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Caught in the Crossfire

The Case of the FDIC and Crossland Savings Bank

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The former Greenwich Savings Bank building, Manhattan, with Crossland Savings signage. Photograph: Savage, NYC Landmarks Preservation Commission, LP-1766 (1992), plate 2.

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Abstract

This paper examines the Federal Deposit Insurance Corporation's (FDIC) intervention in Crossland Savings Bank during the financial turmoil of the early 1990s. By analyzing the regulatory framework, decision-making processes, and outcomes of this case, the study sheds light on the effectiveness of regulatory interventions in stabilizing financial institutions. The paper also draws parallels to contemporary regulatory challenges, offering insights into the evolution of crisis management strategies within the U.S. banking sector.

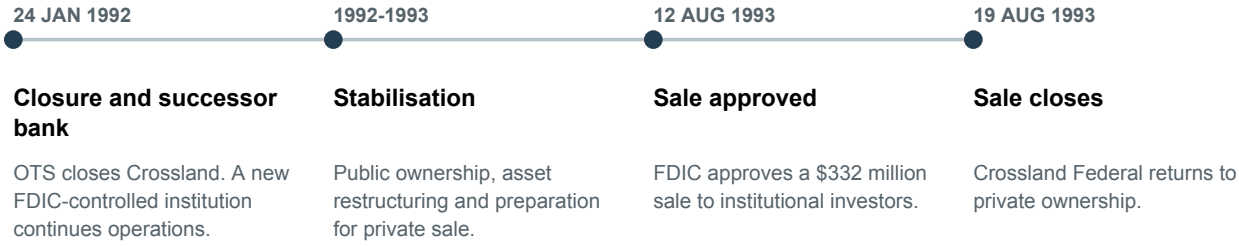
Keywords: FDIC; bridge bank; conservatorship; least-cost resolution; FDICIA; FIRREA; Savings and Loan crisis; Crossland Savings Bank; bank resolution; moral hazard

JEL codes: G21; G28; G33; K23; N22

The intervention at a glance

Feature	Case details
Institution	Crossland Savings Bank, Brooklyn, New York
Public intervention	January 1992 to August 1993
Capital injection	$1.2 billion
Private sale	$332 million to 42 institutional investors
Regulatory framework	Federal Deposit Insurance Act; FIRREA 1989; FDICIA 1991

Figure 1 From intervention to private ownership



Sources: FDIC, 24 January 1992; FDIC, 12 August 1993; Managing the Crisis, CrossLand case study. Dates distinguish sale approval from closing.

1. Overview

This paper examines the Federal Deposit Insurance Corporation's (FDIC) unprecedented intervention in Crossland Savings Bank in January 1992, when the agency took the extraordinary step of creating a federally-owned bridge bank rather than pursuing standard resolution methods.

This case study analyzes the circumstances surrounding the FDIC's decision to convert Crossland into a government-owned entity, the subsequent management challenges, and the eventual sale to private investors. At a time when the Savings and Loan (S&L) crisis had severely depleted deposit insurance resources, the FDIC's approach to Crossland represented a significant departure from established practices and raised important questions about regulatory boundaries and moral hazard. Drawing on FDIC reports, Government Accountability Office (GAO) analyses, and contemporary evaluations, this analysis reveals how the Crossland intervention both resolved immediate stability concerns and created problematic precedents for future interventions. The paper concludes with an assessment of the long-term implications for banking regulation and crisis management frameworks.

In January 1992, at the height of the Savings and Loan crisis, the Federal Deposit Insurance Corporation made the unusual decision to take ownership of the failing Crossland Savings Bank, converting it into a government-owned entity called Crossland Federal Savings Bank. With $7.3 billion in assets, Crossland represented one of the largest savings bank failures of its era. The FDIC injected $1.2 billion in capital to stabilize the institution, operated it for 18 months, and ultimately sold it to private investors in August 1993.

Unlike traditional FDIC resolutions that typically involved purchase and assumption transactions or deposit payoffs, the Crossland intervention marked a significant departure in approach. The FDIC justified this decision as the "least costly" resolution method based on its analysis of alternatives, but a subsequent GAO investigation questioned both the documentation and substantive basis for this determination.

