 miles apart and separated by highly developed urbanized areas. Mexican American serves three localized markets and in each of these markets holds an insignificant share of the IPC deposits. Commercial banking in these markets is dominated by offices of some of California's largest banking organizations, and in light of the modest size of the proponents, the proposed transaction would have no adverse impact upon the level of concentration of commercial banking resources in any area.

California statutes permit statewide *de novo* branching activity; however, there is little potential for either of the proponents to seek such expansion into the market areas now served by the other. Community Bank does have an application pending to establish a branch in Los Angeles, but if approved, it would have no effect on any areas now served by the proponents.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### **Financial and Managerial Resources; Future Prospects**

Considerations relating to financial and managerial resources have been satisfactorily resolved and the resultant bank is anticipated to have favorable future prospects.

### **Convenience and Needs of the Community to be Served**

The resultant bank would be able to offer a broader range of commercial banking services than presently available at Mexican American, and considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.



	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Grenada Bank Grenada, Mississippi	432,889	34	35
<i>to merge with</i> Baldwyn State Bank Baldwyn, Mississippi	8,662	1	

### Summary report by Attorney General, February 1, 1980

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

### Basis for Corporation Approval, April 28, 1980

Grenada Bank, Grenada, Mississippi, an insured state nonmember bank with total resources of \$432,889,000 and total IPC deposits of \$354,752,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with Baldwyn State Bank, Baldwyn, Mississippi, an insured state nonmember bank with total resources of \$8,662,000 and total IPC deposits of \$6,747,000. Incident to the transaction, the sole office of Baldwyn State Bank would be established as a branch of the resultant bank, which would commence operations with a total of 35 offices.

#### Competition

Grenada Bank is headquartered in the city of Grenada located in Grenada County in north-central Mississippi. Grenada Bank operates 33 branches in 12 counties in the northern half of the state. Baldwyn State Bank operates its sole office in the Prentiss County portion of the city of Baldwyn in northeastern Mississippi. Baldwyn (1970 population 2,366) straddles the Prentiss County-Lee County boundary.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as an area within approximately 12 road miles of Baldwyn. This market is comprised of southern Prentiss County as far north as Booneville, northeastern Union County, and northern Lee County as far south as Saltillo. The market area, which is predominately agricultural with light industry, had an estimated population for 1970 of 24,650, an increase of approximately 10 percent since 1960. In the relevant market, five banks operate 12 offices and control total IPC deposits of \$83,838,000. Of these deposits, Baldwyn State Bank holds the fourth largest share, 7.6 percent. Grenada Bank is not represented in this market, and its closest office to Baldwyn is approximately 51 road miles southwest in the city of Houston. It therefore appears that there is no significant existing competition between the two banks that would be eliminated by the proposed merger.

Mississippi statutes permit "branch banks" within a 100-mile radius of a bank's home office, subject to certain minimum capitalization requirements and home office protection provisions. Baldwyn State Bank lacks the financial and managerial resources to attempt *de novo* entry into areas served by Grenada Bank. Grenada Bank has the capability to branch *de novo* into the Baldwyn area, as do a number of other banks, but the area is not attractive for *de novo* entry at this time. Given these circumstances, and the relatively modest size of Baldwin State Bank, consummation of the proposed transaction would not eliminate any significant potential competition.

Grenada Bank at September 30, 1979, controlled 4.0 percent of Mississippi's total commercial bank deposits. Acquisition of Baldwyn State Bank, which controlled only 0.1 percent of such funds, would have no material impact upon the level of concentration of commercial banking resources in the state.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Grenada Bank and Baldwyn State Bank have satisfactory financial and managerial resources, and the resultant bank would have favorable future prospects.

**Convenience and Needs of the Community to be Served**

Consummation of the proposed transaction would have little effect on the level and pricing of commercial banking services in the areas served by the proponents. Considerations relating to convenience and needs of the community to be served are, however, consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Peoples Bank and Trust Company Tupelo, Mississippi	202,475	18	22
<i>to merge with</i> Bank of Amory Amory, Mississippi	35,907	4	

**Summary report by Attorney General, no report received.**

**Basis for Corporation Approval, April 28, 1980**

The Peoples Bank and Trust Company, Tupelo, Mississippi ("Peoples Bank"), an insured state nonmember bank with total resources of \$202,475,000 and total IPC deposits of \$157,183,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under the charter and title of The Peoples Bank and Trust Company, with Bank of Amory, Amory, Mississippi, which has total resources of \$35,907,000 and total IPC deposits of \$30,069,000. Incident to the transaction, the four offices of Bank of Amory would be established as branches of Peoples Bank.

**Competition**

Peoples Bank, based in the city of Tupelo (1970 population 20,471), operates 18 offices in four counties of northeastern Mississippi. Bank of Amory, based in the rural community of Amory (1970 population 7,236), approximately 27 road miles southeast of Tupelo, operates four offices in Monroe County, which is regarded as approximating the relevant market in which to



assess the competitive impact of the proposed transaction. Monroe County (1970 population 34,043) is sparsely populated relative to neighboring counties and has an agriculturally-based economy. The county's 1978 median household buying level of \$12,606 compares favorably with the state figure of \$11,991, however, is substantially lower than adjacent Clay, Lee and Lowndes Counties.

A total of five commercial banks operate 19 offices in Monroe County. Bank of Amory, with approximately 24 percent of the market's IPC deposits, ranks as the county's second largest bank in share of IPC deposits held. Represented in the market are several offices of two of the state's largest commercial banks, which aggregately hold 38.7 percent of the market's IPC deposit base. Peoples Bank is not represented in this local market, serving adjacent, but separate, markets centered in Tupelo and in southeastern Clay County. The proponent's closest offices are located approximately 18 road miles distant, and do not directly compete to any significant degree. The proposed transaction, therefore, would have no significant effect on existing competition, or any adverse impact upon the structure of commercial banking or the level of concentration of banking resources in any relevant area.

Mississippi statutes permit "branch banks" within 100 miles of a bank's head office, subject to certain minimum capitalization requirements and restrictions in communities of less than 3,500 population. Under existing legislation, each proponent has the potential to expand *de novo* into the area now served by the other, a situation which would be eliminated by consummation of the proposed transaction. Bank of Amory, in its more than 80 years of operation, has limited its activity to serving a rural, localized market, and seems unlikely in the foreseeable future to embark upon any significant expansion effort into the more populous areas now served by Peoples Bank. The presence of 19 commercial banking offices for Monroe County's population of 34,900 (estimated December 31, 1978), tends to make *de novo* entry by Peoples Bank into this market relatively unattractive at the present time. The number of both local independent banks and relatively large regional banks which would continue to serve the market, and the existence of other potential *de novo* entrants, assures the continuation of a competitive banking climate, and the loss of some potential for future competition between the proponents would have only a nominal impact.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

Both institutions have satisfactory financial and managerial resources, and the resultant bank would have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

The resultant bank would be able to offer a wider range of commercial banking services, including a substantially higher lending limit and expanded trust services, than presently available at offices of Bank of Amory. While such services are already available in the market at offices of relatively large regional banks serving this area, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Southeast Bank of Tampa Tampa, Florida	36,492	1	2
<i>to merge with</i> Southeast Bank of Westshore Tampa, Florida	25,548	1	

**Summary report by Attorney General, November 19, 1979**

We have reviewed this proposed transaction and conclude that it would not have an adverse effect upon competition.

**Basis for Corporation Approval, May 1, 1980**

Southeast Bank of Tampa, Tampa, Florida, an insured state nonmember bank with total resources of \$36,492,000 and total IPC deposits of \$25,924,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Southeast Bank of Westshore, Tampa, Florida, an insured state nonmember bank with total resources of \$25,548,000 and total IPC deposits of \$18,195,000. These banks would merge under the charter and with the title of Southeast Bank of Tampa. Incident to the transaction, the sole office of Southeast Bank of Westshore would be established as a branch of the resultant bank which would commence operations with a total of two offices.

**Competition**

Essentially a corporate reorganization, the proposal would provide a means by which Southeast Banking Corporation, Miami, Florida, a multi-bank holding company controlling 19 banks, may consolidate its operations in Hillsborough County. The proponents have been under common control since 1977. The proposed merger would not affect the structure of commercial banking or the concentration of banking resources within the relevant market.

In view of the foregoing, the Corporation is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Proponents' financial and managerial resources are considered adequate for the purposes of this proposal, and the future prospects of the resultant bank appear favorable.

**Convenience and Needs of the Community to be Served**

Services to be offered in the relevant market by the resultant bank would not differ materially from those presently offered by each proponent.

A review of available information, including the Community Reinvestment Act Statements of the proponents, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

On the basis of the foregoing information, the Acting Director of the Division of Bank Supervision, acting on behalf of the Board of Directors under delegated authority, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Bank of Mississippi Tupelo, Mississippi	332,688	30	32
<i>to merge with</i> Security Bank of Hernando Hernando, Mississippi	12,397	2	

### Summary report by Attorney General, May 5, 1980

We have reviewed this proposed transaction and conclude that it would not have an adverse effect upon competition.

### Basis for Corporation Approval, May 5, 1980

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, Bank of Mississippi, Tupelo, Mississippi, an insured state non-member bank with total resources of \$332,688,000 and total IPC deposits of \$254,635,000, has applied for the Corporation's consent to merge, under its charter and title, with Security Bank of Hernando, Hernando, Mississippi ("Security Bank"), which has total resources of \$12,397,000 and total IPC deposits of \$8,666,000. Incident to the transaction, the two offices of Security Bank would be established as branches of Bank of Mississippi.

The Commissioner, Department of Banking and Consumer Finance for the State of Mississippi, has advised the Corporation of an emergency situation and requested expeditious action pursuant to paragraph 6 of Section 18(c) of the Federal Deposit Insurance Act. The publication of notice as required by the Bank Merger Act has been completed.

### Competition

Security Bank, established 1973, is headquartered in the town of Hernando (1970 population 2,499), in De Soto County, which is in the extreme northwestern portion of Mississippi. A branch office is operated in Southaven (1970 population 8,931), approximately 12 road miles north of Hernando, on the Tennessee-Mississippi state line adjoining the city limits of Memphis, Tennessee.

Bank of Mississippi operates 30 offices in 11 counties of northern Mississippi, with the majority of these offices located in the northeastern portion of the state centered in the vicinity of the city of Tupelo. Two offices are operated in De Soto County; one in the village of Olive Branch (1970 population 1,513), was acquired by merger with Bank of Olive Branch in 1973, and a *de novo* branch at an industrial park was established in 1975. These two offices held IPC deposits of \$15,310,000 as of June 30, 1979. Bank of Mississippi is the state's fifth largest commercial bank in share of deposits held.

It is evident that the nearby city of Memphis (1970 population 623,497) plays an important role in the growth and economic activity of De Soto County and that the relatively large commercial banking organizations based in that city exert a considerably competitive impact throughout Security Bank's service area. The relevant market in which to assess the competitive impact of the proposed transaction is, therefore, regarded as De Soto County plus the adjacent city of Memphis, Tennessee.

In this relevant market 17 commercial banks operate 130 banking offices. Both Security Bank, holding only 0.4 percent share of the market's IPC deposits, and Bank of Mississippi, holding a 0.7 percent share of such funds, rank among the smaller banks in the market. The market is dominated by three

relatively large Memphis-based commercial banks which aggregately operate 75 offices and control more than 75 percent of the market's IPC deposit base. In such a competitive environment, the merger of Security Bank and Bank of Mississippi would have little impact on the structure of commercial banking or on the level of concentration of banking resources. Similarly, while some existing and potential competition between the proponents would be eliminated by consummation of the proposed merger, the volume of such competition is regarded as modest, and its loss would have no significant competitive effect.

