ANNUAL REPORT OF THE FEDERAL DEPOSIT INSURANCE CORPORATION 1976

LETTER OF TRANSMITTAL

FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C., May 31, 1977

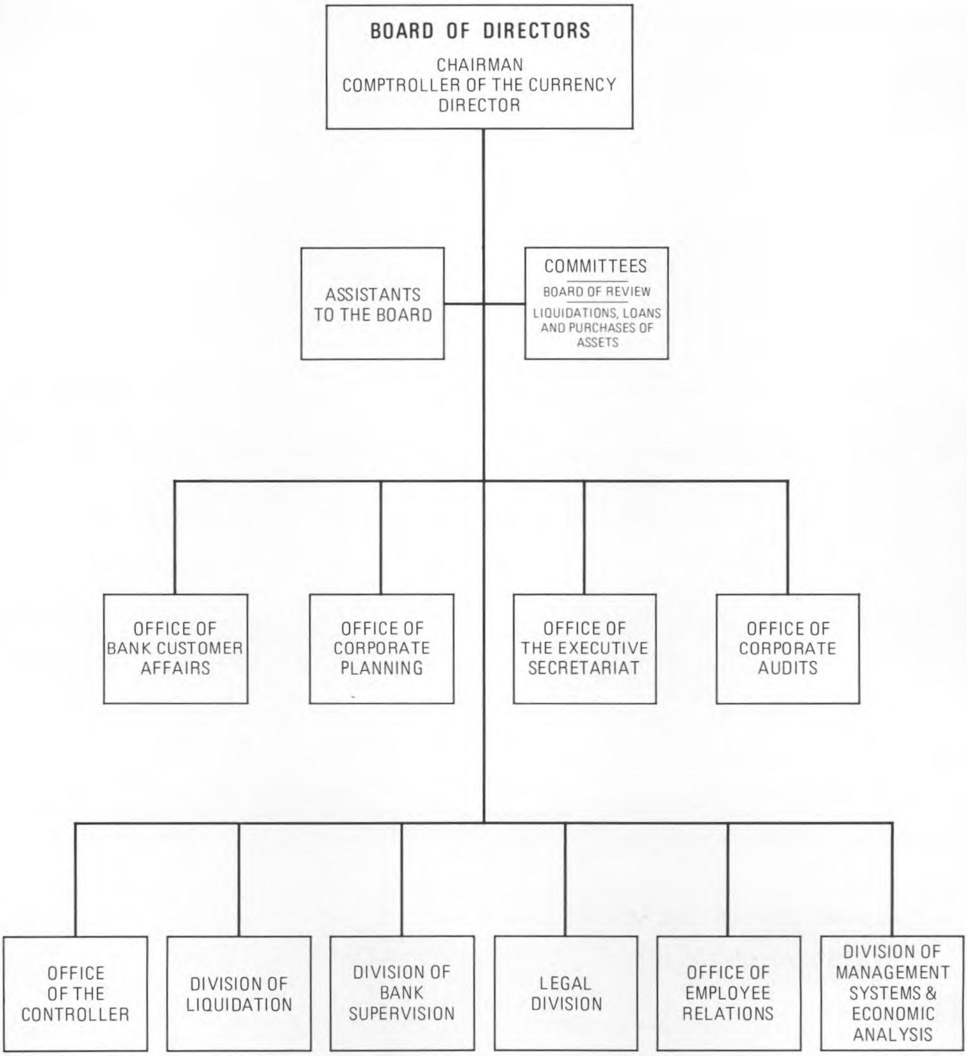
SIRS: In accordance with the provisions of section 17(a) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation is pleased to submit its annual report for the calendar year 1976. This report is a reprint of the report issued on March 1 expanded to include bank merger decisions, statistical tables, and other updated information pertinent to the operations of the Corporation.

Very truly yours,

Robert E. Barnett
ROBERT E. BARNETT
Chairman

THE PRESIDENT OF THE SENATE
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

FEDERAL DEPOSIT INSURANCE CORPORATION



FEDERAL DEPOSIT INSURANCE CORPORATION

BOARD OF DIRECTORS

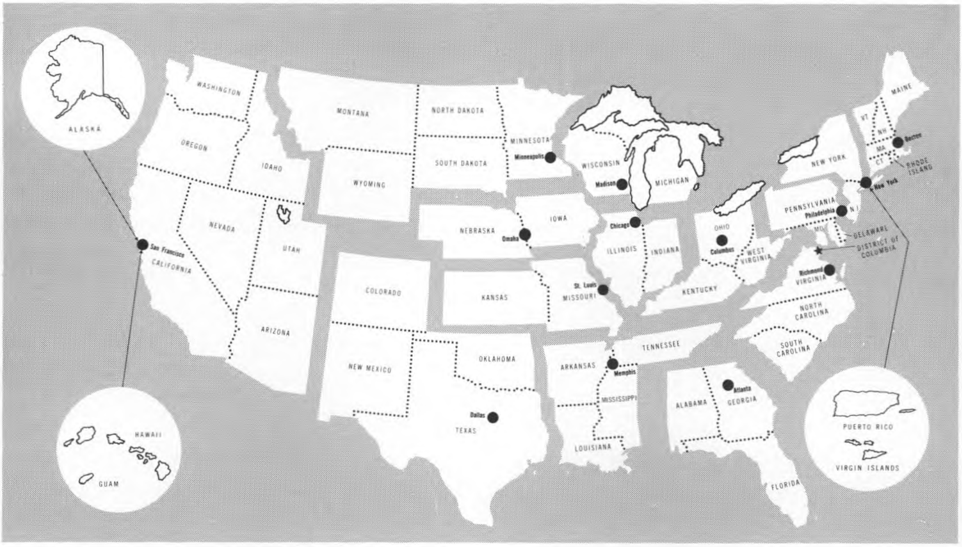
Chairman	Robert E. Barnett
Director	George A. LeMaistre
Comptroller of the Currency (Acting)	Robert Bloom

OFFICIALS

Assistant to the Chairman (Policy)	Paul M. Horvitz
Assistant to the Chairman (Administration and Management)	Alfred H. Teichler, Jr.
Assistant to the Director	John C. H. Miller, Jr.
Assistant to the Director (Comptroller of the Currency)	Joseph M. Ream
Executive Secretary	Alan R. Miller
Director, Division of Bank Supervision	John J. Early
General Counsel	Miles A. Cobb
Controller	Edward F. Phelps, Jr.
Chief, Division of Liquidation	George W. Hill
Director, Division of Management Systems and Economic Analysis	Robert P. Rogers
Director, Office of Corporate Planning	Stanley C. Silverberg
Director, Office of Corporate Audits	Robert D. Hoffman
Director, Office of Bank Customer Affairs	Thomas C. O'Nell
Director, Office of Employee Relations	Joe S. Arnold
Special Assistant to the Chairman	Robert F. Miailovich
Special Assistant to the Director	C. F. Muckenfuss, III
Executive Assistant to the Board	Timothy J. Reardon, Jr.

December 31, 1976

FEDERAL DEPOSIT INSURANCE CORPORATION REGIONS



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December 31, 1976

FEDERAL DEPOSIT INSURANCE CORPORATION
Main Office: 550 17th Street, N. W., Washington, D. C., 20429

CONTENTS

TABLES

NUMBER OF BANKS AND BRANCHES:

ASSETS AND LIABILITIES OF BANKS:

INCOME OF INSURED BANKS:

BANKS CLOSED BECAUSE OF FINANCIAL DIFFICULTIES;
FDIC INCOME, DISBURSEMENTS, AND LOSSES:

CHAIRMAN'S STATEMENT

The last few years have been traumatic ones for the United States banking industry. The worst recession since the Great Depression of the 1930s, combined with double-digit inflation, imposed great strains on the banking system. More bank failures occurred in 1976 than in any year since 1942. The eight largest bank failures in the FDIC's history took place in the 39-month period from October 1973 to December 1976—banks whose assets aggregated over 3½ times as many assets as all the other insured banks that have been closed during the entire history of the FDIC. Yet, despite these strains, and the generation of a great deal of unfavorable publicity, the public's basic confidence in the banking system and the deposit insurance system appears to be unshaken. At all times during 1976, for example, at least 97-98 percent of all the insured banks in the country were *not* on the FDIC problem list; only around 2-3 percent of them were.

The strains on the banking system in the last few years were not at all insignificant. Not only did they lead to 16 insured bank failures in 1976, but they also raised the number of banks on our problem list to the highest level in 28 years. At the end of the year, there were 379 FDIC-insured banks on our list of banks we feel supervisors should be paying particular attention to, the list we call our "problem" list, or about 2½ percent of all insured banks. While this is a very low percentage, far fewer than that, considerably less than 1 percent of all banks in the country, are in our serious problem categories.

One new aspect of the problem list now, as distinct from a few years ago, is that the list includes some large banks (banks with over $500 million in deposits) and a few very large banks (over $1 billion in deposits). Of course, there are many more banks in those size categories now than there were in the past, so the appearance of some of these banks on a problem list is more likely now than previously. But it must be recognized that in recent years larger banks assumed greater risks on both sides of their balance sheets. That fact, combined with the unsatisfactory performance of the economy, has led to problem status for a few of these larger banks.

The FDIC was not established, of course, to eliminate bank failures or to prevent banks from assuming risks. During periods such as the one we have been passing through, the FDIC has as its major function that of assuring that an individual bank failure does not lead to drastic repercussions. Our major function in these circumstances is one of maintaining confidence in the banking system so that the occasional failure, which is an essential part of a free enterprise system, can be handled with a minimum of disruption to the economy and the community.

The FDIC has successfully met the test which recent events have thrust upon it. If, 5 years ago, we could have forecast the most severe recession since the Depression of the '30s, simultaneous high unemployment and rapid inflation, the collapse of the multi-billion dollar REIT industry, bankruptcies of major industrial corporations, as well as failures of some larger banks, we might have had great concern about the ability of the banking system to avoid a major crisis of confidence.

Such a crisis has not developed. To be sure, this required massive action on an unprecedented scale by the FDIC. The concept of a "clean bank" purchase and assumption transaction, one in which a take-over bank purchases only good assets from the estate of the failed bank, with the FDIC substituting cash for the assets not taken by the take-over bank, has been applied in the past 3 years by the Corporation to larger banks. By doing so, the Corporation has removed from the banking system between October of 1973 and

December 31, 1976, over $3.7 billion of questionable assets, including all the worst assets of all the failed insured banks. This represents a substantial removal of poor quality assets from the banking system.

Just as important as the "clean bank" purchase and assumption approach has been the Corporation's determination to attempt to arrange a purchase and assumption in each failed bank situation, rather than pay depositors their insured amounts. This approach, and our ability to implement it not only in all larger bank failures but in nearly all failures regardless of bank size, has contributed significantly to customer confidence in the banking system. Only three banks whose total deposits aggregated only about $18 million, were paid out in 1976.

The size and complexity of the Corporation have grown dramatically during the past few years. The Corporation now supervises 9,009 commercial and mutual savings banks, an increase of 86 during 1976 and an increase of 798 during the past 5 years. These banks at year-end 1976 had assets totaling $355.6 billion, an increase of $34.1 billion in assets of banks supervised by the Corporation from the end of 1975, and an increase of $151.4 billion during the preceding 5 years. We now supervise three times as many banks with deposits over $100 million as the Federal Reserve System, and are approaching the number of banks of this size supervised by the Comptroller of the Currency. More banks with deposits of over $1 billion are supervised by the FDIC than by the Federal Reserve System.

We are currently liquidating over $2.6 billion of assets in our Division of Liquidation. These assets are considerably larger and more difficult to liquidate than those in earlier liquidations and our recovery record will not be as high when the books are finally closed on these liquidations as it has been in the past.

The number of Corporation employees now totals 3,535, an increase of 261 during 1976, and an increase of 928 during the past 5 years. Our expenditures, of which at least 83 percent are for employee compensation and examiners' travel, totaled $75 million for 1976, an increase of $8 million from the previous year and an increase of $33 million from 5 years ago. The increase in expenditures during the past 5 years is directly traceable to governmental pay and reimbursement increases, increases in number of employees, and inflation.

The largest part of the increase in number of employees is directly related to the increase in the number and size of banks supervised and to the number and size of liquidations we are administering. In addition, a number of employees have been added to deal with relatively new responsibilities that the Corporation has been given during the past few years. For example, while it is difficult to estimate precisely, it appears that the Corporation is spending the equivalent of 230 thousand man-hours each year in enforcing consumer laws.

There has not been a fundamental change in the deposit insurance system since its inception. The performance of the banking industry and the FDIC during this recent difficult economic period has been good and suggests that drastic change may be unnecessary. Nevertheless, in an attempt to confirm or refute this and to review systematically our entire operations, we launched during 1976 a major analysis of the premises and procedures of our system of Federal deposit insurance. This review covers the extent of deposit insurance, the financing of the deposit insurance system, and our methods of handling bank failures. In addition, we are giving special attention to the international aspects of deposit insurance to determine whether that change in the nature of that important segment of the banking business requires some change in the deposit insurance system. Any recommendations arising from our study will be reported during 1977.

We have also been reviewing the process of bank examination, which is our major tool for preventing bank failures. Some changes, which had been initiated by the FDIC on an experimental basis in 1975, were implemented more fully in 1976 and will be accelerated in 1977. A dramatically revised procedure for examining and supervising banks was adopted in November when amended General Memorandum No. 1 was approved. The new approaches to the examination function are designed to deploy more effectively the resources needed to meet an increasing work load, to marshal efforts in the appropriate areas, and to maintain technical competence in the face of increasing sophistication in operating and management systems of banks. Specific changes include the use of a modified examination for smaller banks that do not present supervisory problems, both computerized and manual monitoring techniques to anticipate problem bank situations and to keep banks under surveillance between examinations, more intensive use of statistical sampling techniques, and automated bank examination packages.

The FDIC has been experimenting since 1974 with the elimination of some FDIC bank examinations in three States deemed to have appropriate and effective State bank examination procedures, Georgia, Iowa, and Washington. At the conclusion of that experiment in 1976, and as a result of what was learned, an agreement has been reached with the State of Georgia whereby examinations of a large portion of the total nonproblem State-chartered banks in Georgia will be conducted by the State and the FDIC on an alternate year basis. While it appears at this time that Iowa does not wish to continue the experimental program and instead wants the FDIC to return to the examination status that was in effect before the first year of the withdrawal experiment, the Corporation is in the process of discussing programs similar to the one to be begun in Georgia with Washington and other States. Agreements with other States should save substantial examination time by eliminating some duplication of State and FDIC examinations, it will permit State banking departments to improve both the quality and size of their examination staffs at a rate that can be absorbed by State budgets, and it will permit the FDIC to deploy its resources more vigorously in examining problem or more difficult banks.

This improved cooperation and coordination with the States, as well as the other changes in our examination procedures, are designed to permit the redeployment of more of our resources to banks that have problems, or that because of their size and scope of operations are of particular concern to the FDIC. Banks that warrant it will be examined more frequently and more intensively than in the past, while banks in good condition will be examined less frequently by the FDIC but will still be monitored through careful review of information supplied by the bank itself.

When our examination process detects weakness in a bank, we have several means of dealing with the situation, both formal and informal. Over the last few years, there has been a trend in the direction of more frequent initiation of formal actions, generally cease-and-desist orders issued pursuant to section 8(b) of the Federal Deposit Insurance Act. While informal approaches are often successful, the trend toward greater use of formal actions was accelerated in 1976. There were 41 cease-and-desist proceedings initiated in 1976, compared with 8 in 1975 and only 7 as recently as 1971.

Section 8(a) orders, withdrawal of insurance, have remained rather constant in numbers during similar periods with 8 being initiated during 1976 and 5 each in the years 1975 and 1972. Federal deposit insurance was terminated in one bank during 1976, First State Bank & Trust

Co., Rio Grande City, Texas, and the bank failed shortly thereafter.

Major steps were taken by the FDIC during 1976 to increase efforts at enforcing bank customer oriented laws and regulations. Not only was a director for the Office of Bank Customer Affairs selected and the efforts of that office begun to be felt during 1976, but section 8(b) cease-and-desist orders for violations of the Truth in Lending Law were issued for the first time since 1973. Also instituted was a sample survey aimed at improving enforcement of Fair Housing Lending (Title VIII of the Civil Rights Act of 1968), and based on what is learned from analysis of the sample survey, we plan to extend that program during 1977. Increased training for examiners was part of our program during 1976, as were changes and improvements in our consumer complaint investigation procedure.

Our analysis of bank problems in the past has led us to conclude that an increasing responsibility for bank safety and success must lie with the board of directors of the bank. During 1976 members of the Board of Directors of the Corporation and members of the FDIC staff participated in educational programs aimed at directors of banks and we have announced a policy of conducting meetings between the bank examiner and the board of directors of banks on a more frequent basis than previously. Since we have found that a number of bank failures and bank problems have resulted from improper dealings between the bank and its insiders, we issued a new regulation in 1976 requiring approval of significant insider transactions by the board of directors of each nonmember bank.

Under the present bank regulatory structure, the FDIC does not directly supervise all the banks it insures. Even though the Federal Deposit Insurance Act permits the Corporation to examine member banks "for insurance purposes," the Senate Banking Committee in its report accompanying the 1950 amendments to the FDI Act made it clear that this was not to mean that the Corporation would conduct any systematic examination program of member banks. Thus, the FDIC has a need for coordination between itself and the other supervisory agencies. There are several mechanisms for assuring this needed cooperation, one obvious one being the membership of the Comptroller of the Currency on the Board of Directors of the FDIC. This gives the Comptroller a good understanding of the status of major matters at the FDIC and provides the opportunity on a regular basis for other FDIC Board members to ask questions of the Comptroller concerning his operations. During 1976 meetings were held on an approximate monthly basis of the Interagency Coordinating Committee, consisting of the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Chairman of the Federal Home Loan Bank Board, the Vice Chairman of the Board of Governors of the Federal Reserve System, and a representative of the Secretary of the Treasury. The Coordinating Committee considers all matters that involve more than a single agency's activities, and during 1976 considered such issues as interest rate ceilings, supervisory treatment of certain bank assets, regulations on pooling of deposits, transfers from savings to checking accounts, new deposit instruments, and many others.

The FDIC might know more about all the banks it insures if it had a representative in the offices or on the boards of the other bank regulatory agencies. But even absent such representation, we believe the opportunity for extensive cooperation and coordination not only exists but is taken frequently and extensively. Because of this, we feel that we have, in general, an accurate and current knowledge of banks not supervised by us that present a significant risk to the deposit insurance fund.

In the interest of consistency and uniformity, the Comptroller of the Currency launched a program in 1975 aimed at providing a uniform classification of certain large credits participated in by several banks in which a national bank was the lead bank. This assures that a loan to a given company will be treated in a consistent fashion by all national bank examiners. The FDIC had observers at the loan discussions in this program in 1976 and has concluded that the reviews were generally consistent with reviews Corporation examiners would have made were they faced with the same loans. We anticipate participating in such reviews in 1977 and are now applying the results to the same credits when they appear in State nonmember banks.

The FDIC has long had an extensive and sophisticated training program for examiners, including the most modern, spacious, and useful classrooms, as well as the most extensive curriculum, of all the banking agencies. Our long-run planning indicates a need for increased facilities to handle our growing needs for examiner training. In the interest of coordination and efficiency, we have proposed to the Comptroller of the Currency and the Federal Reserve that they consider participating with us in an expanded joint training facility. Along the same lines, we have proposed to the Comptroller of the Currency consideration of a joint computer facility. We have received responses from both agencies which encourage us to believe that some useful joint facility can be developed.

The process of bank supervision is facilitated by contact with executives of the supervised institutions and representatives of bank customer groups. In 1975 the FDIC began a series of meetings between officials of the FDIC and chief executive officers of insured nonmember banks. During 1976 two such meetings were held on a regional basis with commercial bankers and two with mutual savings bank officers. While these meetings covered a variety of topics, we gained a clear impression of the controversial matters that most concern bankers around the country. Payment of interest on demand deposits and NOW accounts, as well as interest rate ceilings on time deposits and competition between commercial and thrift institutions, appeared to be the most important concern of the banking community. A close second was concern about the growth of regulations pertaining to consumer protection and the burden of government paperwork requirements generally. Preservation of the dual banking system also was a matter of great importance to the bankers who attended these meetings.

As yet, a program to get systematic input from bank customers has not been developed. We do hear frequently from customers (over 4,000 inquiries or comments were received during 1976 from bank customers), and FDIC representatives have both attended and hosted meetings of consumer groups. We hope that a more regular means of communication with bank customers can be developed in 1977.

Robert E. Barnett

Robert E. Barnett
Chairman

OPERATIONS OF THE CORPORATION
PART ONE

PROMOTING SOUND BANKING

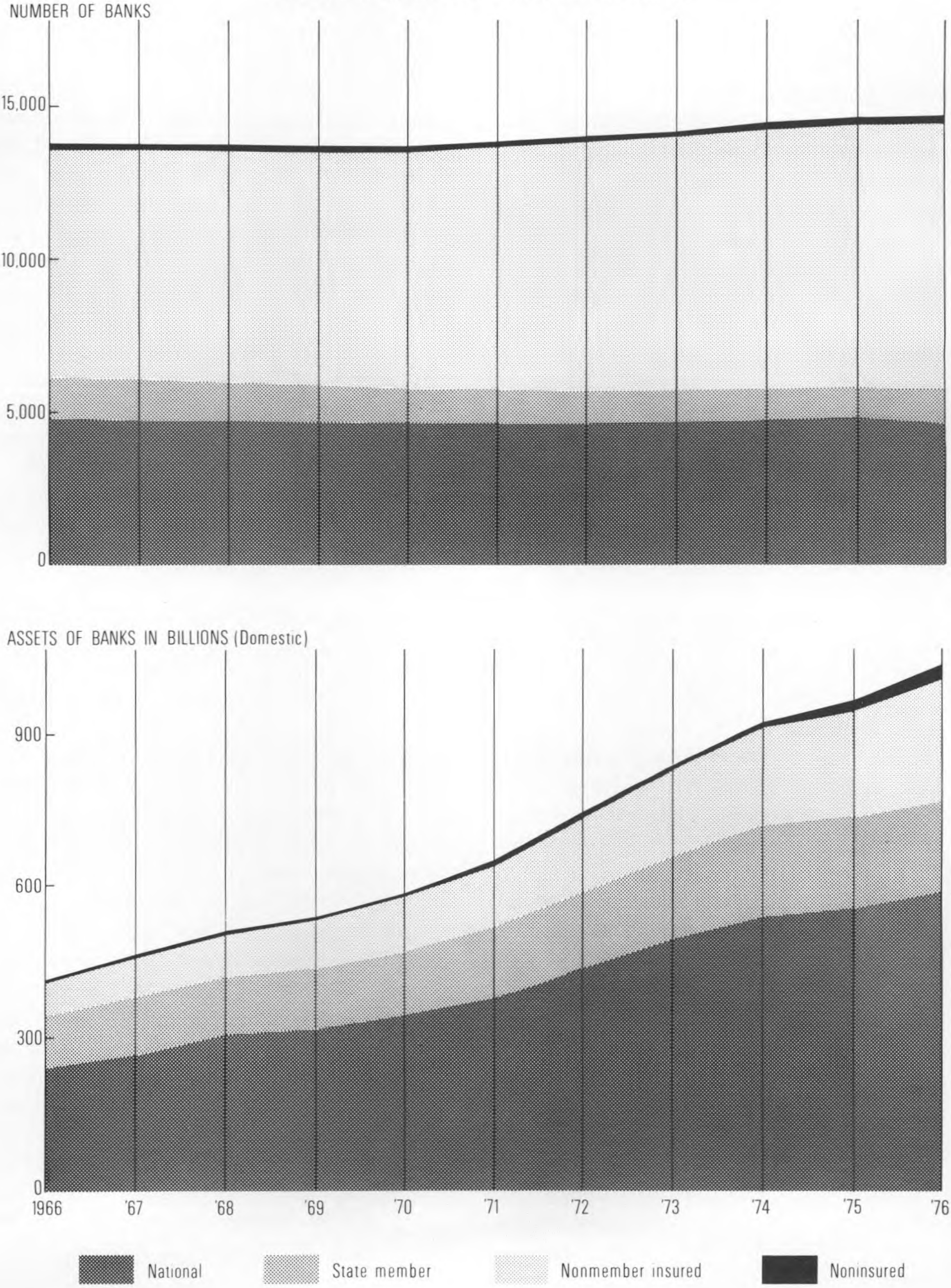
The Corporation has some supervisory authority with respect to all insured banks, and has general supervisory responsibilities for insured banks that are not members of the Federal Reserve System. It also has authority, implemented in Part 329 of its Regulations, with respect to noninsured mutual savings banks to establish maximum rates of interest payable on time deposits. There has been rapid growth in the number, size, and complexity of the banks falling within the Corporation's supervisory mandate over the past decade. Between year-end 1966 and year-end 1976, the number of insured nonmember commercial and mutual savings banks increased from 7,724 to 9,009. Assets of insured nonmember commercial banks totaled $234.8 billion as of December 31, 1976, representing 23.2 percent of all insured commercial bank assets (domestic) compared with just 16.6 percent in 1966. In December 1976, there were 329 mutual savings banks insured by the FDIC, with total assets of $115.3 billion.

Examinations. In 1976, the Corporation changed its policy of examining every insured nonmember bank every year and put into effect a system that recognizes the basic differences among banks associated with size and allocates more time to the examination of banks that require more attention. General Memorandum No. 1 set forth the new examination policy on examination priorities, frequency, and scope and clarified areas which allow the FDIC Regional Directors some discretion while still maintaining some uniformity of approach.

Top priority is accorded the examination of banks with known supervisory or financial problems. They will receive a full-scale examination at least once every 12 months. For banks with assets of less than $100 million that do not present supervisory or financial problems, and that meet criteria indicating satisfactory management, adequate capital, acceptable fidelity coverage, good earnings, and adequate internal routine and controls, a modified examination is permitted for alternate examinations. The time between examinations will be stretched out so there will be one examination in each 18-month period, with no more than 24 months between examinations. Emphasis in such modified examinations will be placed on management policies and performance; the evaluation of asset quality, distribution, and liquidity; capital adequacy; and compliance with laws and regulations. Banks with assets of $100 million or more that do not present supervisory or financial problems will continue to receive a full-scale examination during each 18-month period, again with no more than 24 months between examinations. But the examination is designed to make full use of the bank's own reporting capabilities and generally is tailored more to the size and the complexity of the bank than was the case heretofore.

The program of bank examination outlined in General Memorandum No. 1 appears to be a better solution to effective allocation of examiner resources than the FDIC selective examination withdrawal program. This program, which was initiated in Georgia, Iowa, and Washington in 1974, was continued on a modified basis in 1976. Under this program, the Corporation had withdrawn in these three States from its usual examination of insured State nonmember banks and, for a specified number of such banks in each of the three States, agreed to rely heavily upon 1974 and 1975 examinations by the respective State banking departments for determination of their financial condition. In 1976, the Corporation examined the approximately 60 percent of insured nonmember banks in Georgia it had not examined in the previous 2 years, and also the 50 percent in Iowa and the 80 percent in Washington it had not examined in 1974 or 1975. During these examinations in 1976, the FDIC analyzed

NUMBERS AND ASSETS OF COMMERCIAL BANKS IN THE UNITED STATES 1966–1976



these banks' current condition and tried to gain some measure of what their condition was at the time of the 1974 and 1975 examinations. The FDIC did not examine in these three States the banks it had examined in 1974 and 1975, leaving their examinations solely to the respective State banking departments.

The evaluation of the 3-year experiment suggests the feasibility of agreements with various States whereby examinations of a large portion of the non-problem State-chartered banks would be conducted by the State and the FDIC on an alternate year basis. The resultant substantial saving of time will permit the Corporation's examiner force to concentrate on the examination and follow-up supervision of banks with known or more complex problems. Recent experience suggests that the new policy delineated in General Memorandum No. 1 will be more likely to insure the Corporation's fulfillment of its statutory responsibilities than withdrawal from examining banks in any specific group of States.

In addition to the on-site examinations of nonmember insured banks to determine their current condition, to evaluate their management, and to discover and obtain correction of any unsafe and unsound practices or violations of laws and regulations, the Corporation conducts special investigations in connection with applications for Federal deposit insurance, mergers, establishment of branches, and other actions requiring the prior approval of the Corporation.

Compliance is an area of increasing importance. The Corporation examines banks for compliance with certain Federal laws, including the Truth-in-Lending Act, the Fair Credit Reporting Act, the Bank Protection Act, the Bank Secrecy Act, and certain disclosure and equal opportunity laws, using a Compliance Examination Report. This report was developed specifically for the purpose and was tested during 1974 on banks in the selective withdrawal program.

BANK EXAMINATION ACTIVITIES OF THE FEDERAL DEPOSIT INSURANCE CORPORATION IN 1975 AND 1976

Activity	Number	
	1976	1975
Field examinations and investigations—total	**29,713**	**28,254**
Examinations of main offices—total	**8,037**	**7,597**
Regular examinations of insured banks not members of Federal Reserve System	7,829	7,354
Reexaminations or other than regular examinations	187	207
Entrance examinations of operating noninsured banks	19	26
Special examinations	2	10
Examinations of departments and branches	**9,691**	**8,884**
Examinations of trust departments	1,491	1,469
Examinations of branches	8,200	7,415
Investigations	**3,812**	**3,998**
New bank investigations	162	176
State banks members of Federal Reserve System	16	10
Banks not members of Federal Reserve System	146	166
New branch investigations	952	709
Mergers and consolidations	118	124
Miscellaneous investigations	2,580	2,989
Compliance examinations	**8,173**	**7,775**

Enforcement proceedings. After an examination of an insured State nonmember bank, if the Corporation finds that the bank has been conducting its business in an unsafe or unsound manner, or has violated a law, rule, or regulation, or any agreement with a condition imposed in writing by the Corporation, it may initiate a cease-and-desist proceeding pursuant to section 8(b) of the Federal Deposit Insurance Act. The Corporation first attempts to correct the deficiencies through a consent cease-and-desist order. Bank management is given a proposed Notice of Charges detailing the objectionable practices, proposed Findings of Fact and Conclusions of Law, and a proposed Order to Cease and Desist which contains a program designed to put the bank in compliance. The bank is given a reasonable period of time to study the documents and consult with counsel. A meeting is then held with the bank and the appropriate State supervisory authority to negotiate a consent to the issuance of the notice, findings, and order. If these efforts fail, the Corporation will initiate formal proceedings by issuing the notice of charges and setting a date for a hearing before an administrative law judge. After the presentation of evidence by both the bank and the Corporation, the administrative law judge submits a written decision and recommended order to the Board of Directors of the Corporation. The subsequent order issued by the Corporation, which is based upon an independent review of the entire case, can be appealed to a Federal Circuit Court of Appeals. In 1976 the Corporation had no formal hearings under section 8(b).

Fifteen cease-and-desist orders against insured State nonmember banks were outstanding at the beginning of 1976. Because of substantial compliance, five of these orders were terminated during the year. During 1976, there were 49 staff recommendations to initiate cease-and-desist proceedings. Of these, 5 were withdrawn prior to Board action because of substantial compliance or action by State authorities and 3 were in preparation at year-end and had not as yet been presented to the Board, leaving 41 cease-and-desist proceedings actually initiated in 1976.

Of these 41, 5 were summary cease-and-desist orders issued pursuant to section 8(c) of the Federal Deposit Insurance Act after a determination that continuation of certain practices would either cause substantial financial damage to the bank or prejudice the interest of its depositors. These summary orders took effect upon service on the bank and remained in effect until completion of cease-and-desist proceedings. Three of the summary orders were terminated during the year.

As to the remaining 36 cease-and-desist proceedings initiated under section 8(b), 15 were still being negotiated with the banks affected at the end of 1976. Final orders were issued during the year with respect to the other 21 section 8(b) proceedings, in addition to 3 final orders issued during 1976 covering cease-and-desist proceedings initiated in 1975. This resulted in a total of 34 final section 8(b) orders outstanding at the end of 1976 (including the 10 carried over from 1975).

Listed below are some of the unsafe or unsound banking practices that were uncovered by the Corporation and cited in most of its findings and orders:

(1) inadequate capital in relation to the kind and quality of assets;

(2) inadequate provisions for liquidity;

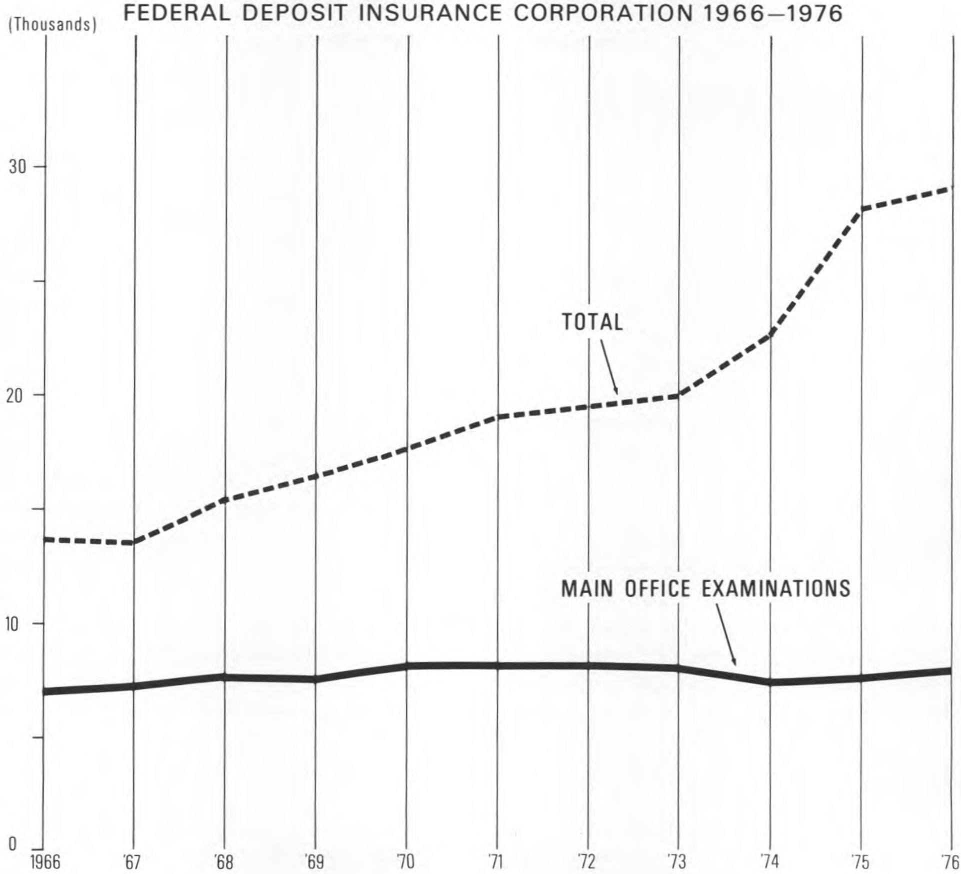
(3) failure to diversify its portfolio resulting in a risk to capital;

(4) extension of credit to insiders and affiliates of the bank who were not creditworthy, sometimes at a preferred rate;

(5) weak and self-serving management;

(6) hazardous lending practices involving extension of credit with

BANK EXAMINATIONS AND INVESTIGATIONS
FEDERAL DEPOSIT INSURANCE CORPORATION 1966–1976



inadequate documentation or for the purpose of speculation in real estate;

(7) an excessive portfolio of poor quality loans in relation to capital; and

(8) violation of the Fair Credit Reporting Act and Regulation Z of the Federal Reserve.

Termination-of-insurance proceedings under section 8(a) of the Federal Deposit Insurance Act can be initiated when the Corporation determines that a bank has been conducting its affairs in an unsafe or unsound manner and is in an unsafe and unsound financial condition. The bank and the proper regulatory authority are advised of the Corporation's findings and the bank is given a period of up to 120 days to correct the deficiencies. If timely, satisfactory correction is not achieved, the Corporation may terminate the insured status of the bank after an administrative hearing and due deliberation. The depositors of the bank are then notified of the termination, but each deposit (less subsequent withdrawals) continues to be insured for 2 years.

At the beginning of 1976, five termination-of-insurance proceedings were in progress. All five banks were closed by

State authorities during the year. During 1976, 15 recommendations were received to initiate proceedings to terminate deposit insurance. The Corporation issued eight Findings of Unsafe or Unsound Practices and Condition and Orders of Correction initiating section 8(a) termination proceedings. After issuance of these orders, two banks were closed by their chartering authorities. In five instances the recommendations were withdrawn because of merger or substantial improvement in the financial condition of the bank. Two banks were closed by the chartering authority prior to Board action. As a result, six deposit insurance termination proceedings were pending at year-end 1976.

The Corporation also has statutory authority under section 8(e) of the Federal Deposit Insurance Act to remove an officer, director, or other person participating in the management of an insured State nonmember bank if it determines that the person has violated a law, rule, regulation, or final cease-and-desist order, has engaged in unsafe or unsound banking practices, or has breached his fiduciary duty. The act must involve personal dishonesty and entail substantial financial damage to the bank, or seriously prejudice the interests of the bank's depositors. The Corporation may also summarily suspend such a person pending the outcome of the removal proceeding in order to protect the bank and its depositors.

One removal proceeding, issued after an administrative hearing, which resulted in a summary suspension was challenged in a United States District Court in 1975, and this challenge to the summary suspension was withdrawn in 1976. During 1976 no removal proceedings were initiated.

Section 8(g) of the Federal Deposit Insurance Act authorizes the Corporation to suspend or remove officers, directors, and other persons participating in the affairs of insured State nonmember banks who are indicted for a felony involving dishonesty or a breach of trust. During 1976, the statutory authority for suspending individuals was ruled unconstitutional by a three-judge Federal district court. (*Feinberg* v. *FDIC*, Civil Action No. 74-1150 (D.D.C. Aug. 13, 1976).) The decision will not be appealed to the Supreme Court. The Corporation's staff is working on legislation to propose to Congress to cure the constitutional defects found by the court.

Problem banks. By year-end 1976, the FDIC's problem bank list, which includes national banks and State member banks as well as nonmember banks, contained 379 banks, after reaching a peak of 385 during November 1976. Comparisons of time series on bank loan losses and number of banks on the problem list with broad economic indicators show a definite connection between those bank problems and the state of the economy. Management and policy deficiencies make banks vulnerable to recessions and their problems are reflected on the FDIC problem list—only with a lag, however. This lag is attributable in part to the time it takes to examine a bank and complete the review and analysis processes, as well as the period between examinations. In previous economic cycles, the lag has averaged about 12 months, but in the 1974-75 downturn the lag has been somewhat longer—about 18 months. The condition of the loan portfolio at the time of the most recent examination is an important factor in assigning and retaining banks on the problem bank list, and because of the nature and severity of problems associated with REIT credits and other loans that were most affected by the 1974-75 recession, banks have needed a substantial amount of time to work out those problems. Taking all this into consideration, the condition of the banking system at year-end 1976 was considerably stronger than it was at the end of the previous year.

While the peak figure represented only

about 2½ percent of all insured commercial banks, it was nevertheless at its highest level in 28 years. It is important to note that at year-end 1976, 14,363 banks, or about 97.4 percent of the total number of insured banks in the U.S., were *not* considered problem banks by the FDIC. Moreover, the overall experience in recent years has been that about 75 percent of the banks listed on a given date will still be operating and will no longer be considered in the problem status 2 years later.

Because the information on problem banks has frequently been misinterpreted by observers outside the bank supervisory area, a description of the FDIC problem bank designations and a rundown of additions to the list during 1976 are in order. The Division of Bank Supervision maintains a list of problem banks for internal supervisory purposes which is divided into three separate categories:

Serious Problem-Potential Payoff: An advanced serious problem situation with an estimated 50 percent chance or more of requiring financial assistance from the FDIC.

Serious Problem: A situation that threatens ultimately to involve the FDIC in a financial outlay unless drastic changes occur.

Other Problem: A situation wherein a bank contains significant weakness but where the FDIC is less vulnerable. Such banks require more than ordinary concern and aggressive supervision.

Analysis of problem bank lists since year-end 1973 indicates that about 34 percent of the banks that were at one time or another in the serious problem-potential payoff category ultimately did fail. An additional 11 percent were merged with other banks without financial assistance by the Corporation, 1 per-

STATUS OF PROBLEM BANKS
FEDERAL DEPOSIT INSURANCE CORPORATION
DECEMBER 31, 1976
(Dollar amounts in thousands)

	Number of banks	Total deposits	Estimated insured deposits	Total assets
NONMEMBER				
Serious Problem—PPO	19	$ 454,680	$ 350,345	$ 519,980
Serious Problem.	72	4,389,359	3,715,936	4,878,592
Other Problem.	210	8,347,986	6,842,976	9,187,538
Subtotal	301	$13,192,025	$10,909,257	$14,586,110
STATE MEMBER				
Serious Problem—PPO	1	$ 4,432	$ 3,767	$ 4,898
Serious Problem.	3	73,996	55,398	85,596
Other Problem.	15	21,448,253	4,095,470	27,435,905
Subtotal	19	$21,526,681	$ 4,154,635	$27,526,399
NATIONAL				
Serious Problem—PPO	4	$ 59,337	$ 40,243	$ 67,328
Serious Problem.	16	2,148,675	1,188,858	2,563,489
Other Problem.	39	22,226,377	7,842,844	29,441,531
Subtotal	59	$24,434,389	$ 9,071,945	$32,072,348
ALL PROBLEM BANKS				
Serious Problem—PPO	24	$ 518,449	$ 394,355	$ 592,206
Serious Problem.	91	6,612,030	4,960,192	7,527,677
Other Problem.	264	52,022,616	18,781,290	66,064,974
Total	379	$59,153,095	$24,135,837	$74,184,857

cent received financial assistance from the FDIC, and the remaining 54 percent received a less severe rating or were removed from problem status.

Problem status generally is accorded after analysis of the most recent examination report of a bank or consideration of other pertinent information. The FDIC's problem list is not limited to the nonmember banks it supervises but also includes national and State member banks. This list overlaps but does not duplicate the watch lists maintained by the Office of the Comptroller of the Currency and the Federal Reserve of the banks they supervise. Their watch lists include some banks with supervisory problems that apparently pose little risk to the insurance fund. The FDIC maintains similar watch lists of banks at the regional level; such banks may require special supervision because of certain conditions that require corrections, but are not likely to involve any financial outlays by the FDIC.

During 1976, 188 banks were added to the list and 158 were removed (16 by actual failure). The net increase of 30 was represented by increases of 31 in the other problem and 3 in the serious problem groups, and a decrease of 4 in the serious problem-potential payoff group. These changes represent substantially lower rates of increase than the dramatic changes in 1975. Most banks were included because of loan portfolio weaknesses which were aggravated by the 1974-75 recession and, due to the type of credit involved, could not be resolved quickly.

Of the 379 banks on the problem list at year-end, 60 had multi-bank holding company affiliations while 52 were owned by one-bank holding companies. From a deposit-size standpoint, 31 problem banks had deposits between $50 and $100 million, 30 between $100 and $500 million, 7 between $500 million and $1 billion, and 8 with $1 billion or more. Banks on the list had total deposits of $59.2 billion, representing about 7½ percent of the total deposits of all banks.

One hundred fifteen of the listed banks, compared with 116 at the end of 1975, were in the two most serious categories; however, 92 of these had deposits of less than $50 million. The remaining 23 banks in these two categories included 9 banks between $50 million and $100 million, 10 between $100 and $500 million, 3 between $500 million and $1 billion, and 1 with deposits of $1 billion or more. There were no banks of over $200 million considered serious problem-potential payoff; 19 banks in this category had deposits of less than $25 million, while 4 had deposits of $25 to $50 million.

Applications for deposit insurance and branches. Before approving an application for deposit insurance, the FDIC is required under section 6 of the Federal Deposit Insurance Act, to consider the financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community, and the consistency of the bank's corporate powers with the purposes of the act. National banks receive deposit insurance upon their chartering and State member banks upon joining the Federal Reserve System—in both cases after certification by the responsible Federal agency that the criteria mentioned were given consideration. State nonmember banks apply directly to the Corporation for deposit insurance.

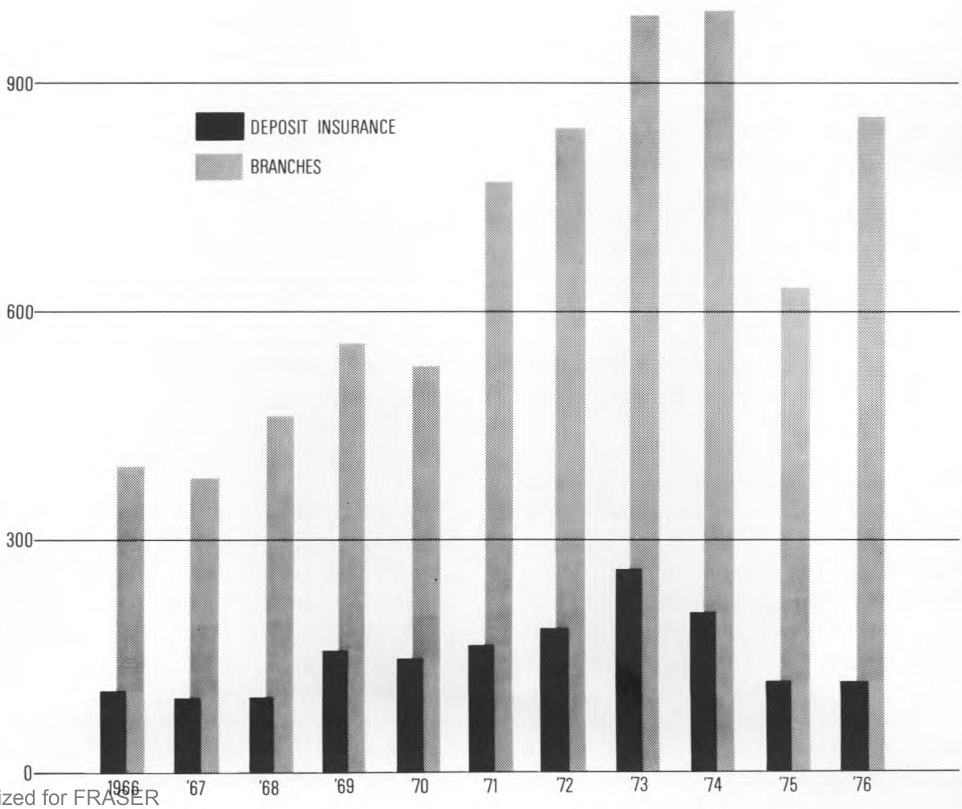
The Corporation's Board of Directors considered 122 applications for Federal deposit insurance in 1976, approving 112 and denying 10 (4 of which were subsequently approved following amendment to the applications). Two banks were denied again after reconsideration. Forty-four of the approved applications came from the 13 unit-banking States. Applications from 22 State member banks for continuation of their insured status following voluntary withdrawal of their membership from the Federal Reserve System were approved under delegated authority by the Corporation's 14 Regional Directors, and 1 was approved by the Board of Directors.

The Federal Deposit Insurance Act requires the Corporation's approval before an insured nonmember bank may establish or change the location of a branch office. A "branch" is defined in section 3(o) of the act as ". . . any branch place of business . . . at which deposits are received, or checks paid, or money lent." This definition includes tellers' windows and other limited service facilities that may not be "branches" under the laws of the respective States.

Of 613 applications considered in 1976 for the Corporation's prior consent to the establishment of new branches, 135 were approved by the Corporation's Board of Directors and 476 were approved under delegated authority by the Director of the FDIC's Division of Bank Supervision or by the Corporation's 14 Regional Directors. Two applications were denied because of asset and managerial problems.

Of 255 applications considered in 1976 for the Corporation's prior consent to the operation of limited branch facil-

APPLICATIONS FOR DEPOSIT INSURANCE AND BRANCHES APPROVED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION 1966–1976



ities (125 of which were unmanned operations), 137 were approved by the Corporation's Board of Directors, 117 were approved under delegated authority, and 1 was denied. In addition, the Corporation accepted 116 notifications of unmanned remote service facilities which were to be established without the Corporation's approval but subject to publication and a 30-day waiting period. The Corporation also accepted notifications by 107 banks that they intended to share 200 remote service facilities owned and operated by other banks, also without approval as branches. Such facilities not approved as branches may not be operated if and when there is a definitive future determination by statute, administrative action, or final court decision that these facilities constitute branches as defined in section 3(o). It is estimated that 11,300 man-hours were saved in 1976 by the use of delegated authority for the approval of the 476 branches, and 2,300 man-hours were saved in 1976 by the use of delegated authority for the 117 facilities.

Mergers. The Bank Merger Act of 1960, amending section 18(c) of the Federal Deposit Insurance Act, requires the approval of a Federal bank supervisory agency before any insured bank may engage in a merger transaction, as defined in the act. If the surviving institution is to be an insured nonmember bank, or in any merger of an insured bank with a noninsured institution, the Corporation is the deciding agency.

The act, as amended in 1966, provides further that, before approving any proposed merger of an insured bank, the deciding Federal agency must consider the effect of the transaction on competition, the financial and managerial resources of the banks, the future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. A merger that would further an attempt to monopolize or that would result in a monopoly under the Sherman Antitrust Act may not be approved. A merger that would substantially lessen competition in any section of the country, or tend to create a monopoly, may be approved, but only if the responsible agency finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effects on the needs and convenience of the community to be served. Following approval of a bank merger by the Federal supervisory agency, the Justice Department may, within a 30-day period (or in emergency cases, within 5 days), bring an action under the antitrust laws to prevent the merger.

In past litigation over whether a proposed merger substantially lessens competition and thereby violates section 7 of the Clayton Act, the determination of the "line of commerce," or product market, that will be affected by the merger has been a major issue. In general, a product market consists of those products that are reasonably interchangeable in use or have significant cross-elasticity of demand with the products offered by the merging companies. For purposes of bank mergers, the Supreme Court has held that commercial banking and thrift institutions represent separate and distinct lines of commerce. In the view of the Court, commercial banking offers a unique cluster of products and services (such as demand deposits and commercial loans) as compared to thrift institutions. However, the Court has recognized that as the laws pertaining to thrift institutions evolve, the distinctions between the two forms of banking could eventually become nonexistent.

In the State of Maine, through recent legislation, the traditional competitive barriers separating thrift institutions from commercial banks have been diminished significantly. In the light of this, during 1976, the Corporation's Board of Directors stated that "commercial realities require a viewing of a combined commercial bank-thrift institution market, as well as the traditional separate market" when determining the competitive impact of any proposed merger in that State (Basis for Corporation Approval of the Proposed Merger of Bangor Savings Bank, Bangor, Maine, and Piscataquis Savings Bank, Dover-Foxcroft, Maine, July 6, 1976, pp. 77-79). Statutes similar to the one in Maine have been enacted in several States and there are proposals in many other States and at the Federal level to legislate greater parity between commercial banks and thrift institutions. As a result, future merger decisions may also require a determination of whether sufficient distinctions exist, for purposes of competitive analyses, to justify treating commercial banks and thrift institutions as separate lines of commerce.

The Corporation acted on 43 merger-type proposals under section 18(c) during 1976, approving 41 (including 9 emergency cases) and denying two. The Corporation also approved 21 applications involving corporate reorganizations, which, as such had no competitive effect, including 17 in connection with the acquisitions of banks by holding companies. The act requires that descriptive material on each merger case that is approved, the basis for approval, and the Attorney General's advisory report be published in the deciding agency's annual report. This information for 1976 is published on pages 57-109 of this report.

Included in the 41 approvals were 3 applications involving the acquisition of mutual savings banks by their affiliated commercial banks. These were approved after the June 30, 1976 expiration of the statutory moratorium on approvals that would have the practical effect of permitting a conversion from the mutual to the stock form of organization. Although technically these transactions were not outright conversions from the mutual to the stock form of organization, they did have such a "practical effect."

The Bank Merger Act additionally requires that before deciding on any application, unless the agency finds that it must act immediately to prevent the probable failure of one of the banks involved, the deciding agency shall request, from the other two Federal bank supervisory agencies and from the Attorney General of the United States, a report on the competitive factors involved in the case. In 1976, 70 advisory reports were filed on the competitive factors involved in merger transactions in which the resulting institution would be a national or State member bank. In four of these reports, the Comptroller of the Currency was informed that the Corporation considered the competitive factors presented to be adverse in one or more respects; the Comptroller nevertheless approved all four transactions.

There has been virtually no case in recent years where any significant competitive question raised in the reports to the Corporation was not brought to light by its own processing and fully considered in rendering a decision. The likelihood is that the other two Federal banking agencies' experience has been similar. In an effort to expedite processing, the Board of Directors during 1976 delegated to the Executive Secretary the authority on behalf of the Board of Directors to furnish reports to the other bank supervisory agencies if the proposed merger would have no significant competitive effects. Nonetheless, the advisory opinions required by the Bank Merger Act appear to be an expensive and time consuming exercise whose usefulness has diminished to near zero. It is apparent that this requirement could be eliminated with no effect on the careful consideration given to each case by the responsible agency.

In 1976, the mergers approved by the Federal bank supervisory agencies resulted in the absorption of 81 operating banks, compared to 67 in 1975. This number does not include corporate reorganizations of individual banking institutions, such as banks in process of forming one-bank holding companies, and other merger transactions which did not have the effect of lessening the number of existing operating banks.

While mergers and the bank holding company movement have the potential for increasing the concentration of resources in the banking industry, current evidence suggests that this has not occurred to any important degree. For example, compared to 1960, when the Bank Merger Act was enacted, concentration ratios based on total deposits of the largest 100, the largest 10, and the largest ½ of 1 percent of commercial banks and bank groups, all showed declines through June 30, 1976.

Change in bank control and loans secured by bank stock. A change in the outstanding voting shares, unless 10 percent or less of the outstanding stock is involved, which results in control or change in control of a bank must be reported by the chief executive officer of the bank. After a reportable change in outstanding voting shares has occurred, bank management must report all changes of its chief executive officer or directorate that take place in the next 12 months. With certain exceptions, lending banks are also required to report loans secured or expected to be secured by 25 percent or more of the outstanding voting stock of an insured bank. Reports required by section 7(j) of the Federal Deposit Insurance Act enable the appropriate Federal banking agency to investigate promptly changes in control and determine their effect on the bank and the need for any corrective action.

The Corporation received 468 notices of change in control involving insured nonmember banks during 1976, of which 54 came from the State of Texas. Citing the high turnover in the control of Texas banks in recent years, the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the House Committee on Banking, Finance and Urban Affairs held hearings in Texas in December 1976 to probe possible causes of the failure of four banks in the State during the year.

Bank security. To combat an increasing and alarming number of crimes against financial institutions, Congress adopted the Bank Protection Act in 1968. The act enabled the regulatory agencies to establish standards to guide banks in devising procedures to discourage external bank crimes and assist in the apprehension and identification of the person(s) committing such crimes. Under the Corporation's regulations, a report on security devices and procedures must be submitted within 30 days after a bank becomes insured; a form must also be submitted for each newly opened branch office. The Corporation's regulations also require that insured State nonmember banks report all robberies, burglaries, and nonbank employee larcenies. Both the Federal Reserve and the Comptroller of the Currency have similar regulations. During 1976, the Corporation received 934 crime reports filed pursuant to its regulations.

Presently, the three regulatory agencies are revising these forms to simplify reporting by banks and to update information on banks' security devices. Also, a procedural change was made in 1976 whereby the certification statement, which previously had to be filed annually with the Corporation, can now be maintained at the bank.

On December 21, 1976, the Justice Department petitioned the Federal bank regulatory agencies to tighten the rules on physical security. In the petitions, the agencies were advised that the regulations adopted in the wake of the Bank Protection Act of 1968 are not as complete as Congress expected and, moreover, are not being fully met by the affected banks. The Justice Department did not recommend any specific types of hardware or procedures, leaving these recommendations to the discretion of the regulatory agencies.

Supervisory and other training activites. The Corporation has a well-established training program directed toward maintaining a highly qualified bank examination staff. Seven different schools of banking are conducted in the Division of Bank Supervision Training Center, a modern and complete training facility established in 1970 in Rosslyn, Virginia, a short commute from the Corporation's headquarters in Washington, D.C. Each school has a 2- or 3-week course of study, administered by a permanent staff of 17 persons, but with an instruction staff augmented by FDIC field examination personnel brought in from the various FDIC regions. Certain Washington Office staff members also serve as instructors, bringing the number of instructors to more than 100 persons in a typical year. In addition, the Training Center occasionally brings in banker-lecturers as well as experts from the other Federal regulatory agencies for specialized topics.

The seven schools include, for new trainees, a course in the fundamentals of banking and bank examinations; for assistant examiners, a second course emphasizing accrual accounting, audit techniques, and bank operations, with a portion devoted to examination of computerized banks; and for senior assistant examiners, a program centering on credit analysis, asset appraisal, bank management simulations, and Corporation policies and objectives. For examiners beyond the senior assistant examiner level, there are an advanced course in the examination of computerized banks, basic and advanced courses in examining trust departments, and finally a course for commissioned examiners. In addition to the regular schools, some new projects were undertaken including a 1-week trust workshop and a 1-week fair housing workshop. Both are expected to be presented again in 1977. Also a week of instruction in the area of consumer protection was instituted in the school for senior assistant examiners. This instruction will be given nine times in 1977 and, because of the nature of the material, will require constant attention and modification to keep abreast of changing events in consumer protection.

Over the years there has been an expansion in the number of schools and sessions as well as the student population. In 1976, 46 school sessions were held involving nearly 1,200 students, compared with 189 sessions and 5,100 students in the 6-year period 1970-1975. While training is directed primarily toward FDIC personnel, 157 State bank examiners, 22 students nominated by foreign government banking authorities, and 13 Federal Reserve examiners attended FDIC schools in 1976.

The Training Center also handles enrollment and processing of senior examiners in 10 different graduate schools of banking. Annual new enrollments presently amount to about 45 with approximately 95 students in attendance each year. New annual enrollments are expected to expand somewhat in the near future. The FDIC Office of Education, through the Corporation's Tuition Reimbursement Policy, provides the opportunity for examiners to enroll in American Institute of Banking and other correspondence courses, career-related college training, seminars and workshops in specialized areas, and other job-related training.

Effort is made to update courses to match current banking developments. Course administrators and Washington Office personnel review current bank legislation, periodicals, and literature, keeping up to date with present banking trends and watching for the need to change existing material or expand into new areas. The approximately 100 field instructors who teach in the schools given at the Training Center assist in this effort.

Conferences. During 1976, as part of a continuing effort to establish more meaningful dialogue between bankers and bank regulators, the Corporation jointly sponsored with the American Bankers Association two seminars for the chief executive officers of insured State nonmember banks headquartered in Florida, Georgia, Illinois, North Carolina, Puerto Rico, South Carolina, Virginia, and Wisconsin, at which issues concerning the economy, bank structure, and bank examination and supervision were discussed. Similarly, the Corporation jointly sponsored with the National Association of Mutual Savings Banks two seminars for the chief executive officers of savings banks, at which issues concerning supervision and examination, proposed legislation, deposit interest rate ceilings, and banking structure were discussed. The seminars were open to members of the press, and press reports of the activities of the seminars further facilitated communications between the Corporation and bankers.

Members of the Board of Directors and staff of the Corporation also met with representatives of 31 State bankers associations throughout the year to discuss Corporation policies, plans, and programs and other matters of concern to bankers.

These seminars and meetings provided a forum for informing bankers of the basis for such Corporation policies and actions as its increasing reliance upon the issuance of cease-and-desist orders as a means of bringing about correction of unsafe or unsound practices or conditions and its expanded efforts at enforcing the ever-growing number of consumer protection laws and regulations. They also provided a forum for advising bankers of trends developing in the industry, observed by the Corporation in the course of its examination and supervisory activities, that were a matter of concern to the Corporation, for example, the much higher losses and significant increase in the number, size, and geographical dispersion of "problem" banks. Moreover, the observations and comments of bankers present at the seminars and meetings helped the Corporation to gauge the practical effect of certain of its policies and actions—such as its adoption of "insider" transaction regulations and its proposals for variable-rate time deposits, for restricting the payment of negotiated rates of interest on pooled time deposits of $100,000 or more, and for sanctioning preauthorized withdrawals from savings deposits to cover insufficient funds items.

Additionally, the Corporation sponsored two conferences, attended by 26 State bank supervisors, on trends and developments in the banking industry, the regulatory agencies, and the Congress. Similar conferences were conducted for senior staff of the Corporation's Regional Offices.

Reports and surveys. Bank reports and surveys are important to the bank supervisory function and provide a valuable source of data useful in studying economic conditions and trends. Since its beginning, the Corporation has received Reports of Condition from insured banks on the mid-year and year-end dates, and a Report of Income once each year. Condition reports have been received from noninsured banks since the mid-1930s, permitting tabulation of condition data for all banks. Beginning in 1961, as a result of statutory changes in the method of computing deposit insurance assessments, each insured bank has filed four Reports of Condition each year.

Some significant changes in bank reporting occurred during 1976. After several years of discussions, the three Federal bank agencies put into effect revised Reports of Condition and Income for insured commercial banks which contain more meaningful information for supervisory purposes as well as for investors in bank securities. In addition, the treatment of certain concepts in these reports was made more consistent with the latest views in the accounting profession; for example, the revised reports provide a better picture of bank reserves for loan losses and their relationship to bank capital and Federal tax liability. Besides the revised forms, the frequency of reporting of the Report of Income was increased from once a year to twice a year for all insured banks, and to four times for "large" commercial banks having total assets of $300 million or more. The latter group of banks are newly required also to provide certain information supplemental to the basic condition and income reports.

The FDIC in particular implemented certain actions to provide more accurate and timely reporting. For the first time in its history, the Corporation began a policy of fining insured State nonmember banks submitting late reports. In September 1976, the Corporation's Board of Directors notified 89 State nonmember banks that they were subject to fines for not submitting reports within the required period. Also, a toll-free telephone number was made available for banks seeking assistance in the completion of their Call Reports.

Subjects of on-going surveys continued in 1976 included accounts and deposits in all banks, trust assets of insured commercial banks, mortgage rates and mortgage lending by banks, interest rates paid on savings and time deposits, and income and deposit flows of mutual savings banks. During the year the Corporation also conducted surveys of insured nonmember banks relating to Individual Retirement Accounts and Keogh Accounts, and to provisions of the Fair Housing Act of 1976.

PROTECTING DEPOSITORS

Incorporated banks and trust companies that receive deposits are eligible for Federal deposit insurance. For national banks and State bank members of the Federal Reserve, participation in Federal deposit insurance is required by the Federal Deposit Insurance Act. As of December 31, 1976, about 98 percent of all commercial banks in the United States, and 69 percent of all mutual savings banks, were covered by Federal deposit insurance. All mutual savings banks not having Federal deposit insurance were located in Massachusetts and were covered under the deposit insurance program of that State.

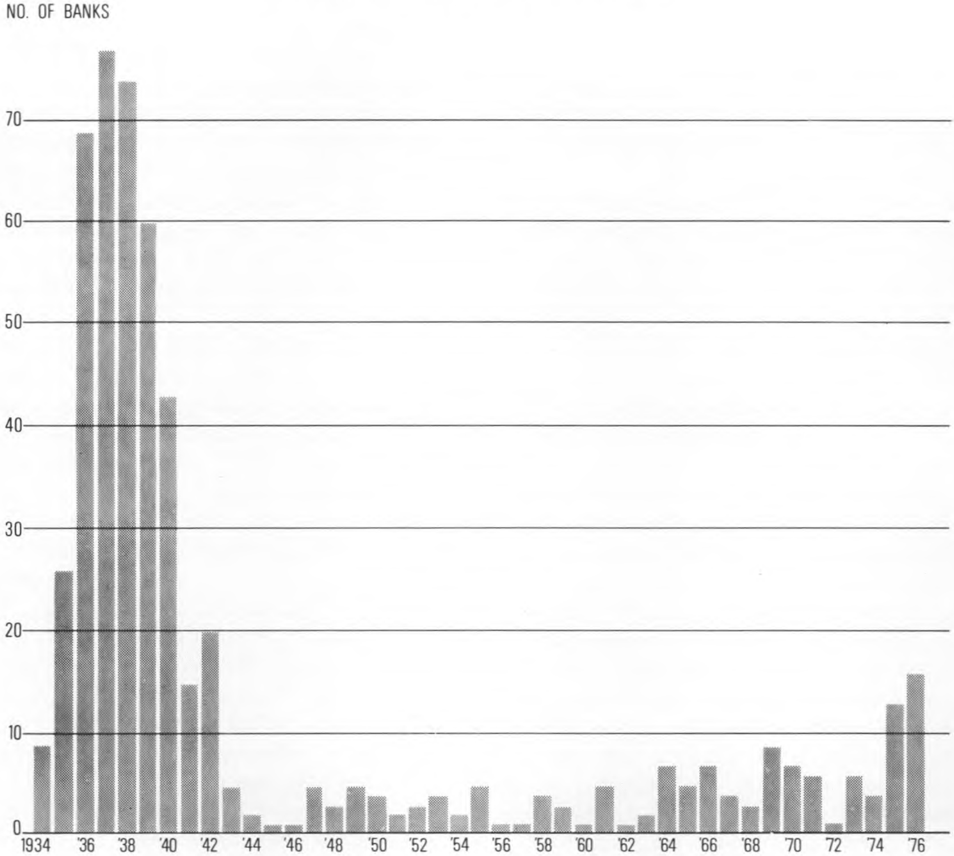
Under section 11 (as amended) of the Federal Deposit Insurance Act, each depositor is protected by insurance up to $40,000 in each insured bank. Time and savings deposits held by government units (except deposits held in out-of-State banks) are insured up to $100,000 for each depositor.

The Corporation uses two principal methods to protect depositors: assisting the absorption of failed or failing institutions into other insured banks and paying insured deposits in failed banks that are closed and liquidated.

In recent years, the Corporation has attempted to arrange purchase and assumption transactions as often as possible in bank failures. The Corporation is authorized under section 13(e) of the Federal Deposit Insurance Act to assist financially in the absorption of an insured bank in financial difficulty by another insured bank, whenever the Board of Directors finds that the Corporation's risk or loss will be reduced. This assistance may be accomplished in various ways. The Corporation may purchase the assets or grant a loan secured by the assets of a distressed or closed bank. It may also indemnify the absorbing insured bank against loss due to its assuming the liabilities and acquiring the assets of a distressed bank. The deposit assumption method has the significant advantage of providing full protection to all depositors with minimal disruption of banking services to the community.

In those instances when the deposit payoff method is used, immediately after the bank is closed by its chartering authority the Corporation's claim agents are sent to the bank to prepare for the payment of insured deposits. The claims presented by depositors and the records of the bank are used to determine the

INSURED BANK FAILURES, 1934–1976



total amount of deposits held by each depositor. From this total, matured debts owed by the depositor to the bank may be deducted. The net amount eligible for deposit insurance is then paid by the Corporation. In recent years, this process has usually begun within 5 to 7 days of the bank closing.

Since 1934, a total of 535 failure cases involving insured banks have required the Corporation's disbursements, including 303 direct payoff cases and 232 deposit assumption cases. Although the number of failures of insured banks in the past few years has averaged only slightly above the average number each year since the early 1940s, these recent failures have included several quite large institutions, requiring substantial increases in the Corporation's disbursements in failure cases.

Bank failures in 1976. The Corporation advanced $469.1 million in cash to protect depositors and take questionable assets out of the banking industry in connection with 16 insured banks that failed during 1976. The failing banks, which ranged in deposit size from $555 thousand to $336 million, were located in 11 States and had combined deposits of $865 million. While the number of closings increased in 1976, the total asset size of the failed banks declined from the record-setting years of 1973 and 1974. Most of the cash advanced by the Corporation will be recovered as the remaining assets of the banks are liquidated. In the 16 failures, the Corporation used the statutory payoff method in 3 cases and assisted sound banks to assume deposits in 13 cases.

In the three failures which resulted in statutory payoffs, the Corporation's Board of Directors decided to proceed only after extensive efforts to arrange a deposit assumption transaction had proved unsuccessful. In one of the three cases the Corporation was unable to effect a purchase and assumption transaction because of a substantial lapse of time between the banking commissioner's finding of insolvency and the court's decision supporting that finding and also because the general disarray in the bank's records made it impossible to determine accurately the amount of the bank's assets and liabilities. In the other two

INSURED BANKS CLOSED DURING 1976 REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION

Name and location	Date of closing or deposit assumption	Number of depositors or accounts	Amount of deposits (In thousands)
Deposit payoff			
Coronado National Bank Denver, Colorado	June 25, 1976	3,770	2,606
Mt. Zion Deposit Bank Mt. Zion, Kentucky	June 25, 1976	388	555
Citizens State Bank Carrizo Springs, Texas	June 28, 1976	4,088	15,698
Deposit assumption			
The Bank of Bloomfield Bloomfield, New Jersey	January 10, 1976	15,700	25,969
Bank of Woodmoor Woodmoor, Colorado	January 12, 1976	3,590	3,549
The Hamilton National Bank of Chattanooga Chattanooga, Tennessee	February 16, 1976	120,000	336,292
South Texas Bank Houston, Texas	February 25, 1976	6,498	7,074
First State Bank of Northern California San Leandro, California	May 21, 1976	34,760	53,405
Northeast Bank of Houston Houston, Texas	June 3, 1976	9,652	17,452
First State Bank of Hudson County Jersey City, New Jersey	June 14, 1976	15,759	13,790
The New Boston Bank and Trust Company Boston, Massachusetts	September 14, 1976	2,660	5,335
American Bank & Trust Company New York, New York	September 15, 1976	26,000	165,079
The Hamilton Bank and Trust Company Atlanta, Georgia	October 8, 1976	8,128	32,022
Centennial Bank Philadelphia, Pennsylvania	October 19, 1976	13,756	12,312
First State Bank & Trust Co. Rio Grande City, Texas	November 19, 1976	8,982	12,082
International City Bank and Trust Company New Orleans, Louisiana	December 3, 1976	67,000	161,639

cases, the banks were declared insolvent as of the close of business on a Friday and the payoffs began the following Monday morning. The ultimate loss to the depositors in the three cases is expected to be minimal; the uninsured deposits in two of the banks were less than $600.

In the failures resulting in deposit assumptions, the 13 assuming banks paid purchase premiums totaling $37.5 million for the right to acquire the failed banks' deposit liabilities. When a significant price for a transaction is paid by the acquiring bank, this is added to the capital cushion available to the FDIC to absorb losses and may mean the difference between some recovery and none for shareholders and noteholders of the failed bank. In connection with the three largest failures, The Hamilton National Bank of Chattanooga, Chattanooga, Tennessee; American Bank & Trust Company, New York, New York; and International City Bank and Trust Company, New Orleans, Louisiana; the Corporation purchased capital notes of $24 million, $10 million, and $7.5 million, respectively, from the banks acquiring the deposits to alleviate the capital needs resulting from the sudden expansion in their deposit liabilities. Also in 1976, the Corporation received payment in full of the $8-million capital note it purchased from Southern Bancorporation, Inc., Greenville, South Carolina, whose subsidiary bank assumed the liabilities and purchased certain assets of American Bank & Trust, Orangeburg, South Carolina, which failed in 1974. The obligation to the FDIC was to mature on September 24, 1977, but the holding company was able to arrange a 10-year refinancing for the full amount through First Union National Bank of North Carolina, Charlotte, North Carolina. As a result of the refinancing, the Corporation on December 9, 1976, received payment in full of the $8 million owed to it by Southern. In exchange for the repayment, the Corporation agreed to guaranty 75 percent of the principal of the First Union National Bank loan, the amount of the guaranty to be reduced pro rata as regular principal reductions are made.

Following the closing of International City Bank and Trust Company, the FDIC followed its normal practice of asking several groups to submit bids for an FDIC-assisted transaction. When no bids were submitted, the FDIC began negotiations with two parties that had expressed some interest, and a mutually acceptable contract between the FDIC and The Bank of New Orleans and Trust Company was finally arranged. The greatest obstacle in negotiations, and the primary reason that no bids were received in the first instance, was approximately $44 million in "wild card" certificates of deposit issued by ICB in 1973. These deposits carried interest rates substantially higher than those currently obtainable. Therefore, any bank assuming these deposits could be expected to incur substantial losses and suffer a negative impact upon its earnings. To avoid placing this large financial risk on Bank of New Orleans, the FDIC agreed to reimburse Bank of New Orleans for certain of its anticipated losses, indemnifying the bank in an amount equaling the difference between interest accruing on the wild card deposits and the amount of income Bank of New Orleans could earn during the same period on money prudently invested in U.S. Treasury bills. In addition to assuming approximately $160 million in deposits and other liabilities, The Bank of New Orleans and Trust Company agreed to pay a purchase premium of $800,000. To facilitate the transaction, the FDIC advanced cash amounting to $116.9 million and retained book assets of the failed bank of $129.9 million.

Direct assistance to operating insured banks. Direct assistance by the FDIC to an operating insured bank, initially authorized in 1950 under section 13(c) of the Federal Deposit Insurance Act, may be employed if a bank is both in danger of closing and essential to maintain adequate banking services in the community. The Corporation first used this authority in 1971 and has used it on three occasions since then. The most recent use was in 1976 to assist Farmers Bank of the State of Delaware. The Corporation and the State of Delaware (which owns 49.4 percent of the bank's common stock) developed a program of financial assistance after it became evident that the bank was in danger of closing primarily due to a deterioration in the quality of its real estate loan portfolio.

Farmers Bank, with $370 million in deposits at the time of the announcement of this transaction, was the second largest commercial bank in Delaware and is the sole depository for State funds under Delaware law. The Corporation, the State of Delaware, and the bank entered into an assistance agreement on June 10, 1976, whereby the State purchased a $20-million new issue of preferred voting stock of the bank, and the Corporation purchased, for $32 million, poor quality loans and other assets of the bank having a book value of approximately $40 million. In addition, the State of Delaware agreed to keep certain minimum balances with the bank and certain managerial changes were made to facilitate the bank's return to profitability.

Also in 1976, the FDIC and Bank of the Commonwealth, Detroit, Michigan, agreed to a financing plan for the bank. The plan involves the sale of an additional $10 million of common stock underwritten by First Arabian Corporation and the extension of the maturity of the existing $35.5-million capital note from the FDIC to the bank. The note, which is scheduled to mature in April 1977, will be extended for a minimum of 5 years. Interest payments on the note, fixed at 5.5 percent, were increased to 6.6 percent per annum, the rate earned on the FDIC insurance fund, payable for the first 5 years only to the extent of one-half of the bank's net income for any year. The remaining income will be added to the bank's equity capital. Amortization of the note will begin in 1979. The new financing program is designed to make Bank of the Commonwealth a competitive force in the Detroit banking market. Financial assistance was originally given to the bank by the FDIC in 1972 under section 13(c). While the original assistance averted the danger of Bank of the Commonwealth failing, recovery of the bank's position has been retarded by the bank's large holdings of low-yielding assets acquired by prior management as well as by the unfavorable economic climate of recent years. Detroit, the primary market served by the bank, has been particularly hard hit by the recent recession and unemployment has been substantially higher than the national average.

The Corporation also agreed to extend until June 30, 1982, the $1.5-million capital note of Unity Bank and Trust Company, Boston, Massachusetts, which was scheduled to mature on December 31, 1976. Amortization of the note will begin on June 30, 1980. The loan was part of an assistance program initiated in July 1971 which prevented the failure of Unity Bank and Trust Company and assured continued banking service for the black community in Roxbury and Dorchester. The bank's full recovery has been inhibited to a large extent by adverse economic conditions.

Protection of depositors, 1934-1976. The Corporation makes disbursements when it pays depositors up to the insurance limit in payoff cases and acquires their claims against the failed banks, when it assists deposit assumptions through loans or purchases of assets, and when it provides assistance to enable an operating bank to remain open. From January 1, 1934 through December 31, 1976, the Corporation disbursed approximately $2.3 billion for 539 insured banks requiring assistance. These banks had aggregate deposits of about $6.2 billion. In the 535 closed banks, at the end of 1976 over 99.8 percent of the depositors had received or were assured of payments of their deposits in full, and 99.6 percent of the total deposits had been paid or made available to them. Banks whose deposits were assumed by other insured banks with the Corporation's assistance accounted for almost 72 percent of the deposits in the closed banks. By far the largest proportion of the amount recovered by depositors in payoff cases has been provided by FDIC payments of insured deposits, with additional payments received from the proceeds of liquidated assets, offsets against indebtedness, and pledged assets.

Including the amounts disbursed in failure cases and assistance to operating banks, and all losses and provision for losses on assets being liquidated, the Corporation's losses of $285.0 million have amounted to 12.4 percent of its disbursements in all insurance operations.

Liquidation activities. At year-end 1976, the FDIC's Division of Liquidation was administering over 72,000 assets with an aggregate book value of approximately $2.6 billion. The largest portion of those assets, over $900 million, was real estate related. To liquidate those assets the Corporation employs approximately 600 persons in the Division of Liquidation. During 1976, the Division of Liquidation collected approximately $740 million from the assets of the closed banks held by the Corporation either directly or as receiver. The complexity of those assets has increased significantly during the past few years as a result of the larger bank closings.

In the Franklin National Bank (FNB) liquidation, the FDIC's largest, as of December 31, 1976, the Corporation had collected $1,124.7 million on assets held, and had paid $1,073.5 million of this amount to the Federal Reserve Bank of New York, thereby reducing the principal amount due on the "window" loan extended to FNB from $1,723.5 million at the time of the bank's closing on October 8, 1974, to $650 million at year-end 1976. Interest at the rate of 7.52 percent per annum will not be due until the note matures on October 8, 1977. The principal book value of assets remaining to be liquidated as of December 31, 1976, is approximately $1,208.6 million compared with the principal and accrued interest on the FDIC's outstanding debt to the Federal Reserve Bank of New York of $848.8 million.

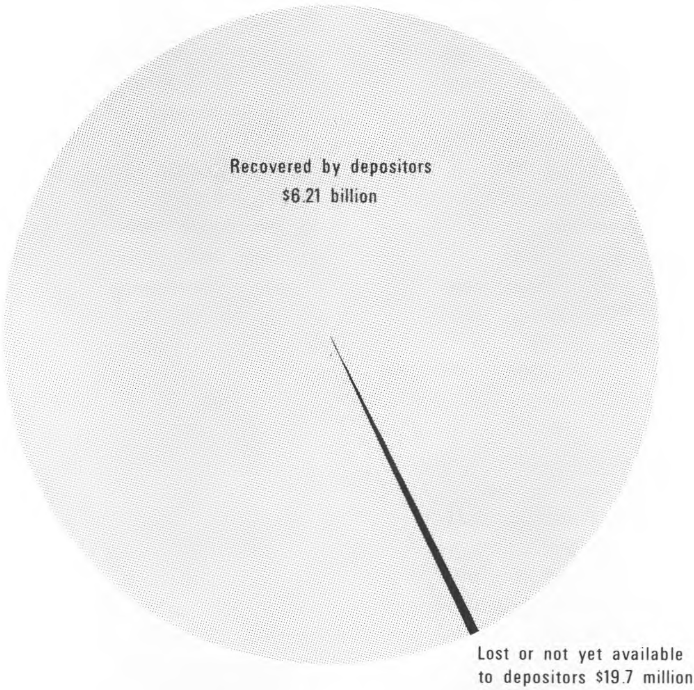
On October 8, 1977, it is estimated that the Corporation will be required to advance approximately $465 million to $665 million to pay the Federal Reserve Bank the remaining balance due on the original $1,723.5-million obligation which was owed by Franklin as of its closing. Based on a number of assumptions as to the duration of the receivership, the pace of collections, and the results of matters in litigation, it is unlikely that the Corporation will suffer a loss in this very large failure.

Charters for two deposit insurance national banks established in 1975 were scheduled to terminate in 1977 according to the statute authorizing their establishment; and before the expiration of each charter, the FDIC must make arrangements to dispose of the bank's business. Deposit insurance national banks (DINB) were organized in accordance with section 11 of the Federal Deposit Insurance Act to deal with the failures in 1975 of Swope Parkway National Bank, Kansas City, Missouri, and The Peoples Bank of the Virgin Islands, St. Thomas, Virgin Islands. In such cases, the receiver of the closed bank immediately transfers to the new bank all insured and fully secured deposits in the closed bank, and those funds are available to their owners to the same extent that they were available before the bank's closing. By establishing a deposit insurance national bank the FDIC hopes to encourage local communities to consider the establishment and capitalization of a new bank.

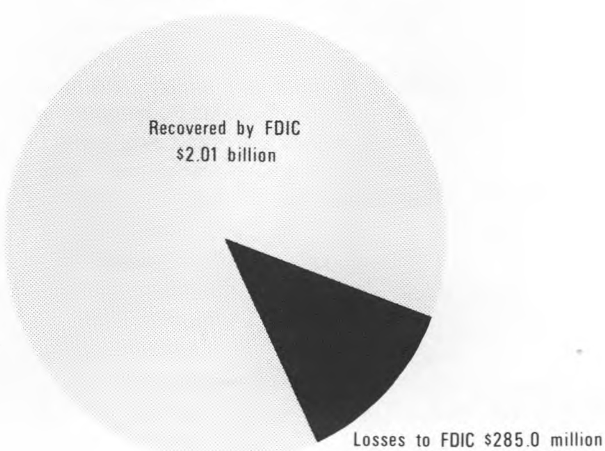
The FDIC is authorized to dispose of a deposit insurance national bank's business

DEPOSITS AND LOSSES IN ALL INSURED BANKS REQUIRING DISBURSEMENTS BY FDIC 1934–1976

TOTAL DEPOSITS
$6.23 billion



DISBURSEMENTS BY FDIC
$2.30 billion



either by offering capital stock in the bank for sale or by transferring its business to any insured bank within the same community. Stockholders of the former bank have the first opportunity to purchase such stock. The FDIC made a stock offering in 1976 in connection with the deposit insurance national bank created in the Swope Parkway failure and conducted meetings with the stockholders of the former The Peoples Bank of the Virgin Islands. Former stockholders of Swope Parkway National Bank did not reorganize a new bank; therefore, the Corporation on December 18, 1976, entered into a transaction transferring the remaining business of the DINB to Laurel Bank of Kansas City, Kansas City, Missouri. The decision to transfer the remaining business to Laurel Bank was made because of that bank's willingness to enter into such a transaction, because Laurel Bank already had a significant volume of business from the trade area of the DINB, and because the location of Laurel, among those available, was the most geographically convenient to the transferred depositors. In addition, Laurel agreed to pay the FDIC a $3,000 premium for the transaction.

The FDIC has received expressions of interest from various groups in connection with the DINB in the Virgin Islands. The interest of these groups will be pursued and hopefully the result will be proposals for a new bank that will include the participation and support of the local community.

ENFORCING CONSUMER AND INVESTOR LEGISLATION

The FDIC is responsible for enforcing a number of consumer protection laws and regulations, including the Truth in Lending Act, the Fair Credit Reporting Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Civil Rights Act, and the Home Mortgage Disclosure Act, with respect to the insured nonmember banks within its supervisory and regulatory jurisdiction. In most cases, this responsibility is explicit, that is, the result of an explicit direction in a governing statute. In some cases however, the responsibility is implicit, that is, it arises by virtue of the FDIC's supervisory responsibility to see to it that the banks it supervises operate within the confines of applicable Federal law.

Publicly held insured State nonmember banks fall under the Corporation's explicit regulatory authority for public reporting, proxy solicitations, and trading by insiders of their own bank stock. The Corporation also supervises disclosure with respect to take-over attempts and other purchases of publicly held securities of banks subject to its primary jurisdiction. Newer statutory responsibilities have engaged the Corporation in the regulation of insured nonmember banks that act as transfer agents and deal in municipal securities.

These increasing statutory responsibilities in the securities disclosure area have coincided with the Corporation's increased interest and concern in securities disclosure problems even where it has no explicit statutory mandate. The Corporation, for example, has actively encouraged the use of offering circulars in connection with bank stock and debenture offerings and has become more concerned with general questions of bank accounting and disclosure by bank holding companies regulated by the Securities and Exchange Commission. It has also monitored banks' securities marketing devices and banks' involvement in the market for their own stock.

Compliance examinations and related activities. The FDIC carries out its responsibility to enforce various consumer laws primarily through the examination and supervisory process. FDIC examiners checked for compliance with the requirements of such laws during regular bank examinations in 1976 in every State except Georgia, Iowa, and Washington, where as noted, the FDIC was engaged in the selective withdrawal program for a certain number of insured nonmember banks. Separate compliance examinations of the banks involved in the experiment were conducted in these three States. All banks within the FDIC's supervisory jurisdiction are generally examined for compliance at least once every 18 months. Such examinations are normally done by reviewing a sample of pertinent transactions and documents and through discussions with bank management. Violations and other exceptions discovered in the process are reported and followed up by the staffs of the various Regional Offices to assure that appropriate corrective measures are taken by the bank involved.

As a matter of practice, each Regional Office staff makes every effort to resolve exceptions and obtain compliance with applicable requirements on a voluntary basis. If this cannot be accomplished, resort is made to a formal administrative proceeding under section 8(b) of the Federal Deposit Insurance Act looking toward the issuance, by the FDIC's Board of Directors, of a cease-and-desist order against the objectionable practices. During 1976, the Board initiated four such orders relating in whole or in part to violations of Truth in Lending and Equal Credit Opportunity requirements.

Certain consumer protection laws, notably the Truth in Lending Act, provide for criminal sanctions against those who willfully and knowingly violate its requirements. During 1976, the FDIC referred one case of apparently willful and knowing violation of the Truth in Lending act to the appropriate U.S. Attorney for possible criminal prosecution.

With regard to Truth in Lending, the FDIC, during the latter part of 1976, withdrew from examining for compliance with *State* Truth in Lending requirements in the exempt States of Connecticut, Maine, Massachusetts, Oklahoma, and Wyoming. This was an effort to both conserve man-hours and avoid unnecessary duplication of activities already being performed by State examiners in these five States. FDIC examiners are, nevertheless, continuing to examine for compliance with those *Federal* Truth in Lending requirements from which the five States have not received an exemption and which therefore continue to be applicable in these States.

In the area of fair housing, the FDIC, in conjunction with the Office of the Comptroller of the Currency, began testing a program to identify possible discriminatory lending practices. During this test phase, approximately 300 banks were asked to use a specially designed two-part form. One part requires the banks to retain certain basic economic data on each loan applicant. The other part, to be completed by applicants for mortgage loans and forwarded directly to the agencies, calls for data on race, sex, religion, and certain other personal characteristics. The separate parts of the form have identifying numbers so that the data can be readily analyzed together. It is anticipated that the data retained by a bank will be reviewed during regular bank examinations and when a profile of that data fails to meet certain tests in specially designed computer programs, it will signal the examiner to conduct a closer review of the bank's housing lending practices for evidence of discrimination.

Also in furtherance of its commitment to fair housing lending on the part of the banks it supervises, the FDIC has begun to collect copies of the Mortgage Loan Disclosure Statements which certain of the banks it supervises are required to compile and make available to the public pursuant to the Home Mortgage Disclosure Act. These data will later be analyzed for evidence of "redlining" and possible discriminatory lending practices.

Office of Bank Customer Affairs. The Office of Bank Customer Affairs, which was created in 1975, is responsible for coordinating FDIC efforts to protect the interests of bank customers. The first priority in 1976 was staffing. Four staff members were added, including a permanent director. The process of establishing consumer affairs specialists in the Regional Offices was begun during the year with the designation of five individuals to these positions. It is expected that the remaining consumer affairs specialists will be selected in early 1977.

The office processes bank customer complaints and inquiries received directly and reviews and coordinates the activities of the Regional Offices in responding to consumer complaints. In addition to alleged violations of consumer protection laws, consumers' letters dealt with a variety of other banking matters. Although many inquiries did not deal with alleged violations of either Federal or State laws, the office made a conscientious effort to provide informative and timely responses to all consumers. Use of a standardized complaint form which may aid the complaint process is currently under study.

The Office of Bank Customer Affairs also reviews proposed legislation and regulations to assess their impact on bank customers. It reviews compliance reports on a selected basis. During the year, the office recommended four cease-and-desist actions involving consumer laws.

To improve examiners' effectiveness in investigating discrimination complaints and conducting fair lending examinations, the office jointly sponsored a 1-week fair housing workshop during the year, and plans are being formulated to conduct a similar workshop in 1977. In addition, comprehensive instructions for investigating fair housing complaints were developed for examiners. A brochure describing the FDIC's complaint handling function and giving information on consumer laws is being prepared and publication of a series of pamphlets on consumer laws and various banking practices is being considered.

Securities Exchange Act — Registration and reporting. Under the Securities Exchange Act of 1934, the Corporation exercises all "the powers, functions, and duties" otherwise vested in the Securities and Exchange Commission "to administer and enforce" the registration, company-reporting, and related provisions of that act with respect to insured nonmember banks. These provisions are applicable to banks with more than $1 million in assets that have 500 or more holders of any class of equity security. Under these provisions and the Corporation's regulations thereunder, the banks are required to file an initial registration statement and periodic reports (annually, semi-annually, and quarterly) as well as a special report covering any material event which occurred in the preceding month. Any matter presented for a vote of security holders must be effectuated through a proxy statement, or an information statement if proxies are not solicited, complying with the Corporation's regulations; and where directors are to be elected, the proxy or information statement must be accompanied or preceded by an annual report disclosing the financial condition of the bank. Officers and directors of a bank whose securities are registered and any person or related group of persons holding more than 5 percent of such securities must report their holdings and any changes in their holdings to the Corporation.

All required statements and reports filed with the Corporation under the Securities Exchange Act are public documents. All such statements and reports are available for inspection at the Corporation's headquarters and copies of registration statements and company reports, proxy statements, and annual reports to shareholders are also available at the New York, Chicago, and San Francisco Federal Reserve Banks as well as at the Reserve Bank of the district in which the bank filing the report is located.

During 1976, 22 banks filed registration statements, 1 bank withdrew from the Federal Reserve System, and 1 bank converted from a national to a State charter. Nine banks terminated registration due to mergers and bank holding company acquisitions. The year-end total of registered banks was 336 compared to 321 the year earlier.

Banks acting as municipal securities dealers and transfer agents. The Securities Acts Amendments of 1975 imposed, for the first time, registration requirements and a scheme of Federal regulation upon municipal securities dealers and transfer agents, including banks that act in those capacities. Both the Securities and Exchange Commission and the Corporation have responsibilities for enforcing compliance by insured State nonmember banks with the enacted provisions. As of December 31, 1976, 55 State nonmember banks had registered as municipal securities dealers with the Securities and Exchange Commission and 444 State nonmember banks had registered with the Corporation as transfer agents.

During 1976, the Corporation worked closely with the Securities and Exchange Commission, the Municipal Securities Rulemaking Board, the Federal Reserve, and the Comptroller of the Currency in developing rules, forms, regulation guidelines, and examination procedures. A special compliance report and new regulations are presently being drawn up to properly supervise the activities of banks acting as municipal securities dealers.

ADMINISTRATION OF THE CORPORATION

Organizational structure. Mr. Robert E. Barnett was appointed a member of the Board of Directors on March 18, 1976. On the same date, he was elected unanimously by the Board of Directors to be Chairman, succeeding Chairman Frank Wille whose 6-year term expired on March 16, 1976.