Crossland Savings had experienced severe financial difficulties due to its high exposure to the depressed Northeast real estate market. By late 1991, non-performing assets had surged to over 8% of total assets, and its auditors expressed "substantial doubt" about the institution's viability. The FDIC's decision to establish a bridge bank rather than pursuing standard liquidation methods was influenced by several factors: (1) concerns about potential market disruption given Crossland's size and the fragile state of the banking system; (2) the high percentage of uninsured deposits (approximately 60% of $3.3 billion); and (3) the FDIC's assessment that a bridge bank would ultimately prove less costly than alternative resolution methods.

This approach, however, put the FDIC in the uncomfortable position of operating a large financial institution, a role for which it had limited experience. The Crossland intervention occurred at a pivotal moment in financial regulation: just weeks after the passage of the FDIC Improvement Act of 1991, which mandated "least-cost resolution" of failed institutions and was designed to constrain regulatory discretion.

2. Background and Context

The Savings and Loan Crisis had its roots in the rising interest rate environment of the late 1970s and early 1980s, which placed acute pressure on S&Ls that primarily made long-term, fixed-rate mortgage loans funded by short-term deposits. Deregulation of deposit interest rates and a relaxation of lending standards in the early 1980s initially delayed the reckoning but ultimately led to a surge in risky investments by S&Ls seeking to generate higher yields to offset deposit costs. As credit quality rapidly deteriorated and hundreds of institutions became insolvent, policymakers scrambled to contain the damage.

By 1989, the Federal Savings and Loan Insurance Corporation (FSLIC), which insured S&L deposits, had been depleted. Congress responded with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), which abolished the FSLIC and transferred insurance responsibilities to the FDIC, creating the Savings Association Insurance Fund (SAIF) for thrifts and maintaining the Bank Insurance Fund (BIF) for commercial banks. FIRREA also established the Resolution Trust Corporation (RTC) as a temporary agency to resolve failed thrifts. The RTC was tasked with managing and disposing of the assets of failed savings and loan associations that were placed into conservatorship or receivership between January 1, 1989, and August 9, 1992 (later extended). The separation of duties between the FDIC and RTC meant that different institutions would be handled by different agencies depending on timing and specific circumstances.

FIRREA established a minimum tangible capital requirement of 3% of total assets for thrift institutions, meaning institutions needed to maintain tangible capital (consisting primarily of common stockholders' equity, retained earnings, and paid-in capital, excluding intangible assets) equal to at least 3% of their total assets.

Crossland Savings was particularly vulnerable to the changing regulatory landscape and deteriorating real estate market. As described in History of the Eighties, Lessons for the Future, published by the FDIC:

> *"CrossLand was a particularly interesting case because of the circumstances leading to its collapse as well as the methods used to resolve the failure. Although it lost millions in the junk bond market, losses on commercial real estate loans were the primary cause of its failure. In early 1986, CrossLand Savings converted from mutual to stock ownership and, by early 1989, had increased its asset size from $8 billion to just over $15 billion. The once-specialized thrift that was primarily a lender on apartment buildings and other commercial real estate in the New York metropolitan market became a diversified financial services company that operated up and down both coasts through acquisitions of other financial institutions. CrossLand's activities included mortgage banking, commercial and consumer lending, discount brokerage and life insurance services, and real estate development."*

This aggressive expansion and diversification strategy would prove disastrous when the real estate market turned. As early as the first quarter of 1990, Crossland realized a loss of $136.5 million, with much of the problem stemming from the OTS's new rule that disallowed the inclusion of Crossland's $363 million of cumulative preferred stock as core capital, creating a capital deficiency of $113 million.

The institution's portfolio was highly concentrated in high-risk assets. By year-end 1990, approximately 49 percent of the bank's portfolio was composed of high-risk real estate investments and acquisition, development, and construction loans. The high exposure to the deteriorating New York metropolitan real estate market proved fatal. By September 30, 1991, regulators had classified 21.5 percent ($1.68 billion) of Crossland's assets as substandard or lower.

These circumstances resulted in Crossland incurring net losses of $421 million in 1990 and an additional $308 million for the first nine months of 1991, effectively wiping out its equity capital. The 1991 10-K report, filed in February 1992, painted a bleak picture: the institution had lost $207 million in 1991, depleting its tangible capital to just 0.55% of total assets, well below the 3% minimum required by FIRREA.