#### **Financial and Managerial Resources, Future Prospects**

The financial resources of Security Bank are inadequate, and its future viability is in grave doubt. Bank of Mississippi has a sound asset structure, satisfactory management, and is regarded as capable of resolving the problems now facing Security Bank. The resultant bank would appear to have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

The merger of Security Bank with Bank of Mississippi would preclude any interruption of banking services for the clientele of Security Bank. These customers should also benefit from the resulting larger, sound institution.

A review of available information, including the Community Reinvestment Act Statement of Bank of Mississippi and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is anticipated to continue to meet the credit needs of its entire community consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Dime Savings Bank of New York New York (Brooklyn), New York	4,934,767	20	25
<i>to merge with</i>			
First Federal Savings and Loan Association of Port Washington Port Washington, New York	148,147	5	

#### **Summary report by Attorney General, November 17, 1978**

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

#### **Basis for Corporation Approval, May 27, 1980**

The Dime Savings Bank of New York, New York (Brooklyn), New York ("Dime"), an insured mutual savings bank with total resources of \$4,934,767,000 and total deposits of \$4,391,143,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with First Federal Savings and Loan Association of Port Washington, Port Washington, New York ("S&L"), a federally-insured mutual savings and loan association with total resources of \$147,148,000 and total deposits of \$138,157,000, and to establish the five offices of S&L as branches of the resultant institution.

## Competition

Dime presently operates its main office, 12 branches, one public accommodation office, and 16 remote service facilities in Kings (Brooklyn), Queens, New York (Manhattan), Nassau, and Suffolk Counties in the greater metropolitan New York City area, as well as seven branches and one public accommodation office in the Albany area of upstate New York. Approval has also been received to establish two additional branches in Suffolk County.

S&L operates its main office and two branches in the northwestern corner of Nassau County and two branches in north-central Suffolk County. This two-county area, known as Long Island, adjoins New York City (Queens County) at its eastern border. Many of the residents of Long Island, particularly those who live in Nassau County and western Suffolk County commute to New York City for employment, but there is also substantial industry on the island, and the majority of the residents are employed locally. The area economy is largely dependent on light manufacturing (particularly aircraft and electronic components) and research and development firms, as well as service-related industries. The population of Long Island increased from 1,966,955 in 1960 to 2,555,868 in 1970, representing a 30 percent increase.

There are currently three full-service branches of Dime located on Long Island, two in southern Nassau County and one on the western edge of Suffolk County. None of these branches is in the area where S&L presently derives the majority of its deposits; the closest offices of the proponents are separated by approximately 12 road miles. Dime competes throughout the entire New York metropolitan area, and S&L's more localized service area is contained wholly within this market. In spite of this, the competition that would be lost as a result of this proposal is considered insignificant. On Long Island alone there are 340 offices of 75 thrift institutions. Dime has 7.9 percent of the area's \$15.2 billion in thrift deposits, and S&L thrifts on the island, controlling 0.9 percent of such deposits. The significance of these shares is markedly reduced by the presence of the New York City area thrift institutions.

New York law restricts *de novo* expansion by a thrift institution to one branch each year. The development of a significant increase in competition through such expansion is therefore limited. Further, the intense competition existing among thrift institutions in the New York City area minimizes the competitive significance of additional *de novo* branching activity.

Dime is the second largest of the state's thrift institutions, holding approximately 4.3 percent of their aggregate deposits. Its acquisition of S&L would add a nominal 0.1 percent to that total, which would have little effect upon the concentration of thrift institution deposits in New York State.

The Board of Directors is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

## Financial and Managerial Resources; Future Prospects

Both proponents have financial and managerial resources which are adequate for the purposes of this proposal and the resultant institution would appear to have favorable future prospects.

## Convenience and Needs of the Community to be Served

Some benefit would accrue to the customers of S&L from the broadening of loan and deposit services and expanded banking hours at the present offices of S&L; however, the proposed transaction is expected to have little material impact upon convenience and needs of the community as such services are readily available at offices of other thrift institutions. Considerations of convenience and needs of the communities to be served are consistent with approval



Full CRA assessments of Dime have been conducted and Dime was found to be in compliance with the statutory requirements of the Community Reinvestment Act. A review of S&L's performance disclosed no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>First Trust Union Bank</b> Wellsville, New York	194,425	15	16
<i>to merge with</i> <b>The State Bank of Fillmore</b> Fillmore, New York	11,002	1	

**Summary report by Attorney General, no report received.**

**Basis for Corporation Approval, May 27, 1980**

First Trust Union Bank, Wellsville, New York ("First Bank"), an insured state nonmember bank with total resources of \$ 194,425,000 and total IPC deposits of \$ 142,026,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under its charter and title, with The State Bank of Fillmore, Fillmore, New York ("State Bank"), which has total resources of \$ 11,002,000 and total IPC deposits of \$8,958,000. Incident to the transaction, the sole office of State Bank would be established as a branch of First Bank.

**Competition**

First Bank, a wholly owned subsidiary of Security New York State Corporation, Rochester, New York ("SNYSC"), operates 15 offices in three counties of southwestern New York State. Since 1973, First Bank has been affiliated with SNYSC, a multibank holding company which controls eight commercial banks with aggregate IPC deposits of \$849,892,000. Affiliated commercial banks are headquartered in Auburn, Corning, Ithaca, Le Roy, Seneca Falls, Watkins Glen, and Rochester, all of which are located in central and western New York State. State Bank, established in 1889, operates a single office in the community of Fillmore, in northern Allegany County, approximately 32 road miles northwest of Wellsville.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as the small, localized service area of State Bank. The village of Fillmore (1970 population 537) is a relatively rural, isolated community located along the Genesee River approximately 20 miles from the nearest U. S. numbered highway. The area's economy is agriculturally based with dairy farming predominating and with only limited industrial activity in evidence. The 1978 median household buying level for Allegany County of \$12,148 is among the lowest in the state and compares unfavorably with surrounding counties.

There are no commercial banking offices within 10 road miles of the community of Fillmore. At a distance of between 12 and 15 road miles, five relatively small commercial banking offices serve, to some extent, as alternate



sources of banking services for the area's residents. The closest office of any affiliate of SNYSC to State Bank is First Bank's Belfast Branch (total deposits \$6,308,000), located approximately 12 road miles south of the village of Fillmore. While some overlap in respective service areas is in evidence, the actual volume of direct competition between the proponents is regarded as slight. The proposed transaction would, therefore, have no significant effect upon existing competition and, in light of the modest relative size of State Bank, would have no material adverse impact upon the structure of commercial banking in any relevant area.

New York State statutes permit statewide merger and *de novo* branching activity, however, under existing legislation, the village of Fillmore is closed to *de novo* entry by SNYSC affiliates and other banking organizations. In light of the sparse population and limited economic significance of the rural area surrounding the village of Fillmore, *de novo* expansion into State Bank's trade area by any SNYSC affiliate is considered remote. State Bank's modest level of resources would effectively preclude any meaningful expansion effort on its part into more distant areas now served by SNYSC affiliates. The proposed transaction would not eliminate any significant potential for future competition between these banking organizations.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of both proponents are regarded as satisfactory for purposes of this transaction, and the resultant bank is anticipated to have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

The resultant banking organization would be able to offer a wider range of commercial banking services than presently available at State Bank. Considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Key Bank of Central New York Syracuse, New York	560,042	92	94
<i>to merge with</i> The Homer National Bank Homer, New York	23,020	2	

#### **Summary report by Attorney General, May 8, 1980**

The merging banks are both wholly-owned subsidiaries of the same bank

holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

**Basis for Corporation Approval, May 28, 1980**

Key Bank of Central New York, Syracuse, New York, an insured state non-member bank with total resources of \$560,042,000 and total IPC deposits of \$424,145,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge under its charter and title with The Homer National Bank, Homer, New York, with total resources of \$23,020,000 and total IPC deposits of \$17,357,000. Incident to the transaction, the two offices of The Homer National Bank would be established as branches of the resultant bank which would commence operations with a total of 94 offices.

**Competition**

Essentially a corporate reorganization, the proposal would provide a means by which Key Banks Inc., Albany, New York, a multi-bank holding company controlling six banks, may consolidate some of its operations. The proponents have been under common control since 1974. The proposed merger would not affect the structure of commercial banking or the concentration of banking resources within the relevant market.

In view of the foregoing, the Corporation is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Proponents' financial and managerial resources are considered adequate for the purposes of this proposal and the future prospects of the resultant bank appear favorable.

**Convenience and Needs of the Community to be Served**

Services to be offered in the relevant market by the resultant bank would not differ materially from those presently offered by each proponent.

A review of available information, including the Community Reinvestment Act Statements of the proponents, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

On the basis of the foregoing information, the Director of the Division of Bank Supervision, acting on behalf of the Board of Directors under delegated authority, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Bank of Suffolk County Stony Brook, New York (change title to Extebank)	90,585	5	7
<i>to merge with</i>			
Century National Bank and Trust Company New York (Manhattan), New York	116,647	2	

**Summary report by Attorney General, no report received.**

## Basis for Corporation Approval, May 28, 1980

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, an application has been filed on behalf of Bank of Suffolk County, Stony Brook, New York, an insured state nonmember bank with total resources of \$90,585,000 and total IPC deposits of \$58,520,000, for the Corporation's consent to merge, under the charter of Bank of Suffolk County, with Century National Bank and Trust Company, New York (Manhattan), New York ("Century National"), which has total resources of \$116,647,000 and total IPC deposits of \$77,486,000, and for consent to establish the two offices of Century National as branches of the resultant bank which would be titled "Extebank" and operate with a total of seven offices.

### Competition

Essentially a corporate reorganization, the proposal would serve as a vehicle by which Banco Exterior de Espana ("Banco Exterior"), a multinational financial organization based in Madrid, Spain, may consolidate its domestic commercial banking operations in New York State. The Board of Governors of the Federal Reserve System approved Banco Exterior's acquisition of all of the outstanding shares of stock of Bank of Suffolk County on May 21, 1980; Century National has been a subsidiary of Banco Exterior since 1977. As these two domestic commercial banks are now effectively controlled by the same holding company, the merger would have no significant competitive impact.

In view of the foregoing, the Corporation is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### Financial and Managerial Resources; Future Prospects

The proponents' financial and managerial resources are considered adequate for the purposes of this proposal, and the future prospects of the resultant bank appear favorable.

### Convenience and Needs of the Community to be Served

The proposed transaction would have little material effect upon the convenience and needs of the banking public in the areas now served by the proponents. Considerations relating to the convenience and needs of the community to be served are, however, consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, discloses no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing information, the Director of the Division of Bank Supervision, acting on behalf of the Board of Directors under delegated authority, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Bank Leumi Trust Company of New York</b> New York (Manhattan), New York	1,625,060	10	23
<i>to purchase the assets and assume the deposit liabilities of 13 branches—</i>			
<b>Bankers Trust Company</b> New York (Manhattan), New York	160,000*	13	

\*Total deposits of offices to be transferred by Bankers Trust Company. Assets not available by office.

## Summary report by Attorney General, no report received.

### Basis for Corporation Approval, June 9, 1980

Bank Leumi Trust Company of New York, New York (Manhattan), New York ("Bank Leumi"), an insured state nonmember bank with total consolidated resources of \$1,625,060,000 and total domestic IPC deposits of \$378,848,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to purchase certain assets of and assume the liability to pay certain deposits made in 13 branches of Bankers Trust Company, New York (Manhattan), New York, with total deposits of approximately \$160,000,000, and to establish these 13 offices as branches of Bank Leumi.

### Competition

Bank Leumi presently operates ten domestic offices in the New York City metropolitan area and proposes to acquire 13 offices of Bankers Trust Company also located in the same area (eight offices in Manhattan; four offices in Brooklyn; and, one office in Queens). The area in which the competitive impact of this transaction would be most direct and immediate is regarded as including all of New York City plus Long Island and adjacent Westchester County.