Director George A. LeMaistre, also serving a 6-year term which began on August 1, 1973, continued his service as a director. Comptroller of the Currency James E. Smith, an ex officio member of the Board, who began a 5-year term of office on July 5, 1973, resigned on July 30, 1976, and was succeeded by Acting Comptroller of the Currency Robert Bloom, pending appointment and confirmation of a successor to Mr. Smith.

Corporation officials, Regional Directors, and Regional Offices are listed on pages v and vi.

Organizational changes. Effective June 20, 1976, the Division of Research and the Office of Management Systems were consolidated into the resulting Division of Management Systems and Economic Analysis. The consolidation brought the administration of statistical reports and the economic research and analysis functions into closer coordination with the computer and data processing support operation. DMSEA is stressing particularly a broader utilization of financial, statistical, and economic data for several Corporation purposes, including the continuing development of systems to detect unfavorable trends in bank operations as a tool in the Corporation's bank supervisory activities.

The Office of Employee Relations was created on May 17, 1976, for the purpose of centralizing some personnel-related activities that had been scattered throughout the Corporation. Offices currently operating in the FDIC that were made a part of OER include the Personnel Office, Office of Education, Equal Employment Opportunity, and Upward Mobility. Other reasons for establishing the new office were: to provide an improved mechanism through which the Board of Directors can focus on matters relating to the environment in which Corporation employees work, and which will provide a focal point through which employees may express their preferences, complaints, and attitudes; and to provide manpower to study and make recommendations to the Board of Directors in areas related to employee relations matters not currently being handled by any office in the Corporation, or which may be relatively new to the Corporation. OER is primarily responsible for creating and implementing recommendations relating to career development at the Corporation, job counseling, employee benefits, grievance administration, equal employment opportunity, upward mobility opportunity, education and training, recruitment, merit promotion, and related technical personnel office operations. Three new professional positions, including staffing in career counseling and employee and labor relations, will be added in 1977.

Change in location of Regional Office. On December 16, 1976, based on a supporting study by the Division of Bank Supervision, the Board of Directors approved the transfer of regional headquarters for the existing St. Louis Region (States of Missouri and Kansas) from St. Louis, Missouri, to Kansas City, Missouri. It is expected that the transfer will be effective no later than mid-year 1977.

Number of employees. Total employment increased by 261 in 1976 with approximately 9 out of every 10 new employees added to the Division of Bank Supervision and the Division of Liquidation. The year-end 1976 total includes 624 nonpermanent employees serving on a short-term appointment or on a when-actually-employed basis. Of the year-end total, an estimated 58 percent and 9 percent respectively were assigned to regional or other field offices of the Division of Bank Supervision and of the Division of Liquidation.

For the 6-year period 1971-1976, the Corporation's total workforce increased from 2,508 to 3,535, or 41 percent, with 55 percent of the increase in the Division of Bank Supervision and 32 percent in the Division of Liquidation.

The percentage of women and minorities in the professional job series group, including student cooperatives, increased from 9.3 percent and 5.9 percent respectively as of December 31, 1974, to 12.2

NUMBER OF OFFICERS AND EMPLOYEES
OF THE FEDERAL DEPOSIT INSURANCE CORPORATION
DECEMBER 31, 1975 AND 1976

Unit	Total		Washington office		Regional and other field offices	
	1976	1975	1976	1975	1976	1975
Total	3,535[1]	3,274[1]	1,110	971	2,425	2,303
Directors	3[2]	3	3[2]	3	0	0
Executive Offices[3]	57	51	57	51	0	0
Legal Division	92	83	79	72	13	11
Division of Bank Supervision	2,450	2,282	389	300	2,061	1,982
Division of Liquidation	501	423	165	128	336	295
Division of Management Systems and Economic Analysis	192	194[4]	192	194[4]	0	0
Office of the Controller	175	219	160	204	15	15
Office of Corporate Audits	24	19	24	19	0	0
Office of Employee Relations	41	0	41	0	0	0

[1] Includes 624 nonpermanent employees on short term appointment or when actually employed in 1976, and 508 in 1975.
[2] As of December 31, 1976, Mr. Robert Bloom was serving as Acting Comptroller of the Currency (see text).
[3] Includes Office of Bank Customer Affairs and Office of Corporate Planning.
[4] Aggregate figures for Division of Research and Office of Management Systems. These two organizational entities were consolidated as a result of a reorganization in 1976.

percent and 9.3 percent as of mid-year 1976. Continuing progress in increasing the numbers of women and minorities to more representative levels in the Corporation's professional workforce is largely attributable to recruitment efforts cited as action items in past and current Equal Employment Opportunity Plans. In particular, the hiring of bank examiners-student cooperatives contributes to both short-and long-term gains through retention of many such student cooperatives as permanent bank examiners. The Student Cooperative Education Program, through which college students are appointed as bank examiners-student assistants and after completion of a work-study program may qualify as assistant bank examiners, was continued in 1976 with 264 such employees as of December 4, 1976. While technically assigned to the Washington Office, such employees have actual duty stations in various regions where they gain experience through tours of duty with bank examiners on actual bank examinations. As of December 4, 1976, the combined bank examiner workforce, including student assistants, included 9.3 percent minorities and 11.0 percent women. Approximately 80 percent of professional group positions in the Corporation are bank examiners.

Employee and personnel programs. The Corporation's Equal Employment Opportunity and Upward Mobility Programs are each administrated by a full-time professional. The equal opportunity specialist is assisted by approximately 60 employees assigned part-time duties and responsibilities, and the upward mobility coordinator is assisted by a task force of division and office representatives. During 1976 under the Upward Mobility Program, opportunities were announced and bridge positions filled for bank examiner aide, auditor-technician, computer aide, writer-editor aide, and computer programmer trainee. The bank examiner aide bridge position, of which seven were filled during 1976, is structured to provide the qualifying work experience and academic courses for a target position of assistant bank examiner. In December 1976, recruitment was initiated for the Federal Women's Program coordinator who will serve on the staff of the Director of the Office of Employee Relations (also designated as Director of Equal Employment Opportunity) devoting approximately 60 percent of available time to coordinating Federal Women's Program activities in liaison with existing Federal Women's Program committees, and the remainder of time to operational employee relations duties and responsibilties.

Elections of members of Employee Advisory Councils were conducted in February 1976. Members of the Councils are elected by the employees they represent. The Councils, whose establishment was announced in late 1975, are intended to provide employees with a regular opportunity to make recommendations on matters of administrative policy and practice affecting FDIC employees.

Negotiations with a union local in the Corporation's New York Region during 1976 led to the signing of a contract agreement on November 19, 1976. The union local serves as the exclusive representative of the unit of bank examiners in the New York Region under the provisions of Executive Order 11491, as amended.

The Corporation's Tuition Reimbursement Policy provides for reimbursement of costs for job- and career-related training for employees. The Periodical Subscription Program, provided for field employees who do not have ready access to the Corporation's head office library, permits examiners, liquidators, and auditors to subscribe to selected job-related periodicals at Corporation expense.

At the Corporation's Awards Ceremony on December 14, 1976, 74 employees received recognition for 15, 25, 35 or more, and 40 years of service. At the same ceremony, three employees received special awards:

Chairman's Award	Exceptional service by a nonexaminer employee	Walter W. Tibbs
Edward J. Roddy Award	Exceptional service by an examiner	Robert T. Dial
Nancy K. Rector Award	Exceptional service of a humanitarian nature	Patricia Ann Riley

Implementation and administration of the Freedom of Information Act. During 1976, the Corporation responded to 124 requests under the Freedom of Information Act for access to or copies of records in its possession. Twelve of the requests were either misdirected to the Corporation or the records requested were not in the Corporation's possession, and the requesters were notified accordingly.

Of the remaining 112 requests, the Corporation granted in full 52 requests. Thirty-six requests were wholly denied; 23 requests were granted in part and denied in part. One request was outstanding as of December 31, 1976. The Board of Directors received only 10 appeals from initial denials. After considering those appeals, the Board reversed one initial denial, thereby directing that the records requested be made available to the requester; sustained seven other initial denials; and granted in part and denied in part the appeal from one initial denial; one appeal had not been acted upon as of December 31, 1976.

In wholly or partially denying certain requests, the Corporation invoked those provisions of the Freedom of Information Act which authorize an agency to exempt from disclosure matters that are (1) contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions; (2) trade secrets and commercial or financial information obtained from a person and privileged or confidential; (3) inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency; and (4) personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

To expedite the processing of requests for records pursuant to the Freedom of Information Act, the Board of Directors delegated authority to initially deny such requests to the Executive Secretary or his designee on September 22, 1976. That authority had previously been vested in the Chairman of the Corporation.

Audit. The Corporation's Office of Corporate Audits has the responsibility of performing independent audits of all financial and operational activities within the Corporation, and for reporting audit results and recommendations to executive management. During the year the office conducted numerous audits relating to the administration of the insurance fund, the proper conduct of Corporation business, and the multi-billion-dollar liquidation activities in which the FDIC is involved. Qualified CPA firms were used to supplement the resources of the Office of Corporate Audits when unusual and nonrecurring requirements arose. In addition to our continuing internal audit activity, the financial transactions of the Corporation are audited annually by the General Accounting Office and audit results are reported to the Congress. This external audit review provides additional assurance as to the fairness of our financial statement presentation and the appropriateness of our accounting practices.

FINANCES OF THE CORPORATION

During 1976 the Corporation's consistent financial growth continued. Its total assets, its cash flow for the year, its deposit insurance fund, and the yield on its portfolio of government securities all reached new highs.

Notwithstanding substantial outlays in connection with a larger-than-normal number of bank failures, the Corporation's financial position on December 31, 1976, testified to the basic strengths of its statutory funding and investment operations.

At the close of business in 1976 the Corporation's assets totaled $8.6 billion. Cash and United States Government securities valued at amortized cost plus accrued interest were $6.8 billion. Equity in assets acquired from failed banks in purchase and assumption and depositor payoff transactions, in notes purchased to facilitate deposit assumptions and mergers, and in direct assistance to operating banks totaled $2.0 billion before deducting reserves for losses. Of this total, approximately $849 million represented equity in assets acquired as a result of the closing of Franklin National Bank on October 8, 1974.

On the same date, the Corporation's liabilities totaled $1.3 billion; nearly $849 million of these liabilities consisted of the unpaid balance of a note, including accrued interest, held by the Federal Reserve Bank of New York, which had provided financial assistance to Franklin National Bank before the assumption of certain of Franklin National's liabilities in 1974 by European-American Bank & Trust Company. The remaining liabilities consisted largely of assessment credits due insured banks, most of which will become available on July 1, 1977.

The Corporation's total gross revenues in 1976 amounted to $1.1 billion, an increase of $92 million over 1975. Of this total, $676 million was derived from the gross assessments payable by insured banks during the year; $445 million was received as interest on the Corporation's portfolio of United States Government securities, in which the Federal Deposit Insurance Act requires that its surplus funds must be invested; and $24 million from other sources.

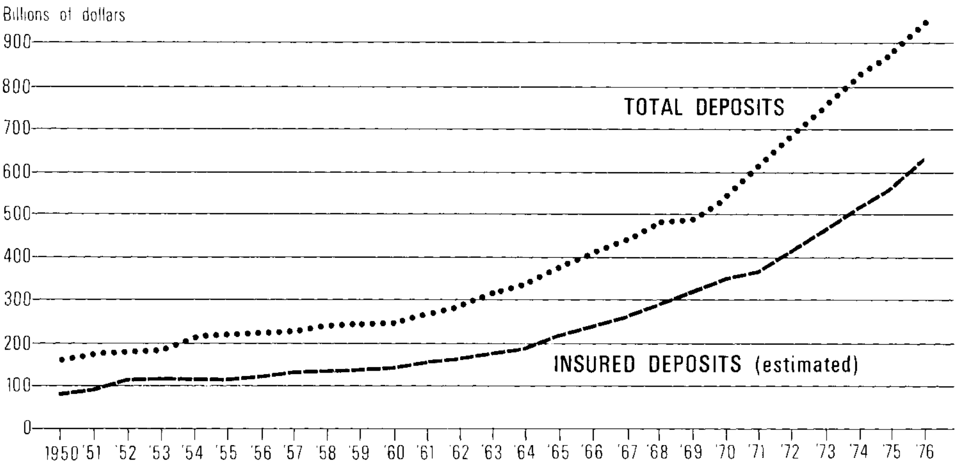
During 1976, the Corporation continued to take action to improve yields on its investments and to compress the maturity structure of its investment portfolio. In this process, with the assistance of the Department of the Treasury, the Corporation sold approximately $748 million face value of low-yield marketable bonds which the Corporation purchased many years ago. These particular bonds, characterized by long maturities and low interest rates, had served in recent years as an obvious drag on the Corporation's efforts to improve the average yield on its total portfolio. Although this sale resulted in an expected immediate book loss to the Corporation of approximately $106 million, the proceeds of the sale, totaling $641 million, were immediately reinvested in shorter-term securities with an average annual yield on cost 7.74 percent.

This sale, which the Corporation had been pursuing for a considerable period, enabled the Corporation to increase its revenues derived from interest by approximately $22 million annually, and increased its average annual portfolio yield on cost from 6.47 percent as of December 31, 1975, to 7.11 percent as of December 31, 1976. The Corporation estimates that it will recover the book losses from this transaction over a period of 7 years or less, through reinvestment of the proceeds in markedly higher-yielding securities.

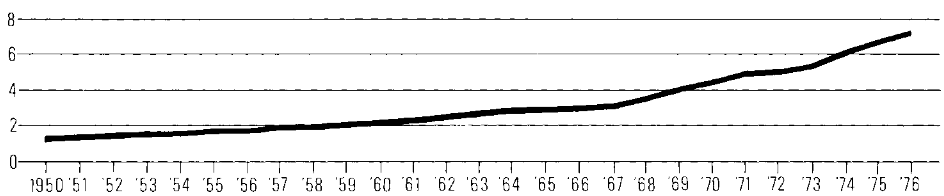
The Corporation's administrative and operating expenses during 1976, including a net increase of approximately $28 million in the reserve for insurance losses and other expenses incurred to protect depositors, totaled $107 million.

As to the annual assessments required by the Federal Deposit Insurance Act to be paid by insured banks, the basic assessment rate since 1935 has been 1/12 of 1 percent of total assessable deposits. In 1950, legislation was enacted which had

DEPOSITS IN INSURED BANKS,
AND THE DEPOSIT INSURANCE FUND, 1950–1976



DEPOSIT INSURANCE FUND



the effect of reducing the statutory rate of assessment by providing a credit to be applied against the gross assessments levied each year. Following another legislative change, this credit to insured banks has been 66-2/3 percent since December 31, 1961. This percentage is applied to the gross assessments due from banks in the calendar year after subtracting the Corporation's administrative and operating expenses, insurance losses, and additions to reserve for losses in that calendar year. Gross assessments payable by insured banks in 1976 amounted to $35 million more than in 1975. The statutory credit to banks amounted to approximately $380 million, an increase of $17 million over the previous year. This made the net assessment paid by insured banks equal to approximately 1/27 of one percent of assessable deposits in 1976, compared to 1/28 of one percent in 1975.

The deposit insurance fund, in effect the excess of the Corporation's assets over its liabilities, represents its accumulated net income since the beginning of deposit insurance in 1933. This fund, which is the Corporation's basic resource for the protection of depositors, amounted to $7.3 billion at the end of 1976, an increase of $553 million from year-end 1975. Although it is not possible to state actuarially what the deposit insurance fund should be, it is clearly symbolic of the Corporation's financial integrity and independence, and it has been more than adequate to meet the Corporation's requirements during its 43-year history. Additionally, the Corporation is authorized to borrow up to $3 billion from the Department of the Treasury, although it has never exercised this authority.

By any standards, the Corporation's finances remained strong in 1976, in spite of the necessity of increasing the number of its employees, the impact of rising costs, and financial involvement in more than the usual number of failed bank situations. Healthy and continuing financial growth is forecast for the future and it is expected that most key financial figures at the end of 1977 will exceed those recorded at the close of 1976.

COMPARATIVE STATEMENT OF FINANCIAL CONDITION (In thousands)

ASSETS:

	Calendar year ended December 31, 1976		1975	
Cash		$ 22,860		$ 17,359
U.S. Government obligations		6,760,229		6,472,294
Assets acquired in failures of insured banks:				
Depositors claims paid	$ 62,598		$ 65,686	
Depositors claims unpaid	1,280		900	
Equity in assets acquired	1,664,321		1,790,443	
Assets purchased outright	35,160		4,477	
	$1,763,359		$1,861,506	
Less reserve for losses	240,601	1,522,758	213,150	1,648,356
Notes purchased:				
Principal	$ 200,500		$ 163,000	
Accrued interest	4,127	204,627	3,518	166,518
Assistance to operating insured banks:				
Principal	$ 37,000		$ 37,000	
Accrued interest	7	37,007	1	37,001
Miscellaneous assets		1,869		1,645
Land and office building less depreciation on building		6,553		6,688
Total Assets		$8,555,903		$8,349,861

Notes to financial statements on pages 38-39 are an integral part of this statement.

FEDERAL DEPOSIT INSURANCE CORPORATION

LIABILITIES AND THE DEPOSIT INSURANCE FUND:	Calendar year ended December 31, 1976		1975	
Accounts payable and accrued liabilities		$ 3,927		$ 4,053
Earnest money, escrow funds, and collections held for others		3,963		2,137
Accrued annual leave		3,791		3,359
Due insured banks:				
Net assessment income credits				
Available July 1, 1976	$ 0		$ 362,428	
Available July 1, 1977	379,595		0	
Other	27,185	406,780	1,098	363,526
Liabilities incurred in failures of insured banks:				
F.R.B. indebtedness				
Principal	$ 650,000		$1,125,000	
Accrued interest	198,846	848,846	134,847	1,259,847
Other notes payable				
Principal		18,691		0
Depositors claims unpaid		1,280		900
Deposit insurance fund, net income accumulated since the beginning of the Corporation		7,268,625		6,716,039
Total Liabilities and Deposit Insurance Fund		$8,555,903		$8,349,861

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

	Calender Year Ended December 31,	
	1976	**1975**
Revenues:		
Assessments earned	$ 676,065	$ 641,233
Interest on U.S. Government securities	444,699	390,558
Amortization and discounts earned, net	4,995	3,752
Net profit on sales of U.S. Government securities	0	45
Interest earned on notes receivable	17,697	15,720
Other income	1,001	304
Total revenues	**$1,144,457**	**$1,051,612**
Expenses, losses, and assessment credits:		
Assessment credits returned to banks	$ 379,565	$ 362,304
Provision for insurance losses	28,001	27,619
Administrative and operating expenses	74,849	67,688
Nonrecoverable insurance expenses	3,861	2,152
Net loss on sales of U.S. Government securities	105,595	0
Total expenses	$ 591,871	$ 459,763
Net Income - Addition to the deposit insurance fund	$ 552,586	$ 591,849
Deposit insurance fund - January 1	$6,716,039	$6,124,190
Deposit insurance fund - December 31	$7,268,625	$6,716,039

Notes to financial statements on pages 38-39 are an integral part of this statement.

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION (In thousands)

FEDERAL DEPOSIT INSURANCE CORPORATION

	Calendar year ended December 31, 1976	1975
Resources provided from:		
Net assessment income	$ 296,500	$ 278,929
Interest on U.S. Government obligations	444,699	390,558
Interest on notes receivable	17,697	15,720
Other income	1,001	304
Less: administrative and insurance expenses	78,575	69,704
Total resources provided by operations	$ 681,322	$ 615,807
Maturity and sale of U.S. Government obligations	2,606,985	1,723,976
Collections on assets acquired in failures of insured banks	362,579	135,383
Increase (decrease) in assessment credits and other liabilities	45,386	73,708
Total resources provided	**$3,696,272**	**$2,548,874**
Resources applied to:		
Purchase of U.S. Government obligations	$2,971,611	$2,211,895
Acquisition of assets in failures of insured banks	695,027	323,124
Increase (decrease) in other assets	29,634	13,855
Total resources applied	**$3,696,272**	**$2,548,874**

NOTES TO FINANCIAL STATEMENTS

These statements:

a) Do not include accountability for the assets and liabilities of the 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 the courts, supervisory authorities, and others as required.

b) Include transactions in unaudited collection and disbursement reports from liquidators of Franklin National Bank, Northeast Bank of Houston, The Hamilton Bank and Trust Company, and Centennial Bank, of Philadelphia, for the month of December 1976.

ACCOUNTING POLICIES

Securities. U.S. Government securities are shown at amortized cost which is the purchase price of the securities less the amortized premium or plus the amortized discount. As of December 31, 1976, amortized premiums amounted to $8.4 million and amortized discounts $8.5 million. Premiums and discounts are amortized 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 1 percent per year on the bank's average deposit liability less certain exclusions and deductions. Assessments are due in advance for a 6-month period and credited to income when earned each month. Each July 1, 66-2/3 percent of the Corporation's net assessment income for the prior calendar year is made available to insured banks as a pro-rated credit against the current assessment due.

Depreciation. The office building is depreciated on a straight-line basis at the rate of 2 percent per year over a 50-year estimated life. Furniture, fixtures, and equipment are fully depreciated at the time of acquisition.

ASSETS ACQUIRED IN RECEIVERSHIPS AND DEPOSIT ASSUMPTIONS

Equity in assets acquired under agreements with insured banks totaled $1,664 million. Of this total approximately $849 million represents equity in assets acquired as a result of the closing of Franklin National Bank on October 8, 1974.

Notes purchased to facilitate deposit assumptions. As of December 31, 1976, the Corporation's outstanding notes receivable, purchased to facilitate deposit assumptions and mergers under section 13(e) of the Federal Deposit Insurance Act are:

Crocker National Corporation	$ 50,000,000
European-American Bank & Trust Company	100,000,000
Clearing Bank	1,500,000
Marine National Exchange Bank of Milwaukee	2,500,000
First Tennessee National Corporation	16,000,000
First Tennessee National Bank	8,000,000
Bank Leumi Trust Company of New York	10,000,000
Southeast Banking Corporation	5,000,000
New Orleans Bancshares, Inc.	7,500,000

ASSISTANCE TO OPERATING INSURED BANKS

As of December 31, 1976, the Corporation had two outstanding notes receivable purchased under authority of section 13(c) of the Federal Deposit Insurance Act: one for Bank of the Commonwealth with a principal balance on the note of $35.5 million and the other for Unity Bank and Trust Company with a principal balance of $1.5 million.

Bank of the Commonwealth. Maturity dates of the Bank of the Commonwealth notes were extended in 1976 from 1977 to 1982-87. In addition to changing the basis of computing interest from a fixed rate to a formula related to net income, the new terms provide for a prepayment incentive discount. As a condition of the extension and modification agreement, the bank agreed to a recapitalization plan which was in progress but not fully completed at year-end.

Unity Bank and Trust Company. On December 27, 1976, the Federal Deposit Insurance Corporation announced that the Board of Directors had agreed to extend until June 30, 1982, the $1.5 million capital note of Unity Bank and Trust Company, Boston, Massachusetts, which matured on December 31, 1976. Payment of principal and interest on the note will be in accordance with the terms of the amended note.

LIABILITIES INCURRED IN RECEIVERSHIP AND DEPOSIT ASSUMPTION TRANSACTIONS

Federal Reserve Bank of New York indebtedness. As of December 31, 1976, the principal outstanding balance due the Federal Reserve Bank of New York was $650 million. Accrued interest payable of $199 million represents interest for 817 days at the rate of 7.52 percent simple interest per annum on the unpaid principal balances, since inception, due to the Federal Reserve Bank of New York and after deducting $5 million for certain out-of-pocket expenses incurred by the Corporation as provided for in the agreement of sale.

Other notes payable. This amount represents the unpaid principal 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 & Trust Company.

CONTINGENT LIABILITIES

Savings certificates, 8-½ percent growth and savings certificates, 8-½ percent income. In accordance with the indemnification agreement between the Corporation and The Bank of New Orleans and Trust Company, the Corporation agreed to indemnify the bank, by paying to the bank on a monthly basis, an amount equal to the difference between the interest accrued on the outstanding principal and interest balances on certain specified savings certificates (referred to collectively as the "wild card indebtedness") and the interest that would accrue during the month at the Treasury bill rate.

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 principal amount of the loan on the terms and conditions set forth in the guarantee agreement.

ENFORCEMENT PROCEEDINGS
PART TWO

ACTIONS TO TERMINATE INSURED STATUS

Actions to Terminate Insured Status
Federal Deposit Insurance Act - Section 8(a)

The Corporation has issued 27 termination of insurance actions since January 1971. In each case, the bank was found to be in unsafe and unsound condition.

Also, a number of other termination of insurance actions have been recommended but were withdrawn prior to action by our Board because of favorable interim affirmative actions on the part of either the banks or management-shareholders. As in the case of cease-and-desist actions, the threat of termination of insurance has caused many affirmative action programs on the part of banks which negated the need for finalizing the actions.

Summary of cases

Bank No.

1 Deposits—$11.1 million

Notice of intention to terminate insured status issued on January 22, 1971. Bank was ordered to provide an active and capable management, eliminate by charge-off or otherwise certain classified assets, correct all violations of law listed in the report of examination, and adopt and strictly follow written loan policies if continued insured status was desired.

The action was terminated on June 30, 1971, when subject was merged with another bank.

Deposits—$13.4 million

Notice of intention to terminate insured status issued on March 12, 1971. Bank was ordered to provide an active and capable management, eliminate certain assets from its books by charge-off or otherwise, correct all violations of law listed in the examination report, adopt and strictly follow written loan policies, pay no cash dividends without the prior consent of the Banking Commissioner and the FDIC, reduce the loan-to-deposit ratio, not accept or acquire directly or indirectly brokered deposits, eliminate from its capital accounts all income collected but not earned, and provide adequate capital and reserves if continued insured status was desired.

The action was terminated on December 17, 1971, based upon substantial compliance with the corrective orders.

Bank No.

3 Deposits—$3.8 million

Notice of intention to terminate insured status issued on June 30, 1971. Bank was ordered to provide an active and capable management, eliminate certain assets from its books by charge-off or otherwise, reduce the remaining classified assets, correct all violations of law listed in the report of examination, adopt and strictly follow satisfactory written loan policies, pay no cash dividends without the prior consent of the Commissioner of Banking and the FDIC, and put the assets of the bank in such form and condition as to be acceptable to the Commissioner of Banking and the FDIC if continued insured status was desired.

The action was terminated on April 6, 1973, based upon substantial compliance with the corrective orders.

Deposits—$5.9 million

Notice of intention to terminate insured status issued on November 19, 1971. Bank was ordered to provide an active and capable management, eliminate from its books certain assets by charge-off or otherwise, refrain from extending credit directly or indirectly for the benefit of a director, reduce the remaining classified assets, adopt and strictly follow satisfactory written loan policies, pay no cash dividends without the prior consent of the Commissioner of Banking and the FDIC, and put the assets of the bank in such form and condition as to be acceptable to the Commissioner of Banking and the FDIC if continued insured status was desired.

The action was terminated July 7, 1972, based upon substantial compliance with the corrective orders.

5 Deposits—$12.6 million

Notice of intention to terminate insured status issued on December 17, 1971. Bank was ordered to eliminate from its book assets, by charge-off or otherwise, certain classified assets, to put other assets of the bank in a satisfactory form and condition, and to provide acceptable capital funds if continued insured status was desired.

The action was terminated on July 14, 1972, based upon substantial compliance with the corrective orders.

Bank No.

6 Deposits—$8.2 million

Notice of intention to terminate insured status issued on January 27, 1972. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt acceptable loan policies, correct violations of law, and provide acceptable capital funds if continued insured status was desired.

The action was terminated on May 14, 1973, based upon substantial compliance with the corrective orders.

Deposits—$4.1 million

Notice of intention to terminate insured status issued on March 17, 1972. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt acceptable loan policies, correct violations of law, and provide acceptable capital funds if continued insured status was desired.

The action was terminated on December 4, 1972, based upon substantial compliance with the corrective orders.

8 Deposits—$1.9 million

Notice of intention to terminate insured status issued on May 1, 1972. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt acceptable loan policies, and provide acceptable capital funds if continued insured status was desired.

The action was terminated on June 11, 1973, based upon substantial compliance with the corrective orders.

9 Deposits—$12.6 million

Notice of intention to terminate insured status issued on October 30, 1972. Bank was ordered to eliminate or reduce adversely classified assets, obtain supporting documents prior to extending credits, adopt acceptable loan policies, and provide acceptable capital funds if continued insured status was desired.

The action was terminated on March 1, 1974, based upon substantial compliance with the corrective orders.

10 Deposits—$5.5 million

Notice of intention to terminate insured status issued on November 21, 1972. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, obtain supporting documents prior to extending credits, strictly adhere to its written loan policies, correct violations of laws, and provide acceptable capital funds if continued insured status was desired.

The action was terminated on May 29, 1974, based upon substantial compliance with the corrective orders.

11 Deposits—$3.9 million

Notice of intention to terminate insured status issued on May 14, 1973. Bank was ordered to eliminate or reduce adversely classified assets, adopt acceptable loan policies, correct violations of law, and provide acceptable capital funds if continued insured status was desired.

The action was terminated on August 11, 1975, based upon substantial compliance with the corrective orders and a change in control ownership.

12 Deposits—$18.6 million

Notice of intention to terminate insured status issued on June 28, 1974. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt acceptable loan policies, and correct violations of law if continued insured status was desired.

The action to terminate insured status was in the hearing stage when the bank was closed on June 14, 1976.

13 Deposits—$13.8 million

Notice of intention to terminate insured status issued on August 12, 1974. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt acceptable loan policies, pay no cash dividends without prior written consent, provide acceptable capital, and correct violations of law if continued insured status was desired.

The action was terminated on August 11, 1975, because of temporary compliance; however, due to further deterioration and the length of time since the issuance of the initial order, a new order was simultaneously issued.

14 Deposits—$6.6 million

Notice of intention to terminate insured status issued on August 12, 1974. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt acceptable loan policies, limit invest-

Bank No.

ment in securities to U.S. Government or Agency obligations maturing within 5 years, cease paying preferential rates of interest on certificates of deposit or other obligations to ownership interests, and correct violations of law if continued insured status was desired.

The action to terminate insured status was in the hearing stage when the bank was closed on May 30, 1975.

15 Deposits—$4.2 million

Notice of intention to terminate insured status issued on June 19, 1975. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce its loan volume, adopt and comply with a loan policy, discontinue cash dividends, and obtain a certain level of capital if continued insured status was desired.

The bank was closed on January 12, 1976.

16 Deposits—$0.8 million

Notice of intention to terminate insured status issued on July 25, 1975. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, define an acceptable trade area, curtail direct and indirect loans to insiders, restrict its loan volume, comply with certain investment restrictions, comply with all applicable laws, rules, and regulations, discontinue cash dividends, and obtain a certain level of capital if continued insured status was desired.

The action to terminate insured status was in the hearing stage when the bank was closed on June 25, 1976.

17 Deposits—$13.8 million

Notice of intention to terminate insured status issued on August 11, 1975. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce and maintain loan volume at a certain level, eliminate all adversely classified insider loans and reduce and maintain all such loans at a certain level, adopt and comply with a loan policy, discontinue cash dividends, obtain a certain level of capital, comply with all applicable laws, rules, and regulations, and refrain from participating in any transactions with a certain affiliate if continued insured status was desired.

During the hearing stage, the bank signed an undated Voluntary Termination of Insurance which could be dated by the bank or the Corporation after 90 days. After this period, an examination indicated both further deterioration and continued noncompliance, and the Corporation dated the document on August 16, 1976. The bank was closed on November 22, 1976.

Bank No.

18 Deposits—$16.1 million

Notice of intention to terminate insured status issued on September 16, 1975. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt and comply with a loan policy, provide for an orderly liquidation of certain stock holdings, comply with applicable laws, rules, and regulations, appoint a committee to approve and control expenses, discontinue cash dividends, and obtain a certain level of capital if continued insured status was desired.

The action to terminate insured status was in the hearing stage when the bank was closed on October 20, 1976.

19 Deposits—$15.9 million

Notice of intention to terminate insured status issued on October 9, 1975. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce and maintain loan volume at a certain level, reduce its overdue loans not to exceed a certain percentage of outstanding loans, maintain a primary and secondary reserve position equal to a certain percentage of total resources, adopt and comply with loan and investment policies, and obtain a certain level of capital if continued insured status was desired.

The bank was closed on October 24, 1975.

20 Deposits—$18.9 million

Notice of intention to terminate insured status issued on April 8, 1976. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce overdue loans to a specified level, reduce the book value of other real estate in accordance with statutory provisions, comply with applicable laws, rules, and regulations, discontinue cash dividends, and obtain a certain level of capital if continued insured status was desired.

Bank No.

The bank was closed on June 3, 1976.

21 Deposits—$33.1 million

Notice of intention to terminate insured status issued on June 16, 1976. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, eliminate adversely classified loans to insiders and certain shareholders of the bank and holding company, eliminate concentrations of credit, discontinue cash dividends and management fees, comply with applicable laws, rules, and regulations, adopt and follow acceptable loan policies, and obtain a certain level of capital if continued insured status was desired.

An examination to determine the extent of correction was made and the bank was found not to be in compliance with the order. The action is in the hearing stage.

22 Deposits—$2.9 million

Notice of intention to terminate insured status issued on July 6, 1976. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce loan volume to a specific level, limit investments in securities to U.S. Treasury or Agency obligations, eliminate adversely classified loans to insiders, provide adequate liquidity, comply with applicable laws, rules, and regulations, adopt and follow acceptable loan policies, discontinue cash dividends, and obtain a certain level of capital if continued insured status was desired.

23 Deposits—$68.0 million

Notice of intention to terminate insured status issued on July 22, 1976. Bank was ordered to provide acceptable management, comply with applicable laws, rules, and regulations, eliminate or reduce adversely classified assets, reduce overdue loans to a specific level, adopt and follow acceptable loan policies, discontinue cash dividends, refrain from the purchase or sale of loan participations or extending credit to insiders of closely related banks, refrain from extending credit to or secured by stock of the holding company, and obtain a certain level of capital if continued insured status was desired.

24 Deposits—$11.4 million

Notice of intention to terminate insured status issued on September 7, 1976. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce overdue loans to a specific level, comply with applicable laws, rules, and regulations, adopt and follow acceptable loan policies, discontinue cash dividends, adopt and follow acceptable internal control and audit procedures, refrain from preferential treatment of insiders, and obtain a certain level of capital if continued insured status was desired.

25 Deposits—$4.2 million

Notice of intention to terminate insured status issued on September 7, 1976. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce overdue loans to a specific level, eliminate adversely classified loans to insiders, reduce the volume of extensions of credit to insiders to a specific level, comply with applicable laws, rules, and regulations, reduce the book value of other real estate in accordance with statutory requirements, and obtain a certain level of capital if continued insured status was desired.

26 Deposits—$7.9 million

Notice of intention to terminate insured status issued on October 19, 1976. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, reduce overdue loans to a specific level, comply with applicable laws, rules, and regulations, discontinue cash dividends, adopt and follow acceptable loan policies, actively seek fidelity insurance coverage, and obtain a certain capital level if continued insured status was desired.

27 Deposits—$163.5 million

Notice of intention to terminate insured status issued on November 19, 1976. Bank was ordered to provide acceptable management, eliminate or reduce adversely classified assets, adopt a plan to control expenses, eliminate concentrations of credit, comply with applicable laws, rules, and regulations, reduce overdue loans to a specific level, adopt and follow acceptable loan policies, discontinue cash dividends, and obtain a certain level of capital if continued insured status was desired.

The bank was closed on December 3, 1976.

Cease-and-Desist Actions
Federal Deposit Insurance Act - Section 8(b)

The Corporation has issued 61 cease-and-desist actions since January 1971. In addition, five temporary cease-and-desist orders were issued in 1976. In each case, the bank was ordered to cease and desist from unsafe and unsound practices and to take affirmative action to correct certain conditions. Several such actions are now in various stages of processing.

In addition to these cases, a number of other cease-and-desist actions have been authorized by the Corporation's Board of Directors which were never consented to by banks or adopted in final form by our Board because of favorable interim affirmative actions by either the banks or management-shareholders. In effect, the threat of a cease-and-desist action has caused many banks to undertake favorable affirmative action programs, which negated the need for finalizing the authorized cease-and-desist actions.

In three other cases, formal written agreements between banks and the Corporation were ratified by our Board of Directors. Noncompliance with these formal written agreements can be enforced by a subsequent cease-and-desist action.

Section 8(m) of the Federal Deposit Insurance Act provides the State supervisory authorities with the opportunity to initiate independent corrective action after the Corporation has served notice of intent to take formal action. While in most cases the State supervisory authorities choose to join the Corporation in any such action, some State banking laws do provide for independent cease-and-desist actions which have been utilized in a number of instances—either prior or subsequent to notice of intent by the Corporation. A compilation of these State supervisory authority cease-and-desist actions is not maintained by the FDIC, but the corrective orders are analyzed and checked for compliance on a case-by-case basis at each examination of the involved banks.

Summary of cases

Bank No.

1 Deposits—$64.6 million

Cease-and-desist order entered on June 17, 1971. Bank ordered to reduce the volume of municipal bonds, realign other assets to improve liquidity, curtail direct and indirect loans to insiders, provide acceptable management, and inject new capital funds.

Order terminated on December 10, 1971, following the sale of controlling interest by the unsatisfactory management, sale of new capital funds, substantial compliance with the cease-and-desist order, and designation of new management.

Bank No.

2 Deposits—$46.1 million

Cease-and-desist order entered on July 12, 1971. Bank ordered to eliminate transactions with self-serving ownership.

Order terminated on January 12, 1973, following change of stock control and a revamping of the board of directors.

Deposits—$7.3 million

Cease-and-desist order entered on July 12, 1971. Bank ordered to eliminate transactions with self-serving ownership.

Order terminated on May 1, 1972, following the sale of controlling interest by the unsatisfactory management and restoration of the capital accounts to an acceptable level.

Deposits—$1.0 million

Cease-and-desist order entered on July 12, 1971. Bank ordered to eliminate transactions with self-serving ownership.

Order terminated on April 17, 1972, following the sale of controlling interest by the unsatisfactory management and restoration of the capital accounts to an acceptable level.

5 Deposits—$20.2 million

Cease-and-desist order entered on July 12, 1971. Bank ordered to eliminate transactions with self-serving ownership.

Order terminated on December 10, 1971, following the sale of controlling interest by the unsatisfactory management and restoration of the capital to an acceptable level.

6 Deposits—$5.1 million

Cease-and-desist order entered on July 12, 1971. Bank ordered to correct violations of laws and regulations, correct operating deficits, and restore capital accounts to an acceptable level.

Order terminated on July 8, 1974, following substantial compliance with corrective orders, favorable trends, improved prospects, and augmented capital.

Deposits—$4.6 million

Cease-and-desist order entered on November 19, 1971. Bank ordered to eliminate transactions with a self-serving ownership and management.

Order terminated on May 2, 1974, following change of control and management and asset improvement.

Bank No.

8 Deposits—$6.5 million

Cease-and-desist order entered on January 6, 1972. Bank ordered to provide its shareholders with adequate information pertaining to the conditions and activities of the bank in full compliance with various requirements of sections 12, 13, and 14 of the Securities Exchange Act of 1934 and section 335 of the Federal Deposit Insurance Corporation's Rules and Regulations.

9 Deposits—$5.1 million

Cease-and-desist order entered on February 15, 1972. Bank ordered to correct misuse of credit facilities by controlling stockholders.

Order terminated on May 29, 1974, when compliance with the condition was accomplished.

10 Deposits—$18.9 million

Cease-and-desist order entered on March 31, 1972. Bank ordered to correct hazardous lending policies and inadequate capital caused by incompetent active management and a complacent directorate.

Order terminated on August 28, 1973, when substantial compliance with almost all conditions had been accomplished.

11 Deposits—$1.8 million

Cease-and-desist order entered on May 5, 1972. Bank ordered to correct its sharply declining asset condition and capital inadequacy resulting from two successive inept management-ownership groups.

Order terminated on June 25, 1973, following change of management-ownership, improved asset condition, and substantial compliance with other parts of the order.

12 Deposits—$3.6 million

Cease-and-desist order entered on May 5, 1972. Bank ordered to take affirmative action with respect to an excessive volume of high-risk loans, sizable loan losses, and inadequate capital which resulted from policies of a liberal, self-serving, and domineering controlling owner and a weak, ineffective management.

Order terminated on April 8, 1976, when substantial compliance with all conditions had been accomplished.

13 Deposits—$60.0 million

Cease-and-desist order entered on August 18, 1972. Bank ordered to correct repeated and flagrant violations of applicable laws and regulations.

Order terminated on May 14, 1973, upon compliance with requirements contained therein.

14 Deposits—$3.7 million

Cease-and-desist order entered on November 21, 1972. Bank ordered to correct excessive risk in the loan account, inadequate capital, willful and continued violations of applicable statutes, and generally unsatisfactory operations resulting from liberal lending policies of self-serving controlling interests.

Order terminated on June 19, 1974, following substantial compliance with the corrective requirements.

15 Deposits—$4.7 million

Cease-and-desist order entered on November 21, 1972. Bank ordered to reduce excessive exposure in the loan account and increasing loan losses and to correct an inadequate and diminishing level of capital and unsatisfactory operations under the self-serving domination of the controlling interests.

Order terminated on February 8, 1974, after substantial improvements in the bank's asset-capital condition and operations within the constraints of the cease-and-desist order.

16 Deposits—$2.0 million

Cease-and-desist order entered on December 4, 1972. Bank ordered to correct excessive risk in the loan account, increasing losses, and a shrinking level of capital which resulted from liberal lending policies fostered by the bank's management-ownership.

Order terminated on February 8, 1974, following examinations which disclosed improvements, and full or substantial compliance with all corrective provisions.

17 Deposits—$1.3 million

Cease-and-desist order entered on December 18, 1972. Bank ordered to reduce an excessive volume of classified loans and improve inadequate capital and poor liquidity resulting from expansionary and liberal policies of inexperienced management-ownership.

18 Deposits—$2.5 million

Cease-and-desist order entered on February 12, 1973. Bank ordered to correct excessive adversely classified loans and an inadequate capital struc-

Bank No.

ture which developed as a result of liberal lending policies and the weak management ability of ownership and its subservient staff.

Order terminated on February 11, 1975, following substantial improvement in the bank's asset-capital condition.

19 Deposits—$28.0 million

Cease-and-desist order entered on April 23, 1973. Bank ordered to eliminate heavy and severe adverse classifications of loans extended to a group of related construction firms which resulted in violations of law, heavy losses, deterioration of other segments of the loan portfolio, and capital inadequacy.

Order terminated on December 23, 1974, following the elimination of the adversely classified concentrations of credit and the injection of new capital funds.

20 Deposits—$3.8 million

Cease-and-desist order entered on May 21, 1973. Bank ordered to correct excessive risk in the loan account, a declining level of capital protection, deficit earnings resulting from heavy loan losses, and other problems stemming from a management dispute resulting in the resignation of three directors including the former executive officer. The order to cease and desist included requirements for management improvements, rehabilitation of asset condition, a capital improvement program, and adoption of written lending and internal operating policies.

Order terminated on September 7, 1976, following substantial compliance with the corrective provisions.

21 Deposits—$3.1 million

Cease-and-desist order entered on June 25, 1973. Bank ordered to take affirmative action with respect to excessive adversely classified credits involving several out-of-area or self-serving loans, potential losses from irregularities, and inadequate capital protection.

Order terminated on August 11, 1975, as conditions were fulfilled including the injection of new equity capital.

22 Deposits—$2.9 million

Cease-and-desist order entered on July 31, 1973. Bank ordered to end

Bank No.

unsound securities transactions and reduce excessive municipal bond holdings which threatened the solvency of the bank through the resulting market depreciation, illiquid position, and trading losses incurred.

23 Deposits—$5.5 million

Cease-and-desist order entered on July 31, 1973. Bank ordered to comply with Federal Reserve Regulation Z.

Order terminated on November 26, 1975, after bank was found to be in compliance with the corrective provisions.

24 Deposits—$51.6 million

Cease-and-desist order entered on September 24, 1973. Bank ordered to provide acceptable management; implement and maintain lending, investment, and operating policies in accord with sound banking practices; conform to all applicable laws, rules, and regulations; and reduce the excessive volume of weak credits.

Order terminated on November 26, 1975, when the bank was found to be in compliance with the corrective provisions.

25 Deposits—$4.1 million

Cease-and-desist order entered on October 15, 1973. Bank ordered to reduce the high volume of adversely classified loans and an excessive delinquency ratio, to end continued violations of laws and regulations, and to improve a deteriorated capital position which resulted from the increasingly liberal lending policies of the controlling stockholder and executive officer, coupled with a complacent directorate and incompetent staff.

Order terminated on September 2, 1975, following improvements in asset quality, substantial compliance with requirements included in the order to cease and desist, and the revitalization of sincere concern to effect improvements by the staff and directorate.

26 Deposits—$13.9 million

Cease-and-desist order entered on January 29, 1974. Bank ordered to take affirmative action with respect to excessive loan classifications, inept and self-serving management, violations of law, concentrations of credit, and uncontrolled expenses.

Order terminated on July 24, 1974, following the sale of control of the

Bank No.

bank to a new group and injection of capital funds.

27 Deposits—$3.9 million

Cease-and-desist order entered on April 11, 1974. Bank ordered to take affirmative action with respect to serious asset problems which developed as total loan volume was rapidly expanded, capital inadequacy which developed as the loan portfolio deteriorated in credit quality, hazardous lending and collection policies, and violations of laws and regulations.

Order terminated on July 6, 1976, following compliance with the corrective provisions.

28 Deposits—$2.9 million

Cease-and-desist order entered on June 7, 1974. Bank ordered to reduce the heavy volume of adverse classifications, end speculative land contracts to out-of-territory borrowers, implement sound lending, investment, and operating policies, and correct an inadequate capital structure.

The bank was closed on December 19, 1975.

29 Deposits—$49.5 million

Action begun on July 22, 1974, and cease-and-desist order entered on June 11, 1975, following a hearing. Bank ordered to reduce the large volume of adversely classified loans which far exceeded capital and reserves and centered in two massive concentrations of credit. Other weaknesses consisted of an overloaned and illiquid position, inadequate capital protection, and numerous, frequent, and flagrant violations.

30 Deposits $15.1 million

Cease-and-desist order entered on October 15, 1974. Bank ordered to take affirmative action with respect to the massive volume of weak loans and loan losses taken in recent years, an inadequate margin of capital protection, an overloaned and illiquid position, poor earnings, and a pattern of numerous and repeated violations.

Order terminated on April 8, 1976, following substantial compliance with the corrective provisions.

31 Deposits—$18.4 million

Cease-and-desist order entered on March 26, 1975. Bank ordered to discontinue unauthorized and unlawful acts by its officers, directors, or employees, including the exceeding of lending limits and the acceptance of securities collateral without observing prudent banking practices, and to prepare for the lawful and orderly disposition of such securities in the event such disposition became necessary.

32 Deposits—$9.9 million

Cease-and-desist order entered on May 9, 1975. Bank ordered to provide acceptable management; reduce adversely classified assets and loan volume; adhere to loan policy; comply with laws, rules, and regulations; improve loan documentation, internal routine, and controls; inject new capital funds; and discontinue cash dividends.

33 Deposits—$7.2 million

Cease-and-desist order entered on May 9, 1975. Bank ordered to provide acceptable management, reduce adversely classified assets, curtail loans to insiders, inject new capital, reduce borrowings and loan volume, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue cash dividends.

Order terminated on July 22, 1976, following substantial compliance with the corrective provisions.

34 Deposits—$6.5 million

Cease-and-desist order entered on June 19, 1975. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, comply with laws, rules, and regulations, adopt and comply with a loan policy, provide adequate liquidity, reduce borrowings, and discontinue cash dividends.

35 Deposits—$1.8 million

Cease-and-desist order entered on August 11, 1975. Bank ordered to provide acceptable management and management policies, reduce adversely classified assets, provide adequate capital and liquidity, comply with laws, rules, and regulations, and adopt and comply with a loan policy.

36 Deposits—$6.0 million

Cease-and-desist order entered on August 28, 1975. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, comply with laws, rules, and regulations, and adopt and comply with a loan policy.

37 Deposits—$5.3 million

Cease-and-desist order entered on

Bank No.

October 17, 1975. Bank ordered to reduce adversely classified assets, comply with laws, rules, and regulations, and adopt and comply with a loan policy.

38 Deposits—$7.7 million
Cease-and-desist order entered on January 29, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, limit advances of credit to borrowers, comply with laws, rules, and regulations, retain credit life and accident insurance commissions, discontinue cash dividends, and eliminate a concentration of credit.

39 Deposits—$9.1 million
Cease-and-desist order entered on February 18, 1976. Bank ordered to reduce adversely classified assets; refrain from participating in any new loans and in any extension, renewal, refinancing, or additional extension of loans acquired from closely related banks; comply with laws, rules, and regulations including Financial Recordkeeping Regulations and the Fair Credit Reporting Act; inject new capital; and discontinue dividends.

40 Deposits—$5.9 million
Cease-and-desist order entered on March 30, 1976. Bank ordered to reduce adversely classified assets, inject new capital, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue cash dividends.

41 Deposits—$3.1 million
Cease-and-desist order entered on June 3, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue cash dividends.

42 Deposits—$6.4 million
Cease-and-desist order entered on July 22, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, comply with laws, rules, and regulations, adopt and comply with loan and investment policies, and discontinue cash dividends.

43 Deposits—$4.2 million
Cease-and-desist order entered on September 7, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue cash dividends.

Bank No.

44 Deposits—$44.6 million
Cease-and-desist order entered on September 7, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, eliminate transactions with affiliates, comply with laws, rules, and regulations, adopt and comply with loan and investment policies, and discontinue cash dividends.

45 Deposits—$35.7 million
Cease-and-desist order entered on September 7, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets and overdue loans, discontinue cash dividends, inject new capital, comply with laws, rules, and regulations, adopt and comply with a loan policy, and eliminate loan transactions with affiliates.

46 Deposits—$4.8 million
Cease-and-desist order entered on September 22, 1976. Bank ordered to eliminate loans to an insider, reduce adversely classified assets, provide acceptable management, comply with laws, rules, and regulations, adopt and comply with a loan policy, implement an audit program, and obtain fidelity coverage.

47 Deposits—$13.0 million
Cease-and-desist order entered on September 22, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets and overdue loans, discontinue cash dividends, inject new capital, comply with laws, rules, and regulations, adopt and comply with a loan policy, and eliminate loan transactions with affiliates.

48 Deposits—$87.9 million
Cease-and-desist order entered on October 6, 1976. Bank ordered to eliminate, collect, or establish repayment programs for overdrafts and loans to insiders, and comply with laws, rules, and regulations.

49 Deposits—$24.7 million
Cease-and-desist order entered on October 6, 1976. Bank ordered to eliminate, collect, or establish repayment programs for overdrafts and loans to insiders, and comply with laws, rules, and regulations.

Bank No.	
50	Deposits—$21.6 million Cease-and-desist order entered on October 6, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, obtain collateral for loans to certain insiders and related interests, limit total credit extended to an individual or concern and reduce such credits to the limitations set, comply with laws, rules, and regulations, adopt and comply with loan and investment policies, and discontinue cash dividends.
51	Deposits—$17.3 million Permanent cease-and-desist order entered on October 6, 1976, following issuance of a temporary cease-and-desist order. Bank ordered to prohibit payment of checks against uncollected funds for deposit accounts of an insider and a foreign bank.
52	Deposits—$138.9 million Cease-and-desist order entered on October 19, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets and overdue loans, limit payment of cash dividends, inject new capital, comply with laws, rules, and regulations, and adopt and comply with a loan policy.
53	Deposits—$28.1 million Cease-and-desist order entered on October 19, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets and overdue loans, discontinue cash dividends, inject new capital, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue overdrafts and preferential rates of interest to insiders.
54	Deposits—$30.8 million Cease-and-desist order entered on November 16, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, discontinue cash dividends, comply with laws, rules, and regulations, adopt and comply with a loan policy, and implement internal controls and an audit program for electronic data processing operations.
55	Deposits—$88.3 million Cease-and-desist order entered on December 16, 1976. Bank ordered to inject new capital in compliance with conditions included in an order issued in 1974 in connection with Corporation consent to establish a branch.
56	Deposits—$13.4 million Cease-and-desist order entered on December 16, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, inject new capital, limit new extensions of credit to insiders and related interests and concentrations of credit, reduce loan volume, comply with laws, rules, and regulations, adopt and comply with loan and investment policies, and discontinue cash dividends.
57	Deposits—$20.2 million Cease-and-desist order entered on December 16, 1976. Bank ordered to collect or eliminate adversely classified loans to certain insiders and their related interests, reduce adversely classified assets, provide acceptable management, inject new capital, comply with laws, rules, and regulations, and adopt and comply with a loan policy.
58	Deposits—$2.2 million Cease-and-desist order entered on December 16, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, limit extensions of credit to any one borrower and related entities, discontinue participating in loans with certain related banks, eliminate loans to persons located outside the bank's normal trade area, reduce remuneration of certain officers and directors, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue cash dividends.
59	Deposits—$7.3 million Cease-and-desist order entered on December 16, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, discontinue participating in loans with certain related banks, eliminate adversely classified loans to insiders, reduce concentrations of credit, eliminate loans to persons located outside the bank's normal trade area, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue cash dividends.
60	Deposits—$3.6 million Cease-and-desist order entered on December 16, 1976. Bank ordered to provide acceptable management, reduce adversely classified assets, discontinue participating in loans with certain related banks, eliminate adversely

Bank No.

classified loans to insiders and loans to persons located outside the bank's normal trade area, reduce remuneration to certain officers and directors, comply with laws, rules, and regulations, adopt and comply with a loan policy, and discontinue cash dividends.

61 Deposits—$3.2 million

Cease-and-desist order entered on December 16, 1976. Bank ordered to provide acceptable management; reduce adversely classified assets, overdue loans, and concentrations of credit; eliminate adversely classified loans to insiders; discontinue participating in loans with certain related banks; comply with laws, rules, and regulations; adopt and comply with a loan policy; and discontinue cash dividends.

Formal Written Agreements

Summary of cases

Bank No.

1 Deposits—$12.3 million

Written agreement entered into on October 27, 1971. Bank agreed for purposes of effecting correction of unsafe and unsound practices to provide acceptable management, eliminate and reduce adversely classified assets, correct internal control deficiencies, adopt and comply with an internal audit program, correct violations of and in the future comply with all applicable laws, rules, and regulations, and adopt and comply with a written loan policy.

Deposits—$14.0 million

Written agreement entered into on March 2, 1972. Bank agreed for purposes of effecting correction of unsafe and unsound practices to provide acceptable management, eliminate and reduce adversely classified assets, adopt and comply with a written loan policy, inject new capital, establish an unearned income account, adopt and comply with an internal audit program, correct internal control deficiencies, and correct violations of and in the future comply with all applicable laws, rules, and regulations.

Deposits—$2.0 million

Written agreement entered into on February 14, 1973. Bank and controlling shareholder agreed for purposes of effecting correction of unsafe and unsound practices that the controlling shareholder, for a period of 3 years from date, would purchase within 60 days after the completion of any FDIC examination of the bank, any loan which was classified loss or doubtful in subject bank that originated in any other of the controlling shareholder's chain of banks or any loan originating outside subject bank's regular trade area. Subject bank was also to divest itself of any loan originated in any of the controlling shareholder's other banks which were classified substandard. Divestiture was to be accomplished by sale to the originating bank or controlling stockholder.

Temporary Cease-and-Desist Actions
Federal Deposit Insurance Act - Section 8(c)

Summary of cases

Bank No.

1 Deposits—$17.3 million

Temporary cease-and-desist order issued on July 22, 1976. Bank ordered to prohibit payment of checks against uncollected funds for deposit accounts of an insider and a foreign bank.

A permanent cease-and-desist order was issued on October 6, 1976.

Deposits—$16.7 million

Temporary cease-and-desist order issued on July 22, 1976. Bank ordered to discontinue paying cash dividends pending resolution of charges against the bank concerning nonpayment of fair value of stock held by shareholders dissenting to conversion from national to State charter.

Temporary order terminated on December 3, 1976, following resolution of the matter.

Deposits—$15.7 million

Temporary cease-and-desist order issued on October 6, 1976. Bank ordered to prohibit insider transactions involving extensions of credit to or for the benefit of directors, officers, or the principal shareholder or involving purchase or sale of assets to or for the benefit of the principal shareholder, to prohibit additional credit to borrowers whose loans are classified doubtful or loss, and to discontinue payment of cash dividends.

The bank was closed on November 19, 1976.

Bank No.	
4	Deposits—$6.3 million Temporary cease-and-desist order issued on October 19, 1976. Bank ordered to discontinue declaration or payment of cash dividends.
	Deposits—$3.8 million Temporary cease-and-desist order issued on December 23, 1976. Bank ordered to discontinue extending credit, directly or indirectly, over a specified amount to any insider or entering into any business transaction with an insider.

MERGER DECISIONS OF THE CORPORATION
PART THREE

BANKS INVOLVED IN ABSORPTIONS APPROVED BY
THE FEDERAL DEPOSIT INSURANCE CORPORATION IN 1976

State	Town or City	Bank	Page
Alabama	Gadsden	Etowah County Bank (in organization; change title to Gadsden Mall Bank)	106
		Gadsden Mall Bank	106
	Tuscaloosa	Peoples Bank of Tuscaloosa	106
		Tuscaloosa County Bank (in organization; change title to Peoples Bank of Tuscaloosa)	106
California	Beverly Hills	Ahmanson Bank and Trust Company	86
		California Overseas Bank (in organization)	86
	La Habra	Hacienda Bank	76
	Los Angeles	Japan California Bank	95
		Lloyds Bank California	71
		The Mitsubishi Bank of California	76
	San Francisco	Bank of Montreal (California)	95
	San Leandro	First State Bank of Northern California	71
Colorado	Woodmoor	Bank of Woodmoor	61
		El Paso County Bank (in organization)	61
Connecticut	Bridgeport	Metropolitan Bank & Trust Company	106
		Union Trust Company of Bridgeport	106
		Union Trust Company of Bridgeport, Inc. (in organization; change title to Union Trust Company of Bridgeport)	106
	Chester	Chester Bank	104
		Chester Savings Bank	104
	Hartford	Constitution Bank and Trust Company	106
		The Colonial Bank and Trust Company of Hartford (in organization)	106
Georgia	Atlanta	DeKalb County Bank	61
	Byromville	Bank of Byromville	82
	Marietta	Cobb Exchange Bank (change title to First Bank & Trust Co.)	73
	Roswell	Roswell Bank	61
	Smyrna	First State Bank of Cobb County	73
	Unadilla	Exchange Bank of Unadilla (change title to State Bank and Trust Company)	82
Illinois	Northfield	BN Bank of Northfield (in organization; change title to Bank of Northfield)	106
		Bank of Northfield	106
Iowa	Ames	Union Company	93
		Union Story Trust & Savings Bank	93

State	Town or City	Bank	Page
	Burlington	Burlington Bank and Trust Company	71
	Hillsboro	Hillsboro Savings Bank	71
	New London	New London State Bank	71
Maine	Augusta	Casco Northern National Bank	70
	Bangor	Bangor Savings Bank	77
	Dover-Foxcroft	Piscataquis Savings Bank	77
	Farmington	Franklin County Savings Bank (change title to Franklin Savings Bank)	86
	Portland	Casco Bank & Trust Company	70
	Skowhegan	Somerset Loan and Building Association	86
Massachusetts	Boston	Capitol Bank and Trust Company	85
		The New Boston Bank and Trust Company	85
		The First National Bank of Boston	96
	Holyoke	The Park National Bank of Holyoke	74
	West Springfield	Western Bank and Trust Company (change title to Park West Bank and Trust Company)	74
Michigan	Adrian	CSB State Bank (in organization; change title to Commercial Savings Bank)	106
		Commercial Savings Bank	106
		The Commercial Savings Bank	106
	Beaverton	CFC Bank (in organization)	106
		Gladwin County Bank	106
	Caro	P.S.B. State Bank (in organization)	106
		The Peoples State Bank of Caro, Michigan	106
	Dowagiac	Community State Bank of Dowagiac	106
		DSB Bank (in organization)	106
	Howard City	WSB Bank (in organization)	106
		Western State Bank	106
	Midland	First MBT Bank (in organization)	106
		First Midland Bank & Trust Company	106
		First National Bank & Trust Company of Midland (change title to First Midland Bank & Trust Company)	106
Mississippi	Crystal Springs	Truckers Exchange Bank	89
	Jackson	The Mississippi Bank	89
New Hampshire	Bristol	The Bristol Savings Bank	79
		The First National Bank of Bristol (change title to The Bristol Bank)	79
	Jaffrey	Monadnock National Bank (change title to The Monadnock Bank)	103
		Monadnock Savings Bank	103

State	Town or City	Bank	Page
New Jersey	Atlantic City	Guarantee Bank	96
	Cape May Court House	The First National Bank of Cape May Court House	96
	Chatham	State Bank of Chatham	67
	Chatham Township	The Chatham Trust Company	67
	Lacey Township	Citizens State Bank of New Jersey	101
	Point Pleasant	Atlantic State Bank	101
New York	Buffalo	Erie County Savings Bank	98
	Irondequoit	Genesee Federal Savings and Loan Association	92
	New York City	American Bank & Trust Company	85
		Bank Leumi Trust Company of New York	85
		Dry Dock Savings Bank	91
		New York Federal Savings and Loan Association	91
		The Manhattan Savings Bank	99
		The New York Bank for Savings	92
	Olean	Olean Savings and Loan Association	98
	Yonkers	Yonkers Savings Bank	99
North Carolina	Matthews	The Bank of Matthews	68
	Warrenton	The Citizens Bank of Warrenton	93
	Wilson	Branch Banking and Trust Company	68, 93
Ohio	Amesville	The First National Bank of Amesville	62
	Glouster	The Glouster Community Bank	62
	Lodi	The Medina County Bank	64
	Medina	SDB Bank (in organization)	106
		The Ohio State Bank of Medina (change title to The Medina County Bank)	64
		The Savings Deposit Bank Company	106
Oregon	Canby	Guaranty Bank	81
	Woodburn	Bank of Oregon	81
Pennsylvania	Bala-Cynwyd	Lincoln Bank	89
	Greensburg	C. W. Benner Company	63
	Harrisburg	Dauphin Deposit Bank and Trust Company	106
		Dauphin Deposit Trust Company (change title to Dauphin Deposit Bank and Trust Company)	106
		Second Street Bank and Trust Company (in organization)	106
	Lewiston	The First National Bank of Lewiston	80
	Philadelphia	Centennial Bank	89
	Pittsburgh	Commercial Bank & Trust Company	63
	Reading	American Bank and Trust Co. of Pa.	65

BANKS INVOLVED IN ABSORPTION DENIED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION IN 1976

BANK ABSORPTIONS APPROVED BY THE CORPORATION

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
El Paso County Bank (in organization) Woodmoor, Colorado	500	–	1
to purchase certain assets and assume the deposit liabilities of			
Bank of Woodmoor Woodmoor	5,112	1	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, January 14, 1976

El Paso County Bank, Woodmoor (P.O. Monument), Colorado, a newly chartered State nonmember bank having capital funds of $500,000, has applied, pursuant to section 18(c) of the Federal Deposit Insurance Act, for the Corporation's consent to purchase certain assets of and assume the liability to pay deposits made in Bank of Woodmoor, Woodmoor (P. O. Monument), Colorado, an insured State nonmember bank with total assets of $5,112,000 as of June 30, 1975.

As of January 12, 1976, Bank of Woodmoor had deposits of some $3,567,100 and operated one office. On January 12, 1976, the Federal Deposit Insurance Corporation was appointed as receiver of Bank of Woodmoor.

The Board of Directors finds that the failure of Bank of Woodmoor requires it to act immediately and thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Bank of Everett Everett, Washington	57,044	9	10
to acquire certain assets and assume the deposit liabilities of			
Granite Falls State Bank Granite Falls	1,881	1	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, January 22, 1976

Bank of Everett, Everett, Washington, an insured State nonmember bank with total resources of $57,044,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to acquire certain assets of and assume the liability to pay deposits made in Granite Falls State Bank, Granite Falls, Washington, an insured State nonmember bank with total resources of $1,881,000. As an incident to the proposed transaction, the sole office of Granite Falls State Bank would become a branch of Bank of Everett.

The proposed transaction presents virtually no competitive problems. Granite Falls State Bank is an ineffective competitor. Bank of Everett, whose main office is 16 miles southwest of Granite Falls and whose nearest branch is 12 miles away, has 13.6 percent of total commercial bank deposits held by all such banks within 15 miles of Granite Falls and would gain only another 0.5 percent by this transaction. This area is dominated by Seattle-First National Bank and Everett Trust & Savings Bank with 45.3 and 28.9 percent, respectively, of the area's commercial bank IPC deposits. Indeed, because of Granite Falls State Bank's small size, the competitive significance of this transaction would be virtually equivalent to the establishment of a *de novo* branch.

For reasons related to the condition of Granite Falls State Bank and the fact that the Corporation has been advised that the Supervisor of Banks of the State of Washington intends to take possession of the bank if this proposed transaction is not consummated, the Board of Directors finds that the Corporation must act immediately in order to prevent the probable failure of Granite Falls State Bank and thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Roswell Bank Roswell, Georgia	36,700	3	6
to merge with			
DeKalb County Bank DeKalb County	15,418	3	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, March 2, 1976

Roswell Bank, Roswell, Georgia, an insured State nonmember bank with total resources of

$36,700,000 and IPC deposits of $29,244,000, 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 DeKalb County Bank, DeKalb County (P. O. Atlanta), Georgia, an insured State nonmember bank with total resources of $15,418,000 and IPC deposits of $13,380,000. As an incident to the proposed transaction, the three offices of DeKalb County Bank would become branches of the resulting bank, thereby increasing the number of its offices to six.

This merger would not eliminate significant existing or potential competition between the two banks, both having been operated under common control since DeKalb County Bank was established in 1970. Moreover, even if the banks were to disaffiliate and DeKalb County Bank were restored to a satisfactory condition, the prospects for significant competition to develop between Roswell Bank and DeKalb County Bank are remote.

For reasons related to the condition of DeKalb County Bank and the fact that the Corporation has been advised by the Department of Banking and Finance of the State of Georgia that" . . . it is apparent that DeKalb County Bank is in an insolvent condition . . . ", the Board of Directors finds that the Corporation must act immediately in order to prevent the probable failure of DeKalb County Bank and thus waives publication of notice, dispenses with the solicitation of competitive reports from the other agencies, and authorizes the transaction to be consummated immediately.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Glouster Community Bank Glouster, Ohio	7,054	1	2
to acquire the assets and assume the deposit liabilities of			
The First National Bank of Amesville Amesville	2,350	1	

Summary report by Attorney General, October 23, 1975

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

Basis for Corporation approval, March 2, 1976

The Glouster Community Bank, Glouster, Ohio ("Community Bank"), a State nonmember insured bank with total resources of $7,054,000 and total IPC deposits of $5,697,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in The First National Bank of Amesville, Amesville, Ohio ("Amesville Bank"), with total resources of $2,350,000 and total IPC deposits of $1,860,000. The transaction would be effected under the charter and title of Community Bank, and incident to the transaction, the sole office of Amesville Bank would be established as a branch of the resulting bank.

Competition. Community Bank operates its sole office in Glouster, in the northern panhandle of Athens County, Ohio, which lies adjacent to the West Virginia border in the southeast part of the State. Amesville Bank has its sole office in Amesville, a hamlet of 295 residents, in northeastern Athens County. Athens County, a part of the Appalachian Region, is predominantly rural and agricultural with coal mining and recreational facilities of secondary economic importance. Commerce is centered around Athens, the county seat and home of Ohio University, located 16 road-miles south of Glouster and 13 road-miles southwest of Amesville. Population of the county was 55,747 in 1970, an increase of 18.6 percent since 1960, with 85 percent of the increase occurring in the county seat. Glouster's population meanwhile decreased 5.9 percent to 2,121. The 1974 median household buying level in Athens County was $9,207, about 29.5 percent below that of the State as a whole. The primary trade area of Community Bank extends north of Glouster some 10 road-miles to include Corning in Perry County, south 10 miles to include Chauncey, and west some 12 miles to Nelsonville. This market has a population of about 10,150, a decrease of approximately 6.4 percent since 1960. Community Bank has the third largest share, 17.3 percent, of the IPC deposits aggregating $33 million held by the five commercial bank offices in the area.

Amesville Bank's primary trade area may be considered to include points within some 10 miles of Amesville; the bank draws its business from the sparsely populated area bounded by points southwest of the village along U.S. Highway ALT 50, on the east by Bartlett in Washington County, and on the northeast along State Highway 377 by Chesterhill in Morgan County. This market has a population estimated at 3,200 and three commercial banks, each with one office. Amesville Bank has the smallest share, 17.4 percent, of the $10.7-million IPC deposits held by these three offices.

Glouster is separated from Amesville by some 13 miles of a tertiary road which serves no population center in the intervening area other than nearby suburbs of Glouster. Community Bank's primary market is oriented west from Glouster and north along State Highway 13, which runs from the Athens area toward Zanesville, some 40 road-miles north of Glouster. Amesville Bank's primary market lies along U.S. Route ALT 50, leading generally east from the Athens area toward Bartlett, and along State Highway 377, leading northeast from Amesville toward Chesterhill. Although abutting, the primary markets of the two banks do not overlap to any significant degree. The proposal thus would not eliminate any significant existing competition between Community Bank and Amesville Bank.

Although both banks may legally establish *de novo* branches in Athens County, there is no significant potential for increased competition between them in the future by virtue of such expansion. Both markets are sparsely populated and already have a substantial number of commercial bank offices. Income levels are relatively low and only very slow growth is predicted outside the county seat. Neither bank has branched since it opened, and any opportunities for *de novo* branching that may arise because of future growth are likely to be taken up by one or more of the three banks in Athens, rather than either bank here involved. Accordingly, the Board considers the prospects for increased competition between them through *de novo* branching to be extremely remote.

In the combined areas served by the two banks, the resulting bank would hold the second largest share, 17.3 percent, of IPC deposits held by eight area offices of the six commercial banks represented therein. In its maximum legal branching and merging area (Athens County), the resulting bank would have the fifth largest share, 7.7 percent, of IPC deposits held by seven commercial banks. On a statewide basis, the resulting bank would hold only 0.03 percent of the aggregate IPC deposits held by all Ohio commercial banks.

On the basis of the foregoing information, the Board of Directors has concluded 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 each institution, and of the resulting bank, are considered satisfactory. Future prospects of the resulting bank are favorable.

Convenience and Needs of the Community to be Served. The principal benefit of the proposed transaction is a modest increase in lending limits which would accrue to the residents and businesses in both Glouster and Amesville.

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
Commercial Bank & Trust Company Pittsburgh, Pennsylvania	68,065	4	4
to merge with **C. W. Benner Company** Greensburg	1,882	–	

Summary report by Attorney General, November 4, 1975

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

Basis for Corporation approval, March 8, 1976

Commercial Bank & Trust Company, Pittsburgh, Pennsylvania ("Commercial"), a State nonmember insured bank with total resources of $68,065,000 on June 30, 1975, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the retroactive consent of the Corporation to merge with C. W. Benner Company, Greensburg, Pennsylvania ("Benner"), a noninsured institution which from its establishment in 1964 until September 30, 1974, was engaged primarily in the leasing of personal property.

Competition. In September 1971, Commercial acquired control of all the outstanding capital stock of Benner for debts previously contracted. Thereafter, Benner was operated by Commercial until September 30, 1974, at which time Commercial merged with Benner and established a leasing department within the bank. This merger transaction effected a reorganization which consolidated the operations of a wholly owned subsidiary into the parent organization. In and of itself, the transaction has had no significant effect on competition.

Financial and Managerial Resources; Future Prospects. The financial and managerial resources and future prospects of Commercial are satisfactory.

Convenience and Needs of the Community to be Served. The merger transaction, essentially an internal reorganization, has had no effect on the convenience and needs of the community.

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
The Ohio State Bank of Medina Medina, Ohio (change title to The Medina County Bank)	3,842	2	5
to merge with			
The Medina County Bank Lodi	22,465	3	

Summary report by Attorney General, July 31, 1975

Applicant's Medina headquarters is located about 10 miles northeast of Bank's Lodi headquarters and approximately 10 miles south of Bank's Valley City and Brunswick branches. Although Applicant is the only BancOhio Corporation subsidiary with offices in Medina County, BancOhio's subsidiaries in nearby Cleveland and Akron derive some deposits and loans from the Medina County area. Thus, it appears that the proposed merger would eliminate existing competition between the parties in the Medina County area. It does not, however, appear that concentration in commercial banking would be substantially increased in any relevant banking market.

Basis for Corporation approval, March 15, 1976

The Ohio State Bank of Medina, Medina, Ohio ("State Bank"), a State nonmember insured bank with total resources of $3,842,000 and total IPC deposits of $2,218,000, 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 Medina County Bank, Lodi, Ohio ("County Bank"), also a State nonmember insured bank, with total resources of $22,465,000 and total IPC deposits of $18,592,000, under the charter of State Bank and with the title "The Medina County Bank." As an incident to the merger, the three offices of County Bank would become branches of the resulting bank, increasing the number of its offices to five.

Competition. State Bank has operated its main office and a nearby drive-up facility since April 1974 in the city of Medina, which is located in Medina County in northeastern Ohio, south of Cleveland and west of Akron. BancOhio Corporation, the State's second largest multibank holding company, which organized State Bank *de novo*, holds 99.3 percent of its outstanding stock. Larger affiliates of BancOhio Corporation are located in both Cleveland and Akron, but State Bank's share of total commercial bank deposits in Cleveland is very small and in Akron is approximately one-half that of the market's leading bank. County Bank operates its main office in the village of Lodi, approximately 11 miles southwest of Medina, and branches at Brunswick and Valley City, 7 and 9 miles north and northwest, respectively, of State Bank's offices.

Medina County had a 1970 population of 82,717, a 26.6 percent increase from 1960. The city of Medina, the county seat (1970 population 10,913), showed a 32.5 percent increase in the same period while the village of Lodi (1970 population 2,399) has remained more stable. The county's recent growth has occurred predominantly in its northern portions, while the southern sections have remained agriculturally oriented. An increasing number of the county residents commute to the industrialized areas around the nearby cities of Akron and Cleveland for employment.

Three possible local banking markets have been suggested by the Corporation's staff. One would encompass all of Medina County, the legal branching and merging area for both State Bank and County Bank and the political jurisdiction in which all of their banking offices are located and from which most of their banking business is drawn. The second would encompass northern Medina County, including both branches of County Bank, and all of Cuyahoga County in which the city of Cleveland is located. The third would encompass southern Medina County, including State Bank's two offices and County Bank's main office, plus all of Summit County in which the city of Akron is located. Whichever area is selected for analysis, however, there would appear to be only a modest elimination of existing competition, no significant loss of potential competition in the future, and no objectionable increase in banking concentration as a result of the proposed merger.

Within Medina County as a whole, State Bank has not achieved any sizable market penetration, and County Bank, with 9.4 percent, lags far behind The Old Phoenix National Bank of Medina, which controls about 54 percent of the county's commercial bank IPC deposits. Three other banks, two of which are affiliated with statewide bank holding companies, would be within $6 million of the resulting bank's total IPC deposit size. Even though the income levels of Medina County are 15 percent above the statewide average, the population per commercial bank facility is already below 4,000, so that only modest *de novo* branching, if any, can be anticipated over the next few years.

In the two alternative, but much larger, local markets, the relatively small share of total commercial bank deposits held by County Bank offices would only nominally affect BancOhio Corporation's present holdings.

In any case, County Bank is not an aggressive competitor at the present time and does not appear capable of significant *de novo* expansion. Each of the possible markets, moreover, has a relatively large number of commercial bank competitors, and an increasing number are affiliated with multibank holding companies operating across county lines.

In the State as a whole, banking resources are relatively unconcentrated and this situation would continue if the proposed merger is approved. Banc-Ohio Corporation, with 8.3 percent of the State's total commercial bank IPC deposits, would retain its second-place position and its share of such deposits would increase only 0.1 percent.

Under the circumstances, 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 merger would end shareholder dissension in County Bank, supply that bank with management expertise available through affiliation with a large holding company, and strengthen the bank's capital position. Earnings of the newly organized State Bank should improve as a result of greater operating efficiencies, and the proposal would give State Bank an established base from which it can compete more effectively in Medina County. It is therefore concluded that the financial and managerial resources, as well as the future prospects of the resulting bank, weigh in favor of approval.

Convenience and Needs of the Community to be Served. The principal benefit of the proposed merger to persons and businesses located in Medina County would be the extension to County Bank customers of the expanded commercial banking services now available at offices of banks affiliated with Banc-Ohio Corporation.

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
American Bank and Trust Co. of Pa. Reading, Pennsylvania	1,091,620	55	56
to merge with			
The First National Bank of Shoemakersville Shoemakersville	8,755	1	

Summary report by Attorney General, July 31, 1975

Shoemakersville is located about 14 miles north of Reading, in Berks County. Two of Applicant's offices are within 12-14 miles of Bank, with at least one competitive alternative in the intervening area. It appears that the proposed merger would eliminate some existing competition between the parties in the Reading-Berks County area.

Commercial banking in Berks County is highly concentrated; the four largest banks with offices in Berks County control about 88 percent of county deposits. Applicant, with about 44 percent of county deposits, ranks first among the 16 banks with offices in the county while Bank, with less than 1 percent of total deposits, ranks tenth.

We conclude that this proposed merger will have some adverse competitive effects.

Basis for Corporation approval, March 15, 1976

American Bank and Trust Co. of Pa., Reading, Pennsylvania ("American"), a State nonmember insured bank with total resources of $1,091,620,000 and total IPC deposits of $853,913,000, 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 First National Bank of Shoemakersville, Shoemakersville, Pennsylvania ("First National"), with total resources of $8,755,000 and total IPC deposits of $7,158,000, under the charter and title of American. As an incident to the merger, the sole office of First National would become a branch of the resulting bank.

Competition. American operates 55 offices in the 7 counties where it may legally branch or merge under Pennsylvania law, that is, Berks, Chester, Lancaster, Lebanon, Lehigh, Montgomery, and Schuylkill Counties. In addition, American has one approved but unopened branch. American is an aggressive full service bank with a large trust department.

First National operates its sole office in Shoemakersville (1970 population 1,427), approximately 14 miles north of Reading (1970 population 87,643, a decline of 10.7 percent from 1960) in the northern section of Berks County. The area surrounding Shoemakersville retains an agricultural flavor and some farming is done, though primarily as a part-time endeavor. The community itself is predominantly of the bedroom type with some commutation to Reading and Hamburg. However, the majority of the wage earners are employed by the several large industrial plants located just 5 minutes from town on Route 61. Industries in the community are related to the garment trade and employ mostly women. With the exception of the industries on Route 61, very little commercial business exists.

American's 7-county trade area had a combined population of 2,033,751 in 1970, up 14.7 percent since 1960. The trade area of American is well diversified and includes all types of industry, agriculture, and vacation and recreational facilities. With the exception of Schuylkill County, at $8,900, and Lebanon County, at $12,005, all counties in American's branching area had 1974 median household buying levels exceeding the State figure of $12,141.

Effects of the proposed merger would be most direct and immediate within the primary trade area of First National, an area comprising communities within some 10 road-miles of Shoemakersville, in northern Berks County. In this market, First National has the seventh largest share (5.2 percent) of the IPC deposits held by all area offices of the eight commercial banks represented therein. American has the largest share of such deposits (21.7 percent), at its branch in Temple, which is located some 10 road-miles south of Shoemakersville in the northern suburbs of the city of Reading. Two other banks have local deposit shares closely approximating that of American: Hamburg Savings and Trust Company, with 20.8 percent, and The First National Bank of Leesport, with 19.0 percent. The 1970 population of First National's primary trade area is estimated at 28,900, an increase of some 12.9 percent since 1960.

Although the proponents operate in the same local banking market, available information indicates that neither draws a significant amount of its business from areas served primarily by the other. First National draws its business from the local market surrounding Shoemakersville, while the Temple branch of American serves the northern suburbs of the city of Reading. It thus appears that existing competition between American and First National, which their merger would eliminate, has no compelling competitive significance in view of First National's small share of the relevant market and the number of convenient alternatives that would remain following the merger, including branches of the $754-million-IPC-deposit National Central Bank, Lancaster, and the $287-million-IPC-deposit Bank of Pennsylvania, headquartered in Reading.

First National has been a unit bank ever since its 1920 establishment and presently has an aging management and no incentive to undertake office expansion. American, on the other hand, is an aggressive, growth-oriented bank and has the financial resources and expertise to facilitate *de novo* expansion. First National's relevant market, north of Reading, has experienced considerable economic expansion during the past decade and appears to be an area that American may find attractive for its *de novo* entry in the future. Elimination, by the merger, of this potential for increased competition between the proponents appears to have little competitive significance to weigh against approval of the application, however, in view of the existing commercial bank structure of the relevant market and the likelihood that other major competitors may be attracted to the area should its economic expansion continue.

There are 80 commercial banks operating 546 offices within the 7-county trade area of American. These offices held approximately $6.2 billion in total IPC deposits as of June 30, 1975, and American ranked first with 13.3 percent. However, this percentage includes all of American's deposits but only a portion of the deposits of many banks operating in the area. For example, eight large Philadelphia banks with aggregate resources exceeding $18 billion have their home offices in Montgomery County thereby allowing them to operate in four of the seven counties in which American has offices. In addition, 21 other commercial banks, each with total resources over $100 million, may branch *de novo* into various portions of American's trade area. Therefore, it is obvious that there is significant actual and potential competition confronting American throughout the service area. The proposed merger, which would add only 0.1 percent to American's share of IPC deposits in the seven-county market, would not significantly affect the structure of commercial banking or the concentration of banking resources in the trade area.

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 banks have satisfactory financial and managerial resources for the business they do as independent institutions, and the same would be true of the resulting bank.

Convenience and Needs of the Community to be Served. Consummation of the proposed merger would bring to customers of First National the broad range of services of a large commercial bank, such as significantly larger lending limits, bank credit card services, computer services, trust services, and a more complete line of credit services.

On the basis of 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
Bank of Virginia-Southwest Bristol, Virginia	67,630	9	11
to merge with **Bank of Virginia-Scott** Weber City	9,293	2	

Summary report by Attorney General, April 7, 1976

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, March 30, 1976

Bank of Virginia-Southwest, Bristol, Virginia ("Southwest"), an insured State nonmember bank with total resources of $67,630,000 and IPC deposits of $53,638,000, 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 Bank of Virginia-Scott, Weber City, Virginia ("Scott"), an insured State nonmember bank with total resources of $9,293,000 and IPC deposits of $7,244,000. The banks would merge under the charter and title of Southwest. Following the merger, the 2 offices of Scott will be operated as branches of Southwest, increasing the number of its authorized offices to 11.

Competition. Both Southwest and Scott are owned by Bank of Virginia Company, Richmond, Virginia ("Holding Company"), a multibank holding company. This proposed transaction has the sole purpose of enabling Holding Company to consolidate its operations in western Virginia. The two banks are located in separate but contiguous service areas and are operated under substantially identical managerial guidelines established by Holding Company. The proposed transaction, therefore, would not in itself change the structure of competition in the area.

Under the circumstances presented, 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 proponent banks each have adequate financial and managerial resources for the business they do as independent institutions, and the same would be true of the resultant bank. Future prospects of the resultant bank are considered to be favorable.

Convenience and Needs of the Community to be Served. This proposal represents an internal reorganization, and no effect on the convenience and needs of the community is expected.

On the basis of 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 Chatham Trust Company Chatham Township, New Jersey	62,989	4	2
to purchase certain assets and assume the deposit liabilities of			
State Bank of Chatham Chatham	12,147	2	

Summary report by Attorney General, April 23, 1976

Chatham has a population of 8,600 and Chatham Township has a population of 8,100. Apparently they are contiguous communities. According to the application, both banks' Chatham offices are essentially in middle income residential areas, and time deposits represent more than 70 percent of total deposits in both banks; the Livingston branch of Bank is in a shopping center and thus has more demand deposits.

United States Savings Bank of Newark, a $400-million institution, has a branch with deposits of $37.5 million in Chatham Township. The transaction would result in the entry of another savings bank in the area. The proposed transaction includes the sale of Bank's physical assets and its rights as lessee of its 2 offices to Howard Savings Bank of Newark, a $1.5-billion institution with about 20 offices, including a branch in Millburn, about 6 miles from Chatham, which has deposits of $25 million.

Consummation of the transaction would leave Applicant as the only commercial bank in Chatham but head office protection will be eliminated.

You have asked that our report be furnished within 10 days, it having been determined that an emergency exists requiring expeditious action. Accordingly, in view of the precarious condition of Bank and the disposal of the commercial bank offices to a savings bank, we conclude that the probable anticompetitive effects are not so grave as to warrant our writing an adverse report.

Basis for Corporation approval, April 27, 1976

The Chatham Trust Company, Chatham Township, New Jersey ("Chatham Trust"), a State nonmember insured bank with total resources of $62,989,000 and total IPC deposits of $51,623,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior written consent to purchase certain assets of and assume the liability to pay deposits made in State Bank of Chatham, Chatham, New Jersey ("State Bank"), a State nonmember insured bank with total resources of $12,147,000 and total IPC deposits of $10,138,000. The proposal does not include the acquisition of State Bank's fixed assets and no branches are to be established by Chatham Trust as a result of the proposed transaction.

The Corporation, upon the request of the Commissioner of Banking for the State of New Jersey, has heretofore advised the Attorney General, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency of the existence of an emergency requiring expeditious action pursuant to paragraph 6 of section 18(c) of the Federal Deposit Insurance Act. The publication required by the Bank Merger Act has been completed.

Competition. Chatham Trust operates its main office in Chatham Township and three branches in Chatham Borough, all in Morris County which is located in northeastern New Jersey approximately 13 road-miles west of Newark and 23 road-miles west of lower Manhattan. Chatham Trust was the 75th largest commercial bank in New Jersey as of June 30, 1975, with 0.26 percent of the total commercial bank deposits. State Bank has its main office in Chatham Borough and one branch in Livingston, in Essex County, 3 miles north of the main office.

Existing competition between the proponents would be eliminated by the transaction; but, in its present precarious financial condition, State Bank cannot be considered a significant competitor. Following consummation of the proposal, Chatham Trust would be the only commercial bank represented in Chatham Borough; however, a number of commercial banking offices exist within a distance of 1 to 2 miles from the Chatham Borough branches of Chatham Trust. In addition, as a result of the proposal, State Bank's home office will be eliminated, thereby removing the community's current home office protection and opening it to *de novo* branching.

The primary trade area of both proponents comprises those portions of southeastern Morris County, southwestern Essex County, and northern Union County that are situated within a 5-mile radius of Chatham Borough. Largely urbanized and containing an estimated 100,000 inhabitants, this area is served by 19 commercial banks presently maintaining a total of 48 offices therein. Of the IPC deposits held by area offices of such banks, as of June 30, 1975, Chatham Trust held 9.2 percent, the 5th largest share, and State Bank held 1.6 percent, the 13th largest share. The resultant bank would hold the fourth largest share, 10.8 percent, of area commercial bank IPC deposits. If consideration is given to the entire Newark SMSA, the resulting institution would control only 1.1 percent of the total commercial bank deposits. This would represent the 16th largest share of the 56 commercial banking organizations that would remain in that area. Therefore, it is apparent that the proposed transaction would have no significant effect on the structure of commercial banking in any relevant area.

Under these circumstances, the Board of Directors has concluded 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 resources of State Bank are inadequate and its future viability is in grave doubt. Chatham Trust has a sound asset structure and satisfactory management. Prospects for the resulting bank are satisfactory.

Convenience and Needs of the Community to be Served. Consummation of the proposal would preclude any interruption of banking services for the clientele of State Bank. These individuals should also benefit from the resulting larger, sound 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	441,029	74	75
to merge with			
The Bank of Matthews Matthews	6,885	1	

Summary report by Attorney General, December 8, 1975

The main offices of the merging banks are 196 miles apart. Applicant, however, has four branch offices at Charlotte, which is about 10 miles from Matthews. Applicant draws IPC deposits totaling $290,699 and loans totaling $234,547 from the service area of Bank, and the latter has IPC deposits of $5,827 and loans of $1,226 drawn from the service area of Applicant's Charlotte offices. Thus, it is likely that the proposed merger would eliminate some existing competition in the Charlotte-Matthews area.

Both Charlotte and Matthews are in Mecklenburg County which has a total of 16 banks operating 124 branch offices. As of June 30, 1974, Applicant controlled about 2 percent of total county deposits and Bank controlled some 2.1 percent of the deposits. The largest bank in the county, North Carolina National, held about 50 percent of these deposits as of that date. Thus, if the proposed merger is consummated, it would slightly increase concentration among commercial banking institutions in Mecklenburg County, particularly in the Charlotte-Matthews area of the county.

North Carolina law permits statewide branching. Applicant could, therefore, branch *de novo* into the Matthews area, but is probably not likely to do so since it already operates four branches in Charlotte which is close to Matthews and since Matthews is such a small town. Accordingly, the proposed acquisition would not have important anticompetitive consequences insofar as potential competition is concerned.

In sum, we conclude that the proposed acquisition would have some adverse effect upon competition.

Basis for Corporation approval, May 4, 1976

Branch Banking and Trust Company, Wilson, North Carolina ("Branch Bank"), an insured State nonmember bank with total resources of

$441,029,000 and total IPC deposits of $325,920,000, has filed an application, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, seeking the Corporation's prior written consent to merge under its charter and title with The Bank of Matthews, Matthews, North Carolina ("Matthews Bank"), an insured State nonmember bank with total resources of $6,885,000 and total IPC deposits of $5,982,000. As an incident to the merger, the sole office of the Matthews Bank would be established as a branch of the resulting bank and 230 shares of the Matthews Bank's $50 par value preferred stock would be retired.

Competition. Branch Bank is the sixth largest commercial bank and the seventh largest banking organization in the State of North Carolina, with 2.9 percent of the total IPC deposits held by commercial banks in the State. It operates 74 offices throughout North Carolina, with the majority located in the eastern half of the State.

Matthews Bank has its sole office in the town of Matthews and is located approximately 10 miles southeast of Charlotte, the largest city and leading trade and distribution center in North Carolina. Matthews is a local retail center with a large number of its residents commuting to Charlotte for employment. Given this commutation pattern, the market principally affected by this transaction is delineated as that area encompassed within a 15-mile radius of Matthews, thereby including the city of Charlotte.

Branch Bank operates four offices in Charlotte. However, there is no significant direct competition between the proponents. A total of 15 commercial banks operate 147 offices within the trade area and there are numerous alternative banking offices located in the intervening area between the proponent banks. Branch Bank holds 0.5 percent of the market's commercial bank IPC deposits and Matthews Bank holds 0.4 percent. Upon consummation of the merger, the resultant bank would hold only 0.9 percent of the IPC deposits held by all commercial banks operating in the trade area, thereby maintaining Branch Bank's 11th place ranking in the market. The major shares of the market, 53.0, 14.1, and 13.8 percent, are held by the second, first, and third largest of North Carolina's banking organizations, respectively. Thus, although some existing competition would be eliminated, the proposed merger would have scant competitive significance in view of the small market shares held by the proponents, the concentration of deposits held by the State's three largest banks, and the many convenient alternatives for banking services located in the relevant area. The proposed merger would not result in the elimination of any significant potential competition between the banks involved. Branch Bank and Matthews Bank have such small shares within the market area, and there are so many other alternatives in the market capable of *de novo* expansion, that the elimination of any competition that could develop in the future between the two banks is not considered significant.