An important regulatory distinction in Crossland's case was that despite legally being a thrift institution, Crossland was insured by the Bank Insurance Fund (BIF) rather than the Savings Association Insurance Fund (SAIF). This categorization resulted from Crossland's expanded activities in the late 1980s, which made it more similar to commercial banks than traditional thrifts in its operations. This BIF designation meant that the FDIC, rather than the Resolution Trust Corporation, would handle Crossland's resolution when it failed. This technical distinction had significant implications for how the institution would be resolved and which agency would bear the costs of the resolution.

On January 24, 1992, Crossland Savings of Brooklyn was closed by the OTS, and the FDIC was appointed receiver of the institution. At the time of the Crossland Savings failure, William ("Bill") Taylor was the chair of the FDIC, and James Wigand led the case from the agency's New York regional office. Timothy Ryan headed the Office of Thrift Supervision (OTS) Northeast regional office, which had primary regulatory responsibility for Crossland.

The intervention raised significant questions about the boundaries of regulatory action and the challenges of government management of financial institutions. The FDIC's approach was designed to prevent potential market disruption, protect uninsured depositors, and avoid the immediate liquidation of assets in an already depressed real estate market. While the strategy prevented what could have been a more severe economic disruption, subsequent analyses by the Government Accountability Office (GAO) and other oversight bodies scrutinized the decision-making process and cost estimations:

> *"As required by section 13(c)(4) of the Federal Deposit Insurance Act, the FDIC Board should document the alternatives considered and the evaluation of each alternative, including the cost that the Board attributes to each alternative and the assumptions on which its cost evaluations are based. The record should also include appropriate documentation to support the assumptions underlying the Board's cost estimates and evaluations... The Chairman, FDIC, should develop policies for determining when and how uncertainty should be incorporated into the cost evaluations."*

The GAO was not the only critic of the FDIC's course of action related to Crossland. A report published by the Federal Reserve Bank of Kansas City entitled Integrity, Fairness and Resolve: Lessons from Bill Taylor and the Last Financial Crisis (2010) stated:

> *"In addition to cries of 'socialism,' some critics said that the FDIC was playing favorites with failing banks and decided to use the new plan with CrossLand because it was an election year and the administration did not want to suffer the political fallout of a New York failure. Others said that even if it is cheaper to the FDIC, it was giving special treatment to CrossLand's depositors, borrowers and employees that was not given to others when their institutions failed. For example, depositors at some other failed institutions lost money in accounts that were above the FDIC's $100,000 limit or lost high-paying interest rates on certificates of deposit. As long as the government owned CrossLand, their customers would not be victim to such occurrences."*

3. Key Design Decisions

3.1 Purpose

The FDIC took direct ownership of Crossland through a bridge bank structure to prevent potential market disruption and protect uninsured depositors, representing a significant departure from standard liquidation methods.

The FDIC's intervention in Crossland represented a novel approach to resolving a failed institution. Rather than pursuing a standard purchase and assumption transaction (where a healthy bank acquires the assets and liabilities of the failed institution) or a deposit payoff (where insured deposits are paid out and assets liquidated), the FDIC chose to take direct ownership of Crossland by creating a new government-owned entity, Crossland Federal Savings Bank.

The primary purpose was to prevent what the FDIC characterized as "potential for significant market disruption" if Crossland were to be liquidated immediately. The high percentage of uninsured deposits, approximately 60% of $3.3 billion, created the risk of a depositor run that could potentially spread to other troubled institutions in the Northeast. The FDIC was also concerned about the impact on local credit markets if Crossland's assets were liquidated quickly in an already depressed real estate environment.

This bridge bank approach, while unusual, allowed the FDIC to stabilize the institution, maintain its operations, and eventually return it to the private sector once market conditions improved. The agency argued that this would ultimately result in a lower cost to the deposit insurance fund than immediate liquidation.

3.2 Part of a Package

The Crossland bridge bank intervention was supplemented by a $1.2 billion capital injection and occurred during a broader set of S&L crisis resolution efforts.

While the FDIC's conservatorship and takeover in January 1992 was the primary form of assistance to Crossland Savings Bank, there were other ad hoc measures and liquidity support mechanisms that played a role in stabilizing the institution before and during the FDIC's control:

Federal Home Loan Bank (FHLB) Advances (Pre-Receivership). Prior to its collapse, Crossland relied heavily on borrowings from the Federal Home Loan Bank (FHLB) to maintain liquidity as its real estate loan portfolio deteriorated. These advances were short-term funding injections, meant to provide stability, but they did not resolve the underlying solvency crisis.