In this relevant market, a total of 81 insured commercial banks operate more than 1,800 offices with domestic IPC deposits of approximately \$75 billion. As some of the nation's largest banking organizations are represented in this market, the proposed transaction would have little material impact upon the structure of commercial banking or the level of concentration of commercial banking resources in this area. While some existing and potential for increased future competition between the proponents would be eliminated by the transaction, such a consequence is regarded as modest in such a banking environment, and the numerous alternate sources of commercial banking services that are available throughout the area, assures the continuation of a competitive banking environment.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### Financial and Managerial Resources; Future Prospects

Bank Leumi's equity capital level is substantially lower than desired levels and is not considered sufficient to support the proposed expansion as currently structured. However, in view of management's proposed improvements to the institution's equity capital structure during the next two years, the resultant bank is expected to have favorable future prospects. Other considerations relating to the financial and managerial resources of the proponents are regarded as acceptable for purposes of this transaction.

### Convenience and Needs of the Community to be Served

The proposed transaction would result in no substantial change in the services now available at offices of Bankers Trust Company. Considerations of convenience and needs of the community are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statement of Bank Leumi, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>First Seneca Bank and Trust Company</b> Butler, Pennsylvania	404,986	27	45
<i>to merge with</i> <b>Keystone Bank</b> Lower Burrell, Pennsylvania	143,839	20	

**Summary report by Attorney General, no report received.**

### **Basis for Corporation Approval, June 16, 1980**

First Seneca Bank and Trust Company, Butler, Pennsylvania ("First Seneca"), an insured state nonmember bank with total resources of \$404,986,000 and total IPC deposits of \$343,137,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under the charter and title of First Seneca, with Keystone Bank, Lower Burrell, Pennsylvania, which has total resources of \$143,839,000 and total IPC deposits of \$123,334,000, and for consent to establish 18 of Keystone Bank's 20 offices as branches of First Seneca which will subsequently operate with a total of 45 offices. Consent is also requested to issue subordinated capital notes as an addition to capital and to retire these notes at maturity, seven years after the date of issue.

First Seneca operates 27 offices in 6 counties of its nine-county legal branching area in west-central Pennsylvania, primarily serving areas to the north and northwest of the city of Pittsburgh. Keystone Bank operates 20 offices in southwestern Pennsylvania, with the majority of these offices serving the city of Pittsburgh and surrounding portions of Allegheny and Westmoreland Counties. Offices of Keystone Bank at Rockwood and at Washington are in counties (Somerset and Washington Counties, respectively) not contiguous to Butler County where First Seneca is headquartered, and cannot, under existing Pennsylvania statutes, be operated as branches of the resultant bank. Separate applications have been filed with the Corporation by two other commercial banks for consent to acquire these two offices, prior to consummation of the instant proposal.

### **Competition**

Some overlap of the proponents' respective service areas is in evidence in southern Butler County and between First Seneca's Beaver County offices located northwest of the city of Pittsburgh and offices of Keystone Bank located in the "downtown" business district of Pittsburgh. In Butler County, the proponents' offices are located approximately 10 road miles apart; however, the actual volume of direct competition between these relatively small offices (First Seneca's Butler branch, total deposits: \$11,717,000; Keystone Bank's Sarver branch, total deposits: \$2,769,000) is regarded as slight. First Seneca operates offices in the highly industrialized portion of southeastern Beaver County, in the Ohio River Valley, in close proximity to adjacent Allegheny County and the city of Pittsburgh which contains several offices of Keystone Bank. First Seneca's Ambridge branch in southern Beaver County is also located within 15 road miles of Keystone Bank's Gibsonia branch north of the city of Pittsburgh. While some direct competition between the proponents would be eliminated by the proposed merger, the highly developed, urbanized nature of the Allegheny-Beaver County area, and the presence of numerous offices of relatively large



commercial banks in the intervening areas, minimize the competitive impact of such a loss. The proposed transaction is regarded as having no significant effect on existing competition between the two banks in any relevant area.

In these areas of overlap, both First Seneca and Keystone Bank hold only modest market shares of commercial bank deposits. In Butler County, both proponents rank among the smallest banking organizations in the market, aggregately controlling only 2.5 percent of the county's IPC deposit base. This contrasts with the 38.9 percent share held by Mellon Bank, N.A. In the combined area of Allegheny and Beaver Counties, the proponents' aggregate share of IPC deposits is a nominal 0.8 percent. Mellon Bank, N.A., by comparison, holds a 46.9 percent share of such funds in this area. Commercial banking in both of these areas is regarded as highly concentrated, with the four largest commercial banks holding 78.0 percent and 91.6 percent, respectively, of the commercial bank IPC deposit base. In such an environment, the merger of First Seneca and Keystone Bank would have no material adverse effect upon the structure of commercial banking or upon the level of concentration of banking resources.

Keystone Bank is presently prohibited under Pennsylvania statutes from branching *de novo* into any county now served by First Seneca, with the exception of Butler County. It is recognized that increased levels of competition could develop by additional *de novo* branching by Keystone Bank in Butler and Armstrong Counties, as well as in western Allegheny County adjacent to areas of Beaver County served by First Seneca, however, the potential impact of such activity is quite limited. Its loss, given the number and relative size of other commercial banking organizations with the same potential, would have no serious adverse effect. First Seneca, for its part, appears to be an unlikely *de novo* entrant into the city of Pittsburgh and surrounding Allegheny County in the foreseeable future in light of the presence of several of the state's largest banking organizations which are well established in this market.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

Both proponents have satisfactory financial and managerial resources, and the resultant bank is anticipated to have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

The resultant bank would be able to offer expanded commercial banking services, some of which are not presently available at Keystone Bank. The proposed transaction, however, will have little impact upon the level and pricing of commercial banking services, as such specialized activities are offered at offices of other, relatively large, commercial banks presently serving these areas. Considerations relating to the convenience and needs of the community to be served are consistent with approval of the applications.

A review of available information, including the Community Reinvestment Act Statements of the proponents and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the applications is warranted.



	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Johnstown Bank and Trust Company</b> Johnstown, Pennsylvania	234,157	21	22
<i>to purchase the assets and assume the deposit liabilities of</i> <b>Rockwood Branch—</b> <b>Keystone Bank</b> Lower Burrell, Pennsylvania	8,993*	1	

\*Total deposits of office to be transferred  
by Keystone Bank. Assets not available by office

### Summary report by Attorney General, May 27, 1980

We have reviewed this proposed transaction and conclude that it would not have an adverse effect on competition.

### Basis for Corporation Approval, June 16, 1980

Johnstown Bank and Trust Company, Johnstown, Pennsylvania ("Applicant"), an insured state nonmember bank with total resources of \$234,157,000 and total IPC deposits of \$202,170,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to purchase the assets of and assume the liability to pay deposits made in the Rockwood Branch, Rockwood, Pennsylvania, of Keystone Bank, Lower Burrell, Pennsylvania. The Rockwood Branch, with total resources of approximately \$9,419,000 would be established as a branch of Applicant.

### Competition

Applicant, based in the city of Johnstown, operates 21 offices in 4 counties of its 7-county legal branching area in south-central Pennsylvania. Keystone Bank's Rockwood Branch, with total IPC deposits of \$8,425,000 (as of June 30, 1979), serves a trade area in southern Somerset County approximated by a 15 road-mile radius. This relatively rural area, with an agriculturally-based economy, encompasses much of the southern portion of the county and includes the community of Somerset (1970 population 7,407) which serves as the county seat and as a source of employment and retail services for many of the area's residents.

In the relevant market, Applicant operates one office at Somerset, established in 1968, which holds IPC deposits of only \$3,037,000 (as of June 30, 1979). While some direct competition between this office and the Rockwood Branch of Keystone Bank is indicated, the actual volume of such existing competition appears modest. Consummation of the proposed transaction is regarded as eliminating no significant existing competition between these offices.

Pennsylvania statutes permit *de novo* branch expansion in a bank's home office county and into counties contiguous thereto. Applicant possesses the level of resources and experience with the operation of a diverse branching network to be regarded as a viable candidate for additional *de novo* expansion activity in portions of southern Somerset County. This relatively rural area, however, already contains 12 commercial banking offices serving an estimated 1970 population of 31,400. In light of the number of existing sources of commercial banking services and the number of other, relatively large, potential *de novo* entrants to this market, the loss of this potential for increased competition is regarded as having no serious competitive impact.

A total of 10 commercial banks are represented in this relevant market with Applicant ranking as the smallest in market share of IPC deposits held (1.8 percent). Acquisition of the Rockwood Branch of Keystone Bank, which holds a modest 5.1 percent share of such funds, would rank the resultant bank as the 7th largest in the market by such a measure. Over 55 percent of the total commercial bank IPC deposit base of the relevant market is held by the three largest commercial banks in the market which includes another, relatively large Johnstown-based, commercial bank. In such an environment, the proposed transaction is viewed as having no adverse impact upon the structure of commercial banking. The modest volume of deposits to be acquired would have no material effect upon the level of concentration of banking resources in any relevant area.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Applicant's financial and managerial resources are regarded as satisfactory for purposes of this transaction. The impact of the proposed acquisition would be modest and the resultant bank would appear to have favorable future prospects.

**Convenience and Needs of the Community to be Served**

The proposed transaction would have no material effect upon the level and type of commercial banking services available in the area now served by the Rockwood Branch of Keystone Bank. Considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Three Rivers Bank and Trust Company</b> Jefferson Borough (P.O. Clairton), Pennsylvania	74,583	1	2
<i>to purchase the assets and assume the deposit liabilities of</i> <b>Washington Branch—</b> <b>Keystone Bank</b> Lower Burrell, Pennsylvania	3,994*	1	

\*Total deposits of office to be transferred by Keystone Bank. Assets not available by office.

**Summary report by Attorney General, May 20, 1980**

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

## **Basis for Corporation Approval, June 16, 1980.**

Three Rivers Bank and Trust Company, Jefferson Borough (P.O. Clairton), Pennsylvania ("Applicant"), an insured state nonmember bank with total resources of \$74,583,000 and total IPC deposits of \$55,186,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to purchase the assets of and assume the liability to pay deposits made in the Washington Branch, Washington, Pennsylvania, of Keystone Bank, Lower Burrell, Pennsylvania. The Washington Branch, with total resources of approximately \$4,099,000 would be established as a branch of Applicant.

### **Competition**

Applicant operates a single office in Jefferson Borough located approximately 10 road miles southeast of the business district of the city of Pittsburgh, serving several industrialized communities in southeastern Allegheny County. Keystone Bank's Washington Office, with total IPC deposits of \$3,588,000 (as of June 30, 1979), is located in the city of Washington (1970 population 19,827) approximately 25 miles southwest of the city of Pittsburgh and approximately 30 road miles west-southwest of Applicant's office. The relevant market in which to assess the competitive impact of the proposed transaction is regarded as approximating that area within a 12-15 road mile radius of the city of Washington, encompassing most of the central portion of Washington County. This market is separate and distinct from that served by Applicant and the proposed acquisition would have no significant effect upon existing competition between the proponents.

Applicant is permitted, under existing Pennsylvania statutes, to branch *de novo* into the Washington relevant market and, as such, the proposed transaction must be regarded as eliminating that possibility for increased competition to develop between the proponents at some future time. In light of the number of relatively large commercial banking organizations already well established in this market, the loss of this potential is viewed as having no serious competitive impact.

A total of 7 commercial banks operate 25 banking offices in the relevant market. This market is dominated by the presence of Mellon Bank, N.A. and Pittsburgh National Bank which aggregately control more than 62 percent of its IPC deposits, operating 11 offices. Keystone Bank's Washington Branch holds less than a 1.0 percent market share of IPC deposits and has not, after almost ten years of operation, established a significant market penetration. The proposed transaction would have no adverse impact upon the structure of commercial banking nor, in light of the modest volume of deposits to be acquired, would it have any material effect upon the level of concentration of banking resources in any relevant area.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### **Financial and Managerial Resources; Future Prospects**

Applicant's financial and managerial resources are regarded as adequate for the purposes of this transaction. The impact of the proposed acquisition would be modest, and the resultant bank would appear to have favorable future prospects.