For the reasons stated, 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 resources of Branch Bank and Matthews Bank are adequate. Managerial resources of Branch Bank are satisfactory. Future prospects for the resultant bank are favorable.

Convenience and Needs of the Community to be Served. The merger would substitute an office of a major bank for a small unit bank. This would result in the provision of a full range of banking and trust services to Matthews Bank's present customers and the introduction of a more aggressive management. Operating with a greatly increased credit capability and offering the specialized loan and trust services of one of the State's major banks, this management should improve banking service in the local market.

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 Virginia-Southwest Bristol, Virginia	76,939	11	16
to merge with			
Bank of Virginia-Galax Galax and	30,890	2	
Bank of Virginia-Pulaski Pulaski	22,114	3	

Summary report by Attorney General, January 15, 1976

The merging banks are 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 4, 1976

Bank of Virginia-Southwest, Bristol, Virginia ("Southwest"), an insured State nonmember bank with total resources of $76,939,000 and IPC deposits of $64,473,000, has filed applications, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, seeking the Corporation's prior written consent to merge with Bank of Virginia-Galax, Galax, Virginia ("BOVA-Galax"), an insured State nonmember bank with total resources of $30,890,000 and IPC deposits of $26,152,000, and with Bank of Virginia-Pulaski, Pulaski, Virginia ("BOVA-Pulaski"), an insured

State nonmember bank, having total resources of $22,114,000 and IPC deposits of $17,484,000.* The proposed transactions would be consummated under the charter and title of Southwest, and the 2 offices of BOVA-Galax and the 3 offices of BOVA-Pulaski would be established as branches of Southwest, thereby increasing the total number of its offices to 16.

Competition. Each of the subject banks is wholly owned by Bank of Virginia Company, Richmond, Virginia ("Holding Company"), a multibank holding company. The sole purpose of the proposed transactions is to enable Holding Company to consolidate its operations in western Virginia. The three banks are located in separate service areas and are operated under substantially identical managerial guidelines established by Holding Company. The two proposed transactions, therefore, would not in themselves change the structure of commercial banking competition in the relevant areas.

Under these circumstances, the Board of Directors is of the opinion that the proposed mergers 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. Each of the proponents has adequate financial and managerial resources for the business it does, as would the resultant bank. Future prospects of the resultant bank are considered to be favorable.

Convenience and Needs of the Community to be Served. These proposals represent an internal reorganization and no effect on the convenience and needs of the community is expected to result therefrom.

On the basis of 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
Casco Bank & Trust Company Portland, Maine	267,454	37	39
to merge with			
Casco Northern National Bank Augusta	5,530	2	

*Financial data are as of December 31, 1975. Data concerning Bank of Virginia-Southwest were adjusted in anticipation of that bank's imminent merger with Bank of Virginia-Scott, Weber City, Virginia, which had received FDIC approval on March 30, 1976.

Summary report by Attorney General, April 23, 1976

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 18, 1976

Casco Bank & Trust Company, Portland, Maine ("Casco"), an insured State nonmember bank with total resources of $267,454,000 and total IPC deposits of $196,246,000, has filed an application, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, seeking the Corporation's prior written consent to merge with Casco Northern National Bank, Augusta, Maine ("Northern"), with total resources of $5,530,000 and total IPC deposits of $2,620,000. The banks would merge under the charter and title of Casco. Following the merger, the 2 offices of Northern would be operated as branches of Casco, thereby increasing the number of its offices to 39.

Competition. Both Casco and Northern are subsidiaries of Casco-Northern Corporation, Portland, Maine ("Holding Company"), a multibank holding company. The sole purpose of the proposed transaction is to enable Holding Company to consolidate its operations in central and southern Maine. The two banks are located in separate service areas and are operated under substantially identical managerial policies established by Holding Company. The proposed transaction, therefore, would not in itself alter the structure of commercial banking competition in the relevant areas.

Under these circumstances, 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. Each proponent has adequate financial and managerial resources for the business it conducts as an independent institution, as would the resultant bank. Future prospects of the resultant bank are considered to be favorable.

Convenience and Needs of the Community to be Served. The proposal represents an internal reorganization, and no effect on the convenience and needs of the community is expected to result therefrom.

On the basis 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
Lloyds Bank California Los Angeles, California	1,308,087	95	99
to purchase the assets and assume the deposit liabilities of			
First State Bank of Northern California San Leandro	63,058	4	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, May 22, 1976

Lloyds Bank California, Los Angeles, California, an insured State nonmember bank with total resources of $1,308,087,000, has applied, pursuant to section 18(c) of the Federal Deposit Insurance Act, for the Corporation's consent to purchase the assets of and assume liability to pay deposits made in First State Bank of Northern California, San Leandro, California, also an insured State nonmember bank, with total resources of $63,058,000. As an incident to the proposed transaction, the four offices of First State Bank of Northern California would become branches of Lloyds Bank California.

As of May 20, 1976, First State Bank of Northern California had deposits of some $54.3 million and operated four offices. On May 21, 1976, the Federal Deposit Insurance Corporation was appointed receiver of First State Bank of Northern California.

The Board of Directors finds that the failure of First State Bank of Northern California requires it to act immediately and thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Burlington Bank and Trust Company Burlington, Iowa	48,014	3	6
to acquire the assets and assume the deposit liabilities of			
New London State Bank New London	7,060	1	
and			
Hillsboro Savings Bank Hillsboro	4,923	2	

Summary report by Attorney General, March 25, 1976

Applicant's office is 20 miles distant from New London Bank's office. Other banks operate in the intervening area between these offices, and less than 2 percent of Applicant's deposit and loan accounts originate in New London Bank's service area. Thus, it would appear that a minimal amount of direct competition would be eliminated by the proposed merger.

The service areas of both banks lie in a four-county area known as Region XVI, the Southeast Iowa Region. If the proposed acquisition is approved, Applicant will then be the largest bank in Region XVI with 18 percent of total regional deposits. The second ranked bank, the First National Bank of Burlington, will have 16 percent of such deposits. Applicant currently has pending an application to acquire Hillsboro Savings Bank of Hillsboro, Iowa, which is also located in Region XVI. In our March 18, 1976 letter to you concerning the application regarding the Hillsboro acquisition, we pointed out that the proposed acquisition would give Applicant 16 percent of total deposits in Region XVI (not including the instant application) and we concluded that that proposed acquisition would result in the elimination of some direct and potential competition, and that its overall effect would be somewhat adverse.

Under Iowa law, banks can establish full service office facilities outside the municipal corporation or urban complex in which their principal office is located, provided these facilities are located in the same or in a contiguous county. Applicant and New London Bank are located in contiguous counties and thus Applicant could branch into the area served by New London Bank. Applicant is not likely to do so, however, since New London Bank is located in a town of only 1,877 inhabitants.

In sum, the proposed acquisition would eliminate a minimal degree of direct competition between the participants and would result in Applicant becoming the largest bank in its regional area. It would also eliminate the potential for increased competition which would result if Applicant established a banking facility in New London. Our overall view is that the proposed acquisition will have some adverse effect upon competition.

Summary report by Attorney General, March 8, 1976

The main office of Hillsboro Bank is 37 miles distant from Applicant's office and its branch office is 32 miles distant therefrom. A survey of accounts discloses that Hillsboro Bank has a small number of deposits and loans in Applicant's service area. Thus, there is some direct competition which would be eliminated by the proposed merger.

The service areas of both banks lie in a four-county area known as Region XVI, the Southeast

Iowa Region. If the proposed acquisition is approved, Applicant will then be the largest bank in Region XVI with 16 percent of total regional deposits. The second ranked bank, the First National Bank of Burlington, will have 15 percent of such deposits.

Under Iowa law, banks can establish full service office facilities outside the municipal corporation or urban complex in which their principal office is located provided these facilities are located in the same or in a contiguous county. Applicant and Hillsboro Bank are located in contiguous counties and thus Applicant could branch into the area served by Hillsboro Bank. Applicant is not likely to do so, however, since Hillsboro Bank is located in a town of only 218 inhabitants.

In sum, the proposed acquisition would eliminate a slight amount of direct competition between the participants and would result in Applicant becoming the largest bank in its regional area. It would also eliminate the potential for increased competition which would result if Applicant established a banking facility in Hillsboro. Overall, the proposed acquisition would thus have some adverse effect.

Basis for Corporation approval, June 3, 1976

Burlington Bank and Trust Company, Burlington, Iowa ("Burlington Bank"), an insured State nonmember bank with total resources of $48,014,000 and total IPC deposits of $38,126,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior written consent to acquire New London State Bank, New London, Iowa ("New London Bank"), an insured State nonmember bank with total resources of $7,060,000 and total IPC deposits of $5,519,000, and Hillsboro Savings Bank, Hillsboro, Iowa ("Hillsboro Bank"), an insured State nonmember bank having total resources of $4,923,000 and total IPC deposits of $4,158,000. The transactions would be effected under the charter and with the title of Burlington Bank and Trust Company. Following the mergers, the sole office of New London Bank and the two offices of Hillsboro Bank would be established as branches of the resultant bank, thereby increasing the number of its authorized offices to six.

Competition. Burlington Bank, operating three offices in Burlington, Des Moines County, is a subsidiary of Hawkeye Bancorporation ("Hawkeye"). Controlling 15 banks with aggregate IPC deposits of $361 million as of June 30, 1975, 3.7 percent of the State's total IPC deposits, Hawkeye is Iowa's third largest commercial banking organization.

New London Bank has its sole office in New London, a town in eastern Henry County. Hillsboro Bank has its main office in Hillsboro and its sole branch in Salem, both in southwestern Henry County.*

Des Moines and Henry are adjoining counties located in southeastern Iowa. The population of Des Moines County, 46,982 in 1970, increased 5.3 percent during the 1960s, while that of Henry County, 18,114, did not change significantly during the decade. The town of New London had a 1970 population of 1,900, representing a 12.2 percent increase since 1960. Hillsboro and Salem had populations of 252 and 458 respectively. Burlington, with a 1970 population of 32,366, is located on the Mississippi River some 160 road-miles southeast of Des Moines and 80 road-miles south of Davenport. Burlington contains significant industry and is the trading center for much of the surrounding agricultural area. The 1974 median household buying levels of Des Moines County ($11,568) and Henry County ($11,117) closely approximate that of the State ($11,577).

The market principally affected by these transactions is delineated as that area within a 20-mile radius of Mount Pleasant, the county seat of Henry County and a focal point of economic activity for residents of the county. This would include Henry County and portions of adjacent Washington, Louisa, Des Moines, Lee, Van Buren, and Jefferson Counties. Both New London Bank and Hillsboro Bank are located in this market. Burlington Bank's primary trade area is principally Des Moines County, and although there is some slight overlap with the Henry County bank market, Burlington Bank operates in a separate market from New London Bank and Hillsboro Bank.

A total of 12 banks operate 15 offices within the relevant market area. New London Bank holds 5.4 percent of the market's IPC deposits and Hillsboro Bank holds 4.1 percent, representing the eighth and ninth largest banks in the market. Upon consummation of the proposals, the resultant bank would hold 9.5 percent of such deposits, representing the fifth largest market share.

Existing competition between Hillsboro Bank and New London Bank is minimal, with the nearest offices of these banks being located approximately 20 road-miles apart. No subsidiary of Hawkeye is located in the relevant market. Burlington Bank is the nearest Hawkeye subsidiary to either New London Bank or Hillsboro Bank. Its offices are located some 20 road-miles from New London and 30 road-miles from Hillsboro Bank's Salem branch.

An Iowa commercial bank may legally branch *de novo* in its main office county and into all contiguous or cornering counties subject to main office and branch office protection. Neither New London Bank nor Hillsboro Bank has the managerial and financial resources to facilitate such expansion.

*Mr. E. A. Hayes has controlled Hillsboro Bank since 1951, Mr. Donald J. Bell acquiring a substantial interest therein during 1973. Messrs. Hayes and Bell have controlled New London Bank since 1955. They also had been control owners of Burlington Bank for several years prior to its acquisition by Hawkeye in 1969, becoming at that time members of Hawkeye's board of directors. This relationship among the three proponent banks lends no persuasive weight to approval of the applications.

Burlington Bank or Hawkeye ordinarily would be considered a likely *de novo* entrant into the relevant market. However, due to the restrictive branching laws and the apparent adequately banked condition of the market, such entry does not appear to be highly probable.

In its maximum potential market under State law—Des Moines, Lee, Henry, and Louisa Counties—the resultant bank would hold 12.1 percent of a relatively unconcentrated market; 9 other banks held IPC deposit shares ranging, on June 30, 1975, from 4.1 percent (held by a subsidiary of the State's largest banking organization) to 11.1 percent (held by a subsidiary of Iowa's second largest banking organization) with the remaining 33.5 percent of such deposits shared by an additional 14 banking organizations.

Hawkeye's third largest share of Iowa's commercial bank IPC deposits on June 30, 1975, would be increased from 3.7 percent to 3.8 percent by Burlington Bank's acquisition of both New London Bank and Hillsboro Bank.

Based on the foregoing, the Board of Directors has concluded that the proposed transactions 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. All three proponents have satisfactory financial and managerial resources. With its capital structure supplemented to offset a reduction of capital funds resulting from consummation of the proposals, the resultant bank appears to have favorable future prospects.

Convenience and Needs of the Community to be Served. Residents in the relevant market should benefit from the expanded services offered by one of the major subsidiaries of Hawkeye. Computerized recordkeeping and credit card facilities would become available to the former customers of Hillsboro Bank and New London Bank. Trust services would be offered to Hillsboro Bank's customers for the first time.

On the basis of the information indicated, the Board of Directors is of the opinion that approval of the applications is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Cobb Exchange Bank Marietta, Georgia (change title to First Bank & Trust Co.)	38,562	4	10
to consolidate with			
First State Bank of Cobb County Smyrna	41,466	6	

Summary report by Attorney General, November 25, 1975

The proposed merger would combine the third and fourth largest commercial banks in Cobb County into what would become the second largest bank in the county with approximately 25 percent of total county deposits. First National Bank of Cobb County, with about 30 percent of the deposits, would remain the largest bank. The third and fourth ranking banks in the county would then have 14 percent and 10 percent of total county deposits, respectively.

Georgia banking law permits branching only in a county in which a bank is located. Thus, the large commercial banks in Atlanta are precluded from establishing branches in Cobb County. Several Atlanta banks have, however, established banks in the portion of Fulton County immediately adjacent to Cobb County. In addition, the Atlanta banks have made some competitive inroads upon the Cobb County banks by virtue of the fact that upwards of one-third of the Cobb County residents work in the greater Atlanta metropolitan area and, presumably, at least some of the commuters bank in the area where they work.

It appears that Cobb County will continue to experience considerable economic growth and may well need additional banking services. Inasmuch as State banking law permits only county branching, Applicant and Bank would be significant potential competitors in opening new branches to meet expanding banking needs of the county. Thus, the proposed acquisition would eliminate such potential competition.

In sum, we conclude that the proposed acquisition would eliminate both actual and potential competition between Applicant and Bank to a significant extent, would importantly increase the amount of concentration in the Cobb County banking market, and accordingly, would produce substantially adverse competitive consequences.

Basis for Corporation approval, June 16, 1976

Cobb Exchange Bank, Marietta, Georgia ("Exchange Bank"), an insured State nonmember bank with total resources of $38,562,000 and total IPC deposits of $27,691,000, 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 First State Bank of Cobb County, Smyrna, Georgia ("State Bank"), an insured State nonmember bank with total resources of $41,466,000 and total IPC deposits of $30,398,000. The transaction would be effected under a new State charter and with the title "First Bank & Trust Co." As an incident to the consolidation, the 6 offices of State Bank would become branches of the resulting bank, increasing the number of its approved offices to 11.

Competition. Exchange Bank operates its main office and three branches in central and northwestern Cobb County and has the necessary approvals to establish an additional office in the county. State Bank has its main office and five branches in southeastern Cobb County in areas adjacent to the city of Atlanta and Fulton County.

Located in northwestern Georgia, Cobb County had a 1970 population of 196,793, representing a 72.4 percent increase from 1960. The county's economy is closely tied to that of nearby Atlanta and Fulton County. Although the northern portion of the county remains largely rural, an influx of industrial and commercial activity has occurred as a result of the proliferation of highways providing easy access to Atlanta. In addition, such access has enabled a commutation pattern to develop and approximately 38.5 percent of the county's work force commutes to Atlanta and its vicinity.

There is currently little direct competition between the proponents, although there is some overlap between their service areas. However, because of the growth pattern in Cobb County, a potential for increased competition between the proponents does exist. Georgia banking law permits only county branching. Within Cobb County, State Bank and Exchange Bank are the third and fourth largest banks, controlling 11.9 and 11.7 percent of the total commercial bank IPC deposits, respectively. Upon consummation of the consolidation, the resulting bank would be the second largest of the eight remaining banks, holding 23.6 percent of the total commercial bank IPC deposits. This would result in two banks controlling 52.5 percent of the county's total commercial bank IPC deposits, and three banks controlling 66.8 percent of such deposits. Such a high level of concentration would ordinarily require an adverse determination regarding the proposal; however, the influence of the larger Atlanta banks must be considered in viewing the competitive environment in which the proposal is made.

Intense competition exists in Cobb County emanating from the Atlanta-based commercial banks, several of which are among the State's largest. These banks have branches located along the Cobb County-Fulton County border and are within State Bank's service area. Because of this and the commutation pattern in Cobb County, the relevant geographic market for purposes of determining the competitive effects incident to the proposal includes both Cobb County and Fulton County. In this market, 5 of 23 commercial banking organizations controlled 87.5 percent of the IPC deposits held by such banks on June 30, 1975. Exchange Bank and State Bank each held only 0.9 percent of such deposits and the resulting bank would hold a mere 1.8 percent market share. Considering the relative sizes of the Atlanta-based competitors, commuting patterns and ease of access, and the presence of common communication media, the proposed consolidation is seen as having little competitive effect on the commercial banking structure of the market. Likewise, although a potential exists for increased competition between the proponents through future *de novo* branching, elimination of such future competition is not regarded as serious because of the dominance of the Atlanta-based banking organizations.

Under the circumstances, the Board of Directors is of the opinion that the proposal 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. Each proponent generally has satisfactory financial and managerial resources, as would the resulting bank. Future prospects of the combined institution appear favorable.

Convenience and Needs of the Community to be Served. Benefits accruing to the community will be a significantly higher lending limit and the availability of additional banking services to be offered by the combined 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
Western Bank and Trust Company West Springfield, Massachusetts (change title to Park West Bank and Trust Company)	30,420	4	6
to merge with			
The Park National Bank of Holyoke Holyoke	11,986	2	

Summary report by Attorney General, April 29, 1976

Almost all of the banking activity of Applicant and Bank is confined to Hampden County. The primary service area for Applicant is composed of the contiguous communities of West Springfield, Springfield, and Agawam, while the primary service area for Bank is Holyoke, South Hadley, and Chicopee. The primary service areas of the two banks are contiguous. Applicant's Riverdale Street branch is within 6 miles of both offices of Bank. Data supplied by Applicant suggests that there is some degree of competitive overlap. Approximately 4.3 percent of Applicant's deposits and 6.29 percent of its loans are derived from the primary service area of Bank. Similarly, Bank receives 3.06 percent of its deposits and 4.58 percent of its loans from the primary service area of Applicant. Thus, it appears that the proposed acquisition will eliminate some direct competition between the banks.

There are 19 commercial and savings institutions serving Hampden County. Applicant is the fifth largest commercial bank in the county, controlling 3.77 percent of the total deposits, and 4 of the 82 commercial banking offices. Bank, as the smallest commercial institution in the county, controls 1.4 percent of the deposits and 2 of the 82 commercial banking offices in the county. Consummation of the proposed merger will give the resulting institution total deposits and loans of 5.0 percent and 5.2 percent, respectively, and will effectively increase Applicant's market share by 1.4 percent, making it the fourth largest institution in the county. Accordingly, the proposed acquisition would tend to increase concentration in banking in Hampden County slightly.

Massachusetts banking law permits both Applicant and Bank to freely enter the primary service area of each other, either by branching or the establishment of a *de novo* bank. Thus, the proposed acquisition will remove the likelihood of potential competition between Applicant and Bank.

In sum, it appears that overall the proposed acquisition will have slightly adverse competitive consequences.

Basis for Corporation approval, June 16, 1976

Western Bank and Trust Company, West Springfield, Massachusetts ("Western"), an insured State nonmember bank with total resources of $30,420,000 and total IPC deposits of $22,565,000, 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 Park National Bank of Holyoke, Holyoke, Massachusetts ("Park"), with total resources of $11,986,000 and total IPC deposits of $8,041,000, under the charter of Western and with the title "Park West Bank and Trust Company." As an incident to the merger, the two offices of Park would be established as branches of the resultant bank, thereby increasing to six the total number of its offices.

Competition. Western operates four offices in the Hampden County area of southwestern Massachusetts, with its main office and two branches located in West Springfield and one branch located in the Feeding Hills section of Agawam, approximately 5 road-miles southwest of its main office. Western's primary trade area consists of West Springfield and surrounding communities, including Westfield (7 miles to the west) Chicopee (4 miles to the northeast) Springfield (2 miles to the east) and Agawam (6 miles to the south). Western had the fifth largest share, 4.3 percent, of the IPC deposits held on June 30, 1975, by offices of the six commercial banks operating in the area.

Park has its two offices in Holyoke, in Hampden County, approximately 8 road-miles north of West Springfield. Park's primary trade area includes Holyoke, Chicopee (5 miles to the southeast), Easthampton (5 miles to the northwest), and South Hadley (4 miles to the northeast). Eight commercial banks operate within this area. On June 30, 1975, Park had the sixth largest share, 7.5 percent, of the area commercial bank IPC deposits; 72.4 percent of such deposits were held by the three largest commercial bank organizations in Massachusetts.

The proponents are located in an area of mixed economy. The cities of Springfield, Chicopee, and Holyoke are engaged in diversified manufacturing, commerce, education, and public administration. The town of West Springfield and the city of Westfield are mainly residential communities, as are the neighboring towns. The area is experiencing an economic decline. The unemployment rate in the Springfield-Chicopee-Holyoke SMSA was 11.1 percent at year-end 1975; in Holyoke it was 13.9 percent. The 1974 median effective household buying level of Hampden County ($11,846) was 5.5 percent below that of the State.

The closest branches of the proponents are located approximately 5 road-miles apart. There is some overlapping of trade areas, largely in the Chicopee area, and the proposed merger would eliminate some existing competition. However, in view of the modest size of both banks, this result of the transaction would have no meaningful significance. Although Massachusetts law permits both proponents to expand *de novo* throughout Hampden County, there appears to be minimal potential for competition to increase between them through their *de novo* branching in the future. Western would not likely find *de novo* entry into the city of Holyoke feasible in view of the declining population trend and high unemployment rate in this area. Park, in business since 1892, is not an aggressively operated bank and has experienced a downward deposit trend since mid-1974. With limited managerial and financial resources, it is not likely to consider *de novo* expansion in the foreseeable future.

Following consummation of the merger, the resultant bank will hold the fifth largest share, or 5.1 percent, of the IPC deposits held on June 30, 1975, by area offices of the nine commercial banks operating within the proponents' combined trade area. If consideration is given to the entire Springfield-Chicopee-Holyoke SMSA, the resulting institution would control only 4.3 percent of the commercial bank IPC deposits. This would represent the sixth largest share of the 11 commercial banks that would remain in the SMSA.

Under these circumstances, the Board of Directors has concluded 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 Western and Park have satisfactory managerial and financial resources for the business they do at the present time. Such resources of the resultant bank appear satisfactory and its future prospects are favorable.

Convenience and Needs of the Community to be Served. The merger would have minimal effect on the convenience and needs of the relevant market. Although an increase in lending limit would be provided for the resultant bank and trust services would be available for the first time at the offices of Park, there are a number of substantially larger competitors in the Springfield-Chicopee-Holyoke market whose services limit the significance of these improvements in the proponents' competitive stature.

For the foregoing reasons, the Board of Directors has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Colonial State Bank Thiensville, Wisconsin	34,884	1	2
to acquire certain assets and assume the deposit liabilities of			
Security Bank on Capitol Wauwatosa	6,231	1	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, June 21, 1976

Colonial State Bank, Thiensville, Wisconsin, an insured State nonmember bank with total resources of $34,884,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to acquire certain assets of and assume the liability to pay deposits made in Security Bank on Capitol, Wauwatosa, Wisconsin, an insured State nonmember bank with total resources of $6,231,000. As an incident to the proposed transaction, the sole office of Security Bank on Capitol would become a branch of the Colonial State Bank.

For reasons related to the condition of Security Bank on Capitol and the fact the Commissioner of Banking of the State of Wisconsin has seen fit to invoke the "emergency branching" section of the Wisconsin Banking Laws to permit the proposed transaction, the Board of Directors finds that the Corporation must act immediately in order to prevent the probable failure of Security Bank on Capitol and thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately, upon proper approval of the transaction by the shareholders of Colonial State Bank and Security Bank on Capitol.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Mitsubishi Bank of California Los Angeles, California	139,148	4	8
to merge with			
Hacienda Bank La Habra	56,871	4	

Summary report by Attorney General, February 9, 1976

This merger involves two fairly small banks relative to the size of competing banks in the State. There are no deposit or loan accounts with both banks of the same individuals, partnerships, or corporations. In addition, there are no deposits or loans of Applicant or Bank which originate in the other's service area. In view of these factors and the presence of intervening banking alternatives, the proposed merger will not eliminate any direct competition. In addition, the proposed acquisition will not materially increase concentration in banking either on a statewide or a local basis. California law permits Applicant and Bank to branch *de novo* into each other's service area. Thus, the proposed acquisition removes this theoretical possibility. However, there are numerous much larger commercial banks in the State much better positioned to branch into the areas served by the merger parties should those areas prove to be economically attractive.

In short, the proposed acquisition will not adversely affect existing competition and will not materially increase concentration, but it will produce a slight lessening of potential competition.

Basis for Corporation approval, June 25, 1976

The Mitsubishi Bank of California, Los Angeles, California ("Mitsubishi"), a State nonmember insured bank with total resources of $139,148,000 and total IPC deposits of $95,096,000 on December 31, 1975, 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 Hacienda Bank, La Habra, California, a State nonmember insured bank with total resources of $56,871,000 and total IPC deposits of $45,650,000 at year-end 1975, under the charter of and with the title "The Mitsubishi Bank of California." Incident to the merger, the four existing offices and one approved but unopened office of Hacienda Bank would become branches of the resultant bank, thereby increasing the total number of its authorized offices to nine.

Competition. Mitsubishi operates its main office and two branches in the metropolitan Los Angeles area, with the main office located in downtown Los Angeles, one branch located 1 mile east of the main office, and a second branch located in Gardena, 13 miles south. A fourth office is operated in San Francisco. Mitsubishi, a wholly owned subsidiary of The Mitsubishi Bank, Ltd., Tokyo, Japan, a registered one-bank holding company, is 38th largest of California's commercial banks, with 0.13 percent of the total deposits held by all such banks within the State.

Hacienda Bank operates its main office in La Habra, approximately 18 road-miles east of Los Angeles. In addition, it operates three branches, one each in La Mirada (5 road-miles south of the main office), Garden Grove (13 road-miles south), and West Covina (12 road-miles north). Hacienda Bank also has approval to establish one additional branch in Placentia, about 11 road-miles southeast of the main office.

Hacienda Bank operates in three separate trade areas: the La Habra-La Mirada market, the Garden Grove market, and the West Covina market. The effects of the proposed merger would be most direct and immediate within these markets. In each of these markets, Hacienda Bank is competing with four of the five largest commercial banks in the State. Only in the La Habra-La Mirada market does Hacienda Bank have more than a modest share of area commercial bank IPC deposits. In this market, Hacienda has 25.6 percent, or the second largest share, of the IPC deposits controlled by area offices of the seven commercial banks operating in the market.

Mitsubishi does not have an office in any of Hacienda Bank's primary markets. Its closest office, in Gardena, is located approximately 17 road-miles west of Hacienda Bank's La Mirada office, with many commercial bank offices intervening. Therefore, there is little direct competition between the proponents. If consideration is given to the Los Angeles-Long Beach SMSA, in which Mitsubishi operates three offices and Hacienda Bank operates two, the resulting institution would control only 0.36 percent, or the 17th largest share, of the total IPC deposits in the area. Thus, it is apparent that the proposed transaction would have no significant effect on the structure of commercial banking in any relevant area.

Mitsubishi has specialized in commercial and international banking, establishing its offices in areas where such business may best be developed. Hacienda Bank, in contrast, has concentrated on retail banking and its primary trade areas are residential communities. Therefore, although California law permits statewide branching, neither bank would be likely in the near future to enter *de novo* the primary trade area of the other. Were such expansion to occur, with the existing domination by the major statewide banks, it is doubtful that any significant competition between the banks would result.

The Board of Directors, therefore, has concluded 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. Each proponent has satisfactory financial and managerial resources and favorable future prospects, as would the resultant bank.

Convenience and Needs of the Community to be Served. No significant enhancement of public convenience is likely to result from the proposed merger. The resulting institution would offer no services that are not currently available from alternative sources in the relevant areas.

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
Bangor Savings Bank Bangor, Maine	154,768	4	7
to merge with **Piscataquis Savings Bank** Dover-Foxcroft	21,583	3	

Summary report by Attorney General,
April 29, 1976

All of Applicant's offices are more than 25 miles from any of Bank's offices. Nevertheless, because Bangor is the employment and shopping center of the region, there is some competitive overlap between Applicant and Bank. Bank has virtually no loans outstanding in Applicant's area, derives no demand deposits from it, and holds only about $1.5 million in savings deposits for people there. Applicant has less than $1 million in loans, holds about

$9.5 million in demand deposits, and has about $1.5 million in savings deposits that derive from Bank's service area. Thus, the proposed merger will eliminate direct competition to some degree, albeit competition which runs almost entirely in the direction of Applicant.

Although Applicant's home office is the largest office in Bangor (deposits $110 million), it is not the largest financial institution doing business in the city, or even the largest financial institution headquartered there. Merrill Trust Company (total deposits of $163 million), which has 24 branches spread around the neighboring counties, has its home office in Bangor (total deposits of $68 million). Merrill Trust belongs to the fourth largest holding company in the State (total statewide deposits of $240 million). The first, second, third, and fifth largest holding companies in Maine also have offices in Bangor as does the seventh largest holding company, a one-bank affair (deposits $45 million, home office deposits $37 million).

Bank is a much smaller organization (deposits $20 million), headquartered in Dover-Foxcroft (home office deposits $15 million). It has three offices, one of which is only 6 months old. Although Bank is the largest bank in Dover-Foxcroft, it faces substantial competition. Merrill Trust has an office in the town (deposits $6 million); there are six more bank offices within a radius of 15 miles that belong to vigorous organizations. Bank's other well-established branch also enjoys a similar degree of competition, while its 6-month old branch faces an entrenched competitor owned by a large holding company. Accordingly, although the proposed merger will increase concentration to some extent, the existence of numerous banking alternatives in the area serves as a mitigating factor.

Basis for Corporation approval, July 6, 1976

Bangor Savings Bank, Bangor, Maine ("Bangor Savings"), an insured mutual savings bank with total resources of $154,768,000 and IPC deposits of $142,250,000, 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 Piscataquis Savings Bank, Dover-Foxcroft, Maine ("PSB"), an insured mutual savings bank with total resources of $21,583,000 and IPC deposits of $19,135,000. The banks would merge under the charter and title of Bangor Savings. As an incident to the merger, the three offices of PSB would become branches of the resulting bank, increasing the number of its approved offices to eight.

Competition. Bangor Savings and PSB are savings banks operating in the State of Maine. The proponents are thrift institutions and, as such, are considered interchangeable alternatives to savings and loan associations for thrift deposits and residential mortgage loans. Ordinarily, thrift institution banking, as exemplified by savings banks and savings and loan associations, would be considered the decisive line of commerce for determining the competitive implications of the proposed merger. However, Maine thrift institutions are now permitted to accept personal demand deposits, to allow the withdrawal by negotiable instruments from accounts on which interest is paid, to grant or participate in certain types of commercial loans, and to issue credit through the use of credit cards. As a result of these recent changes, the traditional competitive barriers separating thrift institutions and commercial banks have diminished; therefore, the competitive analysis of this case will view the market areas both in terms of thrift institutions separately and combined with commercial banks.*

Bangor Savings operates four offices: two in Bangor in southern Penobscot County and one each in Belfast, Waldo County, and Ellsworth, Hancock County. Additionally, it has an approved but unopened branch in Orono, Penobscot County. Bangor Savings is the largest of the six thrift institutions operating in its primary trade area, Waldo and Hancock Counties and southern Penobscot County, controlling 49.3 percent of the area thrift institution IPC deposits as of June 30, 1975. When commercial banks are considered, this market share is reduced to 25.5 percent.

PSB operates its main office in Dover-Foxcroft and one branch in Greenville, both in Piscataquis County, and one branch in Millinocket in north-central Penobscot County. Its primary trade area comprises southern Piscataquis County, several adjoining towns in Penobscot County south of Dover-Foxcroft, and the Millinocket area of north-central Penobscot County. Within this market area, PSB controlled 93.6 percent of the IPC deposits held by the two thrift institutions operating in its market area as of June 30, 1975. However, it controlled only 28.3 percent of the combined commercial bank-thrift institution IPC deposits.

The proponents operate in adjoining, yet essentially separate and distinct markets. Their nearest offices are separated by approximately 36 road-miles through a predominantly rural area. Therefore, little existing competition would be eliminated by the proposal.

Although both institutions may, under Maine law, merge or expand *de novo* throughout the State, neither would be likely to find economically feasible *de novo* entry into the primary trade area

*The Supreme Court stated in *United States* v. *Connecticut National Bank,* 418 U.S. 656 (1974), that in Connecticut for mergers between commercial banks the line of commerce is limited to commercial banks rather than both savings banks and commercial banks. However, due to the increased parity between thrift institutions and commercial banks in the State of Maine, the Board of Directors has determined that commercial realities require a viewing of a combined commercial bank-thrift institution market, as well as the traditional separate market, when determining the competitive impact of any proposed merger in Maine.

of the other. PSB's financial resources are limited and it is unlikely that it would undertake expansion in view of the strong competition it would encounter. Bangor Savings has adequate financial resources; however, because of the unfavorable income levels of Piscataquis County and the relatively small and declining population, PSB's market has limited potential for further expansion of banking offices.

Consummation of the proposal will result in the combination of the leading institutions in their respective markets, with the resultant bank controlling 52.3 percent of the thrift institution IPC deposits and 25.8 percent of the commercial bank-thrift institution IPC deposits, based on June 30, 1975 deposit figures, in its combined market area. However, recent changes in State law permit statewide branching. Maine Savings Bank, the State's largest bank, which has operated in southern Maine, has applied for permission to establish a branch in Waterville, bringing it into closer competition with Bangor Savings. Such future encroachment may serve to erode the resultant bank's dominant position in its market.

Under these circumstances, 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. Financial and managerial resources of each institution are generally satisfactory, and the proposed merger would eliminate the problem of orderly succession of management presently confronting PSB. Future prospects of the resultant bank are considered favorable.

Convenience and Needs of the Community to be Served. Although both banks provide the basic services normally associated with mutual savings banks, PSB customers would benefit from an increased lending limit and a broader range of loan services at a slightly lower cost.

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 First National Bank of Bristol Bristol, New Hampshire (change title to The Bristol Bank)	2,744	1	1
to acquire the assets and assume the deposit liabilities of			
The Bristol Savings Bank Bristol	10,959	1	

Summary report by Attorney General, July 31, 1975

Bristol Bank and Bristol Savings have a common office, common chief executive officer, common teller window, and common advertising. Bristol Bank accepts demand deposits and makes non-mortgage loans while Bristol Savings accepts time and savings deposits and makes mortgage loans. Thus, the parties are not now in significant competition with each other. Bristol Savings owns approximately 11 percent of Bristol Bank's stock.

Although not presently in competition, State law will require the parties to separate their interlocking directors and management in July 1975, resulting, presumably, in two independent institutions capable of offering competing banking services. Thus, if the parties may be expected to exist as viable independent institutions, the proposed transaction will eliminate the prospect for future competition throughout their six-town common service area.

Basis for Corporation approval, July 6, 1976

The First National Bank of Bristol, Bristol, New Hampshire ("Commercial Bank"), with total resources of \$2,744,000 and total IPC deposits of \$1,370,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in The Bristol Savings Bank, Bristol, New Hampshire ("Savings Bank"), an insured mutual savings bank having total resources of \$10,959,000 and total IPC deposits of \$10,049,000. Incident to the proposed transaction, the 108 par \$100 shares of common stock of Commercial Bank presently owned by Savings Bank would be retired. Commercial Bank, prior to consummation of the proposed transaction, would convert to a State nonmember insured bank under the title "The Bristol Bank." The resulting bank would operate from the sole location in which the two banks presently share quarters.*

Competition. Commercial Bank and Savings Bank share a single office in Bristol and have done so since 1898. Bristol had a 1970 population of 1,670 and is located in the southeastern corner of Grafton County.

The two banks derive the bulk of their business from Bristol and the surrounding towns of Alexandria, Bridgewater, Hebron, and New Hampton. This area is rural and sparsely populated and is largely a resort area with virtually no industry. The aggregate 1970 population of the service area was 3,714, representing an increase of only 566 from 1960. There are no other banks operating in this area, and the

*FDIC approval of mergers that would involve conversion from a mutual to a stock form had been prohibited, with certain exceptions, by section 18(c)(10) of the Federal Deposit Insurance Act, 12 U.S.C. section 1828(c)(10). However, this prohibition expired on June 30, 1976.

closest alternatives are in Franklin, approximately 13 miles south of Bristol. The service area of the proponents is highly localized, and the mountainous terrain and several lakes in the area have an inhibiting effect on travel.

There is no competition between Commercial Bank and Savings Bank. Each offers services appropriate to its method of operation and they complement one another. It is possible that the two banks could become independent of each other in the future, but it is highly unlikely. Commercial Bank has neither the resources nor the management to establish separate facilities in competition with Savings Bank. Moreover, it does not appear that the banking business is there to be had. The economy of the service area is relatively stagnant and its population is limited. In over 75 years of joint operation the two banks combined have accumulated a total of only $12.2 million in deposits. Commercial Bank's deposits have been stable or declining in recent years while Savings Bank's deposits have increased only modestly. Accordingly, the proposed transaction would not eliminate any significant existing or potential competition between the two banks.

In view of 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. Commercial Bank and Savings Bank have satisfactory financial and managerial resources under their present operational arrangement, and the future prospects of the resulting bank are adequate.

Convenience and Needs of the Community to be Served. The proposed transaction would have virtually no effect on the banking services presently available in the service area. The resulting bank would continue to offer all services now provided by Commercial Bank and Savings Bank.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted, contingent upon Commercial Bank's conversion to a State nonmember insured bank.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Central Counties Bank State College, Pennsylvania	213,056	19	23
to merge with			
The First National Bank of Lewistown Lewistown	37,255	4	

Summary report by Attorney General, April 29, 1976

The head offices of the merging banks are 32 miles apart and their closest branch offices are 20 miles apart. Other banks operate in the intervening area between the two closest offices of the participants. Less than 1 percent of each bank's loans and deposits originate in the service area of the other bank. Additionally, the respective service areas of each bank abut mountains of the Appalachian Range which are an effective physical barrier to competition between them. Thus, it would appear that the proposed merger would eliminate only a minor degree of existing competition.

Under Pennsylvania law, which permits a bank to branch into counties contiguous to the county in which it maintains its principal office, either bank could branch into the service area of the other since they are based in adjoining counties. Neither bank is likely to branch into the other's service area, however, since both areas are more than adequately served by existing banking offices and since Bank appears to lack the resources that such expansion would require.

In sum, the proposed transaction would not eliminate any significant degree of direct competition. It would, however, eliminate the theoretical potential for increased competition which would result if either bank established a *de novo* branch in the service area of the other. The overall effect of the proposed acquisition would be slightly adverse.

Basis for Corporation approval, July 22, 1976

Central Counties Bank, State College, Pennsylvania ("Central Counties"), an insured State nonmember bank with total resources of $213,056,000 and total IPC deposits of $170,173,000, 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 First National Bank of Lewistown, Lewistown, Pennsylvania ("FNB Lewistown"), with total resources of $37,255,000 and total IPC deposits of $31,589,000, under the charter and title of Central Counties. As an incident to the merger, the 4 offices of FNB Lewistown would become branches of the resultant bank, increasing the number of its authorized offices to 24.

Competition. Central Counties operates 19 offices: its main office and 5 branches in Centre County, 4 branches in Clinton County, and 9 branches in Blair County. In addition, it has approval to establish a 10th branch in Blair County.

FNB Lewistown operates its four offices in Mifflin County, with its main office in Lewistown. Its branches are located, one each, in Burnham, Milroy, and McVeytown, which are respectively 3 and 8 road-miles north and 11 road-miles southwest of Lewistown. Mifflin County is situated immediately southeast of Centre County. The light manufacturing industry in Mifflin County has declined in recent years and forestry and agriculture lend only modest economic support. As of March 1976, the county had a 12.3 percent unemployment rate, a rate substantially higher than the national average.

There is no significant existing competition between Central Counties and FNB Lewistown. Their markets, although adjacent, are separated by a portion of the Appalachian Range and by State forest lands, and their closest offices, the two State College offices of Central Counties and the Milroy branch of FNB Lewistown, are approximately 20 road-miles apart. For residents of either market, there are alternative sources of banking services more convenient than the proponent located in the other market. Few depositors or borrowers are common to both banks and neither bank draws a significant amount of business from the primary trade area of the other.

The effects of the proposed merger would be most pronounced in FNB Lewistown's market, which consists of Mifflin County. FNB Lewistown is 1 of 6 commercial banks operating a total of 13 offices in this market and holds the second largest share, 27.6 percent, of the IPC deposits held on June 30, 1975 by area offices of these banks. The Russell National Bank, also headquartered in Lewistown, holds the largest share of such deposits, 40.4 percent.

Pennsylvania law permits a commercial bank to branch *de novo* or merge within its home office county and all contiguous counties. Central Counties thus may enter *de novo* Mifflin County while FNB Lewistown may enter Centre County. However, Mifflin County experienced only a moderate population growth during the 1960s, its median household buying level is substantially below the State median, and six commercial banks are already well established in the market. Centre County also has a median household buying level substantially below that of the State, and although it is an area of expanding population, the county presently has a commercial banking office in the county for each 3,102 of its residents. Therefore, it appears unlikely that any substantial potential for increased competition between the proponents through their *de novo* branching in the future would be eliminated by the proposed merger. Moreover, even if future economic developments warrant the establishment of additional branches, there are several existing banks, besides Central Counties, capable of *de novo* entry into either county.

Within its maximum legal branching area, Central Counties is the second largest of the 41 commercial banks represented, with 14.4 percent of the area IPC deposits held by such banks on June 30, 1975. The proposed merger would increase to 17.0 percent Central Counties' IPC deposit share of this market. Mid-State Bank and Trust Company, Altoona, would continue to hold the largest share, 18.2 percent. The five largest shares of such deposits would then aggregate 49.6 percent.

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 banks have satisfactory financial and managerial resources for the business they do, and the same would be true of the resultant bank.

Convenience and Needs of the Community to be Served. The merger would bring to Mifflin County the specialized services of one of the region's major banks. Passbook savings deposits, now earning 3 percent annually at FNB Lewistown, would be paid 5 percent, and rates paid on several types of certificates of deposit would be increased.

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 Oregon Woodburn, Oregon	39,056	8	9
to merge with			
Guaranty Bank Canby	7,620	1	

Summary report by Attorney General,
June 22, 1976

Applicant currently operates in Woodburn, Aurora, Salem, Hubbard, Silverton, Stayton, and Dundee, all in Marion County. Bank operates solely in Canby which is in Clackamas County, the county immediately to the north of Marion County. However, Applicant currently has pending an application to establish a branch in West Linn, which is located in Clackamas County approximately 7 miles from Canby. Furthermore, Applicant's Aurora office is only about 4 miles from Canby. The main offices of Applicant and Bank are approximately 11 miles apart. It thus appears that the proposed acquisition would eliminate some existing competition between Applicant and Bank.

Applicant and Bank both operate within the Portland metropolitan commercial banking market—Canby is 20 miles from Portland and Woodburn is 36 miles away. Applicant currently ranks 7th and Bank ranks 16th among the commercial banks operating in the Portland metropolitan area. Upon consummation of the merger the Applicant would hold less than 2 percent of total deposits in the area. It thus appears that the proposed acquisition will not enhance concentration to any important degree in the area.

Oregon law prohibits the branching into any city with a population of 50,000 or less that contains the head office of another bank. Thus, Applicant cannot establish a *de novo* branch in Canby and can enter the town only via acquisition.

In sum, the proposed acquisition would eliminate some existing competition, would increase concentration marginally, and would eliminate no meaningful potential competition. The proposed acquisition, simply put, would have only a slightly adverse anticompetitive effect.

Basis for Corporation approval, August 17, 1976

Bank of Oregon, Woodburn, Oregon, with total resources of $39,056,000 and total IPC deposits of $31,203,000, 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 Guaranty Bank, Canby, Oregon, with total resources of $7,620,000 and total IPC deposits of $6,006,000. The banks would merge under the charter and title of Bank of Oregon. As an incident to the merger, the sole office of Guaranty Bank would be established as a branch of the resultant bank, thereby increasing the number of its offices to nine.

Competition. Bank of Oregon operates its eight offices in the Willamette Valley of northwestern Oregon. Its main office, in Woodburn, is located some 30 road-miles south of Portland and 17 miles northeast of Salem. Other than a single branch established in Dundee, in northeastern Yamhill County, all offices of Bank of Oregon are located in western Marion County. Guaranty Bank has its sole office in Canby, in Clackamus County, 11 road-miles northeast of Woodburn.

The Willamette Valley is a rich agricultural region. In addition to agriculture, the area around Woodburn has some light industry and timber operations. Canby is a trading center in the valley. During the 1960s Canby experienced a 76 percent increase in its population, resulting in a 1970 population of 3,813. While the 1974 Marion County median household buying level of $10,116 was 7 percent below the State level of $10,855, Clackamas County's median level of $13,038 was 20 percent above that of the State.

One other institution, Canby Union Bank, is headquartered in Canby. Two branches of Bank of Oregon, representing the closest alternatives for Canby area residents other than Canby Union Bank, are located 3 and 7 miles southwest of Canby. Therefore, there is an overlapping of the service areas of the proponents. Guaranty Bank holds 7.3 percent, the fifth largest share, of the IPC deposits held in the offices of the seven commercial banks operating in its trade area. Bank of Oregon holds 3.9 percent of such deposits. Consummation of the proposal would eliminate some existing competition. However, Guaranty Bank's market is dominated by the State's two major banks, which hold a combined market share of 59.6 percent, and in view of the minor shares of aggregate area commercial bank IPC deposits held by each proponent, this elimination of competition would not weigh significantly against approval of the application.

Guaranty Bank has experienced managerial and financial problems and its potential for office expansion is negligible. On the other hand, although Bank of Oregon is precluded by Oregon's home office laws from *de novo* entry into Canby, it would likely find other areas of Guaranty Bank's market attractive for such entry. Thus, the merger would eliminate the potential for increased competition between the proponents. However, this anticompetitive effect is mitigated as a result of Guaranty Bank's weakened condition and the existing domination of the market by the State's major banks. Any available alternative merger partner for Guaranty Bank would be one of the larger banks which would represent a far more anticompetitive proposal.

In view of the foregoing, the Board of Directors is of the opinion that the proposed merger would not substantially lessen competition in any section of the country, nor would it tend to create a monopoly or in any other manner be in restraint of trade.

Financial and Managerial Resources; Future Prospects. Bank of Oregon has satisfactory financial and managerial resources; those of Guaranty Bank are less than satisfactory. The latter's future prospects, as an integral part of the resultant bank, would be satisfactory.

Convenience and Needs of the Community to be Served. The proposed merger would improve significantly the viability of Guaranty Bank as a part of the resultant bank and strengthen its competitive stance in the relevant market.

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
Exchange Bank of Unadilla Unadilla, Georgia (change title to State Bank and Trust Company)	7,859	1	2
to merge with			
Bank of Byromville Byromville	3,972	1	

Summary report by Attorney General, May 11, 1976

Dooly County (1970 population 10,404) is served by four banks, each of which has only one office. Applicant currently holds 30 percent of total county commercial bank deposits and ranks second in the county. Bank ranks fourth with 15 percent. Hence, the proposed acquisition would produce a bank holding 45 percent of total county deposits and the bank which currently ranks first with 33 percent of county deposits will drop to second place. Also, Applicant and Bank are within 11 miles of each other, which produces some degree of competitive overlap.

It must be noted, however, that Applicant and Bank are controlled by the same five persons.

In sum, the proposed acquisition would eliminate direct competition and would greatly increase concentration and would normally be viewed as having an adverse effect upon competition. The existing common ownership and control of the Applicant and Bank suggests that the damage has already occurred and that the merger is more a change in form than in substance.

Basis for Corporation approval, September 7, 1976

Exchange Bank of Unadilla, Unadilla, Georgia ("Exchange Bank"), an insured State nonmember bank having total resources of $7,859,000 and total IPC deposits of $6,100,000, 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 Bank of Byromville, Byromville, Georgia ("Byromville Bank"), an insured State nonmember bank with total resources of $3,972,000 and total IPC deposits of $3,611,000. The merger would be effected under the charter of Exchange Bank and with the title "State Bank and Trust Company." Following the merger, the sole office of Byromville Bank would be established as a branch of the resultant bank, which would then operate a total of two offices.

Competition. Exchange Bank operates its sole office in Unadilla, a town in central Georgia located approximately 40 miles south of Macon and 70 miles east of Columbus. Byromville Bank has its office in Byromville, located some 12 road-miles west of Unadilla.*

*A close relationship has existed between the proponents since September 1973 when the majority of Byromville Bank's stock was acquired by five individuals who also control more than 60 percent of the stock of Exchange Bank. The Corporation has consistently taken the position that where control of a bank is acquired by stock acquisition not subject to regulatory scrutiny, the effect of a merger may be the circumvention of the competitive standards of the Bank Merger Act. See Basis for Corporation Denial of the proposed acquisition of The Citizens and Southern Bank of Tucker by The Citizens and Southern Emory Bank, 1971 *FDIC Annual Report*, pp. 152, 154 and Basis for Corporation approval of the proposed acquisition of The Citizens and Southern Emory Bank, 1975 *FDIC Annual Report*, pp. 105-110. Therefore, the current affiliation of the two banks is seen as being of no persuasive value in determining what competitive impact, if any, the proposed merger may have.

Both banks are located in the northern half of Dooly County. This county and the immediately adjacent area are largely rural and characterized by an agricultural economy. These areas have experienced a declining population over the last two decades.

Byromville Bank's primary trade area extends over a radius of approximately 12 miles from Byromville and includes the Macon County cities of Montezuma and Oglethorpe to the northwest as well as the Dooly County communities of Unadilla to the east and Vienna to the southeast. Including a bank established in July 1976, seven commercial banks have one office each in this area and serve a 1970 estimated population of 17,300, representing a 3.9 percent population decrease during the 1960s. Controlling the fifth and sixth largest shares of the market's commercial bank IPC deposits, Exchange Bank and Byromville Bank hold respectively 15.5 percent and 9.2 percent of such deposits. Although existing competition between the proponents would be eliminated by their merger, this result would have only slight competitive significance in view of the market's relatively modest size and the continued presence therein of four established competitors whose market shares range from 16.4 percent to 22.9 percent. Including the newly established bank in Vienna, there would be a bank to serve each 2,468 inhabitants in the market.

Within the primary trade area of the resultant bank (comprising in addition to Byromville Bank's market an area extending 15 road-miles north of Unadilla to Perry in Houston County and a similar distance east to Hawkinsville in Pulaski County), 11 commercial banks would be represented by a total of 16 offices. The resultant bank, holding 11.6 percent of the IPC deposits of these offices, would be third largest in the market. Five other banks would hold shares ranging from 9.9 percent to 14.3 percent of such deposits. Including the newly established bank, each commercial bank office in this market would serve an average of 2,200 people.

Even if the two banks were not under the same majority control, it is doubtful that a significant potential for increased competition between the proponents through their *de novo* branching would exist. Although Georgia law permits their branching within Dooly County, such *de novo* expansion by either would be unlikely in view of the county's 9.3 percent decline of population during the 1960s and its present over-banked structure.

Based on the foregoing, the Board of Directors has concluded 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. Each proponent has satisfactory financial and managerial resources, as would the resultant bank. Its future prospects appear to be favorable.

Convenience and Needs of the Community to be Served. The larger lending limit and increased pool of lendable funds of the resultant bank should be advantageous to a number of borrowers in the Unadilla area. Credit card financing would be introduced in the Byromville area.

In view 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
City Bank Lynnwood, Washington	7,393	1	4
to acquire the assets and assume the deposit liabilities of			
Evergreen State Bank Seattle	7,870	3	

Summary report by Attorney General, July 19, 1976

The banks are relatively close to each other although Applicant is located in Snohomish County and Bank is located in bordering King County. One of Bank's branches is right on the border of the two counties. Both banks serve the Seattle SMSA, and thus they compete with each other. However, given the small size of deposits and market shares of the banks, the existing competition between them should be viewed as insubstantial. Applicant presently controls 5.7 percent of commercial bank deposits in its service area and Bank controls 7 percent. The resulting bank would have 12.7 percent of the total bank deposits in the surrounding area. However, if the entire Seattle SMSA were included in the relevant market, the respective market shares would be *de minimus.*

Furthermore, Washington State's laws pertaining to branching and holding companies preclude Applicant from entering King County on a *de novo* basis and Bank from entering Snohomish County. Hence, the proposed acquisition will not eliminate potential competition.

We therefore conclude that the proposed acquisition will have only a slight adverse effect upon competition.

Basis for Corporation approval, September 7, 1976

City Bank, Lynnwood, Washington, with total resources of $7,393,000 and total IPC deposits of $5,323,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in Evergreen State Bank, Seattle, Washington, with total resources of $7,870,000 and total IPC deposits of $6,576,000. The transaction would be effected under the charter and with the title of City Bank. Incident to the proposal, the three offices of Evergreen State Bank would be established as branches of City Bank, increasing the number of its offices to four.

Competition. City Bank operates its sole office in the city of Lynnwood, a residential community in southwestern Snohomish County approximately 17 road-miles north of downtown Seattle and 12 miles south of Everett, in northwestern Washington.

Evergreen State Bank has its main office approximately 12 road-miles north of downtown Seattle. It maintains one branch each in Innis Arden and in Inglewood, located respectively 3 miles southwest and 6 miles southeast of the main office. All three offices are located in residential, unincorporated areas of northwestern King County.

The proponents operate within the Seattle-Everett SMSA; however, the area in which the competitive effects of the merger would be most immediate is Evergreen State Bank's primary trade area. This area consists of extreme northwestern King County and adjacent southwestern Snohomish County and includes the cities of Kenmore, Lynnwood, and Edmonds. The defined market area has experienced substantial growth during recent years. The market's estimated 1970 population of 89,800 represents approximately a 72 percent increase from 1960.

A total of 10 commercial banks operating 23 local offices are represented in Evergreen State Bank's primary market. The market is dominated by the State's largest commercial banks. The State's two largest commercial banks control 56.4 percent of the market's commercial bank IPC deposits; 77.9 percent of such deposits are concentrated in four banks. City Bank has 2.7 percent and Evergreen State Bank has 3.8 percent of such deposits, representing the second and fourth smallest shares respectively. The proposed transaction would eliminate existing competition; however, in view of the modest size of each proponent, the proposal would have no significant effect on competition. The resultant bank's 6.5 percent share of the market's commercial bank IPC deposits, although fifth largest, would be substantially lower than those of the four market leaders.

A Washington commercial bank may legally branch *de novo* within the city that contains its main office, in unincorporated areas of its main office county, and in unbanked, incorporated communities throughout the State. As a result of this law, the number of branch sites open to either of the proponents is very limited and the potential for a significant increase in competition between the proponents is minimal. Further, any potential increase in competition that may be eliminated by the proposal is not considered serious when compared with the market's present deposit concentration.

Based on the foregoing, the Board of Directors is of the opinion that the proposed transaction would not substantially lessen competition in any section of the country, nor would it tend to create a monopoly, or in any other manner be in restraint of trade.

Financial and Managerial Resources; Future Prospects. Each proponent has satisfactory financial and managerial resources. Those of the resultant bank would be satisfactory. Its future prospects would be favorable.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of the local market. The resultant bank would not offer any services not presently available in the market; however, its increased legal lending limit should enable it to compete more effectively in the relevant market.

The Board of Directors, considering the foregoing information, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Capitol Bank and Trust Company Boston, Massachusetts	68,910	3	4
to purchase the assets and assume the deposit liabilities of			
The New Boston Bank and Trust Company Boston	9,238	1	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, September 14, 1976

Capitol Bank and Trust Company, Boston, Massachusetts, an insured State nonmember bank with total resources of $68,910,000, 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 liability to pay deposits made in The New Boston Bank and Trust Company, Boston, Massachusetts, an insured State nonmember bank with total resources of $9,238,000. As an incident to the transaction, the only office of The New Boston Bank and Trust Company would become a branch of Capitol Bank and Trust Company.

As of September 14, 1976, The New Boston Bank and Trust Company had deposits and other liabilities of $5.3 million and operated one office. On September 14, 1976, the Federal Deposit Insurance Corporation was appointed as liquidating agent of The New Boston Bank and Trust Company.

The Board of Directors finds that the failure of The New Boston Bank and Trust Company requires it to act immediately and thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Bank Leumi Trust Company of New York New York, New York	491,222	5	10
to purchase the assets and assume the deposit liabilities of			
American Bank & Trust Company New York	267,680	5	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, September 15, 1976

Bank Leumi Trust Company of New York, New York (Manhattan), New York, an insured State nonmember bank with total resources of $491,222,000, 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 American Bank & Trust Company, New York (Manhattan), New York, a State bank and member of the Federal Reserve System, with total resources of $267,680,000. As an incident to the transaction, the main office and four branches of American Bank & Trust Company would become branches of Bank Leumi Trust Company of New York.

As of September 15, 1976, American Bank & Trust Company had deposits and other liabilities of approximately $190 million and operated five offices. On September 15, 1976, the Federal Deposit Insurance Corporation was appointed as receiver of American Bank & Trust Company.

The Board of Directors finds that the failure of American Bank & Trust Company requires it to act immediately and thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
California Overseas Bank (in organization) Beverly Hills, California	—	—	3
to purchase a portion of the assets and assume a portion of the deposit liabilities of			
Ahmanson Bank and Trust Company Beverly Hills	25,862	3	

Summary report by Attorney General, August 5, 1976

California Overseas Bank ("California Bank") is a non-operating institution organized for the purpose of effectuating the sale of the commercial banking business (except for the trust business) of Ahmanson Bank to a separate new banking organization. After consummation of the proposed plan, the capital stock of California Bank will largely be owned by a group of investors (including foreign investors) not connected with either Ahmanson Bank or its corporate parent.

It does not appear that the proposed transaction will have any adverse competitive effect.

Basis for Corporation approval, October 6, 1976

Pursuant to sections 5 and 18(c) and other provisions of the Federal Deposit Insurance Act, applications have been filed on behalf of California Overseas Bank, Beverly Hills, California, a proposed new bank in organization, for Federal deposit insurance and for consent to its purchase of a portion of the assets and assumption of a portion of the liabilities of Ahmanson Bank and Trust Company, Beverly Hills, California ("Ahmanson Bank"), a State nonmember insured bank with total resources of $25,862,000 and total IPC deposits of $20,021,000 as of December 31, 1975. The main office and two existing branches of Ahmanson Bank would be established as the main office and branches of California Overseas Bank.

Competition. Organization of California Overseas Bank and the proposed purchase and assumption transaction are being utilized by H. F. Ahmanson & Company, Los Angeles, California, a holding company controlling 100 percent of the voting shares of Ahmanson Bank, to divest the commercial banking business presently conducted by Ahmanson Bank. California Overseas Bank would not operate as a commercial bank prior to the proposed transaction. Subsequent to consummation of that transaction, California Overseas Bank would be operated as a commercial bank under a new management at the existing locations of Ahmanson Bank. The proposal would not affect the competitive structure of commercial banking in the trade area of Ahmanson Bank or result in a change of the commercial banking services which Ahmanson Bank has heretofore made available to the public.

In view of the foregoing, the Board of Directors is of the opinion that the proposed transaction would not substantially lessen competition in any section of the country, nor would it tend to create a monopoly, or in any other manner be in restraint of trade.

Financial and Managerial Resources; Future Prospects. California Overseas Bank's new management would appear to be both capable and diverse. Several of these individuals have had extensive and lengthy experience in the banking field. In addition, it is expected that the present staff of Ahmanson Bank will be retained. Overall, California Overseas Bank's proposed management appears to be satisfactory.

Ahmanson Bank has satisfactory financial resources. The replacement of current ownership by a more aggressive and growth oriented ownership should have favorable results in terms of the Bank's future resources.

Based on the foregoing, the Board concludes that the proponents' financial and managerial resources are satisfactory and the resultant bank's future prospects would appear to be favorable.

Convenience and Needs of the Community to be Served. In the past, Ahmanson Bank has not chosen to be a strong competitor. As a result, the bank has not grown like other banks in its service area. It is expected that the new management will entirely change past policies and objectives and will aggressively seek new business, and by becoming an active competitor in its service area, the resultant bank should make a meaningful contribution to the financial needs of the community.

On the basis of the foregoing information, the Board of Directors has concluded that approval of the applications is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Franklin County Savings Bank Farmington, Maine (change title to Franklin Savings Bank)	53,892	5	6
to merge with			
Somerset Loan and Building Association Skowhegan	497	1	

Summary report by Attorney General, August 20, 1976

Based on information contained in the application, there appears to be no direct competition between the parties. Neither party has offices in the other's markets and neither draws any savings deposits or loans from the market area of the other.

There are 13 financial institutions (2 savings banks, 5 commercial banks, 1 savings and loan association, and 5 credit unions) operating in Association's market area with total deposits of $102 million and loans of $75 million. Consummation of the proposed merger will result in the elimination of the only savings and loan association in the market. Although the respective market shares of each institution will remain the same after the merger, concentration in the number of savings banks will increase somewhat and the share of deposits held by all such savings institutions will increase by 0.4 percent.

Maine permits statewide branching except in limited circumstances which do not exist in the present application. By *de novo* entry into the Skowhegan market instead of merger, Applicant would increase competition, rather than eliminate the only mutual loan and building corporation in the market. *De novo* entry is the preferable, less restrictive alternative for Applicant to enter the Skowhegan market, absent any "failing company" argument.

In sum, it appears that the proposed merger will have some adverse competitive consequences.

Basis for Corporation approval, October 6, 1976

Franklin County Savings Bank, Farmington, Maine ("Franklin Savings"), an insured mutual savings bank with total resources of $53,892,000 and total deposits of $49,740,000, 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 Somerset Loan and Building Association, Skowhegan, Maine ("Somerset Loan"), a noninsured mutual loan and building corporation with total resources of $497,000 and total deposits of $376,000. The institutions would merge under the charter of Franklin Savings with the title "Franklin Savings Bank." As an incident to the merger, the sole office of Somerset Loan would become a branch of the resulting bank, increasing the number of its approved offices to seven.

Competition. Franklin Savings operates five offices: its main office and two branches in Franklin County and two branches in Oxford County. Also, it has approval to open a sixth office in Franklin County. Franklin Savings is the 12th largest thrift institution in the State. Somerset Loan operates its sole office in Skowhegan, Somerset County.

The effects of the merger would be most pronounced in Somerset Loan's market, which consists of Skowhegan and the adjacent town of Norridgewock. The combined 1970 population of Skowhegan and Norridgewock was 9,565, representing a 2.9 percent increase from 1960. The 1970 population of Somerset County was 40,597, up 2.1 percent from 1960. Economic activity in the area includes the manufacture of leather, paper, lumber products, and textiles. The 1974 median buying level for Somerset County was $9,713, 9.2 percent below the comparable statewide figure. The local economy is expected to receive a significant boost in the near future from the construction of a large plant of a major paper products company.

There is no existing competition between Franklin Savings and Somerset Loan. Their closest offices are about 28 miles apart, and neither has any significant business originating in areas served by the other. Indeed, Somerset Loan is not a viable competitor in its own market, having accumulated total deposits of less than $400,000 in its over 90 years of operation. This amounts to only 0.7 percent of the aggregate IPC deposits of $55 million in the local market. The other 99.3 percent is held by the Skowhegan Savings Bank (70.5 percent) and four branches of two commercial banks (28.8 percent).*

The potential for competition to develop between the two institutions in the future is remote. The miniscule size and lack of managerial resources preclude any expansion by Somerset Loan. Moreover, Somerset Loan is required by State law to become federally insured by March 1977, and the likely alternative to this merger is liquidation of the institution. This transaction represents a *de minimis* acquisition and it is the practical equivalent of the establishment of a *de novo* branch in Skowhegan by Franklin Savings.

Under these circumstances, 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. Financial and managerial resources of Franklin Savings are generally satisfactory. Financial resources of Somerset Loan are satisfactory; however, managerial resources are limited by an elderly staff with no successor management. Consummation of the proposed merger would eliminate the succession problem. Future prospects of the resulting bank are considered favorable.

Convenience and Needs of the Community to be Served. The proposed merger would provide the

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*Because of the increased parity between thrift institutions and commercial banks in the State of Maine, the Board of Directors has taken the position that commercial realities require a viewing of a combined commercial bank-thrift institution market when determining the competitive impact of any proposed merger in Maine. See Basis for Corporation Approval of the proposed merger of Bangor Savings Bank, Bangor, Maine and the Piscataquis Savings Bank, Dover-Foxcroft, Maine, page 78.

Skowhegan area with an alternative source for all mutual savings bank services, including maximum allowable interest rates on regular savings and a full range of time deposits, as well as conventional, insured conventional, and VA-guaranteed mortgage loans. Such alternatives are presently limited to regular savings and conventional mortgages by Somerset Loan. This broader range of alternative services would be offered at a time when demand for such services in the area should be increasing due to the completion of the new paper plant in the Skowhegan area. In addition, Somerset Loan's depositors would gain the protection and security of Federal deposit insurance.

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 Merchants Bank Burlington, Vermont	83,354	10	11
to merge with			
Hardwick Trust Company Hardwick	7,216	1	

Summary report by Attorney General, August 19, 1976

Although neither party has banking facilities in the other's service area, both institutions derive some business from the other's market. Applicant derived 0.36 percent of its deposits and 0.67 percent of its loans from Bank's service area. Similarly, Bank receives 5.7 percent of its deposits and 0.5 percent of its loans from Applicant's service area. Hence, the proposed acquisition would eliminate a small amount of existing competition.

There are seven commercial banking institutions serving Caledonia County. Applicant has no facility in the county, but nevertheless it has an 0.8 percent market share. Bank, the smallest commercial banking institution in the county, controls 9 percent of the deposits and 1 of the 10 commercial banking offices in the county. Consummation of the proposed merger will give the resulting institution total deposits and loans of 9.8 percent and $4.3 million, respectively, and will effectively increase Applicant's market share by 9 percent, although it will not change its county rank. Accordingly, the proposed acquisition would tend to increase concentration in banking in Caledonia County slightly.

Vermont banking law permits both Applicant and Bank to freely enter the primary service area of the other, either by branching or the establishment of a *de novo* bank. Indeed, since 1963 Applicant has on five occasions entered new markets through the establishment of *de novo* branches. Nothing in the application suggests that *de novo* entry is infeasible in the instant situation. The proposed acquisition, therefore, would eliminate potential competition to an important degree.

In sum, it appears that overall the proposed acquisition will have adverse competitive consequences, particularly as regards potential competition.

Basis for Corporation approval, October 6, 1976

The Merchants Bank, Burlington, Vermont ("Merchants"), a State nonmember insured bank with total resources of $83,354,000 and total IPC deposits of $68,178,000, 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 Hardwick Trust Company, Hardwick, Vermont ("Hardwick Trust"), with total resources of $7,216,000 and total IPC deposits of $5,780,000. The banks would merge under the charter and title of Merchants. The 1 office of Hardwick Trust, as an incident to the merger, would become a branch of the resulting bank, increasing to 11 the total number of its offices.

Competition. Merchants operates its 10 offices in western Vermont: 6 offices in Chittenden County, 2 in Washington County, and 1 each in Addison and Grand Isle Counties. Merchants is the State's fifth largest commercial bank, holding 5.4 percent of the statewide commercial bank deposits.

Hardwick Trust, operating its sole office in Hardwick, Caledonia County, is ranked 27th among the 29 commercial banks in the State. Hardwick is situated in the northeast quadrant of the State and is approximately 45 miles east of Burlington.

The most appropriate geographic area in which to assess the competitive effects of the proposed transaction would be Hardwick Trust's market, which consists of the town of Hardwick and five adjacent communities in Caledonia County. This market area had a population of 4,651 in 1970, representing a 1.8 percent increase since 1960. Its economy is based primarily upon agriculture, with tourism and light manufacturing of some importance. Caledonia County's 1974 median household income of $9,004 was 11.4 percent below the statewide median of $10,160. The only other banking office in the trade area is a branch of Sterling Trust Company, Johnson, Vermont, which opened for business on November 24, 1975, and had total deposits of only $501,000 on June 25, 1976. Merchants does not operate in this market. The proponents' closest offices, Merchants' office in Barre and Hardwick Trust's office in Hardwick, are located 25 road-miles apart. Therefore, no significant existing competition between the two banks would be eliminated by their proposed merger.

Although Vermont law permits statewide *de novo* branching, there is little potential for the development of competition in the future between Merchants and Hardwick Trust. Hardwick Trust, in operation since 1892, has confined its expansion activity to one merger in 1931 and it lacks the managerial and financial resources to branch *de novo*. For its part, Merchants would not find the Hardwick trade area attractive for *de novo* entry at the present time because income levels are well below the statewide average and each banking office presently serves an average of 2,325 people, compared with an average of 2,598 people per banking office throughout the State. Accordingly, any elimination of potential competition between Merchants and Hardwick Trust which might result from their proposed merger is not significant.

Under the circumstances presented, 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 Merchants and Hardwick Trust have satisfactory financial and managerial resources for their present operations, as would the resultant bank. Future prospects for the resultant bank are favorable.

Convenience and Needs of the Community to be Served. Customers of Hardwick Trust would be offered broader banking services by a more aggressive management, such as an expanded deposit program, free checking for senior citizens, more sophisticated trust services, substantially increased lending limits, and a credit card plan.

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
Lincoln Bank Bala-Cynwyd, Pennsylvania	110,596	7	11
to purchase the assets and assume the deposit liabilities of			
Centennial Bank Philadelphia	15,281	4	

Approved under emergency provisions. No report requested from the Attorney General.

Basis for Corporation approval, October 21, 1976

Lincoln Bank, Bala-Cynwyd, Pennsylvania, an insured State nonmember bank with total resources of $110,596,000, 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 Centennial Bank, Philadelphia, Pennsylvania, an insured State nonmember bank with total resources of $15,281,000. As an incident to the transaction, the main office and three branches of Centennial Bank would become branches of Lincoln Bank.

As of October 20, 1976, Centennial Bank had deposits and other liabilities of some $12.4 million and operated four offices. On that date, Pennsylvania Secretary of Banking William E. Whitesell took possession of Centennial Bank.

The Board of Directors finds that the failure of Centennial Bank requires it to act immediately and thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The Mississippi Bank Jackson, Mississippi	152,410	10	13
to merge with			
Truckers Exchange Bank Crystal Springs	18,784	3	

Summary report by Attorney General, September 27, 1976

In terms of county deposits, Applicant is the third largest of the 10 banking organizations operating in Hinds County. As of June 30, 1975, Applicant's Hinds County offices held deposits of $72 million, 6.5 percent of the total deposits held by commercial banking offices located in that county. Deposit Guaranty National Bank, the largest banking organization in the State, held, as of June 30, 1975, deposits of $510 million at its Hinds County offices, 46 percent of total county deposits. First National Bank of Jackson, the second largest banking organization in the State, held, as of June 30, 1975, deposits of $448 million at its Hinds County offices, 40.4 percent of county deposits.

Bank is the second largest of the four banks operating in Copiah County, which adjoins Hinds County to the south. Its deposits of $15.5 million, as of June 30, 1975, constituted 28 percent of deposits held by Copiah County banks. Bank of Hazlehurst is the largest bank in Hinds County; it held deposits of $19.8 million, as of June 30, 1975, 36 percent of total Copiah County deposits. Merchant and Planters Bank and Bank of Wesson held, as of June 30, 1975, 22 percent and 14 percent, respectively, of total Copiah County deposits. According to the application, the State has approved a charter for a new bank which will be located in Crystal Springs, Copiah County.

The closest offices of Applicant and Bank (Applicant's branch in Terry, Hinds County, and Bank's main office in Crystal Springs, Copiah County) are 9 miles apart, and there is some overlap between Applicant's and Bank's service areas. The application does not indicate the amount of deposits or number of accounts held by Applicant's Terry branch which are drawn from Bank's service area. However, even assuming that all the deposits held by Applicant's Terry branch—total deposits of approximately $2 million (including IPC demand deposits of approximately $500,000)—are drawn from Bank's service area, the proposed acquisition would not eliminate a significant degree of direct competition. The deposits held by Applicant's Terry branch constitute only 1.4 percent of Applicant's total deposits, and equal only 3.6 percent of the total deposits held by Copiah County banks and 11.7 percent of Bank's total deposits.

Under Mississippi law, either bank could be permitted to open *de novo* branches in the area served by the other. Applicant, however, is substantially smaller than the two largest banks in the State which operate in its service area and which may also enter Bank's service area. Therefore, the proposed acquisition would be unlikely to have a significantly adverse effect on potential competition.

In sum, the proposed acquisition will have, overall, slightly adverse anticompetitive effects.

Basis for Corporation approval, November 3, 1976

The Mississippi Bank, Jackson, Mississippi ("Jackson Bank"), an insured State nonmember bank with total assets of $152,410,000 and total IPC deposits of $50,271,000, 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 Truckers Exchange Bank, Crystal Springs, Mississippi ("Truckers"), an insured State nonmember bank with total resources of $18,784,000 and total IPC deposits of $15,223,000. Incident to the merger, the 3 offices of Truckers would be established as branches of the resulting bank, increasing to 13 the total number of its offices.

Competition. Jackson Bank maintains its 10 offices within the Jackson SMSA, in the southwest quadrant of Mississippi. This SMSA comprises Hinds and Rankin Counties and had a 1970 population of 258,906, representing a 17.0 percent increase since 1960.

Truckers operates its main office and two branches in the city of Crystal Springs, in Copiah County, 25 road-miles southwest of Jackson. Copiah County adjoins the southern border of Hinds county and many of its workers commute to Jackson or its suburbs for employment. Crystal Springs and Copiah County had 1970 populations of 4,180 and 24,749, respectively. The county's population represented an 8.5 percent decrease from 1960 and its median household buying level of $6,957 was substantially below the statewide median of $8,706.

Effects of the proposed merger would be most immediate and direct in Truckers' local market, which comprises Copiah County and the southern portion of adjoining Hinds County. This includes the towns of Terry and Utica, which are respectively located 9 miles northeast and 20 miles northwest of Crystal Springs. There are 12 offices of 6 commercial banks operating within this market, serving a 1970 population estimated at 27,250. In addition, a new unit bank has been chartered and approved for Federal deposit insurance and will be located in Crystal Springs. Jackson Bank operates one office in this market area. As of June 30, 1975, Truckers held 24.3 percent of the local market's commercial bank IPC deposits, representing the second largest share of such deposits. With merely $1,972,000 in IPC deposits, Jackson Bank's Terry branch held 3.6 percent of the IPC deposits, representing the local market's smallest share. The resultant bank's 27.9 percent share of the market's commercial bank IPC deposits would remain second to the 31.6 percent share held by the market's largest competitor, Bank of Hazlehurst. The proposed transaction would eliminate existing competition; however, in view of Jackson Bank's modest size in the local market, the proposal is not viewed as having a significant effect on competition.

Under Mississippi law, each of the proponents may enter *de novo* the primary trade area of the other, but there appears to be little likelihood of this occurring. Truckers, in business for 44 years, has never expanded beyond Crystal Springs and would be unlikely to enter the Jackson SMSA, an area of intense competition, within the near future. With the pending entry of a new unit bank into Crystal Springs and as a result of the market's limited population, the Crystal Springs local market would be unattractive for *de novo* expansion. Further, even if the area were to become attractive for expansion in the future, several of the State's largest banks would be capable of *de novo* entry into the market.

In its maximum potential market, which under State law is that region in Mississippi lying within a radius of 100 miles of its main office, Jackson Bank controls 1.5 percent of the IPC deposits held on June 30, 1975, by all area offices of the 100 commercial banks now represented in this market. The proposed merger would increase this share to 2.0 percent.

From the foregoing data it appears that the proposed merger would not have a significant effect on competition in any relevant area; and thus, the Board of Directors is of the opinion that the propsoed 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 Jackson Bank and Truckers have adequate financial and managerial resources, as would the resulting bank.

Convenience and Needs of the Community to be Served. With a substantially increased credit capability, an aggressive management would offer at Truckers' locations a broader spectrum of lending services and introduce trust services in the area.

In light 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
Dry Dock Savings Bank New York, New York	1,626,421	12	15
to merge with			
New York Federal Savings and Loan Association New York	81,729	3	

Summary report by Attorney General, June 22, 1976

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

Basis for Corporation approval, November 3, 1976

Dry Dock Savings Bank, New York (Manhattan), New York ("Dry Dock"), an insured mutual savings bank with total resources of $1,626,421,000 and total deposits of $1,518,290,000, 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 New York Federal Savings and Loan Association, New York (Manhattan), New York ("Federal"), with total resources of $81,729,000 and total deposits of $73,621,000, upon the latter's conversion to a State charter. The merger would be effected under the charter and title of Dry Dock, and incident to the transaction, the 3 offices of Federal would become branches of the resultant bank, increasing to 17 the number of its approved offices.

Competition. Dry Dock presently operates a total of 12 offices: its main office and 8 branches in Manhattan, 2 branches in Queens, and 1 in Nassau County. In addition, it has approval to establish a branch in Suffolk County and is proposing the relocation to Nassau County of a branch it acquired, but has never operated, by its April 1975 purchase of Fifth Avenue Savings and Loan Association. Dry Dock's primary trade area comprises the boroughs of Manhattan, Bronx, Brooklyn, and Queens, in New York City, and adjacent Nassau County. It is not represented in Westchester County.

Federal has its main office in Manhattan and two branches in Westchester County and it draws the bulk of its deposits from these two areas.

Dry Dock and Federal have their main offices at locations 1.3 miles apart on Lexington Avenue in Manhattan. Within the Manhattan-Westchester market, Dry Dock and Federal, respectively, hold 4.72 percent and 0.31 percent of the deposits held by area offices of 40 mutual savings banks and 33 federally insured savings and loan associations. Although some direct competition would be eliminated as a result of the proposed merger, in light of the modest size of each of the proponents and the numerous competing thrift institutions in the market, the competitive effects would be insignificant.

New York law permits thrift institutions to establish only one *de novo* branch per year. In view of the modest size of each institution in its market and the intense competition presently existing therein, there appears to be little potential for significant competition to develop between Dry Dock and Federal in the near future.

Dry Dock is the 10th largest of New York's thrift institutions, holding approximately 2.5 percent of their aggregate deposits. The resultant bank, with approximately 2.6 percent of such deposits, would remain the 10th largest in the 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. While some weaknesses are noted in the condition of Dry Dock's assets and the level of its surplus accounts, its financial resources are considered adequate for the purposes of this proposal and its management is satisfactory. Federal's financial and managerial resources are less than acceptable. Financial and managerial resources of the resultant bank, however, would be acceptable and its future prospects appear to be favorable.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of the Manhattan market. The resulting institution would offer no services that are not presently available from numerous alternative sources in the relevant market.

The Board of Directors, considering the foregoing information, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
The New York Bank for Savings New York, New York	3,191,245	19	21
to merge with			
Genesee Federal Savings and Loan Association Irondequoit	26,390	2	

Summary report by Attorney General, June 9, 1976

Applicant's branch office at Jefferson Valley and the Genesee Savings' branch office at Henrietta (the closest offices of the parties) are 305 miles apart. Thus, it appears the proposed acquisition would eliminate no significant existing competition.

Since January 1, 1976, statewide branching has been permitted under New York State law with certain exceptions, one of which requires that the city or village into which branching is contemplated have a population in excess of 50,000. Given the size of Rochester, Applicant could branch into the area served by Genesee Savings. Accordingly, the proposed acquisition would eliminate potential competition to some extent. It should be noted, however, that Genesee Savings ranks eighth among the nine thrift institutions which serve the Rochester area. Furthermore, there are 10 commercial banks which serve the market, several of which are upstate appendages of New York City banks that rank among the largest financial institutions in the country. Viewing all 19 financial institutions that currently serve the Rochester area collectively, the total deposits held by Genesee Savings represent 0.03 percent of the total deposits of all 19 institutions and its 2 offices represent less than 1 percent of total offices in the region. Thus, the amount of potential competition lost as a result of the proposed acquisition is not substantial. Indeed, the acquisition will create a financial institution much more capable of competing against the large institutions already serving the market than Genesee Savings standing alone.

In sum, the proposed acquisition would have only a slightly adverse effect upon competition.

Basis for Corporation approval, November 3, 1976

The New York Bank for Savings, New York (Manhattan), New York ("Applicant"), an insured mutual savings bank with total resources of $3,191,245,000 and total deposits of $2,757,194,000, 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 Genesee Federal Savings and Loan Association, Irondequoit (P. O. Rochester), New York ("Genesee"), a federally insured savings and loan association with total resources of $26,390,000 and total deposits of $24,795,000. The 2 institutions would merge under the charter and title of Applicant, and incident to the merger, the 2 offices of Genesee would become branches of the resultant bank, increasing to 21 the number of its offices.

Competition. Applicant operates its main office and 16 branches in Manhattan and its remaining 2 branches in Westchester County. Applicant is the third largest of New York's mutual savings banks, holding 4.5 percent of their aggregate deposits.

Genesee has its main office in Irondequoit and its only branch in Henrietta, located respectively approximately 6 miles north and 7 miles south of Rochester. The city of Rochester, centrally located in Monroe County, is the largest center of population and industry between Syracuse and Buffalo in northwestern New York State. The 1975 median household buying level of Monroe County ($16,576) exceeded that of the State by 21.4 percent. The area enjoys the lowest unemployment rate in the State and its continued economic stability is indicated.

The Monroe County thrift institution market is shared by three mutual savings banks, whose area offices hold aggregate deposits of $1.562 billion, and six savings and loan associations, whose county offices hold deposits of $1.003 billion. Genesee has the eighth largest share, 1.0 percent, of the deposits held by county offices of these nine institutions.

No office of Applicant is located within 300 road-miles of either office of Genesee and the proponents' primary trade areas are separate and distinct. No significant existing competition between them would be eliminated by their merger. The possibility of significant competition developing between Applicant and Genesee through their *de novo* branching is limited. Modest-sized Genesee would not find feasible its entry into the distant, intensely competitive metropolitan New York market. New York law limits to one the number of *de novo* branches any thrift institution may establish per year. As a result, there is little potential for the development of a significant amount of competition in the near future even if Applicant were to branch *de novo* into the Rochester trade area.

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 manner be in restraint of trade.

Financial and Managerial Resources; Future Prospects. While some weaknesses are noted in the condition of Applicant's assets and the level of its surplus accounts, its financial and managerial resources are considered adequate for purposes of this proposal. Genesee's financial and managerial resources are acceptable. Financial and managerial resources of the resultant bank would be acceptable and its future prospects appear to be favorable.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of the local market. The resulting institution would offer no services that are not currently available from alternative sources in the relevant area.

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
Union Story Trust & Savings Bank Ames, Iowa	31,835	3	3
to merge with **Union Company** Ames		—	

Summary report by Attorney General, October 18, 1976

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, November 16, 1976

Union Story Trust & Savings Bank, Ames, Iowa ("Union Story"), an insured State nonmember bank with total resources of $31,835,000, as of December 31, 1975, 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 Union Company, Ames, Iowa, a nonbanking entity which holds title to Union Story's banking premises and which is wholly owned by Union Story. The merger would be effected under the charter and title of Union Story.

Competition. The proposed merger would be a minor internal reorganization designed to return direct ownership of Union Story's banking premises to the bank from its wholly owned subsidiary. As such, it would not affect competition.

Financial and Managerial Resources; Future Prospects. The financial and managerial resources and future prospects of Union Story are satisfactory.

Convenience and Needs of the Community to be Served. The proposed transaction would be an internal reorganization and would not affect the convenience and needs of the community.

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
Branch Banking and Trust Company Wilson, North Carolina	426,782	76	78
to merge with **The Citizens Bank of Warrenton** Warrenton	17,549	2	

Summary report by Attorney General, September 10, 1976

Bank operates solely in Warrenton (population 1,000), Warren County (population 15,800). Applicant operates its closest branch office in Littleton which is located in adjoining Halifax County about 16 miles away. Applicant also operates six other branch offices in Halifax County whose distances from Warrenton range between 30 and 65 miles. Thus, it seems clear that the proposed acquisition will not eliminate existing competition.

There are three banks operating in Warren County. As of December 31, 1975, Bank had deposits of $14.5 million, 60 percent of county deposits; Peoples Bank and Trust Co., the State's 10th largest bank, had deposits of $5.4 million at its branch in Norlina (4 miles northwest of Warrenton), representing 25.7 percent of county deposits; and First Citizens Bank and Trust Co., the State's 5th largest bank, had deposits of $1.1 million at its Warrenton branch, equal to 5.2 percent of county deposits. Hence, the proposed acquisition will not increase concentration in Warren County. Applicant is the second largest bank in Halifax County, with about 30 percent of total deposits. Should it be deemed appropriate to define the relevant market to embrace both Warren and Halifax Counties, there would be an increase in concentration. The second largest bank would be acquiring the fifth largest bank in the two-county market, and the resulting bank would rank first with 36 percent of total two-county deposits.

Under North Carolina law either bank could be permitted to open *de novo* branches in the areas served by the other. Accordingly, the merger would eliminate the potential for increased competition between the merging banks in the Warren-Halifax County area. However, the area is open to entry by the State's four largest banks, with deposits ranging from $1 billion to $3.1 billion, none of which presently operates an office there. In view of the decline in the area's population, and the ability of the State's largest banks to enter the area, consummation of the proposed merger would be unlikely to have a significantly adverse effect on potential competition.

In sum, the proposed acquisition will have some adverse competitive effects.

Basis for Corporation approval, November 16, 1976

Branch Banking and Trust Company, Wilson, North Carolina ("Branch"), an insured State nonmember bank with total resources of $426,782,000 and total IPC deposits of $327,085,000, has filed, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, an application seeking the Corporation's prior consent to merge under its charter and title with The Citizens Bank of Warrenton, Warrenton, North Carolina ("Citizens"), an insured State nonmember bank with total resources of $17,549,000 and total IPC deposits of $14,825,000. As an incident of the merger, the 2 offices of Citizens would be established as branches of the resultant bank, increasing to 79 the number of its approved offices.

Competition. Branch is the sixth largest commercial bank in North Carolina and its parent, Branch Corporation, a one-bank holding company, is the State's seventh largest banking organization. Operating largely in the east-central and mid-western sections of the State, Branch has a total of 77 offices, including 1 approved but unopened branch.

Citizens operates its two offices in the town of Warrenton, the county seat and trading center of Warren County. Located in central-northern North Carolina and characterized as a rural and predominantly agricultural area, Warren County had a 1970 population of 15,810, representing a 19.6 percent decrease from 1960.

Effects of the proposed merger would be most immediate and direct in Citizens' local market, which consists of Warren County. Three commercial banks have offices in this market, holding, on June 30, 1975, IPC deposits aggregating $20.3 million. With 68.8 percent of such deposits, Citizens is the dominant bank in this market.

Branch's nearest office is located in the Halifax County portion of the town of Littleton, which lies partly in Warren County, 16 road-miles east of Warrenton. The intervening area is sparsely populated and neither proponent appears to draw a significant amount of business from the market of the other.

Although North Carolina law permits statewide *de novo* branching, there is very little potential for the development of competition in the future between the proponents. Citizens is being operated under the conservative policies of an aged management and it is not likely to undertake office expansion. With a decreasing population and a 1974 median household buying level 34.6 percent below that of the State, Warren County would be unlikely to attract Branch's *de novo* entry. Should Warren County become attractive for such entry, the State's largest banks would also be potential entrants.

The proposed merger would not eliminate significant existing or potential competition between Branch and Citizens, nor would it reduce the number of banking alternatives within the relevant 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 resources of both proponents are adequate. The managerial resources of Branch Bank are satisfactory. Future prospects of the resultant bank are favorable.

Convenience and Needs of the Community to be Served. The merger would introduce at Citizens' two offices the full range of banking and trust services of one of the State's major banks. An aggressive management, operating with a greatly increased credit capability, should improve the scope and quality of banking service in the Warren County market.

On the basis of 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
First Virginia Bank of Tidewater Norfolk, Virginia	124,053	26	31
to merge with **First Virginia Bank of the Peninsula** Poquoson	18,333	5	

Summary report by Attorney General, August 19, 1976

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, November 16, 1976

First Virginia Bank of Tidewater, Norfolk, Virginia ("Tidewater Bank"), an insured State nonmember bank with total resources of $124,053,000 and total IPC deposits of $102,393,000, 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 First Virginia Bank of the Peninsula, Poquoson, Virginia ("Peninsula Bank"), an insured State member bank with total resources of $18,333,000 and total IPC deposits of $12,845,000. The banks would merge under the charter and title of Tidewater Bank, and incident to the merger, the five offices of Peninsula Bank would be established as branches of the resultant bank.

Competition. This proposal is designed solely to provide a means by which First Virginia Bankshares Corporation, Falls Church, Virginia ("First Virginia"), a registered bank holding company, may consolidate its operations in the Tidewater and Peninsula areas of Virginia. Both proponents have been controlled by First Virginia for the past 5 years and the proposal would not change the effective structure or concentration of resources of commercial banking in their relevant markets nor would there be any significant change in the banking services they presently provide.

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 proponents' financial and managerial resources are considered adequate for purposes of this proposal. The financial and managerial resources of the resultant bank would be satisfactory and its future prospects appear to be favorable.

Convenience and Needs of the Community to be Served. This proposal represents an internal reorganization and no effect on the convenience and needs of the community is expected.