FDIC Capital Injection ($1.2 Billion). After assuming control of Crossland in January 1992, the FDIC recapitalized the bank with $1.2 billion in funding. This infusion allowed Crossland Federal Savings Bank (the FDIC-controlled entity) to continue lending, servicing deposits, and operating normally.

The Crossland intervention occurred within a broader context of government efforts to resolve the S&L crisis. The Resolution Trust Corporation (RTC), established by FIRREA in 1989, was handling hundreds of failed thrifts during this period. For reasons related to statutory mandates and institutional authorities, the FDIC rather than the RTC handled the Crossland case, though both agencies were engaged in similar work with failed thrifts during this period.

3.3 Legal Authority

The FDIC's takeover of Crossland Savings Bank was conducted under existing U.S. banking laws that governed bank insolvencies and regulatory interventions.

The primary legal basis for the intervention came from the Federal Deposit Insurance Act (FDIA) of 1950, which authorized the FDIC to act as receiver or conservator for failing insured depository institutions. Specifically, under 12 U.S.C. § 1821(c), the FDIC could be appointed as receiver when a bank was deemed critically undercapitalized or insolvent, which was the case with Crossland. Additionally, the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 expanded the FDIC's authority to resolve failed thrifts after the dissolution of the Federal Savings and Loan Insurance Corporation (FSLIC). FIRREA created the Office of Thrift Supervision (OTS), which, upon declaring Crossland insolvent, appointed the FDIC as its receiver.

Another key statute that governed the intervention was the FDIC Improvement Act of 1991 (FDICIA), which mandated that the FDIC resolve failing institutions using the least costly resolution method to protect the Bank Insurance Fund (BIF). After assessing options, the FDIC determined that taking interim ownership of Crossland and later privatizing it was the most cost-effective approach, despite ultimately incurring a net loss of $889 million.

The FDIC's intervention did not require any new legislation or special approvals beyond existing laws, as its actions were fully within the scope of FDIA, FIRREA, and FDICIA. However, the takeover required formal OTS approval, as Crossland's primary regulator, to declare the institution insolvent. Additionally, the FDIC Board of Directors had to approve the resolution and the $1.2 billion capital infusion into Crossland Federal Savings Bank.

While the FDIC had broad authority to manage bank failures, it was legally constrained by FDICIA's least-cost resolution requirement, which limited how much financial support could be injected into the institution. Additionally, Crossland did not receive direct liquidity support from the Federal Reserve, such as emergency discount window lending. Instead, its liquidity issues were addressed through FDIC capital injections and asset restructuring.

A notable legal aspect of the Crossland case was the FDIC's decision to fully own and operate the bank for 18 months before selling it in August 1993. This temporary government ownership was unusual but legally justified under the FDIC's powers as receiver. Traditionally, the FDIC liquidated or quickly sold failed banks rather than operating them for an extended period. The Government Accountability Office (GAO) later scrutinized this approach, questioning whether the FDIC's decision fully complied with the least-cost resolution principle.

3.4 Administration

The FDIC-administered takeover of Crossland Savings Bank in January 1992 was structured as a government-managed resolution, ensuring the institution remained operational until it could be privatized.

The FDIC's intervention was structured as a conservatorship, in which the FDIC recapitalized the bank with $1.2 billion and temporarily owned it through a newly chartered Crossland Federal Savings Bank.

Who was involved

Institution	Role
Office of Thrift Supervision	Declared Crossland insolvent and appointed the FDIC as receiver.
Federal Deposit Insurance Corporation	Became the bank’s sole owner and managed operations during the conservatorship.
FDIC Board of Directors	Approved funding decisions and the eventual sale to institutional investors.

Private Sector Involvement

Sale of a Subsidiary: In January 1993, Crossland Federal Savings Bank sold its subsidiary, Crossland Mortgage, to Kohlberg & Co. and Prudential Equity Investors for an undisclosed sum. The FDIC continued to manage the parent company and announced in May 1993 that it was preparing the bank for sale. The FDIC announced in a press release the appointment of Keefe, Bruyette & Woods, Inc., and Friedman, Billings, Ramsey & Co., Inc. as financial advisors to evaluate sale options.