### **Convenience and Needs of the Community to be Served**

The proposed transaction would result in no material change in the level or pricing of commercial banking services in the community to be served. The transaction would result in a lower legal lending limit at the Washington

Branch, however, those customers in need of higher limits have several remaining options available in this area. Considerations relating to the convenience and needs of the community to be served are regarded as consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Lakeland State Bank</b> West Milford Township (P.O. Newfoundland), New Jersey	35,089	5	6
<i>to purchase the assets and assume the deposit liabilities of</i> <b>Wantage Branch—</b> New Jersey Bank (National Association) West Paterson, New Jersey	2,942*	1	

\*Total IPC deposits of office to be transferred  
by New Jersey Bank (National Association). Assets  
not available by office

### Summary report by Attorney General, June 5, 1980.

We have reviewed this proposed transaction and conclude that it would not have an adverse effect on competition.

### Basis for Corporation Approval, June 23, 1980.

Lakeland State Bank, West Milford Township (P.O. Newfoundland), New Jersey ("Lakeland"), an insured state nonmember bank with total resources of \$35,089,000 and total IPC deposits of \$28,138,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to purchase the assets of and assume the liability to pay deposits made in the Wantage Branch (total IPC deposits as of June 30, 1979 of \$2,942,000) of New Jersey Bank (National Association), West Paterson, New Jersey ("NJB"), with total resources of \$917,014,000 and total IPC deposits of \$698,126,000. The Wantage Branch would be established as a branch of Lakeland.

### Competition

The main office and two branches of Lakeland are located in Passaic County, New Jersey, with two additional branches located in adjacent Morris County. Its service area consists of northwestern Passaic County and northern Morris County, in northern New Jersey.

NJB, a wholly-owned subsidiary of Greater Jersey Bancorporation, West Paterson, New Jersey (one-bank holding company), operates primarily in northeastern New Jersey. Its main office and 20 branches are located in Passaic County, New Jersey, with 8 branches in Bergen County, 2 in Sussex County, 3 in Morris County, 1 in Essex County and 5 in Hudson County. NJB also operates an office in the Cayman Islands.

The Wantage Branch of NJB, located in the northeastern portion of Sussex County, was acquired by NJB through a merger with Peoples National Bank of Sussex County, Sparta, New Jersey, in 1970. It is located approximately 50 road miles from New York City and, while many of the residents commute to the New York metropolitan area for employment, its primary market consists of areas located within approximately 12 road miles of the branch. It is within this area that the effects of this proposal would be most immediate and direct. The area is rural in nature, consisting primarily of one-family residences, retail establishments, and limited industrial activity. A total of five commercial banks operate 13 offices in the area with the two largest holding a 72.7 percent market share of commercial bank IPC deposits. The Wantage Branch of NJB holds the smallest of such deposits, 2.2 percent. Lakeland is not represented, and its nearest office is located approximately 18 road miles southeast in Newfoundland, New Jersey. While their service areas appear to overlap to some extent, competition between the proponents is minimal, and the transaction is regarded as having no significant effect on existing competition or on the local market structure.

State statutes would permit *de novo* expansion by either institution into the other's service area. NJB is disposing of this branch in an attempt to concentrate its efforts in markets in the northeastern portion of the state where it is now heavily represented. The potential for increased future competition by NJB in Lakeland's market area is regarded as remote, and the effect of this transaction on potential competition is considered insignificant.

Based on the foregoing, the Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### Financial and Managerial Resources; Future Prospects

Both banks have acceptable financial and managerial resources, and the proposed transaction has no adverse effect on these resources. Future prospects appear favorable.

#### Convenience and Needs of the Community to be Served

Consummation of this proposed transaction would have no material effect in the relevant market area. The level of services and the number of banking alternatives would remain unchanged. Considerations of convenience and needs of the community are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Northern Central Bank Williamsport, Pennsylvania	318,326	19	21
<i>to merge with</i> The Lewisburg National Bank Lewisburg, Pennsylvania	36,110	2	

## **Summary report by Attorney General, April 21, 1980.**

The effect of the proposed merger will be felt primarily in Union and Snyder Counties and in the western part of Northumberland County. The economy of the area is mixed. Union County, from which Lewisburg derives most of its business, has a population of about 31,000, which reflects modest growth over the past ten years. The Lewisburg community itself is largely residential, and the location of Bucknell University.

Northern Central does not operate any branches in Union County, where both of Lewisburg's offices are located. However, Northern Central does operate seven branches in adjacent Northumberland County, five of which are in the western portion of that county, near Union County. These five offices are from 4-11 miles from Lewisburg. Union and Northumberland counties are located across the Susquehanna River from one another.

The Application indicates that Northern Central draws some appreciable business from Union County, approximately \$5.1 million in deposits and \$2.9 million in loans, although part of this business stems from portions of the county at some distance from Lewisburg. Conversely, Lewisburg draws about \$3.2 million in deposits from Northumberland County, about \$2 million of which is derived from the its western portion. Lewisburg also draws about \$2.4 in loans from the western portion of Northumberland County. Thus, the proposed merger would eliminate appreciable competition between the merging banks.

Seventeen banks operate 39 offices in the area comprised of Union County, Snyder County, and the adjacent western portion of Northumberland County. Northern Central, with five offices, ranks fourth in this area, with about 9.5% of deposits, while Lewisburg ranks seventh with about 6.5%. If the proposed merger is consummated, the resulting bank would rank first in the area with about 16% of the area's deposits, and concentration among the four leading banks in this area would increase from about 46% to about 52%.

We conclude that the proposed merger would have adverse competitive effects.

## **Basis for Corporation Approval, June 30, 1980.**

Northern Central Bank, Williamsport, Pennsylvania ("Northern"), an insured state nonmember bank with total resources of \$318,326,000 and total IPC deposits of \$262,022,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with The Lewisburg National Bank, Lewisburg, Pennsylvania ("LNB"), which has total resources of \$36,110,000 and total IPC deposits of \$29,860,000. These banks would merge under the charter and title of Northern and the two offices of LNB would be established as branches of the resultant bank, increasing its number of offices to 21.

### **Competition**

Northern operates 19 offices: seven, including its main office, in Lycoming County; one in Bradford County; eight in Northumberland County; two in Sullivan County; and one in Columbia County. LNB operates its main office and only branch in Lewisburg (Union County). Within the 10-county region in which Northern may legally expand, a total of 50 banks operate 168 offices and hold deposits aggregating \$1,961,344,000. Northern controls the largest share of region IPC deposits, 13.4 percent.

The competitive impact of the proposed merger would be most immediate and direct in the Lewisburg market area. This market extends approximately 15 road miles from Lewisburg, including the eastern half of Union County, adjoining portions of Northumberland and Snyder Counties, and the southwestern



tip of Montour County. While Lewisburg is separated from Northumberland and Montour Counties by the Susquehanna River, bridges in the area provide for access between major population centers along the river. The economy of this area is largely based on agriculture, retail stores, and a few large employers, including a federal penitentiary and Bucknell University. Much of the area, particularly in Union County, is forestland with the major population centers located on either side of the Susquehanna River. The 1970 population of the area was 71,754, compared to 66,027 in 1960, representing an 8.7 percent growth rate. The growth rate of the state over the same period of time was 4.2 percent, and that of the entire four-county area (Union, Snyder, Northumberland, and Montour Counties) was only 0.1 percent. The median household effective buying income of the four-county area for 1978 was below the state average of \$16,680, ranging from \$12,864 in Northumberland County to \$16,052 in Snyder County.

There are currently 32 offices of 15 commercial banks operating within the relevant market area. Both proponents are represented in the market. Their closest offices (Milton Branch of Northern and the main office of LNB) are located on opposite sides of the Susquehanna River separated by four road miles. Northern holds the third largest share of area commercial bank IPC deposits, 11.6 percent, and LNB has the fifth largest share of such deposits 7.5 percent.

The river separating the two banks serves as a geographical barrier, inhibiting travel between the two banks. Available information indicates that neither bank draws a significant amount of its business from areas served primarily by the other. Therefore, while the proximity of banking offices indicates that either bank may be a practical alternative banking source, the actual amount of existing competition between the proponents is not substantial.

The relative population growth in the market area indicates that there is potential for increased competition between the proponents through *de novo* expansion by either. This loss of potential increased competition is mitigated by the number of banking alternatives remaining in the area, as well as the large number of banks that can legally enter the market, if warranted by growth in population.

Based on the foregoing, the Board of Directors is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

Both Northern and LNB have satisfactory financial and managerial resources, as would the resultant bank. The future prospects of the proponents and the resultant bank appear favorable.

#### **Convenience and Needs of the Community to be Served**

The resultant bank will offer more extensive commercial banking services than are presently available at LNB, but, since these services are already available in the market, there would be no material effect, and considerations of convenience and needs of the community are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

After consideration of the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Community Bank Port Matilda, Pennsylvania (change title to Farmers Community Bank)	18,195	1	4
<i>to consolidate with</i> The Farmers National Bank and Trust Company of Millheim Millheim, Pennsylvania	24,608	3	

**Summary report by Attorney General, no report received.**

**Basis for Corporation Approval, June 30, 1980.**

The Community Bank, Port Matilda, Pennsylvania ("Community"), an insured state nonmember bank with total resources of \$18,195,000 and total IPC deposits of \$14,966,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to consolidate with The Farmers National Bank and Trust Company of Millheim, Millheim, Pennsylvania ("Farmers"), with total resources of \$24,608,000 and total IPC deposits of \$21,487,000. The banks would consolidate under a new state charter and the resultant bank would have the title "Farmers Community Bank." The three offices of Farmers would be established as branches of the resultant bank, and the main office location would be redesignated to the present site of Farmers' State College branch.

**Competition**

Community operates its sole office in Port Matilda (1970 population 680) in southwestern Centre County. Farmers operates its main office in Millheim (1970 population 871) in the northeastern section of the county and a branch each in Boalsburg and State College (1970 population 33,778) in the south-central portion of the county. Centre County, located in central Pennsylvania, had a 1970 population of 99,267, an increase of 26.3 percent since 1960. The 1978 median household buying level for the county was \$13,885, compared to \$16,680 for the state. Education is the largest single type of employment in the county, with the main campus of Pennsylvania State University located in State College, which, in 1970, had over one-third of Centre County's population. Otherwise, the economy of the county is primarily agricultural, particularly dairy farming, with some manufacturing and retail activity. Approximately 70 percent of the land in the county is forested.

In Centre County, ten banks with 34 offices held total IPC deposits of \$328,236,000 at June 30, 1979. Of these deposits, Farmers has the fourth largest share with 6.6 percent and Community holds the fifth largest share-4.3 percent. After consummation of the proposed transaction, the resultant bank would rank as fourth largest with 10.9 percent of such deposits. The three largest banks in the county (Mid-State Bank and Trust Company, Central Counties State Bank, and The Peoples National Bank of State College) aggregate control over 79 percent of the county's IPC deposits.

Concentration figures for Centre County tend to overstate the competitive significance of Community and Farmers because the two banks operate, in

substantial part, in separate areas of the county, with their closest offices being Farmers' State College branch located some 16 road miles east of Port Matilda. Due to the proximity of these two offices, there may be a slight amount of competition in the area between State College and Port Matilda. However, in view of the presence of several intervening offices of the county's three largest banks, and in light of the fact that neither proponent is a significant factor in the area, the amount of competition that would be eliminated by the proposed transaction is not considered of significance.

