

## 15. State of Maryland Deposit Insurance Fund Corporation:

During 1985, several State-chartered savings and loan associations, whose deposits were insured by the Maryland Savings-Share Insurance Corporation (MSSIC), experienced unusually heavy withdrawals of funds by depositors which caused a substantial decline in their liquid assets. As a result, MSSIC was appointed by the Circuit Court of Baltimore City to act as conservator for two of the associations. On May 17, 1985, the Maryland General Assembly enacted legislation creating the State of Maryland Deposit Insurance Fund Corporation (MDIFC), an agency of the State of Maryland Department of Licensing and Regulation and the successor by statutory merger to MSSIC. On May 18, 1985, all savings and loan associations that were members of MSSIC automatically became members of MDIFC.

The savings accounts of all associations operating in the State were to be insured by either MDIFC or the Federal Savings and Loan Insurance Corporation (FSLIC). MDIFC assumed the insurance liabilities of MSSIC with respect to deposits made prior to May 18, 1985, and insures amounts deposited after that date up to \$100,000 per depositor. The legislation establishing MDIFC provides that: "It is the policy of this State that funds will be appropriated to the (Maryland Deposit Insurance) Fund to the extent necessary to protect holders of savings accounts in member associations." The enabling legislation also established July 1, 1989, as the date by which all member associations were to obtain alternative insurance or liquidate.

As of June 30, 1990, of the 103 associations initially insured by MDIFC, 97 have received federal insurance, have been acquired by a federally insured institution, have converted to a mortgage company or a credit union, or have voluntarily liquidated. Six institutions are currently in receivership: Old Court Savings and Loan, Inc. ("Old Court"), First Maryland Savings and Loan, Inc. ("First Maryland"), Community Savings and Loan, Inc. ("Community"), Universal Savings and Loan, Inc. ("Universal"), Ridgeway Savings & Loan Association, Inc. ("Ridgeway"), and Arrow Savings and Loan Association ("Arrow"). All of the insured accounts of Community have been acquired by Mellon Bank Corporation ("Mellon"); the insured accounts of Arrow have been acquired by the First National Bank of Maryland; the insured deposits of Ridgeway have been acquired by Concord Savings Bank; and the insured deposits of Universal have been acquired by Washington Bank Corporation.

Emergency legislation also gave authority to the Maryland Board of Public Works to issue for the benefit of MDIFC general obligation bonds of the State not to exceed the aggregate principal amount of \$100,000,000. Legislation was enacted, effective June 1, 1990, that cancelled the \$100,000,000 authorization. In connection with the assumption of the insured deposit liabilities of Community by Mellon, the State issued a bond anticipation note in the principal amount of \$46,700,000 to MDIFC; this note was pledged by MDIFC to Mellon to secure certain payments and guarantees. On May 6, 1990, the obligations of MDIFC secured by the note were discharged from resources available within the Community estate, and the note was canceled. As assistance to certain MDIFC-insured institutions requiring additional capital to obtain federal insurance, the State exchanged bond anticipation notes for special capital instruments issued by the institutions. Notes totalling \$27,200,000 were issued to provide assistance to eight institutions. Six institutions have redeemed their special capital instruments and returned their notes and two notes aggregating \$3,000,000 were paid by the State at their maturity.

As of December 31, 1989, depositors of all insured accounts at the associations in receivership were paid in full. Through June 1989, MDIFC had made initial payments, from funds appropriated to it by the State and other sources, to Old Court and First Maryland depositors in the amounts of approximately \$111,000,000 and \$69,600,000 (of which \$11,000,000 was subsequently recovered), respectively; distributions have also been made to those depositors from funds realized through the sale of assets in the receivership estates. In November 1989, MDIFC made final deposit insurance payments to Old Court and First Maryland depositors of approximately \$154,700,000 and \$16,900,000, respectively.

As successor to MSSIC, MDIFC assumed approximately \$189,000,000 in assets of MSSIC. In addition, the State has made available to MDIFC approximately \$396,000,000 (\$55,000,000 from direct general fund appropriations, \$241,000,000 from general fund appropriations to the State Reserve Fund designated for the use of MDIFC, and a \$100,000,000 transfer from the Transportation Trust Fund). To date, MDIFC has expended approximately \$576,000,000 to facilitate the acquisition of certain savings and loan associations by other financial institutions, to fund payments to depositors of associations in receivership, to settle Internal Revenue Service tax claims, and to settle litigation. In addition, MDIFC has recovered \$68,000,000 from depositor distributions and the general fund has received \$45,000,000 in recoveries from litigation and the \$71,200,000 balance remaining in the Dedicated Purpose Account of the State Reserve Fund was not required and therefore reverted June 1, 1990.