Ultimate Sale to Institutional Investors: A group of 42 investors participated in the August 1993 sale, purchasing the bank for $332 million ($282 million in equity and $50 million in subordinated debt). The FDIC received 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. Given that the investor group sold the entity in 1995 to Republic New York Corporation for $530 million, it is possible that the FDIC received a modest ~$15 million in additional value from the warrant exercise.

How the institution was administered

Function	Arrangement
FDIC-Controlled Institution	Crossland was converted into Crossland Federal Savings Bank, which operated as a federal mutual savings bank under FDIC ownership.
Day-to-Day Bank Management	The existing Crossland executive team was replaced, with new leadership overseen by the FDIC.
Asset and Liability Management	The FDIC restructured the balance sheet, writing down non-performing loans and stabilizing the institution to attract buyers.
Deposit and Lending Operations	The bank continued normal banking services, ensuring depositors had uninterrupted access to funds.

Did the Facility Change Over Time?

The core structure of the $1.2 billion capital infusion remained the same throughout the life of the FDIC ownership period. No additional capital infusions or lending occurred.

Was an SPV or Trust Used?

No Special Purpose Vehicle (SPV) or Trust was created. Instead, the FDIC directly owned and managed Crossland as part of its statutory receivership authority as a newly chartered "Crossland Federal Savings Bank".

3.5 Governance

Crossland Federal Savings Bank operated under FDIC governance and control of operations from January 1992 to August 1993, with oversight from federal banking regulators.

Oversight and Reporting: The FDIC's Board of Directors provided strategic oversight, including appointing a new CEO for the bank to lead the restructuring efforts (including shut down of certain branches and review of non-performing loans). Financial reports were audited and disclosed to ensure transparency. The GAO (Government Accountability Office) later reviewed the intervention and questioned the FDIC's cost estimates.

Regulatory Compliance: The FDIC managed compliance with capital adequacy rules while stabilizing the bank. After the sale, the bank returned to standard oversight under the Office of Thrift Supervision (OTS).

Post-Sale Governance: After August 1993, Crossland was owned by private investors. The new owners were subject to OTS and FDIC banking regulations.

3.6 Communication and Disclosure

The FDIC's intervention was communicated as necessary for financial stability, but messaging evolved over time.

Initial Announcement (January 1992)

- The FDIC publicly announced the takeover, reassuring depositors that their funds were safe and fully insured.
- Officials framed the intervention as a temporary conservatorship, aimed at protecting the public interest.

Ongoing Communication (1992-1993)

- FDIC officials avoided framing the intervention as a bailout, emphasizing that the goal was to return the bank to private ownership.
- Reports on asset quality, loan losses, and restructuring efforts were periodically released.

Notably, the FDIC does not appear to have announced the January 1993 sale of Crossland Mortgage to Kohlberg & Co. and Prudential Equity Investors. To date, the financial details of the transaction cannot be found; the only public record consists of news articles noting after the fact that Kohlberg was relocating the headquarters, and the March 1994 announcement of the ultimate sale of the entity for $112 million.

Sale Announcement (August 1993)

- The FDIC announced the sale of Crossland Federal to private investors for $332 million.

Disclosure of financial terms included:

- Sale price and investor details (as mentioned above);
- Warrants retained by the FDIC;
- Transition plan for management.
- No major moral hazard concerns were raised, as the intervention was framed as a necessary stability measure rather than a bailout.

Key Takeaways on Disclosure

- The FDIC fully disclosed the takeover and sale, but some details (such as asset valuation changes and investor negotiations) remained confidential.
- Communications evolved from crisis management in 1992 to a successful resolution story in 1993.
- Unlike other crisis interventions, the FDIC did not face major public backlash over the handling of Crossland.

3.7 Source(s) and Size of Funding

The FDIC was the entity providing the funds, allocating $1.2 billion in essentially equity funding to recapitalize a newly formed federal savings bank that the FDIC operated.

Approximately $800 million went to absorb losses of Crossland, with the additional $400 million used to provide a minimally acceptable capital ratio for the bank. This was a one-time capital injection, and it was not a loan, so there was no revolving or renewable facility. No further capital was required and no changes were made to this original arrangement after the initial capitalization. The funds came from the Bank Insurance Fund (BIF), which was an FDIC-dedicated fund for commercial and savings banks. This fund and the legal authority along with it came from the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), which restructured the federal deposit insurance schemes, and was further reinforced by the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

Figure 2 How the capital injection was allocated



Approximate allocation described in section 3.7. This diagram shows uses of capital, not the final resolution cost.