Inasmuch as Community and Farmers are headquartered in Centre County, each could legally branch *de novo* within that county and into the six contiguous counties, however, neither bank has the resources to do so. Community has operated as a unit bank during its 59 years of operation and while Farmers has branched *de novo* into the State College area, it is unlikely that it would consider expanding into the Port Matilda area. Therefore, the proposed consolidation would not eliminate any significant potential for increased competition in the future between the proponents as a result of *de novo* branching.

Under these circumstances, the Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### Financial and Managerial Resources; Future Prospects

Financial and managerial resources of both proponents are adequate for purposes of the proposal, and the future prospects of the resultant bank appear favorable.

### Convenience and Needs of the Community to be Served

Commercial banking services in Centre County would not be materially impacted by this proposal. Considerations of convenience and needs of the community to be served are, nevertheless, consistent with approval.

A review of available information, including the proponents' Community Reinvestment Act Statements, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Heritage Bank Toronto, Ohio	228,889	20	26
<i>to merge with</i> Heritage Bank, N.A. - Flushing Flushing, Ohio	27,858	6	

### Summary report by Attorney General, May 20, 1980.

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

### Basis for Corporation Approval, July 1, 1980.

Heritage Bank, Toronto, Ohio, an insured state nonmember bank with total resources of \$228,889,000 and total IPC deposits of \$187,154,000, has ap-

plied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge under its charter and title with Heritage Bank, N.A. - Flushing, Flushing, Ohio, with total resources of \$27,858,000 and total IPC deposits of \$24,141,000. Incident to the transaction, the main office, four branches and one remote service facility of Heritage Bank, N.A. - Flushing would be established as five branches and one remote service facility of the resultant bank, which would commence operations with a total of 26 offices.

**Competition**

Essentially a corporate reorganization, the proposal would provide a means by which Heritage Bancorp, Inc., Toronto, Ohio, a bank holding company controlling these two banks only, may consolidate its operations. The proponents have been under common control since 1978. the proposed merger would not affect the structure of commercial banking or the concentration of banking resources within the relevant market.

In view of the foregoing, the Corporation is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Proponents' financial and managerial resources are considered adequate for the purposes of this proposal and the future prospects of the resultant bank appear favorable.

**Convenience and Needs of the Community to be Served**

Services to be offered in the relevant market by the resultant bank would not differ materially from those presently offered by each proponent.

A review of available information, including the Community Reinvestment Act Statements of the proponents, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

On the basis of the foregoing information, the Director of the Division of Bank Supervision, acting on behalf of the Board of Directors under delegated authority, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Montgomery County Bank</b> Montgomery City, Missouri	16,651	1	2
<i>to merge with</i> <b>Bank of Middletown</b> Middletown, Missouri	12,070	1	

**Summary report by Attorney General, no report received.**

**Basis for Corporation Approval, July 15, 1980**

Montgomery County Bank, Montgomery City, Missouri, an insured state nonmember bank with total resources of \$16,651,000 and total IPC deposits of \$13,701,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under its charter and title, with Bank of Middletown, Middletown, Missouri, which has total resources of \$12,070,000 and total IPC deposits of \$10,240,000.

Incident to the transaction, the sole office of Bank of Middletown would be established as a branch (full-service facility) of Montgomery County Bank which would then operate with two offices.

Montgomery County Bank has been a subsidiary of First Missouri Banks, Inc., Creve Coeur, Missouri, since June 1978. First Missouri Banks, Inc. is a multi-bank holding company with nine commercial banks in the State of Missouri holding aggregate total deposits of approximately \$188,137,000, ranking it as the state's 15th largest commercial banking organization. With the exception of Montgomery County Bank, no subsidiary of the parent is located in geographic proximity to Middletown, the closest being based in the community of Hermann, approximately 35 road miles south. \*

### **Competition**

Bank of Middletown serves a relatively isolated rural market in close proximity to the community of Middletown (1970 population 235), however Bank of Middletown is regarded as competing within a relevant market approximated by a 10-15 road-mile radius which would include most of central and northern Montgomery County and adjacent portions of Audrain and Pike Counties. The area's economy is agriculturally based and is regarded as stable. Growth prospects, however, appear to be relatively limited. The 1978 median household buying level of Montgomery County of \$12,984 and those of neighboring Audrain and Pike Counties contrast sharply with the state figure of \$14,800.

Montgomery City (1970 population 2,187), the county seat, is regarded as a focal point for retail, commercial and governmental activity in the sparsely populated rural area. The presence of the county's two largest commercial banks, both based in Montgomery City, and this community's ease of access from the more rural northern portion of the county, make it a logical alternative source of commercial banking services for residents of Bank of Middletown's service area. The proposed merger of Bank of Middletown with Montgomery County Bank, whose offices are located approximately 12 road miles apart, would eliminate direct existing competition between the two banks and would serve to preclude the potential for increased future level of competition to develop between them. The actual volume of such competition is regarded as modest, however; and considering the weakened competitive posture of Bank of Middletown, the proposed merger is viewed as having no significant adverse competitive impact on existing or potential competition.

Within the 10-15 road mile radius of Middletown four commercial banks are represented. Montgomery County Bank, holding 28.1 percent of the area's IPC deposits, ranks as the second largest bank while Bank of Middletown, holding a 21.1 percent share of such funds, is the third largest bank in the market. The market's largest bank, holding a 39.3 percent share of IPC deposits, is an affiliate of Mercantile Bancorporation, Inc., St. Louis, Missouri, the state's largest commercial banking organization, which controls 29 banks with aggregate total deposits in excess of \$2.7 billion. Such a local market structure is not unusual in rural banking markets such as in the instant case, in light of the area's limited population and relatively low population per commercial bank.

Under these circumstances, and given the small size of the two banks, the Board of Directors is of the opinion that the proposed transaction would not, in

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\* Certain principals of First Missouri Banks, Inc. have, since late 1979, held a stock interest in and served in management capacities at Bank of Middletown. Factors relating to this affiliation have been subject to evaluation by the Corporation pursuant to The Change in Bank Control Act of 1978 (12 U.S.C. 1817(j)). The Bank Merger Act (12 U.S.C. 1828(c)), however, pursuant to which the instant application has been filed, specifically requires the consideration of statutory factors enumerated therein.



any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of Montgomery County Bank and those of First Missouri Banks, Inc. are regarded as satisfactory for the purposes of this transaction. It is anticipated that the current problems facing Bank of Middletown can be resolved within the framework of this larger organization, and the resultant bank is anticipated to have favorable future prospects.

**Convenience and Needs of the Community to be Served**

The proposed merger will have little material impact upon the level and pricing of commercial banking services in the area now served by Bank of Middletown. Considerations relating to the convenience and needs of the community to be served are, however, consistent with approval of the application.

A review of available information, including the proponents' Community Reinvestment Act Statements, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Carolina Bank Sanford, North Carolina	192,755	22	25
<i>to merge with</i>			
Peoples National Bank Smithfield, North Carolina	6,956	3	

**Summary report by Attorney General, June 5, 1980.**

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

**Basis for Corporation Approval, July 21, 1980.**

The Carolina Bank, Sanford, North Carolina ("Carolina"), an insured state nonmember bank with total resources of \$192,755,000 and total IPC deposits of \$146,039,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with Peoples National Bank, Smithfield, North Carolina ("Peoples"), which has total resources of \$6,956,000 and total IPC deposits of \$4,967,000. Incident to the proposed transaction, the three offices of Peoples would be established as branches of the resultant bank, which would commence operating with a total of 25 approved offices.

**Competition**

Carolina operates 21 offices (and has one approved but unopened office) in six counties in central North Carolina. Carolina's main office and four branches are in Lee County, seven branches are in Moore County, three branches are in Wake County, and there are two branches each in Chatham, Harnett and Randolph Counties. Carolina is affiliated with Carolina Bancorp., Inc., Sanford, North Carolina, a one-bank holding company.



Peoples operates three offices in Johnston County in central North Carolina. Its main office and one branch are located in Smithfield in the central part of the county. Peoples recently established a branch in Benson, some 14 road miles west of Smithfield near the county line.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as Johnston County and those portions of adjoining eastern Harnett County and northern Sampson County within approximately 12 road miles of Benson.

This area had a 1970 population of approximately 85,862. Agriculture is the main economic activity for Johnston County with swine and tobacco production being the prime factors. The 1978 median household buying level for the county was \$11,293, compared to \$14,204 for the state.

Twelve banks operate 37 offices in the market, aggregately controlling, as of June 30, 1979, total IPC deposits of \$194,607,000. First-Citizens Bank & Trust Company, Raleigh, dominates the market with 17 offices and holds the largest share of such deposits, 46.5 percent. Peoples is the tenth largest with a 2.3 percent share. Carolina's closest office to Peoples is located in Coats, eight road miles west of Benson in Harnett County. Carolina holds no representative share in the local market, as its Coats branch was established in May 1979. The amount of competition to be eliminated by the proposal is nominal in light of the small share of the local market involved, and therefore is not considered to be of competitive significance.

Under North Carolina law, each bank could branch *de novo* in areas served by the other bank. Peoples, due to its limited resources, is unlikely to consider further *de novo* expansion in the near future. While Carolina's further expansion into the relevant market is possible, the proposal in itself is tantamount to *de novo* expansion by Carolina because of the modest deposit volume and market share of Peoples. Thus the effect of this transaction on potential competition is insignificant.

Based on the foregoing, the Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of Carolina are adequate for the purposes of this application; however, Peoples has experienced some problems in these areas which would be resolved by the transaction. The future prospects of the resultant bank appear favorable.

#### **Convenience and Needs of the Community to be Served**

Commercial banking services in the relevant market would not be materially impacted by this proposal. Considerations relating to convenience and needs of the community to be served are, nevertheless, consistent with approval.

A review of available information, including Carolina's Community Reinvestment Act Statement, disclosed no inconsistencies with the purposes of the Act. People's Community Reinvestment Act performance, however, has been less than satisfactory in the past. The policies of Carolina will prevail in the resultant bank, and it is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing information, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Eldorado Bank Tustin, California	68,342	4	5
<i>to merge with</i> American Security Bank San Bernardino, California	13,047	1	

### Summary report by Attorney General, May 20, 1980.

We have reviewed this proposed transaction and conclude that it would not have an adverse effect upon competition.

### Basis for Corporation Approval, July 24, 1980.

Eldorado Bank, Tustin, California, an insured state nonmember bank with total resources of \$68,342,000 and total IPC deposits of \$55,976,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with American Security Bank, San Bernardino, California, an insured state nonmember bank with total resources of \$13,047,000 and total IPC deposits of \$10,088,000. Incident to the proposed transaction, the one existing office and one approved but unopened branch of American Security Bank would be established as branches of the resultant bank, which would commence operating with a total of six approved offices.

### Competition

Eldorado Bank operates three offices in Orange County (1970 population 1,420,248) which is located in southern California on the Pacific Coast. Its main office is located in Tustin (1970 population 21,178) in the north-central part of the county. Eldorado Bank presently operates two branches in Laguna Hills, approximately 11 and 13 miles southeast of the main office, and has received approval to establish a branch in Anaheim, some eight miles northeast of Tustin. American Security Bank operates its sole office in the city of San Bernardino (1970 population 104,783) in the southwestern corner of San Bernardino County (1970 population 681,535) in southern California. American Security Bank has received approval to establish a branch in San Bernardino some five miles northeast of its main office.

There is no evidence of any material existing competition between the proponents, as their closest offices are some 37 miles apart and are separated by highly developed urbanized areas. American Security Bank's trade area is regarded as the city of San Bernardino. San Bernardino, the county seat and principal financial center for San Bernardino County, is primarily residential with industrial and retail activities the main sources of employment. The 1978 median household buying level for San Bernardino was \$13,034, compared to \$16,033 for the county and \$17,186 for the state.