On the basis of 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
Japan California Bank Los Angeles, California	36,466	1	2
to purchase a portion of the assets and assume liability to pay a portion of the deposits of			
Bank of Montreal (California) San Francisco	—*	1	

Summary report by Attorney General, May 24, 1976

Japan California's closest office to the San Diego branch is 120 miles away. The proposed branch in San Jose is even farther away. The applicant bank presently has no accounts or customers in San Diego County nor do the two banks share any loans. Thus, there is no existing competition between the banks that would be eliminated.

Potential competition is also not a problem in spite of California's lack of legal limitations on branching. The acquiring bank is very small in relation to California's high degree of concentration, and the bank it is acquiring has only .05 percent of the market in San Diego County which is clearly *de minimus.*

Basis for Corporation approval, November 30, 1976

Japan California Bank, Los Angeles, California ("Japan California"), a State nonmember insured bank with total resources of $36,466,000 and total IPC deposits of $13,306,000 on December 31, 1975, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to purchase a portion of the assets of and assume liability to pay a portion of the deposits in Bank of Montreal (California), San Francisco, California, a State nonmember insured bank. Japan California also has applied for consent to establish Bank of Montreal's Westgate Plaza branch ("Montreal branch"), with total deposits of $1,637,000 as of December 31, 1975, as a branch, increasing the number of its offices to two.

Competition. Japan California operates its one office in downtown Los Angeles and it is the 87th largest of California's commercial banks, holding 0.03 percent of their aggregate deposits.

The Montreal branch operates in a trade area consisting of the city of San Diego. Within this area it is competing with 121 offices of 24 banks and it holds merely 0.1 percent of total deposits. Nine of the State's 10 largest banks are represented in this area and hold a total of 84.0 percent of the area's commercial bank deposits.

*Total resources statistics are not available on a branch basis.

Japan California's only office is located approximately 120 road-miles north of the Montreal branch and has no deposits in the San Diego area. California law permits statewide *de novo* branching; however, were such expansion to occur, no significant competition between the proponents would result in view of the fact that both are modest-sized operations in markets dominated by the State's major banks. For these reasons, it appears that the approval of this application would not eliminate significant existing or potential competition between the two proponents, nor would it affect the structure of commercial banking in any relevant area.

The Board of Directors, therefore, has concluded 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. Each proponent has satisfactory financial and managerial resources and favorable future prospects, as would the resultant bank.

Convenience and Needs of the Community to be Served. No significant enhancement of public convenience is likely to result from the proposal. Nine of the State's 10 largest banks are represented in Montreal branch's trade area. Expansion of services to include Japan California's international banking services at the Montreal branch location would provide an additional alternative for such services in the relevant area.

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 First National Bank of Boston Boston, Massachusetts	7,540,247	42	42
to acquire the assets and assume the deposit liabilities of			
Boston Leasing, GmbH Frankfurt, Germany	18,386	—	

Summary report by Attorney General, November 5, 1976

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

Basis for Corporation approval, November 30, 1976

The First National Bank of Boston, Boston, Massachusetts ("FNBB"), a national banking association having total resources of $7,540,247,000, has applied, pursuant to section 18(c) of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets and assume the liabilities of Boston Leasing, GmbH, Frankfurt, Federal Republic of Germany ("BLG"), a noninsured indirect wholly owned subsidiary of FNBB.

The proposed transaction is in effect a corporate reorganization whose purpose is to change the legal form under which FNBB conducts its leasing business in the Frankfurt market. As a result of the merger, substantially all the assets and liabilities of BLG would be transferred to the accounts of FNBB's Frankfurt branch. The transaction consummated, FNBB would carry on essentially the same leasing business at its Frankfurt branch, in addition to the other services now offered by that branch, as has heretofore been conducted by BLG.

Competition. The proposed transaction would have no effect on either existing or potential competition between FNBB and BLG or on the structure of commercial banking in any relevant area.

Financial and Managerial Resources; Future Prospects. These factors are acceptable for both FNBB and BLG, and the potential tax benefits which would result from the new corporate structure should have a salutary effect.

Convenience and Needs of the Community to be Served. The proposal would have no perceptible effect on the convenience and needs of any of FNBB's domestic markets or of the Frankfurt market.

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
Guarantee Bank Atlantic City, New Jersey	141,783	10	15
to acquire the assets and assume the deposit liabilities of			
The First National Bank of Cape May Court House Cape May Court House	56,926	5	

Summary report by Attorney General, August 20, 1976

Applicant currently operates nine offices in the Atlantic County market and a single office in adjacent Cumberland County. First National operates five offices in Lower and Middle Townships, Cape

May County. The main offices of the banks are separated by 29 miles and the closest branches are 20 miles apart. It appears that the proposed merger would not eliminate any significant amount of existing competition.

New Jersey law permits *de novo* branching by commercial banks in any municipality in the State, but provides home office protection in municipalities of less than 20,000. (As of January 1, 1977, the population requirement becomes 10,000.) Applicant is the second largest institution in Atlantic County with 23.6 percent of total IPC deposits. First National, the dominant bank in its primary service area of Lower and Middle Townships, ranks third among all institutions in Cape May County. Applicant, which has recently opened a branch in Cumberland County, over 30 miles distant from its main office, is a likely *de novo* entrant into Cape May County absent the proposed acquisition. Furthermore, the proposed acquisition will foreclose the possibility of entry by Applicant by means of a merger with one of the small banks in the area.

The proposed acquisition would not eliminate any significant amount of existing competition. However, it would combine a likely entrant into the Cape May County area with the dominant institution serving the Middle and Lower Township market. Accordingly, the proposed merger would have an adverse effect on potential competition.

Basis for Corporation approval, November 30, 1976

Guarantee Bank, Atlantic City, New Jersey, an insured State nonmember bank with total resources of $141,783,000 and total IPC deposits of $112,292,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in The First National Bank of Cape May Court House, Cape May Court House, New Jersey ("FNB"), with total resources of $56,926,000 and total IPC deposits of $42,680,000. The transaction would be effected under the charter and title of Guarantee Bank, and as an incident thereto, the 5 offices of FNB would become branches of Guarantee Bank which would then have a total of 15 offices.

Competition. Guarantee Bank operates nine offices in Atlantic County and one office in Cumberland County. Sixteen commercial banks with a total of 100 area offices serve these 2 counties. Guarantee Bank controls 14.0 percent, representing the second largest share, of the total commercial bank deposits held in these two counties.

FNB operates all five of its offices in Cape May County. Cape May County is bounded on the south and east by the Atlantic Ocean, on the west by the Delaware Bay, on the north by Atlantic County, and on the northwest by Cumberland County. The county had a 1970 population of 59,554, representing a 22.7 percent increase from 1960, and a 1975 median household buying level of $10,551, which was 33.9 percent below the statewide median.

Effects of this proposed merger would be most immediate and direct in FNB's local market, which consists of the lower townships and the southern portion of the middle townships of Cape May County, including the boroughs of Woodbine and Sea Isle City. The population of the market is approximately 45,000. The area is characterized as being a predominantly rural, residential area with a heavy concentration of seasonal dwellings and resort-oriented facilities. This market is currently served by 19 offices of 7 commercial banks. Guarantee Bank is not represented in this market. FNB holds 25.4 percent, or the second largest share, of the market's commercial bank IPC deposits. Therefore, the proposed acquisition would neither eliminate existing competition nor enhance concentration in the area, as Guarantee Bank would succeed to the market share held by FNB.

New Jersey law permits statewide branching, subject to certain restrictions relating to home office protection. Although FNB does not have the managerial or financial resources to branch *de novo* into the highly competitive Atlantic City area in the foreseeable future, Guarantee Bank is a possible *de novo* entrant into the Cape May County area and would be able to establish branches both in FNB's service area and other areas of the county. Therefore, there is some potential for development of competition between the proponents. However, consummation of the proposed transaction would remove home office protection in Middle Township, presently afforded FNB. Moreover, the elimination by this transaction of the potential for increased competition between the two banks is mitigated by the availability of many of the State's larger banks as potential entrants.

Commercial banking in New Jersey is relatively unconcentrated. The two largest commercial banking organizations, each a multibank holding company with total IPC deposits in excess of $1.4 billion, have an aggregate of only 15.0 percent of the commercial bank IPC deposits in the State. Guarantee Bank has 0.6 percent of such deposits and the proposed acquisition would give the resultant bank only 0.8 percent. Neither of the participating banks is affiliated with a holding company, but many of the competitors of Guarantee Bank are so affiliated. The proposed acquisition would have no appreciable effect on the structure or deposit concentration of commercial banking in New Jersey.

Under those 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 at FNB are satisfactory and are adequate at Guarantee Bank. Financial and managerial resources at the resultant bank would be acceptable and its future prospects appear to be favorable.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of the local market. The resultant institution would offer no services that are not currently available from alternative sources in the relevant market.

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
Erie County Savings Bank Buffalo, New York	1,315,172	10	11
to merge with			
Olean Savings and Loan Association Olean	8,232	1	

Summary report by Attorney General, August 19, 1976

Applicant operates 11 offices in and around Buffalo and had deposits on December 31, 1975, of $1,209 million. Savings has its only office in Olean, 70 miles southeast of Buffalo, and has also been authorized to open a branch in Arcade, 45 miles southeast of Buffalo. As of December 31, 1975, it had deposits of $7.2 million.

There are no other savings and loans and no savings banks in Olean but there are eight commercial banking offices, including four of Manufacturers Hanover. Applicant's offices are almost entirely within Erie County, surrounding Buffalo; it has one branch in an adjoining county, opened last year. Savings' business comes from the areas surrounding Olean. In Applicant's area are 30 savings bank offices, 30 savings and loan offices, and 174 commercial bank offices, including many of the State's largest. Depositors in common for both organizations as of December 31, 1975, had total deposits at Applicant of $73,000 (0.006 percent of deposits) and at Savings of $46,000 (0.637 percent of deposits). Applicant has three loans totaling $607,000 in Savings' area; Savings has no loans in Applicant's area. There are no borrowers who have loans at both institutions.

It appears that the proposed acquisition is not likely to have an adverse effect upon competition.

Basis for Corporation approval, November 30, 1976

Erie County Savings Bank, Buffalo, New York ("Erie Savings"), an insured mutual savings bank with total resources of $1,315,172,000 and total deposits of $1,227,494,000, 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 Olean Savings and Loan Association, Olean, New York ("S&L"), a federally insured mutual savings and loan association with total resources of $8,232,000 and total deposits of $7,260,000. The institutions would merge under the charter and title of Erie Savings, and as an incident to the merger, the 2 approved offices of S&L would become branches of the resultant bank, increasing the number of its full service offices to 13.

Competition. Erie Savings is headquartered in Buffalo and operates 10 full service branches, with all but 1 located in Erie County. That branch is located in Jamestown, Chautauqua County. Erie Savings is the second largest thrift institution in Erie County with 32.5 percent of the total deposits held by area offices of three mutual savings banks (deposits as of June 30, 1975) and seven savings and loan association offices (deposits as of March 31, 1976). It is also the 13th largest thrift institution in the State of New York with 1.6 percent of the State's total deposits. No change in these market positions would be effected as a result of this proposed merger.

S&L operates its sole office in Olean (population 19,169), Cattaraugus County, which is located 70 miles southeast of Buffalo and 55 miles east of Jamestown, the location of Erie Savings' nearest office.

The area principally affected by this merger is the city of Olean and its immediate environs, including the towns of Allegany and Portville. This market has an estimated population of 33,000. Olean is the center of commercial and retail activity in southeastern Cattaraugus County. Cattaraugus County had a 1975 median buying level of $10,896, which was approximately 20.2 percent below the State median level of $13,649. At present there are 10 offices of 4 commercial banks located in the relevant market area. These banks controlled 92.2 percent of the market's aggregate IPC time and savings deposits as of June 30, 1975. S&L is the only thrift institution represented in the market, and it held merely 7.8 percent of the market's IPC time and savings deposits. In view of the distance between the proponents' closest offices, there is no significant existing competition between them. Moreover, the proposed merger would not change the local market structure, but would merely allow Erie Savings to succeed to the deposits now held by S&L.

There is little potential for the development of significant competition between the proponents in the future through their *de novo* branching. S&L has operated as a unit institution for over 80 years and it has neither the financial nor the managerial resources to expand in this manner.* Mutual savings banks in New York are permitted only one *de novo* branch per year. Due to this limitation, Erie Savings is likely to prefer more economically viable areas than Olean in which to branch.

Under the circumstances presented, 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. Erie Savings has, and the resultant bank would have, adequate financial and managerial resources and favorable future prospects. S&L has experienced a declining trend in net earnings due to an imbalanced deposit structure and accompanying high cost of time money, a situation which would be remedied by this merger proposal.

Convenience and Needs of the Community to be Served. Customers of S&L and other area residents would benefit from the full range of savings bank services offered by the resultant bank, including savings bank life insurance, free checking, and more favorable interest rates.

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 Manhattan Savings Bank New York, New York	1,303,046	10	14
to merge with			
Yonkers Savings Bank Yonkers	392,189	4	

Summary report by Attorney General, October 28, 1976

Applicant, the ninth largest mutual savings bank in New York County, has its main office and six branches in New York City and three other branches in Westchester County. On June 30, 1976, Applicant had total deposits of $1,200.3 million (including IPC time and savings deposits of $1,187.8 million), and held real estate loans totaling $884.9 million.

Bank operates four offices in the city of Yonkers in Westchester County and is the largest mutual savings bank headquartered in the county. On June 30, 1976, Bank had total deposits of $356.5 million (including IPC time and savings deposits of $356.1 million), and held real estate loans totaling $125.1 million. A review of Bank's balance sheets for selected prior years shows that the investment portfolio has usually been larger than the real estate mortgage loan portfolio.

Westchester County, located in the northern sector of the New York metropolitan area, is a suburban area with a 1970 population of 894,409. Approximately one-third of employed county residents commute to work outside the county, primarily to New York City. There is also substantial commutation to the county; in 1970, approximately 71,000 nonresidents were employed in Westchester County.

Applicant operates two offices in Mount Kisco, in the northern portion of the county, and one in Eastchester, in the southeast portion of the county. All four of Bank's offices are located in the city of Yonkers, in the southwest portion of the county. The closest offices of both banks are 3.26 miles apart, and all Bank's offices are within approximately 6 miles of Applicant's Eastchester office. According to the application, the service areas of Applicant's Eastchester office and Bank's offices overlap to a substantial extent.

Twenty-one savings banks operating in Westchester County (an area which may overstate the market) held total county savings deposits of $2.6 billion as of June 30, 1975. As of the same date, 18 savings and loan associations operating in the county held total county savings of $919.2 million. (As of June 30, 1975, the 15 commercial banks operating in Westchester County held $1.5 billion of county IPC time and savings deposits.) On June 30, 1975, Applicant, seventh largest of the 39 thrift institutions in total county savings deposits, held $141.7 million of county savings deposits, 4 percent of total county thrift institution savings deposits. As of June 30, 1975, Bank, the largest Westchester County-headquartered thrift institution, held $328 million in total county deposits which constituted 9.4 percent of total county thrift institution savings deposits. The four largest thrift institutions in Westchester County held 34.7 percent of total county savings deposits held by all thrift institutions operating in the county. If the proposed merger were consummated, the resulting bank would be the largest thrift institution in the county, accounting for 13.4 percent of total county savings deposits held by the thrift institutions operating there. The share of county savings deposits held by the top four thrift institutions would increase from 34.7 percent to 38.7 percent.

*S&L has received approval to establish a branch in Arcade, Wyoming County; however, the branch's establishment is conditioned upon the consummation of this merger transaction.

The proposed merger would eliminate substantial existing competition between the merging parties, and would increase concentration among Westchester County thrift institutions. However, Bank's preference for investing a larger share of its deposits in securities rather than in real estate mortgages means that it has not competed as actively as it should. Furthermore, the increase in concentration may be substantially offset by the commuting habits of Westchester County residents referred to above, and by the presence of large and numerous thrift institutions located in New York City, some of which also have branches in the county.

We conclude that, overall, the proposed merger would have an adverse effect on competition.

Basis for Corporation approval, November 30, 1976

The Manhattan Savings Bank, New York (Manhattan), New York ("Manhattan Savings"), an insured mutual savings bank with total resources of $1,303,046,000 and total deposits of $1,200,337,000 as of June 30, 1976, 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 Yonkers Savings Bank, Yonkers, New York ("Yonkers Savings"), an insured mutual savings bank having, on June 30, 1976, total resources of $392,189,000 and total deposits of $356,454,000. The 2 banks would merge under the charter and title of Manhattan Savings, and incident to the merger, the 4 offices of Yonkers Savings would be established as branches of the resultant bank, increasing to 16 the number of its approved offices.

Competition. Yonkers Savings operates all four of its offices within the city of Yonkers in Westchester County.

Manhattan Savings presently operates a total of 10 offices: its main office and 5 branches in Manhattan, 1 branch in Queens, and 3 branches in Westchester County. Two additional branches, to be established in Manhattan, have been approved. Two of Manhattan Savings' three Westchester County branches are located in Mount Kisco, approximately 21 road-miles north of the city of Yonkers. The third branch is located in Eastchester, 3.9 miles southeast of Yonkers Savings' Northeast branch.

Manhattan Savings draws the bulk of its deposits from the boroughs of Manhattan and Queens and Westchester County. Yonkers Savings draws more than 95.0 percent of its deposits from Yonkers and other nearby communities in Westchester County.

Westchester County is situated immediately north of New York City. The county had a 1970 population of 894,104, representing a 10.5 percent increase from 1960, and a 1975 median household buying level of $18,564, which was approximately 36.0 percent higher than the statewide median. Yonkers Savings held 9.3 percent, representing the largest share, of the deposits held by offices of the 23 mutual savings banks and 18 federally insured savings and loan associations operating in the county. Manhattan Savings has the eighth largest share, 4.0 percent, of these deposits. Therefore, existing competition between the proponents would be eliminated as a result of this merger. However, due to the location of Westchester County, many of its residents commute to New York City for employment. Manhattan Savings held 2.2 percent, the 14th largest share, of the deposits held by offices of the 54 mutual savings banks and 61 federally insured savings and loan associations operating within this larger area consisting of New York City and Westchester County. Yonkers Savings held merely 0.7 percent of the deposits. In view of these modest market shares, the resulting elimination of existing competition would not be significant.

New York law limts *de novo* expansion by a mutual savings bank to one branch each year. This limitation effectively restricts the development of significant competition between Manhattan Savings and Yonkers Savings.

Manhattan Savings is the 18th largest of the New York thrift institutions, holding approximately 1.4 percent of their aggregate deposits. The resultant bank, with some 1.9 percent of such deposits, would become the 11th largest thrift institution in the 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 satisfactory financial and managerial resources, as would the resultant bank. Future prospects of the resultant bank appear favorable.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of the community. The resulting institution would offer no services that are not currently available from alternative sources in the relevant area.

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
Citizens State Bank of New Jersey Lacey Township, New Jersey	20,205	3	4
to acquire the assets and assume the deposit liabilities of			
Atlantic State Bank Point Pleasant	9,584	1	

Summary report by Attorney General, October 18, 1976

Applicant's main office is located 21.4 miles south of Bank, and its two other offices are located approximately 27 miles and 36 miles south of Bank. According to the application, Bank holds no deposits or loans originating in Applicant's service area, Applicant holds only a negligible amount of deposits and loans originating in Bank's service area, and there are only a small number of customers who have deposit or loan accounts at both banks. Therefore, it appears that the proposed acquisition will not eliminate any significant existing competition.

Both banks are among the smaller institutions operating in Ocean County. As of June 30, 1975, Applicant held approximately 2 percent of the total deposits in the county and Bank held less than 1 percent. Bank is the smallest of the four banks operating in its immediate service area; as of June 30, 1976, it accounted for 4.3 percent of the total deposits in that area.

Under New Jersey law, Applicant could be permitted to branch *de novo* into Bank's service area. However, in view of the relative sizes of Applicant and Bank, and Bank's present condition, the proposed acquisition will not have any significant effect on potential competition.

In sum, the proposed acquisition will not eliminate either actual or potential competition to any significant degree.

Basis for Corporation approval, December 16, 1976

Citizens State Bank of New Jersey, Lacey Township (P. O. Forked River), New Jersey ("Citizens"), a State nonmember insured bank with total resources of $20,205,000 and total IPC deposits of $17,127,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in Atlantic State Bank, Point Pleasant, New Jersey ("Atlantic"), a State nonmember insured bank with total resources of $9,584,000 and total IPC deposits of $5,635,000. The resultant bank would be operated under the charter and title of Citizens, and as an incident to the acquisition, the sole office of Atlantic would become a branch of Citizens, which would then have a total of four offices.

Competition. Both of the proponents operate in Ocean County, which is located in central New Jersey along the Atlantic Ocean. Ocean County experienced a construction and population boom during the 1960s and early 1970s. Between 1960 and 1970, the county's population nearly doubled, increasing from 108,241 to 208,470. The 1975 median household buying level for the county was $12,471, compared to a statewide level of $15,971.

Citizens' service area is defined as the southeastern, coastal portion of Ocean County, extending as far north as Toms River and as far south as Little Egg Harbor. Eight commercial banks operate a total of 29 offices in this area. Citizens' holds 6.4 percent, the fourth largest share, of the commercial bank IPC deposits held in the market. Atlantic does not operate in the market. Three banks, holding 86.4 percent of the IPC deposits, dominate the market, with the largest, The First National Bank of Toms River, Toms River, New Jersey, controlling 52.9 percent.

Atlantic's service area consists of the northeastern tip of Ocean County and the southernmost portion of adjacent Monmouth County. Atlantic holds the smallest share, 1.3 percent, of the commercial bank IPC deposits held by the nine commercial banks operating in this area. Citizens has no offices in this market.

Citizens' and Atlantic's closest offices are approximately 21 road-miles apart and there are many alternative commercial banking offices located in the intervening area. The business generated by Citizens and Atlantic from areas served primarily by the other is nominal and their service areas are separate and distinct. The proposed acquisition, therefore, would not eliminate any significant existing competition between the proponents.

New Jersey law permits statewide *de novo* branching, subject to certain restrictions relating to home office protection. As of January 1, 1977, Citizens would be able to branch *de novo* into Point Pleasant, as well as into other communities located in Atlantic's service area.* This area is already adequately banked, however, and it is doubtful that Citizens would branch into it in the near future. Moreover, acquisition of Atlantic's mere 1.3 percent market share is insignificant and it is the practical equivalent of the establishment of a *de novo* branch by Citizens. For Atlantic's

*Currently, New Jersey commercial banks may not establish *de novo* branches in communities that contain both fewer than 20,000 residents and the main office of another bank, thereby precluding Citizens' *de novo* entry into Point Pleasant. However, beginning January 1, 1977, this restriction will be limited to communities having fewer than 10,000 residents, and as a result, Citizens would be able to branch into Point Pleasant.

part, it lacks the financial and managerial resources to engage in any meaningful *de novo* branching. Therefore, the proposed acquisition of Atlantic by Citizens would not eliminate any significant potential for competition to develop in the future.

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 manner be in restraint of trade.

Financial and Managerial Resources; Future Prospects. Both Citizens' and Atlantic's financial and managerial resources are adequate for purposes of this proposal. Financial and managerial resources of the resultant bank would be acceptable and its future prospects appear to be favorable.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of any market. The resultant institution would offer no services that are not currently available from alternative sources in the relevant areas.

The Board of Directors, considering the foregoing information, has concluded that approval of the application is warranted.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
West Bank and Trust Green Bay, Wisconsin	103,222	3	4
to acquire the assets and assume the deposit liabilities of			
The Farmers and Traders Bank Wrightstown	6,034	1	

Summary report by Attorney General, December 30, 1976

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

Basis for Corporation approval, December 16, 1976

West Bank and Trust, Green Bay, Wisconsin ("West Bank"), a State nonmember insured bank with total resources of $103,222,000 and total IPC deposits of $74,986,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume liability to pay deposits made in The Farmers and Traders Bank, Wrightstown, Wisconsin ("Farmers"), a State nonmember insured bank, with total resources of $6,034,000 and total IPC deposits of $4,900,000, and for consent to establish the sole office of Farmers as a branch.

Competition. West Bank operates its main office in downtown Green Bay and two branches in the western suburbs of that city. West Bank is owned by United Bankshares, Inc., Green Bay, Wisconsin ("Bankshares"), a holding company whose only other banking subsidiary is East Bank, Green Bay, Wisconsin.

Farmers operates its sole office in Wrightstown, which is located approximately 17 miles southwest of Green Bay.

The city of Green Bay is located in north-central Brown County, which is in northeastern Wisconsin about 100 miles north of Milwaukee. The village of Wrightstown is in southwestern Brown County. Green Bay is an industrial community whose principal products are paper, paper products, and machinery. The surrounding area in the county, however, is agricultural, with dairy farming predominating. The 1975 median household buying level for Brown County was $13,675, some 3.3 percent above the State figure of $13,232.

The proposed transaction would have its most immediate competitive impact in Farmers' local market, which consists of that area within 10 road-miles of Wrightstown. There are four banking offices in this market, each operated by a different bank. Farmers has the third largest share, 13.2 percent, of the market's IPC deposits. Neither West Bank nor its affiliate, East Bank, operates in this market.

The proponents' closest offices are located 17 road-miles apart. West Bank's affiliate, East Bank, has its office approximately 15 miles from Wrightstown. In both instances, the intervening area contains a number of offices of competing banks, including affiliates of some of the State's largest holding companies. Thus, the proposed transaction would neither eliminate existing competition nor enhance concentration in any relevant area.

The potential for competition to develop between West Bank and Farmers through *de novo* branching appears to be remote. Wisconsin's restrictive branching law precludes West Bank from branching into Wrightstown, and Farmers has neither the financial nor the managerial resources to expand in this manner.

Bankshares is one of the smaller holding companies in Wisconsin, holding only 0.6 percent of total statewide deposits. Consummation of the proposed transaction would have no perceptible effect on this percentage.

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. The financial and managerial resources of West Bank are satisfactory and its future prospects are favorable. Farmers has experienced asset and capital problems which the proposed transaction would resolve. Financial and managerial resources at the resultant bank would be satisfactory and its future prospects would be favorable.

Convenience and Needs of the Community to be Served. As a result of the proposed transaction, new banking services, such as trust services, data processing services, and leasing services, as well as a much larger lending limit, would be available to Farmers' customers.

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

APPROVALS OF BANK ABSORPTIONS PREVIOUSLY DENIED BY THE CORPORATION

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Monadnock National Bank Jaffrey, New Hampshire (change title to The Monadnock Bank)	4,724	1	1
to acquire the assets and assume the deposit liabilities of			
Monadnock Savings Bank Jaffrey	20,978	1	

Statement upon reconsideration,
July 6, 1976

Monadnock National Bank, Jaffrey, New Hampshire, with total resources of $4,724,000 and total IPC deposits of $3,195,000, applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in Monadnock Savings Bank, Jaffrey, New Hampshire, an insured mutual savings bank having total resources of $20,978,000 and total IPC deposits of $18,862,000. It was intended that, incident to the proposed transaction, the 4,000 par $5 shares of common stock of Monadnock National Bank owned by Monadnock Savings Bank would be retired. It was further intended that Monadnock National Bank, prior to consummation of the proposed transaction, would convert to a State nonmember insured bank under the title "The Monadnock Bank" and that the resulting bank would operate from the sole location where the two banks share quarters. On June 30, 1975, the application was denied.* Subsequently, Monadnock National Bank requested the Corporation to reconsider its denial and submitted additional material in support of its request. During processing of this request, the Corporation's reason for denial of the original application became moot.** Accordingly, after an analysis of the relevant factors contained in the Bank Merger Act, the Corporation has concluded that the application should be approved.

Competition. Monadnock National Bank and Monadnock Savings Bank share a single lobby and various overhead and operating expenses. In addition, the two banks had some interlocking of directors, trustees, and officers prior to July 1, 1975, when State legislation which prohibited such interlocks became effective. Realignment of management personnel has taken place to comply with the law, but this reorganization proposal was initiated as the ultimate solution.

The town of Jaffrey had a 1970 population of 3,353 and is located in the southeastern portion of Cheshire County, which is the extreme southwestern corner of New Hampshire and borders on Vermont and Massachusetts. The two banks appear to draw their business from an area within 10 to 12 miles of Jaffrey, including Peterborough, New Hampshire, and Winchendon, Massachusetts. The population of this area is estimated at 23,000 and is largely rural but has some industry. The service area experienced good growth during the 1960s, but the rate of growth is reported to be slowing.

Five commercial banks, 5 mutual savings banks, and 1 cooperative bank serve this local banking market with a total of 13 offices. Monadnock National Bank holds 19.6 percent of the market's IPC demand deposits (or $2.9 million out of a total of $14.6 million), and Monadnock Savings Bank holds 14.9 percent of the IPC time and savings deposits (or $18.4 million out of a total of $123.7 million). In terms of total deposits of $140.4 million in the market, both banks combined would control 15.5 percent, ranking a distant second to the 43.2 percent held by Peterborough Savings Bank and about on a par with the 15.1 percent held by Winchendon Savings Bank. The proposed transaction would give permanence to the combined 15.5 percent share of total deposits in the local market, but this would not significantly affect the competitive delivery of

*See Basis for Corporation Denial, 1975 *FDIC Annual Report,* pp. 121-123.

**Section 18(c)(10) of the Federal Deposit Insurance Act, 12 U.S.C. section 1828(c)(10), which, with certain exceptions, prohibited FDIC approval of any merger that would involve conversion from a mutual to a stock form expired on June 30, 1976.

financial services to its residents.

Monadnock National Bank and Monadnock Savings Bank have chosen not to compete for the same banking business. Consequently, there is currently no overlapping of their services, and for many years they have operated as complementary entities. Although the management interlocks have been eliminated, this arrangement is continuing in anticipation of consummation of the proposed transaction. However, there is the possibility that competition could arise between the two banks in the future if either or both would become part of a different banking organization or if each were to go its own way. Although the economy of the service area is reasonably viable, this does not appear to be a very realistic prospect. It is questionable whether the market has the near-term potential to support what would in effect be a new competitor vying for segments of the existing banking business. Furthermore, even if the proposed transaction is approved, the 23,000 persons in the trade area would still have 5 commercial banks, 4 mutual savings banks, and 1 cooperative bank from which to choose. This would appear to provide fully adequate alternatives for the variety of commercial and thrift institution services. Therefore, the proposed transaction would eliminate no existing competition between Monadnock National Bank and Monadnock Savings Bank, but would eliminate an insignificant amount of potential competition between them.

In view of 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. Monadnock National Bank and Monadnock Savings Bank have adequate financial resources, and the proposed transaction would restore the full managerial resources to the resulting bank that each shared prior to the elimination of management interlocks.

Initially there may be a reduction in the resulting bank's savings and time accounts since by regulation it would not be able to pay the maximum rates of interest allowed mutual savings banks on similar accounts. However, the deposit attrition may be slight in view of the interest that present depositors of Monadnock Savings Bank would have, as shareholders, in the success of the resulting bank. The future prospects of the resulting bank are considered satisfactory.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of the Monadnock market. The resulting bank would not offer any services not presently available in the market, but its increased legal lending limit would enable it to make larger commercial loans, thereby benefiting the local economy.

Based on the foregoing, the Board of Directors has concluded that approval of the application is warranted, contingent upon Monadnock National Bank's conversion to the status of a State nonmember insured bank.

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
Chester Bank Chester, Connecticut	4,661	1	1
to acquire the assets and assume the deposit liabilities of			
Chester Savings Bank Chester	18,625	1	

Statement upon reconsideration,
July 16, 1976

Chester Bank, Chester, Connecticut, an insured State nonmember bank with total resources of \$4,661,000 and total IPC deposits of \$3,512,000, applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in Chester Savings Bank, Chester, Connecticut, an insured mutual savings bank having total resources of \$18,625,000 and total IPC deposits of \$17,205,000. It was intended that the resulting bank would operate from the sole location in which the two banks presently share quarters. On June 30, 1975, the application was denied on the grounds that approval was precluded by section 18(c)(10) of the Federal Deposit Insurance Act, 12 U.S.C. section 1828(c)(10), which, with certain exceptions, prohibited FDIC approval of any application that would involve conversion from a mutual to a stock form of organization.* That prohibition expired on June 30, 1976. Upon request, the Corporation has reconsidered the application and, based on an analysis of the relevant factors contained in the Bank Merger Act, has concluded that the application should be approved.

Competition. Chester Savings Bank has operated one office ever since its establishment in 1871 in the town of Chester, Middlesex County, in southern Connecticut. Chester Bank was organized in 1914 by individuals connected with Chester Savings Bank. Through the ensuing years, the two banks have been under essentially the same management, sharing a common lobby at their sole location. The operations of the two banks have been complementary, thereby providing a broad range of services for Chester and its vicinity. At year-end 1975, Chester Savings Bank ranked as the 65th largest of the 67 Connecticut mutual savings banks with 0.19

*See Basis for Corporation Denial, 1975 *FDIC Annual Report,* pp. 119-121.

percent of their aggregate deposits; Chester Bank was 68th largest of the State's 71 commercial banks, with 0.05 percent of their total deposits.

The most appropriate geographic area in which to assess the competitive effects of the proposed transaction would be the town of Chester and the surrounding towns within a radius of approximately 10 road-miles, this being a segment of southeastern Middlesex County and the town of Lyme in adjacent New London County. Chester is located 31 road-miles south of Hartford, the capital and largest city in the State, and a similar distance east of New Haven. The local market is largely residential and rural. Its population approximated 26,300 in 1970, having increased about 30 percent during the 1960s, in contrast to the statewide increase of 19.6 percent. Middlesex County's 1974 median household buying level of $14,518 closely approximated that of the State.

The Chester banking market is served by six commercial banks and six mutual savings banks. Chester Bank has 12.8 percent of the $26.6-million IPC deposits held by the seven area offices of these commercial banks; Chester Savings Bank has 22.4 percent of the $74.6-million deposits held by the six area offices of the savings banks. The resulting bank would control 19.9 percent of the total IPC deposits in the market, representing the second largest share within the market.

There is no significant competition between the proponents. These banks enjoy a unique exception to the Connecticut statute which prohibits interlocking directorates of financial institutions. In view of their current common management, there appears to be no potential for competition to increase between them.

Chester is currently closed to *de novo* expansion by outside banks as a result of Connecticut's home office protection law. Consummation of this proposal would result in the abandonment by Chester Savings Bank of its charter, thereby permitting branching into Chester by other savings banks.

In view of 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. Chester Bank and Chester Savings Bank have satisfactory financial and managerial resources under their present operational arrangement, as would the resulting bank.

Initially there may be a reduction in the resulting bank's savings and time accounts since by regulation it would not be able to pay the maximum rates of interest allowed mutual savings banks on similar accounts. However, the deposit attrition may be slight in view of the interest that present depositors of Chester Savings Bank would have, as stockholders, in the success of the resulting bank. The future prospects of the resulting bank are considered satisfactory.

Convenience and Needs of the Community to be Served. The proposed transaction would have little effect on the convenience and needs of the Chester market. The resulting bank would offer no services that are not presently offered by the proponents, but its increased legal lending limit would enable it to make larger commercial loans.

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

Merger transactions were involved in the acquisitions of banks by holding companies in the following approvals in 1976. In each instance, the Attorney General's report stated that the proposed transaction would have no effect on competition. The Corporation's basis for approval in each case stated that the proposed transaction would not, per se, change the competitive structure of banking, nor affect the banking services that the (operating) bank has provided in the past, and that all other factors required to be considered pertinent to the application were favorably resolved.

Tuscaloosa County Bank, Tuscaloosa, Alabama, in organization; offices: 0; resources: 100($000); to merge with and change title to *Peoples Bank of Tuscaloosa,* Tuscaloosa; offices: 1; resources: 7,462($000). Approved: January 23.

Etowah County Bank, Gadsden, Alabama, in organization; offices: 0; resources: 100($000); to merge with and change title to *Gadsden Mall Bank,* Gadsden; offices: 2; resources: 6,022($000). Approved: January 28.

First National Bank & Trust Company of Midland (upon conversion to a State-chartered institution with the title *First Midland Bank & Trust Company*), Midland, Michigan; offices: 5; resources: 61,175($000); to consolidate with *First MBT Bank,* Midland, in organization; offices: 0; resources: 120($000). Approved: March 29.

Second Street Bank and Trust Company, Harrisburg, Pennsylvania, in organization; offices: 0; resources: 512($000); to merge with *Dauphin Deposit Trust Company* (change title to *Dauphin Deposit Bank and Trust Company*), Harrisburg; offices: 32; resources: 444,921($000). Approved: April 12.

The Savings Deposit Bank Company, Medina, Ohio; offices: 2; resources: 20,652($000); to merge with *SDB Bank,* Medina, in organization; offices: 0; resources: 647($000). Approved: April 16.

Galleria New Bank, Houston, Texas, in organization; offices: 0; resources: 200($000); to merge with and change title to *Galleria Bank,* Houston; offices: 2; resources: 39,894($000). Approved: April 21.

1st & Devine State Bank, Groveton, Texas, in organization; offices: 0; resources: 50($000); to merge with and change title to *First Bank in Groveton,* Groveton; offices: 1; resources: 12,189($000). Approved: August 30.

First and Townsend State Bank, Lufkin, Texas, in organization; offices: 0; resources: 75($000); to merge with and change title to *First Bank & Trust,* Lufkin; offices: 1; resources: 74,865($000). Approved: August 30.

The Commercial Savings Bank, Adrian, Michigan; offices: 4; resources: 66,200($000); to consolidate with *CSB State Bank* (change title to *Commercial Savings Bank*), Adrian, in organization; offices: 0; resources: 120($000). Approved: October 28.

Constitution Bank and Trust Company, Hartford, Connecticut; offices: 6; resources: 35,356($000); to merge with *The Colonial Bank and Trust Company of Hartford,* Hartford, in organization; offices: 0; resources: 4,697($000). Approved: November 3.

Metropolitan Bank & Trust Company, Bridgeport, Connecticut; offices: 1; resources: 13,023($000); to merge with *Union Trust Company of Bridgeport, Inc.* (change title to *Union Trust Company of Bridgeport*), Bridgeport, in organization; offices: 0; resources: 3,000($000). Approved: November 29.

Garland Commerce Bank, Garland, Texas, in organization; offices: 0; resources: 200($000); to merge with and change title to *Southern Bank and Trust Company,* Garland; offices 1; resources: 21,138($000). Approved: November 17.

Gladwin County Bank, Beaverton, Michigan; offices: 2; resources: 15,720($000); to consolidate with *CFC Bank,* Beaverton, in organization; offices: 0; resources: 120($000). Approved: November 23.

BN Bank of Northfield, Northfield, Illinois, in organization; offices: 0; resources: 88($000); to merge with and change title to *Bank of Northfield,* Northfield; offices: 1; resources: 20,795($000). Approved: November 29.

Western State Bank, Howard City, Michigan; offices: 3; resources: 14,092($000); to consolidate with *WSB Bank,* Howard City, in organization; offices: 0; resources: 120($000). Approved: November 29.

Community State Bank of Dowagiac, Dowagiac, Michigan; offices: 2; resources: 17,098($000); to consolidate with *DSB Bank,* Dowagiac, in organization; offices: 0; resources: 120($000). Approved: November 30.

The Peoples State Bank of Caro, Michigan, Caro, Michigan; offices: 2; resources: 24,415($000); to consolidate with *P.S.B. State Bank,* Caro, in organization; offices: 0; resources: 120($000). Approved: December 23.

BANK ABSORPTION DENIED BY THE CORPORATION

	Resources (in thousands of dollars)	Banking offices in operation	
		Before	After
State Bank of Standish Standish, Michigan	36,424	3	4
to acquire the assets and assume the deposit liabilities of			
The Au Gres State Bank Au Gres	8,158	1	

Summary report by Attorney General,
December 8, 1975

Applicant and Bank are the only banks in Arenac County and are located 15 miles apart. The service areas of the banks overlap and it appears that Applicant is a substantial factor in the service area of Bank. Consequently, the proposed merger would eliminate a substantial amount of competition and would give Applicant a monopoly position.

In conclusion, the proposed merger would appear to have significant adverse competitive effects, albeit in a very small market.

Basis for Corporation denial,
March 15, 1976

State Bank of Standish, Standish, Michigan ("Standish Bank"), a State nonmember insured bank with total resources of $36,424,000 and total IPC deposits of $28,262,000, has applied, pursuant to section 18(c) and other provisions of the Federal Deposit Insurance Act for the Corporation's prior consent to acquire the assets of and assume the liability to pay deposits made in The Au Gres State Bank, Au Gres, Michigan ("Au Gres Bank"), also a State nonmember insured bank, having total resources of $8,158,000 and total IPC deposits of $6,246,000, the transaction to be effected under the charter and with the title of Standish Bank. The sole office of Au Gres Bank would be established as a branch of the resulting bank. Consent has also been requested to issue subordinated capital notes as an addition to resulting bank's capital structure and to retire these notes at maturity, seven years after date of issue. These notes constitute part of the consideration being offered to shareholders of Au Gres Bank.

Competition. Standish Bank has its main office and a drive-in facility in Standish (population 1,184), the county seat of Arenac County, which borders Saginaw Bay north of Bay City in east-central Michigan. Standish Bank also has a branch at Skidmore Lake in Mills Township, Ogemaw County, 20 road-miles north of its main office. At year-end 1974, Standish Bank was 129th largest of the commercial banks in the State of Michigan, with 0.1 percent of their total deposits. Au Gres Bank, a unit bank located in the city of Au Gres (population 564), 16 road-miles northeast of Standish, is the only other bank in Arenac County.

Arenac County had a 1970 population of 11,149, which represented an increase of 13.1 percent over its population in 1960. The county, which has been primarily agricultural, continues to grow at about the same rate, as light manufacturing, touring, and recreational activities become more important. Arenac County's most recent median household buying level, however, was about 33 percent below the statewide median.

The area in which the competitive effects of the proposed transaction would be most immediate and direct may be approximated by the area within a 20-25 mile radius of Au Gres. This would include all of Arenac County, the southern portion of Iosco County, the southeastern portion of Ogemaw County, and the northern half of Bay County. The total population of this local market which is bounded on the east by Saginaw Bay approximated 28,000 people in 1970. Except for Bay County, income levels are well below the State median, but economic prospects throughout the market are reasonably good. Both Standish Bank and Au Gres Bank, for example, have seen their deposits grow substantially since 1970—more than doubling for the former and increasing by over 80 percent for the latter.

Both Standish Bank and Au Gres Bank compete within the relevant market, and each draws a not insignificant portion of its total loans and deposits from the primary service area of the other. Altogether, six commercial banks compete in the relevant market. Two of these are affiliates of Peoples Banking Corporation, which presently controls about 15.9 percent of the market's total IPC deposits, while Standish Bank has the largest market share of all six (34.8 percent). Peoples State Bank of East Tawas controls about 27.0 percent of such deposits; Farmers and Merchants State Bank of Hale, about 14.7 percent; and Au Gres Bank, 7.6 percent. Standish Bank and Au Gres Bank are the closest of these six banks.

Although the market involved is relatively sparse in population, the proposed transaction would, if consummated, (i) eliminate a modest amount of existing competition between Standish Bank and Au Gres Bank, (ii) add substantially to the market share presently held by Standish Bank, the leading local bank, (iii) increase substantially the advantage in local market share which Standish Bank presently enjoys over all of its local competitors, namely Peoples Banking Corporation, Peoples State Bank of East Tawas, and Farmers and Merchants State Bank of Hale, and (iv) reduce from five to four the number of other banking sources from which residents and businessmen in the Au Gres area have to choose for banking services, the nearest of which would then be 19 road-miles away.

Even if no significant potential exists for increased competition between Standish Bank and Au Gres Bank in the future through *de novo* branching by either or both, and even if some consolidation appears desirable for Au Gres Bank, the Board of Directors understands that Standish Bank is not the only legally available partner for such an acquisition and believes it extremely desirable as a competitive matter not to increase Standish Bank's present advantage over its nearest competitors within the market. The Board also notes that the trust department of Peoples National Bank & Trust Company of Bay City, an affiliate of Peoples Banking Corporation, annually votes a substantial, although possibly not controlling, block of stock in Standish Bank, thereby raising a question in its mind of the vigor of competition between the two banking organizations.

Based on the foregoing and on the standards established by the Supreme Court in cases involving horizontal mergers of banks already competing in the same local market, the Board of Directors is of the opinion that the proposed transaction would "substantially lessen competition" in the relevant local banking market.

Financial and Managerial Resources; Future Prospects. Both banks have satisfactory financial resources, with the earnings performance of Au Gres Bank being particularly strong. The latter bank claims a management succession problem, with one senior officer due to retire shortly and the other, presently in his late 50s, in somewhat precarious health. The Board notes in this regard that the application contemplates that both officers will continue on the board of directors of the resulting institution and that the younger of the two will continue in charge of the proposed Au Gres branch for 4 or 5 years if his health permits. The succession problem does not appear either imminent or insurmountable, and lends only slight weight in favor of the application. Standish Bank has managerial resources in depth, and the future prospects of both banks, as well as the resulting bank, must be regarded as favorable in this developing area.

Convenience and Needs of the Community to be Served. Banking premises at the Au Gres location would be renovated and refurbished. At this office, policies of a more aggressive, sophisticated management would be reflected and improved loan services, particularly in the field of agricultural credit, would be available. Standish Bank's $180,000 statutory loan limit and Au Gres Bank's $60,000 limit would, for the resulting bank, be increased to $270,000 (subject in each case to the discretionary 100 percent increase legally permitted a board of directors). Time deposit open accounts would become available at the Au Gres location, as would time certificates of deposit in a minimum amount reduced from $5,000 to $1,000, a costless checking plan, and interest on Christmas Club deposits. However, since Standish Bank already competes within the relevant market, these additional services are presently available to residents and businessmen in and around Au Gres, albeit with some inconvenience. Greater convenience for a limited portion of the public within the market area does not, in the opinion of the Board, outweigh the adverse competitive effects previously recited.

The Board of Directors believes accordingly that the application should be, and it hereby is, denied.

Statement upon reconsideration, June 25, 1976

State Bank of Standish, Standish, Michigan ("Standish Bank"), a State nonmember insured bank with total resources of $36,424,000 and total IPC deposits of $28,262,000, was denied, on March 15, 1976, the Corporation's prior approval to acquire the assets of and assume the liability to pay deposits made in The Au Gres State Bank, Au Gres, Michigan ("Au Gres Bank"), a State nonmember insured bank having total resources of $8,158,000 and total IPC deposits of $6,246,000 (see page 107 for Basis for Corporation Denial). Standish Bank and Au Gres Bank thereafter petitioned the Corporation to reconsider its original denial. The Corporation's Board of Directors, having reconsidered its earlier decision, affirms its original denial with the following additional statement.

The Board of Directors concluded in its original decision that the proposed transaction would, if consummated, (i) eliminate a modest amount of existing competition between Standish Bank and Au Gres Bank, (ii) add substantially to the market shares presently held by Standish Bank, the leading local bank, (iii) increase substantially the advantage in the local market share that Standish Bank presently enjoys over all of its local competitors, and (iv) reduce from five to four the number of other banking sources from which residents and businessmen in the Au Gres area have to choose for banking services. Based on those conclusions and on the standards established by the Supreme Court in cases involving horizontal mergers of banks already competing in the same local market, the Board of Directors was of the opinion that the proposed transaction would "substantially lessen competition" within the relevant local banking market, which was described as the area within a 20-25 mile radius of Au Gres. This included all of Arenac County, the southern portion of Iosco County, the southeastern portion of Ogemaw County, and the northern half of Bay County.

The applicants' requested reconsideration is based, principally, on the ground that the market defined in the Basis for Corporation Denial was too narrow and should be expanded to include additional parts of all adjoining counties, particularly the southern half of Bay County with its principal trade and population center, Bay City. Additionally, the argument was again made that Au Gres

Bank faced serious management succession problems and that residents of the Au Gres area were not receiving full banking services. Further, it was stated that there were no less anticompetitive alternatives available.

In support of the argument that the market should be expanded, particularly southward to include Bay City, surveys were presented which purportedly indicated substantial commutation between the Bay City area and Standish for banking and other services. The statistics in these surveys were contained in the original application and were carefully considered at the time the application was denied. It was recognized that some residents of the Standish area do commute to large shopping complexes in the Bay City area for shopping needs, but no conclusion could be drawn from the statistics submitted that any meaningful number of persons traveled there for banking services or that residents of the Bay City area found Standish Bank a convenient banking alternative. On the contrary, the surveys showed that 72 percent of Standish Bank's main office customers were located within 10 miles of that office and 99 percent were located within 25 miles. The survey further indicated that 91 percent of Au Gres Bank's customers were contained within a 10-mile radius of Au Gres and that the one branch operated by Standish Bank obtained 96 percent of its deposits from customers located within a 10-mile radius of that office.

While the Bay City trade area does have some economic impact on competition in the service areas of the applicants, for purposes of section 7 of the Clayton Act (15 U.S.C. 18), the relevant geographic market is where "the effect of the merger will be direct and immediate" (*United States* v. *Philadelphia National Bank*. 374 U.S. 321, 359 (1963)). In view of the direct effect the proposed merger would have within the originally defined market area, the Board of Directors sees nothing in the record supporting the argument for an expanded market.*

It is noted, however, that even were the relevant market redefined to include that area within a 25-mile radius of Standish, which would correspond to Standish Bank's legal branching area, the basis for the original denial would still be true. Standish Bank and Au Gres Bank hold a combined 30.1 percent share of that market, second only to the 39.6 percent combined share held by the two subsidiary banks of Peoples Banking Corporation represented therein. While the resultant bank would not hold the leading share of deposits in this market, the combined share of the two largest banking organizations in that market would be increased to 69.7 percent, existing competition would be eliminated, and banking sources would be reduced from six to five. The Board of Directors is of the opinion that consummation of the proposal, even if such a redefined market were considered relevant, would present anticompetitive problems too severe to warrant approval of the application.

The Corporation has again reviewed the convenience and needs factor and the banking factors, and it adheres to its original conclusion on these points and finds nothing in the record to warrant a conclusion that the proposed transaction would result in the realization of significant public benefit under these factors. Again, the management succession problem does not appear to be imminent or insurmountable and lends only a slight weight in favor of the application. Alternative purchasers include 3 other banks headquartered within 25 miles of Au Gres and thus capable of consummating the transaction under present Michigan law, and with the exception of Peoples Banking Corporation, any of the other 41 bank holding companies operating in Michigan could be considered potential purchasers. Since Standish Bank already competes in the relevant market, any additional services are presently available to residents and businessmen in and around Au Gres, albeit with some inconvenience. Therefore, there is no basis in the record for concluding that the public cannot obtain such benefits from other sources at the present time or that the same benefits could not be achieved through other, less anticompetitive means.

Based on all of the foregoing and on the record before it, the Corporation's Board of Directors again concludes that approval of the proposed purchase of assets and assumption of liabilities of Au Gres Bank by Standish Bank is not warranted and should accordingly be denied.

*Although the population of this relevant geographic market is quite small, the Au Gres banking market would constitute an economically significant "section of the country." See *United States* v. *Phillipsburg National Bank & Trust Co.*, 339 U.S. 350 (1970); *United States* v. *County National Bank of Bennington*, 330 F. Supp. 155 (D. Vt. 1971), 339 F. Supp. 85 (D. Vt. 1972).

REGULATIONS AND LEGISLATION
PART FOUR

RULES AND REGULATIONS

Interest rate regulations (Part 329). The Corporation amended its deposit interest rate regulations to broaden the exemption from interest rate ceilings for capital notes issued by insured nonmember banks. Under the amendments of June 16, 1976, such notes may have an *average* (rather than absolute) maturity as short as 7 years, although no note in a serial issue can have an original maturity of less than 5 years. The amendments also established a procedure for permitting such banks to issue capital notes of less than $500 to satisfy the preemptive rights of shareholders.

The Corporation further amended its interest rate regulations on November 12, 1976, to permit the penalty-free withdrawal before maturity of funds deposited in insured nonmember banks by self-employed persons under so-called Keogh or H.R. 10 retirement plans. Such withdrawals can be made after the depositor reaches age 59½, or earlier if he or she is disabled. Moreover, the $1,000 minimum amount requirement for longer term time deposits no longer applies to such funds. These amendments are similar to those adopted in December 1975 for Individual Retirement Accounts and are designed to prevent conflicts with Federal tax law upon distribution of retirement funds.

Finally, the Corporation temporarily suspended premature withdrawal penalties on time deposits for victims of the Teton Dam disaster in Idaho. The suspension, which was initiated on June 6, 1976, and expired on December 31, 1976, gave victims of that disaster ready access to their time deposit funds for reconstruction and similar purposes. Each insured nonmember bank had the discretion to decide whether or not to allow such penalty-free withdrawals.

Two new proposals about regulations on deposits were advanced by the Corporation during 1976. On March 15, 1976, the Corporation proposed an amendment to its regulations that would permit transfers from savings accounts to checking accounts to cover overdrafts. This proposal would require that the transfers be in minimum increments of $100, with at least 30 days' interest on the amount transferred to be forfeited. On November 15, 1976, the Corporation proposed a rule which would generally require notice to depositors of the maturity of their time deposits. The notice would have to be printed on or affixed to the deposit instrument. The purpose of this proposal is to reduce the possibility that depositors will forget when their deposits mature, resulting in the loss of interest or, if the deposit has been automatically renewed, payment of a penalty for early withdrawal.

Insider transactions. On February 25, 1976, the Corporation adopted a regulation aimed at curbing abuses which may occur in transactions between an insured State nonmember commercial bank and "insiders" of the bank. On April 27, 1976, this regulation was extended to cover insured State nonmember mutual savings banks as well. The regulation became effective on May 1, 1976.

Under this regulation, the board of directors of each insured State nonmember bank is required to review and approve every insider transaction involving assets or services having a fair market value greater than a specified amount, that amount varying with the size of the bank. In addition, certain recordkeeping requirements are imposed in order to foster effective internal controls over such transactions by the bank itself and to facilitate examiner review.

In adopting this regulation, the Corporation did not intend to suggest that all transactions with insiders or their interests are detrimental to the bank or that such transactions should be automatically rejected. The regulation neither prohibits nor significantly restricts a bank's ability to enter into such transactions. On the other hand, the regulation makes clear that formal compliance with its review and approval requirements does not relieve a bank of its duty to conduct its operations in a safe and sound manner, nor does it prevent the Corporation from taking appropriate supervisory action with respect to any insider transaction.

By year-end 1976, the regulation had been in effect 8 months. Reaction to it was generally viewed as favorable, with many banks finding that implementation of its requirements did not result in undue burden or expense. Compliance with the regulation generally appeared satisfactory, but it was still too early to assess adequately whether the regulation is achieving its intended purpose of curbing abusive insider transactions.

Deposit insurance coverage. Under the Corporation's insurance regulations, the deposit accounts of a corporation are insured up to $40,000 in any one insured bank. On November 3, 1976, the Corporation proposed amendments to its insurance regulations designed to apply this same rule to deposit accounts of any registered investment company, even if that company is organized in some noncorporate form. Specifically, for deposit insurance purposes, the Corporation would treat as a corporation any trust or other business arrangement registered, or required to be registered, with the Securities and Exchange Commission as an investment company under the Investment Company Act of 1940. The proposal would not cover trusts that are not subject to registration under that act, such as employees' pension and profit-sharing trusts, charitable trusts, and common trust funds maintained by bank trust departments.

The proposed amendments are intended to clarify the extent of insurance coverage on deposits of certain business trusts and other entities which may be viewed as *de facto* corporations because of their public ownership and business objectives. Some confusion has existed as to whether such deposits are insured according to each individual investor's beneficial interest in the trust, or alternatively, according to the aggregate deposits held by the trust in each insured bank. The Corporation asked for comment on these proposed amendments by January 14, 1977.

FEDERAL LEGISLATION

The three most significant pieces of banking legislation enacted in 1976 involve consumer credit and so-called

FEDERAL DEPOSIT INSURANCE COVERAGE PER DEPOSITOR 1934–1976

Amount (each insured bank)	Effective date
$ 2,500	January 1, 1934
5,000	July 1, 1934
10,000	September 21, 1950
15,000	October 16, 1966
20,000	December 23, 1969
40,000	November 27, 1974
100,000 - Time and savings deposits of government units (except State and local government deposits held in out-of-State banks)	November 27, 1974

Negotiable Orders of Withdrawal (NOW) accounts, which in effect are interest-bearing checking accounts. A provision of Public Law 94-22, signed on February 27, 1976, added Connecticut, Rhode Island, Maine, and Vermont to the list of States in which NOW accounts could be offered. Previously, they had been permitted only in Massachusetts and New Hampshire. This same legislation also amended the Truth in Lending Act to provide that cash discounts would not be regarded as interest for disclosure purposes and placed a 3-year ban on the imposition of surcharges on credit card purchases.

Approved on March 23, the Equal Credit Opportunity Act Amendments expanded the categories of prohibited discrimination in consumer credit transactions to include age, race, color, religion, national origin, and receipt of public assistance benefits, in addition to the existing prohibitions against discrimination because of sex or marital status. This law also gave rejected applicants the right to obtain specific reasons for the refusal of credit and raised the ceiling on class action liability to $500,000 (from $100,000) or 1 percent of the creditor's net worth, whichever is less.

The Consumer Leasing Act of 1976, which was also approved on March 23, made the Truth in Lending Act applicable to leases of consumer durables, such as automobiles and household goods, and required that the costs of the lease arrangement be clearly stated. It also created a presumption of unreasonableness if the final ("balloon") payment under the lease exceeded three times the average monthly payment. These new requirements of the Equal Credit Opportunity Act Amendments and the Consumer Leasing Act become effective on March 23, 1977, except for the increase in class action liability limits which became effective upon enactment.

A bill approved on August 3, 1976 (Public Law 94-375), contained provisions amending the National Flood Insurance Act to grant certain exemptions from the general statutory ban against mortgage lending by federally supervised financial institutions in identified flood hazard areas of communities not participating in the national flood insurance program. This legislation made permanent the existing temporary exemption permitting mortgage loans to be made for the purchase of existing, previously occupied residential dwellings. It also broadened this exemption to include loans to finance the purchase of existing small business properties and to permit owners of residential dwellings to renew or increase the financing on their homes. The new law further expanded this exemption to permit loans to finance improvements of existing residential structures, up to an aggregate of $5,000 per dwelling, and to finance farm improvements of a nonresidential, agricultural nature.

Legislation enacted late in the 94th Congress, the "Government in the Sunshine Act" (Public Law 94-409), requires all Federal agencies headed by two or more Presidential appointees to hold their meetings and to conduct agency business in the open after giving at least 1-week's notice of the time and place of their meetings. The agencies are required to keep transcripts, recordings, or detailed minutes of all closed agency meetings. The law contains a list of 10 exemptions from the open meeting requirements. The exemptions relating specifically to bank regulation matters include those covering trade secrets and confidential financial information, information contained in examination reports, and information which, if prematurely disclosed, would significantly endanger the stability of any financial institution. Agencies are required to issue implementing regulations by March 13, 1977.

Two provisions in the mammoth Tax Reform Act of 1976 (Public Law 94-455) which became law on October 4, 1976, are of particular interest to banks. An important step in the direction of financial privacy for bank customers was taken in section 1205 of the act, which requires the Internal Revenue Service to provide, in most circumstances, at least 14 days' prior notice to any bank customer whose bank records it wishes to examine. Within this 14-day period, the customer may direct the bank in writing not to comply with the IRS administrative summons. The Service would then be required to obtain a court order to examine the records. Also, sections 1061-64 of the act provide that United States corporations (including banks) actively participating in international boycotts not sanctioned by the United States can, in some circumstances, lose their foreign tax credits, foreign tax deferrals, and export subsidies.

Public Law 94-414 amended the Internal Revenue Code to permit banks in a holding company system to use a common trust fund maintained by one or more banks in the same affiliated group, without loss of the fund's tax-exempt status.

STATEMENTS BY CORPORATION DIRECTORS
PART FIVE

Statement by Frank Wille, on the Committee Print of the "Financial Reform Act of 1976"*

Mr. Chairman and Members of the Subcommittee:

I appreciate this opportunity to testify on the proposed "Financial Reform Act of 1976," a bill designed to reflect testimony and comments received in connection with your subcommittee's FINE Study "Discussion Principles." The bill also incorporates a number of provisions from the Senate-passed "Financial Institutions Act" (S.1267), from legislative proposals by the Federal bank regulatory agencies designed to strengthen their available regulatory procedures to prevent and correct problem bank situations (S. 2304, H.R. 9743, and Title I of H.R. 10183), and from the FDIC's proposed "housekeeping" bill (S. 2233, H.R. 9742, and Title IV of H. R. 10183).

The bill before the subcommittee is long and complex. Many of its provisions are interrelated, and some, for technical consistency and clarification, may require amendments to Federal law beyond those presently contemplated. Because of the short time which has been available to analyze all the ramifications of the bill and its recently proposed amendments, I respectfully request that the FDIC be allowed to file for the record such additional comments and suggestions of both a technical and a substantive nature as may be appropriate in the light of our continued study of this important legislation.

On the substantive side, I have previously testified for the Corporation in general support of the objectives and provisions of the Senate-passed Financial Institutions Act, particularly those provisions which would enlarge the asset and liability powers of thrift institutions, provide a Federal charter option for mutual savings banks, and schedule a gradual phasing out of the deposit rate ceilings presently found in Regulation Q and its FDIC counterpart. Naturally, the Corporation would favor those same provisions in the House bill, as well as those supervisory and housekeeping provisions which have been previously introduced at the FDIC's request and are now included in the same bill.

This morning I intend to confine my remarks** to five aspects included in or relevant to the proposed House bill:

- the proposed restructuring of the Federal bank regulatory agencies,
- the requirement that the FDIC and the proposed Federal Banking Commission operate on appropriated funds,
- the imposition of Federal Reserve reserve requirements on all State banks having third party payment accounts exceeding $15 million,
- the need for a fresh look at the country's housing goals and incentives, and
- the desirability of further legislation to mandate additional financial and operating disclosure on insured banks with fewer than 500 shareholders.

I. Agency Restructuring

My December 9 testimony before this subcommittee contained a specific, intermediate proposal for Federal bank agency restructuring which I think is superior to the provisions presently in the bill before you, because it would have consolidated

*Presented to the Subcommittee on Financial Institutions, Supervision, Regulation and Insurance, Committee on Banking, Currency and Housing, House of Representatives, March 16, 1976.

**In fairness to my successor as Chairman of the FDIC and to the Comptroller of the Currency who serves *ex officio* on the FDIC Board of Directors and will be presenting the views of his office tomorrow, these remarks should be considered personal observations of the present incumbent and not necessarily the present or future views of the FDIC.

Federal oversight of State-chartered banks in one office, preserved significant play between national and State banking systems, and provided for an evolutionary structure (the proposed Federal Banking Board) which would include among its five members the Comptroller of the Currency, the Federal Supervisor of State Banks, and a Governor of the Federal Reserve System.

Title I of the proposed Financial Reform Act, by consolidating the present supervisory powers of the Comptroller of the Currency over national banks and the Federal Reserve System over bank holding companies and State member banks, adopts some aspects of my earlier proposal at the expense of others. It provides for the removal of the Federal Reserve System from day-to-day supervision of bank holding companies and State member banks, a transfer of power I continue to support wholeheartedly. Such a transfer does not require that the Federal Reserve conduct its monetary policy in a vacuum, and no responsible person has suggested that the Federal Reserve System be denied information about banking developments which it needs to conduct the all-important monetary affairs of the country. No convincing argument has yet been advanced, however, to justify the daily diversion of the staff and members of the Board of Governors away from monetary policy issues to such matters as regulation-writing under Truth-in-Lending, Fair Credit Billing, and Equal Credit Opportunity or the thousands of decisions required annually under the Bank Holding Company Act Amendments of 1970. The Financial Reform Act would also consolidate in one place the regulation and supervision of most of the nation's larger banks (no nonmember commercial bank today exceeds $2 billion in size), but it does so at potentially great risk to the major State banking systems of the country if the proposed commission fails to permit some diversity between the way in which national and State banks operate. The bill before you also divides jurisdiction over State banks between the FDIC and the proposed commission, depending on whether or not the bank is a member of a holding company system. Apparently, the FDIC would also have jurisdiction over State banks that are "members" of the Federal Reserve System so long as they are not in a holding company. I urge the subcommittee to review these matters carefully, clarifying them as necessary, and again consider the alternative I proposed in December.

II. Placing the Federal Bank Agencies on Appropriated Funds

It is no accident, in my judgment, that the three Federal bank agencies have remained over the years relatively untouched by political scandal or intimidation. I fear, however, that this track record could be substantially altered if the proposed Federal Banking Commission and the FDIC were to be placed on an appropriated funds basis, subject in the first stage of the process to the tender mercies of the White House and the Office of Management and Budget and in the second stage to the varied interests of individual Congressmen. The practical effect of the appropriations process would be to give the political operatives of the White House and the Congress substantial control over the personnel, the day-to-day operations, and the legislative positions*** taken by the commission and the FDIC, and I need not remind you how sensitive many of these agency decisions can be.

The Congress and the public must, however, hold every agency of government, and its responsible officials, ac-

***In this respect, insofar as OMB is concerned, the imposition of the appropriations procedure on the FDIC could have the practical effect of nullifying recent legislation which expressly exempted the FDIC from obtaining OMB clearance before submitting its positions on legislative matters to the Congress.

countable for their performance of duty. In part, this is accomplished today through the requirement of an annual report to the Congress, through oversight hearings of the responsible committees and subcommittees of the two Houses and through the limited GAO audit which is presently conducted each year of the FDIC's "financial transactions." In addition, the Freedom of Information Act is opening more and more of the activities and decisions of the Federal bank agencies to public scrutiny. This process of enforcing accountability on the bank regulatory agencies could be further strengthened by (i) requiring periodic reports to the Congress on specific subjects of interest to the responsible committees or subcommittees, and (ii) enlarging the GAO audit requirements to include a limited sampling of the agency's examination reports and supervisory processes in specific cases, under strict requirements of confidentiality, in an effort to obtain an independent, outside appraisal of the effectiveness of the agency's supervision. We are currently engaged in an effort to compromise the FDIC's long-standing dispute with the GAO over its asserted need to have "unrestricted" access to FDIC examination reports in order to accomplish its required audit, and I am hopeful that the pattern that emerges from these current efforts can be used on a regular basis. In any event, legislative oversight and GAO post-audit hold more promise in my view than the appropriations process of preserving the nonpolitical nature of the bank agencies and the public confidence which has accompanied their performance in the past.

III. Uniform Reserve Requirements for Banks with $15 million or more in Third Party Payment Accounts

Under present law the Federal Reserve is required by Federal law to impose reserve requirements on national banks and on State-chartered banks which choose to become members of the Federal Reserve System. Some State-chartered member banks apparently find the advantages of membership overcome the cost thereof, although a substantial number of banks have dropped their membership over the past 10 years. The principal cost of membership is the maintenance of required reserves in the form of noninterest-earning deposits at a Federal Reserve Bank. State reserve requirements for nonmember banks generally are less onerous than Federal Reserve requirements since nonmember banks may use balances held with a correspondent bank and, in some States, may also use earning assets in calculating their required reserves. The most frequently cited advantages of membership are cost-free check clearing and collection services, rediscounting and borrowing privileges at a Federal Reserve Bank, cost-free wire transfer, and safekeeping privileges. Some banks also consider the "prestige" of membership an intangible benefit.

By contrast, nonmember banks receive a variety of services and assistance from correspondent banks in return for maintaining correspondent balances. As fees for such services replace the maintenance of balances (and there clearly is a trend toward this development), it will be more apparent to nonmember banks what the various services, including check clearing and collection, are costing them. Should the Federal Reserve make its clearing wire and transfer service available on a fee basis to all users, nonmember banks would be able to compare costs in this area with those fees charged by correspondent banks. The net result might well be that State-chartered banks, member as well as nonmember, would have better information than they do today in deciding how to have their checks cleared and whether the benefits of discount window borrowing and safekeeping services are worth the residual cost of maintaining reserves with the Federal Reserve.

Proponents of uniform reserve requirements for banks of similar size argue that uniform requirements are necessary for the Federal Reserve to maintain adequate control over the money supply. It is implied that the absence of uniform reserves allows a significant part of the banking system to escape Federal Reserve control and this makes monetary management more difficult.

I am not aware of any substantive research and analysis that gives credence to these arguments. FDIC staff analyses, as well as those of outside economists, do not support the view that the existence of a large number of nonmember banks has hampered monetary management. Sophisticated observers note that except for the large money-market correspondent banks, Federal Reserve membership may not be particularly important for the conduct of monetary policy. They argue that the reserve positions of smaller banks depend upon the reserve positions of large correspondent banks and thus effective monetary control of correspondent bank reserves gives the Federal Reserve effective control over all banks, regardless of the amount or form of these reserves.

Another argument advanced on behalf of uniform reserve requirements pertains to equity. Insofar as State reserve requirements can be met by correspondent balances which compensate for services provided or by placing funds in earning assets, it is sometimes alleged that such institutions tend to be at a competitive advantage compared with member banks; and, in fact, nonmember banks in States with lower reserve requirements have tended to be more profitable than member banks of comparable size. However, extending reserve requirements to all depository institutions is not the only way to address this issue. Another alternative would be for the Federal Reserve to pay interest on member bank reserves, to allow all or a portion of its required reserves to be held in the form of Treasury securities, or to reduce prevailing reserve requirement levels. (There may be considerable logic in tying the latter to the elimination of restrictions on the payment of interest on demand deposits.) With respect to other Federal Reserve services, principally access to the discount window and check clearing services, these might be made available to nonmember banks on a nonsubsidized basis.

To reiterate the position outlined in my previous testimony, I believe that the nation's banks should be permitted to retain a meaningful choice between the regulatory options now available to insured banks. For State-chartered banks, an important part of that choice is optional membership in the Federal Reserve System with its attendant costs and benefits. At present, being unconvinced of the merits of the two principal arguments advanced by proponents of uniform Federal Reserve reserve requirements, I would not favor the imposition of such uniform requirements on State-chartered banks. If considerations of either monetary policy or equity persuade the subcommittee to adopt such a requirement, I believe that a much higher cutoff figure than the $15 million proposed should be used to determine those banks to which such uniform reserves should apply.

IV. A Fresh Look at the Country's Housing Goals and Incentives

Diversification on the asset and liability side appears to be necessary if the specialized thrift institution is to have the earnings and the competitive tools necessary to attract and retain deposits in periods of high market interest rates. To those in the Congress and elsewhere, however, who seek to keep lendable funds flowing to the housing sector, broadened investment powers for thrifts raises the specter of a reduced commitment to housing. While it may be true that the *percentage of assets* devoted to mortgage lending and the housing sector is likely to go down with broadened powers, most experts feel that the *dollars* devoted to housing will not be adversely affected. Heightened competition for deposits also raises the likelihood of higher rates on home mortgages and related housing credit, and this raises understandable concern over the future attractiveness of such expenditures to the purchasing public. Should we then be moving away from specialized mortgage lending institutions?

I think the answer must be "yes," coupled with a more enlightened housing policy. Tax incentives to keep financial institutions in the housing sector, or incentives like the differential under Regulation Q, are directed to lending institutions, not the ultimate user. If the incentives are adequate, so the argument goes, more money will flow to housing and home mortgage rates will be kept low. But will this happen and is it what we need today? Will such incentives increase the flow of funds to housing units that are affordable by lower- and middle-income families—who are, after all, the vast majority of our population? Or will it again be the developers and the relatively affluent who benefit from the many real estate incentives presently embedded in our laws?

The basic problems in housing today run much deeper than the availability of funds or high interest rates. They are a combination of high and rising energy costs, high building costs, and a preoccupation with the detached, single-family home. Surely the time has come for a fresh look at the housing goals we have set for ourselves as a nation. A reexamination of these goals, and agreement on what they should be, may lead us to quite different incentives in the housing sector than are contemplated by either the Senate or House bills now before you. I fear that reliance on the traditional incentives aimed at lending institutions and developers will only lead to more disappointments in the actual improvement, both quantitatively and qualitatively, of our housing stock.

V. Greater Disclosure in Banks with fewer than 500 Shareholders

Recent events have accelerated what has been a persistent trend toward greater disclosure of information related to the operations and financial soundness of the nation's insured banks, a trend which I believe benefits the institutions themselves, their depositors and customers, their shareholders, and their regulators.

The Federal bank agencies and the SEC have played a major role in this process. The FDIC has for several years, for example, released to anyone who asks the complete Reports of Condition and Income which insured banks file regularly but which had previously been held confidential. Contrary to the fears of some, there is no evidence that this has resulted in any adverse effects on the nation's banking system. Currently, the Federal bank agencies and the SEC are engaged in a concerted effort to expand the usefulness of the information collected in such reports.

In addition, bank holding companies with 500 or more shareholders are generally required to disclose data, file periodic reports, use proxy statements, and distribute annual reports in accordance with SEC standards. Nonholding company banks with 500 or more shareholders are required to meet similar disclosure requirements set by the Federal bank agencies, in substantial conformance with SEC standards. At the present time 321 nonmember insured banks meet the statutory tests and are subject to these extensive disclosure requirements.

I would recommend two additional steps which would significantly enlarge the public dissemination of banking data, both of which would require legislation to be effective. First, the 500-shareholder test should be reduced to 300 shareholders and subsequently to 100 shareholders. The initial reduction would add approximately 500 nonmember banks to those already subject to these extensive reporting requirements, while the reduction to 100 shareholders would add another 1,700 nonmember banks. A comparable percentage increase in coverage would most likely occur for bank holding companies registered with the SEC, for national banks registered with the Comptroller of the Currency, and for State member banks registered with the Federal Reserve. Second, all insured banks should be required to send out to their shareholders the data contained in the year-end condition and income reports submitted as of December 31 to the three Federal bank agencies. While such data may be obtained from the agencies upon request, placing the burden of dissemination on the banks themselves would lead to more widespread disclosure on an equal basis to all bank owners.

Statement by Robert E. Barnett, on S. 2304, 94th Congress, a bill "to strengthen the supervisory authority of the Federal banking agencies over financial institutions and their affiliates"*

I appreciate this opportunity to testify in support of S. 2304, 94th Congress, a bill "to strengthen the supervisory authority of the Federal banking agencies over financial institutions and their affiliates." As you know, the bill was proposed jointly by the FDIC, the Comptroller of the Currency, and the Federal Reserve. Its enactment would provide much needed assistance for preventing certain types of abuses that in the past have led some banks to fail and would better enable the regulatory agencies in the future to attempt to correct such problem bank situations before they reach the terminal stage. The need for this type of legislation was underscored by former FDIC Chairman Frank Wille in his July 21, 1975 statement before the House Committee on Financial Institutions Supervision, Regulation and Insurance . . . [a copy was attached as appendix A].

In his September 5, 1975 letter to Senator Proxmire forwarding this proposed legislation to the Congress, Federal Reserve Chairman Arthur Burns discussed in some detail the background circumstances giving rise to this proposal. I will briefly summarize these circumstances to refresh the committee's memory in this regard.

Civil Penalties

In a number of areas of bank regulation there is no totally effective deterrent to violation of various limitations and restrictions imposed by Federal statute. Although such violations can severely affect a bank's safety and soundness, the only sanction a bank faces in some cases is the possible issuance of a cease-and-desist order requiring it to reverse a particular transaction or to refrain from committing similar future violations. One example is section 23A of the Federal Reserve Act which (in conjunction with section 18(j) of the Federal Deposit Insurance Act) imposes stringent limitations on loans and other dealings between insured banks and their affiliates. However, since there are no specific penalties for violation thereof, a bank holding company or other person experiencing financial pressure may cause a subsidiary bank to violate such restrictions knowing that, if such violations are discovered, the only sanction would be the possible issuance of a cease-and-desist order designed to rectify the violation and prevent further such transgressions.

While the cease-and-desist order is quite useful for some purposes, it is not as significant a deterrent to violations of restrictions on inter-affiliate or insider lending as a daily money penalty would be. Accordingly, sections 1 and 7 of the bill would authorize the Federal Reserve and the FDIC to impose up to $1,000 per day civil penalties for violations of section 23A of the Federal Reserve Act relating to inter-affiliate dealings or section 22 of the Federal Reserve Act covering bank loans to their own executive officers. Similarly, section 2 of the bill would authorize the imposition of up to $100 per day civil penalties for violations of Regulation Q type restrictions relating to the payment of interest on deposits (section 19 of the Federal Reserve Act).

In addition, section 6(e) of the bill would authorize the imposition of a civil penalty against any bank or any officer, director, employee, agent, or other person participating in the bank's affairs for violation of a cease-and-desist order or a consent agreement which has become final under section 8(b) or 8(c) of the Federal Deposit Insurance Act. Section 6(e) would provide for a civil penalty of up to $10,000 for each day the offending bank or individual willfully refuses to

*Presented to the Committee on Banking, Housing and Urban Affairs, United States Senate, March 26, 1976.

obey the order. The authority to impose such a fine for violating a final cease-and-desist order would serve to emphasize the gravity of such an order.

Under section 8(k) of the FDI Act, a cease-and-desist order does not become final unless entered into by consent or until the time has run for filing a petition for review with the appropriate U.S. Court of Appeals and no petition has been filed or perfected, or the petition so filed is not subject to further review by the Supreme Court. In either event, the party must have exhausted the administrative and judicial remedies afforded to him under the act. If the party then continues to disobey an order, the appropriate agency can apply to the proper U.S. District Court to secure its enforcement. However, the threat of a court enforcement and possible contempt proceedings should not be the only deterrent at this point. The party has been given every opportunity to have his day in court. He should not be allowed to further impede the effect of the order simply to secure another delay and should be subject to a substantial monetary penalty for each day that he does so, as provided in the bill.

In imposing civil money penalties under the bill's provisions, the appropriate bank regulatory agency would be required to take into account the financial resources and the good faith of the bank or person charged with the violation, as well as the history of previous violations. Hopefully, the utility of such penalties would be primarily in their deterrent effect, and the actual imposition of fines could be used sparingly.

Insider Loans

Our experience has indicated the need for more vigorous supervision by bank boards of directors and bank supervisory agencies of transactions between an insured nonmember bank and insiders of the bank. Abusive self-dealing has been a significant contributing factor in more than half of all bank failures since 1960, including the failure of 30 nonmember insured banks. Losses to the deposit insurance fund as a result of these failures are likely to exceed $175 million. A review of existing and past problem bank cases also reveals abusive self-dealing as a significant source of difficulty. Even where the immediate result is not the bank's failure or its designation as a bank requiring close supervision, an insider transaction that is not effected on an "arm's length" basis may lead to a diminution of the bank's earnings and an erosion of its capital—thereby increasing the risk of loss to depositors and minority shareholders and ultimately to the deposit insurance fund. Also, insider transactions whose terms and conditions cannot be justified constitute a diversion to insiders of resources that properly belong to all shareholders on a *pro rata* basis, as well as a misallocation of a community's deposited funds.

For these reasons the FDIC on February 25, 1976, adopted a new regulation dealing with insider transactions. The regulation seeks to minimize abusive self-dealing through the establishment of procedures which insure that bank boards of directors supervise such transactions effectively and which better enable FDIC examiners to identify and analyze such transactions. The board of directors of each insured nonmember bank will be required, effective May 1, 1976, to review and approve each insider transaction involving assets or services having a fair market value greater than $20,000 for a bank having assets under $100 million, $50,000 for a bank between $100 million and $500 million in assets, or $100,000 for a bank with assets over $500 million. In addition, certain recordkeeping requirements, including a record of dissenting votes cast by members of bank boards of directors, will be imposed in order to foster effective internal controls over such transactions by the bank itself and to facilitate examiner review. A more complete explanation of the FDIC's new insider regulation will be found in our February 25, 1976 press release issued in this connection . . . [a copy was attached as appendix B].

In addition to these new regulatory requirements, it is our opinion that more explicit statutory lending limitations on the amount of a bank's loans to its insiders would be helpful in preventing banks from incurring undue risks by lending excessive amounts to insiders and their related business enterprises. Such limits are necessitated by the fact that a bank may be less subject to the restraints imposed by prudence and sound judgment when making loans to its insiders and their related interests than it would be in making loans to unrelated individuals or business enterprises.

Accordingly, we believe further substantive restrictions should be placed on transactions between banks and insiders. Specifically, it would be desirable to amend section 22 of the Federal Reserve Act to impose additional restrictions on loans by a bank to its own officers and directors and to major stockholders and corporations affiliated with such individuals. Accordingly, sections 3 and 7 of the bill would provide that the existing limits under applicable Federal or State law on loans to one borrower would apply with respect to loans by any member or nonmember insured bank to any one of its officers and directors and to any other individual holding more than 5 percent of its voting securities, including loans to companies controlled by such an officer, director, or 5-percent shareholder. These provisions would require that loans or extensions of credit to any one of its officers, directors, or 5-percent shareholders and to all companies controlled by such a person be aggregated and that the aggregate of such a credit not exceed applicable Federal or State one-borrower limits.

Administrative Enforcement

While the provisions of the bill discussed above are designed in large part to prevent problem bank situations from developing, the bill also contains several provisions intended to assist in dealing with problem bank situations once they arise. Presently, under section 8(e) of the Federal Deposit Insurance Act the appropriate Federal bank regulatory agency is authorized to remove a bank director or officer who has engaged in a violation of a law, rule, or regulation, participated in an unsafe or unsound practice, violated a final cease-and-desist order, or breached his fiduciary duty—but only if such a violation involves personal dishonesty and where substantial financial loss to the bank or other damage to its depositors can be demonstrated. Because of the difficulty of proving circumstances amounting to personal dishonesty, the present law effectively bars removal of individuals even if they have repeatedly demonstrated gross negligence in the operation or management of the bank or willful disregard for its safety and soundness.

While we realize that the congressional objective underlying the "personal dishonesty" requirement was to protect bank officers and directors from arbitrary or capricious administrative action, we believe that in light of recent experience it is necessary to balance the interests of the individual bank officer or director against those of the bank's depositors and shareholders, and ultimately against the public interest in maintaining the integrity of the Federal deposit insurance fund. To strike this balance, we strongly recommend enacting the provisions of section 6(d) of the bill, which add to the standard of personal dishonesty an alternative standard which would recognize the need to remove those officers and directors whose gross negligence in the operation or management of a bank or whose willful disregard of its safety and soundness threatens the financial safety of the institution. We believe that the present hearing and judicial review requirements are sufficient to shield bank officers and directors from arbitrary or capricious administrative action.

Recent experience also indicates that a bank may be harmed not only by the misconduct of its own officers and directors but also by the misconduct of others who are in a position to influence its affairs. However, it is often difficult or impossible to reach such persons through removal proceedings or through cease-and-desist action brought against the bank itself. Accordingly, we also recommend that the amendments contained in section 6(a) and 6(c) of the bill, which would amend paragraphs (b) and (c) of section 8 of the Federal Deposit Insurance Act, to provide that the appropriate regulatory agency may bring cease-and-desist proceedings against directors, officers, employees, agents, and other persons participating in the conduct of the affairs of a bank, as well as against the bank itself as permitted under present law. We believe that the ability to reach such officers, directors, and other persons participating in a bank's affairs through cease-and-desist orders would result in a greater ability to correct situations which might otherwise result in serious detriment to the bank.

There are other provisions in the bill which relate to bank holding companies or to other matters within the special cognizance of the Comptroller of the Currency or the Federal Reserve. While we support the bill in *toto*, we defer to these other agencies for detailed discussions of such provisions. Also in response to the request contained in your March 15, 1976 letter, there is attached a resume of administrative enforcement proceedings conducted by the FDIC during the past 5 years . . . [a copy was attached as appendix C]. Finally, we would recommend that the committee also act favorably with respect to a related bill (S. 2233) which contains various noncontroversial, "housekeeping" amendments to the Federal Deposit Insurance Act.

Letter by Robert E. Barnett, on making the FDIC subject to the appropriations process*

Dear Mr. Chairman:

I have learned that the Banking Committee voted yesterday to make the FDIC subject to the appropriations process. That action is profoundly troubling to the Corporation and its Board of Directors, and while I believe you know the general position of the Corporation on that proposition, I feel I should present it more thoroughly so that you and the other committee members will understand our view of the full implications of that action.

We are unaware of any major dissatisfaction of the committee with the Corporation. In many areas, such as disclosure, insider transactions, variable rate deposit instruments, examiner training and development, problem bank prediction, responsiveness to Congressional suggestions and inquiries, etc., we have been the leader among the bank regulatory agencies. We have not resisted your efforts to have the GAO audit our performance; on the contrary, we have welcomed it.

With respect to our performance in assisting banks that are failing or in danger of failing, or our general performance as guardians of the deposit insurance fund and administrators of the deposit insurance program, most objective observers will give us very high marks. We understand, for example, that a recent Gallup poll showed that 93 percent of Americans with bank accounts feel their money is safe there. Frankly, even though this poll was apparently funded by the American Bankers Association for that association's own purposes, we feel the results are a tribute to the FDIC and are a direct result of the Corporation's efforts over the years. No other efforts in the financial or monetary arena have received or could receive such a vote of confidence and approval.

If including the FDIC under the appropriations process was not designed to correct serious abuses or poor performance in our office, then it must be designed to provide better oversight of our activities. We feel we have always been open and candid with the Banking Committee, but nevertheless we can appreciate your interest in more information.

Because of our interest in providing you that information, we willingly have agreed to a GAO performance audit of the FDIC. This audit, which tracks most of the suggestions generated by your staff and sent to the FDIC by you on January 27, 1976, should provide you the information which will permit you a more thorough oversight of our activities. [A copy of the agreement was attached.]

As you know, the financial statements of the Corporation have been audited by the General Accounting Office on an annual basis for over 30 years. With the exception caused by the disagreement between the GAO and the Corporation over the desirability of predicting bank failures and possible losses to the deposit insurance fund, and the concomitant reluctance of the Corporation to permit a review of our examination reports for that purpose, the GAO has always found the Corporation helpful in assisting it in its annual audit. There have been no instances to my knowledge of the GAO raising any questions of irregularity or irresponsibility in the financial dealings or budget expenditures of the FDIC.

Although our budget is not reviewed by the OMB or Congressional committees, our budget decisions are made only after careful analysis within the FDIC. Our budget process begins with the Division chiefs' preparation of budget recommendations to our Budget Office. That is followed by a review by that office and our Personnel Office of those recommendations, hearings conducted by a

*To Honorable William Proxmire, Chairman, Committee on Banking, Housing and Urban Affairs, United States Senate, April 30, 1976.

Budget Review Committee internal to the Corporation, detailed recommendations by that review committee to the Board of Directors, and finally review and approval by the Board of Directors itself. We have a Controller's Office within the Corporation to which are delegated certain limited responsibilities and authorities with respect to administering the budget adopted by our Board of Directors, and the FDIC auditor and his audit staff audit both the Corporation's expenditures and each and every liquidation in which the Corporation is participating. During the middle of each fiscal year, a limited budget review and update is held.

Several benefits flow from this procedure. We have no need to pad our budget estimates to allow for cutting by the OMB or the Congressional appropriations or Budget Committees. We have no need to spend unused funds near the end of the fiscal year in order to avoid budget cuts the following year. Our decisions on applications for branches, deposit insurance, merger approvals, etc., and our judgments on hiring, firing, promotions, contracts, etc., can be made on the basis of our professional objective judgment rather than on their possible impact on our ability to gain approval for future budgets. We are able to budget and plan on a long-range basis for programs with long-range benefits. For example, we have developed over a period of many years a training program for bank examiners of which we are very proud. Such a program does not necessarily provide a payoff in the very beginning, but the present need for more and better trained examiners underscores the correctness of the judgment which initiated this program before the need was obvious. We are able immediately to increase our expenditures over budget estimates if an emergency involving a large bank failure occurs. We do not have to wait for a special supplementary appropriation nor do we have to build an unpredictable and probably misleading contingency fund into our budget estimates. Finally, if we decide, for example, that we should hire 100 more liquidators to administer closed bank receiverships that we see might be developing (as we did about 2 years ago), we can do that without publicity. As Senator Vandenberg said on the floor of the Senate in leading a bipartisan effort to prevent requiring the FDIC to submit a budget annually to the Bureau of the Budget (the same principle as here):

> . . . If the FDIC is doubtful about the year to come and has to build up a large budget in anticipation of its doubts, I know of no surer way to precipitate a crisis in the United States than to have the budget of the FDIC necessarily increased in anticipation of bank failures made public to the world on New Year's each year. (93 Cong. Rec. 10121 (1947)).

Because of the crucial and unique role of the banking system in providing the credit base for our entire economic system, certain related propositions seem clear to the FDIC. First, it is essential that Congress and the public are assured that the financial affairs of the FDIC are managed in a prudent and efficient manner. Second, it is essential that bank depositors remain confident that the FDIC has the financial and managerial ability to meet its responsibilities to deal effectively and promptly with failing banks. Third, it is essential that the general public remain confident that the Federal deposit insurance fund, built up over 40 years, will continue to be dedicated to protecting the safety and soundness of the banking industry. Finally, it is essential that the public be confident that the decisions of the FDIC on broad policy issues or on individual bank cases that come before it are decided on a professional, impartial, and nonpolitical basis.

I believe that under our existing administrative, financial, and budgetary arrangements and procedures, particularly as amended by the addition of a GAO performance audit, these propositions can be supported affirmatively. First, the existing GAO audit and the periodic reports and financial statements published by the FDIC constantly assure the public that the financial affairs of the FDIC are in order. Second, our performance has proved that the Corporation can deal effectively with closed banks. Third, the confidence of the public in the FDIC was shown by the total absence of lines outside the doors of Franklin National Bank, U.S. National Bank, or Hamilton National Bank when those banks closed. Before the FDIC was created, "runs" on banks were commonplace; now they are practically nonexistent. We believe the Gallup poll I referred to earlier accurately represents the confidence the public has in the FDIC. Finally, the public knows that decisions at the FDIC are not wrongly influenced by the political process since it is an independent agency, not supported by tax funds and not subject to the appropriations process. Change is unnecessary, unwarranted, and may, in fact, weaken the confidence the public now has in the FDIC. Again, referring to comments of Senator Vandenberg in the debate referred to before:

> . . . No one has yet had the temerity to propose that the Federal Reserve System should be robbed of its independence and subordinated to a political bureau of the Government. Yet, *here is an institution which is even more sensitive with respect to the necessities for its independence . . . .*
>
> I am not so much afraid of what the political controls would do, because I assume that they would have an adequate respect for this institution. But I am saying that the fundamental importance and value of the Federal Deposit Insurance Corporation is psychological; it is the faith that for 15 years America has demonstrated it has in this institution. At the moment when the FDIC is about completing $1,000,000,000 of earnings of its own, so that it can eliminate all Government capital at this time when there is a billion dollars of money available in the Treasury of the FDIC, if the American people read that, at long last, in Washington something is going on which indicates that the political powers are restless and will remain restless until they can get their hands upon this great institution, the effect will be most deplorable. [Emphasis added.]