3.8 Rate Charged

There was no rate charged in this situation.

It was essentially an equity capital injection that happened in parallel with the FDIC taking over the operations of the bank. This approach differs from the typical interest-bearing emergency lending facilities seen in other cases where specific penalty rates would be applied.

3.9 Loan Duration

The FDIC made a $1.2 billion capital injection into Crossland Federal Savings, not a loan with a fixed term.

That being said, the FDIC had an intention of divesting from the investment within 1 to 2 years after stabilizing the institution. In the end, the FDIC successfully sold the bank to investors 19 months later, which was within the 2-year timeframe it had initially intended.

3.10 Balance Sheet Protection

The FDIC made a $1.2 billion capital injection into a newly incorporated federal savings bank that assumed all of the assets and liabilities of Crossland.

Original equity investors were wiped out. It is uncertain whether certain creditors to Crossland experienced any haircuts during the FDIC ownership period (the exact details of the losses incurred by these parties were not specified in the available sources). No deposit holders lost their deposits.

3.11 Impact on Monetary Policy Transmission

There was no impact on monetary policy transmission.

The capital injection was funded through the Bank Insurance Fund administered by the FDIC, not through Federal Reserve monetary operations. Contemporary Federal Reserve reports and FDIC documentation make no mention of monetary policy considerations in the Crossland resolution.

3.12 Other Conditions

In parallel with the FDIC conservatorship and capital injection, Chairman Maurice Reissman was replaced by Richard Kraemer, an experienced savings bank executive.

Mr. Kraemer's mandate was to shift the bank's strategy away from commercial real estate lending and toward traditional mortgage lending, as well as cost-cutting efforts which included shutting down some branches. The FDIC imposed strict limitations on new commercial lending, ran workout programs for troubled assets, and held authority over major business decisions. The ultimate goal was to de-risk and restructure the bank's balance sheet and operations and prepare it for sale, which it ultimately did.

3.13 Regulatory Treatment/Relief

When the FDIC took over Crossland Savings and converted it to a Federal Savings Bank (a bridge institution), it allowed the bank temporary exemptions from normal capital requirements and other regulatory constraints.

This gave greater flexibility for the bank to restructure operations. The FDIC's authority to provide these regulatory reliefs comes from the bridge bank provisions of the Competitive Equality Banking Act of 1987, which gave bridge institutions the option of temporary relief from standard regulatory frameworks.

4. Summary Evaluation

The FDIC's intervention in Crossland Savings Bank during the 1992 Savings and Loan crisis represents a pivotal moment in financial regulatory history. Faced with a critically undercapitalized institution holding $7.3 billion in assets and at risk of catastrophic failure, the FDIC took the unprecedented step of creating a government-owned bridge bank, injecting $1.2 billion in capital to stabilize operations. In August 1993, the bank was sold to a group of 42 institutional investors for $332 million, marking the conclusion of the FDIC's extraordinary management of the institution. Despite these sales, the total intervention resulted in a net loss of approximately $889 million to the deposit insurance fund.

The Crossland Savings Bank case offers several key lessons for policymakers and regulators tasked with responding to financial institution failures, particularly during a broader crisis period.

First, regulatory forbearance and delayed action in the face of mounting problems at an institution often leads to larger losses in the long run. The FDIC's own post-mortem analysis concluded that Crossland's failure could have been averted if regulators had forced corrective measures much earlier when the thrift's financial problems first surfaced in the late 1980s. By the time the FDIC seized Crossland in 1992, the hole in its balance sheet had become unmanageable.

Second, while the FDIC's statutory mission is to protect depositors and maintain stability, its takeover of Crossland shows the perils of the agency going beyond its core competencies and taking on excessive institution-specific risk. Managing a multi-billion dollar financial institution is a highly complex undertaking that requires specialized expertise and resources. The FDIC's potential missteps in running CFSB illustrate the governance challenges and conflicts that arise when a regulator also becomes an operator.

Third, when a regulator does take the extraordinary step of nationalizing a failing private institution, it is critical to have a clear exit strategy and timeline for returning it to the private sector. The longer an institution remains in government hands, the greater the opportunities for political meddling and the risk of large open-ended taxpayer losses. The FDIC's experience with Crossland and other bridge banks shows the importance of moving quickly to either rehabilitate or sell seized institutions.