In San Bernardino, seven banks with 19 offices controlled, on June 30, 1979 total IPC deposits of \$351,173,000. Of these deposits, American Security Bank held the smallest share - 3.2 percent. The remainder of these deposits are controlled by some of California's largest banking organizations, with the two largest, Bank of America National Trust and Savings Association and Security Pacific National Bank, together controlling 55.9 percent. In such a banking market, the proposed merger of Eldorado Bank with American Security Bank, in light of the proponents' modest relative sizes, would have no adverse impact upon the level of concentration of commercial banking resources.

California statutes permit statewide *de novo* branching activity; however, there is little potential for either of the proponents to seek such expansion into the market area now served by the other.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Financial and managerial resources of the proponents are adequate for purposes of the proposal, and the future prospects of the resultant bank appear favorable.

**Convenience and Needs of the Community to be Served**

Commercial banking services in San Bernardino would not be materially impacted by this proposal. Considerations of convenience and needs of the community to be served are consistent with approval.

A review of available information, including the proponents' Community Reinvestment Act Statements, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing information, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Midland Bank and Trust Company Paramus, New Jersey	107,857	9	13
<i>to purchase the assets and assume the deposit liabilities of</i> The State Bank of New Jersey Fort Lee, New Jersey	57,415	4	

**Summary report by Attorney General, no report received.**

**Basis for Corporation Approval, July 24, 1980.**

The Midland Bank and Trust Company, Paramus, New Jersey ("Midland Bank"), an insured state nonmember bank with total resources of \$107,857,000 and total IPC deposits of \$80,747,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to purchase the assets of and assume the liability to pay deposits made in The State Bank of New Jersey, Fort Lee, New Jersey ("State Bank") which has total resources of \$57,415,000 and total IPC deposits of \$49,670,000. Incident to the proposed transaction, the four existing offices of State Bank will be established as branches of Midland Bank.

**Competition**

Midland Bank and State Bank operate 9 offices and 4 offices, respectively, in eastern Bergen County, in northeast New Jersey, in close proximity to New York City. State Bank operates two full-service offices in Fort Lee, a full-service branch in Ridgely, located approximately 4 road miles south, and a full-service branch in Tenafly, located approximately 4 road miles north. The relevant market in which to assess the competitive impact of the proposed transaction is regarded as the highly urbanized area of eastern Bergen County in which State Bank competes, approximated by a group of 16 contiguous communities

situated between the Hudson and Hackensack Rivers, containing an estimated population in excess of 250,000.

It is recognized that the service area of many of the commercial banking offices located in the congested environment are relatively localized, however, the relevant market contains all four offices of State Bank as well as two offices of Midland Bank. Midland Bank's Englewood Branch (full-service) and a nearby "Auxiliary Branch" are located approximately 2 road miles south of State Bank's Tenafly office and a similar distance north of its main office in Fort Lee. While some overlap of service areas and some direct competition is indicated, there is no evidence of any significant volume of existing competition between the two banks which would be eliminated by the proposed transaction.

A total of 53 offices of 13 commercial banks are represented in this relevant market, including affiliates of several of New Jersey's largest commercial banking organizations. State Bank holds a 4.6 percent share and Midland Bank a 1.6 percent share of the market's IPC commercial bank deposits.\* Such market shares rank the proponents as the 7th and 10th largest banks, respectively, in this market. The market's two largest commercial banks, both of which are affiliated with relatively large multibank holding companies, aggregately control almost 50 percent of the local market's commercial bank IPC deposit base. In such a competitive environment, the proposed transaction would not have any adverse effect upon the structure of commercial banking nor, in light of the relatively modest volume of deposits to be acquired, would it have any significant impact upon the level of concentration of banking resources in any relevant area.

New Jersey statutes relating to *de novo* branch expansion permit such activity on a statewide basis, subject to a home office protection provision in communities of less than 10,000 population, and would thus, allow either proponent to engage in such an expansion effort throughout most of eastern Bergen County. This area, however, already contains numerous commercial banking offices of both relatively small, locally-based banks and of relatively large regional banks which assures the continuation of a competitive banking environment. The loss of some potential for increased levels of competition to develop between the proponents is regarded as having little significance.

Based on the foregoing, the Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

State Bank is regarded as being in a weakened condition and seriously undercapitalized while Midland Bank's financial and managerial resources have been relatively free of serious criticism. The instant proposal will provide a means by which the problems facing State Bank can be resolved within the framework of a larger, generally sound, financial institution. The resultant bank is anticipated to have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

Consummation of the proposed transaction would have no material effect upon the level and pricing of commercial banking services in the areas now served by State Bank. Considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment

\* Market share figures do not take into account the influence of relatively large banking organizations based in nearby New York City where many area residents commute for employment and retail services.

Act Statements of the proponents, and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is anticipated to continue to meet the credit needs of its entire community consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Inter-Mountain State Bank</b> Cascade, Idaho (change title to Treasure Valley Bank)	27,214	4	6
<i>to merge with</i>			
<b>Treasure Valley State Bank</b> Fruitland, Idaho	23,881	2	

#### **Summary report by Attorney General, May 20, 1980.**

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

#### **Basis for Corporation Approval, July 31, 1980.**

Inter-Mountain State Bank, Cascade, Idaho, an insured state nonmember bank with total resources of \$27,214,000 and total IPC deposits of \$19,681,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Treasure Valley State Bank, Fruitland, Idaho, an insured state nonmember bank with total resources of \$23,881,000 and total IPC deposits of \$18,471,000. These banks would merge under the charter of Inter-Mountain State Bank and with the title "Treasure Valley Bank." Incident to the transaction, the two existing and one approved but unopened offices of Treasure Valley State Bank would be established as branches of the resultant bank, and the main office location would be redesignated to the present main office location of Treasure Valley State Bank.

#### **Competition**

Essentially a corporate reorganization, the proposal would provide a means by which Treasure Valley Bancorp, Inc., Fruitland, Idaho, a bank holding company controlling these two banks only, may consolidate its operations. The proponents have been under common control since their acquisition by the holding company in February, 1980. The proposed merger would not affect the structure of commercial banking or the concentration of banking resources within the relevant market.

In view of the foregoing, the Corporation is of the opinion that the proposed merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

Proponents' financial and managerial resources are considered adequate for the purposes of this proposal, and the future prospects of the resultant bank

## Convenience and Needs of the Community to be Served

Services to be offered in the relevant market by the resultant bank would not differ materially from those presently offered by each proponent.

In the past, Inter-Mountain State Bank has not met the technical requirements of the Community Reinvestment Act. The management of Treasure Valley State Bank, however, will be the management of resultant bank, and a review of available information, including its Community Reinvestment Act Statement, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

On the basis of the foregoing information, the Director of the Division of Bank Supervision, acting on behalf of the Board of Directors under delegated authority, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>The Bank of Miami</b> Miami, Florida	232,606	2	5
<i>to merge with</i> <b>Interamerican Bank of Miami</b> Miami, Florida	11,265	3	

**Summary report by Attorney General, no report received.**

### **Basis for Corporation Approval, August 4, 1980.**

The Bank of Miami, Miami, Florida, an insured state nonmember bank with total resources of \$232,606,000 and total IPC deposits of \$167,526,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with Interamerican Bank of Miami, Miami, Florida ("Interamerican Bank"), an insured state nonmember bank with total resources of \$11,265,000 and total IPC deposits of \$8,620,000. Incident to the proposed transaction, the three offices of Interamerican Bank would be established as branches of the resultant bank, which would commence operations with a total of six approved offices.

### **Competition**

The Bank of Miami operates its main office and one branch (and has received approval to open another branch) in the city of Miami in Dade County. Interamerican Bank operates its main office and one branch in the city of Miami and one branch in the city of Hialeah, all of which are in Dade County. Dade County, located on the extreme southern tip of Florida, had a 1970 population of 1,267,792. At June 30, 1979, 69 banks with 119 offices controlled total IPC deposits of \$6,476,352,000. Of these deposits, The Bank of Miami held a 2.4 percent share and Interamerican Bank held a 0.1 percent share. Neither bank is a significant factor in the overall competitive structure of Dade County, and the proposed transaction would have no effect on competition in any relevant area.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.



## Financial and Managerial Resources; Future Prospects

Interamerican Bank is in a weakened condition, but these factors are acceptable for the purposes of this proposal for The Bank of Miami and the resultant bank.

## Convenience and Needs of the Community to be Served

The proposed transaction would allow for the continuation of banking services at the locations of Interamerican Bank, and considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Sun Bank and Trust Company of St. Petersburg St. Petersburg, Florida (change title to Sun Bank/Suncoast)	103,418	6	11
<i>to merge with</i>			
Sun First National Bank of Dunedin Dunedin, Florida	129,250	5	

## Summary report by Attorney General, April 28, 1980.

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

## Basis for Corporation Approval, August 19, 1980.

Sun Bank and Trust Company of St. Petersburg, St. Petersburg, Florida ("Sun Bank and Trust"), an insured state nonmember bank with total resources of \$103,418,000 and total IPC deposits of \$86,384,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge with Sun First National Bank of Dunedin, Dunedin, Florida ("Sun First National"), with total resources of \$129,250,000 and total IPC deposits of \$115,478,000. These banks would merge under the charter of Sun Bank and Trust and with the title "Sun Bank/Suncoast." Incident to the transaction, the five offices of Sun First National would be established as branches of the resultant bank, which would commence operations with a total of 11 offices.

## Competition

Essentially a corporate reorganization, the proposal would provide a means by which Sun Banks of Florida, Inc., Orlando, Florida, a multi-bank holding company controlling 20 banks, may consolidate its operations in Pinellas County. The proponents have been under common control since 1973. The proposed merger would not affect the structure of commercial banking or the concentration of banking resources within the relevant market.

In view of the foregoing, the Corporation is of the opinion that the proposed

merger would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### **Financial and Managerial Resources; Future Prospects**

Proponents' financial and managerial resources are considered adequate for the purposes of this proposal, and the future prospects of the resultant bank appear favorable.

### **Convenience and Needs of the Community to be Served**

Services to be offered in the relevant market by the resultant bank would not differ materially from those presently offered by each proponent.

A review of available information, including the Community Reinvestment Act Statements of the proponents, discloses no inconsistencies with the purposes of the Act. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

On the basis of the foregoing information, the Director of the Division of Bank Supervision, acting on behalf of the Board of Directors under delegated authority, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Bank of Stockton Stockton, California	230,685	3	8
<i>to merge with</i> Mid-Cal National Bank Lodi, California	86,114	5	

### **Summary report by Attorney General, July 11, 1980.**

Stockton is located 345 miles north of Los Angeles, 68 miles east of San Francisco and 45 miles south of Sacramento, and is the county seat of San Joaquin County, which is a one-county Standard Metropolitan Statistical Area. Stockton's economic base is comprised of agricultural-related businesses and a diversified group of commercial and industrial employers. According to information contained in the Application its economic prospects, and the economic prospects for San Joaquin County, appear to be very favorable.

All three of Applicant's offices are located in Stockton; two of them are within one-quarter of a mile of Bank's Stockton office. Bank's other three offices in San Joaquin County are all within approximately 20 miles of Stockton; its Lodi and Manteca offices are approximately 13 miles from Stockton, and its Tracy office is approximately 20 miles from Stockton. It therefore appears that the proposed merger will eliminate a significant amount of direct competition between Application and Bank.

In Metropolitan Stockton, banking is highly concentrated. As of June 30, 1979, the four largest banks, in terms of local deposits, held 85 percent of those deposits. Applicant, the third largest bank in Stockton in terms of local deposits, held approximately 18.9 percent and Bank, the twelfth largest, held about one percent. If the merger is consummated, Applicant would hold approximately 20 percent of Stockton deposits, and concentration among the four largest banks in Stockton would increase from 85 percent to 86 percent.