Federal deposit insurance has worked. That the American public has confidence in its banking system and knows that its deposits are safe in the nation's banks is due in large measure to the existence of Federal deposit insurance. The integrity of the fund out of which those deposits will be paid in the event of a bank closing is unquestioned; each succeeding Board of Directors of the Corporation since its beginning has proved to be an excellent guardian of the fund. Any change in the financial operations of the Corporation or the methods by which the Corporation receives its money to conduct its business may well erode the public's confidence in the fund. We might note in this regard the recent concern being voiced about the soundness and solvency of the Social Security fund. Whether justified or not, similar concern about the integrity of the deposit insurance fund could prove to be unsettling. Without some overwhelming need, carefully and completely delineated, it seems reckless to expose the public's confidence in the banking system to the danger of such erosion of confidence. In a statement by former Chairman Leo T. Crowley (1934-1945) before the Senate Appropriations Committee which was at that time considering placing the FDIC under the appropriations process, this was stated eloquently:

> In the brief span of 14 years, the Federal Deposit Insurance Corporation has banished the fear of bank failures from the minds of the public. It has blazed the trail from hoarded currency hidden in mattresses and tobacco cans to the present time when no one doubts that his bank deposit will be repaid, if not by his bank, then by the Deposit Insurance Corporation. No longer do broken people gather before the closed, cold doors of a failed bank and ponder their plight while reading the fatal notice announcing the appointment of a receiver. Instead, when a bank closes, the depositors calmly await the arrival of the claim agents of the Federal Deposit Insurance Corporation who, in a brief period of days, pay off their claims in cash. From the outset, the Corporation has operated successfully and, as a banker, a former Government official, and a businessman, I have always believed

that an organization which is operating successfully should not be disturbed or upset by forcing it to change its method of transacting business. To unnecessarily deprive the Federal Deposit Insurance Corporation of its independence and flexibility which its corporate structure was designed to furnish, as is proposed in the pending measure, would, in my opinion, be a very grave mistake.

Former Chairman Wille made much the same statement testifying before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance on his final day as Chairman of the FDIC:

It is no accident, in my judgment, that the three Federal bank agencies have remained over the years relatively untouched by political scandal or intimidation. I fear, however, that this track record could be substantially altered if the proposed Federal Banking Commission and the FDIC were to be placed on an appropriated funds basis, subject in the first stage of the process to the tender mercies of the White House and the Office of Management and Budget and in the second stage to the varied interests of individual Congressmen. The practical effect of the appropriations process would be to give the political operatives of the White House and the Congress substantial control over the personnel, the day-to-day operations, and the legislative positions** taken by the commission and the FDIC, and I need not remind you how sensitive many of these agency decisions can be.

* * *

My own suggestion for change is, as I say, legislative oversight and post-audit by the GAO under specified conditions of confidentiality. I think we must have accountability, but I truly believe that with the thousands of very sensitive and important decisions made by the bank agencies on which many financial interests ride, that it would be a mistake to go through the political process of appropriations reviewed by the White House and then by the Congressional committees. I believe that this will lead to control over personnel and legislative positions and possibly even regulatory decisions themselves.

* * *

It was no secret that during the years of this past Administration and the affairs of Watergate significant efforts were made on the part of the White House to place particular personnel in some of the agencies of government, who were loyal above all things to the incumbent President.

I think it is clear that the Office of Management and Budget has used its power to recommend budget levels in an effort to control the policy direction of agencies. And, in many cases, I think this is appropriate. When you have a regulatory agency, I have severe question that that is appropriate.

I also believe that the temptation may exist to try to influence the actual decisions that the agency must make on individual applications.

To summarize, therefore, our opposition to including the FDIC under the appropriations process is based on (1) a deep concern for the integrity of the deposit insurance program and the independent dedicated fund which supports that program, (2) a fear that public confidence in deposit insurance might erode if the finances of the Corporation become politically controlled, (3) a strong desire to continue the present ability of the FDIC to make its decisions, many of which are extremely sensitive, on an objective, nonpolitical basis, and (4) a need to maintain flexibility in our finances to cover expenditures which may be predictable or unpredictable. The Corporation feels that the recent agreement reached with the General Accounting Office permitting operational audits by the GAO provides thorough oversight ability to Congress without the ancillary dangers associated with subjecting the FDIC to the appropriations process.

I am taking the liberty of sending copies of our views as expressed in this letter to the other members of the committee. I hope they are helpful to you and the other members.

**In this respect, insofar as the OMB is concerned, the imposition of the appropriations procedure on the FDIC could have the practical effect of nullifying recent legislation which expressly exempted the FDIC from obtaining OMB clearance before submitting its positions on legislative matters to the Congress.

Address by Robert E. Barnett, Remarks on the Economy, Banking, and Bank Regulation*

We have been going through a period in which problem banks and failures have received more public attention than we have been used to. Even those of us who are in favor of increased disclosure by banks have been unhappy with those news stories which have been exaggerated, out-of-date, or simply inaccurate. I may just be overly sensitive on this, however, since there is substance to the impression one gets from them and from the accurate stories also published during this period. Our problem bank list is longer than it has ever been and it does include some sizable banks. Bank loan losses were up dramatically last year and were more than double the figure for just 2 years ago.

I cannot explain everything that has happened to banks in the last 2 years. I have not seen any complete explanations for the very significant increase in bank problems that accompanied the recent recession. Unlike some observers, I do not find that the performance of the bank regulators, including the FDIC, is the cause of the problems, although had all of us done our jobs better, perhaps we could have blunted the impact on some individual banks—more about our role later. What I want to do today is to set out three factors which I think account, at least in large part, for the severity of our recent problems and to discuss briefly the implications of these events for bank supervision. While I might make a prediction or two, this is not a speech about what is going to happen as much as about what has already occurred.

The major strands in the explanation for the increase in bank losses and in the number of problem banks include, first of all, the 1974-75 recession; second, a general trend toward greater risk-taking on the part of the banking system that goes back a fairly long time; and third, some unusual peculiarities of the recent economic and international situation.

*Presented before the 92nd Annual Convention of the Texas Bankers Association, El Paso, Texas, May 3, 1976.

The 1974-1975 Recession

It is important that we not underestimate the relationship between the economy and bank performance. Some analysts and reporters seem to assume that banking should be immune to the general trends and problems of the economy. But that seems an unreasonable standard for banks. The 1974-75 recession was much more severe than anything our economy has experienced since World War II, whether measured by decline in GNP or industrial production or increase in unemployment. Since banks play such a major role in our economy, we must expect the health of banks to mirror that of the economy as a whole. In periods of economic decline, the profits of business firms fall and the number of firms encountering financial difficulties and failure always increases. This will be reflected in nonaccruing loans and loan charge-offs at commercial banks. If this were not the case—if banks were only making loans to firms whose financial condition was so solid that even a severe recession would not affect their ability to pay—then the banks would not be doing their job. I think most of us can agree that banking involves taking moderate risks on individual credits, though we expect that a well-managed, diversified loan and investment portfolio will keep overall losses at reasonable levels. Maintaining that portfolio, however, is hard to do when there is very substantial weakness in the general business environment.

We have reviewed the figures on loan losses of commercial banks over the last 25 years and we find a definite cyclical pattern. The pattern is not perfect, partly because we only have loss data on an annual basis and partly because banks do exercise some discretion with respect to the timing of charge-offs. Essentially, we have found that the percentage of loans charged off does increase during periods of business recession. This has been true in all of our post-war recessions--1949, 1954, 1958, 1960, 1967, 1971, and 1975. The year of recovery following those recessions always produced a reduction in the loan loss ratio. Of course, we don't know yet whether that will turn out to be the case for 1976, but if the pattern of these past 25 years continues then I would expect the loan loss ratio to decline this year.

While the pattern is rather clear, the magnitude of these year-to-year changes in bank loan losses was actually modest until we get to around 1970. I think that reflects the fact that the economic declines themselves were relatively modest. In fact, most of our recessions of the last 25 years really were slowdowns in the rate of growth of GNP rather than an actual year-to-year decline in the economy. Thus, it is not surprising to me that during the period of our most severe post-war recession, we should have a significant increase in bank loan losses and a significant increase in the number of banks on our problem list.

Risk-Taking in Banking during 1960-1976

Once I have said all this about the impact of the economic situation on banks, I am still left with the belief that the data on loan losses suggests more than a cyclical phenomenon. The extent of bank problems in the last 2 years was certainly influenced by this recession, but it also reflects some more basic and longlasting characteristics. I believe this squares with our general assessment of what has been happening in banking. Let me suggest a few numbers that illustrate this general trend.

The loan-to-deposit ratio of large banks was about 56 percent in 1960 and 68 percent in 1975. The ratio of equity capital to assets of large banks was over 8 percent in 1960 and under 6 percent in 1975. The ratio of cash and U.S. Government securities to assets was over 40 percent in 1950 and about 25 percent in 1975. These are significant differences in meaningful ratios.

Since the early 1960s, many banks, and particularly the large banks, abandoned their traditional conservatism and began to strive for more rapid growth in assets, deposits, and income. "Liability management" became the essential phrase in the modern banker's lexicon. The larger banks also began pressing at the boundaries of allowable activities for banks. They expanded into fields which some felt involved more than the traditional degree of risk for commercial banks. These activities included direct lease financing, credit cards, underwriting of revenue bonds, foreign operations, and others. This list of activities and the bank financial ratios I cited reflect a general trend toward increased aggressiveness and increased willingness to bear risks on the part of the banking system in general and large banks in particular. The holding company movement of the 1970s certainly accelerated these developments, though most of the activities of bank holding companies could also be, and were in fact, engaged in by banks directly. I am assured by our FDIC examiners that this increased aggressiveness showed up in lowered credit standards as well.

During the 1960s, banks generally were not noticeably harmed by the diversification of activities, the movement toward greater risk in their own financial structure, and lowered credit standards. After all, the early and mid-1960s represented a fairly extended period of relatively stable growth and moderately stable prices. The first half of the 1970s proved to be a much tougher economic environment in which to operate. Even apart from the recession of 1974-75, we should not minimize the impact on banks of operating in periods of very tight credit, very high money costs, and extremely erratic movements in commodities and other prices. These factors affected not only the banks directly, but also the stability and predictability of business operations, and that, in turn, had its impact on the repayment of bank loans.

I have mentioned some financial ratios and changes in activities that specifically apply to large banks. Many would argue that small banks have changed much less dramatically than larger institutions, and the loan loss data support this view. During the 1950s and 1960s, smaller banks generally had higher loss ratios than the larger institutions. That pattern clearly has been reversed in the 1970s. The loan loss ratios have been noticeably higher for larger banks over the last few years. This has been due in part to some failures of major corporations with substantial bank lines from large banks, in part to the large banks' greater exposure to construction lending and mortgage banking, and in part to their greater willingness over this period to finance new and sometimes untested operations or ideas. Moreover, since the large banks tend to have higher loan-to-asset ratios, their earnings tend to be more sensitive to loan losses.

The two factors I have mentioned in explaining the increase in bank problems, the general state of the economy and the increased willingness of banks to bear risk, are clearly interrelated. The increased aggressiveness of the banks would probably not have shown up to the same extent in increased problems if it had not been for the decline in the economy. Likewise the third factor I wish to explore is related to the general state of the economy as well.

Unusual Characteristics of this Period

In recent years, in addition to the general decline in economic activity, we have had some special problems. Some are directly related to the economy; some are unusual, one-shot events. These include such factors as the tremendous increase in energy costs, rapid rise in food prices, record high interest rates, and very severe problems in the real estate market.

Let us look first at the real estate problem, since many of our bank failures and major problems for the past 2 years have had severe real estate loan problems. While real estate markets have turned or appear to be bottoming out in many areas of the country, real estate loan problems in some areas may be with us for some time. It is difficult to tell what amount of nonaccruing real estate or REIT loans have been written off thus far, and what the ultimate write-offs will be on the volume of these loans presently on bank books. Some analysts expect that REIT loans still on the books of the banks will result in losses of up to 25 percent. While this figure seems high to me, even the more optimistic imply ultimate losses still to be taken by the banks over a period of a number of years will be in the order of a billion dollars. In some instances, loan swaps and refinancing have forestalled or eliminated immediate charge-offs, but these have been at the price of taking on long-term, low-yielding assets, which may penalize long-term earnings. It is possible, therefore, that bank loans to REITs will be a drag on the earnings of some large banks for several years. If successful, however, these work-out programs may reduce the number of REIT failures and lower future losses on REIT loans.

Why all the real estate loan problems? One answer given is that land booms are accompanied and fed by forces associated with price appreciation and "can't-miss" projection that feed on themselves. Beyond this, I think banks as lenders and as managers of REITs through holding companies deserve a considerable share of the blame. High rates on construction loans and REIT fee arrangements that encourage volume purchases and sales undoubtedly contributed importantly to a loss of perspective on loan quality. Too many projects required overly favorable sales or occupancy to break even, and though I recognize that the following is easy to say as a matter of hindsight, the lender's traditional restraint on the developer's perpetual optimism was not present. In many cases, bank real estate lending officers were too young and inexperienced to remember past periods of real estate lending problems.

There have been some well-conceived projects that ended up with foreclosures and bankrupt builders. These have been due to the general weakness of the economy, greatly increased building costs, and much higher energy costs, all of which contributed importantly to the failure of many real estate ventures that appeared sound when they were conceived. Very high interest rates added to the burden of carrying nonearning assets and accelerated bankruptcies. Now the economy is on the rise and money for permanent financing seems plentiful. Many of these projects will be bailed out by the rising tide of the economy and, in the longer run, perhaps by inflation.

Some of the real estate developments, however, were poorly conceived to begin with. In some instances, costs were just too high for the market and sizable losses will have to be accepted. Some of the developments, particularly second-home or vacation area condominiums, were based on expectations of ever-increasing prices and eventual resale at a profit. Once it became clear that owning a condominium was not a sure-fire route to ever higher and higher values, it became very difficult to sell any at all. Many of those projects seemed to be based on the "greater fool" theory of investment; that is, even if you foolishly pay too much for a piece of property, sometime in the future you will be able to sell it at an even higher price to an even greater fool.

Many banks have had problems with loans to REITs and real estate developers. A smaller number of banks have been affected by other particular problems, such as losses on foreign operations and loans on oil tankers. It appears that some of these problems have been greatly exaggerated. For example, there has been a widely cited figure of American bank vulnerability on oil tanker loans of something like $17 billion. It appears now that responsible analysts are saying that the correct figure for American banks is actually nearer $3 billion. Or to take another example, many of the loans to less developed countries that have been cited as a potential problem for large banks appear to be loans to foreign subsidiaries of AAA U.S. corporations. Nevertheless, these special problems, combined with the decline in the economy and the increased vulnerability of some banks, have led to increased loan losses and a larger number of problem banks.

Significance of these Problems

Loan losses need to be viewed within the context of a bank's overall ability to absorb such losses through earnings and through reserve and capital accounts. I have mentioned the decline in bank capital ratios and the increase in loan-to-deposit ratios, particularly for the large banks. Some of the decline in capital ratios has been the result of rapid growth of foreign operations, increased reliance on purchased money, holding company acquisitions, and inflation, all of which contributed to rapid deposit growth for all banks. During the past year or so, however, many banks have made considerable progress in reducing their vulnerability. Bank capital increased faster than deposits last year and as a result, capital ratios rose. The deposit mix of banks, and particularly large banks, has improved considerably from the standpoint of cost and stability. Banks have not bid aggressively for CDs, allowing a sizable runoff. Thus, while bank deposits have increased by over 7 percent since the end of 1974, that increase occurred despite a sizable reduction in large CDs. Bank loans are virtually unchanged from year-end 1974, whereas holdings of U.S.

Government securities have increased by about $40 billion. Thus, the banking system is clearly in a more liquid and less vulnerable position than it was a year or so ago.

There is also reason for optimism when we look at bank earnings. In the aggregate, bank earnings have held up fairly well during this very difficult period. Bank earnings rose by about 2 percent last year, making it one of the few industries to show an increase in earnings during the recession. But that average increase masks some wide variations. Along with some sizable gains, there were a lot of moderate gains and some very sizable declines. Despite weak commercial loan demand and declining loan rates, banks generally maintained their spread between gross earnings and money costs. Money center banks actually improved their spreads. Banks experiencing the worst year-to-year comparisons generally did so because of loan losses.

Loan losses have come to be a major factor in determining bank net income. This is quite different than the situation only a few years ago when bank loan losses had a negligible effect on bank earnings. The increased importance of loan losses is shown in a recent report of Keefe, Bruyette & Woods, Inc., a leading bank stock analyst, which reported an average ratio of net loan losses to outstanding loans of .65 percent for 82 large banks in 1975. There was considerable variation among banks and among regions. The percentage for 10 New York banks was .72 percent and for 10 southern banks the figure was 1.1 percent. It was lower in the rest of the country and only .41 percent for five large banks in Texas.

It is difficult to predict bank earnings for this year. First quarter reports seem to indicate that most banks have declines as compared with last year. That reflects lower loan volume and lower interest rates as compared with the first quarter of last year, and an increased tendency of banks to spread out loan charge-offs throughout the year rather than concentrating them heavily in the last quarter. While it is hard to forecast the balance of the year, since much will depend on loan demand and interest rates, I would expect comparisons with last year to get better throughout the year. I would also expect to see some improvement stemming from a reduction in loan losses.

Relationship to FDIC Problem List and Supervisory Implications

The trends I have described so far have been reflected in our list of problem banks. The FDIC's problem list, which includes national banks and State member banks as well as nonmember banks, now totals about 370 banks. That number was increasing steadily all during 1975 but now appears to be leveling off. While that is only about 2½ percent of all insured commercial banks, it is nevertheless at its highest level in 25 years.

We have compared figures of our problem list with data on the economy as a whole, in much the same way we did with loan losses, and found again a meaningful relationship. However, whereas loan losses appear worst just when the state of the economy is worst, our problem list tends to lag by an average of about 12 months. This should not be surprising since there tends to be a lag in the examination and analysis process and since our own examiners are not apt to be completely insensitive to recent economic and financial developments. Thus, it is not surprising that now, about a year from the low point in the recession, we are at a high point on our problem list. If the current relationship follows previous experience, I would expect the number on our problem list to get smaller later on this year.

Not only has the banking system gotten considerable attention over the last year or so, so has the bank supervisory system. There are those who say or imply that inadequate bank regulation was the cause of so many banks being on problem lists. That misses the point, however, since it is good bank regulation and supervision that spot the banks that are in trouble and puts them on lists for closer supervision. The question probably should be, could better regulation and supervision have prevented banks from reaching a condition which required closer supervision by bank regulators? What are the implications of this economic cycle analysis of bank problems for bank supervision?

It is my view that bank supervision as we know it in the United States, as opposed to its characteristics in other countries such as Japan, is limited in its ability to dictate the soundness of the banking system. It appears that a considerable part of the bank problems in the last couple of years has been due one way or another to the general state of the economy. That is clearly a matter beyond the control of the process of bank supervision. Some of the problems have been due to specific unpredictable events like the rapid increase in oil prices and a resulting decline in the demand for oil and oil tankers. It would have been nice if we had been able to anticipate and prevent the debacle of the REITS, for example. In view of the vast number of financial experts who failed to foresee these problems, I don't think it is surprising that bank supervisors failed also.

There is one area, however, in which we do have an ability to lessen the impact of the business cycle. We must be very careful in this area, however. It is the one covering bank attitudes toward risk and the willingness of bankers to increase loan ratios and decrease capital. We are giving more attention to these matters at the present time, and we will continue to demand more capital from banks inadequately capitalized, as well as demand that loan, investment, and operating policies and practices be reasonable ones. We have so informed members of the two banking committees which have expressed concern over capital adequacy. We are analyzing trends rather than static pictures much more intently than we did in the past. Computers are whirring constantly as we try to find ways to discover problems sooner. We are looking much harder at management and are willing to step in quicker with formal orders requiring action on management's part. We've asked Congress for more powers to deal not only with dishonest bankers but grossly negligent ones.

We recognize, however, that banking is a risk-taking business and we must rely on market forces, on management, and on owners, in addition to our supervisory judgment, to determine the appropriate degree of risk for individual banks. I do not believe that even the most outspoken critics of banking and bank regulators want the regulators to run the banks rather than the bankers. We can all agree that that is not our function. If we are too intent upon preventing *all* bank failures in our regulatory posture, we may have some success in shortening our problem lists, but the conservative banking philosophies we would have to adopt would retard the progress of the economy. So attempting to prevent all bank failures is not our function either. In some cases, government policy, which I endorse, has encouraged a shift toward a riskier banking posture. We have issued regulations on "leeway investments" which have broadened the types of investments that can be made. By disapproval of redlining and promoting the concept of equal credit opportunity, we have actively pushed banks into lending that they may feel (though I do not necessarily agree) is more risky. The FDIC has been in the vanguard of those who insist that the Bank Merger Act be interpreted to permit more competition between banks: this approach has as its corollary an unwillingness to protect competitors from the results of competition—i.e., one wins, one loses.

Frankly, I believe that the FDIC and the other regulators have done an excellent job of bank supervision during the past 2 or 3 years after the magnitude of the problems became apparent to us. Very large bank failures have been resolved by the Corporation working closely with the Comptroller of the Currency or the Federal Reserve System without the loss of a dime to any depositor and with only minimum disruption in the communities affected. Compare that with the result of the bank panics in the '20s or early '30s!

The Corporation and the other regulators should be praised, not berated, for this performance.

The jury is still out, however, on the question of prevention. Somehow, the regulators must do a better job of carrying out the full range of responsibilities given them by Congress, some of which have only limited direct effect on safety and soundness; must spot problem situations earlier; must be willing and able to move in more quickly with effective enforcement action; and must do all of this while recognizing that our economy needs the initiative, ingenuity, and aggressiveness of free enterprise and competitive banking.

In any case, I believe that the movement since 1960 has been essentially healthy, though it may have gone too far in some respects. Overall, the system is not in bad shape and I do not think we have to be apologetic. Some individual banks made mistakes and have suffered for those mistakes. I would have preferred it if we could have spotted those individual situations earlier, and perhaps corrected them. No one, particularly a bank regulator, likes to see a bank fail. But the role of banking supervision in general, and certainly of the FDIC, is much more oriented toward soundness in the banking system and maintenance of confidence in that system rather than protecting individual banks. While I recognize the interrelationship of the two concepts, it should be kept in mind that they are different. As long as banking is part of the competitive enterprise system, there will be bank failures.

What the FDIC has done, however, is cushion the shock of a failure, and we've done an excellent job there. I am sure you have all seen the recent Gallup Poll which showed that 93 percent of Americans with bank accounts feel their money is safe there. This comes after intensive bad publicity about bank problems, and soon after the largest bank failures in our history. Frankly, we feel that this overwhelming display of confidence is a direct result of the FDIC's efforts over the years. Any suggestions that the operations, funding, or control of the Corporation be changed must deal with the possibility that this confidence may be eroded.

We certainly can improve our policies and our operations in many areas, and I intend to explore the possibilities during my term as Chairman of the FDIC. We cannot completely sever the links, however, between the performance of the economy and the performance of the banking system. If the economy continues to improve, next year will probably be a very good year for banks. I suspect that banks will be somewhat more cautious in their lending policies than was the case during the past few years. We will be more cautious as well and view unusual situations much more skeptically than 5 years ago. Whether or not that caution will prove warranted, or perhaps overdone, will depend in great part on the performance of the economy in the years ahead.

Address by George A. LeMaistre, on bank regulatory reform*

Large bank failures and economic strains have focused attention on the banking industry and our system of bank supervision and regulation to a degree not seen since the '30s. Beginning with the speech given by Arthur Burns of the Federal Reserve at the American Bankers Association Convention in 1974 in which he decried what he termed a "competition in laxity" and described the existing regulatory framework as a "jurisdictional tangle that boggles the mind," the issue of bank regulatory reform has never been far from the attention of either the banking committees in Congress or the banking agencies themselves. A myriad of proposals has been put forward, untold hours have been consumed in discussion, numerous speakers have pontificated, reams of paper have been produced, and, finally, what should have been a careful analytical exploration degenerated into a personal political vendetta. I do not need to tell you the outcome: after much sound and fury, the issue of bank regulatory reform is dead in the 94th Congress.

Nevertheless, I think it is desirable to reflect on the subject of regulatory reform in the banking context, since, like it or not, governmental and regulatory reform seems to be an idea whose time has come. When I talk with businessmen, bankers, and even consumer advocates around the country, I hear one persistent complaint: profound dissatisfaction with the pervasiveness of governmental intervention in our day-to-day affairs and with the reams and reams of paper that are required to effect even the simplest and least controversial of transactions. The extent of this concern has been one of the dominant themes of the current Presidential election campaign.

*Presented before the 86th Annual Convention of the Arkansas Bankers Association, Hot Springs, Arkansas, May 17, 1976.

The issue posed by this dissatisfaction is not a simple one. Most informed people share the recognition that our economy is too large and complex to function properly without some governmental supervision or regulation. For example, while some might disagree with the direction of monetary policy at a particular time, few would deny the need for a mechanism to control the quantity of money in the system. Similarly, although one may disagree with the specific policies of many environmentalists, the absence of some controls over the disposal of commercial waste and other pollutants would lead to disastrous consequences in a highly industrialized society such as ours. And finally, by way of illustration, there is, I believe, general agreement that some surveillance and supervision of the operation of individual banks is required to avoid an excessive number of failures that would create economic instability.

Accordingly, the problem is not that regulation and supervision of economic and commercial affairs is inappropriate, but rather that regulation often outlives the problem it was intended to address; that we do not always take sufficient care to choose the least costly means to achieve the desired end; and that, often, regulation results in unanticipated consequences which can be more severe than the problem which regulation sought to remedy.

It is not surprising, however, that these problems are so rarely dealt with effectively. All too often those who are regulated, while screaming loudest about the sanctity of an unfettered free enterprise system, grow comfortable in their regulated environment and resist mightily when any serious effort is made to deregulate. Similarly, regulatory bodies acquire a vested interest in their own existence and the "turf" which they regulate which prevents their objective assessment of the regulatory policies which they pursue. As a result, governmental agencies are often loathe to engage in critical self-examination. And finally, it must be acknowledged that while it is possible to deal with these issues with some ease in the abstract, real-world solutions are not easy to produce. In part, this is a consequence of practical politics and the fact that any change in the framework of an industry's regulation may lead to significant short-run dislocations or adjustment costs. At least as important, however, is the simple fact that answers to many of these problems are extremely difficult to discover.

These factors provide a partial explanation of why the results of bank regulatory reform efforts were so disappointing in the 94th Congress. Notwithstanding the difficulties, however, I believe that it is important—and perhaps crucial—that bankers and bank regulators develop a systematic and reasoned approach to regulatory reform. In my judgment, the failure to develop such a positive approach will have several adverse consequences. A golden opportunity will be lost to deal in a meaningful way with the problems of excessive and inefficient regulation, and to highlight the unintended ill effects and hidden costs of regulation. Similarly, an opportunity will be lost to remedy certain demonstrable inadequacies in the present supervisory framework. And finally, I think that it is critical that we not opt out of the process of shaping the changes which are both inevitable and bound to affect us deeply.

In the time which remains, I would like to identify some of the elements of such an approach, and to suggest some of the changes which might flow from this analysis. I hasten to emphasize that these remarks are not intended to be a comprehensive or definitive plan but are rather a tentative effort to suggest an orderly way of thinking about regulatory reform—an effort which I hope to refine substantially in the months ahead.

First of all, remedies should be developed which respond directly to inadequacies and abuses which are demonstrated by careful analysis of the facts, rather than to empty phrases such as "competition in laxity." In my judgment, the failure of recent legislative efforts to focus upon specific, demonstrated shortcomings of the system insures that at least one serious flaw will be with us for at least two more years.

Recent events have illustrated that the existing framework for the regulation and supervision of bank holding company systems is not only unduly costly because of the overlapping and conflicting jurisdictions involved, but also in some instances simply has not functioned properly. In three of our largest bank failures in the past 18 months—the insolvencies of the $½-billion-asset Hamilton National Bank of Chattanooga and the $175-million American City Bank of Milwaukee, and the distressed merger of the Palmer National Bank of Sarasota—the cause of bank failure was not abusive self-dealing, which from 1960 through 1973 was far and away the predominant cause of failure, but rather massive unsafe and unsound lending practices occurring in the essentially unsupervised environment of a nonbanking holding company affiliate. The failure of the Hamilton National Bank of Chattanooga—a venerable, traditionally conservative, well-run institution—is the most graphic and tragic illustration of this phenomenon. But for $80 million in mortgages initiated by an Atlanta-based mortgage company affiliate over a period of months and dumped on the bank, the bank in Chattanooga would be in existence today.

These cases illustrate two points which should be recognized by both the banking agencies and the Congress. First of all, the notion that one segment of a holding company operation can be insulated from the remainder of the system is quite simply a myth. It is the worst form of self-deception to think that the lead bank in a holding company is in a safe and sound condition because its last examination was satisfactory if other facets of the holding company system are not undergoing equally rigorous scrutiny. (I should emphasize parenthetically that I am not an advocate of more stringent portfolio supervision. Quite the contrary.) Rather, my point is that when holding companies were allowed to proceed in a manner that would be unacceptable in a commercial bank, some of them were encouraged, in effect, to hide enormous risk.

The second point flows from the first. That is, it simply makes no sense for as many as four bank regulatory agencies to have safety and soundness jurisdiction over various segments of an integrated business enterprise. Inevitably, this approach will be at times conflicting and uncoordinated.

Accordingly, as an individual involved with the agency concerned with the administration of the deposit insurance fund, I would rate the fragmented and ineffectual framework of regulating holding company systems and not some vague notion of "competition in laxity" as the most profound cause for concern in our present supervisory structure. As has been suggested by others, including Comptroller of the Currency Jim Smith, this problem could be remedied by charging the supervisor of the lead bank with the primary supervisory responsibility for the entire system, including the holding company itself.

Even if it were not possible to illustrate the adverse consequences of the present framework in concrete cases such as the Hamilton failure, such a framework should be rejected both because of the governmental waste that results from the unnecessary duplication of effort and because of the burden imposed upon the banker, who must deal with four bank regulators as well as the SEC, the Justice Department, the FTC, and miscellaneous other regulatory bodies.

This brings me to what seems to me to be a second element of any serious attempt to reform a regulatory framework: that is, a concerted effort should be made to eliminate redundancy and overlap within the framework of regulation that applies to an industry. Although many of the regulatory reform proposals which surfaced recently purported to rationalize the bank regulatory structure, some of the most notable instances of duplication and inefficiency were largely ignored.

In my judgment, the existing system of review under the Bank Merger Act represents a classic example of a regulatory process which, although benign, is redundant, time-consuming, and unduly costly. As you know, our present system of review of the competitive aspects of a merger has three elements. Under the statute, the primary Federal regulator is charged with the responsibility for considering both anti-trust and banking factors in determining whether a given merger should be approved or denied. Second, each of the remaining two Federal banking agencies and the Justice Department are required to file with the primary regulator its own analysis of the competitive implications of the merger in question. Finally, after approval by the banking agency, Justice may, within 30 days, sue to overturn the merger on anti-trust grounds.

This system was designed by Congress ostensibly to obtain uniform application of the act. Moreover, on paper at least, the system seems a good example of how checks and balances can be built into governmental processes. Yet, in fact, the record as developed and reviewed by the Senate Banking Committee this session reveals that uniformity has not been the result. And I can personally testify to the fact that the advisory opinions contribute little, if anything, in the way of facts or analysis that is not brought to our attention by FDIC staff.

Thus, the net effect of this process is, in my judgment, that the energies of bright competent people are consumed in a meaningless task and that more paper is circulated in a city already choked with it. The redundancy, it seems to me, could be remedied without altering the present application of the law. At the very least, the requirement of the extra competitive factor reports should be eliminated. However, I would go a step further, and recommend simply that the primary bank supervisor and the Justice Department be given notice of the intention of two banks to merge. The bank agency would have the responsibility of reviewing the merger from a safety and soundness point of view and the Justice Department would review the competitive factors. If, in the judgment of the banking agency, the merger was defective in terms of banking factors, then the agency would have the authority to prevent it. The Justice Department could, as it does now, file suit under the anti-trust statutes to stop the merger within the time period.

Another area of redundancy has been underscored by the recent highly publicized efforts of the SEC with respect to disclosure of financial information by large holding companies about to go to the market with debt issues. Congress made a determination that banks should be exempt from the registration requirements of the Securities Exchange Act of 1933. That decision was undoubtedly based on the belief that the special expertise of the bank supervisors would better protect investors, on the idea that the disclosure of the sort mandated by the securities laws was incompatible with the maintenance of confidence in the banking system and, perhaps, on the political clout of banks at the time.

Whatever the reasons underlying this scheme or its merits, the rapid evolution of the holding company and its dominance of banking have served to nullify it. So long as holding company systems finance through the holding company rather than the bank—and that has been one of the attractive features of the mechanism—bank exemption from SEC jurisdiction is meaningless. Accordingly, it seems to me that Congress should face up to this fundamental anomaly in the law and vest jurisdiction for the protection of investors in bank securities in either the SEC or the banking agency or agencies. The failure to do so will, it seems to me, lead to further duplication of time and effort as well as further conflict and confusion.

I have focused upon the administration of the securities laws and the Bank Merger Act not so much because the redundancy involved in each leads to "bad" or ineffective regulation, but because they illustrate so clearly the extent to which we have all come to expect, and live easily with, needless and wasteful government when the same resources could be employed to achieve meaningful and needed results. At best, as in the review of merger cases, the result of duplication and overlap in governmental function is waste and inefficiency within the government. At worst, as in the area of holding company supervision, the result is increased costs and burden upon those regulated and their customers, confusion of responsibilities, and, most importantly, regulation which is far less effective than it might be.

Finally, and most importantly, any serious effort at regulatory reform must be based upon an analysis of the objectives and functions of the entire bank regulatory framework. Congress has assigned to the banking agencies and to other agencies of the government such as the Justice Department, the FTC, and the SEC a host of functions, including, among others, the promotion of economic stability through the administration of monetary policy, the protection of the safety and soundness of the banking system and individual banks through bank examinations and supervision, the protection of investors and the securities markets through fair and adequate disclosure under the securities laws, the promotion of competition, the protection of consumers, the enforcement of anti-discrimination laws, the regulation of interest rates paid on deposits, and the amelioration of the effects of bank failures when they do occur.

As even the recitation of this partial list suggests, bank regulation is multifaceted. All too often these several goals conflict, necessitating trade-offs among them in terms of both the allocation of resources and the resolution of disputes. In order to understand, much less intelligently reform, the structure and content of bank supervision and regulation, each of these functions and its relationship to other functions should be fully comprehended and evaluated. Indeed, I think that it is quite likely that much of the recent controversy surrounding bank supervision is the result of misunderstanding, confusion, and submerged disagreements as to the relative weights which are to be accorded the different functions involved in bank regulation. While this evaluation of each of these functions is a tedious and difficult process—and one for which the political crucible of Congress is especially ill-suited—it is in my judgment essential if regulatory reform is to lead to anything but disruption of a system that—by and large—works.

In conclusion, I would simply like to reiterate what I suggested earlier. The current Presidential campaign confirms what we should have already known: that reform of our governmental and regulatory processes is an idea whose time has come. Knee-jerk opposition to change will not prevent its occurrence, but may serve to exclude the opponents from participation in shaping that change. I sincerely hope that we as bankers and bank regulators will have the foresight to deal with the issues involved in an orderly and analytical way. If we do, I am convinced that the net result will be a regulatory framework that is less burdensome and more effective and an industry which better serves its customers.

Address by Robert E. Barnett, Enforcing the Fair Housing Lending Law*

Since becoming Chairman of the FDIC several weeks ago, I have received many invitations to speak. I have turned down most of those invitations because I have felt that it is important to spend as much time as possible at my desk during this early period. However, I was happy to accept this invitation to speak at the NAMSB convention. The FDIC is the only Federal supervisory agency for the savings bank industry, and savings banks comprise about one-third of the deposits of all banks examined by the FDIC. Happily, from both our points of view, savings banks give us much less than their proportionate amount of supervisory problems.

Today I would like to say a few words about our view of the condition of the savings bank industry and also our analysis of the current year's outlook. I then will turn to my major topic today, fair housing lending.

Attention has been given in recent weeks to a decline in the surplus position of mutual savings banks. In our view, this decline, which we see as a relatively insignificant one, has been a result more of the problems associated with inflation than anything else. Inflation has three direct undesirable effects on mutual savings bank capital. First, inflation, accompanied by an increase in the money supply, results in an increase in the dollar amount of deposits. Second, inflation results in an increase in operating expenses. Third, inflation is accompanied by high interest rates, which increase the interest expense of savings banks more rapidly than the interest income from long-term assets. The net result is an inability of savings banks to retain earnings in a sufficient volume to margin the rapid deposit growth. We are concerned, of course, about the continued decline of mutual savings bank surplus ratios. We recognize, however, that the decline in recent years has not resulted from losses or substantial deterioration of asset quality, or from a deliberate movement of the industry toward a riskier capital position, but instead is simply a reflection of the economic forces that the industry has faced.

The last few years have been troublesome ones for the commercial banking industry. One of the most serious problems faced by commercial banks has been in real estate lending. This, of course, is the area to which mutual savings banks devote most of their resources. Yet the mutual savings banks have weathered this very trying period of real estate financing virtually unscathed. Commercial bank real estate loan losses are at record levels. Mutual savings bank real estate loan losses, while up slightly, are still low and no cause for concern.

Similarly, a great deal of attention has been paid in recent months to our problem list. The number of commercial banks on the problem list is at the highest level since the aftermath of the depression. I hope the worst is past with respect to the commercial bank problem list. But the mutual savings bank problem list has caused us almost no concern at all. There are very few mutual savings banks on the problem list, only two or three, and this represents no real change from the situation several years ago.

Of course, mutual savings banks have gone through a difficult few years. We expect, however, that 1976 is going to be a near record year for mutual savings bank earnings. Our analysis of first quarter reports finds the industry moving about on the track we expected. Deposits have been flowing into mutual savings banks at a record pace all year and show no signs of slackening off. Obviously these inflows are sensitive to market interest rates, and at the present time, the rates offered by mutual savings banks

*Presented before the 56th Annual Conference of the National Association of Mutual Savings Banks, Philadelphia, Pennsylvania, May 19, 1976.

compare very favorably with rates available on the open market. We recognize that that might change. Many forecasts anticipate some increase in short-term interest rates over the last half of 1976. But while that may well be the case, we see little likelihood that interest rates will rise fast enough or high enough to result in disintermediation. The deposit inflows, so far this year, have allowed savings banks to greatly improve their liquidity position. This includes both the repayment of borrowings and an expansion in holdings of short-term securities. Mutual savings banks will turn more heavily to the mortgage market in the remainder of the year, and we expect mortgage holdings to increase by over $3.5 billion in 1976. Obviously, investment in short-term securities tends to penalize earnings in the short run, but there is no question that it has left the industry in a very strong position to meet whatever the future may bring. Not only is there adequate liquidity to handle the threat of possible outflows, but an increase in interest rates this time around will find the savings banks with substantial resources which can be moved into attractive high-yielding investment opportunities.

The improved earnings that the savings banks are experiencing this year are accounted for by the sizable growth in deposits. Profit margins, while expected to be somewhat higher than in the last couple of years, are still low and are poor in comparison with the more robust profit margins of the early 1970s. We project net income at .42 percent of assets for 1976 compared with about .35 percent in 1974 and 1975. In 1972 and 1973, the ratio was above .50 percent. Inflation, with its impact on noninterest costs, and the steady rise in the percentage of savings bank deposits accounted for by high-yielding term accounts may make it impossible to return to those days of higher profit margins. But a narrower margin on ever-increasing deposit volume may not be an unsatisfactory industry position.

I'd like to move now to the question of fair housing lending.

At my confirmation hearing, Senator Proxmire and I discussed several matters. He led off with one issue, however, which he returned to at the conclusion of the hearing. That matter concerned FDIC enforcement of fair housing lending laws. I think it fair to infer from the stress he put on that topic that it is his view, and that of the Senate Banking Committee, that the FDIC should give serious attention to this matter over the coming months. I was not unhappy with that emphasis because it has been my personal view also that the FDIC should devote substantial effort to assuring that mortgage lending by commercial and mutual savings banks is carried out in a nondiscriminatory manner. I would like to review the background of this matter with you briefly, and then discuss what we might do about it.

In 1968, Congress passed a Civil Rights Act that included a title on fair housing. A section of this act made it unlawful for any financial institution to discriminate in real estate lending on the basis of race, color, religion, or national origin. A further provision of the act requires "all executive departments and agencies to administer their programs and activities relating to housing and urban development in a manner affirmatively to further the purposes of this title." In 1974, this act was amended so as to prohibit discrimination on account of sex in mortgage financing. The Equal Credit Opportunity Act added marital status and age as illegal bases for discrimination.

The Civil Rights Act provides a clear proscription against these enumerated discriminatory practices, but does not specifically call for regulations to be issued by the financial regulatory agencies or spell out other duties or obligations of such agencies with respect to enforcement. In December 1971, the FDIC issued a press release giving notice of intention to formulate regulations related to the act, and issued a policy statement on fair housing directing banks supervised by the FDIC to give public notice that their real estate loans are available without regard to race, color, religion, or national origin. We also required that a fair housing notice appear in real estate financing advertisements. This policy statement became effective on May 1, 1972. Our routine examination process since then has included checks on bank compliance with the requirements for advertising and the required lobby poster on fair housing. We have found relatively few violations, and those have been promptly corrected.

In the fall of 1972, we proposed some regulations on fair housing that involved recordkeeping requirements, and in December we held 2 days of hearings on these proposed regulations. These regulations were never issued because we were not convinced that the recordkeeping requirements would provide meaningful data for monitoring fair housing lending practices. In the spring of 1974, we began a pilot survey along with the Comptroller of the Currency, the Federal Reserve, and the Federal Home Loan Bank Board to test various types of reporting forms to determine what a feasible and effective recordkeeping system would involve. I will comment in a few minutes on some of the problems we encountered in that pilot survey. In any case, after a review of all the data, we concluded that use of any of the three different types of reporting forms would not enable us to detect patterns of discrimination.

It is fair to say then, that even now we have not determined the best route to take to assure ourselves that discrimination in housing finance has been eliminated. All during this period, we have received petitions and proposals submitted by civil rights organizations urging us to do things. Many of them appeared to be costly and burdensome, and not necessarily effective. We have also received comments from bankers telling us that nothing should be done since banks do not discriminate in mortgage financing. The problem is a very difficult one for reasons which I will get into shortly. Regardless of the difficulties of the problem, however, we have become increasingly subject to criticism from the Congress and others that we have not met the responsibilities that they would like us to assume.

Part of our problem in enforcing the law is that the concept of discrimination is a very difficult one and its exercise can take place in subtle ways. Discrimination connotes the exclusion of some individual or group of individuals from some activity on the basis of one or more identifiable attributes possessed by the individual concerned. Some forms of discrimination represent indefensible biases (for example, exclusions from certain jobs on the basis of sex or race) and work to the ultimate disadvantage of both the affected individuals and society as a whole, while other forms of discrimination may be appropriate and, in fact, benefit society (for example, the exclusion of confirmed kleptomaniacs from jobs as bank tellers). Our economic system is based on a type of discrimination. In our market economy, an increase in the price of any goods excludes certain members of society from consuming the goods or restricts their purchases below what they would have desired at the previous price. That is, if a commodity is in short supply, its price rises so that the supply is allocated to those to whom it is worth the most and, hence, discriminates against others. But while markets are inherently discriminatory, they should be discriminatory with respect to economic phenomena only. Two individuals with vastly different incomes would be expected to receive different amounts of credit with, perhaps, different credit terms. On the other hand, two individuals with similar economic characteristics but with different skin colors would be expected to receive essentially the same amount of credit on essentially the same terms. It is primarily noneconomic discrimination with which the Civil Rights Act is concerned.

It is very difficult to detect or to measure this noneconomic discrimination because, in order to do so, it is necessary to control for economic characteristics. If this is not done, a finding of apparent systematic discrimination in, say, credit allocation to one group of individuals may be due to valid economic considerations rather than noneconomic biases. If blacks, on average, have lower incomes than whites, we should not be surprised to find that blacks receive a share of mortgage loans made that is less than proportional to their number in the population. But for those blacks who have comparable incomes with whites, loan rejections should not be at a higher rate. We must also take account of the size of the loan requested in relation to the appraised value of the property. But are appraisals influenced by the racial composition of the neighborhood? These economic factors, enormously complicated by themselves, must be analyzed thoroughly before we can say anything about noneconomic discrimination.

A further complication in the enforcement of the Civil Rights Act is that its coverage is much broader than simply affirmative or negative decisions on loan applications. The act forbids discrimination with respect to downpayments, interest rates, maturity, and other terms or conditions of the mortgage loan. A borrower may feel that he is discriminated against when his loan application is rejected, and he may have some basis for that judgment. He may not know he is being discriminated against with respect to the terms of the loan that is granted, since, at least under present institutional arrangements, he does not necessarily know the prevailing policy of the institution with respect to maturities, downpayments, or even interest rates.

In our experiences with surveys and recordkeeping proposals, we have found it difficult to specify information which would provide sufficient evidence of discrimination to prove that the law has been violated.

I recognize all these problems as well as some others I have not mentioned. I think they explain why the FDIC and other banking supervisory agencies have not been successful in promulgating regulations aimed at enforcement of the Civil Rights Act. It is possible that racial or religious discrimination may be quantitatively an insignificant problem in the savings bank industry. But our information does not enable me to confirm that view. I am sure all of you feel that racial discrimination does not play any role in your bank's mortgage lending decisions. But can you know for sure that all your loan officers are conducting themselves in accord with bank policy? How do you know?

It may well be, as many bankers have argued, that the costs of more vigorous enforcement of the law will substantially outweigh the benefits. There is a law on the books prohibiting discrimination, and we have felt an obligation at the FDIC to determine the existence and extent of discrimination and devise appropriate enforcement procedures to insure compliance with the law. If it turns out to be very costly to enforce this law, it will be up to Congress to deal with the situation. We will certainly bring information on enforcement cost to their attention. In any case, I personally am in agreement with the Congressional view that the FDIC should continue to take action to make sure that illegal discrimination does not exist.

In the past, some bankers have had the view that since they feel that there is no real problem in this area, it was not worthwhile to devote much energy to thinking about realistic and effective solutions. If I do nothing else with my comments today, I would like to change that view. I would like to encourage each of you to think about this problem, and let me know what steps you feel can be taken that will represent acceptable burdens for the vast majority of savings banks that are not discriminating in mortgage lending, yet will be effective in ferreting out those few situations where discrimination may be taking place. Write me. Give me your suggestions. At least tell us how you convince yourselves and your trustees or directors that you're not violating the law.

It may be helpful to your thinking on this matter if I describe some of the steps that have been taken, or have been proposed, in the past. Our first step in implementing the law against discrimination was easy and noncontroversial. We told the banks that there was a law that made discrimination illegal. Some bankers may have been discriminating in real estate lending and felt that it was their prerogative to do so. Informing them that the law now prohibited such discrimination probably had some effect. After all, bankers are basically law-abiding. I believe it is quite possible, for example, that prior to 1974, some bankers did discriminate in real estate lending to women. We heard several stories of unjustifiable discrimination against women at our 1972 hearing. Sex discrimination was not illegal at that time, and I am sure that simply passing a law making such discrimination illegal and bringing this action to the attention of the bankers had a significant impact in reducing such discrimination.

The next step was somewhat harder. We required banks to include a statement in real estate advertising saying that they were a fair housing lender and to post a notice in their lobby alerting bank customers that discrimination in mortgage lending was illegal. The lobby poster informs the customer with a complaint that he can tell either the FDIC or HUD of the complaint. While this kind of requirement seems rather innocuous, some of our staff questioned whether this was an appropriate step. After all, most bankers are law-abiding, and many are offended by being required to post a notice suggesting they may be violating the law.

None of these requirements have generated many complaints from potential borrowers. Since 1968, the FDIC has received very few complaints regarding discrimination in mortgage lending. This may mean that there is no such discrimination, but it may also reflect an unwillingness of loan applicants to get involved in the complaint procedure, a skepticism on their part about our sincerity in following up on complaints, an ignorance about the process of complaining, or any of a number of other reasons.

The civil rights groups have told us that reliance on the complaint procedure is necessarily ineffective, and that we could not expect a large volume of complaints. They argue that those discriminated against have no faith that action will be taken unless they have indisputable proof that they were victims of illegal discrimination and that examples of such proof are very rare; discrimination is generally much more subtle or sophisticated. They also argue that minority applicants go to lenders who make loans to minority applicants, and that word "gets around" as to who will and who won't give a real estate loan to a qualified minority or a woman. I recognize there is some validity to these arguments, but it is difficult to conclude that discrimination is widespread when we receive so few complaints.

There are steps that could be taken to generate more complaints. We might solicit complaints more actively by, for example, running a newspaper advertising campaign on the law, and urging borrowers to write us if they have any suspicions that they have been discriminated against, or even if they suspect that a given institution is not a fair housing lender. Obviously, such a program would be expensive, might simply generate unjustified complaints, and might appear to suggest that we believe that discrimination is widespread. I am certainly not endorsing such a program at this time, but it might be one way of convincing the public that we take the complaint process seriously.

The problem becomes even more difficult when we talk about recordkeeping requirements. The first piece of information that becomes necessary in any recordkeeping program designed to monitor compliance with fair lending requirements is information on the race, religion, sex, and national origin of the borrower. Many bankers dislike asking a loan applicant about his race or religion, and many borrowers would be offended by being asked such questions. Such information really is none of the lending officer's business (if he is doing his job correctly). Moreover, there may be concern on the part of the borrower that such information will be used to discriminate against him. In any case, it is hard to require the furnishing of such information, and many borrowers would decline to furnish it voluntarily. On our pilot surveys, for example, we found that about 18 percent of mortgage applicants refused to fill out the voluntary racial questionnaire.

Another problem with the recordkeeping requirements is that many applications are disposed of informally, even before they get to the stage of the written application. In some cases, telephone or other casual inquiries are rejected with the simple statement that the bank is not making mortgage loans at the present time. The banker who wants to discriminate may find it fairly easy to discourage the filing of an actual application. This might then lead into the need for some sort of log of informal inquiries or even phone calls. We recognize that this could be burdensome and difficult to enforce. In some cases, discrimination may occur even before a potential loan applicant approaches the bank. He may be discouraged by a real estate agent or broker, either with or without the bank's knowledge or approval.

Since the laws are aimed at racial, ethnic, religious, and sex discrimination, and not discrimination on an economic basis, any sort of reporting or recordkeeping designed to prove a case of discrimination must include detailed information on the financial situation of the borrower and the property being financed. We have not yet determined what sort of reporting or recordkeeping is essential to monitor compliance with the law. The civil rights groups have told us that, in their view, we have to be alert to *patterns* of discrimination, and hence, some sort of recordkeeping is necessary. To the extent that redlining fits this category, the Home Mortgage Disclosure Act recently passed should help resolve this problem since it mandates that certain records shall be kept. Obviously, however, redlining doesn't cover all possible patterns of discrimination.

It has been suggested that our examiners are not skilled enough nor trained enough in the kind of investigative work necessary to detect discrimination, and that we might do better if we had FBI agents participating in examinations aimed at compliance with civil rights legislation. We have not been convinced of this, however, and would prefer to train our own staff to the extent necessary. We have been devoting a part of our examiner training program to the fair housing area, and we are developing an expanded training program that will include investigatory techniques.

I think this description of some of the possible techniques indicates the source of my concern and frustration. We recognize the shortcomings of various enforcement techniques, but we must enforce the law and meet our responsibilities.

I would like to return briefly to the specific problem of sex discrimination. As I noted, in the course of the hearings we held on fair mortgage lending, it was clear that the most convincing evidence of discrimination related to discrimination on the basis of sex. Numerous documented instances of such discrimination were presented. The problem of sex discrimination is a particularly knotty one. As I have mentioned, there appears to be strong evidence that discrimination on the basis of sex has taken place in banks and other financial institutions, and I am in sympathy with the Congressional decision to do something about it. I also recognize, however, that women do bear children and frequently leave the work force to rear those children, although it can also be argued (1) that women now have more control over the question of pregnancy or not, and (2) that those women who need an income do not leave the work force for a sustained period when they have a child. Alimony and child support payments are probably not as steady and reliable a source of income as salaries and wages. Thus, one might argue that discrimination against women in the past had more of an economic foundation than the racial and religious discrimination covered by the Civil Rights Act of 1968.

Even after recognizing this, however, it appears that for some time, many bankers did not follow very enlightened policies with respect to lending to women. The role of women in our economy has changed, with the majority now part of the labor force, but bankers did not adjust swiftly to this profound social change. I concede that the ground rules on lending to women are not very clear-cut, but we do intend to meet our obligations to enforce fair lending requirements in this case, as in the case of all other areas. Many bankers have already developed credit standards for dealing with lending to women in an equitable and nondiscriminatory manner, and we encourage the remaining bankers to follow suit.

Bankers, just like other citizens, do not participate enough in a positive way when legislation and regulations are being drafted. They have a tendency to argue that certain laws or regulations are unnecessary, and then depart from the scene. Perhaps the supervisory agencies are somewhat at fault in not more actively soliciting comments and suggestions from the banking community and giving them the weight they deserve. At the same time, I hope you all realize that it is not the practice of the FDIC to put out regulations for comment when a decision has already been made. Here, where we are not at this time putting out additional regulations for comment, but where we are wrestling with the problems of enforcement in a specific area, we clearly have an open mind as to the best way to proceed. I am earnestly soliciting your suggestions and hope you will be able to come up with ideas that will be helpful for all of us.

Address by Robert E. Barnett, The Burden of Regulation*

We are all frustrated by the extent to which government interferes with our businesses and the extent to which we are required to complete government forms and maintain government records. I am just as frustrated about it as Chairman of a governmental agency as you are. What can be done about it?

The quantity of paper crossing my desk as Chairman of the FDIC is overwhelming. I have asked our Management Systems Office to review the paper flow across my desk and have discovered that I will receive to review and respond to, on an average, 28 letters, memoranda, reports, Congressional inquiries, Board of Directors cases, etc., each day throughout each year of my term. In addition, I will have 10 separate items per day for my signature and my secretaries will handle 75 phone calls per day, many of which will pass through to me. By itself, that's a large paper load; when you consider the problem created by an absence from the office for a few days, it's an overwhelming load. Clearly, something has to be done about the flow of work across the desk of the Chairman of the FDIC and I am in the process of doing something at the present time.

I know that each of your desks has more than enough work on it but I hope that you have had a better plan for resolving the paper load problem than we have had. I know you also generate paper since some of the paper I receive consists of letters from banks complaining about the volume and complexity of reports they are required to file with the FDIC. Some of it consists of proposals originating with our staff or with the Federal Reserve suggesting additional surveys to be collected from banks. Some of it consists of correspondence from the Office of Management and Budget and the Commission on Federal Paperwork asking what I am doing to meet my obligations to reduce the flow of Federal paperwork. The President has directed each agency head to reduce the reporting burden for the public by 10 percent this year. And some of it consists of letters from me to the chief executive officer of the nonmember banks in the country carrying a message about a new regulation or policy statement or some continuing request for data from the banks.

When I began writing this speech, I had in mind discussing my desire to reduce the amount of time and money banks have to spend complying with governmental regulations and reducing the paper banks have to submit to Washington. As I attempted to write this, however, I found that I could offer very little besides desire when it comes to reducing governmental regulations. Congress and the agencies are under great pressure from a great variety of groups (including banks) to pass legislation or promulgate regulations to correct real or perceived abuses. When legislation is passed by Congress, regulations frequently must be promulgated by the agencies to implement the legislation. The FDIC, therefore, promulgates regulations and issues policy statements and will continue to, as will the Comptroller of the Currency, the Federal Reserve, the Federal Home Loan Bank Board, and everyone else. I wish I could be more optimistic, but I can't. Pressure groups are simply too well organized, concepts of appropriate business activity have changed, the government is accepted (rightly or wrongly) as the answer to difficult problems, and abuses in banking continue to surface.

I then decided to discuss some of the reports required by the FDIC; the utility of these reports to banks; what, if anything, the Corporation can do to reduce the number of reports submitted to it or to reduce the cost and difficulty of preparing them; and finally to make some

*Presented before the 75th Annual Convention of the Colorado Bankers Association, Colorado Springs, Colorado, June 4, 1976.

comments about the inordinately high error rate, the tardiness of report submissions, and statutory penalties that the Corporation will begin invoking for continued grossly inadequate or tardy reporting. Since these comments are not all good either, I decided to wind up with a comment or two on ways the Corporation has attempted to speed its decision processes by delegating to our regional offices and by expediting handling within the Corporation. At least that should be good news.

Turning to reports, we should look first at the Reports of Condition and Reports of Income which comprise the major part of the FDIC's reporting and statistical operation. Each insured bank prepares Reports of Condition four times a year, and a Report of Income, starting this year, twice each year. This amounts to over 85,000 reports coming to Washington each year, or 6 per bank.

You are all familiar with these reports since each of your banks has been submitting them for years and years and since the reports resemble the financial statements which all of you must prepare annually for one purpose or another. Originally, the information on the individual Reports of Condition and Income was used primarily by the FDIC to monitor the collection of assessments of insured banks. For all bank regulatory agencies, State and Federal, they comprise the basic information we receive on individual banks between periodic examinations. If it were not for our ability to follow the progress of some banks on this basis, more frequent examination or other supervisory procedures would be necessary. This supervisory use has been increasing since these routine Reports of Condition and Income are the basic raw material for efforts at the FDIC and other agencies to design "early warning" or statistical surveillance systems. This increasing use as an ongoing supervisory tool demands accuracy and timeliness of the data.

In addition to our own use of these data, we have been able to prepare statistical reports for all banks—e.g., providing data on a variety of operating ratios, comparing each bank with other banks in the same State or smaller geographic area, etc.—that have been used by many others. These comparative reports have been received enthusiastically by the banks (particularly by the banks that come off well in the comparisons), and bankers seem to be making increasing use of these data for analysis of their own operations, the operations of correspondent banks, and the operations of banks they deal with in the Federal funds market. Again, these comparisons are valuable only if the data are timely and accurate.

Aggregate data compiled from these reports (and many other reports) have been an important part of the financial information relied on by the Federal Reserve in carrying out monetary policy. The aggregate statistics are also used by other government agencies for a variety of purposes. More recently, particularly since both reports became publicly available in 1972, the use has multiplied. Now bank asset and liability and income information is also used by:

- banks that wish to know how their competitors are doing;
- financial analysts and market researchers in banks and universities;
- consulting firms, bank associations, and reporting services who buy computer tapes of these data, perform their own analyses, and offer these analyses for sale;
- bank stockholders interested in their investments; and
- corporate treasurers who seek information on which to base their selection of banks as depositories or lenders.

Last year, for example, we filled 1,250 individual requests for Reports of Condition and Income involving a total of 24,000 documents. About half of these requests came from banks, but individuals (particularly lawyers) also asked for these reports in sizable numbers. As of the end of May this year, we had filled 820 requests involving over 16,000 documents, significantly higher than the comparable period last year. Forty-three of these requests originated in Colorado and covered primarily Colorado banks. Clearly, there is interest in the Reports of Condition and Income.

I have been continually amazed at the volume of errors made by banks in completing these required reports. Some of these errors may be due to the complexity of the reporting requirements or to the inadequacy of our instructions, but neither complexity nor inadequacy on our part can explain the following amazing facts culled from State nonmember reports filed for the December 31, 1975 Call:

- 112 reports indicating that the banks were operating without any currency or coins or without common stock,
- 1,184 banks reporting that they were operating without any employees, and
- 2,400 banks indicating either that they had income on their Report of Income from assets that their Report of Condition indicated that they did not have, or that they had no income from earning assets that their Report of Condition showed them as holding.

By far the most common errors in the reports are mathematical or mechanical. That is, totals that do not equal the sum of the subtotals, or an item in the Report of Condition not agreeing with the same item in the Report of Income. For example, banks report total capital as of year-end in both the Report of Income and the Report of Condition. Obviously, accurate reporting would find total capital the same in both reports but we have hundreds of banks that report different figures in the two reports. Almost half of all errors handled by our staff are of this sort.

In total, out of the 8,600 insured nonmember commercial banks that submitted Reports of Condition and Income to us at year-end 1975,** no less than 54 percent of all the Reports of Condition and 84 percent of the Reports of Income failed to pass one or more of the initial tests in our verification procedures. The total number of edit messages (potential errors) came to 51,318 for year-end 1975 Reports of Condition and Reports of Income. Both the banking industry and the FDIC should be embarrassed by that number—the banking industry because its members are submitting such sloppy reports, and the FDIC because it has tolerated such reporting.

Let me emphasize that the largest single category of errors was mathematical or logical errors, errors which only a modest amount of care and concern on the part of the reporting banks could eliminate.

Not only is the information we get on reports frequently in error, it is also frequently late. Currently, the Report of Condition is due within 10 days after the Call date, and the Report of Income is due 30 days after the end of the reporting period, a backwards order for reporting if I have ever seen one—more about this later. For year-end 1975, 481 banks were delinquent in submitting one or more of the reports at the end of January (the final report did not come in until 73 days after year-end). Of course, the vast majority of banks do report reasonably promptly, but even a small number of

**National banks submit their reports to the Comptroller of the Currency, State member banks submit theirs to the Federal Reserve System. The FDIC ultimately processes data from all the banks on its computers. Error rates for all banks appear to be about the same as the error rate for State nonmember banks.

delinquent reports can cause serious delays in processing since errors are often found on the delinquent reports, and that means further delays for corrections.

It makes very little sense for us to publish any data before we have received all of the reports from all of the banks. As of the present time, data from our condition report and income report are published approximately 4 months after the date of the Call; if all banks were to report within 30 days correct information on both reports, we could publish that data within 50 days of the Call, cutting the time lag in half and saving thousands and thousands of dollars.

I recognize that the reporting requirements of the Report of Condition and the Report of Income are rather complex, and they have tended to become more complex over time. To some extent, that is a reflection of some change in the use of the reports from a statistical one to one of serving as the basic public financial report of the bank. This has led us to change the accounting required in the direction of "generally accepted accounting principles." Some of these changes have added complexity, and have led to complaints from banks. We received quite a volume of complaints a few years ago, for example, when we required that banks with over $25 million in assets prepare their reports on the basis of accrual accounting. Many banks in the affected size range complained that accrual accounting was just too complicated for them. I confess that I find it difficult to feel a great deal of sympathy with the management of a $25 million bank, that is in the business of making loans and analyzing the financial statements of borrowers, claiming that accrual accounting is too complicated.

It was adherence to generally accepted accounting principles that led us to require a breakdown of the loan loss reserve into a valuation portion, a deferred liability portion, and a contingency portion. There I concede that the accounting and the accompanying tax calculations have become complicated. We have also added additional detail on types of loans and maturity distribution of securities that have increased the reporting burden on the banks. For the most part, however, I feel that the information required in the Report of Condition and the Report of Income is information that the banker should have in order to run his bank effectively. Some bankers complain, for example, about our requirement that the bank, even if it is operating on a cash basis, must estimate the taxes due on its current year's income. It seems reasonable to conclude, however, that in order for the bank to make correct investment decisions, it should know what its current tax position is and what the tax implications of its financial decisions are.

The situation I am describing has existed for a long time. In the past, for whatever reasons, the FDIC has overlooked this problem. But now, when much more intensive use is made of these financial data, both within the banking agencies and outside, we feel that it no longer can be overlooked.

Recognizing that we must continue to receive Reports of Condition and Reports of Income, we plan to schedule the reporting in a logical way and to give the banks sufficient time so that we can reasonably expect prompt and accurate reports. One of the difficulties for the banks is our current requirement that the Report of Condition be submitted within 15 days after the end of the quarter—a rather tight schedule. We give banks 30 days to complete the Report of Income, which appears to be more generous, but the conscientious banker recognizes that a Report of Condition as of year-end cannot be completed accurately until *after* the bank has completed its Report of Income. That is, there are many year-end income adjustments that must be reflected in the year-end Report of Condition. These requirements are illogical, and I see no reason to continue them. Effective with the June 30 reports, I am proposing that we set a uniform date for submission of both reports, 30 days from the end of the reporting period. Both the Report of Condition and the Report of Income, therefore, for the June 30, 1976 period will be due by the end of July. I believe that is a reasonable period, and if banks are delinquent in meeting that requirement, we intend to pursue the penalties provided by the Federal Deposit Insurance Act which authorizes us to levy a fine of up to $100 per day for each day a report is delinquent. The Comptroller of the Currency recently announced his intention to follow this procedure, and indicated that a fine of $6,600 had been levied on a national bank that was flagrantly and repeatedly late in submitting its required reports.

Some action must also be taken to reduce the number of errors in the Reports of Condition and Income, and we intend to take the following steps to improve the accuracy of reports submitted:

(1) Improve the format and instructions of the reports. We are considering, for example, whether it would be productive to have different instructions for smaller banks (those $25 million or less in assets) or whether it would be productive and reasonable to have different reports for such banks.

(2) We have contacted the Bank Administration Institute and are trying to arrange for meetings involving our staff and their officers to solicit their suggestions for improving the instructions and forms.

(3) We plan to solicit comments from all banks through a questionnaire mailed with the June reports.

(4) We are installing a toll-free telephone number that a bank may call for assistance in completing or correcting reports.

(5) We would like to consider, although we recognize the extreme difficulty of this, adopting an agreement among all the bank agencies that there would be no change on the reports more frequently than every 5 years. Banks would have the benefit of working with the same forms for an extended period, and suggestions for changes by the agencies would have to stand the test of the passage of a reasonable period of time. Frankly, the possibility of getting such an agreement seems slim to me, although I personally would support it, at least until an exception came along that I'd like to make.

We believe all of these suggestions or actions would minimize the cost both to banks and the agencies by reducing the time spent on completing and correcting these reports. Obviously, it would also put the data into the public domain much faster. If those carrots don't work, however, we will consider either fining those banks up to $100 per day whose error rate is so high as to constitute no filing, or proceeding against such banks under section 8 of our statute.

The FDIC and the other agencies cannot be successful without the help of the industry. Banks must believe it is important to complete the reports accurately and promptly.

To summarize, we suggest that some major steps for improvements in the quality of the Reports of Condition and Income are needed at this time. The errors in the reports submitted appear to be primarily the result of carelessness, but the design of the forms, the instructions given, the assistance provided, and the attention given to promptness and accuracy by the agencies may have a bearing on the matter.

I have reviewed other reports required to be sent to the FDIC in addition to Reports of Condition and Income. While preparing these other reports and the surveys occasionally taken does involve some burden and some staff time, I think the burden is exaggerated by most banks. First of all, many of our surveys are conducted on a sample basis. This may not be much consolation to the bank included in a sample, but we have different samples for each survey, so that if your bank is included in one, it is probably not included in several others. Only a total of about 42 banks in Colorado, for example, are included in any of our sample surveys. Others, of course, may be included in the surveys by other agencies.

Second, in many of our surveys, the information is relatively simple for the bank to provide, though I recognize that just typing up the report form is some burden for some banks.

Third, much of the data we are asking for in these surveys is information the banker should have to manage his bank effectively and, therefore, probably does have or can find profitable use for once it is prepared. While we ask the banker to report the information, for example, we think there is great utility to him in knowing the maturity distribution of his municipal portfolio, or the amount of his time deposits in different maturities, or the market value of his trust department's assets. Since he probably already has and uses such data, it's not onerous to report it to the FDIC.

It is a mistake to assume that all surveys and statistical reports are imposed by the agencies on a reluctant and resisting banking industry. There are some reports and surveys which we conduct which the banking industry has either initiated or strongly supported. Let me mention just a couple of these. Several years ago, the American Bankers Association commissioned a sizable research project, carried out by Arthur D. Little & Company, to investigate the ability of the banking system to handle the rising volume of paper checks in the future. Subsequent to that survey, the ABA asked the FDIC to conduct follow-up surveys, which we did and have continued to do. While this information is of some interest to the FDIC, it is not considered vital by us and we could reduce the burdens which we are putting on responding banks by elimination of this survey. We do plan to reduce the frequency of this survey to every second or third year.

Another example is a survey we did a couple of months ago on the volume and rate structure of IRA and Keogh accounts. Many bankers have been very unhappy about the current interest rate ceiling structure which has been applied to IRA accounts as well as all other accounts. This rate structure, as you know, gives savings institutions a quarter-percent rate advantage. In an account that is going to be maintained for 20 or 30 years, a quarter-point interest rate differential is very significant. Commercial bankers feel they are unable to compete with savings institutions for IRA accounts, and that their customers are put at an unfair disadvantage as compared with customers of savings institutions. To determine whether the bank share of such accounts is really being adversely affected by the interest rate differential, the banking agencies conducted a survey of both banks and savings institutions. We got strong support from the banking industry for conducting this survey and, I might add, a very rapid response. This seems to be illustrative of the fact that where bankers can see some payoff to their institution from a survey, there is support for it and a willingness to cooperate. We hope to encourage the same support and rapid response for all of our reports.

Some reports are collected for the use of other agencies. For example, we collect detailed and extensive monthly data from a sample of banks on the volume of mortgage loans extended. These data are collected as part of the government-wide program coordinated by the Department of Housing and Urban Development. Again, this is a survey which we could dispense with as far as the FDIC is concerned, but I am convinced that the survey would continue to be taken by HUD or the ABA.

The Federal Government has been aware of and sensitive to this general problem of governmental paper, although not very successful yet in solving it. The National Commission on Productivity in its analysis of the financial industry gave considerable attention to the question of whether reporting requirements of Federal agencies imposed a burden that adversely affected productivity in the financial sector of the economy. There is now a Commission on Federal Paperwork with responsibility for attempting to minimize the flow of paper both within the government and between the government and the private sector. I am hopeful that the commission will be able to make significant progress, though there is some initial burden of reporting to the Commission on Paperwork.

Apart from government-wide efforts and concern, the FDIC and the other banking agencies have been giving attention to this matter for some time. Several years ago, a joint banking agency-industry task force began work on a project now called ISBAR (Information System for Bank Agency Reporting.) This is a system designed for use by large, automated banks with substantial agency reporting requirements. When it is fully implemented, it will allow banks to report bits of information on magnetic tape which will then be processed by the agency without the need to fill out printed report forms. While it will be a long time before any bank is actually using the system to meet a substantial fraction of its reporting requirements, we have already experimented with receiving some reports in tape form. This is an example of joint agency-industry forward planning on a long-range problem rather than simply reaction to an immediate crisis.

Within the FDIC, we have reduced the flow of paper into Washington and back again and have reduced the time during which you must await our decisions by delegating certain responsibilities to our Regional Directors. These delegations include decisions on branch applications, office relocations, offering of trust services, continuation of deposit insurance after withdrawal from Federal Reserve membership, and others. The Regional Director has the authority to approve, but not to deny, such applications in the majority of instances. We have allowed banks to determine whether they wish to have their unmanned cash dispensers or automated teller facilities considered as branches or not. If the bank decides that the facilities should not be viewed as a branch, then we have dispensed with our branch application procedure, and require only a brief information notification. As a result of these delegations and other efforts within the FDIC, there has been a substantial improvement in the speed with which we process applications. We estimate that a banker receives an answer from the FDIC to an application for merger approval, insurance, new branches, etc., a month sooner than he would have 3 years ago.

Let me return to the beginning. I had in mind pointing out to you today ways the FDIC could remove some of the burden of Federal regulations and reporting requirements. My analysis of the situation, however, is that regulations will continue to be promulgated, and you will be required to continue to submit reports. Hopefully, we can make the preparation of reports easier and less costly for you—perhaps we can make them more useful. Whatever the case, we are going to insist on timely and accurate submission of reports because we feel that only if they are timely and accurate can they be useful to us in our supervisory responsibilities.

Address by Robert E. Barnett, Deposit Insurance*

There are times when it seems most propitious to encourage public examination and discussion of issues that affect our banking system for the purpose of seeing whether and how things might be improved. This would appear to be one of those times. Many banks that had encountered difficulties in the past year or so seem to be gradually working out of them. Things are likely to be better for most banks during the balance of this year and next. Both bank regulators and Congress are less preoccupied with emergency situations and thus, hopefully, better able to view issues in perspective. In light of all of this, I would like to discuss the adequacy and fairness of deposit insurance as it exists today, and make a few preliminary remarks about 100 percent deposit insurance as one alternative to the current system.

Except for occasional increases in the limits of deposit insurance coverage, there has not been any fundamental change in our system of Federal deposit insurance since the beginning of the FDIC. While I am far from dissatisfied with our present deposit insurance system, there are several reasons for raising the issue of change of the system at this time—if the mere passage of some 40-odd years is not sufficient in itself.

First, the Hunt Commission made suggestions for change that relate to deposit insurance, but none of the commission's recommendations in that area found their way into the legislation the Congress has recently considered. Neither have other possible changes, among which was 100 percent deposit insurance, which the commission considered but rejected. These issues have thereby escaped the public attention and discussion which the legislative process always provides.

*Presented before the 82nd Annual Convention of the Kentucky Bankers Association, Louisville, Kentucky, September 13, 1976.

Further, deposit insurance is obviously linked to bank failures, and some recent failures are different enough from earlier ones to require reconsideration of our unspoken premises. For most of the life of the FDIC, bank failures have involved relatively small banks. From the beginning of the Corporation in 1934 through 1970, only one insured bank which failed had over $50 million in deposits, and almost all of them were under $5 million in deposits. The number of depositors and dollar amount of deposits in any failure, therefore, were quite small. In just the last 6 years, however, we have seen failures of some very large banks, including two over $1 billion in deposits, two of $100 million to $500 million and five between $50 and $100 million. Even though banks generally have grown dramatically in size,** the number of depositors affected by recent failures has grown relatively as well as absolutely.

Finally, the appropriate role of the FDIC and other bank agencies in bank supervision has been raised in a number of ways recently, and I believe it is appropriate to review the varying functions of the Corporation, including its role as an insurer, in some depth.

Today I plan to discuss the adequacy and fairness of the current deposit insurance system, in part by describing how the FDIC deals with bank failures and the basis for our decisions. I will then briefly consider the rationale for the one alternative normally suggested—100 percent deposit insurance. In other scheduled speeches over the next several weeks, I intend to explore more thoroughly the arguments and implications not only of 100 percent deposit insurance, but also of other alternatives to the present system.

**In 1956, a $500-million-deposit bank would have been the 42nd largest bank in the U.S., and a billion-dollar bank would have been the 18th largest. As of June 30, 1976, a $500-million bank would be only the 186th largest, and a billion-dollar bank only the 89th largest.

It is not the present intention of the FDIC to propose such legislation, nor do I wish to leave the impression that the Corporation would favor such legislation if it were proposed at the present time. But we do plan to review all the issues surrounding the matter as well as others basic to the FDIC.

The basic purpose of deposit insurance is to protect the banking system against destructive runs on deposits as well as to protect the depositors themselves. With respect to the latter, most depositors have fared extremely well in the 519 insured banks which were closed since the establishment of the Federal Deposit Insurance Corporation. About 99.8 percent of all depositors, large or small, *fully* recovered their deposits almost immediately, with only one-tenth of 1 percent having to wait for the liquidation of bank assets. And less than 5,000 out of nearly 3 million depositors are expected to experience any deposit loss at all. Out of $4 billion in deposits at failed banks through 1975, approximately $267 million was lost or is expected to be lost. Of this amount, unprotected depositors stood to lose about $13 million, the Corporation absorbing the remainder. These loss figures do not take account of foregone interest in situations where recoveries have required extended periods of time. If we take this into account, even using modest interest rate levels for this purpose, losses on an opportunity-cost basis would be approximately 50 percent greater than the figures I have cited. In view of the number of years involved and the volume of deposits, most would agree that losses of this magnitude are not substantial.

The high recovery rate for depositors is attributable at least in part to the fact that $9 out of every $10 in deposits were in bank failures which were handled by purchase and assumption transactions in which the FDIC provided assistance enabling another bank to assume the failed bank's liabilities. This arrangement provides, in effect, 100 percent insurance to uninsured depositors and general creditors as well as to FDIC-insured depositors. If one or more of the large bank failures (United States National Bank or Franklin National Bank, for example) had been paid off, the number of depositors *not* having de facto 100 percent insurance would have been substantially larger.

However, even in banks which were handled by a payoff of insured deposits, more than 99 percent of the depositors are assured of payment in full and more than 98 percent of all deposits (in dollars) are expected to be recovered. Insurance covered about 70 percent of these deposits, and another 16 percent were protected via pledged assets, preference, or loan offsets; as in a purchase and assumption, these deposits were made available to depositors almost immediately.

But the consequences of a payoff to individual depositors who held the remaining 14 percent of the excess deposits were not quite so favorable. Although one-third of these depositors have historically recovered their deposits in full, in a typical payout, the depositors who are not fully insured have lost about 12 percent of their individual deposits. In addition, these depositors, including those who are lucky enough to recover in full, must forego interest on the recoverable portion of their deposits while waiting for the bank's assets to be liquidated. In many instances, the foregone interest has been considerable and, as I have suggested, may equal one-half of the losses of principal incurred.

The depositors caught in this situation comprise a mixed group, and a group that to a great extent includes depositors that would have to be among the more sophisticated and knowledgeable about the condition of a bank. Savings and loan associations accounted for close to one-third of the total of these deposits. The next largest amount was held by individuals, followed by nonfinancial corporations, credit unions, public entities, and banks, in that order.

In a deposit payoff, balances in secured and preferred deposits, as well as insured deposits, are paid over to their owners, usually beginning 5 to 7 days following the closing of the bank, for which the Corporation receives the subrogated claims of these owners against the bank's assets. Owners of uninsured deposits having any indebtedness to the bank also may request to have their loans offset against their deposit balances. Both the Corporation and uninsured holders of excess deposits not protected by the foregoing features must await recovery on their claims from an often lengthy liquidation of the bank's assets and must bear a *pro rata* share of any loss that ensues.

In a purchase and assumption, the acquiring bank assumes all the deposit liabilities of the failed bank ensuring little or no disruption in banking services to the community and providing full protection to both insured and uninsured depositors alike. To the extent that the initial transition also involves little change in personnel and facilities, the transaction is also likely to minimize any secondary reactions affecting the public's confidence in the banking system. Where relatively large banks are involved or where the failure coincides with uncertainty in financial markets, this confidence factor is one that should not be minimized.

If the acquiring bank acquires or purchases a substantial amount of assets, this not only facilitates the disposition of the assets for the FDIC but also is consistent with maintaining the established banking relationship between loans and deposits which is necessarily severed in a payoff. In recognition of the value of acquiring a going business, the assuming banks will usually pay a premium for the assets and deposits of the failed bank, thus reducing the net loss resulting from the bank failure. In effect the FDIC is able to recover, for the benefit of creditors and shareholders, a "going business" value or goodwill from the failed bank. In contrast, the necessary transfer of deposits to other banks by individual depositors following a payoff commands no such special price from the recipient banks.

Despite these advantages, it has not always been possible for the FDIC to arrange a purchase and assumption. Since January 1, 1971, for example, purchase and assumptions could not be arranged in 15 of the 40 banks that closed. In unit banking States it may be impossible to find a nearby bank that is interested or in a position to acquire the failed bank. Since the office of the failed bank must be closed, the potential purchasing bank cannot be sure of retaining the bulk of the failed bank's business. Similarly, in unit banking States or States in which branching statutes are restrictive, otherwise suitable banks located elsewhere in the State cannot even be considered. Even in unit bank or restricted branching States where multibank holding companies are permitted, the cost or complexities of establishing another bank (as opposed to a branch) may be enough greater as to make the acquisition of the defunct bank unprofitable. Of the 13 payoffs since January 1, 1971, all of them have been in States which at the time of failure had either unit banking or limited branching laws.

Even in full branching States, however, it may be that the market served by the defunct bank simply has insufficient value to attract the interest of any bank large enough to manage the assets and liabilities.

In order to make the purchase and assumption transaction attractive to potential takeover banks, the FDIC indemnifies that bank against unknown liabilities that may surface after the takeover. That indemnity is one given by the Corporation in its role as a Corporation, not in its role as a receiver, and therefore is not limited by the estate of the failed bank, but rather is supported by the deposit insurance fund. In cases of fraud, the consequences may be so severe as to convince the Corporation that granting such an indemnity to the acquiring bank may involve too much risk to the insurance fund. More specifically, since the Corporation is permitted under section 13(e) of the statute to assist in a purchase and assumption transaction only if doing so will "reduce the risk or avert a threatened loss" to the Corporation (interpreted over time by the Corporation to mean "only if it's cheaper") if the assets and contingent liabilities of the closed bank are too ill-defined for the Corporation to make a reasonable estimate of the comparative costs of an assumption versus a payoff, it may not do so. Despite our care, under such uncertain conditions the Corporation probably has erred on both sides, opting for a payout in some instances of fraud or embezzlement when subsequent developments suggested that a purchase and assumption transaction would have been less costly and, in a few instances, opting for a purchase and assumption which later proved to involve considerably more liabilities or worthless assets than expected.

In several recent bank failures, the FDIC has concluded that it was necessary to exclude from assumption contingent and suspected claims in order to determine that the purchase and assumption was cheaper. We believe we have the power to do that. But that determination is being challenged in court. If the claimants prevail, under our present statute it may be difficult to arrange a purchase and assumption where we are unable to define the liabilities of the bank on the date it closes.

Even in bank failures not beset by embezzlement or wrongdoing, however, there are still many uncertainties concerning the financial status of the closed bank and the possible outcome following closure. Since 1951, the Corporation has attempted to make informed cost estimates in accordance with statutory requirements to choose the most economical alternative. Under the method used, we first estimate the insured and uninsured shares of the expected loss. The Corporation assumes the full loss in an assumption and only the insured share of the loss in a payout. Thus, the difference in these two figures—represented by the uninsured share of the loss—determines the additional cost to the Corporation of an assumption. From the resulting figure, we also usually subtract the administrative costs of distributing deposit balances to insured depositors—costs which are incurred in a payout but not in an assumption. The remaining difference must be made up in some manner in order for the Corporation to justify a purchase and assumption on a cost basis. Typically, this is done by a premium paid by the acquiring bank which assumes the liabilities and certain of the assets of the failed bank. The premium offered is usually determined through closed bids submitted by potential buyers—usually, but not always, existing banks or bank holding companies.

In practice, the assuming bank usually does not take over all of the assets of the failed bank. Many of those are of such poor quality that we do not want to weaken the takeover bank by requiring it to take them. These are taken over by the FDIC which then provides cash to make up the difference between assets purchased and liabilities assumed (less, of course, the premium paid).

For example, assume a bank fails with deposits and nonsubordinated liabilities of $100 million and of this total $75 million (75 percent) is insured deposits. Anticipated losses are projected at $20 million. In a payoff, uninsured depositors and other creditors would absorb 25 percent of the loss, or $5 million. In a purchase and assumption, assuming the FDIC buys back all questionable assets, all losses would be absorbed by the FDIC. Thus, an acquiring bank would have to bid at least a $5 million premium (less the saving to the FDIC of avoiding the cost of paying insured depositors in a payoff) to justify the transaction on a cost basis.

Since October of 1974, following an announcement to that effect by then-Chairman Wille, the FDIC has made a special effort in all failures to arrange a purchase and assumption transaction, including developing and using the concept of an "all cash" or "clean bank" transaction, one in which the Corporation delivers to the takeover bank cash equal to the liabilities assumed less the premium. Since that time, only 4 of the 24 banks which have failed have been handled by a payoff rather than a purchase and assumption transaction. These four banks were each under $20 million in deposits when they failed. As I have suggested, it is the preferred method for reasons other than cost, and one might expect that this might lead us to fudge our cost estimates in favor of a purchase and assumption. However, that does not seem to have been the case. In fact, a recent review of our method of calculating comparative costs revealed that some additional considerations should properly be taken into account, which would significantly improve the relative cost status of assumptions so that in even more cases than now they would be less costly to the FDIC than payoffs, even if the premium bids were to fall short of the uninsured depositors' share of the loss as currently calculated.

Depending on how long a bank is known or suspected to be in trouble before being closed, there is a strong likelihood that a significant number of uninsured depositors, especially those holding sizable demand deposits, will have withdrawn the exposed portion of their deposits, leaving balances that to a considerable extent are protected from any loss by preferred status, pledged assets, or offsetable loans. The latter had not figured in our calculations until examination of the Franklin National Bank failure showed how significant a factor offsets could be, particularly in a large-bank failure. We estimate that about three-fourths of the uninsured demand deposits and one-third of all uninsured domestic deposits remaining at Franklin at the time it closed were protected by loan offsets. On this basis, the premium required to justify arranging a purchase and assumption rather than paying off insured depositors was nearly one-third smaller than the amount estimated by ignoring offsets.

Where there is sufficient time and the stakes are relatively high, we have tried to structure the transaction so that the acquiring bank takes a considerable portion of the assets of the failed bank. This both puts individual borrowers in a much better position than they would be if their loans were left in the receiver's hands and disrupts the community less. In addition, it minimizes the FDIC's cash outlay and foregone interest, and tends to reduce our losses on collections as well as liquidation expenses.

Our liquidators are skilled professionals who do an excellent job of collecting on the assets of closed banks. Nevertheless, in many instances an acquiring bank has advantages in loan collection compared with the FDIC acting as receiver. Where loans are current and associated with a deposit relationship, they are worth more to the bank than to the FDIC. A bank may be very happy to carry or even extend a loan arrangement where sizable deposit balances are involved. Where workouts involving additional advances are necessary, the bank as an ongoing financial institution typically has more flexibility than the FDIC acting as a receiver. Frequently, though not always, the acquiring bank has staff, experience, and expertise in the local market and because of this may be able to move more knowledgeably in the early phases of the collection process. In practically all cases, buildings, leases, and other physical facilities are worth more on a going-concern basis to the acquiring bank than they would have been if they were liquidated in a payoff. If a collection matter ultimately ends up in court, the FDIC sometimes appears as an outsider with unlimited resources attempting to take all the assets of an unfortunate local merchant or businessman.

In many of the smaller purchase and assumption transactions, we have not required bidding banks to take loans of the failed bank. Even in these transactions, however, acquiring banks frequently buy some loans, thereby facilitating the liquidation process. Within the FDIC we have been looking at the purchase and assumption process to see how such transactions might be modified and improved. It may be feasible to structure transactions so that acquiring banks usually take a high percentage of assets. By minimizing FDIC cash outlays, foregone interest, and liquidation expenses, the overall cost to the FDIC might be further reduced.

In 1951 a Congressional committee was severely critical of what appeared to be an automatic FDIC decision to use the purchase and assumption alternative in all bank failures. In fact, there had been no payoffs between 1944 and 1951, and comparative cost tests had been virtually ignored. The result, of course, could be predicted: one bank with total assets of only $637 thousand required an outlay by the FDIC of $1.8 million and an ultimate loss of $1 million, to effect FDIC-assisted purchase and assumption with accompanying indemnities to the takeover bank. Following that criticism, the FDIC became and has remained very careful to arrange purchase and assumption transactions only when the costs justify that decision, and as I have mentioned, there have been a few instances in which payoffs have occurred.

Nevertheless, all of the considerations I have mentioned suggest that we are likely to continue to handle most bank failures through purchase and assumption transactions as we have during the past few years. While subordinated creditors and equity investors typically lose most or all of their investment in purchase and assumption transactions, depositors and nonsubordinated creditors incur no losses.

As a result we have had *de facto* 100 percent insurance for all depositors in most banks in recent years. What we have not had is equity, fairness, and logic in determining which are to be the few depositors who do not have 100 percent insurance. Those instances where depositors have experienced losses in payoffs have reflected special circumstances from the FDIC's standpoint—not from the depositors'.

For example, there were some cases where it was not possible to arrange for a purchase and assumption because of the location of the bank, because of the State's branching and holding company laws, because the FDIC could not get a good fix on liabilities because of pending lawsuits or suspected fraud, etc. Uncertainty and potential cost considerations may have afforded logical reasons for a payoff in such cases as far as the FDIC was concerned. However, uninsured depositors were not necessarily at fault. They were unlucky. I recognize that these were large depositors who presumably were sophisticated and knowledgeable enough to scrutinize the condition of the bank before making their deposits. The fact is, however, that would not have helped in all cases. The sophisticated depositor is more likely to be able to detect poor management, which will probably lead to a purchase and assumption transaction in which he will be 100 percent insured if he leaves his deposit with the bank, than to detect fraud, which is more likely to lead to a payout and some loss on his deposits.

In a few other instances where the continued existence of the failing bank was essential to the community served, the FDIC has provided direct assistance under section 13(c) of its statute, thereby eliminating or postponing the need for closing the bank and losses to depositors. This section has been used rarely by the FDIC, at least partly because it requires a finding that preservation of the bank in question is essential for providing adequate banking services to the community. While I do not quarrel with the appropriateness of this test, it has nothing to do with any equitable determination from the depositor's standpoint of which depositors get covered in full and which do not.

Another factor affecting depositor losses has been the timing of bank closings. Decisions on bank closings are made by agencies that charter the banks: the Comptroller of the Currency and the State bank supervisors. The Federal Reserve may play an important role in connection with advances to member banks and the FDIC provides input to the Comptroller and the States. Delays in closing a bank, avoidable or unavoidable, particularly after adverse publicity, enable some large depositors to withdraw funds to avert a possible loss. In some instances such delays have benefited specific depositors, perhaps just those depositors who we have argued over the years provide the discipline to top management. It may also be, however, that those depositors who leave during the delays just happen to be those whose deposit certificates mature during the period, a relatively illogical basis for preferring one uninsured depositor over another. Such withdrawals, whatever the basis, increase the share of loss borne by other uninsured depositors if the bank is paid off.

If we have almost 100 percent deposit insurance and the present system appears to work in an almost random way in its treatment of depositors—similar depositors are treated differently in different cases—why not go to 100 percent deposit insurance? Obviously, this proposition is more complicated than that. The possibility that presently uninsured depositors will lose money in the event of a bank failure, for example, does make a difference in the behavior of some depositors and, as a result, in the behavior of some bank managers. This difference is important and its impact, I believe, has some good and bad consequences. I do not have the time today to trace those effects in detail—that is in fact another speech which I plan to make soon—but I would like to briefly review the arguments for and against 100 percent deposit insurance, without, at least for the time being, committing to the support of any of them.

First, the obvious arguments in support:

1. One-hundred percent deposit insurance obviously will provide additional protection to those depositors whose deposits are not now fully protected. Based on past experience, the cost of this additional insurance coverage to the FDIC would be small. We have calculated that the additional cost to the FDIC of payoffs made throughout the Corporation's history, if *none* of the loss had been borne by uninsured depositors and the same banks had failed, would be about $13 million. Of course, that is a small figure in part because large bank failures have been handled through purchase and assumptions. For example, if USNB had been handled as a payoff rather than a purchase and assumption, this figure would be $88 million. An important point, as we have noted, is that in effect, we already have almost 100 percent deposit insurance because of our policy of arranging purchase and assumption transactions wherever possible.

2. With 100 percent deposit insurance, depositors would have no need to withdraw funds from banks with problems, and runs on such banks would not be likely to cause a failure. Under our present system, when a bank gets into difficulty or is exposed to adverse publicity, some uninsured depositors tend to flee, exacerbating that difficulty. One-hundred percent deposit insurance would limit deposit outflows in adverse circumstances, thus providing more time to work out a solution for the problem bank

or for management to turn the bank around. If these considerations prevail over other contradictory considerations, we would expect to have fewer bank failures under a system of 100 percent deposit insurance.

3. One-hundred percent deposit insurance would have a beneficial impact on competition among banks. At present, institutions deemed to be more solid or more conservative have an advantage in competing for deposits. Perhaps this is as it should be. However, depositors may not be able to differentiate accurately among banks according to risk, and for some depositors, size becomes a proxy for soundness. Or depositors may simply assume that we will not allow a large bank failure to result in a payoff***. One-hundred percent deposit insurance would probably improve the competitive positions of small vs. large banks and of new vs. established institutions. Over time this would ordinarily be expected to reduce the level of concentration in banking and to lead to more competitive pricing of banking services.