Finally, the Crossland case highlights the dangers of regulators being overly opaque and insular in their decision-making during a crisis period. The FDIC's limited disclosure and confusing public statements about the costs and reasons for the Crossland takeover contributed to a climate of uncertainty and mistrust. Regulators have an obligation to be as transparent as possible about the methods and criteria used to resolve failing institutions in order to maintain public confidence and accountability.

In summary, while the specific circumstances of the Crossland Savings failure were in many ways unique, the broader lessons about regulatory overreach, transparency, and the limits of government intervention remain highly relevant for policymakers today. As painful as the Crossland experience was for the FDIC, it offers a valuable cautionary tale about the challenges of balancing financial stability, depositor protection, and taxpayer stewardship during periods of severe banking sector stress.

The experience of Crossland reinforced the FDIC's reluctance to use conservatorships as a resolution tool. While the strategy helped stabilize the institution, the prolonged government involvement, financial risks, and political scrutiny, such as criticism over executive spending, highlighted the challenges associated with managing a failing bank as a bridge entity. As a result, the FDIC has not used the conservatorship model again since Crossland's resolution.

In fact, according to Managing the Crisis: The FDIC and RTC Experience, of all the bank failures in America's history the "FDIC has used its conservatorship authority only once: to resolve CrossLand Savings Bank, FSB, Brooklyn, New York, a savings association."

Perhaps just once and never again.

Exhibit A

FDIC loss-share transactions

1991-1994 | US$ millions unless otherwise stated

The source table is reformatted below for legibility. Crossland has the highest dollar resolution cost among the transactions listed. The table's $740 million figure is retained as reported; it is distinct from the approximately $889 million estimate discussed in the body.

Transaction date	Failed bank*	Location	Total assets	Resolution cost	Cost / assets %
19 Sep 1991	Southeast Bank, N.A.†	Miami, FL	10,478	0	0.00
10 Oct 1991	New Dartmouth Bank	Manchester, NH	2,268	571	25.19
10 Oct 1991	First New Hampshire	Concord, NH	2,109	319	15.14
14 Nov 1991	Connecticut Savings Bank	New Haven, CT	1,047	207	19.77
21 Aug 1992	Attleboro Pawtucket S.B.	Pawtucket, RI	595	32	5.41
2 Oct 1992	First Constitution Bank	New Haven, CT	1,580	127	8.01
2 Oct 1992	The Howard Savings Bank	Livingston, NJ	3,258	87	2.67
4 Dec 1992	Heritage Bank for Savings	Holyoke, MA	1,272	21	1.70
11 Dec 1992	Eastland Savings Bank‡	Woonsocket, RI	545	18	3.30
11 Dec 1992	Meritor Savings Bank	Philadelphia, PA	3,579	0	0.00
13 Feb 1993	First City, Texas-Austin, N.A.	Austin, TX	347	0	0.00
13 Feb 1993	First City, Texas-Dallas	Dallas, TX	1,325	0	0.00
13 Feb 1993	First City, Texas-Houston, N.A.	Houston, TX	3,576	0	0.00
23 Apr 1993	Missouri Bridge Bank, N.A.	Kansas City, MO	1,911	356	18.62
4 Jun 1993	First National Bank of Vermont	Bradford, VT	225	34	14.97
12 Aug 1993	CrossLand Savings, FSB	Brooklyn, NY	7,269	740	10.18
	Totals / average		41,384	2,512	6.07

* Failed banks or resulting bridge banks from previous resolutions at the time of the FDIC loss-sharing agreement. † Southeast Bank, N.A., and Southeast Bank of West Florida. ‡ Eastland Savings Bank and Eastland Bank. Source: FDIC, Managing the Crisis, Table I.1-1, Division of Research and Statistics. Values reproduced from the exhibit in the original manuscript.

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Sources for added visuals

Timeline: FDIC press releases PR-8-92 and PR-96-93; Managing the Crisis, CrossLand case study. Funding diagram: section 3.7 of this manuscript.

Cover photograph: Savage, New York City Landmarks Preservation Commission report LP-1766 (3 March 1992), plate 2. Greenwich Savings Bank, Broadway and West 36th Street elevations, with Crossland Savings signage. The photograph is retained from the original manuscript; its archival credit has been verified.