However, Stockton is served by eight major California statewide banks most

of whom have more than one branch location, as well as four other independent banks. Of these twelve other banks, seven have opened additional branch facilities within the last year, indicating ease of entry. In addition, Lloyds Bank has announced its intention to enter the Metropolitan Stockton area on a *de novo* basis. A Stockton market definition may also understate somewhat the true market area in which buyers and sellers interact in order to determine price, within San Joaquin County.

Banking is also concentrated in San Joaquin County, where 16 banks operate a total of 49 offices. The four largest banks, in terms of county deposits, hold approximately 72.4 percent of those deposits. Applicant, the third largest, and Bank the sixth largest, hold 12.5 percent and 4.3 percent of county deposits. If the merger is consummated, the resulting bank would hold the third largest share of county deposits, 16.8 percent, and the concentration ratio among the four largest banks would increase from 72.4 percent to 76.7 percent.

We conclude that the proposed merger would have an adverse effect on competition.

### **Basis for Corporation Approval, August 25, 1980.**

Bank of Stockton, Stockton, California, an insured state nonmember bank with total resources of \$230,685,000 and total IPC deposits of \$186,312,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with Mid-Cal National Bank, Lodi, California ("Mid-Cal"), with total resources of \$86,114,000 and total IPC deposits of \$68,478,000. Incident to the proposed transaction, the five offices of Mid-Cal would be established as branches of the resultant bank, which would commence operations with a total of eight offices.

### **Competition**

Bank of Stockton operates its main office and two branches in the city of Stockton in central San Joaquin County. Mid-Cal operates its main office in Lodi, and one branch each in the cities of Manteca, Tracy and Stockton, all of which are in San Joaquin County. Mid-Cal also operates a branch in Pine Grove in Amador County, some 56 miles northeast of Stockton.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as San Joaquin County. The 1970 population of the county was 290,208, an increase of 16.1 percent since 1960. The 1978 median household buying level for the county was \$16,213, compared to \$17,186 for the state. The city of Stockton (1970 population 107,644) is the county seat of San Joaquin County and dominates the area by its size and economic activity. Agriculture is the economic base for the area with manufacturing, nonmanufacturing, wholesale and retail concerns of increasing importance.

Both proponents operate offices in San Joaquin County. Mid-Cal's Stockton branch is located across the street from Bank of Stockton's main office. Mid-Cal's main office, Manteca office and Tracy office are about 13 miles north, 14 miles southeast and 20 miles south, respectively, of Stockton. The proximity of these offices indicates that the two banks are in direct competition in the relevant market, and this existing competition would be eliminated by consummation of the proposed transaction. Similarly, as California statutes permit statewide merger and *de novo* branching activity, the proposal would preclude the potential for increased levels of competition to develop between them in this market and would foreclose the potential for future competition which

could result from an expansion by either proponent into other geographic areas. This market, however, is already highly developed and contains numerous offices of large statewide banking organizations. Offices of some of California's largest commercial banks are located in close proximity to the site of each of the proponents' offices. In this light, the loss of some existing and potential competition between the two banks, as a consequence of the proposal, is regarded as having little adverse competitive impact.

In the relevant market, 17 banks operating 59 offices controlled total IPC deposits of \$1,371,429,000 as of June 30, 1979. Of these deposits, Bank of Stockton controls 12.7 percent and Mid-Cal controls 4.1 percent. Commercial banking in the market is dominated by the presence of most of California's largest commercial banking organizations with the state's five largest banks, as measured by total deposits held, aggregately holding over 54 percent of the local market's total IPC deposits. In such a competitive environment, the proposal would not have a materially adverse effect on the level of concentration of banking resources or upon the structure of commercial banking in any relevant area.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

Considerations relating to the financial and managerial resources of the proponents have been satisfactorily resolved, and the resultant bank is anticipated to have favorable future prospects.

**Convenience and Needs of the Community to be Served**

The proposed transaction is not expected to have any significant impact upon the level and pricing of commercial banking services in the area served by either proponent, as an extensive array of such services is available at offices of the large statewide banking organizations which are represented in the market. The resultant bank is, however, expected to compete more aggressively in providing customers with commercial banking services. Considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the two banks, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Continental Bank Norristown, Pennsylvania	1,619,610	52	55
<i>to merge with</i> The Solebury National Bank of New Hope New Hope, Pennsylvania	43,780	3	

## Summary report by Attorney General, August 22, 1980.

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

## Basis for Corporation Approval, August 25, 1980.

Continental Bank, Norristown, Pennsylvania, an insured state nonmember bank with total resources of \$1,619,610,000 and total IPC deposits of \$1,177,800,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to merge, under its charter and title, with The Solebury National Bank of New Hope, New Hope, Pennsylvania ("Solebury National"), with total resources of \$43,780,000 and total IPC deposits of \$35,367,000. Incident to the proposed transaction, the three offices of Solebury National would be established as branches of the resultant bank, which would commence operations with a total of 55 offices.

### Competition

Continental Bank operates its main office and 51 branches in five southeastern Pennsylvania counties. There are 19 offices each in Montgomery (including the main office) and Philadelphia Counties, four offices each in Delaware and Chester Counties, and six offices in Bucks County. Solebury National operates its main office and a branch in New Hope (1970 population 978) in central Bucks County near the New Jersey state border and another branch in Lahaska, approximately five miles west of Hew Hope.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as Bucks County, Pennsylvania and the cities of Lambertville and Stockton in adjoining Hunterdon County, New Jersey, in the Delaware River Valley. This area had a 1970 population of 420,034, an increase of 34.0 percent since 1960. The area supports a diversified economy which includes manufacturing, agriculture, commerce and retail services. Many residents from the area commute to New York, Trenton and Philadelphia. The 1978 median household buying level for Bucks County was \$21,282, compared to \$16,680 for the state.

Continental Bank's closest office to Solebury National is located in Buckingham, about two miles southeast of Solebury National's Lahaska office. The proximity of these two offices indicates there is some existing competition between the two banks. The volume of such competition, however, is modest, and there are numerous banking alternatives in the area, including several of Pennsylvania's largest commercial banks. Consummation of the proposed transaction would not eliminate any significant existing competition between the proponents.

Pennsylvania statutes permit *de novo* branch expansion in a bank's home office county and in counties contiguous thereto. Solebury National has operated locally in its 63 years of existence and lacks the financial and managerial resources to expand *de novo* into a broader area. Continental Bank has the financial and managerial resources to expand further in the relevant market, but such expansion would be unattractive as the area appears to be adequately banked. Thus, the loss of this limited potential for future competition to increase between the proponents is regarded as having little competitive impact.

In the relevant market, 20 banks operating 106 offices controlled total IPC deposits of \$1,097,787,000 as of June 30, 1979. Continental Bank controls 5.6 percent of these deposits, and acquisition of Solebury National would add 3.0 percent to that share. Consummation of the proposed merger would not have a

significant adverse effect on the level of deposit concentration or on the structure of commercial banking in the relevant market.

In its legal branching area, which includes Montgomery County and contiguous counties, Continental Bank controlled a 6.5 percent share of the June 30, 1979 total IPC deposits of \$16,835,877,000. Acquisition of Solebury National, which controlled only 0.2 percent of such funds, would have no material impact upon the concentration of commercial banking resources in the legal branching area.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of Continental Bank and Solebury National are satisfactory, and the resultant bank is anticipated to have favorable future prospects.

**Convenience and Needs of the Community to be Served**

The proposed merger would not have a significant impact on commercial banking services in the relevant market, but considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Bank of Guam Agana, Guam	62,489	2	7
<i>to acquire the assets and assume the deposit liabilities of</i> Majuro, Truk and Saipan Branches and Tinian and Saipan limited service Branches— Bank of America National Trust and Savings Association San Francisco, California	29,285*	5	

\*Total IPC deposits of offices to be transferred by Bank of America National Trust and Savings Association. Assets not reported by office.

**Summary report by Attorney General, June 16, 1980.**

We have reviewed this proposed transaction and conclude that it would not have an adverse effect on competition.

**Basis for Corporation Approval, August 28, 1980.**

Bank of Guam, Agana, Territory of Guam, an insured nonmember bank with total resources of \$62,489,000 and total IPC deposits of \$27,684,000, has



applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to purchase the assets of and assume the liability to pay deposits made in five offices of Bank of America National Trust and Savings Association, San Francisco, California ("Bank of America"). Consent is also sought to establish the Majuro and Truk branches, located in the United States Trust Territory of the Pacific Islands, and the Saipan branch, located in the Commonwealth of the Northern Mariana Islands, plus two limited-service facilities operated on Tinian and Saipan Islands in conjunction with the Saipan branch, as branches of Bank of Guam. The offices to be acquired aggregately hold IPC deposits of approximately \$29,285,000.

### **Competition**

Bank of Guam, established in 1972, operates two offices (plus "mobile" units) on the Island of Guam, which is located in the southwestern Pacific approximately 5,400 nautical miles southwest of San Francisco and approximately 1,500 nautical miles east of Manila, Philippines. Bank of America's Saipan office and nearby facilities are located in the Mariana Islands approximately 120 air miles north of Guam while the Truk and Majuro offices are located approximately 550 and 1,600 air miles southeast and east of Guam, respectively, in the Caroline and Marshall Islands.

As Bank of Guam is not represented in the Saipan, Truk and Majuro relevant markets and there is no evidence of any material volume of direct competition between Bank of Guam and Bank of America in these areas, the proposed transaction is regarded as having no significant effect upon existing competition. The proposal would substitute Bank of Guam for Bank of America at these sites, and it would not have any material adverse impact upon the structure of commercial banking or upon the level of concentration of banking resources in any relevant area. Considering the relatively modest size of Bank of Guam, the distances involved, and the relatively sparse population and unique characteristics of the Mariana, Caroline and Marshall Islands, the loss of some potential for competition to develop between the proponents in the future is regarded as having little significance.

Based on the foregoing, the Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### **Financial and Managerial Resources; Future Prospects**

The financial history and managerial resources of Bank of Guam are regarded as satisfactory. The proposed \$2 million addition in new equity capital funds will serve to augment the resultant bank's equity capital base which will be seriously impacted by an acquisition of this relative magnitude. The projected equity capital level would be at a lower than desirable level, however, Bank of Guam's past earnings history is favorable and its potential for augmenting the equity capital base through earnings retention and additional sale of stock as necessary would indicate that the resulting marginal level of equity capital funds would be only a temporary consequence of the proposal. With the proposed injection of new capital funds prior to or concurrently with consummation of the proposed transaction and in light of the potential for increases in the bank's equity capital base in the future, the resultant bank is anticipated to have favorable future prospects.

### **Convenience and Needs of the Community to be Served**

The proposed transaction will assure the continuation of commercial banking services at the Truk and Majuro locations in the Caroline and Marshall

Islands. In the absence of this proposal, or a similar proposal, the Truk and Majuro offices of Bank of America will be closed, effectively eliminating commercial banking services in a vast geographic area. Such considerations add weight in favor of approval of the application.

A review of available information, including the Community Reinvestment Act Statement of Bank of Guam, and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is anticipated to continue to meet the credit needs of its entire community consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>Bank of Quitman</b> Quitman, Mississippi	51,177	6	7
<i>to acquire the assets and assume the deposit liabilities of</i>			
<b>First National Bank of Waynesboro</b> Waynesboro, Mississippi	12,986	1	

**Summary report by Attorney General, June 5, 1980**

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact on competition.

**Basis for Corporation Approval, September 2, 1980**

Bank of Quitman, Quitman, Mississippi, an insured state nonmember bank with total resources of \$51,177,000 and total IPC deposits of \$43,675,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to purchase the assets of and assume the liability to pay deposits made in First National Bank of Waynesboro, Waynesboro, Mississippi ("First National"), with total resources of \$12,986,000 and total IPC deposits of \$9,524,000. Incident to the proposed transaction, the sole office of First National would be established as a branch of Bank of Quitman, which would then operate with a total of seven offices.