4. Because, as I have mentioned, we would not need to fear provoking runs on troubled banks, fuller public disclosure of adverse information on a bank's financial condition could be made. This would lead to more informed business decisions by investors and customers of the bank.

***Statistically, there is some support for that position, as evidenced by the following: During the period 1971 to September 1, 1976, of the banks that closed, 29 were less than $25 million in deposits. Twelve of these were paid out, 15 were acquired by a third party in an FDIC-assisted purchase and assumption transaction, and 2 became deposit insurance national banks. Seven of the failed banks were between $25 million and $100 million, and of these only one was paid out. Four were over $100 million and none of those were paid out. Logically, legally, and historically, however, the fact remains that no one can be certain that the FDIC will always be able to avoid paying off even a large bank.

5. There has been much discussion in the past about the distortions caused by State pledging requirements for deposits of public funds. With 100 percent deposit insurance, such requirements could be eliminated without any risk of loss to the depositors.

The obvious arguments against 100 percent deposit insurance:

1. The principal and traditional argument against 100 percent deposit insurance is that uninsured depositors place limits on the riskiness of bank operations. While there is some debate about how effective such influence is, few would deny that to a degree at least, it exists. With 100 percent insurance, banks anxious to increase their risk by bidding aggressively for deposits and loans might be able to do so without any market restraints. No banker wants to lose money or fail, but some would be willing to take on considerable risk if they consider potential rewards in the form of growth and earnings to be sufficient.

This weighing of risk and reward works in most sectors of our economy, but we normally expect most of the risk to be assumed by equity investors. Where leverage is sought, lenders restrain the extent of overall risk by imposing restrictions—higher interest rates—and limiting available funds as risk is increased. In the banking system, depositors provide most of the funds, and if 100 percent deposit insurance were to exist, much or most of the risk would be borne by the deposit insurance fund.

Let me emphasize that the argument is not that most or even many bankers would behave irresponsibly if we had 100 percent deposit insurance. Rather, it is that 100 percent deposit insurance would eliminate market restraints that many believe presently exist which limit the amount of deposits available to the overly risky, overly aggressive, overly optimistic, or self-serving operation.

2. To protect its position, the FDIC might need authority to restrict leverage

or the composition of bank asset portfolios if 100 percent deposit insurance were to exist. Traditionally, the FDIC has opposed the regulation of the operational mix and I think most bankers have opposed it, fearing that regulatory restrictions might be more costly than the benefits of 100 percent deposit insurance.

3. As long as there are no runs or liquidity pressures on banks in difficulty, supervisors might be reluctant to close banks that are insolvent or operating in an excessively risky fashion.

4. In view of the greater risks which banks might take and the longer time before they are closed, the ultimate losses to the insurance fund might be large. In fact, our past experience of very limited losses may not be a true indication of the potential risks under 100 percent deposit insurance.

There are, of course, other issues involved that I have not even mentioned. These include the premium structure for deposit insurance. The suggestion has often been made that deposit insurance premiums be tied to the riskiness of the bank, a suggestion that is easier to justify in principle than to work out in practice. Others argue that there is an inequity in that banks pay premiums on *all* deposits even though part are not insured. What should we do about insurance coverage for deposits of American banks abroad? Or about the deposits of U.S. branches of foreign banks? If deposits are insured 100 percent, what are the implications for capital needs in a bank? Would the new mix of risks affect monetary policy mechanisms? I cannot resolve all these issues today, but I believe that the banking system would benefit from public discussion of the issues I have raised today, and as I indicated at the outset, this is probably a good time to begin such discussion.

Address by Robert E. Barnett, Six Alternatives to the Present Deposit Insurance System*

In a recent speech I discussed the adequacy and fairness of the current deposit insurance system, and described in detail how the FDIC deals with bank failures and the bases for our decisions in handling failing banks. After pointing out the inequity in the present system for certain uninsured depositors, I went on to consider briefly the rationale for the one alternative normally suggested—100 percent deposit insurance. Today I intend to explore more thoroughly the arguments and implications not only of 100 percent deposit insurance, but also of other alternatives to the present system, some of which may be more desirable than 100 percent insurance.

The basic purpose of deposit insurance is to protect the banking system against destructive runs on deposits as well as to protect the depositors themselves. With respect to the latter, most depositors have fared extremely well in the 531 insured banks which have been closed since the establishment of the Federal Deposit Insurance Corporation. About 99.8 percent of all depositors, large or small, *fully* recovered their deposits almost immediately. Out of $4 billion in deposits at failed banks through 1975, approximately $267 million was lost or is expected to be lost. Of this amount, unprotected depositors have recovered or will recover all but about $13 million, the Corporation absorbing the remainder.

The high recovery rate for depositors is attributable mainly to the fact that over $9 out of every $10 in deposits were in bank failures which were handled by purchase and assumption transactions, transactions in which the FDIC provides assistance enabling another bank to assume all of the failed bank's liabilities, in effect, providing 100 percent insurance both to uninsured and insured depositors alike. Subordinated creditors and equity investors generally lose most or all of their investments in either a payoff or a purchase and assumption.

The present law, however, restricts our ability to arrange a purchase and assumption in all cases. It requires that we arrange an assumption only when the cost of doing so is less to the FDIC than a payoff. In addition, of course, the FDIC has to be able to find a buyer and in some cases, particularly in unit banking States, that has proved impossible. In Nebraska, for example, of the eight failures since the FDIC was created all have been payoffs, with the attendant disruptions, rather than assumptions.

Nevertheless, since October of 1974, when the FDIC made this policy explicit, only 4 of 28 bank failures have been handled by payoff rather than purchase and assumption.

By resorting to purchase and assumptions whenever possible, we have provided *de facto* 100 percent insurance for all depositors in most banks in recent years. What we have not provided is equity, fairness, and logic in determining which are to be the few depositors who do not have 100 percent insurance. Those instances where depositors have experienced losses in payoffs have reflected special circumstances from the FDIC's standpoint—not necessarily from the depositors'. That is, there were some cases where it was not possible or appropriate to arrange for a purchase and assumption because of the location of the bank, or because of the State's branch and holding company laws, or because the FDIC could not get a good fix on liabilities because of pending lawsuits or suspected fraud. Uncertainty and potential cost considerations may have afforded logical reasons for a payoff in such cases as far as the FDIC was concerned. However, uninsured depositors were not necessarily at fault. They were unlucky. I

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recognize that these were large depositors who presumably are sophisticated and knowledgeable enough to scrutinize the condition of the bank before making their deposit, but that probably did not help. The sophisticated depositor is more likely to be able to detect poor management which will probably lead to a purchase and assumption than fraud which is more likely to lead to a payoff.

If we have almost 100 percent deposit insurance and the present system appears to work in an almost random way in its treatment of depositors—similar depositors getting treated differently in different cases—why not protect those innocent uninsured depositors by going to 100 percent deposit insurance? Let's explore the possibility.

First, the five most obvious arguments in support of such a change:

1. *One-hundred percent deposit insurance would provide protection to those depositors whose deposits are not now fully protected.* This can be done with only minimal additional cost to the FDIC, if past experience is any guide. The additional cost to the FDIC of payoffs made throughout the Corporation's history, if *none* of the loss had been borne by uninsured depositors and the same banks had failed, would be about $13 million. Let me insert a caveat at this point, however. If one or more of the recent large bank failures had been payoffs, the amount of loss to uninsured depositors would be much larger and therefore, the cost of moving to full insurance much more costly to the FDIC. If just one bank failure, U.S. National Bank in San Diego, California, had been resolved with a payoff rather than a purchase and assumption, the cost to uninsured depositors would have increased from $13 million to $88 million.

2. *With 100 percent deposit insurance, depositors would have no need to withdraw funds from banks with problems, and runs on such banks would not be likely to cause a failure.* Under our present system, when a bank gets into difficulty or is exposed to adverse publicity, some uninsured depositors tend to flee, exacerbating that difficulty. We must remember, when comparing banks with other corporations, that much of bank liabilities are payable on demand and free to leave in response to adverse publicity. One-hundred percent deposit insurance should limit deposit outflows in adverse circumstances, thus providing more time to work out a solution for the problem bank or for management to turn the bank around. Of course, not all deposit outflows would be forestalled since depositors typically want to do business with banks that can provide loans and other services, and the troubled bank is apt to be less able to serve its customers.

We expect that these factors would lead to a reduction in the number of bank failures, but that is by no means assured. What is more certain is that there would be fewer payouts. The purchase and assumption procedure could be used in almost every failure if deposits are insured in full.

3. *One-hundred percent deposit insurance would have a beneficial impact on competition among banks.* At present, institutions deemed to be more solid or more conservative have an advantage in competing for deposits. This is as it should be. However, depositors may not be able to differentiate accurately among banks according to risk, and for some depositors, size becomes a proxy for soundness. Or depositors may simply assume that we will not allow a large bank failure to result in a payoff. Statistically, there is some support for that position, as evidenced by the following: During the period 1971 to the present, of the banks that closed, 30 had less than $21 million in deposits. Twelve of these were paid out, 16 were acquired by a third party in an FDIC-assisted purchase and assumption transaction, and 2 became deposit insurance national banks. Only one of the seven failed banks be-

tween $21 million and $100 million was paid out, and none of the five with more than $100 million in deposits was paid out.

The present system, then, gives a decided competitive edge to very large banks. One-hundred percent deposit insurance would probably improve the competitive positions of small vs. large banks and of new vs. established institutions. Over time this would ordinarily be expected to reduce the levels of concentration in banking and to lead to more competitive markets for banking services.

4. *Because, as I have mentioned, we would not need to fear provoking runs on troubled banks, fuller public disclosure of adverse information on a bank's financial condition could be made.* This would lead to more informed business decisions by investors and customers of the bank, and some of the controversy about proper bank disclosure could be eliminated. The FDIC has been concerned that in recent years the capital markets have become less open to banks, particularly to smaller banks. Fuller disclosure would make it easier for well-run banks to open these markets, and to open them at reasonable rates. Large customers could become more confident that their business was safe in smaller banks if they had more disclosure of the condition of the bank.

5. *If we had 100 percent deposit insurance, pledging requirements for State and local governments could presumably be eliminated.* State and local governments already have preferred treatment with respect to their deposits in banks. They now have insurance coverage of $100,000, and the remainder, in most States, is protected by pledging requirements. Those bankers and others who view pledging requirements as an impediment to the efficient utilization of bank assets, and a reduction in bank liquidity, would count its elimination as an advantage of 100 percent insurance coverage. Those treasurers of public bodies and others concerned with the market for State and local government securities probably would view the elimination of pledging requirements as an undesirable aspect of 100 percent deposit insurance. There are other techniques for providing a continuing market for municipal securities, however, that probably would be effective even if pledging requirements were eliminated. Municipalities may be able to improve their markets, for example, by providing fuller disclosure or by moving to taxable, subsidized borrowings.

Let me turn to the obvious arguments against 100 percent deposit insurance:

1. *Uninsured depositors place limits on the riskiness of bank operations.* While there is some debate about how effective such influence is and no hard evidence is available, few would deny that, to a degree at least, this influence exists. With 100 percent insurance, banks anxious to increase their risk by bidding aggressively for deposits and loans might be able to do so without any market restraints.

No banker wants to lose money or fail, but some would be willing to take on considerable risk if they considered potential rewards in the form of growth and earnings to be sufficient. This weighing of risk and reward works in most sectors of our economy where most of the risk is assumed by equity investors. Where leverage is sought, lenders restrain the extent of overall risk by imposing restrictions, e.g., higher interest rates, and limiting available funds as risk is increased.

In the banking system, however, depositors provide most of the funds. With 100 percent deposit insurance, there would be little reason for large depositors to impose such market constraints. Aggressive high-risk-oriented banks, therefore, would be able to bid successfully for sizable additional time deposits at moderately elevated interest rates, which under current conditions might have been available to them only at prohibitive rates or not at all. Under 100 percent insurance, then, all of this additional exposure to loss would be borne by the deposit insurance fund.

Let me emphasize that the argument is not that most or even many bankers would behave irresponsibly if we had 100 percent deposit insurance. Rather, it is that 100 percent deposit insurance would significantly reduce the market restraints that many believe presently limit the amount of deposits available to the overly risky, overly aggressive, overly optimistic, and self-serving operation. Of course, there would still be some competitive forces working in the direction of sound bank operations. Many depositors, particularly large business firms, are attracted to a bank by its ability to provide services efficiently and to grant credit when needed. A bank whose continued existence is in question is hindered in this competition for customers.

2. *Since under 100 percent deposit insurance the exposure of the FDIC fund may increase, the Corporation may need authority to restrict leverage or the composition of bank asset portfolios in order to offset the greater risk exposure and costs.* Some possible restrictions would be limitations on capital ratios, limitations on asset combinations, or some form of both. Traditionally, the FDIC has not sought additional powers over bank leverage or asset composition. In fact, we have tended to favor broader lending and investment powers for banks. Likewise, most bankers have opposed the mix of increased insurance and increased regulation, fearing that regulatory restrictions might be more costly than the benefits of 100 percent deposit insurance.

Over the last year or so, several large banks have gone to market to raise very sizable amounts of capital. Obviously, we are pleased to see that, because increased bank capital becomes part of the cushion for the deposit insurance fund. To some extent, these capital issues may have resulted from informal pressure from the supervisory agencies, but I would not want to exaggerate our influence in these decisions. The major factor probably was the bank's concern that capital ratios play a role in the competitive battle for large deposits. In a world of 100 percent deposit insurance, however, bankers may be able to attract fully insured large deposits with very low capital ratios. Since bankers will not have the same incentive to maintain this cushion of capital protection for the deposit insurance fund, we may need authority to impose minimum capital requirements (or minimum liquidity requirements, or more control over types of investments).

3. *As long as there are no runs or liquidity pressures on banks in difficulty, supervisors might be reluctant to close banks that are insolvent or operating in an excessively risky fashion.* This raises a very important issue concerning bank failures and insurance. Do we want a situation in which a bank cannot fail? That is, do we want to keep inefficient, marginal banks open indefinitely? I do not think so, and 100 percent deposit insurance does not necessarily lead to that result. But there is a legitimate concern that supervisors may be reluctant to close a bank that could otherwise continue to operate indefinitely. Suppose a State supervisor concludes that a bank, on the basis of examiner classifications and market depreciation of securities, is insolvent. Under present conditions, such a bank is closed on an asset valuation basis, or tends to lose deposits, finds it difficult to borrow Federal funds, and is closed on a liquidity basis in a relatively short time. With 100 percent deposit insurance, depositors will not shy away from such a bank and liquidity pressures will be absent. In such a case, human nature might well lead the supervisor to delay taking action to close the bank. He may not intend to delay indefinitely, but it might appear desirable to delay until after the next election or until the supervisor's term is up. The temptation to leave such problems to one's successor is great, *and* is not unreasonable. After all, perhaps the

examiner's loan classifications were too harsh, or perhaps the market will turn around and eliminate the depreciation in the bond portfolio, or maybe something else will come up to improve the bank's condition. Whatever the reason, if supervisors react in this way, the risk of failure for inefficient, incompetent, or crooked owners and managers will be substantially decreased.

4. *In view of the greater risks which banks might take and the longer time before they are closed, the ultimate losses to the insurance fund might be large.* In fact, our past experience of very limited losses may not be a true indication of the potential risks under 100 percent deposit insurance. I mentioned earlier that if our past bank failures had involved 100 percent deposit insurance the additional cost to the FDIC would only have been about $13 million. But that was in a world in which insolvent banks were closed promptly and in which the prudence of uninsured depositors made it difficult for crooked or incompetent bankers to obtain deposits. If large depositors, with no fear of loss, could put large amounts of fully insured funds in the hands of swindlers, incompetents, or swingers, our losses could be much larger than past experience suggests.

Where do these pros and cons lead us with respect to a position on 100 percent deposit insurance? Allow me to duck that question for the present and suggest other alternatives than 100 percent deposit insurance for dealing with the inequities of the present system.

I see at least four or five alternatives:

1. It is clear that we can achieve all the benefits of 100 percent deposit insurance by adopting a policy of *always arranging for purchase and assumption transactions in the case of bank failure.* We can do so nearly all the time now, but there are some situations in which existing statutes do not allow us to use the assumption technique. There are some cases where the amount of uninsured liabilities is so great, or the value of the bank's business is so low, that no potential assuming bank is willing to offer a premium sufficient to meet the statutory test that an assumption transaction can be assisted by the FDIC only if the cost to the FDIC will be less than in a payout. In cases of suspected fraud, we must be concerned that there are liabilities that do not appear on the bank's books, which we obviously do not want to underwrite. In other cases an assumption may appear undesirable because the potential acquiring bank already has too large a share of the market, and an increase in that share would have anticompetitive effects on bank structure.

In some of these cases, we can avoid a payout (and avoid the disruption to the local community from a bank closing) by using a provision of our law which allows us to provide assistance directly to a failing bank to keep it operating. This provision allows us to provide such assistance, however, only when the continued existence of the failing bank is "essential" to its community. Obviously, there are very few cases in which that finding can be made—in fact, we have successfully used that section only four times in the history of the FDIC.

To accomplish all the effects of 100 percent deposit insurance by a purchase and assumption in each failed bank case, we need a change in the law such that the FDIC would be required to arrange an assumption in all cases or, if an assumption proves impossible, to provide direct assistance to keep the bank in operation. Actually, I believe we could accomplish about the same result with only very minor statutory changes which would give the FDIC Board of Directors greater discretion in arranging assumptions or in providing direct assistance to open banks. Some would object to putting greater discretionary authority in the hands of the FDIC Board on these matters without also having clearer Congressional direction as to the policy to be followed.

2. One of the simpler proposals, and perhaps the most promising, is to *provide 100 percent insurance of demand deposits and limit insurance on time deposits, if any insurance is provided for such deposits at all, to something less than $100,000.* Large CDs for which Regulation Q ceilings are not applicable would carry only limited insurance or, perhaps, none at all. Such "deposits," in most cases, are really money market instruments and logically could be distinguished from deposits. The SEC, for example, has long argued that they are securities. Keeping these funds at risk would retain some market discipline for banks, since it would place limits on the ability of the bank operating at high risk to bid successfully for funds on a regional and national basis.

One appeal of this proposal is that it would not represent a substantial departure from present *de facto* arrangements. Unless a bank fails very suddenly (perhaps as a result of some kind of fraud or theft), demand depositors generally can get out quickly by closing accounts, reducing balances to the level of their outstanding loan, or borrowing an amount equivalent to their demand balance. Under present arrangements, perhaps unfortunately, demand depositors frequently protect themselves by getting out, further exacerbating the bank's problem. If demand balances were 100 percent insured, protection for these depositors would not require the outflow of deposits. CDs would run off in periods of adverse publicity, but this would be a function of the maturity structure of the bank's CDs, rather than a sudden collapse. The troubled bank would generally have more time to work out its problem and the overall deposit outflow would be less.

3. A third approach toward expanding deposit insurance, one already suggested, would be to *combine 100 percent deposit insurance with minimum capital ratios, limitations on asset composition, or some combination of the two.* At the present time, the supervisory agencies' attitude toward capital adequacy is not subject to explicit rules. Many variables are considered in determining whether a bank's capital is adequate, including such factors as subjective as the quality of the bank's management. We may urge some banks to increase their capital (or their liquidity), but some may not do so, either because they are not able to or because they do not agree with our assessment. Actually, the supervisory agencies tend to be most successful in this area when the bank needs agency approval in connection with some application (say for a branch or holding company acquisition). Also, some bankers are more easily intimidated by the examiner or by the agency than others. Rules and standards are thus not always evenly implemented or adhered to. As a result, supervisory standards do not always seem uniform—within as well as between agencies.

In view of this situation, perhaps it would be desirable if all insured banks were required to adhere to an explicit minimum capital-to-deposit or capital-to-loan ratio. Such a requirement would not necessarily have to be related to deposit insurance. However, the imposition of such a standard could mesh well with a move toward 100 percent deposit insurance and would probably be necessary if there is 100 percent insurance. Banks would be prevented from using the expanded insurance to expand their leverage drastically.

4. A modest variation on this alternative would be to *allow banks to get expanded or 100 percent insurance if they meet some minimum capital ratio or other standard.* However, it would be crucial under such a fluctuating system that there be no doubt or misconception in the depositor's mind as to whether his deposit was fully insured.

5. Another proposal would *combine expanded or 100 percent deposit insurance with a system of variable rate insur-*

ance premiums. The idea of a variable rate insurance premium has been discussed periodically, particularly by academic economists, and not necessarily in conjunction with expanded deposit insurance. While there is no necessary link between the two concepts—the proposal for a variable rate premium can be analyzed on its own—the variable rate premium could conceivably provide a substitute for the market discipline that is lost under 100 percent deposit insurance.

The advantage of a variable rate insurance premium in this setting is that premiums are geared to risk. The conservatively run bank whose operations pose little risk to the insurance fund is rewarded with a low premium rate and vice versa, just as now the capital requirements serve as a rough approach to the same end.

It is extremely difficult to put risk of failure on anything like an actuarial basis. We have not had that many failures during the past four decades, and despite the substantial efforts in recent years to zero in on those variables providing early warning about failures, few, if any, would attempt to construct and defend a rational premium system based on research that has been completed so far. Similarly, while we try very hard to standardize our criticism of assets, there is sufficient variation between reviews to make it unfair to base any finely tuned system on an asset-classification foundation.

I would not necessarily rule out the idea of variable rate insurance premiums because a rational, actuarially sound system cannot be constructed. It might be feasible to establish a simple, seemingly arbitrary system that has the effect of putting banks into, say, three, four, or five risk categories. These might be based on a few simple ratios relating such variables as capital ratios, asset mix, income ratios, etc., without attempting to defend the premiums in actuarial terms. Rather, they would be related to things the supervisors consider relevant and their level would be set so as to bring about some desired result in terms of bank portfolios. Insofar as a bank placed into a high-risk class was unhappy about that, it could adjust its policies to change its risk category. In that sense, there could be an element of choice in such a system.

If premiums were set sufficiently high for banks in the highest risk category, the system might have a self-regulating quality such that the discipline of the uninsured depositor might not be necessary, and such a system of insurance premiums could mesh with 100 percent deposit insurance.

I recognize that the premiums set under such a system, and the levels of particular financial ratios, would be essentially arbitrary. But that is not so far removed from our present system. The level of premiums at the present time appears adequate for the present risks of the banking system, but we cannot be sure that it is precisely correct or even anywhere near some hypothetical "correct" level. Also, under the present supervisory system, while we attempt to coax many banks to raise capital, the results are certainly not uniform, and the figures we aim at are essentially arbitrary—except that we know "more is better."

How steep would the variable rate structure have to go to discourage excess risk-taking while still keeping overall premium income in about the same relationship to deposits as exists today? How do you appraise the capital position and asset mix of a bank where half its resources are in foreign branches? Should we base premiums on subsidiary banks or should they be applicable for an entire holding company system? All these are questions that would have to be answered before variable premium rate insurance could be adopted.

Let me conclude not with a selection or advocacy of a particular position but with some few additional comments about the present system. I have heard complaints from small banks that the present structure of deposit insurance and assessment is unfair to small banks. I have heard the same claim made by large banks. Perhaps we can simply assume that if both small and large banks think the present system is unfair to them, then it must be pretty good. But I think the issue is more complicated than that.

Small banks argue that we provide 100 percent insurance for large banks but not small banks in that we have never had a payout of a large bank with losses to uninsured depositors, whereas we have had such treatment of small bank failures. The small banks argue that this inhibits their ability to compete for large deposits. A large depositor may decide to put his uninsured deposit in a large bank, not necessarily because it is better run or a sounder institution, but because of his belief that in case of difficulty the FDIC will not allow a payoff in a large bank situation. As I mentioned earlier, statistics do support this argument. The FDIC has paid off only one failed bank with deposits over $41 million, that one a $67-million Texas bank, even though 15 banks of over $41 million have either failed or required FDIC assistance to stay open.

Large banks sometimes complain about the fact that deposit insurance premiums are based on the total domestic deposits of the bank, not just on insured deposits. Thus a bank with a large percentage of its domestic deposits above $40,000 pays a premium that is higher in proportion to those insured deposits than a small bank with fewer uninsured deposits. Originally, this was done intentionally to provide for a subsidization of the insurance fund by a large bank for the benefit of small banks. Since we now have a world in which large banks can and do fail, it does not appear that large bank premiums are subsidizing the cost of small bank failures. Furthermore, large banks have many correspondent accounts and clearly benefit from a strong banking system. Small banks also argue that the assessment system is equitable since, in practice, large banks have had 100 percent deposit insurance and hence it is only reasonable that they pay insurance premiums on 100 percent of their deposits.

There is another complicating issue involved here, however. Deposit insurance premiums are based on total domestic deposits. Large banks now obtain a significant percentage of their deposits from branches abroad. These deposits are not subject to insurance assessments, nor are they insured under the law. In practice, however, since we have always had assumption transactions for large banks, these foreign deposits as well as all other unsubordinated liabilities of the bank have been protected in full. This appears to be an inequitable arrangement, though it is not clear in what direction we should move to resolve it. Perhaps deposits of American branches abroad should receive the same deposit insurance protection as their domestic offices. And perhaps these deposits, insured or not, should be subject to insurance premiums. These are just a few of the considerations I will leave for others to discuss.

While I have suggested six proposals for dealing with expanded insurance coverage, each has several possible variations. As a result, there are lots of possibilites—some relatively simple and easy to implement such as 100 percent insurance on demand deposits. On the other hand, proposals related to variable rate premiums are much more complicated.

I am not sure where I come out at this moment. I believe, however, that the banking system would benefit from public discussion of these issues.

Address by Robert E. Barnett, Consumer Issues*

I would like to discuss today a conglomeration of ideas relating to laws and attitudes concerning banks and their customers. Just as the consumer movement relating to banking has grown like Topsy, so has this speech. It has no logical sequence, reaches no major conclusions, and makes no dramatic philosophical statement. Still, in it I hope to address myself to issues which cause as much bitterness and frustration among bankers as any issues now outstanding, to laws whose enforcement is very costly and whose benefits remain unknown, and to questions the answers to which have had or will have dramatic impact on the three-way relationship of the regulator, the banker, and the public.

I

Congress has addressed itself to the relationship between the bank and its customer in several areas. In recent years, this has been most obviously and notably in truth-in-lending, fair credit reporting, real estate settlement procedures, fair credit billing, fair housing lending, equal credit opportunity, and home mortgage disclosure.

If nothing else can be said about these laws, it can at least be stated that their enforcement has been controversial.

As we at the FDIC discuss issues with bankers around the country, it is clear that this panoply of consumer laws has caused more irritation and frustration than almost anything else they care to discuss with their regulators. Similarly, as I visit with FDIC bank examiners as I attend our regional meetings around the country, similar frustration is voiced. Congress likewise is unhappy with the enforcement of some of these laws. And the presumed benefits to the consumer have yet to be measured.

The complaint raised by both the regulated and the regulator in some respects is quite similar—there are too many new laws and regulations and they are too complicated; we can't keep up with them. We want to obey (or enforce) the letter as well as the spirit of the law, but we can't be sure we know what it is.

Many bankers go on to say (particularly those 12,800 bankers who run mutual and commercial banks $50 million or smaller in size) that they are diverted from their main banking responsibilities by this mass of confusing laws and regulations, and that customers of their banks are being charged higher prices on bank services and products because of the added expense of complying with laws the substance of which they had never violated anyway.

The typical FDIC bank examiner says that enforcement of consumer laws conflicts directly with his primary charge to see that banks operate safely and remain solvent. As he is required to adopt more and more of an adversary position with the banker in the consumer area, especially in light of the examiner's belief that 95 percent of the banks try hard to be law-abiding and fair, and to provide a service to their community, the cooperation he will receive from the banker in conducting traditional safety and soundness examinations of the bank will diminish, costs will escalate, and the accuracy of the examination will suffer.

Examiners could add that their training has been to deal confidentially with banks and supervise them in such a way that they will remain solvent, their problems will remain private, the confidence of the public in the banking system will endure, and the public will benefit as a result. They are very thorough by training and find it hard to take shortcuts in analyzing a problem. When faced with the tremendous number of consumer transactions that take place during the course of a year between any bank and its cus-

*Presented before the 74th Annual Convention of The Savings Banks Association of Connecticut, Dorado Beach, Puerto Rico, October 25, 1976.

tomers, if the proper supervisory posture to be adopted is one of retroactive remedy rather than prospective compliance, examiners will argue that it will be essential to review *all* consumer transactions so that everyone is treated fairly, a procedure which will be overwhelmingly costly and time-consuming.

The Senate and House Banking Committees are dissatisfied with the enforcement of these consumer laws by the FDIC and the other banking agencies. As a quotation from a recent Committee Report states: "The Committee found an unsatisfactory level of enforcement activities by all three agencies."

There is a yearning for simplicity found in the reports of these committees quite similar to the yearning for simplicity in the irritation expressed by the banks and the frustration expressed by the bank examiners. The Senate Committee, for example, criticizes the Federal Reserve Board for creating regulations "that are lengthy, complex, and technical . . . . with the result that both compliance and enforcement are made more difficult." That same committee also renewed its recommendation that the FDIC, the Comptroller of the Currency, and the Federal Reserve Board institute fair housing lending regulations, including a requirement for racial recordkeeping. Actually, last August the FDIC and the Comptroller of the Currency began testing fair housing lending forms and announced at that time that those forms were a necessary prologue to the creation of corrective regulation in the field. The chairman of the Senate committee has objected informally to the FDIC that those data collection forms are too complex and lengthy and will frustrate the purposes of the Fair Housing Lending Act. While we disagree and feel the data requested are essential if we are to enforce the act effectively, we also share this desire for simplicity and believe that our data collection in this area probably can be met by most banks without the use of additional forms beyond what they're already using.

While I certainly agree that a simple law, a simple regulation, or a simple form is easier to follow or to complete, the fact remains that to enforce adequately the laws adopted by Congress one needs more than a simple regulation or a simple form. It is the statute, the purpose of the statute, and the complexities of the society in which we live, which lead to the regulations or the forms which create the difficulties in compliance and enforcement. Nevertheless, the yearning for simplicity combined with effective compliance and enforcement exists in the Congressional Committees.

Beyond that, however, there seems to be an implicit belief that the bank regulatory agencies should become consumer advocates vis-a-vis the banks those agencies regulate. This may well be the crux of the difficulties that I see in continuing to expect the bank regulatory agencies to adequately enforce the consumer laws.

While this is what we hear from bankers, bank examiners, and Congress, I cannot summarize what consumers have told us since we have no organized way of meeting with consumers. Our Office of Bank Customer Affairs, the unit created in the FDIC in response to recent legislation, has only been staffed for a few months and so far has not generated systematic input from consumers relating to their judgment of the benefits they have received from these many pieces of legislation or to the cost, both direct and indirect, they have paid. While proposed regulations are published for comment, we almost never receive a comment from an individual consumer. On the basis of inquiries received, it appears that consumers are more concerned about insurance coverage and interest rates than about recently enacted consumer protection laws. I expect that over time we will develop improved means of learning of consumer concerns and interests.

II

It is important that you be aware of the framework within which the FDIC operates. The FDIC is a creature of Congress. When Congress passes laws which we are supposed to enforce, we'll enforce them, even if we might have disagreed with the creation of the law. If the appropriate Congressional Committee disagrees with the way we are enforcing laws, we must and will consider their comments.

While we think our enforcement activities have generally been in accord with our statutory responsibilities, two recent reports by Congressional Committees have been critical of the consumer protection enforcement activities of the bank regulatory agencies. One was issued by the Subcommittee on Consumer Affairs of the Senate Committee on Banking, Housing and Urban Affairs, and the other was a staff report of the Subcommittee on Consumer Affairs of the House Committee on Banking, Currency and Housing.

The House subcommittee staff report included a survey of approximately 20 percent of the consumers who sent written complaints to the agencies in 1976. We received some good reviews and some bad reviews. The good news is that "the Federal Deposit Insurance Corporation had the highest percentage of consumers who considered the agency's overall complaint handling process to be excellent." The bad news is that only 32 percent of the consumers surveyed called our handling "excellent," and only 27 percent indicated that they were satisfied with our resolution of their problem. While the subcommittee staff considers this to be rather poor performance, I am not so sure. Remember, consumers complain to us only *after* they have tried without success to get their bank to resolve the matter without our intervention. If we were able to effect a solution satisfactory to 27 percent of these unhappy bank customers that does not seem bad to me. In effect, the staff report seems to imply that in any dispute between a consumer and a bank, the customer is always right. I don't agree with this, though neither do I agree with the attitude of some bankers that "we never make a mistake, and hence, if there is a disagreement, the customer must be wrong."

The committee reports make a number of recommendations, most of which are already in effect or which make a good deal of sense *if* we accept the view that the FDIC should play a greater role as a consumer advocate with respect to banking problems. The fact remains that there is a strong body of opinion in the Congress that has put a number of consumer laws on the books and would like to see the bank regulatory agencies become more of a consumer advocate than they have been.

I believe it is informative for our agencies as well as the banking industry to list some of the major recommendations made by these Congressional Committees:

1. The FDIC should promulgate regulations on fair housing lending, requiring notations of the race and sex of applicants.
2. We should consider whether compliance examinations should be conducted separately from regular examinations and by separately trained investigators.
3. The FDIC should insist upon affirmative remedies for violations of consumer laws, retroactive as well as prospective.
4. The FDIC should not hesitate to publicize violations of consumer laws.
5. The FDIC should create an "outreach" capability so that consumers will be able to file more easily their complaints with the FDIC; this would require not only an expansion of the Office of Bank Customer Affairs into the regions but apparently beyond the regional office.
6. The FDIC should educate consumers on their rights vis-a-vis the

banks, by the use of leaflets, posters, toll-free telephone numbers, and shopping guides.

7. The FDIC should expand the Office of Bank Customer Affairs so that it will review and resolve all complaints received from consumers within its own unit rather than making use of bank examiners already existing in the Division of Bank Supervision.

8. The FDIC should create and distribute a consumer complaint form.

III

Whatever else may be the case, it is clear that the examination system already in existence gives the banking agencies a much greater ability to enforce consumer legislation in banks than any other existing agencies. The banking agencies periodically examine each and every bank in the United States. No other existing agency that might take over this enforcement responsibility periodically and systematically examines the entities it regulates. For example, the Federal Trade Commission has the responsibility of enforcing truth-in-lending laws with respect to furniture stores, appliance dealers, etc., but the commission obviously can enforce such laws only as a result of a complaint. They are not on the premises examining the records of furniture stores or appliance dealers on an annual basis. The banking agencies, on the other hand, are in the bank every year looking in detail at the loan transactions of the bank. Thus, in the normal course of bank examination, we find some violations of law that would never be found by the Federal Trade Commission if it were the enforcing agency.

To some extent we have been given these responsibilities because we already have an enforcement mechanism in place. But the mere fact that there is an examination force in operation does not mean that using that force to enforce consumer laws is free. All of our examiners are already at work full-time. Using an examination approach to enforcing consumer laws requires the creation, in effect, of an additional examination force. We currently estimate that about 10 percent of our supervisory effort is taken up with reviewing compliance with laws and other matters not related to safety and soundness. This amounts to approximately $5 million annually. Said another way, we have added approximately 230 employees to our work force to enforce consumer laws. This is tending to increase as the number of our responsibilities increases and as we seek to do a better job in this area. We need to add, for example, a substantial additional training program, since the regulations are extremely complex, and as I mentioned earlier, I hear complaints from our examiners that they do not understand all the rules and are hard put to find the time to keep up with changes and additions.

Since the area is not a static one, it is difficult to predict just what the cost will be ultimately in enforcing these laws through the examination process. Vigorous enforcement along the lines the committees have recommended would cost substantially more than the current $5 million—at least double that amount. It is not up to us to determine whether the benefits justify these costs: that is a matter on which reasonable men may differ. I believe that Congress should and will consider these costs if we present them in an understandable way. We hope to be able to do that during the next session of Congress. Of course, we have no way of estimating the cost to the consumer because of the additional costs added to the banking system itself but, obviously, the total additional cost to the banking system dwarfs the costs to the FDIC.

An additional factor supporting this role for the banking agencies is the fact that in the past both the banking community and the banking agencies have supported the idea that any kind of legislation affecting banks should be enforced by the banking agencies rather than other governmental agencies. That has been the policy that has led to the enforcement of the financial disclosure laws by the banking agencies rather than the SEC and the definition of deceptive banking practices by the Federal Reserve Board rather than the Federal Trade Commission. That view on the part of the banking community in the past was based partly on the view that the banking agencies are more knowledgeable about the real day-to-day problems and operations of banks than other agencies would be. That is still valid today. It may also have been based on the view that the banking agencies would not enforce the laws as vigorously as other government agencies. I doubt that this was valid in the past, and I certainly do not believe that it is today. It may be time to rethink the general policy that enforcement of a wide variety of laws be enforced, with respect to banks, by the banking supervisory agencies.

IV

In considering whether the FDIC should take a stronger role as a consumer advocate, that is, go beyond what we already are doing, I am troubled by one important consideration: Will our taking a stronger adversary position vis-a-vis the bank with respect to consumer matters adversely affect the performance of our major activity, examination of the safety and soundness of banks? It has frequently been said before that the examination process is a cooperative one between the examiner and the bank rather than an adversary proceeding. If the banks begin to perceive the examiner as an enemy, will that destroy some of the free exchange of information and general cooperation that facilitates an examination? I do not know whether that would be the case, but it is obviously a matter of great concern. I have raised this question in a number of recent meetings with our examiners and supervisors. A very large majority felt that increased enforcement activity on consumer matters would adversely affect their ability to do a good job on safety and soundness examinations. They may be wrong, of course, but their perception of the situation will alter the way the job gets done.

It is possible that this effect differs with respect to the condition of the bank. It may be that with respect to a bank whose condition is poor and which is subject to substantial criticism from the examiner, the relationship is already an adversary one and would not be affected by what we would do in the consumer area. On the other hand, most of our examination time is spent in the overwhelming majority of banks that are in good condition. If in that majority of cases the ability of the examiner to do his job is going to be impeded and examination is going to take significantly longer, then that would be a severe loss to our examination program as well as a substantial increase in cost.

I am concerned about this because I think that our performance in what up to now has been our major responsibility, the supervision of safety and soundness of banks, has been very good. I am reluctant to see changes in that that may upset the quality of that performance in the absence of a clear-cut understanding of what we are doing. I recognize, however, that in some areas within the general area of safety and soundness our relationship with banks is becoming more formal and, in some cases, more of an adversary relationship. We now issue many more cease-and-desist orders in matters relating to bank safety and soundness. We recently imposed fines on banks that were delinquent in submitting required reports to us. These are evidences of a more arms-length rather than cooperative relationship between supervisor and supervised.

V

It is useful, I believe, to make a comment at this time about the approach of the State of Connecticut and its banking department to truth-in-lending, as compared with the approach of the FDIC.

The FDIC handles complaints differently from violations discovered during the course of an examination. With respect to complaints, about 60 percent of which are handled in the Regional Office and the remainder in the Washington Office of Bank Customer Affairs, either the Regional Office or the Office of Bank Customer Affairs attempts to resolve the complaint either by telephone with the affected party and the bank or by authorizing a field investigation by an examiner. If in the judgment of the examiner, the Regional Office, or the Office of Bank Customer Affairs the complainant has had his or her rights violated, the examiner or the Regional Office will tell the bank the conclusion that they have reached and recommend that the bank make restitution or take whatever other affirmative action is necessary to remedy the violation. In nearly all cases, the bank is willing to do that.

If a violation of a consumer law is discovered during the course of a bank examination, however, the efforts of the Corporation are devoted to insuring that the bank will not continue the procedures which result in that violation in the future. In other words, the remedy is prospective rather than retrospective. The customer affected by the violation is not notified by the FDIC and the bank is not urged to take affirmative action with respect to that individual customer. It should be said that only a sample of truth-in-lending transactions is reviewed during the examination, a sample sufficiently large to permit the examiner to judge whether the bank is complying with the law.

The State of Connecticut, on the other hand, has a separate corps of examiners whose only examination responsibility is to examine banks and other financial institutions to insure that they are complying with the Connecticut truth-in-lending law. Rather than reviewing a limited sample, these examiners review nearly every consumer transaction that has taken place in the bank since the last State bank examination. Every violation discovered, even those which in no way are harmful to the customer, is written up and discussed with the banker. As I understand it, the Connecticut examiner and the department then make a decision on what affirmative action to take with respect to the violation and in many cases require the bank to compensate its customer for damages suffered as a result of the violation.

We are convinced that the Connecticut Banking Department and its compliance examiners do a more thorough job of reviewing the truth-in-lending violations in the State of Connecticut than the FDIC examiners do. Whether the additional cost the State incurs is worth the benefits to the Connecticut consumers we feel is a question for the State of Connecticut to answer, not the FDIC or the Federal Government.

Connecticut is one of five States (the others being Maine, Massachusetts, Oklahoma, and Wyoming) which the Federal Reserve, the Federal agency which has been given the authority by Congress to make such decisions, has exempted from the Federal truth-in-lending laws.

The FDIC has decided that its examiners should no longer examine banks in these five exempt States to see if they are complying with the truth-in-lending laws. It clearly is an unnecessary duplication with the activities already being conducted by the state examiners in those States.

VI

Let me turn to some specific issues and conflicts in dealing with consumer matters. I mentioned earlier that in some cases where we find consumers have been treated unfairly, we have been successful in gaining restitution for the consumer. But our legal basis for this is not completely clear. Under section 8(b) of the Federal Deposit Insurance Act, the FDIC is empowered to order an insured nonmember bank to cease and desist from any violation of law, "and further, to take affirmative action to correct the conditions resulting from any such violations." While the limits of this authority have not been tested in the consumer protection context, we believe that the authority probably includes the power to order restitution in appropriate cases. What is an appropriate case, of course, will depend on a number of considerations, not the least of which is the particular nature of the consumer's injury and whether restitution is necessary to compensate for that injury. Our existing authority may be sufficient, but we believe it would be preferable to have a specific legislative authorization and mandate to require restitution. Despite comments by Congressional Committees that we should do more in protecting consumers, we have not been given this specific legislative mandate nor, we must confess, have we specifically sought it.

These considerations rest heavily on interpretations of law and regulation, and are somewhat afield from the area of real expertise of our examiners. I mentioned that over time we could fill this gap with appropriate training of our bank examination force. An alternative approach would be to have a separate consumer compliance staff to handle enforcement in this area and separate compliance examinations. We already have had the experience of separate compliance examinations in three States in which, on an experimental basis and to a limited extent, we are not conducting safety and soundness examinations. While we have dropped the concept of separate examinations, there is strong support among our examiners for a separate staff of specialists. In part that is because they find the work dull, in part because they feel it is a deviation from an examiner's career path, in part it is because they feel the purposes of the two examinations are inevitably in conflict, and in part it is because it is too difficult to stay current with the changing laws and regulations in addition to their other responsibilities. As I mentioned before, if we do develop a separate corps of consumer law examiners conducting separate examinations, there will obviously be a substantial additional cost to the FDIC, the banks, and the general public.

Should we publicize a bank's mishandling of customer transactions? As I have indicated, we have usually been successful in getting banks to agree to change practices that we believe violate existing laws and regulations. We see no purpose to be served by public announcement of past violations we have discovered which have been inadvertent or technical, or have been corrected. If we are unable to gain agreement by the bank to change the offending practice, we can take some formal action under section 8(b) of the Federal Deposit Insurance Act. It should be said, however, that we have seldom been unable to get the correction made, and so seldom have considered a section 8 action. Once we initiate such a formal enforcement action, there may be some merit in publicizing that fact, the nature of the charges, and the eventual result. Such publicity may well have a legitimate deterrent effect, without generally carrying with it the same potential for mischief present in the case of publicizing formal cease-and-desist actions involving unsafe or unsound practices.

Nevertheless, it is quite probable that the threat of publicity may aid us in getting the bank to resolve disputes in favor of the customer even if the bank feels it has acted fairly. I have serious reservations about using the threat of unfavorable publicity as a means of coercing a bank to do something it does not believe it is legally required to do. If there are differences concerning the legality or fairness of certain practices, those should be resolved in accord with the judicial process and not by a threat of unfavorable publicity. After all, our judgment is not infallible so why should we be permitted or encouraged to enforce it as though it were.

The idea of greater publicity leads to other problems as well. What if the bank has serious supervisory problems? In that situation the conflict between safety and soundness and enforcement of consumer laws is most obvious.

I do not plan to discuss the merits of the consumer protection legislation that has been enacted. I must stress, however, that the merits deserve attention, review, and analysis. The experience of RESPA is a case in point. There undoubtedly were some abuses in real estate settlement procedures, and some changes in law were probably warranted. The specific action that Congress took, however, was too elaborate, too complex, and too cumbersome. When the results of the law became apparent, Congress recognized reality and substantially revised the law, and I think the Congress deserves credit for that. You may feel that the shortcomings of the original law were obvious beforehand; in fact, many real estate lenders pointed out its shortcomings to the relevant Congressional Committees. Obviously, their testimony was not persuasive, perhaps because Congress has heard nothing but opposition to consumer legislation from bankers and no longer pays any attention to it. The experience of RESPA should improve the credibility with Congress of those who responsibly point out burdens in proposed consumer legislation in the future.

Truth-in-lending is another example where the costs of the legislation are being recognized by the Congress. The Senate Banking Committee has called on the Federal Reserve to propose revisions in the law to simplify the regulations.

It is difficult for us to articulate clearly the estimated costs of compliance with consumer protection laws. But it is even more difficult to show the actual benefits to consumers from such legislation. The original objective of the truth-in-lending law was to enable consumers to shop for the lowest source of credit. The law does make that possible, but we do not know whether consumers are taking advantage of that possibility and, hence, whether they are being benefited by the law. A study completed a few years ago concluded that:

> Consumers who borrowed on installment loans since the truth-in-lending law went into effect are more aware of the true rate of interest that they are paying than were consumers who borrowed before the law was enacted. In spite of this improvement, however, borrowers are still largely unaware of the rate of interest they are paying even though this rate has, by law, been imparted on them. Only one-tenth of borrowers can estimate the rate of interest they are paying on a car loan with a 10 percent margin of error, and nearly half of all borrowers miss the mark by 50 percent or more.

I think an updating of this sort of study is important, as well as a determination of whether consumers are actually shopping for credit. If consumers aren't benefiting from this legislation, then a lot of time and money is being wasted. If they are benefiting, then Congress has a way to measure the value of the legislation and to demonstrate, if that is the case, that these benefits outweigh the costs.

The essential point here is simply that increased consumer protection laws have both benefits and costs. The net effect of every increased piece of consumer protection legislation is not necessarily to the good, nor is the resulting increased regulation of banks necessarily bad. We need more objective calculation and evaluation of these costs and benefits.

It is pretty clear, however, that we are going to have a substantial volume of legislation designed to protect consumers in their dealings with banks and other lenders, and we hope to contribute to a careful analysis of the costs and benefits of such legislation.

VII

These are just a few of the issues raised by the creation of legislation designed to establish standards of performance for banks in this country vis-a-vis consumers of banking services. The FDIC is in the midst of trying to adapt to the additional role given to it by this legislation. In many respects, this new role conflicts directly with the traditional role and function of the Corporation as a regulator of the safety and soundness of banks. While the costs and benefits are just now becoming apparent, I do not feel that it is the function of the Corporation to judge the merits of the legislation against these costs and benefits, but that it is our function to bring the costs and benefits to the attention of Congress.

Address by Robert E. Barnett, Bank Examination and Supervision*

The FDIC examines and supervises 8,628 commercial banks and 331 mutual savings banks with combined deposits of over $285 billion. The Comptroller of the Currency examines and supervises 4,745 commercial banks with deposits of $450 billion. The Federal Reserve System examines and supervises 1,032 banks with deposits of $143 billion. While the number and size of banks examined by the Comptroller of the Currency have remained relatively constant in relation to the growing number and size of banks in the country, the number and size of those examined by the FDIC have increased faster than the averages, and those examined by the Federal Reserve have dramatically decreased. Over 60 percent of the deposits supervised by the Federal Reserve, for example, now are concentrated in only 22 banks.

The Corporation is thought of as the Federal agency that supervises only small banks; the Comptroller and the Federal Reserve are thought of as the agencies that supervise the large banks. This no longer is accurate. We now supervise three times as many banks with deposits over $100 million as the Federal Reserve and are approaching the number supervised by the Comptroller. We supervise more banks with deposits of over $1 billion, commercial and mutual savings combined, than does the Federal Reserve.

The trends over the past few years also support the growing importance of the FDIC as a Federal supervisor of banks. In 1956, 20 years ago, the Corporation supervised 6,983; the Comptroller, 4,651; and the Federal Reserve, 1,807. In 1966, 10 years ago, the Corporation supervised 7,724 banks with deposits of $108 billion; the Comptroller, 4,799 banks with deposits of $207 billion; and the Federal Reserve, 1,350 banks with deposits of $86 billion. Five years ago, the numbers showed the FDIC with 8,211 banks with $183 billion deposits; the Comptroller, 4,600 banks with $316 billion deposits; and the Federal Reserve, 1,128 banks with $112 billion deposits. If those trends continue, especially if the 22 large banks currently supervised by the Federal Reserve were to cease to be supervised by the Federal Reserve, either by withdrawing from Federal Reserve membership or by converting to national charters, there will be only 2 rather than 3 Federal bank supervisory agencies.

It is extremely important, therefore, that the FDIC make known its views on bank examination and supervision. The public, Congress, and the banking industry should know what we view as the strengths and weaknesses in FDIC supervision, and what changes appear to be desirable, and perhaps even essential, in the near future.

I

Let me begin by saying that we expect bank examinations to continue. We recognize that an argument can be constructed that concludes that it would be cheaper and no more risky to eliminate all bank examinations and use the money saved to pay off the "few" additional banks that might fail, to increase the capital position of weak banks, etc. The most important response to these arguments at this time is simply to say that we have had bank examinations in this country for 147 years and that we see no sign that we"ll eliminate them in the foreseeable future. The public expects banks to be examined by governmental agencies.

It is more fruitful for the Corporation to attempt to analyze weaknesses that may exist in our supervisory process and to attempt to correct those weaknesses.

II

First, a quick review of the bank regulatory environment is in order. The 1960s and 1970s have brought changes

*Presented before the Missouri Bankers Association's Bank Directors' Conference, Osage Beach, Missouri, November 11, 1976.

which have important implications for the process of bank examination and supervision. One of these changes is simply the fact that banks have gotten bigger. As I have mentioned above, this is a much more significant change for the FDIC than for the other supervisory agencies. I don't think we have completely adjusted to our new situation yet.

Not only have banks gotten bigger, but banking has become more complex and a riskier business, particularly for these larger banks. Some years ago, we used to think that big banks could not get into serious trouble and that the real focus of bank supervision should be on the smaller banks. While there are many different ways to define the riskiness of different parts of the banking system, none of them perfect, it does appear that there has been an increase in risks in some large banks. One statistic which has received increasing attention in the last year or so has been the size of our "problem list." Although 97½ percent of all banks are not on any problem list, we are concerned about both the number and the size of banks which are on the problem list, some of them larger banks. Let me say quickly that the problem list reflects the condition of banks when they are examined, not necessarily their current condition. There is a substantial time lag between the time that a bank is found to be in a "problem" condition and the time it appears on the FDIC problem list; in cases of large banks, the time lag may be as much as 10 months. To a great extent, therefore, our problem list reflects the condition of the industry some time ago. It is our judgment, for example, that the condition of the banking industry is much better now than it was at the beginning of the year, even though there were fewer banks on our problem list then.

Another important change in the banking environment has been the entry of the consumer movement into banking, the result of which has been a sizable volume of consumer protection legislation enacted by the Congress in recent years. The major part of a typical bank examination has been and still is loan evaluation. The bank examiner, however, is responsible now for many other aspects of banking than the extension of loans and other aspects of the loan than its credit quality. The bank examiner must enforce truth-in-lending, equal credit opportunity, fair housing lending, home mortgage disclosure, and several other consumer protection laws. The banking agencies have been criticized in recent months for devoting inadequate resources to consumer protection. I think some of this criticism has been justified and we are increasing our attention to these matters. But with limited time and resources, this has implications for our ability to do the job of examining the safety and soundness of banks with current techniques.

We used to carry out the process of bank examination and supervision in an atmosphere of confidentiality and secrecy. Banks felt no obligation to disclose bad news about their operations, and the supervisory agencies certainly did little to encourage the disclosure and publication of bad news—in fact, just the opposite. There was such general acceptance of this as the appropriate approach in the banking field, I am told, that even if reporters or newspapers came across damaging information about banks, they did not think of publishing such information.

That situation has changed. Banks are subject to disclosure under the securities laws, and the banking agencies as well as the SEC are prodding for increased disclosure. Whatever reluctance the media may have had to publish bad news about banks has certainly disappeared. Although I am not happy about the elements of sensationalism that have occasionally crept into some stories, I think the move toward broader disclosure is appropriate and desirable. But regardless of our feelings as to the desirability of increased disclosure, it is a fact of life and is going to remain with us.

These are some of the changes in the environment which have taken place in the past few years. I will discuss other changes in the context of specific changes we have made in our supervisory process to deal with them.

III

In the light of these changes, let me simply list what we at the Corporation have perceived as the most apparent defects of our examination and supervision policies:

1. The best run and soundest banks have been examined too often. They are on approximately the same schedule as poorly operated institutions. Over the past several years the record of examinations by all Federal authorities showed that two-thirds of the banks examined received almost no examiner criticism. The criticized banks tended to be the same banks year after year.

2. Large banks and small banks have been examined in much the same way, even though the differences in the banks may be such that an objective observer would argue that they are not even in the same business.

3. The weakest banks have not been examined often enough. Nor have the deficiencies revealed by examination always been followed up by the indicated degree of aggressive action. Fair banks become poor before sufficient pressure for changes is applied to management and the directors and then it is often too late.

4. Too small a part of the examination has been dedicated to an in-depth analysis of matters other than the loan portfolio.

5. Insufficient attention has been given to changes in liquidity, securities portfolio, and source of funds. A bank's liquidity may be quickly eroded by a change in investment policy or a change in liquidity needs.

6. Insufficient attention has been given to current earning trends. Quarterly or semi-annual income data are becoming widely available for the first time, which will provide the basis for closer monitoring of earnings deterioration.

7. Too much of the examiner's time has been taken up on verification and audit-type work. Insufficient emphasis has been placed on evaluating and improving internal controls.

8. Examination costs in travel and manpower are very high because of the great number of very small banks examined.

9. The training of a bank examiner has relied too much on an apprenticeship system, even though we have created during the past few years a superior educational and training program which uses the classroom as its training ground. In addition, our judgment as to how good an examiner is has been based too much on his ability to assess loans.

We appreciate that this is a lengthy list for a confessional. Nevertheless, we feel we have identified these weaknesses and we are attempting to deal with them.

IV

Rather than attempting a complete detailing of all the changes that have been made in bank examination and supervision in recent years, I want to highlight some specific changes which are significant and illustrative of the adaptation of supervision to changing conditions.

Several months ago, we instituted a new regulation relating to insider transactions. We found that about half of our bank failures resulted from abuse of the bank by insiders. Some people would favor severe restrictions on or even prohibitions of insider transactions. We did not feel that this is appropriate because in many cases the bank's board of directors comprises the best sort of customers for the bank. Others favored the idea of broader disclosure of insider transactions, which are required in any event for registered banks. But we still have some concern for the confidential nature of individual customer's transactions and adopted instead an approach that requires board of directors' approval of all loans and other transactions of certain sizes with insiders. We think this approach puts the responsibility where it should be, with the board of directors, and does so without a blanket prohibition or widespread public disclosure of what are appropriately personal transactions.

Under section 8 of the Federal Deposit Insurance Act, we have long had powers to take legal action against banks which are following practices we regard as unsafe and unsound. Traditionally, bank supervision has been a relatively informal process with the examiner, supervisors, and senior FDIC staff meeting and discussing with bankers the problems we see in their bank. That informality is still characteristic of most of the bank supervisory process, but there has been a perceptible shift to greater use of formal actions. In 1960, there were two section 8 actions taken by the FDIC. This rose to four in 1965. In October 1966, the Corporation received cease-and-desist powers, and since then section 8 activity has increased with 7 actions in 1970 and 13 in 1975. Already during just the first 10 months of 1976, the FDIC has issued or authorized our lawyers to begin the process of issuing 49 cease-and-desist orders. This is a reflection of our experimentation with these powers and our finding that there are some situations that call for formal action, and that the response we get from some banks in some situations is better with a formal action.

We have taken several actions aimed at making the bank examination process more efficient. In some cases, these actions were necessitated by the fact that although the size of our examination force has increased, their responsibilities have increased even more rapidly. I mentioned earlier that the source of these increased responsibilities lies in the increased size of banks, the increased complexity of banking, and the increased responsibilities of the examiner for enforcement of laws and regulations not related to safety and soundness of the bank.

One of the most important changes we have made is a greater delegation of authority to our Regional Directors. A number of relatively routine actions can now be approved in the Regional Office without their being referred to Washington at all. This includes establishment of a new branch, moving an office, approval for a new issue of capital notes, and others. We have not delegated authority to deny applications and we have not delegated authority in certain difficult cases, but the change in the flow of paper and the burden in our Washington Office can be illustrated by the fact that in 1970, 527 applications for new branches were decided by the Board of Directors (after substantial analysis by Washington Office staff as well as field staff), while in 1975, only 137 such applications were decided by the Board of Directors. Some 368 were handled by our Regional Directors under delegated authority, with a savings in manpower we estimate at 9,000 man-hours in 1975 alone.

Another attempt to be more efficient has been our withdrawal experiment. For the last 3 years, we have been carrying out an experiment in three States whereby the FDIC foregoes its normal examination of the safety and soundness of a certain number of banks, and instead leaves that examination to the State banking department. We went through a careful and detailed process before selecting the States of Washington, Iowa, and Georgia for this experiment. There are some pluses and minuses to this experiment and we are not ready to provide a complete evaluation at this time. It may be that the responsibility for certain functions, e.g., audit-type functions in banks lacking adequate internal controls, can be delegated to State supervisors while our examiners concentrate on loan and management evaluation. It may be that we should withdraw from examining certain sized banks, or certain banks of long-standing proven quality. It may be that we should withdraw entirely from examining in certain States. It may be that we should simply drop the experiment and judge it a good effort but unsuccessful. At any rate, the experiment has been one means by which we have attempted to deal with the pressure on our resources, the desire of some States to take a greater role in banking supervision, and the general concern over duplication and overlapping in government regulation and supervision.

Banking operations have become increasingly computerized over the last 10 years or so, and so have bank records. Examination of the bank now involves analysis of files that consist of magnetic tape rather than neatly organized paper records. A whole new line of EDP courses have been created to train our examiners to use these new techniques. We have developed data processing packages to simplify the task of examining data centers and computerized banks. These are programs designed to work on a variety of computer configurations that produce the output needed by the examiner. This minimizes the disruption of a bank's computer center during an examination and provides our examiners with the information in precisely the format they need.

In part because of these steps to make bank examination more efficient, some routine has been eliminated from examination. We are encouraging more discretion on the part of the individual examiner and the Regional Director. We have included some special pages in the examination report to be used when the Corporation feels they are needed for evaluating a bank's trust operations and nondomestic loans. We have tried to cut what seems least essential and to rely on generally accepted sampling techniques rather than exhaustive reviews and counts. We don't believe there is any significant risk in our being less detailed, but it is correct that the examination is somewhat less complete than it used to be. We are experimenting with specialization among examiners, which has the potential for more sophisticated and streamlined examination procedures, as well as more thorough examination in the fields in which the specialization is developed.

Some changes in the bank examination process have been the result of policy decisions rather than attempts at better management of existing functions. For example, we have changed our policy to encourage more frequent meetings between the bank examiner and the board of directors of the bank examined. A number of years ago, we introduced a policy of a meeting of the examiner and the board of directors at the conclusion of an examination. We found that represented a waste of time since most banks were in relatively clean condition and getting the directors together for a meeting with no real substance represented an undesirable imposition on the Board members, so the policy was discontinued. In the last couple of years, however, conditions have changed. Now there usually is some matter appropriate for a discussion among the examiner and the directors, regardless of the condition of the bank. Directors have been more eager to meet with our examiners. The Comptroller of the Currency has recently changed its policy so that national bank examiners are required to schedule a meeting with the directors immediately after each examination. We have not yet made such meetings a universal policy but have certainly encouraged more meetings between examiners and boards of directors.

In addition to developing specialists among our examiners and expanding their training to make them more cognizant of recently enacted legislation, we are expanding the pool of people from which we hire our examiners. Our examination force now has by far more female examiners and members of minorities than was the case 5 or 10 years ago. Some of this change results from the elimination of past policies which were based on a feeling that some characteristics of the job of bank examiner, for example, the constant travel involved, were such as to create problems for women. But more of the change is due to an affirmative action on the part of the FDIC to recruit members of minorities and women for examination positions.

We have changed the policy of examining every bank every year, and now use various modifications of a full examination in different situations. Hopefully, this will permit us to spend more time examining banks that need the attention. As our newly revised examination policy states:

> . . . the scope of the examination may be curtailed. Full use should be made of the bank's EDP and management reports, sampling should be utilized wherever possible, and proof and verification procedures may be eliminated or substantially limited unless circumstances indicate additional effort is needed in these areas. Additionally, the volume of loans subjected to analysis may be reduced, and less important branches need not be examined. Emphasis at these modified examinations should be placed on management policies and performance; the evaluation of asset quality, alignment, and liquidity; capital adequacy; and compliance with applicable laws and regulations.

That policy goes on to say that, in certain circumstances, "fixed assets schedules may be omitted from these examination reports," examiners may "utilize the output of (the bank's) systems, cash counts and proof and verification procedures may be omitted, branch offices which do not have a significant volume of important assets need not be examined, the Corporation's automated bank examination programs and monitoring systems will be used wherever possible in an effort to provide increased efficiency and conserve manpower, and sampling techniques should be used wherever possible."

The changes I have described are significant and we are now in the process of developing additional training programs to ensure their complete integration into operations. I would like to turn now to some additional changes in the process of bank examination that are not completely integrated in operations today but which will be in a relatively short time.

V

First, a comment about the efforts of the Comptroller of the Currency. The Comptroller of the Currency is just starting to implement some substantial changes resulting from the review of that office and its procedures by Haskins & Sells. It is difficult to summarize these changes but, to a great extent, they represent a reorientation of examination philosophy. Our present procedures start with a lot of detailed investigations of various aspects of the bank's activities and culminates in a meeting with top management of the bank to discuss overall findings and bank policy. The changes being made by the Comptroller's Office involve starting out with a review of selected statistical data in a bank to be examined followed by a discussion of bank policy with top management of the bank, that then followed by an attempt to evaluate how well the bank is implementing its own policies. This may well be the philosophy upon which bank examinations of large banks must be conducted, and we are watching the Comptroller's efforts very closely.

The future is going to see more use of the computer by bank examiners. I have already mentioned the packages developed by the FDIC for assistance in examining the computerized records of the bank, but we are going to see in the future more use of techniques that the computer makes possible. Work has been done at the FDIC and at a number of other places aimed at developing early warning systems for spotting bank problems. Development of early warning systems rests on the fact that we routinely collect massive amounts of financial data on the operations of banks. We have the computer capability to manipulate these vast amounts of data, and there are statistical techniques available which allow us to develop profiles of banks likely to become problems in the future, unless appropriate action is taken. These systems are becoming operational, but there are definite weaknesses in them now, the most distressing of which is the length of time required to process the reports. We must do better. In part, we feel that the fines we have levied on banks which have filed late reports will assist us in accelerating the processing, but we must, in addition, change some of our techniques.

Our early warning systems generate a list of banks that have similarities with banks that develop problems. These lists are circulated to our Regional Offices. In some cases, the regional staff is familiar with the bank's situation and knows that despite the ominous financial figures, there is really no cause for concern. In other cases, the lists include banks that the supervisory staff knows are problems and has been following closely. In some cases, however, the early warning system represents a new source of information to the bank examiners concerning potential problems.

It may be possible to go further with this approach in the future. But I think that the emphasis in the future will be on greater use of financial analysis techniques to spot banks that deviate substantially from the average. The financial analysis techniques are needed to fill the gap between the output of early warning systems and the costly detail of a full-scale, on-site examination. We think it will be possible to develop techniques whereby skilled financial analysis can review the information available concerning bank operations to determine which ones require closer attention, more frequent examination, or special kinds of review.

Incidentally, our work on early warning systems has reached the same conclusion of some leading bank analysts that income ratios and operating results frequently are very important indicators of future banking problems. The traditional bank examination has given primary attention to the balance sheet and capital ratios and our discovery that the income report and income ratios provide useful indicators of future troubles may well be extremely important in determining future directions of examination and supervision.

There are some other changes in procedures which are starting to take place and which will become more important in the future. One of these worth mentioning is a system started by the Comptroller's Office to develop a uniform classification system for national credits. That is, when a large national firm is borrowing from a large number of banks, that credit should be classified in the same way at each bank that is lending to that firm. It is wasteful and inefficient (and occasionally embarrassing when different conclusions are drawn) to have the examiner in each of those banks do his own analysis of the financial position of the borrower. This responsibility can be centralized in one group of examiners which will produce a uniform classification of that loan for use by all examiners. We have participated in these reviews with the Comptroller when we have nonmember banks which are participants in the credits. The Comptroller's Office, whose national banks have more of these national credits in their portfolios than others, has spearheaded this effort. But as nonmember banks become larger, they are making more of these loans, and the

FDIC is planning to lead similar efforts.

VI

I would like to conclude by commenting on some, but certainly not all, of the other issues of examination and supervision which I have not discussed.

The question that comes up most frequently in discussions between the FDIC and bankers concerning supervisory practices is that of capital adequacy. There is clearly not the time for a full discussion of the FDIC's views on capital adequacy. I might just mention that there have been some analyses attempting to determine whether the supervisory agencies have much impact on the capital decisions of banks. Some of these suggest that we do not have much influence and that may be the way it should be. Our real efforts are aimed at nudging banks that we think have less capital than they should to raising more. I recognize that it is easier to prod than it is to actually raise the capital. In the last few years, both debt and equity markets have been difficult for banks to tap, and bank earnings have not been growing at a rate rapid enough to allow retained earnings to meet all capital needs. We do seem to have much greater influence on bank capital decisions when a bank is asking us for something, say, approval for a new branch. We do take advantage of this leverage and use these opportunities to require banks to raise additional capital. The Federal Reserve has done the same when bank holding companies have brought applications before the Board. There is some criticism of this practice, and some question as to whether it is fair and equitable that banks coming to us with applications should thus be subject to more effective pressure than banks that are not asking for something. This possible inequity troubles me, but not so much that I am willing to forego the opportunity to get additional capital from banks whose capital accounts are clearly below what they should be.

The last Congressional session saw the introduction of a bill to create a Federal Bank Examination Council. This council would be intended to provide uniformity and consistency of examination standards for all of the examining agencies. We can see some benefits and some problems with such an institution. Let me quote briefly from our letter to the Senate Banking Committee on this proposal:

> While we heartily endorse the bill's objective of promoting "progressive and vigilant bank examination," we have serious reservations as to the need for nationally uniform examination standards and procedures. If there is any merit to the concept of separate Federal supervisory agencies, and to a dual banking system with State and Federal supervision of banks, the benefit would seem to be the opportunity to try different approaches and to have a diversity of examination and supervisory procedures. The possibility of useful innovation and improvement in the bank examination and supervisory processes is greater if there are several agencies trying different approaches than if every change in examination methodology required approval of all the agencies. The changes in the examination process now being made by the Comptroller of the Currency at the recommendation of his consultants are a worthwhile experiment that all supervisors will follow with careful attention. Implementing such changes should not, however, require the approval and commitment of each of the other Federal bank regulatory agencies.

I mentioned earlier our experiment in which we have withdrawn from some parts of bank examination in three States. We are facing the issue of whether this experiment should be put into more general operation or be simply terminated. That is, should we certify that certain States are able to take over the bank examination process and thus allow the

FDIC to drop that function and responsibility? If we are to do this in certain States, how are we to determine which States? Or should we do this in all States? That is, should the FDIC get out of the bank examination business and leave it completely to the States? We do not feel that many States, if any, have adequate bank examination capability at the present time, but it is possible that if we simply stopped examining banks, and that left a real unfilled need, perhaps the States would move to fill that need. Or should we, as I mentioned before, withdraw from part of the banks—i.e., those which contribute the least risk to the deposit insurance fund? The other side, if you will, of that coin is for the FDIC to examine national banks or State member banks.

I mentioned earlier the interesting characteristic of the training and development of bank examiners by the use of the apprenticeship system, modified in recent years by a substantial classroom training program which is clearly the best among the agencies. Essentially, all of our examination personnel have developed as generalists through this type of training. This was an ideal approach when our examination mission consisted of examining the safety and soundness of mostly small banks, with examiners having few other responsibilities. Now, as I have indicated, our responsibilities have broadened and the types of banks and activities we are examining have diversified. For the most part, however, we have viewed the bank examiner as the Jack or Jill of all trades, able to examine competently all aspects of banking activity.

We have made some modest moves in the direction of specialization. We have recently set up specialists in trust examinations in several of our regions, though these specialists are bank examiners and not lawyers. Some examiners have received special training to enable them to examine computer facilities. Again, these are bank examiners trained in data processing and not computer professionals trained in banking. We have been giving consideration to, though have yet taken no steps to implement, the possibility of having a special examination force to examine for compliance with consumer protection laws. The possibility of increased reliance on financial analysis techniques in bank examination also may require different expertise and specialization than the traditional apprentice training route to the general bank examiner.

We may have to consider different career paths for different specializations or perhaps the hiring of bank examiners at different levels and with different backgrounds to fill particular needs rather than relying on our traditional hiring and training system.

The development of bank holding companies has been an important facet in the growth of banks and the increasing complexity of banking activities. The holding company movement obviously creates some problems for the process of bank supervision. Some of those problems have been delegated by the Congress to the Federal Reserve to worry about, such as the question of allowable activities for holding companies, for example, and the passing on specific applications of specific holding companies. We are more concerned with the relationship between the bank holding company and the bank and other affiliates of a holding company. We have seen in some recent major failures, e.g., American City Bank & Trust Co. in Milwaukee and Hamilton National Bank in Chattanooga, how a series of transactions with a holding company affiliate brought down a bank. The FDIC already has some authority to examine bank holding companies and the affiliates of insured nonmember banks. We have not generally exercised this authority, however, and we are now wrestling with the question of whether we should do more examination of bank holding companies than we do. It may well be that we should urge Congress to pass bank holding company supervision and examination to the agency with the responsibility for supervising the lead bank.

Perhaps the most important issue in the future will be the treatment of large and small banks. I noted that we still examine large and small banks in much the same way. I think this is inappropriate, but I am not sure in which direction we should move. Since it is mostly small banks that fail, and small banks are most likely to be in need of advice and suggestions about operations, it can be argued that we should devote a greater effort to examination of small banks. Large banks have access to competent management and advice, and generally can be assumed to know what they are doing, and hence, it may be argued, need our examination less. On the other hand, we have found that there is not much public concern about small bank failures. Part of the FDIC's responsibility is to maintain confidence in the banking system, and even a sizable number of small bank failures appear not to shake that confidence. A few large bank failures might, however.

This would make the case for more detailed investigation of large banks. Certainly, the deposit insurance fund covers more insured deposits in the approximately 2,000 banks with over $50 million in deposits than in the 12,700 under $50 million. We have to think this through, and we have not reached any conclusion. At this point, however, I am leaning in the direction of the view that the FDIC should concentrate its examination efforts and resources on a more detailed investigation of large banks with a resulting less frequent emphasis on small bank examinations. That is the current thrust of our examination policy, and I believe it is a step in the right direction.

Address by Robert E. Barnett, Disclosure*

During the past few years, senior staff and Board members of the FDIC have spent a great deal of time on problems related to accounting, financial reporting, and disclosure. Proposals and decisions affecting the form and substance of bank accounting and reporting have been generated in great quantity over the last couple of years from the Financial Accounting Standards Board, the AICPA, and the SEC, as well as from the FDIC itself and from the other banking agencies. I would like to review these developments, my attitude toward them, and the implications they have for banks and supervisors.

I

It was not many years ago that the bank supervisor's primary concern was that banks be able to raise capital when needed. The attitude with respect to buyers of securities was essentially that the investor, large depositor, borrower, creditor, and the general public really did not need much information because the supervisor had plenty of information and was using his best efforts to see that the bank did not fail. Even where Congress and the SEC took actions to improve disclosure in other industries, banking was left almost solely to the banking agencies.

Five years ago, disclosure to the public of the individual bank information we collected was not a major consideration at the FDIC or, for that matter, at any of the Federal bank regulatory agencies. The contents of the annual reports of income of individual banks were regarded as strictly confidential, except for a few hundred banks with 500 or more shareholders subject to the 1964 amendments to the Securities Exchange Act of 1934. Those banks had, since 1964, been complying with the registration, annual reports, proxy rules, insider trading regulations, and other requirements of Federal securities laws. But for the overwhelming majority of the banks, this was not so. While the front of the Report of Condition, the balance sheet information, was public, the detailed loan schedules on the back of the Reports of Condition were confidential. An important item in each special survey questionnaire we sent to banks was the notice that returns would be treated as confidential and results would be released only as aggregates or averages. At that time, no outsider had managed to gain access to internal files or to photocopy reports of examination, listings of banks on the problem list, or critical memoranda by the regulators. And even if he had, newspapers would probably not have published such material.

But even 5 years ago there were signs of growing interest in the details of the operations of individual banks. Some of the nation's large banks were publishing in their annual reports a considerable amount of information about their own operations beyond what regulatory rules required. Competition among banks and between banks and other types of financial institutions was increasing and with it was an increased interest in what individual competitors were doing. Moreover, whenever a bank submitted an application to merge with another bank, it was required to give an account of the competitive factors that were involved in the relevant market areas. With mergers the vogue at that time, there was a brisk demand for information about competing institutions which would enable bankers to measure market shares of the various banks operating in local and regional markets. At the FDIC, we were receiving large numbers of requests not only for the aggregated data we regularly compiled, but also data aggregated in special ways for small areas and for particular groups of banks. Academicians were be-

*Presented before the CPA Society and Robert Morris Associates, St. Louis, Missouri, November 18, 1976.

sieging banks and the bank regulatory agencies with requests for individual bank data to enable them to carry on comparative analyses involving a whole host of other issues with broad public policy implications. And the accounting profession was hard at work on bank accounting problems, persistently but with a somewhat piecemeal approach. In short, there was evidence of growing interest in unpublished bank data.

The SEC gained more clout over the banking industry about this time, although almost by accident. While *banks* were exempt from much of the securities legislation of the 1930s, *bank holding companies* were not. Thus the expansion of the bank holding company movement of the 1960s and early 1970s led, incidentally, to more power for the SEC over bank subsidiaries of holding companies.

The long tradition of the banking agencies has been tied to confidentiality of unfavorable news. This has reflected the viewpoint of banks, their depositors, their borrowers, their creditors, and the supervisors. Bankers have been willing to discuss their problems forthrightly with examiners, and examiners have been willing to relay their suspicions to the banker because each appreciates that the entire procedure is treated in confidence. The examiner wouldn't discuss his findings with a newspaper reporter, and the banker has felt no obligation to report the examiner's judgments to his stockholders. When a bank has been found to be in very weakened condition, the FDIC and the other agencies have attempted to explore possible solutions (or to seek potential purchasers). Obviously, the more publicity given to such a situation, the more difficult it is to solve the problem successfully.

I doubt if much thought was given to the need for data by security-holders, creditors, large depositors, or the general public. During this period, banks did not generally have securities outstanding other than stock and of that, most was closely held and not actively traded. If any further thought was given to stockholders, I suspect the conclusion drawn was that what benefited the bank and its depositors probably benefited securityholders as well.

The situation has changed. In all publicly held corporations, the obligations on management and insiders for full disclosure of the financial condition of their company have become more clear-cut. Banks and bank holding companies have more securities outstanding and they are traded on a regular basis. As a result of a series of Congressional actions, it has become clear that the banking agencies cannot rely on the confidentiality that has been a basis of traditional regulation.

II

The move toward broader disclosure has taken several different directions. There has been a clear requirement for more disclosure of relevant information concerning the finances of the bank. Until about 5 years ago, for example, many banks did not distribute, even to stockholders, an annual income statement. The banking agencies had always collected such a statement but, until 1972, treated it as confidential.

The FDIC led the way in 1972 in making public the Reports of Income and Condition for individual banks. Our thinking at the time was that publishing this information provided equal access to information then known only to "insiders," greater competition in good banking markets, incentive for banks to perform well, better access to capital markets for banks making such disclosure, availability of more complete data for researchers and legislative committees, development of more uniform accounting rules, and consistency with the spirit of the Freedom of Information Act. It is a sign of change in only 4 years to recall that at the time the decision to make this information public was a controversial one—one on which we received many comments including some compliments and some complaints. Despite the complaints, we think this has proven to be a constructive development. We have supplied copies of thousands of documents to bankers, academicians, and other analysts. We are continuing to push for meaningful disclosure in this area, and are attempting to increase both the quality and the timeliness of the reports sent in by the banks.

In the last few years, the need for additional information by the public has grown. Economic developments—unusually severe inflation, fluctuating foreign exchange rates, the most serious recession in 40 years—and banking developments such as rapid expansion of overseas operations of multinational corporations and greater reliance on borrowed funds—all have combined to produce a growing interest by diverse groups in the financial results of bank operations. In the past 2 to 3 years, losses have been sustained by shareholders in many commercial banks and holding companies as the market has turned down on bank stocks. Partly as a result, public accountants, bank stock analysts, and the SEC, among others, have stepped up their efforts to dig deeper into bank financial operations. Bankers are being pressed not only to describe what they are doing, but to predict where they think they are going.

My personal position is that the disclosure of information which reveals the earnings characteristics of the asset base, its stability and profitability, will subject those banks in bank holding companies whose stock and debt are traded on exchanges or over-the-counter to market forces which in turn will be a powerful force in compelling the banks to correct weak asset conditions. At the same time, banks in good condition should be rewarded by the market with easier and cheaper access to the capital markets, solid growth, and good profitable opportunities. Too often supervisory pressure on bank managements whose policies are dilatory or involve excessive risk-taking are ineffective. Supervisors seldom criticize bank management in public on the assumption that publicity might have adverse effects on the stability, or even solvency, of the bank. Investors informed by adequate disclosure, however, can affect the price of that bank's securities in a manner which will promptly compel management attention. This is not to say that disclosure should or could displace regulatory surveillance; both are tools to strengthen the banking system and they can be complementary.

At the other extreme, there have been unauthorized disclosures of information about banks and bank holding companies that we consider best left confidential. Bank examination reports and names of banks on agency problem lists, for example, probably will help sell newspapers, but it is doubtful that their publication contributes to confidence in the banking system. Even if the stories in which such information is revealed would emphasize or even explain the nature of problem lists or examination reports, which they seldom do accurately or thoroughly, most regulators will argue that such stories do much more harm than good.

Each of the banking agencies has its own list of problem banks or problem holding companies. These are classified in accord with the differing criteria of the different agencies in accord with their differing responsibilities. We find these classifications useful even though they are reached through subjective judgments. As Chairman of the FDIC, I want to know all the banks that our examiners, in their best opinion, think pose a risk to the Corporation. I want to know which banks they are, even if the examiner cannot provide conclusive proof that the bank is in poor shape (by that time it may be too late to do anything about it). This means that the list, in addition to being subjective, will include some banks which will easily recover from their difficulties. It will most certainly reflect the condition of the banks as the review process began, sometimes many months before, and not necessarily the condition of the bank at the time it appears on the problem list. In part because of these reasons, we do not generally formally notify even the management or directors of a problem bank that the bank is on our problem list. Obviously then, we do not want the problem list publicized.

Likewise, we consider the examination report part of a confidential process. Bankers are willing to discuss frankly the weaknesses in their loans because they are confident that anything told to an examiner will be treated in confidence. Bank examination represents an independent assessment of a bank's condition by a trained professional. The necessary information gathering and loan discussion are facilitated because the banker views it as a cooperative affair rather than an adversary process. Time and money can be saved if this cooperation continues, and our career examiner employees are convinced that the data gathered through this process and the criticism extended by our examiners are both honest and thorough. If the confidentiality is lost or the process becomes adversary, there quite possibly would be a deterioration in the quality of examinations.

III

I feel that what has been discussed so far is rather clear-cut. There is need for disclosure of financial information about banks and there is some information which should not be made public. There are difficult areas that fall somewhere between these poles, however. In recent months, we have seen various groups, including the FASB, the AICPA, and the SEC, propose accounting and disclosure treatments that may lie beyond what is essential but perhaps is not a violation of necessary confidentiality. Some of the accounting changes that have been made, which we have supported, were intended to correct obvious deficiencies of traditional bank accounting. Until recently, for example, bank accounting for loan loss reserves did not distinguish realistic provisions for losses from allowances set up on a formula basis to accord with tax provisions. Now it does. That, plus treatment of deduction of unearned discount on loans, inclusion of capital notes as liabilities, and others, are examples of improvements in bank accounting made in recent years with the concurrence and support of the banking agencies, the accounting profession, and the SEC. Reporting has been improved this year by the requirement for semiannual income reports from all banks and quarterly reports from the large banks. Some of these changes have been traumatic to some bank managements, but these changes have not involved difficult issues of principle or caused interagency controversies. There are controversial issues that remain, however.

Let me look first at the recent FASB proposal that theoretical market losses on corporate stock held by a bank must be reflected on its balance sheets. This has limited applicability to commercial banks, since banks in only a few States can hold corporate stock. Mutual savings banks, however, hold large amounts of common and preferred stocks. These investments are made as a permanent commitment of funds, and the banks generally have the liquidity and the staying power to hold these securities indefinitely. We, therefore, opposed running these losses (and subsequent gains) through the income statement and capital accounts, although we favored disclosure of the amounts involved.

I would like to spell out some of our reasons for opposing this accounting change because it is relevant to other accounting issues that have arisen. I am not an accountant and I will not argue the fine points of accounting theory. I do believe that accounting should be a guide for management and investors which presents financial statements that serve as the foundation from which sound managerial and investment decisions can be developed. In order to be a useful guide, accounting rules followed logically should lead to correct managerial and investment decisions. Yet the opposite may occur here. If mutual savings banks must write down to market price theoretical losses in preferred stocks, or if they must show losses and gains on theoretical transactions that they have never contemplated entering into, they might be discouraged from making such investments. But, according to most State laws, preferred stocks are an appropriate investment for savings banks (and, in some cases, for commercial banks). I do not like to see an investment deemed appropriate by legislative action refused simply because of an accounting rule. (One might argue that investment in preferred stock is not a good bank investment, regardless of what State legislatures have decided. But I feel that those who wish to argue this point should do so directly in the legislature.)

At the same time, I recognize that our present accounting rules do not necessarily lead to correct decisions with respect to securities transactions. Some bankers are reluctant to sell securities at a loss, if they must recognize it as such, even when tax laws and reinvestment opportunities make that the right economic decision. Our present accounting requires such recognition of a loss if they sell.

Of more concern than the FASB decision on equity securities is the possibility that the FASB may seek to expand this decision to debt securities as well. That has not yet become a proposal of FASB, and perhaps it will not. If it does, I suspect that the FDIC will want to testify along the lines that I have outlined.

While we were not able to convince the FASB of the error in their position that theoretical losses on corporate stock should be taken, we like to think that our comment to the FASB on that proposal had some influence on the final decision to require writedowns directly against capital accounts thereby avoiding impact on the net income line.

Of more significance than the accounting for losses on securities is the consideration by the FASB of a proposal for writedown of loans that have been restructured. Several days of public hearings were held on this matter and many banks and bank trade associations registered their disapproval. The FDIC submitted a comment on the proposal in accord with principles I have referred to. I believe that investors are entitled to meaningful information about the quality of a bank's loan portfolio. Where loans have been restructured—that is where the maturity has been extended or the interest rate reduced—full and complete disclosure of material information regarding the restructured debt should be included in supplementary schedules and footnotes. The disclosure should include a comparison of the principal values, the interest rates, the maturity dates, and a computation of any material effect on future earnings. On the other hand, it would clearly get into the realm of confidential matters for the bank to disclose the details of particular loans subject to new terms.

The real issue goes to the appropriate *accounting* for these restructured loans. We cannot agree that the loans in question should be revalued to some approximation of market value. Loan restructuring is not an unusual experience in a bank loan. If a borrower is having difficulty meeting the original terms of a loan, extending the maturity or lowering the rate may be the best way of assuring that the principal will ultimately be paid in full. A writedown to "market value" has several shortcomings. It implies that a loss of principal has occurred or will occur and, hence, is likely to be misleading. Moreover, its impact on management might well be perverse. The requirement for writedown may cause bank managements to be more reluctant to agree to the restructuring that may, as I have noted already, actually improve chances of full recovery. Even worse, if temporary difficulties with loans are going to be subject to such accounting treatment, perhaps the bank will decide not to make the normal risk loans that can lead to such difficulties, or will elect to take adverse action against the borrower rather than to effect workout arrangements. If banks change their lending policy away from one of assuming normal risks and toward one of making only riskless investments, small business, farmers, and the whole economy will be the losers. I appreciate that this exaggerates the possible result but it does, I believe, illustrate the point.

Again, as a non-accountant, I view any accounting treatment that leads to poorer management decisions as poor accounting. We thus opposed the FASB proposal and noticed the large number of comments from various sectors of the financial community in agreement with our position. Let me stress that we are not opposing investors' and depositors' right to know what is relevant to them. We favor disclosure of the aggregate amount of loans that have resulted in renegotiated terms. Disclosure is important to investors and depositors. Reflection on financial statements as a writedown, however, is a separate question—one which goes to the ultimate theory and purpose of accounting statements.

I have stressed that we favor appropriate disclosure for investors in bank securities and for bank depositors. Securities laws provide that firms publicly offering securities, including bank holding companies, must make certain disclosures to investors and potential investors. This reporting requirement does not directly apply to banks, though all issuers of securities are subject to the fraud provisions of the law.

IV

The Comptroller of the Currency has recently issued proposed regulations for an offering circular describing information that must be furnished by all national banks before they may issue new debt or equity securities. Two years ago, the FDIC issued a proposed offering circular regulation covering the offering of securities by nonmember banks. We received many comments on that proposed regulation, and while our staff has worked on revisions of the proposal, we have never issued it in final form. The reasons are relatively simple. Adopting SEC-type regulations for smaller institutions involves a substantial burden on small banks seeking to issue securities. This burden, plus less-than-bullish information which might be revealed by some banks, might make it more difficult for some banks to raise capital. These are difficult hurdles for our agency to overcome. On the other hand, it is clearly appropriate that potential investors have the information at hand to determine whether the securities they are planning to buy are worth the price. We certainly recognize that banks are susceptible to lawsuits based on common law fraud and violations of section 10(b)(5) in the sale of their securities.

We have been reviewing the Comptroller's proposal and find it similar to ours in most basic respects, although the Comptroller's proposal would exempt only issues of under $100 thousand while ours would exempt issues under $500 thousand. While our Board of Directors has not reached a conclusion on the staff revision, the proposed regulation remains on our pending agenda. The extent to which we treat large and small banks differently is an important part not only of this issue, but of a great many other supervisory issues.

This discussion of SEC-type regulation of offering circulars brings us to what is the most recent issue we have had concerning disclosure, and that is negotiations concerning the SEC's Guides 3 and 61 that apply to new issues of securities and to annual reports of bank holding companies or banks subject to SEC regulation. The banking agencies have been discussing these matters with the SEC for about 2 years. At that time, the SEC was concerned that bank holding companies were not making sufficient disclosure concerning the quality of their subsidiary banks' loan portfolios. The initial SEC proposal was that banks be required to disclose the amount of loans classified substandard, doubtful, and loss by bank examiners. We objected to that for the reasons I mentioned earlier. We would view it as compromising the confidential nature of the bank examination process. For over a year since that time, we have been discussing, both at the staff level and among the heads of agencies, what the best substitute for classified loans would be in attempting to get some measure of the quality of loan portfolio.

We have had mixed success on the basic issues discussed. The SEC, for example, recognized the difficulty in getting comparable figures on loan commitments and so dropped that requirement. On the other hand, the SEC is now requiring that all bank holding companies offering securities disclose the amount of loans past due and the amount of loans on which the terms have been renegotiated. Incidentally, the SEC calls these "nonperforming" loans. A more accurate description, in my judgment, is "underperforming." While different people may differ as to whether loans past due should include loans 30 days past due or 60 or 90, at least these are reasonable objective categories and we support the effort to show the potential income impact of underperforming loans. Our disagreement has focused on the SEC's desire for another category of underperforming loans—loans that raise in management's mind "serious doubts" that the borrower will be able to meet the original terms of the loan. We think this is too subjective and, in any case, that the principal amount of such loans is rather meaningless.

Our discussions over the months with the SEC have produced some agreements and some moderation of original SEC positions. I feel that this is a tribute to the ability of the individuals at the different agencies to reach positions acceptable to each other, even though the statutory philosphy (i.e., disclosure versus confidentiality) often was dramatically opposed.

I believe I can summarize my views on this whole matter rather simply. I favor broad and full disclosure. I believe that depositors and investors in bank securities should have full information on which to base their investment or deposit decisions. I do not want to see details of individual transactions made public, nor do I want to see the confidentiality of the supervisory examination function seriously compromised. I believe that the accounting procedures followed by banks should be in accord with accounting principles and procedures accepted by the accounting profession and applied to other industries, making only those changes and exceptions for banks that are warranted by the nature of the banking business. If a proposed accounting principle leads to worse economic or business decisions, serious consideration should be given to the wisdom of adopting such a principle, even if it seems to make sense from an accounting standpoint. If an accounting change by itself, leads banks to make poorer investment decisions, or leads them to refuse to consider a debt restructuring that may benefit both the bank and the borrower, or leads the bank to reject a swap proposal from a REIT that would benefit all parties, then I would send the accountants back to the drawing board. Likewise, of course, if a banker chooses to make poor business decisions (such as holding or selling securities) just because of the way he has to reflect such actions on his books in the short run, I would like to send him down to the minor leagues.

In any case, and regardless of differences of opinion on accounting principles, we are going to see a trend toward wider disclosure that I think is healthy and desirable. We do intend to defend to the greatest extent possible the preservation of confidentiality in those areas that should be confidential and we will seek to avoid disclosures that we think would be misleading or harmful.

V

Thus far today I have been talking about accounting and financial disclosure. But there is another type of disclosure opportunity available to the banking industry today that may not be available much longer. That is the opportunity to disclose voluntarily and in their own way the extent to which banks are meeting what many view as the "social responsibilities" of banks. Most businesses are not subject to pressure along these lines, and bankers may object to being singled out for special treatment rather than welcoming the pressure as an opportunity. But bankers have often argued that banking is different in that it has greater implications for public welfare and, thereby, themselves have supported the arguments that it may be appropriate to subject banks to higher social standards.

