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FDIC Approves Sale of CrossLand Federal Savings for $332 Mln

Washington, Aug. 12 (Bloomberg) -- The Federal Deposit Insurance Corp. today approved the sale of CrossLand Federal Savings Bank to institutional investors for $332 million.

The FDIC said it will sell $50 million of subordinated CrossLand Federal debt plus 12 million shares of common stock in the Brooklyn thrift for $282 million, or $23.50 a share.

The buyers are 42 institutional investors. The FDIC didn't name them, saying they include mutual funds, pension advisory firms and insurance companies. The sale is likely to close within two weeks, an FDIC official said.

"We are pleased to announce the return of CrossLand Federal to the private sector," said FDIC Chairman Andrew Hove. He answered criticism of the FDIC's decision to retain ownership of CrossLand when it took the bank over in 1992 by saying: "In comparison to the alternatives presented to the FDIC in January, 1992, we believe the Crossland Federal approach saved the Bank Insurance Fund approximately $400 million over the alternatives then available."

Critics, who included House Banking Committee Chairman Henry Gonzalez (D-Texas), had said the FDIC decision would cost the FDIC money.

Still, the transaction will cost the Bank Insurance Fund $889 million dollars, the FDIC said. The fund, which protects the deposits of bank customers, had a balance of $6.8 billion as of June 30, and that took into account the cost of the CrossLand resolution, the agency said.

## $5.3 Billion Assets

As of June 30, 1993, CrossLand Federal had $5.3 billion in assets and $4.7 billion in deposits in 40 branch offices. By comparison, it had $11.2 billion in assets at the end of 1990.

To carry out the transaction, CrossLand Federal will be converted from a federal mutual savings bank to a federal stock savings bank, the FDIC said. All deposits of CrossLand Federal continue to be FDIC-insured up to the legal limits.

In the conversion, the FDIC will receive warrants to buy 1 million shares of CrossLand's common stock, or about 7.2% of company shares on a fully diluted basis, for the $23.50 offering price at any time during the next 10 years.

The common stock to be sold cannot be traded in blocks of less than 40,000 shares until CrossLand Federal issues its annual report in a Form 10K with the Securities and Exchange Commission, the FDIC said. That should occur by March 31, 1994.

Whether the banks' shares will be traded on an exchange after that will be up to a new CrossLand board of directors. The new board has been recruited and will take office after the sale is completed, said Robert Hartheimer, deputy director of the FDIC's division of resolutions.

The sale is subject to approval of the bank's conversion by the Office of Thrift Supervision and the issuance of the subordinated debt by CrossLand Federal. The sale was led by Keefe, Bruyette & Woods Inc. with Friedman, Billings, Ramsey & Co.

Closed January 1992

After CrossLand Savings FSB was closed by the Office of Thrift Supervision in January 1992, the FDIC retained its ownership of the failed institution and infused $1.2 billion of capital into it. The government normally assigns failed thrifts to the Resolution Trust Corp., which sells their assets.

The former CrossLand lost $466 million in the 55 weeks ended Jan. 24, 1992, and $421 million in the year ended Dec. 31, 1990.

CrossLand still is burdened by a high level of non-performing assets. As of June 30, nonperforming assets totalled $1.1 billion, or 29.6% of loans and investments in real estate. Troubled debt restructurings totalled $435.4 million, while real estate owned had a book value of $571.1 million.

Under an assistance agreement, the FDIC will reimburse CrossLand for 80% of all net charge-offs exceeding $179 million over the next five years. The loss sharing agreement covers $2.7 billion of CrossLand's assets, including $1.7 billion of multifamily and commercial real estate loans.

CrossLand plans to take a charge of $205 million in connection with the stock sale, including $84.7 million to write off an intangible asset and $55 million to increase the savings bank's loan loss provision.

CrossLand's pro forma financial statements assume it will have assets of $4.7 billion, liabilities of $4.4 billion and stockholders' equity of $320 million after the stock sale. Book value per fully-diluted share will be about $23.

--Bill Arthur and David Kleinbard (202) 393-1024  /da

(For more CrossLand news: 7235B<Equity>CN. For more on the FDIC: NI FDIC. For more on banking: NI BNK)
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