**Competition**

Bank of Quitman is headquartered in the city of Quitman, centrally located in Clarke County in southern Mississippi along the Alabama state border. Bank of Quitman operates five other offices, two of which are also in Clarke County, and three are in Lauderdale County. First National operates its sole office in Waynesboro which is located in central Wayne County, some 30 miles south of Quitman. Waynesboro, the county seat for Wayne County, had a 1970 population of 4,368.

The relevant market in which to assess the competitive impact of the proposed transaction is regarded as Wayne County. Wayne County, which is primarily agricultural, with some timber, oil and gas activity, had a 1970 population of 16,650, with no appreciable change since 1960. The 1978 median household buying level for Wayne County was \$9,411, compared to \$11,991 for the state. In the relevant market, three banks with six offices controlled total IPC deposits of \$43,578,000 as of June 30, 1979. Of these deposits, First National had the second largest share - 20.7 percent. Bank of

Quitman is not represented in this market, and its closest office to First National is some 30 miles north in the city of Quitman. It therefore appears that there is no significant existing competition that would be eliminated by the proposed transaction, nor would there be any impact on the structure of commercial banking in the local market.

Mississippi statutes permit branch banks within a 100-mile radius of a bank's home office, subject to certain minimum capitalization requirements and home office protection provisions. First National lacks the financial and managerial resources to attempt *de novo* entry into areas served by Bank of Quitman. Bank of Quitman has the capability to branch *de novo* into the Waynesboro area, but is unlikely to do so due to its relative lack of economic attractiveness. Therefore, consummation of the proposed transaction would not eliminate any significant potential for future competition between the two banks.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly or in any other manner be in restraint of trade.

#### **Financial and Managerial Resources; Future Prospects**

Considerations relating to financial and managerial resources have been satisfactorily resolved, and the resultant bank is anticipated to have favorable future prospects.

#### **Convenience and Needs of the Community to be Served**

The resultant bank would be able to offer a broader range of commercial banking services than presently available at First National, and considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, disclosed no inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Branch Banking and Trust Company Wilson, North Carolina	601,575	82	88
<i>to merge with</i> Edgecombe Bank & Trust Company Tarboro, North Carolina	63,802	6	

#### **Summary report by Attorney General, June 5, 1980**

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

#### **Basis for Corporation Approval, September 8, 1980**

Branch Banking and Trust Company, Wilson, North Carolina ("Applicant"), an insured state nonmember bank with total resources of \$6,575,000 and total IPC deposits of \$470,035,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's

consent to merge, under its charter and title, with Edgecombe Bank & Trust Company, Tarboro, North Carolina ("Other Bank"), which has total resources of \$63,802,000 and total IPC deposits of \$37,874,000. Consent is also sought to establish the six existing offices of Other Bank as branches of Applicant, increasing to 88 the number of offices operated.

### Competition

Applicant, based in the city of Wilson in the eastern Piedmont Region of North Carolina, operates 82 offices in 19 of the state's counties. Other Bank operates three offices in the immediate vicinity of the town of Tarboro, in central Edgecombe County, and three *de novo* branches in rural portions of Martin and Pitt Counties adjacent to Edgecombe County in the east-central part of the state. The service area of Other Bank is regarded as a crescent shaped rural area lying between the cities of Rocky Mount (1970 population 34,284), Wilson (1970 population 29,347) and Greenville (1970 population 28,891) encompassing portions of six counties. This area's economy is primarily agriculturally-based. Population growth has not kept pace with the more urbanized areas located to the west and south, and the 1978 median household buying levels are significantly lower than the comparable state figure.

Other Bank's Oak City office (IPC deposits \$3,068,000) serves a small rural community containing less than 600 people located approximately 16 road miles from Tarboro in the extreme northwestern corner of Martin County. The proposed merger transaction would have little competitive impact upon this relatively isolated service area. Offices of Other Bank in the community of Fountain (1970 population 434) and the town of Farmville (1970 population 4,424) are located in the western portion of Pitt County, approximately equidistant between the cities of Wilson and Greenville. These two offices, with aggregate IPC deposits of \$9,079,000, are also regarded as serving a relatively small localized market encompassing rural portions of four counties. While some competitive impact from banking offices in Wilson and Greenville, including those of Applicant, is recognized, the effect of the proposed transaction on the banking public in the communities of Fountain and Farmville would have little significance.

The area in which the impact of the proposed transaction would be most direct and immediate is regarded as Edgecombe County. This area's economy is well balanced between agricultural pursuits and light manufacturing with most of the recent growth in the vicinity of Rocky Mount. The city of Rocky Mount, located approximately 16 road miles west of Tarboro, is situated on the Edgecombe County - Nash County border. As Rocky Mount serves as a major focal point for commerce and retail services for a relatively wide area, for purposes of this analysis, it is included in the relevant market as it also serves as a logical alternate source of commercial banking services for the residents of the central portion of Edgecombe County.

Applicant is not represented in Edgecombe County or the city of Rocky Mount, and with no evidence of any significant volume of direct competition between the proponents' offices, the proposed transaction would have no significant effect upon existing competition between the two banks. As North Carolina statutes permit statewide *de novo* branching, Applicant must be regarded as a potential *de novo* entrant to this market. In light of the number of relatively large regional and statewide banking organizations already established in the market, however, the loss of some potential for increased competition to develop between the proponents as a result of such activity is regarded as limited. Other Bank has had only modest success with its *de novo* branch

expansion efforts, confining such activity to rural communities. It would not appear that Other Bank could mount any meaningful expansion effort into the more heavily-banked areas now served by Applicant in the foreseeable future.

In the relevant market a total of eight commercial banks operate 29 banking offices, holding IPC deposits of approximately \$210 million. Several of North Carolina's largest banking organizations are established in this market, and two relatively large regional banking organizations, based in the city of Rocky Mount, hold approximately 60 percent of the market's IPC commercial bank deposit base. Applicant's proposed acquisition of the Tarboro-based Other Bank, which holds approximately 11.0 percent of the market's IPC deposits, is regarded as having no significant adverse effect upon the structure of commercial banking in such an environment.

Applicant is the sixth largest commercial bank in North Carolina (seventh largest commercial banking organization) holding approximately 3.1 percent of the state's total commercial bank deposits. Acquisition of Other Bank, with its 0.3 percent share of such funds, would have no material effect upon the level of concentration of banking resources in North Carolina or in any relevant area.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

**Financial and Managerial Resources; Future Prospects**

The financial and managerial resources of Applicant are regarded as satisfactory. The proposed transaction would provide a means by which the difficulties experienced by Other Bank can be resolved within the framework of a larger, more adequately capitalized institution. The resultant bank is anticipated to have favorable future prospects.

**Convenience and Needs of the Community to be Served**

Consummation of the proposed transaction would have no material effect upon the level and pricing of commercial banking services available in the relevant market. Considerations relating to the convenience and needs of the community to be served are considered to be consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents, and other relevant material, disclosed no inconsistencies with the purposes of the Act. The resultant bank is anticipated to continue to meet the credit needs of its entire community consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
<b>USt Trust Company</b> Milton, Massachusetts	44,536	3	4
<i>to merge with</i> <b>Neponset Valley Bank and Trust Company</b> Canton, Massachusetts	14,679	1	



## **Summary report of Attorney General, June 5, 1980**

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

## **Basis for Corporation Approval, September 15, 1980**

UStTrust Company, Milton, Massachusetts ("Applicant"), an insured state nonmember bank with total resources of \$44,536,000 and total IPC deposits of \$29,729,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under its charter and title, with Neponset Valley Bank and Trust Company, Canton, Massachusetts ("NVB"), which has total resources of \$14,679,000 and total IPC deposits of \$8,562,000, and for consent to establish the two approved offices of NVB as branches of Applicant. Consent is also requested to issue subordinated capital notes as an addition to capital and for advance consent to retire these notes.

### **Competition**

Applicant operates 3 offices located directly to the south of the city of Boston. United States Trust Company, Boston, Massachusetts, an affiliate of Applicant, operates its six offices in Boston. The combined service area of Applicant and its affiliate consists of the city of Boston and areas surrounding it, comprising the Boston SMSA. NVB operates its sole office in Canton, approximately 12 road miles south of downtown Boston. NVB has also received approval to open a branch in Canton. The market area in which NVB operates is included in the Boston SMSA and consists of the city of Boston and portions of Norfolk and Plymouth counties.

The competitive impact of the proposed merger would be most immediate and direct in NVB's market area. This area is contained entirely within Applicant's market area, and the closest offices of the proponents are separated by 5.4 miles. There are 26 commercial banking organizations represented within the market, operating a total of 263 offices. In terms of area commercial bank IPC deposits, NVB controls only 0.1 percent and Applicant (including its affiliate) controls only 1.7 percent. Applicant and its affiliate currently rank as the seventh largest banking organization in terms of such deposits in this area. This position would remain unchanged as a result of this merger. The transaction, therefore, would not have any significant effect on existing or potential competition.

The Board of Directors is of the opinion that the proposed transaction would not, in any section of the country, substantially lessen competition, tend to create a monopoly, or in any other manner be in restraint of trade.

### **Financial and Managerial Resources; Future Prospects**

Financial and managerial resources of the proponents are adequate for purposes of this proposal, and the future prospects of the resultant bank appear favorable.

### **Convenience and Needs of the Community to be Served**

The resultant bank would be able to offer expanded commercial banking services, some of which are not presently available at NVB. The proposed transaction, however, would have little impact upon the level of commercial banking services offered to the community, since similar services are offered at offices of other, relatively large, commercial banks presently serving the market. Considerations relating to the the convenience and needs of the community to be served are consistent with approval of the application.

A review of available information, including the Community Reinvestment Act Statements of the proponents and other relevant material, disclosed no



inconsistencies with the purposes of the Act. The resultant bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
United States Trust Company Boston, Massachusetts	196,429	6	10
<i>to merge with</i> City Bank & Trust Company Boston, Massachusetts	111,081	4	

### Summary report of Attorney General, June 5, 1980

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect upon competition.

### Basis for Corporation Approval, September 15, 1980

United States Trust Company, Boston, Massachusetts ("Applicant"), an insured state nonmember bank with total resources of \$196,429,000 and total IPC deposits of \$115,004,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's consent to merge, under its charter and title, with City Bank & Trust Company, Boston, Massachusetts ("City Bank"), which has total resources of \$111,081,000 and total IPC deposits of \$71,275,000, and for consent to establish the four offices of City Bank as branches of Applicant. Consent is also requested to issue subordinated capital notes as an addition to capital and for advance consent to retire these notes.

### Competition

Applicant is a subsidiary of UST Corporation, Boston, Massachusetts, a multi-bank holding company controlling 2 commercial banks (aggregate IPC deposits of 144,733,000) and three nonbanking affiliates. Applicant operates all 6 of its banking offices the city of Boston and, its affiliate bank, USTrust Company, Milton, Massachusetts, operates its three offices directly to the south of Boston. The combined service area of the affiliated banks consists of the city of Boston and areas surrounding it, comprising the Boston SMSA. City Bank operates 4 banking offices, all located in the city of Boston, and its market area is coterminous with that of Applicant.

There are currently 52 commercial banking organizations operating a total of 518 offices in the Boston SMSA. The 5 largest, in terms of area commercial bank IPC deposits, control 78.5 percent of such deposits and are also the 5 largest commercial banking organizations in the state, with 63.1 percent of the state's commercial bank IPC deposits. The main offices of the proponents are located across the street from one-another, in downtown Boston. Consequently, the merger would eliminate existing competition, as well as the potential for increased future competition between the proponents. This loss of competition is mitigated by the fact that Applicant and its affiliate control only