One area in which banks have lost the opportunity to tout their own accomplishments is the area of disclosure of investments in mortgages. The Home Mortgage Disclosure Act now requires most banks to disclose, by zip codes or census tracts, the location of their home mortgage lending activity. By waiting until Congress acted, banks may have lost the opportunity to lead disclosure in this area. This legislation grew out of concern with redlining and disinvestment in our cities. While I have grave doubts that this disclosure will shed much light on the problem of urban disinvestment, this is an example of interest by the public in the way the deposits of the public are being administered and invested by the banks, and I believe an example in which banks generally had a good story to tell but in which they lost the opportunity to tell it voluntarily.

As I have already indicated, some types of financial disclosure by banks can represent violations of privacy or may be unwise for other reasons. The same may be true of disclosures of "social responsibilities" information. There are some in our society who favor government-dictated, mandatory credit allocation to see that what they regard as high priority credit needs are met. I personally hope that we can avoid any more government interference than we already have with the bank lending function but this may not be possible or, some would argue, even desirable. I think we must recognize that there is a broad social interest in the lending decisions of the banking industry. Somehow, bankers must find some way of disclosing meaningful information to the public about the nature and character of their investment decisions. Most banks probably do a creditable job of meeting high priority credit needs. But that fact has not always been demonstrated very thoroughly or convincingly. If bankers want to avoid greater pressure on the direction of government-directed, mandatory credit allocation, they are going to have to understand the public perception of desirable lending and get their message across as to the type of lending activity they are conducting. This is a different type of disclosure than balance sheets and the forms of financial reports, but it is a real need.

Address by Robert E. Barnett, Liquidation Activity*

Over the last few months I have given a series of talks on the major functions of the Federal Deposit Insurance Corporation. These talks have discussed as frankly and as openly as possible some of the problems and issues raised by our existing procedures and policies, and have explored various proposals for change. These talks have covered our deposit insurance function, bank examination and supervision, our handling of consumer protection regulations, and our responsibilities for overseeing financial reporting and disclosure by banks. There is one major area of FDIC activity and responsibility that I have not yet discussed—the liquidation activity of the FDIC.

When a bank fails, we either pay off the insured depositors or we arrange for another bank to assume the liabilities and to purchase some of the assets of the failed bank. In either case, we have a sizable liquidation task. In the case of a payout, we are left to liquidate *all* of the assets of the failed bank. In the case of a purchase and assumption, we are usually left with the bulk of the assets to liquidate, including all of the poor quality assets. This responsibility for liquidation of failed bank assets has a number of aspects which I wish to discuss today. The two most striking aspects are the size and growth of that activity.

In terms of assets administered, the FDIC Liquidation Division is the largest REIT in the country, the 17th largest diversified financial firm in the country (ahead of such giants as Beneficial Finance and First Boston), and the 49th ranking conglomerate on the *Fortune* magazine list of the 500 largest corporations in the country (just ahead of Armco Steel, Sperry Rand, and Honeywell). There are 78,000 assets being administered by our liquidators with an aggregate book value of $2.6 billion. Over $900 million of these assets are real estate related.

To administer these assets, our Liquidation Division employs only 583 men and women operating in 30 States, covering over 79 liquidations. It operates at a cost of approximately 2 percent of collections, substantially below the costs of 15-20 percent found in nonbanking corporate bankruptcies.

This massive size is a recent development albeit, in our judgment, not necessarily a temporary one. In 1974, our Liquidation Division consisted of 233 employees and comprised about 7 percent of all FDIC employees. In 1976, its 583 employees account for over 16 percent of all FDIC employees. As recently as 1972, the assets in our liquidations totaled under $300 million.

The recent rapid growth of the liquidation activity can be easily understood when we realize that the eight largest bank failures in FDIC history have occured since October 1973. That 1973 failure was U.S. National Bank of San Diego which left us with $1.2 billion of assets to liquidate, our first massive liquidation. We were trying to absorb that when the Franklin National Bank failure dropped $3.6 billion of assets in our laps. All this can be said as emphatically by saying that these 8 largest failures consisted of over 5 times as many assets as all the 500 banks liquidated by the FDIC from its beginning until the failure of U.S. National Bank. This contrasts with the situation about 15 years ago when our biggest worry in liquidation cases was the problem of how to value and sell the banking house of a failed $5-million bank.

Our entire liquidation activity is guided by one overriding tenet: we are a fiduciary. That is, we are attempting to liquidate assets so as to recover the funds advanced by the Federal Deposit Insurance Corporation and to recover funds for other creditors and stockholders, all

*Presented before the Puerto Rico Bankers Association, San Juan, Puerto Rico, December 9, 1976.

of whom are ultimate beneficiaries of the receivership estate.

In the case of a payout, all insured depositors are paid promptly by the FDIC. Usually, but not always, the FDIC is appointed receiver of the failed bank. The Federal Deposit Insurance Corporation, as a result of subrogation of the insured depositors' claims, becomes a sizable creditor of the bank and, hence, has a sizable claim against the receivership. But there are other creditors who have a claim equal with that of the FDIC. Frequently there will be subordinated creditors that have a claim that ranks behind the FDIC and the other general creditors. There are always stockholders who have a residual claim if the liquidation of the assets generates sufficient funds to meet all of the creditors' claims. Wearing our hat as receiver, therefore, we have an obligation to collect as much as possible on every asset so as to protect the rights of creditors and stockholders of the failed bank.

When we arrange a purchase and assumption transaction, the FDIC becomes the major creditor with a claim against the estate of the failed bank. But even in this case there are claimants, such as subordinated creditors and stockholders, who are entitled to any funds remaining after payment of all general creditors and after the FDIC recovers the full amount of its advance (plus interest). In either case, therefore, whether we have a payout or a purchase and assumption transaction, the FDIC is operating as a fiduciary with an obligation to recover as much as possible for the ultimate claimants on the estate of the failed bank.

The Federal Deposit Insurance Act itself provides some specific instructions to the Corporation in its liquidation activity. Our liquidations are to be conducted "having due regard to the condition of credit in the locality." Essentially, this means that the disposition of assets of a failed bank is to be conducted in an orderly manner, rather than on a forced-sale basis. This is consistent with both concern for the impact of forced liquidation on the local community and concern with recovering the maximum amount possible for the beneficiaries of the liquidation. Receiverships of failed banks, like any receivership, are conducted under the jurisdiction of the court, and sales of assets by the receiver are subject to approval by the court.

The receiver's actions, as you would expect, are more circumscribed and subject to more limitations than an on-going bank would have in dealing with the same assets. That is, a bank can take account of its whole business relationship with a customer in dealing with the treatment of a particular loan. For example, in making a decision whether to foreclose or extend a loan in default, an operating bank may consider the deposit business it gets from the borrower, or the existence of trust business, or the business of associates of the borrower that may be promoted or endangered depending on the decision on the particular loan. The receiver can make no such trade-offs and consider no such outside factors. He must make a credit decision on the best way to handle a particular loan so as to maximize recovery on that asset. These characteristics of the liquidation pose some knotty problems for us to which I will return later in this talk.

One reason why our liquidation activities have not been discussed very much in public by past Chairmen of the FDIC is that until rather recently our liquidation activity was modest in size and scope. It was also a rather simple and straightforward activity, not requiring direct and frequent involvement by the Board of Directors of the FDIC (other than final approval of sales of assets). One illustration of that is the fact that during World War II our entire liquidation activity was moved to Chicago and operated very well 800 miles away from the Board of Directors of the Corporation. Now, however, liquidation activities are bigger and more complex and require the frequent involvement of FDIC Board members.

I have described the massive size of our liquidation activity and its extremely rapid growth. These facts, however impressive they may be, do not adequately convey the change that has taken place in our liquidation operations. Now we have not only a higher dollar amount of assets, but we are getting assets which are much more complex to administer, let alone sell or liquidate.

Our philosophy of an orderly liquidation frequently requires us to manage assets for lengthy periods before they can be sold or collected. In pursuing that philosophy, we have operated a sizable navy with a fleet consisting of tuna boats, shrimp boats, and oil tankers. Running a navy is a complicated business. We have even had difficulty keeping our boats afloat. We had an oil tanker run aground off Havana, and we had a shrimp boat blown into the main street of Aransas Pass, Texas, by Hurricane Celia. We have acquired a loan to the distributor of movies, one of whose properties is a major X-rated film. Our prospects for ultimate collection of that loan depend on good attendance at that film. We became creditor of an individual whose main source of income to repay our loan was rental paid for the use of a property as a bawdy house. We had interests in taxicab fleets in California, Arizona, and New York, and in real estate of literally all kinds in all forms of development and nondevelopment throughout the United States.

We have faced the problems of abandoning or developing farm properties such as citrus orchards or vineyards in all stages of development. We have bought 47 wind machines to protect our citrus crops from freezing (at a total cost of $427 thousand) and have had to purchase beehives to assure pollination of our almond trees. Religion has been part of our business also. We have foreclosed on abandoned churches and synagogues although, fortunately, we have never had to evict a congregation. We also have possession now of a copy of the Koran valued in seven figures.

While these may appear to be unusual assets to be acquired as a result of bank failures, it is important to realize that we never get to liquidate the assets of a normal bank. We are always liquidating the assets of failed banks, and banks that fail tend to be unusual and into some oddball financial ventures. Back in the 1950s and early '60s, when it was mostly small rural banks that were failing, the liquidation activity was a simpler one. We took over an assortment of loans (consumer loans, home mortgage loans, farm loans, small business loans) with which our liquidators built up some familiarity and expertise. We may have had to wait several years to collect the final payment of a home mortgage loan, and there may have been some difficult work-out situations on farm loans, but our liquidators developed expertise in appraising farm property in many parts of the country and determining the best way to deal with those loan situations. Oil tankers, movies, vacation home condominiums, taxicab fleets, and international loans were a different kind of activity. The liquidator who was perfectly comfortable in dealing with a loan secured by 300 acres of cotton in Texas was not so comfortable in dealing with 30,000 acres in California on which oranges, avocados, and grapes were being grown and wine produced.

In this talk, I can describe the scope of our liquidation activities and tell you how we have been operating. The scope and nature of our operation have changed so dramatically in the last few years that it is unlikely that the management or procedural approach that was best for the 1960s is still optimal today. We have a number of studies of our liquidation effort under way, and I expect that there will be both organizational and procedural changes introduced in the near future. Clearly the speed with which we have been forced to deal with larger and more complex assets has necessitated going outside our organization to hire consultants with knowledge in some of these particular areas, rather than try to develop our expertise internally. The costs associated with this approach disturb all of us at the FDIC because we have always taken pride in our low collection expenses. I suspect that we must be very careful not to be penny-wise and pound-foolish in this area, however.

Our administrative and collection costs have run 2.3 percent of collections over the years. That is an extremely low figure compared with any similar business. I recognize that that is not a completely fair comparison since the FDIC bears some costs that could reasonably be charged to liquidations but, in any case, a 2.3 percent cost ratio is impressively low. I might note that one reason for the low costs is that our salary structure is comparatively low—our liquidators would be happy to switch to the 1.5 to 2.0 percent or more commission basis that private firms in the liquidation business are awarded.

Up until the failure of U.S. National Bank of San Diego, the FDIC recovered, through its liquidation efforts, 90 percent of its total cash outlay. That record has deteriorated recently because of the U.S. National Bank failure, a failure which left in the receivership a lot of very poor quality assets. If all our liquidations had assets like that, our recovery record would be miserable. As to realization on classified assets, our collections have averaged about 30 percent recovery on loans and other assets classified as "loss" by examiners. We have collected 50 percent of assets classified as "doubtful" and about 68 percent of assets classified as "substandard." As an aside, I would suggest that this might show that examiners' evaluation of assets is pretty accurate.

Because they represent 62 percent of the assets in the liquidation inventory, it is worth reviewing our current status with respect to our largest failures, Franklin National Bank and U.S. National Bank.

The Corporation has succeeded in collecting $1.06 billion on the assets acquired in the Franklin liquidation and has paid over $1 billion of this amount to the Federal Reserve Bank of New York, thereby reducing the principal amount due on the "window" loan extended to FNB at the time of closing October 8, 1974, from $1.7 billion to $707 million. Interest at the rate of 7.52 percent per annum on the note will not be due until the note matures on October 8, 1977. The principal book value of assets remaining to be liquidated is $1.25 billion compared with the principal and accrued interest on the FDIC's outstanding debt to the Federal Reserve Bank of New York of $901 million.

On October 8, 1977, it will probably be necessary for the Corporation to advance an estimated $465 million to $665 million from its accumulated trust fund in order to pay the Federal Reserve Bank the remaining balance due on the original $1.7-billion obligation which was owed by FNB as of its closing. Based on a number of assumptions as to the duration of the receivership, the pace of collections, and the results of matters in litigation, it appears that the Corporation itself will not suffer any loss in this liquidation.

In the case of U.S. National, the Corporation has collected $73 million on the assets acquired and has used $53.3 million of this amount to repay the Corporation for monies advanced to the receivership. The principal book value of assets remaining to be liquidated is $392 million. The question in this liquidation is how large the loss to the Corporation will be, not whether there will be one. At the present time, we have estimated a $150-million loss.

I have mentioned the complexity of the current liquidation activities and mentioned the requirement we now have for greater expertise in particular lines of business and types of loans. We have also had a great need for massive legal expertise not only because of the great number of legal problems, but also because of the legal complexities of the new liquidations. Obviously, we have had to employ private attorneys to assist our own staff.

In arranging a purchase and assumption transaction, we retain private counsel for advice and assistance with respect to questions of State law and to present the transaction to the local court. In every liquidation we need expertise in specialized areas of State law in connection with collection litigation and foreclosures. Some of these claims involve the Bankruptcy Act or arrangement of complex loan restructurings or workouts. In the recent large liquidations we have been involved in unusual and specialized areas of law. These include class actions, violations of securities laws, common law fraud, obligations under letter of credit, attorney's and accountant's malpractice, and admiralty law.

We spent $4.3 million in legal fees in connection with liquidation activities in 1975, and expect to spend about $7 million in 1976. While these figures seem large, if we relate them to the assets we are liquidating, it appears that legal fees run well under one-half of 1 percent of the assets being administered, and under 1 percent of collections. I think this is an impressively low figure when we compare it with the legal fees involved in corporate bankruptcies and receiverships. In fact, the legal fees individual home buyers incur in the course of an ordinary sale of a home, uncomplicated by bankruptcy or receivership, tend to be higher. We are concerned about the magnitude of these costs, however, and have been giving some consideration to whether we should expand our own in-house legal staff to handle some of these legal matters rather than relying, as we do now, primarily on hiring local counsel. One problem with doing the legal work in-house is that we are conducting liquidations in a variety of different States and successful work on these liquidation matters requires a knowledge of local law. It may be cheaper for us to hire local counsel with the knowledge of local law at hourly rates than to attempt to educate and maintain the fixed costs of an in-house staff to deal with particular loan situations.

Another problem that arises frequently in liquidation activities involves further extension of credit. Federal deposit insurance arose because of concern about bank depositors. We have been so successful in our major function that bank depositors rarely lose when banks fail. Now it frequently turns out that the injury to borrowers is more significant than losses to depositors. In many cases, borrowers are not affected when a bank fails. If a borrower has a mortgage loan from a bank that fails, the FDIC may end up taking over that loan but the borrower's rights are not affected at all. There is a greater problem for the business borrower who is expecting to borrow on a continuing basis from a bank.

A receivership, of course, is not in the money-lending business. While most business borrowers are able to shift their business to another bank and are not significantly inconvenienced or injured by a bank failure, some borrowers are faced with a real problem, or even risk of financial ruin, in the case of a bank failure. The borrower who has run into difficulty with his loan and would like additional funds advanced is going to have a hard time dealing with a receiver. There may be some cases in which a receiver will extend additional credit, but they are infrequent. Take the situation of a builder who has a project underway with construction financing being provided by the failed bank. He may need additional funds to complete the project. The receiver is not inclined to throw good money after bad and is not in a situation of a bank lender who may be reluctant to admit the original mistake. The receiver may feel that if the project is a good one, the builder should be able to get credit somewhere else.

About the only case in which the FDIC liquidation can advance additional funds to a borrower is when it is concluded that such an advance will improve the net recovery to the estate of the failed bank. Our concern is with protecting the assets that are our responsibility. The FDIC has occasionally been criticized for its tight-fisted attitude on the extension of additional credit. While we can understand and sympathize with the plight of the borrower, such criticism misses the point that we are operating in a fiduciary capacity with our decision scrutinized by a court from the point of view of the ultimate claimants on the failed bank's estate. It is irrelevant to look at the assets of the FDIC and argue that the FDIC can afford to extend additional credit. In the final analysis, it is not FDIC funds that are being loaned. The funds involved belong ultimately to the receivership estate of the bank.

While not as painful as the decision to extend or not to extend additional credit to a borrower, a much more common problem is the choice between sale of an asset and continued holding of it. A liquidator is always anxious to sell an asset when he feels he has been offered a good price for it. But if the loan or other asset seems to pose no credit risk and is paying interest at an acceptable rate, there may be a tendency to hold the asset in the hope that a better offer will materialize or that the accumulated interest on the asset will lead to larger total collections. We are attempting to use the most modern portfolio management techniques to make correct sell-or-hold decisions but this is a difficult task, particularly when we are faced with a divergence of interests between those who would like to get their money as soon as possible and those claimants who recognize that their only hope of any recovery on their investment is that the liquidation lasts a long time and earns a great deal of interest income.

Although we have always tried to make the optimal decisions in these cases, some years ago our policy favored holding rather than liquidating assets as quickly as possible. Besides that seeming like the best philosophy for ultimate recovery, we had an additional reason for taking that approach. The FDIC did not have a great deal of liquidation activity for a number of years and we felt some need to maintain trained liquidators so that we would be prepared for any emergency that might arise. This no longer is a problem. We now have more than enough work to be done in our on-going liquidations. In fact, with liquidation assets now amounting to a significant fraction of the insurance fund, we have every incentive to sell assets as quickly as possible if to do so maximizes recovery.

Perhaps the most difficult areas of decisionmaking with respect to liquidation activity are those choices involving social considerations. We are under an obligation to do as well as we can for the ultimate claimants on the estate of the failed bank. While we try to do well, we would also like to do good. In many cases, the borrower whose loan is in default has faced some adversity, frequently not of his doing. In many cases, we would like to tell a debtor, after hearing his tale of woe, that because of his hard luck we are going to forgive his repayment of his obligation to us. Unfortunately, we are not in a position to do that.

To stress once again, we have a fiduciary obligation to collect all we can on the assets we inherit from a failed bank. We try to be firm but reasonable and ethical collectors, but collectors we are and collectors we must be. While this may be clear in principle, in practice we have great difficulties. Take this example: We have taken over a loan to a private school. The school is in default in its obligation. The school's physical plant and land is security for the loan. We can foreclose and sell off the land and buildings and recover enough to come out whole. We do not want to put an educational institution out of business, yet we have to meet our fiduciary responsibility.

While we may have difficult decisions to make with respect to how hard to press honest borrowers who have fallen on hard times, we have no difficulty in deciding to press our remedies to the fullest in dealing with the people that we feel are responsible for the demise of the bank. In many cases, these are insiders—managers and directors of the bank. Since 1960, we have filed 32 suits against directors and we have 15 additional cases under consideration. We believe that firm prosecution in these cases not only is a means of adding to our recoveries for the benefit of the bank's creditors and stockholders, but firm action may be a useful deterrent to insiders in similar situations. This aspect of our liquidation activities thus becomes an intrinsic part of the total program of bank supervision.

In summary, then, the rapid growth of our liquidation assets has fundamentally changed the nature of our liquidation activity. These new liquidations are not only bigger and more complex, they are going to be longlasting. While we hope and expect that the rapid growth of our liquidation assets is over, we do not expect the size of the operation to shrink back to its 1973 levels in the foreseeable future. It will take a long time to completely wrap up the affairs of Franklin and U.S. National Bank, and in the meantime we will inevitably be acquiring other assets. The failure of International City Bank of New Orleans within the last week, for example, added over $100 million to our liquidation portfolio.

In reflection of the size, diversity, and complexity of our liquidation activity, we are going to continue to adopt modern management techniques and make greater use of outside expertise even though we recognize that this may add to our costs.

What will be unchanged in the future is the conduct of our liquidation activities in a manner befitting the fiduciary nature of our responsibilities. We expect that our liquidation operations will be carried on as efficiently and effectively in our present complex environment as in the simpler pre-billion-dollar failure days.

STATISTICS OF BANKS
AND DEPOSIT INSURANCE
PART SIX

NUMBER OF BANKS AND BRANCHES

Banks: **Commercial banks** include the following categories of banking institutions:

National banks:

Incorporated State banks, trust companies, and bank and trust companies regularly engaged in the business of receiving deposits, whether demand or time, except mutual savings banks;

Stock savings banks, including guaranty savings banks in New Hampshire;

Industrial and Morris Plan banks which operate under general banking codes, or are specifically authorized by law to accept deposits and in practice do so, or the obligations of which are regarded as deposits for deposit insurance;

A regulated certificated bank in Georgia; government-operated banks in North Dakota and Puerto Rico; a savings institution, known as a "trust company," operating under special charter in Texas; the Savings Banks Trust Company in New York; the Savings Bank and Trust Company Northwest Washington in the State of Washington; and branches of foreign banks engaged in a general deposit business in Illinois, Massachusetts, New York, Oregon, Washington, Puerto Rico, and Virgin Islands;

Private banks under State supervision, and such other private banks as are reported by reliable unofficial sources to be engaged in deposit banking.

Nondeposit trust companies include institutions operating under trust company charters which are not regularly engaged in deposit banking but are engaged in fiduciary business other than that incidental to real estate title or investment activities.

Mutual savings banks include all banks operating under State banking codes applying to mutual savings banks.

Institutions excluded. Institutions in the following categories are excluded, though such institutions may perform many of the same functions as commercial and savings banks:

Banks that have suspended operations or have ceased to accept new deposits and are proceeding to liquidate their assets and pay off existing deposits;

Building and loan associations, savings and loan associations, credit unions, personal loan companies, and similar institutions, chartered under laws applying to such institutions or under general incorporation laws, regardless of whether such institutions are authorized to accept deposits from the public or from their members and regardless of whether such institutions are called "banks" (a few institutions accepting deposits under powers granted in special charters are included);

Morris Plan companies, industrial banks, loan and investment companies, and similar institutions except those mentioned in the description of institutions included;

Branches of foreign banks and private banks which confine their business to foreign exchange dealings and do not receive "deposits" as that term is commonly understood;

Institutions chartered under banking or trust company laws, but operating as investment or title insurance companies and not engaged in deposit banking or fiduciary activities;

Federal Reserve Banks and other banks, such as the Federal Home Loan Banks and the Savings and Loan Bank of the State of New York, which operate as rediscount banks and do not accept deposits except from financial institutions.

Branches; Branches include all offices of a bank other than its head office, at which deposits are received, checks paid, or money lent. Banking facilities separate from a banking house, banking facilities at government establishments, offices, agencies, paying or receiving stations, drive-in facilities, and other facilities operated for limited purposes are defined as branches under the Federal Deposit Insurance Act, section 3(o), regardless of the fact that in certain States, including several that prohibit the operation of branches, such limited facilities are not considered branches within the meaning of State law.

Table 101. CHANGES IN NUMBER AND CLASSIFICATION OF BANKS AND BRANCHES IN THE UNITED STATES (STATES AND OTHER AREAS) DURING 1976

Type of change	All banks			Commercial banks and nondeposit trust companies							Mutual savings banks		
					Insured				Noninsured				
						Members F.R. System							
	Total	Insured	Non-insured	Total	Total	National	State	Not members F.R. System	Banks of deposit	Nondeposit trust companies[1]	Total	Insured	Non-insured
ALL BANKING OFFICES													
Number of offices, December 31, 1976	**48,654**	**47,858**	**796**	**46,101**	**45,733**	**21,460**	**5,695**	**18,578**	**278**	**90**	**2,553**	**2,125**	**428**
Number of offices, December 31, 1975	**47,239**	**46,466**	**773**	**44,917**	**44,569**	**21,073**	**5,453**	**18,043**	**264**	**84**	**2,322**	**1,897**	**425**
Net change during year	**1,415**	**1,392**	**23**	**1,184**	**1,164**	**387**	**242**	**535**	**14**	**6**	**231**	**228**	**3**
Offices opened	**1,819**	**1,767**	**52**	**1,574**	**1,539**	**691**	**197**	**651**	**26**	**9**	**245**	**228**	**17**
Banks	193	162	31	192	161	65	11	85	23	8	1	1	0
Branches	1,626	1,605	21	1,382	1,378	626	186	566	3	1	244	227	17
Offices closed	**404**	**390**	**14**	**391**	**381**	**198**	**67**	**116**	**7**	**3**	**13**	**9**	**4**
Banks	153	144	9	150	141	58	20	63	6	3	3	3	0
Branches	251	246	5	241	240	140	47	53	1	0	10	6	4
Changes in classification	**0**	**+15**	**−15**	**+1**	**+6**	**−106**	**+112**	**0**	**−5**	**0**	**−1**	**+9**	**−10**
Among banks	0	+8	−8	+1	+6	−14	−14	+34	−5	0	−1	+2	−3
Among branches	0	+7	−7	0	0	−92	+126	−34	0	0	0	+7	−7
BANKS													
Number of banks, December 31, 1976	**15,170**	**14,740**	**430**	**14,697**	**14,411**	**4,737**	**1,023**	**8,651**	**207**[4]	**79**[4]	**473**	**329**	**144**
Number of banks, December 31, 1975	**15,130**	**14,714**	**416**	**14,654**	**14,385**	**4,744**	**1,046**	**8,595**	**195**	**74**	**476**	**329**	**147**
Net change during year	**+40**	**+26**	**+14**	**+43**	**+26**	**−7**	**−23**	**+56**	**+12**	**+5**	**−3**	**0**	**−3**
Banks beginning operation	**193**	**162**	**31**	**192**	**161**	**65**	**11**	**85**	**23**	**8**	**1**	**1**	**0**
New banks	180	162	18	179	161	65	11	85	13	5	1	1	0
Banks added to count[2]	13	0	13	13	0	0	0	0	10	3	0	0	0
Banks ceasing operation	**153**	**144**	**9**	**150**	**141**	**58**	**20**	**63**	**6**	**3**	**3**	**3**	**0**
Absorptions, consolidations, and mergers	144	141	3	141	138	57	20	61	2	1	3	3	0
Closed because of financial difficulties	4	2	2	4	2	1	0	1	2	0	0	0	0
Other liquidations	4	1	3	4	1	0	0	1	2	1	0	0	0
Discontinued deposit operation	1	0	1	1	0	0	0	0	0	1	0	0	0
Banks deleted from count	0	0	0	0	0	0	0	0	0	0	0	0	0
Noninsured banks becoming insured	**0**	**+9**	**−9**	**0**	**+6**	**0**	**0**	**+6**	**−6**	**0**	**0**	**+3**	**−3**

Other changes in classification	**0**	**−1**	**+1**	**+1**	**0**	**−14**	**−14**	**+28**	**+1**	**0**	**−1**	**−1**	**0**
National succeeding State bank	0	0	0	0	0	+10	−2	−8	0	0	0	0	0
State succeeding national bank	0	0	0	0	0	−24	+1	+23	0	0	0	0	0
Admission of insured bank to F.R. System	0	0	0	0	0	0	+10	−10	0	0	0	0	0
Withdrawal from F.R. System with continued insurance	0	0	0	0	0	0	−23	+23	0	0	0	0	0
Insured bank becoming noninsured bank	0	−1	+1	0	−1	0	0	−1	+1	0	0	0	0
Mutual savings bank converted to commercial bank	0	0	0	+1	+1	0	0	+1	0	0	−1	−1	0
Changes not involving number in any class													
Change in title	350	347	3	344	342	124	27	191	1	1	6	5	1
Change in location	18	18	0	18	18	8	0	10	0	0	0	0	0
Change in title and location	5	5	0	5	5	2	3	0	0	0	0	0	0
Change in name of location	6	6	0	6	6	2	0	4	0	0	0	0	0
Change in location within city	267	263	4	262	258	85	7	166	3	1	5	5	0
Change in corporate powers													
Granted trust powers	94	94	0	93	93	0	0	93	0	0	1	1	0
BRANCHES													
Number of branches, December 31, 1976[3]	**33,484**	**33,118**	**366**	**31,404**	**31,322**	**16,723**	**4,672**	**9,927**	**71**	**11**	**2,080**	**1,796**	**284**
Number of branches, December 31, 1975[3]	**32,109**	**31,752**	**357**	**30,263**	**30,184**	**16,329**	**4,407**	**9,448**	**69**[4]	**10**[4]	**1,846**	**1,568**	**278**
Net change during year	**+1,375**	**+1,366**	**+9**	**+1,141**	**+1,138**	**+394**	**+265**	**+479**	**+2**	**+1**	**+234**	**+228**	**+6**
Branches opened for business	**1,626**	**1,605**	**21**	**1,382**	**1,378**	**626**	**186**	**566**	**3**	**1**	**244**	**227**	**17**
Facilities designated by Treasury	3	3	0	3	3	2	1	0	0	0	0	0	0
Absorbed bank converted to branch	127	127	0	125	125	65	28	32	0	0	2	2	0
Branch replacing head office relocated	28	28	0	28	28	6	2	20	0	0	0	0	0
New branches	1,418	1,398	20	1,181	1,177	524	149	504	3	1	237	221	16
Branches and/or facilities added to count[2]	50	49	1	45	45	29	6	10	0	0	5	4	1
Branches discontinued	**251**	**246**	**5**	**241**	**240**	**140**	**47**	**53**	**1**	**0**	**10**	**6**	**4**
Facilities designated by Treasury	8	8	0	8	8	4	1	3	0	0	0	0	0
Branches	218	213	5	208	207	129	36	42	1	0	10	6	4
Branches and/or facilities deleted from count	25	25	0	25	25	7	10	8	0	0	0	0	0
Other changes in classification	**0**	**+7**	**−7**	**0**	**0**	**−92**	**+126**	**−34**	**0**	**0**	**0**	**+7**	**−7**
Branches changing class as a result of conversion	0	0	0	0	0	−31	+16	+15	0	0	0	0	0
Branches of noninsured banks admitted to insurance	0	+7	−7	0	0	0	0	0	0	0	0	+7	−7
Branches transferred through absorption, consolidation, or merger	0	0	0	0	0	−61	+165	−104	0	0	0	0	0
Branches of insured banks withdrawing from F.R.S.	0	0	0	0	0	0	−55	+55	0	0	0	0	0
Changes not involving number in any class													
Changes in operating powers of branches	5	5	0	5	5	1	1	3	0	0	0	0	0
Branches transferred through absorption, consolidation, or merger	485	485	0	485	483	176	264	43	0	0	2	2	0
Changes in title, location, or name of location	555	554	1	555	516	256	69	191	0	1	38	38	0

[1] Includes noninsured nondeposit trust companies, members of the Federal Reserve System.
[2] Banks or branches opened prior to 1976 but not included in count as of December 31, 1975.
[3] Includes facilities established at the request of the Treasury or commanding officer of government installations, and also a few seasonal branches that were not in operation as of December 31.
[4] Revised.

Table 102. CHANGES IN NUMBER OF COMMERCIAL BANKS AND BRANCHES IN THE UNITED STATES (STATES AND OTHER AREAS) DURING 1976, BY STATE

State	In operation				Net change during 1976		Beginning operation in 1976				Ceasing operation in 1976			
	Dec. 31, 1976		Dec. 31, 1975				Banks		Branches		Banks		Branches	
	Banks	Branches	Banks	Branches	Banks	Branches	New	Other	New	Other	Absorptions	Other	Branches	Other
Total United States	**14,697**	**31,404**	**14,654**	**30,263**	**+43**	**+1,141**	**179**	**14**	**1,226**	**156**	**141**	**9**	**208**	**33**
50 States and D.C.	**14,671**	**31,121**	**14,630**	**29,980**	**+41**	**+1,141**	**177**	**13**	**1,221**	**155**	**140**	**9**	**202**	**33**
Other areas	**26**	**283**	**24**	**283**	**+2**	**0**	**2**	**1**	**5**	**1**	**1**	**0**	**6**	**0**
States														
Alabama	303	484	299	457	+4	+27	5	0	27	2	1	0	2	0
Alaska	12	98	11	88	+1	+10	1	0	11	0	0	0	0	1
Arizona	24	458	23	443	+1	+15	2	0	20	0	0	1	5	0
Arkansas	261	341	262	318	−1	+23	0	0	22	1	1	0	0	0
California	225	3,696	216	3,585	+9	+111	14	0	125	3	4	1	15	2
Colorado	359	56	346	54	+13	+2	9	6	2	1	1	1	1	0
Connecticut	72	572	72	564	0	+8	2	0	7	3	2	0	2	0
Delaware	18	142	18	137	NA	+5	0	0	6	0	0	0	0	1
District of Columbia	16	131	16	130	NA	+1	0	0	4	0	0	0	3	0
Florida	757	226	747	196	+10	+30	12	0	30	3	2	0	2	1
Georgia	442	718	444	691	−2	+27	4	0	29	11	6	0	12	1
Hawaii	11	156	11	154	NA	+2	0	0	2	0	0	0	0	0
Idaho	24	211	24	200	NA	+11	0	0	12	0	0	0	1	0
Illinois	1,255	233	1,235	216	+20	+17	19	1	20	1	0	0	2	2
Indiana	408	948	407	909	+1	+39	3	0	37	3	2	0	1	0
Iowa	659	421	661	408	−2	+13	0	0	15	3	2	0	3	2
Kansas	616	169	616	151	NA	+18	0	0	18	0	0	0	0	0
Kentucky	343	560	342	509	+1	+51	3	0	50	1	1	1	0	0
Louisiana	254	634	254	585	0	+49	1	0	47	2	1	0	0	0
Maine	43	291	48	287	−5	+4	0	0	6	2	3	2	2	2
Maryland	113	783	115	751	−2	+32	0	0	38	2	2	0	5	3
Massachusetts	148	928	150	905	−2	+23	1	1	29	4	4	0	10	0
Michigan	360	1,633	351	1,560	+9	+73	9	0	83	2	0	0	11	1
Minnesota	752	57	747	52	+5	+5	5	0	5	0	0	0	0	0
Mississippi	184	577	185	546	−1	+31	1	1	32	3	3	0	3	1
Missouri	711	339	706	320	+5	+19	6	0	20	2	1	0	2	1
Montana	158	18	156	16	+2	+2	2	0	2	0	0	0	0	0
Nebraska	456	98	453	96	+3	+2	2	1	5	0	0	0	2	1
Nevada	8	113	8	111	NA	+2	0	0	2	0	0	0	0	0
New Hampshire	79	119	79	112	NA	+7	0	0	9	0	0	0	2	0

New Jersey	195	1,462	209	1,417	−14	+45	2	0	47	15	16	0	14	3
New Mexico	83	210	81	206	+2	+4	2	0	7	0	0	0	2	1
New York	277	3,266	305	3,206	−28	+60	10	0	67	38	38	0	37	8
North Carolina	92	1,621	94	1,585	−2	+36	2	0	35	4	4	0	3	0
North Dakota	171	94	172	89	−1	+5	0	0	5	1	0	1	1	0
Ohio	490	1,739	496	1,674	−6	+65	3	0	65	8	9	0	8	0
Oklahoma	475	104	467	99	+8	+5	7	1	5	0	0	0	0	0
Oregon	48	478	47	447	+1	+31	2	0	33	1	1	0	3	0
Pennsylvania	392	2,324	398	2,275	−6	+49	0	0	58	6	6	0	15	0
Rhode Island	17	224	16	220	+1	+4	0	2	5	0	0	1	1	0
South Carolina	90	607	90	601	NA	+6	0	0	12	0	0	0	6	0
South Dakota	157	129	158	125	−1	+4	1	0	2	2	2	0	0	0
Tennessee	348	814	344	772	+4	+42	5	0	49	4	1	0	11	0
Texas	1,363	157	1,342	138	+21	+19	25	0	18	2	3	1	0	1
Utah	67	209	64	204	+3	+5	3	0	5	0	0	0	0	0
Vermont	30	142	32	139	−2	+3	0	0	3	2	2	0	2	0
Virginia	284	1,211	291	1,174	−7	+37	5	0	35	12	12	0	9	1
Washington	91	722	98	685	−7	+37	2	0	31	9	9	0	3	0
West Virginia	222	49	219	35	+3	+14	3	0	14	1	0	0	1	0
Wisconsin	630	347	628	336	+2	+11	3	0	10	1	1	0	0	0
Wyoming	78	2	77	2	+1	NA	1	0	0	0	0	0	0	0
Other areas														
Pacific Islands	1	29	1	32	NA	−3	0	0	0	0	0	0	3	0
Canal Zone	0	2	0	2	NA	NA	0	0	0	0	0	0	0	0
Puerto Rico	18	226	15	221	+3	+5	2	1	5	0	0	0	0	0
Virgin Islands	7	26	8	28	−1	−2	0	0	0	1	1	0	3	0

NA—No activity.

TABLE 103. NUMBER OF BANKING OFFICES IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976
BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK, AND BY STATE OR AREA AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and nondeposit trust companies							Mutual savings banks			Percentage insured[1]		
					Insured				Noninsured							
						Members F.R. System										
	Total	Insured	Non-insured	Total	Total	National	State	Non-members F.R. System	Banks of deposit[2]	Nondeposit trust companies[3]	Total	Insured	Non-insured	All banks of deposit	Commercial banks of deposit	Mutual savings banks
United States—all offices	**48,657**	**47,858**	**799**	**46,104**	**45,733**	**21,460**	**5,695**	**18,578**	**281**	**90**	**2,553**	**2,125**	**428**	**98.5**	**99.4**	**83.2**
Banks	15,172	14,740	432	14,699	14,411	4,737	1,023	8,651	209	79	473	329	144	97.7	98.6	69.6
Unit banks	*9,039*	*8,744*	*295*	*8,958*	*8,698*	*2,603*	*526*	*5,569*	*188*	*72*	*81*	*46*	*35*	*97.5*	*97.9*	*56.8*
Banks operating branches	*6,133*	*5,996*	*137*	*5,741*	*5,713*	*2,134*	*497*	*3,082*	*21*	*7*	*392*	*283*	*109*	*97.9*	*99.6*	*72.2*
Branches[4]	33,485	33,118	367	31,405	31,322	16,723	4,672	9,927	72	11	2,080	1,796	284	98.9	99.8	86.3
50 States & D.C.—all offices	**48,348**	**47,590**	**758**	**45,795**	**45,465**	**21,402**	**5,695**	**18,368**	**240**	**90**	**2,553**	**2,125**	**428**	**98.6**	**99.5**	**83.2**
Banks	15,146	14,726	420	14,673	14,397	4,735	1,023	8,639	197	79	473	329	144	97.7	98.7	69.6
Unit banks	*9,027*	*8,740*	*287*	*8,946*	*8,694*	*2,602*	*526*	*5,566*	*180*	*72*	*81*	*46*	*35*	*97.6*	*98.0*	*56.8*
Banks operating branches	*6,119*	*5,986*	*133*	*5,727*	*5,703*	*2,133*	*497*	*3,073*	*17*	*7*	*392*	*283*	*109*	*97.9*	*99.7*	*72.2*
Branches[4]	33,202	32,864	338	31,122	31,068	16,667	4,672	9,729	43	11	2,080	1,796	284	99.0	99.9	86.3
Other Areas—all offices	**309**	**268**	**41**	**309**	**268**	**58**	**0**	**210**	**41**	**0**	**0**	**0**	**0**	**86.7**	**86.7**	**0.0**
Banks	26	14	12	26	14	2	0	12	12	0	0	0	0	53.8	53.8	0.0
Unit banks	*12*	*4*	*8*	*12*	*4*	*1*	*0*	*3*	*8*	*0*	*0*	*0*	*0*	*33.3*	*33.3*	*0.0*
Banks operating branches	*14*	*10*	*4*	*14*	*10*	*1*	*0*	*9*	*4*	*0*	*0*	*0*	*0*	*71.4*	*71.4*	*0.0*
Branches[4]	283	254	29	283	254	56	0	198	29	0	0	0	0	89.8	89.8	0.0
State																
Alabama—all offices	**787**	**787**	**0**	**787**	**787**	**401**	**41**	**345**	0	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	303	303	0	303	303	97	18	188	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*153*	*153*	*0*	*153*	*153*	*35*	*10*	*108*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*150*	*150*	*0*	*150*	*150*	*62*	*8*	*80*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	484	484	0	484	484	304	23	157	0	0	0	0	0	100.0	100.0	0.0
Alaska—all offices	**114**	**114**	**0**	**110**	**110**	**83**	**0**	**27**	**0**	**0**	**4**	**4**	**0**	**100.0**	**100.0**	**100.0**
Banks	14	14	0	12	12	6	0	6	0	0	2	2	0	100.0	100.0	100.0
Unit banks	*3*	*3*	*0*	*2*	*2*	*0*	*0*	*2*	*0*	*0*	*1*	*1*	*0*	*100.0*	*100.0*	*100.0*
Banks operating branches	*11*	*11*	*0*	*10*	*10*	*6*	*0*	*4*	*0*	*0*	*1*	*1*	*0*	*100.0*	*100.0*	*100.0*
Branches	100	100	0	98	98	77	0	21	0	0	2	2	0	100.0	100.0	100.0
Arizona—all offices	**482**	**474**	**8**	**482**	**474**	**311**	0	**163**	**0**	**8**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	24	16	8	24	16	3	0	13	0	8	0	0	0	100.0	100.0	0.0
Unit banks	*14*	*6*	*8*	*14*	*6*	*1*	*0*	*5*	*0*	*8*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*10*	*10*	*0*	*10*	*10*	*2*	*0*	*8*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	458	458	0	458	458	308	0	150	0	0	0	0	0	100.0	100.0	0.0

Arkansas–all offices	**602**	**598**	**4**	**602**	**598**	**242**	**25**	**331**	**1**	**3**	**0**	**0**	**0**	**99.8**	**99.8**	**0.0**
Banks	261	257	4	261	257	73	7	177	1	3	0	0	0	99.6	99.6	0.0
Unit banks	*117*	*113*	*4*	*117*	*113*	*17*	*1*	*95*	*1*	*3*	*0*	*0*	*0*	*99.1*	*99.1*	*0.0*
Banks operating branches	*144*	*144*	*0*	*144*	*144*	*56*	*6*	*82*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	341	341	0	341	341	169	18	154	0	0	0	0	0	100.0	100.0	0.0
California–all offices	**3,921**	**3,898**	**23**	**3,921**	**3,898**	**2,778**	**333**	**787**	**0**	**23**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	225	210	15	225	210	58	7	145	0	15	0	0	0	100.0	100.0	0.0
Unit banks	*78*	*68*	*10*	*78*	*68*	*13*	*0*	*55*	*0*	*10*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*147*	*142*	*5*	*147*	*142*	*45*	*7*	*90*	*0*	*5*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches[4]	3,696	3,688	8	3,696	3,688	2,720	326	642	0	8	0	0	0	100.0	100.0	0.0
Colorado–all offices	**415**	**337**	**78**	**415**	**337**	**163**	**19**	**155**	**78**	**0**	**0**	**0**	**0**	**81.2**	**81.2**	**0.0**
Banks	359	281	78	359	281	132	16	133	78	0	0	0	0	78.3	78.3	0.0
Unit banks	*309*	*231*	*78*	*309*	*231*	*103*	*14*	*114*	*78*	*0*	*0*	*0*	*0*	*74.8*	*74.8*	*0.0*
Banks operating branches	*50*	*50*	*0*	*50*	*50*	*29*	*2*	*19*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	56	56	0	56	56	31	3	22	0	0	0	0	0	100.0	100.0	0.0
Connecticut–all offices	**983**	**982**	**1**	**644**	**643**	**285**	**83**	**275**	**1**	**0**	**339**	**339**	**0**	**99.9**	**99.8**	**100.0**
Banks	138	137	1	72	71	23	2	46	1	0	66	66	0	99.3	98.6	100.0
Unit banks	*23*	*22*	*1*	*16*	*15*	*3*	*1*	*11*	*1*	*0*	*7*	*7*	*0*	*95.7*	*93.8*	*100.0*
Banks operating branches	*115*	*115*	*0*	*56*	*56*	*20*	*1*	*35*	*0*	*0*	*59*	*59*	*0*	*100.0*	*100.0*	*100.0*
Branches	845	845	0	572	572	262	81	229	0	0	273	273	0	100.0	100.0	100.0
Delaware–all offices	**185**	**184**	**1**	**160**	**159**	**9**	**0**	**150**	**0**	**1**	**25**	**25**	**0**	**100.0**	**100.0**	**100.0**
Banks	20	19	1	18	17	5	0	12	0	1	2	2	0	100.0	100.0	100.0
Unit banks	*8*	*7*	*1*	*8*	*7*	*2*	*0*	*5*	*0*	*1*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*12*	*12*	*0*	*10*	*10*	*3*	*0*	*7*	*0*	*0*	*2*	*2*	*0*	*100.0*	*100.0*	*100.0*
Branches	165	165	0	142	142	4	0	138	0	0	23	23	0	100.0	100.0	100.0
D.C.–all offices	**147**	**147**	**0**	**147**	**147**	**144**	**0**	**3**	**0**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	16	16	0	16	16	15	0	1	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*3*	*3*	*0*	*3*	*3*	*3*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*13*	*13*	*0*	*13*	*13*	*12*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	131	131	0	131	131	129	0	2	0	0	0	0	0	100.0	100.0	0.0
Florida–all offices	**983**	**979**	**4**	**983**	**979**	**384**	**35**	**560**	**1**	**3**	**0**	**0**	**0**	**99.9**	**99.9**	**0.0**
Banks	757	753	4	757	753	306	31	416	1	3	0	0	0	99.9	99.9	0.0
Unit banks	*554*	*550*	*4*	*554*	*550*	*230*	*28*	*292*	*1*	*3*	*0*	*0*	*0*	*99.8*	*99.8*	*0.0*
Banks operating branches	*203*	*203*	*0*	*203*	*203*	*76*	*3*	*124*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	226	226	0	226	226	78	4	144	0	0	0	0	0	100.0	100.0	0.0
Georgia–all offices	**1,160**	**1,159**	**1**	**1,160**	**1,159**	**387**	**82**	**690**	**1**	**0**	**0**	**0**	**0**	**99.9**	**99.9**	**0.0**
Banks	442	441	1	442	441	64	9	368	1	0	0	0	0	99.8	99.8	0.0
Unit banks	*220*	*219*	*1*	*220*	*219*	*17*	*2*	*200*	*1*	*0*	*0*	*0*	*0*	*99.5*	*99.5*	*0.0*
Banks operating branches	*222*	*222*	*0*	*222*	*222*	*47*	*7*	*168*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	718	718	0	718	718	323	73	322	0	0	0	0	0	100.0	100.0	0.0
Hawaii–all offices	**167**	**161**	**6**	**167**	**161**	**13**	**0**	**148**	**0**	**6**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	11	8	3	11	8	2	0	6	0	3	0	0	0	100.0	100.0	0.0
Unit banks	*1*	*0*	*1*	*1*	*0*	*0*	*0*	*0*	*0*	*1*	*0*	*0*	*0*	*0.0*	*0.0*	*0.0*
Banks operating branches	*10*	*8*	*2*	*10*	*8*	*2*	*0*	*6*	*0*	*2*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	156	153	3	156	153	11	0	142	0	3	0	0	0	100.0	100.0	0.0

TABLE 103. NUMBER OF BANKING OFFICES IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED
BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK, AND BY STATE OR AREA AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and nondeposit trust companies							Mutual savings banks			Percentage insured[1]		
	Total	Insured	Non-insured	Total	Insured				Noninsured		Total	Insured	Non-insured	All banks of deposit	Commercial banks of deposit	Mutual savings banks
					Total	Members F.R. System		Non-members F.R. System	Banks of deposit[2]	Nondeposit trust companies[3]						
						National	State									
Idaho—all offices	**235**	**235**	**0**	**235**	**235**	**172**	**10**	**53**	**0**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	24	24	0	24	24	6	4	14	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*9*	*9*	*0*	*9*	*9*	*1*	*2*	*6*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*15*	*15*	*0*	*15*	*15*	*5*	*2*	*8*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	211	211	0	211	211	166	6	39	0	0	0	0	0	100.0	100.0	0.0
Illinois—all offices	**1,488**	**1,458**	**30**	**1,488**	**1,458**	**540**	**87**	**831**	**23**	**7**	**0**	**0**	**0**	**98.4**	**98.4**	**0.0**
Banks	1,255	1,225	30	1,225	1,225	425	70	730	23	7	0	0	0	98.2	98.2	0.0
Unit banks	*1,029*	*999*	*30*	*1,029*	*999*	*314*	*54*	*631*	*23*	*7*	*0*	*0*	*0*	*97.7*	*97.7*	*0.0*
Banks operating branches	*226*	*226*	*0*	*226*	*226*	*111*	*16*	*99*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	233	233	0	233	233	115	17	101	0	0	0	0	0	100.0	100.0	0.0
Indiana—all offices	**1,362**	**1,360**	**2**	**1,356**	**1,354**	**601**	**97**	**656**	**1**	**1**	**6**	**6**	**0**	**99.9**	**99.9**	**100.0**
Banks	412	410	2	408	406	120	44	242	1	1	4	4	0	99.8	99.8	100.0
Unit banks	*158*	*156*	*2*	*156*	*154*	*33*	*21*	*100*	*1*	*1*	*2*	*2*	*0*	*99.4*	*99.4*	*100.0*
Banks operating branches	*254*	*254*	*0*	*252*	*252*	*87*	*23*	*142*	*0*	*0*	*2*	*2*	*0*	*100.0*	*100.0*	*100.0*
Branches	950	950	0	948	948	481	53	414	0	0	2	2	0	100.0	100.0	100.0
Iowa—all offices	**1,080**	**1,073**	**7**	**1,080**	**1,073**	**185**	**91**	**797**	**6**	**1**	**0**	**0**	**0**	**99.4**	**99.4**	**0.0**
Banks	659	652	7	659	652	100	46	506	6	1	0	0	0	99.1	99.1	0.0
Unit banks	*402*	*395*	*7*	*402*	*395*	*52*	*25*	*318*	*6*	*1*	*0*	*0*	*0*	*98.5*	*98.5*	*0.0*
Banks operating branches	*257*	*257*	*0*	*257*	*257*	*48*	*21*	*188*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	421	421	0	421	421	85	45	291	0	0	0	0	0	100.0	100.0	0.0
Kansas—all offices	**785**	**784**	**1**	**785**	**784**	**240**	**25**	**519**	**1**	**0**	**0**	**0**	**0**	**99.9**	**99.9**	**0.0**
Banks	616	615	1	616	615	169	20	426	1	0	0	0	0	99.8	99.8	0.0
Unit banks	*499*	*498*	*1*	*499*	*498*	*122*	*16*	*360*	*1*	*0*	*0*	*0*	*0*	*99.8*	*99.8*	*0.0*
Banks operating branches	*117*	*117*	*0*	*117*	*117*	*47*	*4*	*66*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	169	169	0	169	169	71	5	93	0	0	0	0	0	100.0	100.0	0.0
Kentucky—all offices	**903**	**902**	**1**	**903**	**902**	**312**	**96**	**494**	**1**	**0**	**0**	**0**	**0**	**99.9**	**99.9**	**0.0**
Banks	343	342	1	343	342	82	10	250	1	0	0	0	0	99.7	99.7	0.0
Unit banks	*158*	*157*	*1*	*158*	*157*	*25*	*4*	*128*	*1*	*0*	*0*	*0*	*0*	*99.4*	*99.4*	*0.0*
Banks operating branches	*185*	*185*	*0*	*185*	*185*	*57*	*6*	*122*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	560	560	0	560	560	230	86	244	0	0	0	0	0	100.0	100.0	0.0

Louisiana—all offices	**888**	**888**	**0**	**888**	**888**	**308**	**58**	**522**	**0**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	254	254	0	254	254	54	7	193	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*79*	*79*	*0*	*79*	*79*	*11*	*1*	*67*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*175*	*175*	*0*	*175*	*175*	*43*	*6*	*126*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	634	634	0	634	634	254	51	329	0	0	0	0	0	100.0	100.0	0.0
Maine—all offices	**431**	**431**	**0**	**334**	**334**	**135**	**37**	**162**	**0**	**0**	**97**	**97**	**0**	**100.0**	**100.0**	**100.0**
Banks	74	74	0	43	43	17	3	23	0	0	31	31	0	100.0	100.0	100.0
Unit banks	*12*	*12*	*0*	*4*	*4*	*1*	*0*	*3*	*0*	*0*	*8*	*8*	*0*	*100.0*	*100.0*	*100.0*
Banks operating branches	*62*	*62*	*0*	*39*	*39*	*16*	*3*	*20*	*0*	*0*	*23*	*23*	*0*	*100.0*	*100.0*	*100.0*
Branches	357	357	0	291	291	118	34	139	0	0	66	66	0	100.0	100.0	100.0
Maryland—all offices	**946**	**946**	**0**	**896**	**896**	**413**	**101**	**382**	**0**	**0**	**50**	**50**	**0**	**100.0**	**100.0**	**100.0**
Banks	116	116	0	113	113	41	6	66	0	0	3	3	0	100.0	100.0	100.0
Unit banks	*32*	*32*	*0*	*32*	*32*	*7*	*1*	*24*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*84*	*84*	*0*	*81*	*81*	*34*	*5*	*42*	*0*	*0*	*3*	*3*	*0*	*100.0*	*100.0*	*100.0*
Branches	830	830	0	783	783	372	95	316	0	0	47	47	0	100.0	100.0	100.0
Massachusetts—all offices	**1,625**	**1,186**	**439**	**1,079**	**1,068**	**580**	**183**	**305**	**10**	**1**	**546**	**118**	**428**	**73.0**	**99.1**	**21.6**
Banks	316	165	151	150	143	75	12	56	6	1	166	22	144	52.4	96.0	13.3
Unit banks	*59*	*21*	*38*	*20*	*17*	*9*	*0*	*8*	*2*	*1*	*39*	*4*	*35*	*36.2*	*89.5*	*10.3*
Banks operating branches	*257*	*144*	*113*	*130*	*126*	*66*	*12*	*48*	*4*	*0*	*127*	*18*	*109*	*56.0*	*96.9*	*14.2*
Branches[4]	1,309	1,021	288	929	925	505	171	249	4	0	380	96	284	78.0	99.6	25.3
Michigan—all offices	**1,993**	**1,990**	**3**	**1,993**	**1,990**	**915**	**576**	**499**	**3**	**0**	**0**	**0**	**0**	**99.8**	**99.8**	**0.0**
Banks	360	359	1	360	359	122	89	148	1	0	0	0	0	99.7	99.7	0.0
Unit banks	*85*	*85*	*0*	*85*	*85*	*19*	*18*	*48*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*275*	*274*	*1*	*275*	*274*	*103*	*71*	*100*	*1*	*0*	*0*	*0*	*0*	*99.6*	*99.6*	*0.0*
Branches	1,633	1,631	2	1,633	1,631	793	487	351	2	0	0	0	0	99.9	99.9	0.0
Minnesota—all offices	**810**	**808**	**2**	**809**	**807**	**231**	**33**	**543**	**2**	**0**	**1**	**1**	**0**	**99.8**	**99.8**	**100.0**
Banks	753	751	2	752	750	203	31	516	2	0	1	1	0	99.7	99.7	100.0
Unit banks	*701*	*699*	*2*	*700*	*698*	*180*	*29*	*489*	*2*	*0*	*1*	*1*	*0*	*99.7*	*99.7*	*100.0*
Banks operating branches	*52*	*52*	*0*	*52*	*52*	*23*	*2*	*27*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	57	57	0	57	57	28	2	27	0	0	0	0	0	100.0	100.0	0.0
Mississippi—all offices	**761**	**760**	**1**	**761**	**760**	**261**	**24**	**475**	**0**	**1**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	184	183	1	184	183	38	6	139	0	1	0	0	0	100.0	100.0	0.0
Unit banks	*49*	*48*	*1*	*49*	*48*	*6*	*2*	*40*	*0*	*1*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*135*	*135*	*0*	*135*	*135*	*32*	*4*	*99*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	577	577	0	577	577	223	18	336	0	0	0	0	0	100.0	100.0	0.0
Missouri—all offices	**1,050**	**1,045**	**5**	**1,050**	**1,045**	**186**	**102**	**757**	**1**	**4**	**0**	**0**	**0**	**99.9**	**99.9**	**0.0**
Banks	711	706	5	711	706	115	62	529	1	4	0	0	0	99.9	99.9	0.0
Unit banks	*431*	*426*	*5*	*431*	*426*	*61*	*32*	*333*	*1*	*4*	*0*	*0*	*0*	*99.8*	*99.8*	*0.0*
Banks operating branches	*280*	*280*	*0*	*280*	*280*	*54*	*30*	*196*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	339	339	0	339	339	71	40	228	0	0	0	0	0	100.0	100.0	0.0
Montana—all offices	**176**	**173**	**3**	**176**	**173**	**64**	**50**	**59**	**0**	**3**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	158	155	3	158	155	56	45	54	0	3	0	0	0	100.0	100.0	0.0
Unit banks	*140*	*137*	*3*	*140*	*137*	*48*	*40*	*49*	*0*	*3*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*18*	*18*	*0*	*18*	*18*	*8*	*5*	*5*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	18	18	0	18	18	8	5	5	0	0	0	0	0	100.0	100.0	0.0

TABLE 103. NUMBER OF BANKING OFFICES IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED

BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK, AND BY STATE OR AREA AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and nondeposit trust companies							Mutual savings banks			Percentage insured[1]		
					Insured				Noninsured							
						Members F.R. System										
	Total	Insured	Non-insured	Total	Total	National	State	Non-members F.R. System	Banks of deposit[2]	Non-deposit trust companies[3]	Total	Insured	Non-insured	All banks of deposit	Commercial banks of deposit	Mutual savings banks
Nebraska—all offices	**554**	**548**	**6**	**554**	**548**	**171**	**10**	**367**	**0**	**6**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	456	450	6	456	450	120	8	322	0	6	0	0	0	100.0	100.0	0.0
Unit banks	*383*	*377*	*6*	*383*	*377*	*85*	*7*	*285*	*0*	*6*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*73*	*73*	*0*	*73*	*73*	*35*	*1*	*37*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	98	98	0	98	98	51	2	45	0	0	0	0	0	100.0	100.0	0.0
Nevada—all offices	**121**	**121**	**0**	**121**	**121**	**82**	**19**	**20**	**0**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	8	8	0	8	8	4	1	3	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*1*	*1*	*0*	*1*	*1*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*7*	*7*	*0*	*7*	*7*	*3*	*1*	*3*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	113	113	0	113	113	78	18	17	0	0	0	0	0	100.0	100.0	0.0
New Hampshire—all offices	**258**	**256**	**2**	**198**	**196**	**132**	**4**	**60**	**1**	**1**	**60**	**60**	**0**	**99.6**	**99.5**	**100.0**
Banks	106	104	2	79	77	43	2	32	1	1	27	27	0	99.0	98.7	100.0
Unit banks	*39*	*37*	*2*	*27*	*25*	*10*	*1*	*14*	*1*	*1*	*12*	*12*	*0*	*97.4*	*96.2*	*100.0*
Banks operating branches	*67*	*67*	*0*	*52*	*52*	*33*	*1*	*18*	*0*	*0*	*15*	*15*	*0*	*100.0*	*100.0*	*100.0*
Branches	152	152	0	119	119	89	2	28	0	0	33	33	0	100.0	100.0	100.0
New Jersey—all offices	**1,803**	**1,803**	**0**	**1,657**	**1,657**	**1,124**	**231**	**302**	**0**	**0**	**146**	**146**	**0**	**100.0**	**100.0**	**100.0**
Banks	215	215	0	195	195	104	19	72	0	0	20	20	0	100.0	100.0	100.0
Unit banks	*34*	*34*	*0*	*31*	*31*	*11*	*0*	*20*	*0*	*0*	*3*	*3*	*0*	*100.0*	*100.0*	*100.0*
Banks operating branches	*181*	*181*	*0*	*164*	*164*	*93*	*19*	*52*	*0*	*0*	*17*	*17*	*0*	*100.0*	*100.0*	*100.0*
Branches	1,588	1,588	0	1,462	1,462	1,020	212	230	0	0	126	126	0	100.0	100.0	100.0
New Mexico—all offices	**293**	**292**	**1**	**293**	**292**	**153**	**21**	**118**	**0**	**1**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	83	82	1	83	82	38	7	37	0	1	0	0	0	100.0	100.0	0.0
Unit banks	*20*	*19*	*1*	*20*	*19*	*8*	*2*	*9*	*0*	*1*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*63*	*63*	*0*	*63*	*63*	*30*	*5*	*28*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	210	210	0	210	210	115	14	81	0	0	0	0	0	100.0	100.0	0.0
New York—all offices	**4,417**	**4,361**	**56**	**3,543**	**3,487**	**1,539**	**1,751**	**197**	**51**	**5**	**874**	**874**	**0**	**98.8**	**98.6**	**100.0**
Banks	395	348	47	277	230	129	56	45	42	5	118	118	0	89.2	84.6	100.0
Unit banks	*111*	*70*	*41*	*108*	*67*	*36*	*13*	*18*	*36*	*5*	*3*	*3*	*0*	*66.0*	*65.0*	*100.0*
Banks operating branches	*284*	*278*	*6*	*169*	*163*	*93*	*43*	*27*	*6*	*0*	*115*	*115*	*0*	*97.9*	*96.4*	*100.0*
Branches[4]	4,022	4,013	9	3,266	3,257	1,410	1,695	152	9	0	756	756	0	99.8	99.7	100.0

North Carolina—all offices	**1,713**	**1,702**	**11**	**1,713**	**1,702**	**815**	**5**	**882**	**11**	**0**	**0**	**0**	**0**	**99.4**	**99.4**	**0.0**
Banks	92	91	1	92	91	28	2	61	1	0	0	0	0	98.9	98.9	0.0
Unit banks	*20*	*20*	*0*	*20*	*20*	*6*	*1*	*13*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*72*	*71*	*1*	*72*	*71*	*22*	*1*	*48*	*1*	*0*	*0*	*0*	*0*	*98.6*	*98.6*	*0.0*
Branches	1,621	1,611	10	1,621	1,611	787	3	821	10	0	0	0	0	99.4	99.4	0.0
North Dakota—all offices	**265**	**259**	**6**	**265**	**259**	**68**	**7**	**184**	**6**	**0**	**0**	**0**	**0**	**97.7**	**97.7**	**0.0**
Banks	171	169	2	171	169	43	4	122	2	0	0	0	0	98.8	98.8	0.0
Unit banks	*102*	*101*	*1*	*102*	*101*	*21*	*2*	*78*	*1*	*0*	*0*	*0*	*0*	*99.0*	*99.0*	*0.0*
Banks operating branches	*69*	*68*	*1*	*69*	*68*	*22*	*2*	*44*	*1*	*0*	*0*	*0*	*0*	*98.6*	*98.6*	*0.0*
Branches	94	90	4	94	90	25	3	62	4	0	0	0	0	95.7	95.7	0.0
Ohio—all offices	**2,229**	**2,228**	**1**	**2,229**	**2,228**	**1,244**	**542**	**442**	**1**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	490	489	1	490	489	219	113	157	1	0	0	0	0	99.8	99.8	0.0
Unit banks	*154*	*153*	*1*	*154*	*153*	*45*	*44*	*64*	*1*	*0*	*0*	*0*	*0*	*99.4*	*99.4*	*0.0*
Banks operating branches	*336*	*336*	*0*	*336*	*336*	*174*	*69*	*93*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	1,739	1,739	0	1,739	1,739	1,025	429	285	0	0	0	0	0	100.0	100.0	0.0
Oklahoma—all offices	**579**	**573**	**6**	**579**	**573**	**255**	**14**	**304**	**5**	**1**	**0**	**0**	**0**	**99.1**	**99.1**	**0.0**
Banks	475	469	6	475	469	195	13	261	5	1	0	0	0	98.9	98.9	0.0
Unit banks	*375*	*369*	*6*	*375*	*369*	*138*	*12*	*219*	*5*	*1*	*0*	*0*	*0*	*98.7*	*98.7*	*0.0*
Banks operating branches	*100*	*100*	*0*	*100*	*100*	*57*	*1*	*42*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	104	104	0	104	104	60	1	43	0	0	0	0	0	100.0	100.0	0.0
Oregon—all offices	**532**	**528**	**4**	**526**	**522**	**325**	**0**	**197**	**4**	**0**	**6**	**6**	**0**	**99.2**	**99.2**	**100.0**
Banks	49	47	2	48	46	7	0	39	2	0	1	1	0	95.9	95.8	100.0
Unit banks	*16*	*15*	*1*	*16*	*15*	*1*	*0*	*14*	*1*	*0*	*0*	*0*	*0*	*93.8*	*93.8*	*0.0*
Banks operating branches	*33*	*32*	*1*	*32*	*31*	*6*	*0*	*25*	*1*	*0*	*1*	*1*	*0*	*97.0*	*96.9*	*100.0*
Branches[4]	483	481	2	478	476	318	0	158	2	0	5	5	0	99.6	99.6	100.0
Pennsylvania—all offices	**2,903**	**2,895**	**8**	**2,716**	**2,708**	**1,597**	**203**	**908**	**6**	**2**	**187**	**187**	**0**	**99.8**	**99.8**	**100.0**
Banks	400	394	6	392	386	237	14	135	4	2	8	8	0	99.0	99.0	100.0
Unit banks	*126*	*121*	*5*	*126*	*121*	*84*	*4*	*33*	*3*	*2*	*0*	*0*	*0*	*97.6*	*97.6*	*0.0*
Banks operating branches	*274*	*273*	*1*	*266*	*265*	*153*	*10*	*102*	*1*	*0*	*8*	*8*	*0*	*99.6*	*99.6*	*100.0*
Branches[4]	2,503	2,501	2	2,324	2,322	1,360	189	773	2	0	179	179	0	99.9	99.9	100.0
Rhode Island—all offices	**315**	**302**	**13**	**241**	**228**	**120**	**0**	**108**	**12**	**1**	**74**	**74**	**0**	**96.2**	**95.0**	**100.0**
Banks	23	20	3	17	14	5	0	9	2	1	6	6	0	90.9	87.5	100.0
Unit banks	*4*	*3*	*1*	*4*	*3*	*0*	*0*	*3*	*0*	*1*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*19*	*17*	*2*	*13*	*11*	*5*	*0*	*6*	*2*	*0*	*6*	*6*	*0*	*89.5*	*84.6*	*100.0*
Branches	292	282	10	224	214	115	0	99	10	0	68	68	0	96.6	95.5	100.0
South Carolina—all offices	**697**	**697**	**0**	**697**	**697**	**317**	**15**	**365**	**0**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	90	90	0	90	90	19	6	65	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*25*	*25*	*0*	*25*	*25*	*3*	*2*	*20*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*65*	*65*	*0*	*65*	*65*	*16*	*4*	*45*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	607	607	0	607	607	298	9	300	0	0	0	0	0	100.0	100.0	0.0
South Dakota—all offices	**286**	**285**	**1**	**286**	**285**	**112**	**40**	**133**	**0**	**1**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	157	156	1	157	156	32	27	97	0	1	0	0	0	100.0	100.0	0.0
Unit banks	*108*	*107*	*1*	*108*	*107*	*19*	*19*	*69*	*0*	*1*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*49*	*49*	*0*	*49*	*49*	*13*	*8*	*28*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	129	129	0	129	129	80	13	36	0	0	0	0	0	100.0	100.0	0.0

TABLE 103. NUMBER OF BANKING OFFICES IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED
BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK, AND BY STATE OR AREA AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and nondeposit trust companies							Mutual savings banks			Percentage insured[1]		
	Total	Insured	Non-insured	Total	Insured				Noninsured		Total	Insured	Non-insured	All banks of deposit	Commercial banks of deposit	Mutual savings banks
					Total	Members F.R. System		Non-members F.R. System	Banks of deposit[2]	Non-deposit trust companies[3]						
						National	State									
Tennessee—all offices	**1,162**	**1,160**	**2**	**1,162**	**1,160**	**427**	**66**	**667**	**1**	**1**	**0**	**0**	**0**	**99.9**	**99.9**	**0.0**
Banks	348	346	2	348	346	74	13	259	1	1	0	0	0	99.7	99.7	0.0
Unit banks	*113*	*111*	*2*	*113*	*111*	*9*	*2*	*100*	*1*	*1*	*0*	*0*	*0*	*99.1*	*99.1*	*0.0*
Banks operating branches	*235*	*235*	*0*	*235*	*235*	*65*	*11*	*159*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	814	814	0	814	814	353	53	408	0	0	0	0	0	100.0	100.0	0.0
Texas—all offices	**1,520**	**1,514**	**6**	**1,520**	**1,514**	**621**	**56**	**837**	**6**	**0**	**0**	**0**	**0**	**99.6**	**99.6**	**0.0**
Banks	1,363	1,357	6	1,363	1,357	596	41	720	6	0	0	0	0	99.6	99.6	0.0
Unit banks	*1,224*	*1,218*	*6*	*1,224*	*1,218*	*575*	*28*	*615*	*6*	*0*	*0*	*0*	*0*	*99.5*	*99.5*	*0.0*
Banks operating branches	*139*	*139*	*0*	*139*	*139*	*21*	*13*	*105*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	157	157	0	157	157	25	15	117	0	0	0	0	0	100.0	100.0	0.0
Utah—all offices	**276**	**275**	**1**	**276**	**275**	**115**	**76**	**84**	**0**	**1**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	67	66	1	67	66	13	7	46	0	1	0	0	0	100.0	100.0	0.0
Unit banks	*43*	*42*	*1*	*43*	*42*	*8*	*2*	*32*	*0*	*1*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*24*	*24*	*0*	*24*	*24*	*5*	*5*	*14*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	209	209	0	209	209	102	69	38	0	0	0	0	0	100.0	100.0	0.0
Vermont—all offices	**190**	**189**	**1**	**172**	**171**	**61**	**0**	**110**	**0**	**1**	**18**	**18**	**0**	**100.0**	**100.0**	**100.0**
Banks	36	35	1	30	29	14	0	15	0	1	6	6	0	100.0	100.0	100.0
Unit banks	*9*	*8*	*1*	*7*	*6*	*4*	*0*	*2*	*0*	*1*	*2*	*2*	*0*	*100.0*	*100.0*	*100.0*
Banks operating branches	*27*	*27*	*0*	*23*	*23*	*10*	*0*	*13*	*0*	*0*	*4*	*4*	*0*	*100.0*	*100.0*	*100.0*
Branches	154	154	0	142	142	47	0	95	0	0	12	12	0	100.0	100.0	100.0
Virginia—all offices	**1,495**	**1,494**	**1**	**1,495**	**1,494**	**798**	**308**	**388**	**0**	**1**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	284	283	1	284	283	108	67	108	0	1	0	0	0	100.0	100.0	0.0
Unit banks	*81*	*80*	*1*	*81*	*80*	*16*	*25*	*39*	*0*	*1*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*203*	*203*	*0*	*203*	*203*	*92*	*42*	*69*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	1,211	1,211	0	1,211	1,211	690	241	280	0	0	0	0	0	100.0	100.0	0.0
Washington—all offices	**930**	**923**	**7**	**813**	**806**	**589**	**37**	**180**	**6**	**1**	**117**	**117**	**0**	**99.4**	**99.3**	**100.0**
Banks	100	93	7	91	84	21	4	59	6	1	9	9	0	93.9	93.3	100.0
Unit banks	*39*	*32*	*7*	*39*	*32*	*3*	*2*	*27*	*6*	*1*	*0*	*0*	*0*	*84.2*	*84.2*	*0.0*
Banks operating branches	*61*	*61*	*0*	*52*	*52*	*18*	*2*	*32*	*0*	*0*	*9*	*9*	*0*	*100.0*	*100.0*	*100.0*
Branches[4]	830	830	0	722	722	568	33	121	0	0	108	108	0	100.0	100.0	100.0

West Virginia–all offices	**271**	**271**	**0**	**271**	**271**	**130**	**34**	**107**	**0**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	222	222	0	222	222	103	29	90	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*173*	*173*	*0*	*173*	*173*	*76*	*24*	*73*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*49*	*49*	*0*	*49*	*49*	*27*	*5*	*17*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	49	49	0	49	49	27	5	17	0	0	0	0	0	100.0	100.0	0.0
Wisconsin–all offices	**980**	**975**	**5**	**977**	**972**	**217**	**54**	**701**	**0**	**5**	**3**	**3**	**0**	**100.0**	**100.0**	**100.0**
Banks	633	628	5	630	625	130	31	464	0	5	3	3	0	100.0	100.0	100.0
Unit banks	*425*	*420*	*5*	*422*	*417*	*85*	*21*	*311*	*0*	*5*	*3*	*3*	*0*	*100.0*	*100.0*	*100.0*
Banks operating branches	*208*	*208*	*0*	*208*	*208*	*45*	*10*	*153*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	347	347	0	347	347	87	23	237	0	0	0	0	0	100.0	100.0	0.0
Wyoming–all offices	**80**	**80**	**0**	**80**	**80**	**47**	**14**	**19**	**0**	**0**	**0**	**0**	**0**	**100.0**	**100.0**	**0.0**
Banks	78	78	0	78	78	46	14	18	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*76*	*76*	*0*	*76*	*76*	*45*	*14*	*17*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Banks operating branches	*2*	*2*	*0*	*2*	*2*	*1*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches	2	2	0	2	2	1	0	1	0	0	0	0	0	100.0	100.0	0.0
Other areas																
Pacific Islands–all offices[5]	**30**	**18**	**12**	30	**18**	**7**	**0**	**11**	**12**	0	**0**	**0**	**0**	**60.0**	**60.0**	**0.0**
Banks	1	1	0	1	1	0	0	1	0	0	0	0	0	100.0	100.0	0.0
Unit banks	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.0*	*0.0*	*0.0*
Banks operating branches	*1*	*1*	*0*	*1*	*1*	*0*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches[6]	29	17	12	29	17	7	0	10	12	0	0	0	0	58.6	58.6	0.0
Canal Zone–all offices	**2**	**0**	**2**	**2**	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0.0**	**0.0**	**0.0**
Banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0
Unit banks	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.0*	*0.0*	*0.0*
Banks operating branches	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0.0*	*0.0*	*0.0*
Branches[7]	2	0	2	2	0	0	0	0	2	0	0	0	0	0.0	0.0	0.0
Puerto Rico–all offices	**244**	**223**	**21**	**244**	**223**	**24**	**0**	**199**	**21**	**0**	**0**	**0**	**0**	**91.4**	**91.4**	**0.0**
Banks	18	12	6	18	12	1	0	11	6	0	0	0	0	66.7	66.7	0.0
Unit banks	*6*	*4*	*2*	*6*	*4*	*1*	*0*	*3*	*2*	*0*	*0*	*0*	*0*	*66.7*	*66.7*	*0.0*
Banks operating branches	*12*	*8*	*4*	*12*	*8*	*0*	*0*	*8*	*4*	*0*	*0*	*0*	*0*	*66.7*	*66.7*	*0.0*
Branches[8]	226	211	15	226	211	23	0	188	15	0	0	0	0	93.4	93.4	0.0
Virgin Islands–all offices	**33**	**27**	**6**	**33**	**27**	**27**	**0**	**0**	**6**	**0**	**0**	**0**	**0**	**81.8**	**81.8**	**0.0**
Banks	7	1	6	7	1	1	0	0	6	0	0	0	0	14.3	14.3	0.0
Unit banks	*6*	*0*	*6*	*6*	*0*	*0*	*0*	*0*	*6*	*0*	*0*	*0*	*0*	*0.0*	*0.0*	*0.0*
Banks operating branches	*1*	*1*	*0*	*1*	*1*	*1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*100.0*	*100.0*	*0.0*
Branches[9]	26	26	0	26	26	26	0	0	0	0	0	0	0	100.0	100.0	0.0

Table 103. NUMBER OF BANKING OFFICES IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED

BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK, AND BY STATE OR AREA AND TYPE OF OFFICE

[1] Nondeposit trust companies are excluded in computing these percentages.
[2] Includes 14 noninsured branches of insured banks: 12 in the Pacific Islands and 2 in the Canal Zone.
[3] Includes noninsured nondeposit trust companies that are members of the Federal Reserve System.
[4] California: 1 branch operated by a State nonmember bank in Puerto Rico.
Massachusetts: 1 branch operated by a noninsured bank in New York.
New York: 19 branches operated by 3 State nonmember banks in Puerto Rico.
Oregon: 1 branch operated by a national bank in California.
Pennsylvania: 2 branches operated by a noninsured bank in New York and a national bank in New Jersey.
Washington: 3 branches operated by a national bank in California.
[5] United States possessions: American Samoa, Guam, and Midway Islands.
Trust Territories: Caroline Islands, Mariana Islands, and Marshall Islands.
[6] Pacific Islands: 28 branches—
American Samoa: 3 insured branches operated by a State nonmember bank in Hawaii and a national bank in New York.
Guam: 13 insured branches operated by 2 State nonmember banks in Hawaii, 2 State nonmember banks and a national bank in California, and 2 national banks in New York.
Caroline Islands: 4 noninsured branches operated by a national bank in California and a State nonmember bank in Hawaii.
Mariana Islands: 4 noninsured branches operated by a national bank and a nonmember bank in California and a State nonmember bank in Hawaii.
Marshall Islands: 3 noninsured branches operated by a national bank in California and a State nonmember bank in Hawaii.
Midway Islands: 1 noninsured branch operated by a State nonmember bank in Hawaii.
[7] Canal Zone: 2 noninsured branches operated by 2 national banks in New York.
[8] Puerto Rico: 23 insured branches operated by 2 national banks in New York.
[9] Virgin Islands: 25 insured branches operated by 2 national banks in New York, a national bank in California, and a national bank in Pennsylvania.

Table 104. NUMBER AND ASSETS OF ALL COMMERCIAL AND MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976
BANKS GROUPED BY CLASS AND ASSET SIZE

Asset size	All banks	Insured commercial banks				Non-insured banks and trust companies	Mutual savings banks	
		Total	Members F.R. System		Nonmembers F.R. System		Insured	Non-insured
			National	State				
Number of banks								
Less than $5.0 million	1,687	1,515	223	60	1,232	171	1	0
$5.0 to $9.9 million	2,888	2,857	563	165	2,129	22	5	4
$10.0 to $24.9 million	5,032	4,984	1,558	335	3,091	20	13	15
$25.0 to $49.9 million	2,732	2,642	1,095	198	1,349	13	48	29
$50.0 to $99.9 million	1,451	1,311	655	112	544	11	82	47
$100.0 to $299.9 million	868	724	396	84	244	19	82	43
$300.0 to $499.9 million	194	145	89	25	31	14	30	5
$500.0 to $999.9 million	157	108	73	19	16	12	36	1
$1.0 to $4.9 billion	144	107	74	18	15	5	32	0
$5.0 billion or more	18	18	11	7	0	0	0	0
Total banks	**15,171**	**14,411**	**4,737**	**1,023**	**8,651**	**287**	**329**	**144**
				(In thousands of dollars)				
Amount of assets								
Less than $5.0 million	5,582,998	5,307,658	798,112	213,743	4,295,803	271,455	3,885	0
$5.0 to $9.9 million	21,341,734	21,114,899	4,289,799	1,241,829	15,583,271	153,414	42,044	31,377
$10.0 to $24.9 million	82,635,960	81,844,925	26,271,160	5,612,194	49,961,571	292,366	210,226	288,443
$25.0 to $49.9 million	94,835,066	91,358,196	38,158,023	6,892,801	46,307,372	480,797	1,918,766	1,077,307
$50.0 to $99.9 million	99,846,194	89,599,469	44,920,647	7,759,421	36,919,401	839,097	6,020,816	3,386,812
$100.0 to $299.9 million	141,197,371	116,862,063	63,779,611	13,381,321	39,701,131	2,908,173	14,635,441	6,791,694
$300.0 to $499.9 million	74,708,438	55,815,216	34,028,495	9,882,381	11,904,340	5,303,494	11,711,654	1,878,074
$500.0 to $999.9 million	111,794,869	76,126,629	51,427,793	14,132,248	10,566,588	9,255,572	25,885,964	526,704
$1.0 to $4.9 billion	274,200,787	204,650,613	143,298,408	42,190,889	19,161,316	9,139,143	60,411,031	0
$5.0 billion or more	264,644,114	264,644,114	176,376,977	88,267,137	0	0	0	0
Total assets	**1,170,787,531**	**1,007,323,782**[1]	**583,349,025**	**189,573,964**	**234,400,793**	**28,643,511**	**120,839,827**	**13,980,411**

[1] Does not include assets of branches in "Other areas" of U.S. banks.

Table 105. NUMBER, ASSETS, AND DEPOSITS OF ALL COMMERCIAL BANKS[1] IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976

BANKS GROUPED BY ASSET SIZE AND STATE

(Amounts in thousands of dollars)

	All banks	Banks with assets of—									
		Less than $5.0 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Total United States and other areas[2]											
Banks	14,698	1,686	2,879	5,004	2,655	1,322	743	159	120	112	18
Total assets[3]	1,035,967,293	5,579,113	21,268,313	82,137,291	91,838,993	90,438,566	119,770,236	61,118,710	85,382,201	213,789,756	264,644,114
Total deposits[3]	841,888,945	4,779,644	19,034,504	74,249,818	82,663,367	80,571,153	104,615,915	50,560,186	68,032,131	162,377,297	195,004,930
States											
Alabama											
Banks	303	16	66	139	52	13	9	4	3	1	0
Assets	11,872,788	55,133	513,617	2,295,995	1,814,123	889,657	1,309,771	1,691,546	2,008,027	1,294,919	0
Deposits	10,169,563	45,540	458,432	2,060,602	1,642,865	771,691	1,167,917	1,451,630	1,510,062	1,060,824	0
Alaska											
Banks	12	0	0	2	4	1	3	1	1	0	0
Assets	1,593,077	0	0	36,840	147,419	55,054	470,472	351,609	531,683	0	0
Deposits	1,374,073	0	0	30,515	132,315	50,888	395,918	306,137	458,300	0	0
Arizona											
Banks	24	9	4	3	0	1	3	1	0	3	0
Assets	7,544,612	9,533	28,319	48,264	0	52,841	520,333	333,818	0	6,551,504	0
Deposits	6,733,710	3,047	23,788	44,991	0	49,348	465,447	306,195	0	5,840,894	0
Arkansas											
Banks	260	21	56	102	53	17	9	1	1	0	0
Assets	7,587,904	62,002	432,253	1,693,647	1,877,405	1,221,266	1,462,609	330,585	508,137	0	0
Deposits	6,612,958	53,886	389,768	1,538,713	1,683,255	1,096,262	1,237,766	231,573	381,735	0	0
California											
Banks	224	23	19	64	44	28	27	8	2	4	5
Assets	108,726,003	55,370	140,643	1,067,814	1,511,929	1,941,639	4,549,987	3,112,038	1,606,277	10,052,858	84,687,448
Deposits	88,899,045	27,958	111,225	954,858	1,384,904	1,706,630	4,044,721	2,769,796	1,386,898	8,503,238	68,008,817
Colorado											
Banks	361	108	67	109	38	26	9	1	2	1	0
Assets	9,936,731	254,506	497,782	1,712,983	1,305,454	1,751,233	1,162,123	452,638	1,523,150	1,276,862	0
Deposits	8,520,261	196,937	441,212	1,544,495	1,173,201	1,556,367	1,030,478	390,040	1,247,151	940,380	0
Connecticut											
Banks	72	5	5	28	13	9	4	3	3	2	0
Assets	8,992,875	19,654	34,552	455,537	466,934	627,958	692,214	1,300,102	1,901,197	3,494,727	0
Deposits	7,615,606	16,842	26,103	396,483	420,487	554,388	610,328	1,086,403	1,682,572	2,822,000	0
Delaware											
Banks	18	1	3	7	1	2	0	1	2	1	0
Assets	2,803,038	4,316	22,346	113,196	32,575	127,727	0	317,033	1,057,253	1,128,592	0
Deposits	2,268,666	3,808	19,775	100,064	0	115,589	0	282,850	942,502	804,078	0
District of Columbia											
Banks	16	0	2	1	5	3	0	1	2	2	0
Assets	4,551,476	0	19,435	20,551	188,063	234,114	0	339,833	1,122,636	2,626,844	0
Deposits	3,885,286	0	15,747	19,408	166,476	206,731	0	308,504	965,799	2,202,621	0

Florida												
Banks	757	34	120	262	176	112	46	6	0	1	0	
Assets	30,533,816	125,517	914,084	4,276,0[illegible]2	6,268,847	7,827,877	6,953,334	2,414,483	0	1,753,592	0	
Deposits	26,776,283	96,695	787,127	3,851,61[illegible]	5,676,464	7,052,684	6,118,687	1,843,606	0	1,349,409	0	
Georgia												
Banks	442	62	101	179	63	22	10	1	1	3	0	
Assets	15,965,119	201,068	747,994	2,916,943	2,061,604	1,620,183	1,619,284	404,122	722,660	5,671,261	0	
Deposits	12,891,885	175,250	669,151	2,611,919	1,838,194	1,410,195	1,429,478	333,511	535,668	3,888,519	0	
Hawaii												
Banks	11	1	1	2	0	0	5	0	0	2	0	
Assets	3,265,115	330	9,166	35,704	0	0	922,261	0	0	2,297,654	0	
Deposits	2,893,434	0	0	22,976	0	0	848,258	0	0	2,022,200	0	
Idaho												
Banks	24	0	7	6	5	1	2	1	1	1	0	
Assets	3,302,747	0	54,415	98,923	169,389	79,872	404,155	392,365	925,967	1,177,661	0	
Deposits	2,950,020	0	49,828	90,982	150,937	72,648	364,055	355,163	806,833	1,059,574	0	
Illinois												
Banks	1,255	124	243	400	239	152	76	13	3	3	2	
Assets	81,810,312	441,299	1,832,848	6,396,952	8,493,935	10,564,854	11,516,755	4,665,278	2,321,181	8,813,987	26,763,223	
Deposits	63,101,895	367,301	1,626,820	5,787,865	7,594,819	9,223,450	9,591,282	3,302,694	2,029,028	6,493,670	17,084,966	
Indiana												
Banks	408	19	43	140	105	60	33	4	1	3	0	
Assets	23,085,155	63,409	323,036	2,338,280	3,531,227	4,078,659	5,490,805	1,488,639	690,020	5,081,080	0	
Deposits	19,579,743	53,646	294,326	2,140,342	3,210,998	3,712,831	4,868,397	1,292,345	482,717	3,524,141	0	
Iowa												
Banks	659	59	199	251	102	30	14	3	1	0	0	
Assets	14,628,063	222,822	1,457,762	4,076,482	3,325,337	2,004,566	1,940,127	965,897	635,070	0	0	
Deposits	13,054,966	200,441	1,324,033	3,726,380	3,020,358	1,802,346	1,708,263	794,140	479,005	0	0	
Kansas												
Banks	616	163	158	185	75	24	10	0	1	0	0	
Assets	11,128,990	544,151	1,141,010	2,890,329	2,546,572	1,519,260	1,937,341	0	550,327	0	0	
Deposits	9,749,221	487,999	1,035,608	2,606,370	2,291,176	1,316,935	1,582,266	0	428,867	0	0	
Kentucky												
Banks	343	32	66	143	61	26	9	3	1	2	0	
Assets	12,291,764	105,176	486,866	2,445,454	2,186,716	1,884,615	1,187,242	1,134,763	609,188	2,251,744	0	
Deposits	10,614,898	91,402	436,989	2,223,649	1,978,577	1,723,112	1,067,808	906,529	480,378	1,706,454	0	
Louisiana												
Banks	254	10	30	91	71	24	17	5	5	1	0	
Assets	15,369,442	35,534	228,528	1,597,819	2,449,740	1,567,362	2,977,301	1,886,863	3,217,582	1,408,713	0	
Deposits	13,106,310	31,507	202,971	1,445,359	2,221,883	1,399,617	2,609,445	1,563,800	2,508,871	1,122,857	0	
Maine												
Banks	43	0	4	18	9	6	5	1	0	0	0	
Assets	2,451,315	0	29,810	334,789	295,982	392,632	1,088,021	310,081	0	0	0	
Deposits	2,156,771	0	27,163	302,071	266,380	347,690	942,976	270,491	0	0	0	
Maryland												
Banks	113	4	22	33	27	16	4	2	2	3	0	
Assets	11,204,340	17,780	173,251	570,825	965,076	1,170,305	564,727	878,164	1,775,849	5,088,363	0	
Deposits	9,472,695	14,579	154,998	516,015	874,231	1,059,611	515,812	753,638	1,555,540	4,028,271	0	
Massachusetts												
Banks	148	5	12	50	26	24	21	5	1	4	0	
Assets	18,842,134	14,654	95,329	852,587	995,868	1,719,037	3,440,818	1,906,978	525,557	9,291,306	0	
Deposits	14,798,810	10,093	84,528	736,227	880,861	1,516,278	3,027,365	1,699,961	433,974	6,409,523	0	

Table 105. NUMBER, ASSETS, AND DEPOSITS OF ALL COMMERCIAL BANKS[1] IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED
BANKS GROUPED BY ASSET SIZE AND STATE
(Amounts in thousands of dollars)

	All banks	Banks with assets of—									
		Less than $5.0 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Michigan											
Banks	360	12	41	114	92	47	37	7	4	5	1
Assets	36,925,844	36,931	312,394	1,874,082	3,209,938	3,297,959	5,896,645	2,790,159	3,190,466	9,942,478	6,374,792
Deposits	31,762,715	25,090	275,808	1,702,765	2,918,985	2,995,518	5,365,046	2,521,121	2,808,918	8,411,284	4,738,180
Minnesota											
Banks	752	125	235	246	92	40	11	0	0	3	0
Assets	19,635,845	465,207	1,682,809	3,905,883	3,077,534	2,671,512	2,007,192	0	0	5,825,708	0
Deposits	16,216,155	422,046	1,542,943	3,568,772	2,798,726	2,418,598	1,659,184	0	0	3,805,886	0
Mississippi											
Banks	184	14	37	70	36	17	7	1	2	0	0
Assets	7,264,680	47,015	287,153	1,176,458	1,210,606	1,117,978	1,297,382	303,207	1,824,881	0	0
Deposits	6,404,449	37,071	258,367	1,071,086	1,093,829	1,003,178	1,171,824	265,905	1,503,189	0	0
Missouri											
Banks	711	113	164	249	111	45	23	0	4	2	0
Assets	23,168,612	378,231	1,177,081	4,085,368	3,778,243	2,993,001	3,469,026	0	3,092,862	4,194,800	0
Deposits	19,014,388	332,681	1,062,632	3,698,244	3,362,236	2,687,909	2,970,440	0	2,205,553	2,694,693	0
Montana											
Banks	158	19	41	61	20	12	5	0	0	0	0
Assets	3,570,331	65,134	293,159	974,544	667,439	826,361	743,694	0	0	0	0
Deposits	3,203,247	56,394	266,645	891,527	601,635	739,517	647,529	0	0	0	0
Nebraska											
Banks	456	155	114	135	29	16	2	4	1	0	0
Assets	7,707,473	483,564	828,512	2,148,582	1,003,868	998,830	213,395	1,440,453	590,269	0	0
Deposits	6,718,439	425,291	747,453	1,934,347	904,068	891,382	186,753	1,171,401	457,744	0	0
Nevada											
Banks	8	0	0	1	0	1	4	1	0	1	0
Assets	2,372,489	0	0	14,834	0	67,423	812,685	443,538	0	1,034,009	0
Deposits	2,143,151	0	0	12,317	0	61,791	735,650	395,088	0	938,305	0
New Hampshire											
Banks	79	7	15	31	16	7	3	0	0	0	0
Assets	2,131,876	22,478	108,144	528,856	536,318	473,403	462,677	0	0	0	0
Deposits	1,900,380	20,043	96,950	473,650	480,837	415,467	413,433	0	0	0	0
New Jersey											
Banks	195	1	8	39	57	36	29	8	13	4	0
Assets	26,807,588	4,402	65,675	679,863	1,999,502	2,597,043	5,217,332	3,119,635	8,393,027	4,731,109	0
Deposits	23,463,784	2,932	54,712	601,249	1,786,707	2,334,242	4,679,165	2,751,988	7,274,421	3,978,368	0
New Mexico											
Banks	83	3	5	35	24	9	5	1	1	0	0
Assets	3,699,204	7,625	34,949	610,924	842,326	586,738	636,015	383,669	596,958	0	0
Deposits	3,319,732	5,941	30,856	552,993	767,415	534,951	572,960	335,227	519,389	0	0
New York											
Banks	277	16	19	64	42	39	42	15	21	11	8
Assets	191,725,555	51,524	148,774	1,117,149	1,461,536	2,897,253	7,233,065	6,020,267	15,358,522	23,857,731	133,579,734
Deposits	137,745,313	34,206	123,159	971,564	1,265,932	2,362,331	5,904,179	4,109,240	9,603,738	16,574,190	96,796,774

North Carolina											
Banks	92	3	14	28	20	10	9	3	0	5	0
Assets	15,951,025	12,707	107,465	472,093	700,747	716,309	1,970,929	1,207,011	0	10,763,764	0
Deposits	13,148,924	10,528	90,900	410,602	623,728	624,529	1,766,658	1,075,012	0	8,546,967	0
North Dakota											
Banks	171	18	51	66	23	10	2	1	0	0	0
Assets	3,595,674	69,380	391,302	956,353	767,166	754,333	209,631	447,509	0	0	0
Deposits	3,196,353	62,228	353,949	862,993	686,618	678,633	190,361	361,571	0	0	0
Ohio											
Banks	490	18	68	161	115	62	44	8	6	8	0
Assets	40,082,286	71,655	502,758	2,696,026	4,047,900	4,164,753	6,712,786	3,070,807	4,707,675	14,107,926	0
Deposits	33,306,393	64,457	452,850	2,422,945	3,596,493	3,670,766	5,939,769	2,698,346	3,892,670	10,568,097	0
Oklahoma											
Banks	476	87	125	152	69	32	6	1	2	2	0
Assets	13,328,788	296,887	861,173	2,445,244	2,366,990	2,117,820	1,023,819	388,148	1,657,347	2,171,360	0
Deposits	11,561,600	261,634	771,660	2,222,446	2,134,272	1,904,121	920,112	300,513	1,447,406	1,599,436	0
Oregon											
Banks	48	4	5	15	12	5	4	1	0	2	0
Assets	8,457,140	13,382	36,645	231,038	412,750	324,297	687,316	446,623	0	6,305,089	0
Deposits	6,867,662	11,278	33,708	206,154	358,792	297,994	586,830	391,154	0	4,981,752	0
Pennsylvania											
Banks	392	9	42	113	97	59	42	11	7	10	2
Assets	58,855,897	30,595	317,951	1,913,563	3,437,304	4,000,720	6,987,797	4,334,952	4,648,305	19,945,793	13,238,917
Deposits	46,894,398	25,377	276,026	1,727,430	3,109,164	3,604,419	6,296,180	3,866,791	4,172,265	15,440,553	8,376,193
Rhode Island											
Banks	17	2	3	5	1	0	3	0	1	2	0
Assets	4,338,660	1,700	22,504	79,246	40,943	0	360,135	0	991,168	2,842,964	0
Deposits	3,535,380	1,279	17,793	70,547	36,639	0	318,709	0	806,913	2,283,500	0
South Carolina											
Banks	90	11	19	34	13	6	2	1	4	0	0
Assets	5,107,695	38,090	152,535	548,204	478,749	341,894	376,604	325,254	2,846,365	0	0
Deposits	4,427,318	33,246	131,937	486,286	421,066	307,442	341,471	294,424	2,411,446	0	0
South Dakota											
Banks	157	24	65	44	9	9	4	2	0	0	0
Assets	3,559,403	85,870	479,554	698,067	305,720	532,510	719,086	738,596	0	0	0
Deposits	3,229,056	77,383	436,660	637,292	278,607	483,391	643,244	672,479	0	0	0
Tennessee											
Banks	348	33	70	120	67	40	9	2	3	4	0
Assets	16,422,846	112,890	532,822	2,025,949	2,293,801	2,631,514	1,437,955	864,438	2,067,240	4,456,237	0
Deposits	14,250,174	98,009	479,720	1,841,167	2,068,334	2,385,742	1,252,463	752,452	1,730,170	3,642,117	0
Texas											
Banks	1,363	174	253	483	250	116	57	16	7	7	0
Assets	63,400,779	581,214	1,860,682	8,009,779	8,585,873	7,674,017	8,816,846	5,844,072	4,819,832	17,208,464	0
Deposits	53,014,873	504,961	1,657,961	7,265,387	7,763,381	6,909,639	7,893,254	4,918,478	3,952,135	12,149,677	0
Utah											
Banks	67	15	12	25	6	2	3	1	2	1	0
Assets	4,293,953	47,726	81,749	394,878	222,137	161,794	579,501	316,654	1,363,544	1,125,970	0
Deposits	3,801,934	38,882	73,776	358,999	202,240	143,079	494,772	277,536	1,239,068	973,582	0
Vermont											
Banks	30	3	2	12	4	5	4	0	0	0	0
Assets	1,637,919	4,640	17,295	240,979	121,062	353,454	900,489	0	0	0	0
Deposits	1,486,037	3,906	15,327	219,744	110,982	317,773	818,305	0	0	0	0

Table 105. NUMBER, ASSETS, AND DEPOSITS OF ALL COMMERCIAL BANKS[1] IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED
BANKS GROUPED BY ASSET SIZE AND STATE
(Amounts in thousands of dollars)

	All banks	Banks with assets of—									
		Less than $5.0 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Virginia											
Banks	284	23	53	80	75	18	25	5	3	2	0
Assets	16,994,757	81,236	392,326	1,346,148	2,649,656	1,124,861	3,879,063	2,051,576	2,298,769	3,171,122	0
Deposits	14,854,842	64,462	348,125	1,218,140	2,399,844	1,014,315	3,510,854	1,774,965	1,851,799	2,672,338	0
Washington											
Banks	91	14	16	29	14	5	5	3	2	3	0
Assets	13,651,330	48,723	118,477	449,402	499,279	379,410	783,932	1,130,589	1,741,782	8,499,736	0
Deposits	10,841,778	36,350	104,141	408,104	416,976	343,042	572,963	797,016	1,474,669	6,688,517	0
West Virginia											
Banks	222	11	34	93	48	23	12	1	0	0	0
Assets	7,252,811	37,660	253,667	1,575,765	1,616,395	1,591,945	1,802,149	375,230	0	0	0
Deposits	6,195,486	31,886	224,845	1,414,626	1,463,333	1,412,398	1,405,239	243,159	0	0	0
Wisconsin											
Banks	630	61	129	249	127	41	19	1	2	1	0
Assets	19,026,593	207,580	939,378	4,083,043	4,284,521	2,858,484	2,773,268	399,488	1,406,733	2,074,098	0
Deposits	16,485,504	180,487	854,925	3,719,855	3,870,623	2,548,943	2,409,939	337,314	1,059,101	1,504,317	0
Wyoming											
Banks	78	9	10	33	16	8	2	0	0	0	0
Assets	2,099,297	31,529	72,926	553,014	556,521	516,497	368,810	0	0	0	0
Deposits	1,877,756	26,829	66,658	504,215	506,279	447,764	326,011	0	0	0	0
Other areas											
Guam											
Banks	1	0	0	0	0	1	0	0	0	0	0
Assets	50,182	0	0	0	0	50,182	0	0	0	0	0
Deposits	45,173	0	0	0	0	45,173	0	0	0	0	0
Puerto Rico											
Banks	18	2	0	2	1	3	6	0	2	2	0
Assets	5,170,342	7,888	0	25,961	29,974	219,700	1,062,393	0	1,554,695	2,269,731	0
Deposits	3,560,591	4,482	0	22,477	27,245	176,391	879,294	0	1,305,637	1,145,065	0
Virgin Islands											
Banks	7	4	1	0	0	1	1	0	0	0	0
Assets	193,603	3,396	5,408	0	0	65,860	118,939	0	0	0	0
Deposits	189,861	3,354	4,426	0	0	65,424	116,657	0	0	0	0

[1]Includes nondeposit trust companies: 8 in Arizona, 3 in Arkansas, 15 in California, 1 in Delaware, 3 in Florida, 3 in Hawaii, 7 in Illinois, 1 in Indiana, 1 in Iowa, 1 in Massachusetts, 1 in Mississippi, 4 in Missouri, 3 in Montana, 6 in Nebraska, 1 in New Hampshire, 1 in New Mexico, 5 in New York, 1 in Oklahoma, 2 in Pennsylvania, 1 in Rhode Island, 1 in South Dakota, 1 in Tennessee, 1 in Utah, 1 in Vermont, 1 in Virginia, 1 in Washington, and 5 in Wisconsin.

