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FDIC Hopes to Get $300 Mln for CrossLand Federal Savings

Washington, Aug. 3 (Bloomberg) -- The Federal Deposit Insurance Corp. hopes to get $300 million from the public sale of CrossLand Federal Savings Bank, a Brooklyn thrift with $5.3 billion in assets.

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.

Yesterday, the FDIC filed documents for the sale of 12 million shares of CrossLand Federal. The sale will be led by Keefe, Bruyette & Woods and Friedman, Billings, Ramsey & Co. The FDIC won't retain any stock in the savings bank after the sale, but it will keep a warrant to buy 1 million shares of common stock at the offering price.

The stock will be marketed to institutional investors. Dime Savings Bank of New York may bid for the whole savings bank, American Banker newspaper reported last month.

The former CrossLand lost $466 million in the 55 weeks ended Jan. 24, 1992, and $421 million in the year ended Dec. 31, 1990. The savings bank's assets shrank to $5.3 billion as of June 30, 1993, from $11.2 billion at the end of 1990.

Bad-Debt Burden

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, $84.7 million of which will be to write off an intangible asset and $55 million of which 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.

If the FDIC obtains a favorable price for CrossLand, it will help assuage congressional criticism of its decision to retain ownership of the failed savings bank.

Unanswered Questions

The General Accounting Office, the investigative arm of Congress, reported in July 1992 that the FDIC didn't document the cost estimates it used to arrive at its decision to nationalize the savings bank, as a 1991 law required it to.

"There are a sufficient number of unanswered questions about the validity of the assumptions to raise serious doubts about the savings to be achieved through interim FDIC control of CrossLand," the GAO report said.

"Now FDIC's ego and billions of dollars of tax funds are on the table in a desperate long-shot hope that the franchise value of the institution can be propped up and insurance funds recovered," Rep. Henry Gonzalez (D-Texas), chairman of the House Banking Committee, said in June 1992. "FDIC resembles a bleary eyed gambler at midnight in Las Vegas, throwing another wad of money on the table in hopes that earlier losses can be recovered," he said.

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

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