[2]Excludes data for branches in U.S. territories of banks headquartered in the United States, and excludes data for 19 insured branches in New York of 3 insured nonmember banks in Puerto Rico and 1 insured branch in California of an insured nonmember bank in Puerto Rico.

[3]Does not include assets and deposits of branches in "Other areas" of U.S. banks.

ASSETS AND LIABILITIES OF BANKS

Commercial banks

Insured banks having resources of $25 million or more are required to report their assets and liabilities on the basis of accrual accounting. At the option of the bank, trust department accounts may be reported on a cash basis. Where the results would not be significantly different, certain other particular accounts may be reported on a cash basis. Banks not subject to full accrual accounting are required to report the instalment loan function on an accrual basis, or else to submit a statement of unearned income on instalment loans carried in surplus accounts. All banks are required to report income taxes on an accrual basis.

Each insured bank having foreign offices is required to submit a consolidated report including these offices; however, the tables in this report contain only the domestic assets and liabilities of banks. Beginning in 1969, all majority-owned premises subsidiaries are fully consolidated; other majority-owned domestic subsidiaries (but not commercial bank subsidiaries) are consolidated if they meet any of the following criteria: (a) any subsidiary in which the parent bank's investment represents 5 percent or more of its equity capital accounts; (b) any subsidiary whose gross operating revenues amount to 5 percent of the parent bank's gross operating revenues; or (c) (beginning in December 1972) any subsidiary whose "Income (loss) before income taxes and securities gains or losses" amounts to 5 percent or more of the "Income (Loss) before income taxes and securities gains or losses" of the parent bank. Beginning in 1972, investments in subsidiaries not consolidated in which the bank directly or indirectly exercises effective control are reported on an equity (rather than cost) basis with the investment and undivided profits adjusted to include the parent's share of the subsidiaries' net worth.

In the case of insured banks with branches outside the 50 States, net amounts due from such branches are included in "Other assets" and net amounts due to such branches are included in "Other liabilities." Branches of insured banks outside the 50 States are treated as separate entities but are not included in the count of banks. Data for such branches are not included in the figures for the States in which the parent banks are located.

From 1969 through 1975, all reserves on loans and securities, including the reserves for bad debts set up pursuant to Internal Revenue Service rulings, were included in "Reserves on loans and securities" on the liability side of the balance sheet. Beginning in 1976, the IRS reserve is divided as follows: (a) the "valuation" portion of the reserve (plus any other loan loss reserve) is shown on the asset side of the face of the report as an offset to gross loans; (b) the "deferred income tax" portion is included in "other liabilities"; and (c) the "contingency" portion is included in "undivided profits," or "reserves for contingencies and other capital reserves" (preferably the former). The valuation reserve on securities, formerly shown on the liabilities side, is included in "reserve for contingencies and other capital reserves" beginning in 1976.

"Unearned income on loans," previously reported in "other liabilities," is reported separately as an exclusion from total loans and total assets beginning December 31, 1976.

Individual loan items are reported gross. Instalment loans, however, are ordinarily reported net if the instalment payments are applied directly to the reduction of the loan. Such loans are reported gross if, under contract, the payments do not immediately reduce the unpaid balances of the loan but are assigned or pledged to assure repayment at maturity.

The category "Trading account securities" was added to the condition report of commercial banks in 1969 to obtain this segregation for banks that regularly deal in securities with other banks or with the public. Banks occasionally holding securities purchased for possible resale report these under "Investment securities."

Assets and liabilities held in or administered by a savings, bond, insurance, real estate, foreign, or any other department of a bank, except a trust department, are consolidated with the respective assets and liabilities of the commercial department. "Deposits of individuals, partnerships, and corporations" include trust funds deposited by a trust department in a commercial or savings department. Other assets held in trust are not included in statements of assets and liabilities.

Demand balances with, and demand deposits due to, banks in the United States, except private banks and American branches of foreign banks, exclude reciprocal interbank deposits. (Reciprocal interbank deposits arise when two banks maintain deposit accounts with each other.)

In 1976, the caption "Capital notes and debentures" was changed to "subordinated notes and debentures," to be shown in the liabilities section of the Report of Condition. Accordingly, "capital accounts" became the "equity capital" section.

Asset and liability data for noninsured banks are tabulated from reports pertaining to the individual banks. In a few cases, these reports are not as detailed as those submitted by insured banks.

Additional data on assets and liabilities of all banks as of June 30, 1976 and December 31, 1976, are shown in the Corporation's semiannual publication *Assets and Liabilities—Commercial and Mutual Savings Banks.*

Mutual savings banks

The Reports of Condition and Income for mutual savings banks were revised in major respects in 1971. Among the changes was a requirement for consolidating the accounts of branches and subsidiaries with the parent bank, on a comparable basis with commercial bank reports (see above). A 1972 revision broadened the criteria for consolidated reporting; it also provided for the reporting of investments in unconsolidated subsidiaries on an equity basis, comparable with commercial bank reporting.

One objective of the revisions in 1971 was to provide a simplified reporting form. To this end, the schedules for deposits and securities were condensed and simplified.

Several changes were made in the reporting of specific items. Loans are reported in somewhat more detail than formerly. In real estate loans, construction loans are shown separately, and loans secured by residential properties are detailed as to those secured by 1- to 4-family properties and by multifamily (5 or more) properties.

Another important change shifted various reserve accounts which had been carried as deductions against assets (about $200 million in 1971) into the surplus accounts.

Beginning June 30, 1972, mutual savings banks with total resources of $25 million or more are required to prepare Reports of Condition on the basis of accrual accounting. All banks, regardless of size, are required to report income taxes on an accrual basis.

Foreign assets of banks

Since June 30, 1974, a consolidated statement of domestic and foreign assets and liabilities of U.S. banks has been published semiannually by the Corporation in *Assets and Liabilities—Commercial and Mutual Savings Banks.* On June 30, 1976, the consolidated assets of insured commercial banks totaled $1,101.3 billion, compared to domestic assets of $949.5 billion (see table 107). The 141 insured commercial banks that reported foreign operations held consolidated assets of $599.8 billion.

Sources of data

Insured banks: see p. 256; noninsured banks: State banking authorities and reports from individual banks.

Table 106. ASSETS AND LIABILITIES OF ALL COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), JUNE 30, 1976

BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK

(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Total	Insured banks					Noninsured banks		
		Total	Members of Federal Reserve System			Not members of F.R. System	Total	Banks of deposit[1]	Nondeposit trust companies[2]
			Total	National	State				
Total assets	**972,793,518**	**949,527,514**	**732,120,775**	**552,476,068**	**179,644,707**	**217,406,739**	**23,266,004**	**22,843,515**	**422,489**
Cash and due from banks–total	**129,299,134**	**124,808,261**	**106,117,626**	**75,695,179**	**30,422,447**	**18,690,635**	**4,490,873**	**4,456,254**	**34,619**
Cash items in process of collection	45,765,409	45,659,879	44,023,996	28,841,893	15,182,103	1,635,883	105,530	105,495	35
Demand balances with banks in the United States	31,114,886	28,927,646	17,868,497	12,175,900	5,692,597	11,059,149	2,187,240	2,155,053	32,187
Other balances with banks in the United States	6,973,433	6,173,248	3,823,843	3,416,052	407,791	2,349,405	800,185	797,923	2,262
Including interest bearing balances	6,573,247	5,837,576	3,700,186	3,321,802	378,384	2,137,390	735,671	733,986	1,685
Balances with banks in foreign countries	5,169,938	3,793,024	3,186,258	1,927,638	1,258,620	606,766	1,376,914	1,376,892	22
Including interest bearing balances	4,158,107	3,317,090	2,739,669	1,685,201	1,054,468	577,421	841,017	841,017	0
Currency and coin	12,061,882	12,040,878	9,001,446	6,930,799	2,070,647	3,039,432	21,004	20,891	113
Reserve with Federal Reserve Bank	28,213,586	28,213,586	28,213,586	22,402,897	5,810,689	0	0	0	0
Securities–total	**238,747,838**	**235,286,450**	**166,384,175**	**128,357,992**	**38,026,183**	**68,902,275**	**3,461,388**	**3,311,156**	**150,232**
Investment securities–total	231,413,565	228,045,581	159,486,168	123,609,479	35,876,689	68,559,413	3,367,984	3,250,035	117,949
U.S. Treasury securities	88,231,425	87,699,469	62,507,021	47,410,419	15,096,602	25,192,448	531,956	504,965	26,991
Maturity–1 year and less	*34,069,413*	*33,782,244*	*24,839,719*	*19,007,898*	*5,831,821*	*8,942,525*	*287,169*	*266,897*	*20,272*
Maturity–Over 1 through 5 years	*46,840,988*	*46,642,651*	*33,073,372*	*24,754,636*	*8,318,736*	*13,569,279*	*198,337*	*193,290*	*5,047*
Maturity–Over 5 through 10 years	*6,417,003*	*6,386,796*	*3,925,547*	*3,080,784*	*844,763*	*2,461,249*	*30,207*	*28,799*	*1,408*
Maturity–Over 10 years	*904,021*	*887,778*	*668,383*	*567,101*	*101,282*	*219,395*	*16,243*	*15,979*	*264*
Obligations of other U.S. Government agencies and corps.	33,671,530	33,136,256	20,049,125	16,506,342	3,542,783	13,087,131	535,274	530,614	4,660
Maturity–1 year and less	*10,327,754*	*9,970,045*	*5,786,658*	*4,799,659*	*986,999*	*4,183,387*	*357,709*	*355,704*	*2,005*
Maturity–Over 1 through 5 years	*16,978,018*	*16,888,410*	*10,188,090*	*8,314,610*	*1,873,480*	*6,700,320*	*89,608*	*87,430*	*2,178*
Maturity–Over 5 through 10 years	*3,641,408*	*3,603,795*	*2,193,102*	*1,803,379*	*389,723*	*1,410,693*	*37,613*	*37,285*	*328*
Maturity–Over 10 years	*2,724,350*	*2,674,006*	*1,881,275*	*1,588,694*	*292,581*	*792,731*	*50,344*	*50,195*	*149*
Obligations of States and political subdivisions	102,850,323	101,889,864	73,463,570	56,912,632	16,550,938	28,426,294	960,459	906,098	54,361
Maturity–1 year and less	*17,608,234*	*17,361,759*	*13,464,409*	*10,153,766*	*3,310,643*	*3,897,350*	*246,475*	*207,058*	*39,417*
Maturity–Over 1 through 5 years	*29,231,295*	*28,643,672*	*19,524,007*	*15,428,008*	*4,095,999*	*9,119,665*	*587,623*	*583,645*	*3,978*
Maturity–Over 5 through 10 years	*29,573,354*	*29,512,123*	*20,290,157*	*15,981,543*	*4,308,614*	*9,221,966*	*61,231*	*56,254*	*4,977*
Maturity–Over 10 years	*26,437,440*	*26,372,310*	*20,184,997*	*15,349,315*	*4,835,682*	*6,187,313*	*65,130*	*59,141*	*5,989*
Other bonds, notes, and debentures	6,660,287	5,319,992	3,466,452	2,780,086	686,366	1,853,540	1,340,295	1,308,358	31,937
Maturity–1 year and less	*2,293,110*	*1,060,635*	*564,120*	*475,369*	*88,751*	*496,515*	*1,232,475*	*1,203,884*	*28,591*
Maturity–Over 1 through 5 years	*1,940,670*	*1,890,593*	*1,279,013*	*1,075,365*	*203,648*	*611,580*	*50,077*	*49,121*	*956*
Maturity–Over 5 through 10 years	*1,060,739*	*1,046,814*	*687,625*	*517,773*	*169,852*	*359,189*	*13,925*	*13,135*	*790*
Maturity–Over 10 years	*1,365,768*	*1,321,950*	*935,694*	*711,579*	*224,115*	*386,256*	*43,818*	*42,218*	*1,600*
Corporate stock	1,539,449	1,495,536	1,244,329	923,577	320,752	251,207	43,913	11,630	32,283
Trading account securities	5,794,824	5,745,333	5,653,678	3,824,936	1,828,742	91,655	49,491	49,491	0
Federal funds sold and securities purchased under agreements to resell–total	**36,218,662**	**34,281,373**	**26,820,516**	**21,701,787**	**5,118,729**	**7,460,857**	**1,937,289**	**1,891,904**	**45,385**
With domestic commercial banks	31,051,345	29,487,855	22,171,546	18,030,587	4,140,959	7,316,309	1,563,490	1,518,605	44,885
With brokers and dealers in securities and funds	2,660,470	2,460,671	2,375,755	2,082,119	293,636	84,916	199,799	199,799	0
With others	2,506,847	2,332,847	2,273,215	1,589,081	684,134	59,632	174,000	173,500	500

Table 106. ASSETS AND LIABILITIES OF ALL COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), JUNE 30, 1976—CONTINUED

BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK

(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Total	Insured banks					Noninsured banks		
		Total	Members of Federal Reserve System			Not members of F.R. System	Total	Banks of deposit[1]	Nondeposit trust companies[2]
			Total	National	State				
Loans, net	**503,171,628**	**491,142,844**	**377,027,408**	**286,109,442**	**90,917,966**	**114,115,436**	**12,028,784**	**11,952,278**	**76,506**
Plus: Reserve for possible loan losses	6,221,670	6,149,901	4,918,094	3,563,964	1,354,130	1,231,807	71,769	71,049	720
Loans, total	509,393,298	497,292,745	381,945,502	289,673,406	92,272,096	115,347,243	12,100,553	12,023,327	77,226
Plus: Unearned income on loans	12,078,777	12,018,031	8,304,185	6,805,205	1,498,980	3,713,846	60,746	60,121	625
Loans, gross	**521,472,075**	**509,310,776**	**390,249,687**	**296,478,611**	**93,771,076**	**119,061,089**	**12,161,299**	**12,083,448**	**77,851**
Real estate loans—total	143,698,778	143,369,924	101,587,579	80,315,012	21,272,567	41,782,345	328,854	315,208	13,646
Construction and land development	*17,230,354*	*17,214,773*	*14,076,462*	*10,528,128*	*3,548,334*	*3,138,311*	*15,581*	*15,581*	*0*
Secured by farmland	*6,363,365*	*6,351,163*	*2,717,325*	*2,209,615*	*507,710*	*3,633,838*	*12,202*	*11,787*	*415*
Secured by 1- to 4-family residential properties:									
Insured by FHA and guaranteed by VA	*8,570,867*	*8,535,611*	*7,206,740*	*6,033,227*	*1,173,513*	*1,328,871*	*35,256*	*35,109*	*147*
Conventional	*68,113,559*	*67,941,884*	*47,696,523*	*38,429,376*	*9,267,147*	*20,245,361*	*171,675*	*159,109*	*12,566*
Secured by multi-family (5 or more) residential properties:									
Insured by FHA	*429,667*	*429,076*	*321,113*	*184,412*	*136,701*	*107,963*	*591*	*591*	*0*
Conventional	*3,997,296*	*3,991,369*	*2,883,811*	*2,114,875*	*768,936*	*1,107,558*	*5,927*	*5,927*	*0*
Secured by nonfarm nonresidential properties	*38,993,670*	*38,906,048*	*26,685,605*	*20,815,379*	*5,870,226*	*12,220,443*	*87,622*	*87,104*	*518*
Loans to financial institutions—total	41,834,761	36,783,173	34,742,470	22,966,290	11,776,180	2,040,703	5,051,588	5,048,689	2,899
To real estate investment trusts and mortgage companies	*10,616,704*	*10,570,435*	*10,172,087*	*6,894,785*	*3,277,302*	*398,348*	*46,269*	*46,269*	*0*
To domestic commercial banks	*5,268,489*	*3,207,793*	*2,530,272*	*1,914,997*	*615,275*	*677,521*	*2,060,696*	*2,060,696*	*0*
To banks in foreign countries	*8,631,795*	*6,076,080*	*5,907,436*	*3,373,198*	*2,534,238*	*168,644*	*2,555,715*	*2,555,715*	*0*
To other depository institutions	*1,664,985*	*1,599,392*	*1,449,455*	*1,209,987*	*239,468*	*149,937*	*65,593*	*65,593*	*0*
To other financial institutions	*15,652,788*	*15,329,473*	*14,683,220*	*9,573,323*	*5,109,897*	*646,253*	*323,315*	*320,416*	*2,899*
Loans for purchasing or carrying securities—total	11,776,021	11,539,769	10,763,677	6,022,136	4,741,541	776,092	236,252	236,252	0
To brokers and dealers in securities	*7,743,327*	*7,521,606*	*7,390,097*	*3,344,357*	*4,045,740*	*131,509*	*221,721*	*221,721*	*0*
Other loans for purchasing or carrying securities	*4,032,694*	*4,018,163*	*3,373,580*	*2,677,779*	*695,801*	*644,583*	*14,531*	*14,531*	*0*
Loans to farmers	22,181,908	22,156,350	12,379,981	10,825,193	1,554,788	9,776,369	25,558	25,554	4
Commercial and industrial loans	176,583,562	171,035,263	141,017,919	105,366,398	35,651,521	30,017,344	5,548,299	5,508,699	39,600
Loans to individuals—total	111,274,886	110,833,004	77,877,404	62,610,185	15,267,219	32,955,600	441,882	420,259	21,623
To purchase private passenger automobiles on instalment basis	*37,171,422*	*36,882,538*	*24,232,711*	*20,006,885*	*4,225,826*	*12,649,827*	*288,884*	*267,422*	*21,462*
Credit cards and related plans:									
Retail (charge account) credit card plans	*9,570,888*	*9,569,734*	*8,572,206*	*6,870,574*	*1,701,632*	*997,528*	*1,154*	*1,154*	*0*
Check credit and revolving credit plans	*2,697,270*	*2,694,294*	*2,206,143*	*1,436,651*	*769,492*	*488,151*	*2,976*	*2,976*	*0*
To purchase other retail consumer goods on instalment basis:									
Mobile homes (excludes travel trailers)	*8,722,932*	*8,720,532*	*6,237,584*	*5,354,544*	*883,040*	*2,482,948*	*2,400*	*2,392*	*8*
Other retail consumer goods	*6,879,284*	*6,858,824*	*4,493,793*	*3,760,387*	*733,406*	*2,365,031*	*20,460*	*20,456*	*4*
Instalment loans to repair and modernize residential property	*6,148,883*	*6,146,582*	*4,336,040*	*3,504,307*	*831,733*	*1,810,542*	*2,301*	*2,301*	*0*
Other instalment loans for household, family, and other personal expenditures	*17,095,879*	*17,034,293*	*11,425,682*	*9,047,803*	*2,377,879*	*5,608,611*	*61,586*	*61,567*	*19*
Single-payment loans for household, family, and other personal expenditures	*22,988,328*	*22,926,207*	*16,373,245*	*12,629,034*	*3,744,211*	*6,552,962*	*62,121*	*61,991*	*130*
All other loans	14,122,159	13,593,293	11,880,657	8,373,397	3,507,260	1,712,636	528,866	528,787	79
Total loans and securities	**778,138,128**	**760,710,667**	**570,232,099**	**436,169,221**	**134,062,878**	**190,478,568**	**17,427,461**	**17,155,338**	**272,123**

Direct lease financing	4,683,635	4,683,072	4,462,972	3,488,528	974,444	220,100	563	563	0
Bank premises, furniture and fixtures, and other assets representing bank premises	16,218,619	16,124,250	11,932,939	9,609,742	2,323,197	4,191,311	94,369	65,847	28,522
Real estate owned other than bank premises	2,504,905	2,486,255	2,006,442	1,358,866	647,576	479,813	18,650	5,162	13,488
Investments in unconsolidated subsidiaries and associated companies	2,113,184	2,104,856	2,062,735	1,609,514	453,221	42,121	8,328	6,303	2,025
Customers' liability on acceptances outstanding	10,704,879	10,327,922	9,997,337	6,222,837	3,774,500	330,585	376,957	376,957	0
Other assets	29,131,034	28,282,231	25,308,625	18,322,181	6,986,444	2,973,606	848,803	777,091	71,712
Total liabilities and equity capital	**972,793,518**	**949,527,514**	**732,120,775**	**552,476,068**	**179,644,707**	**217,406,739**	**23,266,004**	**22,843,515**	**422,489**
Business and personal deposits—total	**663,098,603**	**654,921,316**	**484,027,630**	**375,115,169**	**108,912,461**	**170,893,686**	**8,177,287**	**8,157,887**	**19,400**
Individuals, partnerships, and corporations—demand	237,702,850	236,511,588	179,450,785	136,671,383	42,779,402	57,060,803	1,191,262	1,186,995	4,267
Invididuals, partnerships, and corporations—savings	182,576,171	182,104,366	129,995,388	102,845,835	27,149,553	52,108,978	471,805	471,805	0
Individuals and nonprofit organizations—savings	*176,497,217*	*176,036,679*	*125,466,009*	*99,339,337*	*26,126,672*	*50,570,670*	*460,538*	*460,538*	*0*
Corporations and other profit organizations—savings	*6,078,954*	*6,067,687*	*4,529,379*	*3,506,498*	*1,022,881*	*1,538,308*	*11,267*	*11,267*	*0*
Individuals, partnerships, and corporations—time	230,001,371	224,414,068	164,938,007	129,750,856	35,187,151	59,476,061	5,587,303	5,572,509	14,794
Deposits accumulated for payment of personal loans—time	175,492	171,089	136,363	103,895	32,468	34,726	4,403	4,403	0
Certified and officers' checks, travelers' checks, letters of credit—demand	12,642,719	11,720,205	9,507,087	5,743,200	3,763,887	2,213,118	922,514	922,175	339
Government deposits—total	**69,801,622**	**69,338,931**	**49,314,798**	**39,530,299**	**9,784,499**	**20,024,133**	**462,691**	**462,625**	**66**
United States Government—demand	4,658,681	4,641,470	3,733,071	2,863,644	869,427	908,399	17,211	17,150	61
United States Government—savings	46,431	46,395	40,050	28,464	11,586	6,345	36	36	0
United States Government—time	688,486	682,045	550,201	421,691	128,510	131,844	6,441	6,441	0
States and political subdivisions—demand	17,621,707	17,479,371	12,339,476	9,771,061	2,568,415	5,139,895	142,336	142,331	5
States and political subdivisions—savings	2,615,554	2,612,195	1,769,759	1,351,193	418,566	842,436	3,359	3,359	0
States and political subdivisions—time	44,170,763	43,877,455	30,882,241	25,094,246	5,787,995	12,995,214	293,308	293,308	0
Domestic interbank deposits—total	**41,012,080**	**39,942,761**	**37,914,996**	**22,727,275**	**15,187,721**	**2,027,765**	**1,069,319**	**1,066,735**	**2,584**
Commercial banks in the United States—demand	30,928,032	30,629,621	29,486,773	17,251,742	12,235,031	1,142,848	298,411	295,827	2,584
Commercial banks in the United States—savings	5,285	5,285	2,933	2,143	790	2,352	0	0	0
Commercial banks in the United States—time	8,293,668	7,731,889	6,964,357	4,787,281	2,177,076	767,532	561,779	561,779	0
Mutual savings banks in the United States—demand	1,299,965	1,113,753	1,013,679	490,615	523,064	100,074	186,212	186,212	0
Mutual savings banks in the United States—savings	2,684	2,684	2,583	2,583	0	101	0	0	0
Mutual savings banks in the United States—time	482,446	459,529	444,671	192,911	251,760	14,858	22,917	22,917	0
Foreign government and bank deposits—total	**21,075,092**	**18,221,546**	**17,738,632**	**9,561,945**	**8,176,687**	**482,914**	**2,853,546**	**2,851,008**	**2,538**
Foreign governments, central banks—demand	1,757,367	1,296,107	1,249,918	703,488	546,430	46,189	461,260	458,722	2,538
Foreign governments, central banks—savings	39,461	38,709	38,292	18,736	19,556	417	752	752	0
Foreign governments, central banks—time	10,367,194	9,218,217	8,965,983	5,076,788	3,889,195	252,234	1,148,977	1,148,977	0
Banks in foreign countries—demand	6,348,158	5,821,067	5,696,530	2,620,338	3,076,192	124,537	527,091	527,091	0
Banks in foreign countries—savings	5	5	5	5	0	0	0	0	0
Banks in foreign countries—time	2,562,907	1,847,441	1,787,904	1,142,590	645,314	59,537	715,466	715,466	0
Total deposits	**794,987,397**	**782,424,554**	**588,996,056**	**446,934,688**	**142,061,368**	**193,428,498**	**12,562,843**	**12,538,255**	**24,588**
Demand	*312,959,479*	*309,213,182*	*242,477,319*	*176,115,471*	*66,361,848*	*66,735,863*	*3,746,297*	*3,736,503*	*9,794*
Savings	*185,285,591*	*184,809,639*	*131,849,010*	*104,248,959*	*27,600,051*	*52,960,629*	*475,952*	*475,952*	*0*
Time	*296,742,327*	*288,401,733*	*214,669,727*	*166,570,258*	*48,099,469*	*73,732,006*	*8,340,594*	*8,325,800*	*14,794*
Miscellaneous liabilities—total	**102,914,479**	**93,047,188**	**86,895,274**	**63,426,805**	**23,468,469**	**6,151,914**	**9,867,291**	**9,704,473**	**162,818**
Federal funds purchased and securities sold under agreements to repurchase—total	60,832,375	59,057,251	55,906,282	42,719,423	13,186,859	3,150,969	1,775,124	1,775,124	0
With domestic and commercial banks	*35,221,697*	*33,976,476*	*32,667,475*	*25,065,539*	*7,601,936*	*1,309,001*	*1,245,221*	*1,245,221*	*0*
With brokers and dealers in securities and funds	*8,126,355*	*8,049,480*	*7,511,662*	*6,236,616*	*1,275,046*	*537,818*	*76,875*	*76,875*	*0*
With others	*17,484,323*	*17,031,295*	*15,727,145*	*11,417,268*	*4,309,877*	*1,304,150*	*453,028*	*453,028*	*0*
Other liabilities for borrowed money	6,739,369	4,883,481	4,578,765	2,464,780	2,113,985	304,716	1,855,888	1,827,984	27,904
Mortgage indebtedness	813,425	811,430	577,889	447,141	130,748	233,541	1,995	447	1,548
Acceptances outstanding	11,309,882	10,928,953	10,598,341	6,264,277	4,334,064	330,612	380,929	380,929	0
Other liabilities	23,219,428	17,366,073	15,233,997	11,531,184	3,702,813	2,132,076	5,853,355	5,719,989	133,366

Table 106. ASSETS AND LIABILITIES OF ALL COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), JUNE 30, 1976—CONTINUED

BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK

(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Total	Insured banks					Noninsured banks		
		Total	Members of Federal Reserve System			Not members of F.R. System	Total	Banks of deposit[1]	Nondeposit trust companies[2]
			Total	National	State				
Total liabilities (excluding subordinated notes and debentures)	897,901,876	875,471,742	675,891,330	510,361,493	165,529,837	199,580,412	22,430,134	22,242,728	187,406
Subordinated notes and debentures	5,002,343	4,864,369	3,934,623	2,610,607	1,324,016	929,746	137,974	136,712	1,262
Equity capital—total	69,889,299	69,191,403	52,294,822	39,503,968	12,790,854	16,896,581	697,896	464,075	233,821
Preferred stock—par value	81,323	75,229	33,811	19,437	14,374	41,418	6,094	5,692	402
Preferred stock—shares outstanding (in thousands)	7,134	7,066	3,807	420	3,387	3,259	68	57	11
Common stock—par value	16,040,604	15,913,201	11,724,203	8,960,644	2,763,559	4,188,998	127,403	75,693	51,710
Common stock—shares authorized (in thousands)	2,151,875	2,056,461	1,349,797	1,117,208	232,589	706,664	95,414	52,437	42,977
Common stock—shares outstanding (in thousands)	1,738,152	1,730,868	1,240,703	1,024,626	216,077	490,165	7,284	4,951	2,333
Surplus	28,018,885	27,746,889	20,677,161	15,222,322	5,454,839	7,069,728	271,996	220,893	51,103
Undivided profits	23,866,579	23,651,959	18,563,984	14,231,837	4,332,147	5,087,975	214,620	97,807	116,813
Reserve for contingencies and other capital reserves	1,881,908	1,804,125	1,295,663	1,069,728	225,935	508,462	77,783	63,990	13,793
PERCENTAGES									
Of total assets:									
Cash and due from banks	13.3	13.1	14.5	13.7	16.9	8.6	19.3	19.5	8.2
U.S. Treasury securities and obligations of other U.S. Government agencies and corporations	12.5	12.7	11.3	11.6	10.4	17.6	4.6	4.5	7.5
Other securities	12.0	12.1	11.5	11.7	10.8	14.1	10.3	10.0	28.1
Loans (including federal funds sold and securities purchased under agreements to resell)	55.4	55.3	55.2	55.7	53.5	56.9	60.0	60.6	28.9
Other assets	6.7	6.7	7.6	7.4	8.4	3.8	5.8	5.4	27.4
Total equity capital[3]	7.2	7.3	7.1	7.2	7.1	7.8	8.7[4]	4.9[4]	55.3
Of total assets other than cash and U.S. Treasury securities:									
Total equity capital[3]	9.3	9.4	9.3	9.2	9.5	9.7	9.9[4]	5.6[4]	64.8
Number of banks	14,663	14,385	5,778	4,749	1,029	8,607	278	198	80

[1] Includes asset and liability figures for branches of foreign banks (tabulated as banks) licensed to do a deposit business. Capital is not allocated to these branches by the parent banks.

[2] Amounts shown as deposits are special accounts and uninvested trust funds, with the latter classified as demand deposits of individuals, partnerships, and corporations.

[3] Only asset and liability data are included for branches located in "other areas" of banks headquartered in one of the 50 States; because no capital is allocated to these branches, they are excluded from the computation of ratios of equity capital to assets.

[4] Data for branches of foreign banks referred to in footnote 1 have been excluded in computing this ratio for noninsured banks of deposit and in total columns.

Note: Further information on the reports of assets and liabilities of banks may be found on pp. 233-234.

Table 107. ASSETS AND LIABILITIES OF ALL COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976

BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK

(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Total	Insured banks					Noninsured banks		
		Total	Members of Federal Reserve System			Not members of F.R. System	Total	Banks of deposit[1]	Nondeposit trust companies[2]
			Total	National	State				
Total assets	**1,040,090,484**	**1,011,329,205**	**776,563,296**	**586,989,332**	**189,573,964**	**234,765,909**	**28,761,279**	**28,277,435**	**483,844**
Cash and due from banks—total	**136,819,182**	**130,221,094**	**109,012,645**	**76,153,027**	**32,859,618**	**21,208,449**	**6,598,088**	**6,560,134**	**37,954**
Cash items in process of collection	48,494,888	48,366,003	46,567,875	30,120,105	16,447,770	1,798,128	128,885	128,365	520
Demand balances with banks in the United States	36,918,231	33,022,738	19,717,500	13,039,645	6,677,855	13,305,238	3,895,493	3,863,253	32,240
Other balances with banks in the United States	7,090,972	5,874,949	3,629,066	3,189,407	439,659	2,245,883	1,216,023	1,210,903	5,120
Including interest bearing balances	6,335,221	5,568,150	3,474,363	3,073,814	400,549	2,093,787	767,071	762,704	4,367
Balances with banks in foreign countries	6,136,266	4,796,214	4,047,726	2,261,870	1,785,856	748,488	1,340,052	1,340,052	0
Including interest bearing balances	4,962,612	4,409,156	3,704,275	2,056,869	1,647,406	704,881	553,456	553,456	0
Currency and coin	12,209,845	12,192,210	9,081,498	7,056,236	2,025,262	3,110,712	17,635	17,561	74
Reserve with Federal Reserve Bank	25,968,980	25,968,980	25,968,980	20,485,764	5,483,216	0	0	0	0
Securities—total	**253,223,706**	**249,976,105**	**177,785,391**	**136,062,717**	**41,722,674**	**72,190,714**	**3,247,601**	**3,132,977**	**114,624**
Investment securities—total	243,739,255	240,552,476	168,822,076	130,121,619	38,700,457	71,730,400	3,186,779	3,101,621	85,158
U.S. Treasury securities	97,996,602	96,883,068	69,718,945	52,612,836	17,106,109	27,164,123	1,113,534	1,088,569	24,965
Maturity—1 year and less	*37,868,154*	*37,114,370*	*26,790,566*	*21,233,471*	*5,557,095*	*10,323,804*	*753,784*	*736,118*	*17,666*
Maturity—Over 1 through 5 years	*50,701,523*	*50,418,474*	*36,876,115*	*26,880,111*	*9,996,004*	*13,542,359*	*283,049*	*278,334*	*4,715*
Maturity—Over 5 through 10 years	*8,660,176*	*8,604,072*	*5,529,785*	*4,109,208*	*1,420,577*	*3,074,287*	*56,104*	*53,724*	*2,380*
Maturity—Over 10 years	*766,749*	*746,152*	*522,479*	*390,046*	*132,433*	*223,673*	*20,597*	*20,393*	*204*
Obligations of other U.S. Government agencies and corps.	34,895,426	34,326,811	21,176,688	17,005,880	4,170,808	13,150,123	568,615	563,560	5,055
Maturity—1 year and less	*11,177,569*	*10,711,513*	*6,224,844*	*4,965,291*	*1,259,553*	*4,486,669*	*466,056*	*463,565*	*2,491*
Maturity—Over 1 through 5 years	*15,783,815*	*15,756,455*	*9,641,900*	*7,642,513*	*1,999,387*	*6,114,555*	*27,360*	*25,251*	*2,109*
Maturity—Over 5 through 10 years	*3,653,118*	*3,634,463*	*2,191,996*	*1,799,291*	*392,705*	*1,442,467*	*18,655*	*18,349*	*306*
Maturity—Over 10 years	*4,280,924*	*4,224,380*	*3,117,948*	*2,598,785*	*519,163*	*1,106,432*	*56,544*	*56,395*	*149*
Obligations of States and political subdivisions	104,452,519	103,505,764	74,104,493	57,471,096	16,633,397	29,401,271	946,755	913,778	32,977
Maturity—1 year and less	*17,004,987*	*16,755,606*	*12,843,331*	*9,932,149*	*2,911,182*	*3,912,275*	*249,381*	*233,648*	*15,733*
Maturity—Over 1 through 5 years	*30,379,079*	*29,797,439*	*20,202,377*	*15,911,985*	*4,290,392*	*9,595,062*	*581,640*	*577,012*	*4,628*
Maturity—Over 5 through 10 years	*30,905,132*	*30,847,464*	*21,180,572*	*16,665,610*	*4,514,962*	*9,666,892*	*57,668*	*51,190*	*6,478*
Maturity—Over 10 years	*26,163,321*	*26,105,255*	*19,878,213*	*14,961,352*	*4,916,861*	*6,227,042*	*58,066*	*51,928*	*6,138*
Other bonds, notes, and debentures	6,394,708	5,836,833	3,821,950	3,031,807	790,143	2,014,883	557,875	535,714	22,161
Maturity—1 year and less	*1,730,282*	*1,290,379*	*706,310*	*577,721*	*128,589*	*584,069*	*439,903*	*420,347*	*19,556*
Maturity—Over 1 through 5 years	*2,293,568*	*2,227,649*	*1,559,247*	*1,247,888*	*311,359*	*668,402*	*65,919*	*65,200*	*719*
Maturity—Over 5 through 10 years	*1,127,321*	*1,119,625*	*742,633*	*573,834*	*168,799*	*376,992*	*7,696*	*7,242*	*454*
Maturity—Over 10 years	*1,243,537*	*1,199,180*	*813,760*	*632,364*	*181,396*	*385,420*	*44,357*	*42,925*	*1,432*
Corporate stock	1,580,935	1,541,489	1,312,816	967,319	345,497	228,673	39,446	10,007	29,439
Trading account securities	7,903,516	7,882,140	7,650,499	4,973,779	2,676,720	231,641	21,376	21,349	27
Federal funds sold and securities purchased under agreements to resell—total	**48,528,794**	**45,869,893**	**36,407,620**	**30,164,710**	**6,242,910**	**9,462,273**	**2,658,901**	**2,554,621**	**104,280**
With domestic commercial banks	*40,310,198*	*37,907,597*	*28,784,377*	*23,872,468*	*4,911,909*	*9,123,220*	*2,402,601*	*2,299,021*	*103,580*
With brokers and dealers in securities and funds	*5,786,342*	*5,705,042*	*5,499,323*	*4,374,445*	*1,124,878*	*205,719*	*81,300*	*81,300*	*0*
With others	*2,432,254*	*2,257,254*	*2,123,920*	*1,917,797*	*206,123*	*133,334*	*175,000*	*174,300*	*700*

Table 107. ASSETS AND LIABILITIES OF ALL COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED
BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK
(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Total	Insured banks					Noninsured banks		
		Total	Members of Federal Reserve System			Not members of F.R. System	Total	Banks of deposit[1]	Nondeposit trust companies[2]
			Total	National	State				
Loans, net	**533,173,947**	**518,731,657**	**395,571,230**	**302,339,065**	**93,232,165**	**123,160,427**	**14,442,290**	**14,405,014**	**37,276**
Plus: Reserve for possible loan losses	6,276,386	6,186,775	4,899,797	3,589,367	1,310,430	1,286,978	89,611	89,101	510
Loans, total	539,450,333	524,918,432	400,471,027	305,928,432	94,542,595	124,447,405	14,531,901	14,494,115	37,786
Plus: Unearned income on loans	12,670,956	12,617,065	8,640,126	7,147,538	1,492,588	3,976,939	53,891	53,258	633
Loans, gross	**552,121,289**	**537,535,497**	**409,111,153**	**313,075,970**	**96,035,183**	**128,424,344**	**14,585,792**	**14,547,373**	**38,419**
Real estate loans—total	151,212,618	150,904,938	105,743,837	83,946,290	21,797,547	45,161,101	307,680	302,476	5,204
Construction and land development	*17,287,047*	*17,273,179*	*13,750,392*	*10,304,238*	*3,346,154*	*3,622,787*	*13,868*	*13,868*	*0*
Secured by farmland	*6,728,660*	*6,716,845*	*2,867,959*	*2,332,884*	*535,075*	*3,848,886*	*11,815*	*11,378*	*437*
Secured by 1– to 4–family residential properties:									
Insured by FHA and guaranteed by VA	*8,237,447*	*8,198,789*	*6,917,873*	*5,772,751*	*1,145,122*	*1,280,916*	*38,658*	*38,518*	*140*
Conventional	*73,045,660*	*72,881,477*	*50,719,721*	*41,080,081*	*9,639,640*	*22,161,756*	*164,183*	*160,189*	*3,994*
Secured by multi-family (5 or more) residential properties:									
Insured by FHA	*423,971*	*423,194*	*343,130*	*218,997*	*124,133*	*80,064*	*777*	*777*	*0*
Conventional	*4,168,016*	*4,158,942*	*2,985,052*	*2,152,088*	*832,964*	*1,173,890*	*9,074*	*8,671*	*403*
Secured by nonfarm nonresidential properties	*41,321,817*	*41,252,512*	*28,259,710*	*22,085,251*	*6,174,459*	*12,992,802*	*69,305*	*69,075*	*230*
Loans to financial institutions—total	42,697,527	35,900,747	33,831,892	22,764,961	11,066,931	2,068,855	6,796,780	6,796,780	0
To real estate investment trusts and mortgage companies	*10,065,506*	*9,939,141*	*9,534,175*	*6,581,108*	*2,953,067*	*404,966*	*126,365*	*126,365*	*0*
To domestic commercial banks	*4,646,319*	*2,782,815*	*2,199,056*	*1,570,528*	*628,528*	*583,759*	*1,863,504*	*1,863,504*	*0*
To banks in foreign countries	*10,883,636*	*6,620,910*	*6,486,546*	*3,981,745*	*2,504,801*	*134,364*	*4,262,726*	*4,262,726*	*0*
To other depository institutions	*1,491,687*	*1,348,516*	*1,181,921*	*864,340*	*317,581*	*166,595*	*143,171*	*143,171*	*0*
To other financial institutions	*15,610,379*	*15,209,365*	*14,430,194*	*9,767,240*	*4,662,954*	*779,171*	*401,014*	*401,014*	*0*
Loans for purchasing or carrying securities—total	15,452,083	15,089,724	14,122,017	8,637,269	5,484,748	967,707	362,359	358,170	4,189
To brokers and dealers in securities	*11,420,303*	*11,074,748*	*10,793,313*	*6,001,747*	*4,791,566*	*281,435*	*345,555*	*345,330*	*225*
Other loans for purchasing or carrying securities	*4,031,780*	*4,014,976*	*3,328,704*	*2,635,522*	*693,182*	*686,272*	*16,804*	*12,840*	*3,964*
Loans to farmers	23,292,269	23,268,314	12,971,464	11,324,334	1,647,130	10,296,850	23,955	23,955	0
Commercial and industrial loans	185,051,846	178,751,008	146,745,904	110,358,836	36,387,068	32,005,104	6,300,838	6,290,298	10,540
Loans to individuals—total	119,343,511	118,905,722	83,185,857	67,054,049	16,131,808	35,719,865	437,789	426,463	11,326
To purchase private passenger automobiles on instalment basis	*40,104,935*	*39,806,519*	*25,824,450*	*21,308,028*	*4,516,422*	*13,982,069*	*298,416*	*287,544*	*10,872*
Credit cards and related plans:									
Retail (charge account) credit card plans	*11,373,757*	*11,373,566*	*10,205,648*	*8,249,951*	*1,955,697*	*1,167,918*	*191*	*191*	*0*
Check credit and revolving credit plans	*3,059,284*	*3,054,209*	*2,503,761*	*1,645,947*	*857,814*	*550,448*	*5,075*	*5,075*	*0*
To purchase other retail consumer goods on instalment basis:									
Mobile homes (excludes travel trailers)	*8,744,615*	*8,743,103*	*6,217,654*	*5,363,832*	*853,822*	*2,525,449*	*1,512*	*1,504*	*8*
Other retail consumer goods	*7,265,334*	*7,246,252*	*4,757,096*	*4,001,540*	*755,556*	*2,489,156*	*19,082*	*19,079*	*3*
Instalment loans to repair and modernize residential property	*6,570,272*	*6,567,706*	*4,608,507*	*3,718,471*	*890,036*	*1,959,199*	*2,566*	*2,557*	*9*
Other instalment loans for household, family, and other personal expenditures	*17,848,164*	*17,792,293*	*11,790,555*	*9,409,266*	*2,381,289*	*6,001,738*	*55,871*	*55,437*	*434*
Single-payment loans for household, family, and other personal expenditures	*24,377,150*	*24,322,074*	*17,278,186*	*13,357,014*	*3,921,172*	*7,043,888*	*55,076*	*55,076*	*0*
All other loans	15,071,435	14,715,044	12,510,182	8,990,231	3,519,951	2,204,862	356,391	349,231	7,160
Total loans and securities	**834,926,447**	**814,577,655**	**609,764,241**	**468,566,492**	**141,197,749**	**204,813,414**	**20,348,792**	**20,092,612**	**256,180**

Direct lease financing	5,118,065	5,118,065	4,871,509	3,815,367	1,056,142	246,556	0	0	0
Bank premises, furniture and fixtures, and other assets representing bank premises	16,776,648	16,694,773	12,280,558	9,902,857	2,377,701	4,414,215	81,875	66,374	15,501
Real estate owned other than bank premises	2,916,570	2,894,630	2,386,976	1,749,620	637,356	507,654	21,940	6,827	15,113
Investments in unconsolidated subsidiaries and associated companies	2,346,993	2,303,869	2,272,494	1,777,388	495,106	31,375	43,124	41,332	1,792
Customers' liability on acceptances outstanding	9,523,489	9,153,957	8,761,706	5,090,626	3,671,080	392,251	369,532	369,532	0
Other assets	31,663,090	30,365,162	27,213,167	19,933,955	7,279,212	3,151,995	1,297,928	1,140,624	157,304
Total liabilities and equity capital	**1,040,090,484**	**1,011,329,205**	**776,563,296**	**586,989,332**	**189,573,964**	**234,765,909**	**28,761,279**	**28,277,435**	**483,844**
Business and personal deposits—total	**704,785,327**	**695,593,860**	**511,051,452**	**397,057,876**	**113,993,576**	**184,542,408**	**9,191,467**	**9,173,420**	**18,047**
Individuals, partnerships, and corporations—demand	256,753,877	255,418,592	193,117,435	146,963,287	46,154,148	62,301,157	1,335,285	1,318,107	17,178
Individuals, partnerships, and corporations—savings	198,257,884	197,697,188	141,240,298	111,860,590	29,379,708	56,456,890	560,696	560,696	0
Individuals and nonprofit organizations—savings	*189,584,737*	*189,038,090*	*134,812,483*	*106,881,881*	*27,930,602*	*54,225,607*	*546,647*	*546,647*	*0*
Corporations and other profit organizations—savings	*8,673,147*	*8,659,098*	*6,427,815*	*4,978,709*	*1,449,106*	*2,231,283*	*14,049*	*14,049*	*0*
Individuals, partnerships, and corporations—time	236,657,522	230,768,986	167,509,058	132,070,447	35,438,611	63,259,928	5,888,536	5,887,998	538
Deposits accumulated for payment of personal loans—time	150,713	146,318	117,979	87,404	30,575	28,339	4,395	4,395	0
Certified and officers' checks, travelers' checks, letters of credit—demand	12,965,331	11,562,776	9,066,682	6,076,148	2,990,534	2,496,094	1,402,555	1,402,224	331
Government deposits—total	**72,285,537**	**71,883,024**	**50,055,992**	**40,453,728**	**9,602,264**	**21,827,032**	**402,513**	**402,455**	**58**
United States Government—demand	3,058,030	3,039,886	2,110,196	1,681,067	429,129	929,690	18,144	18,091	53
United States Government—savings	56,345	56,306	48,387	42,335	6,052	7,919	39	39	0
United States Government—time	684,081	679,580	514,340	410,149	104,191	165,240	4,501	4,501	0
States and political subdivisions—demand	18,075,657	17,985,499	12,204,931	9,857,622	2,347,309	5,780,568	90,158	90,153	5
States and political subdivisions—savings	6,060,378	6,057,276	4,672,068	3,701,874	970,194	1,385,208	3,102	3,102	0
States and political subdivisions—time	44,351,046	44,064,477	30,506,070	24,760,681	5,745,389	13,558,407	286,569	286,569	0
Domestic interbank deposits—total	**45,564,839**	**44,480,526**	**42,176,172**	**24,143,335**	**18,032,837**	**2,304,354**	**1,084,313**	**1,067,913**	**16,400**
Commercial banks in the United States—demand	36,289,906	35,958,351	34,692,076	19,356,161	15,335,915	1,266,275	331,555	315,155	16,400
Commercial banks in the United States—savings	10,871	10,871	7,012	5,628	1,384	3,859	0	0	0
Commercial banks in the United States—time	7,238,449	6,807,485	5,926,583	4,052,455	1,874,128	880,902	430,964	430,964	0
Mutual savings banks in the United States—demand	1,684,386	1,384,810	1,253,838	553,174	700,664	130,972	299,576	299,576	0
Mutual savings banks in the United States—savings	1,232	1,232	794	594	200	438	0	0	0
Mutual savings banks in the United States—time	339,995	317,777	295,869	175,323	120,546	21,908	22,218	22,218	0
Foreign government and bank deposits—total	**22,421,012**	**18,966,712**	**18,322,583**	**10,469,477**	**7,853,106**	**644,129**	**3,454,300**	**3,454,184**	**116**
Foreign governments, central banks—demand	2,414,723	1,846,518	1,813,423	1,111,331	702,092	33,095	568,205	568,089	116
Foreign governments, central banks—savings	103,701	102,796	91,927	18,263	73,664	10,869	905	905	0
Foreign governments, central banks—time	10,080,294	8,482,379	8,217,976	4,788,636	3,429,340	264,403	1,597,915	1,597,915	0
Banks in foreign countries—demand	7,418,229	6,766,596	6,511,588	3,251,854	3,259,734	255,008	651,633	651,633	0
Banks in foreign countries—savings	5	5	5	5	0	0	0	0	0
Banks in foreign countries—time	2,404,060	1,768,418	1,687,664	1,299,388	388,276	80,754	635,642	635,642	0
Total deposits	**845,056,715**	**830,924,122**	**621,606,199**	**472,124,416**	**149,481,783**	**209,317,923**	**14,132,593**	**14,097,972**	**34,621**
Demand	*338,660,139*	*333,963,028*	*260,770,169*	*188,850,644*	*71,919,525*	*73,192,859*	*4,697,111*	*4,663,028*	*34,083*
Savings	*204,490,416*	*203,925,674*	*146,060,491*	*115,629,289*	*30,431,202*	*57,865,183*	*564,742*	*564,742*	*0*
Time	*301,906,160*	*293,035,420*	*214,775,539*	*167,644,483*	*47,131,056*	*78,259,881*	*8,870,740*	*8,870,202*	*538*
Miscellaneous liabilities—total	**116,660,435**	**103,020,572**	**96,350,686**	**70,813,471**	**25,537,215**	**6,669,886**	**13,639,863**	**13,431,397**	**208,466**
Federal funds purchased and securities sold under agreements to repurchase—total	72,979,442	70,320,490	66,899,303	51,678,941	15,220,362	3,421,187	2,658,952	2,658,952	0
With domestic and commercial banks	*42,842,543*	*40,636,816*	*39,194,674*	*31,328,798*	*7,865,876*	*1,442,142*	*2,205,727*	*2,205,727*	*0*
With brokers and dealers in securities and funds	*5,694,086*	*5,667,886*	*5,344,928*	*3,675,702*	*1,669,226*	*322,958*	*26,200*	*26,200*	*0*
With others	*24,442,813*	*24,015,788*	*22,359,701*	*16,674,441*	*5,685,260*	*1,656,087*	*427,025*	*427,025*	*0*
Other liabilities for borrowed money	7,570,913	5,127,666	4,845,541	2,747,298	2,098,243	282,125	2,443,247	2,416,315	26,932
Mortgage indebtedness	801,087	799,100	549,930	407,767	142,163	249,170	1,987	449	1,538
Acceptances outstanding	10,136,501	9,762,309	9,369,842	5,144,593	4,225,249	392,467	374,192	374,192	0
Other liabilities	25,172,492	17,011,007	14,686,070	10,834,872	3,851,198	2,324,937	8,161,485	7,981,489	179,996

Table 107. ASSETS AND LIABILITIES OF ALL COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED
BANKS GROUPED BY INSURANCE STATUS AND CLASS OF BANK
(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Total	Insured banks					Noninsured banks		
		Total	Members of Federal Reserve System			Not members of F.R. System	Total	Banks of deposit[1]	Nondeposit trust companies[2]
			Total	National	State				
Total liabilities (excluding subordinated notes and debentures)	**961,717,150**	**933,944,694**	**717,956,885**	**542,937,887**	**175,018,998**	**215,987,809**	**27,772,456**	**27,529,369**	**243,087**
Subordinated notes and debentures	**5,261,430**	**5,123,725**	**4,082,288**	**2,726,628**	**1,355,660**	**1,041,437**	**137,705**	**136,627**	**1,078**
Equity capital—total	**73,111,904**	**72,260,786**	**54,524,123**	**41,324,817**	**13,199,306**	**17,736,663**	**851,118**	**611,439**	**239,679**
Preferred stock—par value	73,422	67,328	25,213	18,754	6,459	42,115	6,094	5,692	402
Preferred stock—shares outstanding (in thousands)	6,806	6,740	3,573	491	3,082	3,167	66	55	11
Common stock—par value	16,320,780	16,219,259	11,884,153	9,106,275	2,777,878	4,335,106	101,521	52,142	49,379
Common stock—shares authorized (in thousands)	2,172,803	2,067,077	1,294,118	1,065,235	228,883	772,959	105,726	62,552	43,174
Common stock—shares outstanding (in thousands)	1,719,918	1,702,805	1,179,077	965,665	213,412	523,728	17,113	14,757	2,356
Surplus	29,326,051	28,893,882	21,409,674	15,853,738	5,555,936	7,484,208	432,169	379,720	52,449
Undivided profits	25,492,839	25,251,535	19,925,999	15,271,833	4,654,166	5,325,536	241,304	116,706	124,598
Reserve for contingencies and other capital reserves	1,898,812	1,282,782	1,279,084	1,074,217	204,867	549,698	70,030	57,179	12,851
PERCENTAGES									
Of total assets:									
Cash and due from banks	13.2	12.9	14.0	13.0	17.3	9.0	22.9	23.2	7.8
U.S. Treasury securities and obligations of other U.S. Government agencies and corporations	12.8	13.0	11.7	11.9	11.2	17.2	5.8	5.8	6.2
Other securities	11.6	11.7	11.2	11.3	10.8	13.6	5.4	5.2	17.5
Loans (including federal funds sold and securities purchased under agreements to resell)	55.9	55.8	55.6	56.6	52.5	56.5	59.5	60.0	29.3
Other assets	6.6	6.6	7.4	7.2	8.2	3.7	6.3	5.7	39.2
Total equity capital[3]	7.0	7.1	7.0	7.0	7.0	7.6	7.3[4]	5.3[4]	49.5
Of total assets other than cash and U.S. Treasury securities:									
Total equity capital[3]	9.1	9.2	9.1	9.0	9.5	9.5	11.3[4]	6.4[4]	56.9
Number of banks	14,698	14,411	5,760	4,737	1,023	8,651	287	209	78

1, 2, 3, 4 See notes to table 106.
Note: Further information on the report of assets and liabilities of banks may be found on pp. 233-234.

Table 108. ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), JUNE 30, 1976, AND DECEMBER 31, 1976
BANKS GROUPED BY INSURANCE STATUS
(Amounts in thousands of dollars)

Asset, liability, or surplus account item	June 30, 1976			December 31, 1976		
	Total	Insured	Noninsured	Total	Insured	Noninsured
Total assets	**128,457,216**	**114,013,807**	**14,443,409**	**134,820,238**	**120,839,827**	**13,980,411**
Cash, balances with banks, and collection items—total	**1,572,981**	**1,419,290**	**153,691**	**2,370,167**	**2,188,926**	**181,241**
Currency and coin	336,058	283,842	52,216	395,273	338,001	57,272
Demand balances with banks in the United States	585,559	502,637	82,922	1,022,366	925,344	97,022
Other balances with banks in the United States	550,635	544,888	5,747	816,010	807,240	8,770
Cash items in process of collection	100,729	87,923	12,806	136,518	118,341	18,177
Securities—total	**39,404,525**	**35,237,267**	**4,167,258**	**41,976,649**	**37,984,627**	**3,992,022**
United States Government and agency securities—total	13,361,719	11,783,018	1,578,701	14,764,846	13,194,506	1,570,340
Securities maturing in 1 year or less	*1,890,595*	*1,621,307*	*269,288*	*2,274,842*	*1,981,205*	*293,637*
Securities maturing in 1 to 5 years	*3,981,288*	*3,274,058*	*707,230*	*3,783,778*	*3,237,461*	*546,317*
Securities maturing in 5 to 10 years	*1,787,492*	*1,492,423*	*295,069*	*1,655,589*	*1,383,006*	*272,583*
Securities maturing after 10 years	*5,702,344*	*5,395,230*	*307,114*	*7,050,637*	*6,592,834*	*457,803*
Corporate bonds	15,993,543	14,696,937	1,296,606	16,904,069	15,781,623	1,122,446
State, county, and municipal obligations	2,343,174	2,225,089	118,085	2,407,041	2,301,574	105,467
Other bonds, notes, and debentures	3,361,651	2,889,972	471,679	3,540,853	3,019,191	521,662
Corporate stock—total	4,344,438	3,642,251	702,187	4,359,840	3,687,733	672,107
Bank	*543,679*	*376,524*	*167,155*	*548,733*	*387,161*	*161,572*
Other	*3,800,759*	*3,265,727*	*535,032*	*3,811,107*	*3,300,572*	*510,535*
Federal funds sold and securities purchased under agreements to resell	**1,874,504**	**1,636,845**	**237,659**	**1,535,036**	**1,322,316**	**212,720**
Other loans—total	**82,121,307**	**72,538,149**	**9,583,158**	**85,294,638**	**75,990,422**	**9,304,216**
Real estate loans—total	78,838,767	69,751,108	9,087,659	81,639,570	72,820,626	8,818,944
Construction loans	*934,712*	*813,117*	*121,595*	*955,370*	*854,499*	*100,871*
Secured by farmland	*57,298*	*43,319*	*13,979*	*60,016*	*46,364*	*13,652*
Secured by residential properties:						
Secured by 1– to 4–family residential properties:						
Insured by Federal Housing Administration	*12,151,588*	*11,335,565*	*816,023*	*11,846,517*	*11,147,343*	*699,174*
Guaranteed by Veterans Administration	*12,284,679*	*11,230,240*	*1,054,439*	*12,185,076*	*11,221,051*	*964,025*
Not insured or guaranteed by FHA or VA	*26,279,969*	*21,217,100*	*5,062,869*	*28,687,780*	*23,393,029*	*5,294,751*
Secured by multifamily (5 or more) residential properties:						
Insured by Federal Housing Administration	*2,267,553*	*2,212,618*	*54,935*	*2,444,114*	*2,428,166*	*15,948*
Not insured by FHA	*11,245,405*	*10,648,078*	*597,327*	*11,443,577*	*10,874,242*	*569,335*
Secured by other properties	*13,617,563*	*12,251,071*	*1,366,492*	*14,017,120*	*12,855,932*	*1,161,188*
Loans to domestic commercial and foreign banks	33,712	32,275	1,437	28,442	26,955	1,487
Loans to other financial institutions	45,190	45,078	112	57,346	57,234	112
Loans to brokers and dealers in securities	0	0	0	0	0	0
Other loans for purchasing or carrying securities	1,808	1,520	288	1,758	1,494	264
Loans to farmers (excluding loans on real estate)	990	990	0	918	918	0
Commercial and industrial loans	481,413	472,519	8,894	609,393	599,849	9,544

Table 108. ASSETS AND LIABILITIES OF ALL MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), JUNE 30, 1976, AND DECEMBER 31, 1976—CONTINUED

BANKS GROUPED BY INSURANCE STATUS

(Amounts in thousands of dollars)

Asset, liability, or surplus account item	June 30, 1976			December 31, 1976		
	Total	Insured	Noninsured	Total	Insured	Noninsured
Loans to individuals for personal expenditures	2,607,892	2,184,137	423,755	2,862,400	2,412,478	449,922
All other loans (including overdrafts)	111,535	50,522	61,013	94,811	70,868	23,943
Total loans and securities	**123,400,336**	**109,412,261**	**13,988,075**	**128,806,323**	**115,297,365**	**13,508,958**
Bank premises, furniture and fixtures, and other assets representing bank premises	1,139,611	1,003,968	135,643	1,190,297	1,063,867	126,430
Real estate owned other than bank premises	515,838	463,473	52,365	539,844	490,059	49,785
Investments in subsidiaries not consolidated	113,633	108,493	5,140	122,338	112,754	9,584
Other assets	1,714,817	1,606,322	108,495	1,791,269	1,686,856	104,413
Total liabilities and surplus accounts	**128,457,216**	**114,013,807**	**14,443,409**	**134,820,238**	**120,839,827**	**13,980,411**
Deposits—total	**117,599,055**	**104,538,180**	**13,060,875**	**123,653,736**	**110,998,759**	**12,654,977**
Savings and time deposits—total	116,617,621	103,592,741	13,024,880	122,517,852	109,895,767	12,622,085
Savings deposits	*73,469,580*	*65,101,518*	*8,368,062*	*75,353,084*	*67,295,029*	*8,058,055*
Deposits accumulated for payment of personal loans	*2*	*1*	*1*	*1*	*1*	*0*
Fixed maturity and other time deposits	*43,148,139*	*38,491,222*	*4,656,817*	*47,164,767*	*42,600,737*	*4,564,030*
Demand deposits—total	981,434	945,439	35,995	1,135,884	1,102,992	32,892
Miscellaneous liabilities—total	**2,125,610**	**1,868,279**	**257,331**	**2,112,377**	**1,865,047**	**247,330**
Securities sold under agreements to repurchase	50,290	50,290	0	72,718	69,118	3,600
Other borrowings	435,906	421,214	14,692	362,913	356,329	6,584
Other liabilities	1,639,414	1,396,775	242,639	1,676,746	1,439,600	237,146
Total liabilities	**119,724,665**	**106,406,459**	**13,318,206**	**125,766,113**	**112,863,806**	**12,902,307**
Minority interest in consolidated subsidiaries	**60**	**60**	**0**	**61**	**61**	**0**
Surplus accounts—total	**8,732,491**	**7,607,288**	**1,125,203**	**9,054,064**	**7,975,960**	**1,078,104**
Capital notes and debentures	213,080	206,930	6,150	219,470	213,264	6,206
Other surplus accounts	8,519,411	7,400,358	1,119,053	8,834,594	7,762,696	1,071,898
PERCENTAGES						
Of total assets:						
Cash and balances with other banks	1.2	1.2	1.1	1.8	1.8	1.3
U.S. Government and agency securities	10.4	10.3	10.9	11.0	10.9	11.2
Other securities	20.3	20.6	17.9	20.2	20.5	17.3
Loans (including federal funds sold and securities purchased under agreements to resell)	65.4	65.1	68.0	64.4	64.0	68.1
Other assets	2.7	2.8	2.1	2.7	2.8	2.1
Total surplus accounts	6.8	6.7	7.8	6.7	6.6	7.7
Of total assets other than cash and U.S. Government obligations:						
Total surplus accounts	7.7	7.5	8.9	7.7	7.6	8.8
Number of banks	474	328	146	473	329	144

Table 109. ASSETS AND LIABILITIES OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER CALL DATES, 1971–1976
(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Dec. 31, 1971	Dec. 31, 1972	Dec. 31, 1973	Dec. 31, 1974	Dec. 31, 1975	Dec. 31, 1976
Total assets	**639,903,322**	**737,699,385**	**832,658,280**	**912,529,261**	**952,451,011**	**1,011,329,205**[5]
Cash and due from banks–total	**98,690,700**	**111,844,113**	**116,939,181**	**126,081,191**	**129,024,072**	**130,221,094**
Cash items in process of collection	38,658,890	45,386,844	44,661,826	47,281,289	47,332,821	48,366,003
Demand balances with banks in the United States	21,962,456	28,156,064	30,128,768	34,414,497	32,168,464	33,022,738
Other balances with banks in the United States	2,427,914	2,783,379	2,771,041	4,090,428	7,566,509	5,874,949
Including interest bearing balances[1]	....	....	....	....	....	5,568,150
Balances with banks in foreign countries	567,033	739,928	787,960	1,449,086	2,820,929	4,796,214
Including interest bearing balances[1]	....	....	....	....	....	4,409,156
Currency and coin	7,591,590	8,703,008	10,768,844	11,727,595	12,355,374	12,192,210
Reserve with Federal Reserve Bank	27,482,817	26,074,890	27,820,742	27,118,296	26,779,975	25,968,980
Securities–total	**169,167,078**	**183,760,796**	**188,230,092**	**193,902,967**	**227,847,169**	**249,976,105**
Investment securities–total	163,859,514	178,632,700	179,574,763	185,919,136	222,515,186	240,552,476
U.S. Treasury securities	*62,696,667*	*64,709,715*	*55,293,300*	*51,873,986*	*81,011,010*	*96,883,068*
Obligations of other U.S. Government agencies and corporations	*17,071,836*	*21,156,678*	*27,538,214*	*31,087,341*	*33,298,668*	*34,326,811*
Obligations of States and political subdivisions	*80,135,021*	*87,418,538*	*91,227,882*	*96,791,360*	*100,801,477*	*103,505,764*
Other bonds, notes, and debentures	*3,955,990*	*5,347,769*	*5,515,367*	*6,166,449*	*7,404,031*	*5,836,833*
Corporate stock[1]	....	....	....	....	....	1,541,489
Trading account securities	5,307,564	5,128,096	8,655,329	7,983,831	5,331,983	7,882,140
Federal funds sold and securities purchased under agreements to resell–total	**19,643,272**	**25,634,862**	**34,379,920**	**38,937,288**	**37,345,238**	**45,869,893**
Loans, net	....	....	....	....	....	**518,731,657**
Plus: Reserve for possible loan losses[1]	....	....	....	....	....	6,186,775
Loans, total	....	....	....	....	....	524,918,432
Plus: Unearned income on loans[1]	....	....	....	....	....	12,617,065
Loans, gross	**328,225,896**	**388,902,133**	**459,755,788**	**506,378,800**	**502,289,682**	**537,535,497**
Real estate loans–total	82,314,290	99,086,276	118,787,181	131,751,383	136,186,930	150,904,938
Construction and land development[1]	....	....	....	....	....	*17,273,179*
Secured by farmland	*4,173,726*	*4,752,270*	*5,420,190*	*6,030,620*	*6,370,913*	*6,716,845*
Secured by 1- to 4-family residential properties:						
Insured by FHA and guaranteed by VA	*10,442,621*	*10,418,222*	*10,156,517*	*9,348,308*	*8,869,801*	*8,198,789*
Conventional	*37,438,104*	*46,425,199*	*57,639,300*	*65,204,281*	*68,149,590*	*72,881,477*
Secured by multi-family (5 or more) residential properties:						
Insured by FHA	*803,880*	*1,225,769*	*1,293,191*	*939,083*	*513,947*	*423,194*
Conventional	*3,177,970*	*4,550,113*	*5,636,229*	*6,652,445*	*5,401,104*	*4,158,942*
Secured by nonfarm nonresidential properties	*26,277,989*	*31,714,703*	*38,641,754*	*43,576,646*	*46,881,575*	*41,252,512*
Loans to financial institutions–total	21,313,511	29,527,538	39,696,478	45,202,429	38,966,705	35,900,747
To real estate investment trusts and mortgage companies[1]	....	....	....	....	....	*9,939,141*
To domestic commercial banks	*4,405,298*	*6,119,843*	*9,155,496*	*10,082,525*	*9,556,714*	*2,782,815*
To banks in foreign countries						*6,620,910*
To other depository institutions	*16,908,213*	*23,407,695*	*30,540,982*	*35,119,904*	*29,409,991*	*1,348,516*
To other financial institutions[2]						*15,209,365*
Loans for purchasing or carrying securities–total	10,848,504	15,632,717	11,926,687	9,195,911	10,879,642	15,089,724
To brokers and dealers in securities	*7,202,440*	*11,165,572*	*7,625,741*	*5,192,896*	*7,055,262*	*11,074,748*
Other loans for purchasing or carrying securities	*3,646,064*	*4,467,145*	*4,300,946*	*4,003,015*	*3,824,380*	*4,014,976*
Loans to farmers	12,506,206	14,302,106	17,150,320	18,225,296	20,135,056	23,268,314
Commercial and industrial loans	118,401,203	132,497,555	158,688,202	184,216,999	175,922,939	178,751,008
Loans to individuals–total	74,796,848	87,629,904	100,382,510	103,714,164	106,819,480	118,905,722

Table 109. ASSETS AND LIABILITIES OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER CALL DATES, 1971–1976—CONTINUED

(Amounts in thousands of dollars)

Asset, liability, or equity capital item	Dec. 31, 1971	Dec. 31, 1972	Dec. 31, 1973	Dec. 31, 1974	Dec. 31, 1975	Dec. 31, 1976
To purchase private passenger automobiles on instalment basis	*24,850,695*	*29,084,924*	*33,477,132*	*32,949,382*	*33,455,998*	*39,806,519*
Credit cards and related plans:						
Retail (charge account) credit card plans	*4,523,889*	*5,443,349*	*6,878,593*	*8,327,292*	*9,551,255*	*11,373,566*
Check credit and revolving credit plans	*1,463,857*	*1,780,153*	*2,262,700*	*2,810,808*	*2,827,207*	*3,054,209*
To purchase other retail consumer goods on instalment basis:						
Mobile homes (excludes travel trailers)	*4,674,364*	*6,436,145*	*8,371,286*	*8,998,167*	*8,720,369*	*8,743,103*
Other retail consumer goods	*4,655,510*	*5,170,118*	*6,206,851*	*6,514,415*	*6,720,411*	*7,246,252*
Instalment loans to repair and modernize residential property	*3,865,597*	*4,326,916*	*4,906,940*	*5,625,691*	*5,955,100*	*6,567,706*
Other instalment loans for household, family, and other personal expenditures	*11,409,477*	*12,903,659*	*14,538,048*	*15,491,334*	*16,455,919*	*17,792,293*
Single-payment loans for household, family, and other personal expenditures	*19,353,459*	*22,484,640*	*23,740,960*	*22,997,075*	*23,133,221*	*24,322,074*
All other loans	8,045,334	10,226,037	13,124,410	14,072,618	13,378,930	14,715,044
Total loans and securities	**517,036,246**	**598,297,791**	**682,365,800**	**739,219,055**	**767,482,089**	**814,577,655**
Direct lease financing[1]	....	....	....	....	....	5,118,065
Bank premises, furniture and fixtures, and other assets representing bank premises	10,285,384	11,524,646	12,788,763	14,296,959	15,598,230	16,694,773
Real estate owned other than bank premises	390,833	369,193	433,860	811,080	1,908,880	2,894,630
Investments in unconsolidated subsidiaries and associated companies	911,550	1,077,700	1,403,400	1,739,054	1,992,754	2,303,869
Customers' liability on acceptances outstanding	3,914,186	3,471,203	4,356,527	10,653,382	8,687,996	9,153,957
Other assets	8,674,423	11,114,739	14,370,749	19,728,540	27,756,990	30,365,162
Total liabilities and equity capital	**639,903,322**	**737,699,385**	**832,658,280**	**912,529,261**	**952,451,011**	**1,011,329,205**
Business and personal deposits—total	**439,568,884**	**504,283,757**	**555,151,799**	**604,637,647**	**645,305,033**	**695,593,860**
Individuals, partnerships, and corporations—demand	191,775,515	221,204,645	231,956,880	235,984,680	246,710,621	255,418,592
Individuals, partnerships, and corporations—savings	112,165,951	124,188,716	127,818,434	136,268,612	160,716,975	197,697,188
Individuals and nonprofit organizations—savings	....	....	....	....	....	*189,038,090*
Corporations and other profit organizations—savings[1]	....	....	....	....	....	*8,659,098*
Individuals, partnerships, and corporations—time	125,087,661	147,083,850	184,010,925	221,618,614	226,851,406	230,768,986
Deposits accumulated for payment of personal loans—time	677,179	554,001	503,468	386,635	280,452	146,318
Certified and officers' checks, travelers' checks, letters of credit—demand	9,862,578	11,252,545	10,862,092	10,379,106	10,745,579	11,562,776
Government deposits—total	**58,987,158**	**67,554,342**	**73,660,934**	**74,219,736**	**70,704,640**	**71,883,024**
United States Government—demand	10,263,251	10,939,672	9,887,668	4,821,969	3,126,532	3,039,886
United States Government—savings	....	....	....	....	....	56,306
United States Government—time	530,769	614,035	440,641	500,147	588,481	679,580
States and political subdivisions—demand	17,714,586	18,672,774	18,746,900	18,710,659	18,879,179	17,985,499
States and political subdivisions—savings	....	....	....	....	....	6,057,276
States and political subdivisions—time	30,478,552	37,327,861	44,585,725	50,186,961	48,110,448	44,064,477
Domestic interbank deposits—total	**31,906,847**	**33,677,534**	**37,444,862**	**45,328,505**	**44,280,973**	**44,480,526**
Commercial banks in the United States—demand	28,014,732	28,569,727	29,861,879	35,101,553	33,491,673	35,958,351
Commercial banks in the United States—savings	....	....	....	....	....	10,871
Commercial banks in the United States—time	2,441,489	3,548,503	5,783,907	8,563,604	9,129,775	6,807,485
Mutual savings banks in the United States—demand	1,163,740	1,205,688	1,155,682	1,197,332	1,159,714	1,384,810
Mutual savings banks in the United States—savings	....	....	....	....	....	1,232
Mutual savings banks in the United States—time	286,886	353,616	643,394	466,016	499,811	317,777

Foreign government and bank deposits—total	**8,721,173**	**11,391,934**	**15,361,830**	**22,227,034**	**20,458,022**	**18,966,712**
Foreign governments, central banks—demand	803,364	908,731	1,355,645	1,882,054	1,659,374	1,846,518
Foreign governments, central banks—savings	....	....	....	....	....	102,796
Foreign governments, central banks—time	5,053,554	6,517,493	8,506,931	12,078,963	11,374,159	8,482,379
Banks in foreign countries—demand	2,681,096	3,637,309	5,279,635	6,339,583	5,649,939	6,766,596
Banks in foreign countries—savings	....	....	....	....	....	5
Banks in foreign countries—time	183,159	328,401	219,619	1,926,434	1,774,550	1,768,418
Total deposits	**539,184,062**	**616,907,567**	**681,619,425**	**746,412,922**	**780,748,668**	**830,924,122**
Demand	*262,278,862*	*296,391,091*	*309,106,381*	*314,416,936*	*321,422,611*	*333,963,028*
Savings	*112,165,951*	*124,188,716*	*127,818,434*	*136,268,612*	*160,716,975*	*203,925,674*
Time	*164,739,249*	*196,327,760*	*244,694,610*	*295,727,374*	*298,609,082*	*293,035,420*
Miscellaneous liabilities—total	**47,370,832**	**61,514,816**	**85,391,650**	**94,152,187**	**93,975,434**	**103,020,572**
Federal funds purchased and securities sold under agreements to repurchase—total	24,179,742	33,731,069	50,480,996	51,224,639	52,190,147	70,320,490
Other liabilities for borrowed money	1,463,429	3,919,796	7,179,644	4,867,119	4,651,050	5,127,666
Mortgage indebtedness	668,331	1,160,675	771,519	724,845	774,094	799,100
Acceptances outstanding	4,039,643	3,570,900	4,486,309	11,226,448	9,275,803	9,762,309
Other liabilities[3]	17,019,687	19,132,376	22,473,182	26,109,136	27,084,340	17,011,007
Total liabilities (excluding subordinated notes and debentures)	**586,554,894**	**678,422,383**	**767,011,075**	**840,565,109**	**874,724,102**	**933,944,694**
Subordinated notes and debentures	**2,956,180**	**4,092,820**	**4,117,351**	**4,259,531**	**4,407,892**	**5,123,725**
Reserves on loans and securities—total[4]	**6,443,382**	**6,909,306**	**7,808,584**	**8,676,953**	**9,010,387**	....
Reserves for bad debt losses on loans	6,151,274	6,623,801	7,526,744	8,376,683	8,654,714	....
Other reserves on loans	113,427	112,167	107,994	131,581	169,113	....
Reserves on securities	178,681	173,338	173,846	168,689	186,560	....
Equity capital—total	**43,948,866**	**48,274,876**	**53,721,270**	**59,027,668**	**64,308,630**	**72,260,786**
Preferred stock—par value	91,930	68,924	65,650	43,460	47,881	67,328
Common stock—par value	11,811,129	12,853,653	13,846,071	14,789,463	15,565,026	16,219,259
Surplus	19,895,816	21,528,422	23,593,311	25,313,257	26,712,935	28,893,882
Undivided profits	11,135,068	13,012,232	15,361,857	17,969,789	21,182,330	25,251,535
Reserve for contingencies and other capital reserves	1,014,923	811,645	854,381	911,699	800,458	1,828,782
PERCENTAGES						
Of total assets:						
Cash and due from banks	15.4	15.2	14.0	13.8	13.5	12.9[5]
U.S. Treasury securities and obligations of other U.S. Government agencies and corporations	12.5	11.6	9.9	9.1	12.0	13.0[5]
Other securities	14.0	13.3	12.7	12.2	11.9	11.7[5]
Loans (including federal funds sold and securities purchased under agreements to resell)	54.4	56.2	59.3	59.8	56.7	55.8[5]
Other assets	3.8	3.7	4.0	5.2	5.9	6.6[5]
Total equity capital	6.9	6.5	6.5	6.5	6.8	7.1[5]
Of total assets other than cash and U.S. Treasury securities:						
Total equity capital	9.2	8.6	8.1	8.0	8.7	9.2[5]
Number of banks	13,612	13,733	13,976	14,228	14,384	14,411

[1] Not available before 1976.
[2] Before 1976 included loans to real estate investment trusts and mortgage companies.
[3] Includes minority interest in consolidated subsidiaries.
[4] Reporting of reserves for losses on loans and securities was revised in 1976; see page 234.
[5] Total asset data for 1976 are based on "Loans, net."

Table 110. ASSETS AND LIABILITIES OF INSURED MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER CALL DATES, 1971–1976

(Amounts in thousands of dollars)

Asset, liability, or surplus account item	Dec. 31, 1971	Dec. 31, 1972	Dec. 31, 1973	Dec. 31, 1974	Dec. 31, 1975	Dec. 31, 1976
Total assets	**77,891,927**	**87,650,051**	**93,012,515**	**95,589,401**	**107,280,765**	**120,839,827**
Cash, balances with banks, and collection items–total	**1,273,735**	**1,520,399**	**1,847,776**	**2,053,353**	**2,195,390**	**2,188,926**
Currency and coin	195,679	215,345	226,905	268,102	308,887	338,001
Demand balances with banks in the United States	551,149	568,211	711,172	683,943	706,116	925,344
Other balances with banks in the United States	445,384	627,530	817,495	1,022,757	1,091,274	807,240
Cash items in process of collection	81,523	109,313	92,204	78,551	89,113	118,341
Securities–total	**18,491,379**	**22,636,737**	**21,871,412**	**22,684,614**	**30,421,034**	**37,984,627**
United States Government and agency securities–total	5,156,321	6,386,003	5,971,200	5,967,835	9,468,682	13,194,506
Securities maturing in 1 year or less	*867,992*	*968,157*	*831,719*	*712,274*	*1,312,116*	*1,981,205*
Securities maturing in 1 to 5 years	*1,823,997*	*1,915,014*	*1,513,476*	*1,604,165*	*2,761,242*	*3,237,461*
Securities maturing in 5 to 10 years	*832,859*	*1,095,116*	*789,936*	*694,251*	*1,167,218*	*1,383,006*
Securities maturing after 10 years	*1,631,473*	*2,407,716*	*2,836,069*	*2,957,145*	*4,228,106*	*6,592,834*
State, county, and municipal obligations	373,810	857,353	907,013	882,620	1,488,631	2,301,574
Corporate bonds	9,293,507	11,086,004	10,026,920	10,560,303	13,503,561	15,781,623
Other bonds, notes, and debentures	1,194,941	1,370,862	1,713,867	1,856,557	2,329,685	3,019,191
Corporate stock–total	2,472,800	2,936,515	3,252,412	3,417,299	3,630,475	3,687,733
Bank	*288,373*	*329,426*	*364,066*	*348,290*	*374,851*	*387,161*
Other	*2,184,427*	*2,607,089*	*2,888,346*	*3,069,009*	*3,255,624*	*3,300,572*
Federal funds sold and securities purchased under agreements to resell	**493,536**	**596,255**	**1,252,753**	**964,856**	**897,063**	**1,322,316**
Other loans–total	**56,066,722**	**60,950,481**	**65,870,714**	**67,449,217**	**70,812,040**	**75,990,422**
Real estate loans–total	54,222,077	59,094,330	63,946,513	65,339,748	68,371,859	72,820,626
Construction loans	*736,386*	*1,002,712*	*1,090,262*	*821,250*	*824,494*	*854,499*
Secured by farmland	*41,656*	*51,459*	*51,160*	*49,185*	*48,239*	*46,364*
Secured by residential properties:						
Secured by 1– to 4–family residential properties:						
Insured by Federal Housing Administration	*13,532,344*	*13,388,433*	*12,828,775*	*12,052,069*	*11,587,451*	*11,147,343*
Guaranteed by Veterans Administration	*10,923,517*	*11,413,769*	*11,728,249*	*11,501,239*	*11,342,670*	*11,221,051*
Not insured or guaranteed by FHA or VA	*13,031,229*	*14,804,568*	*17,087,533*	*18,275,751*	*20,123,915*	*23,393,029*
Secured by multifamily (5 or more) residential properties:						
Insured by Federal Housing Administration	*1,396,791*	*1,399,794*	*1,523,751*	*1,688,126*	*1,949,245*	*2,428,166*
Not insured by FHA	*7,136,586*	*8,265,926*	*9,416,887*	*10,076,268*	*10,693,613*	*10,874,242*
Secured by other properties	*7,423,568*	*8,767,669*	*10,219,896*	*10,875,860*	*11,802,232*	*12,855,932*
Loans to domestic commercial and foreign banks	49,628	29,751	13,679	18,339	25,275	26,955
Loans to other financial institutions	36,492	29,927	29,473	26,324	32,714	57,234
Loans to brokers and dealers in securities	5,951	28,922	4,441	743	0	0
Other loans for purchasing or carrying securities	3,485	3,446	2,221	930	1,480	1,494
Loans to farmers (excluding loans on real estate)	1,110	1,305	1,323	1,416	1,456	918
Commercial and industrial loans	463,001	252,438	173,322	175,360	288,976	599,849
Loans to individuals for personal expenditures	1,260,144	1,451,401	1,665,365	1,812,329	2,052,147	2,412,478
All other loans (including overdrafts)	24,834	58,961	34,377	74,028	38,133	70,868
Total loans and securities	**75,051,637**	**84,183,473**	**88,994,879**	**91,098,687**	**102,130,137**	**115,297,365**

Bank premises, furniture and fixtures, and other assets representing bank premises	590,326	661,118	760,289	857,879	963,664	1,063,867
Real estate owned other than bank premises	90,987	147,340	180,671	233,775	418,233	490,059
Investments in subsidiaries not consolidated	41,518	59,309	64,883	82,292	94,253	112,754
Other assets	843,724	1,078,412	1,164,017	1,263,415	1,479,088	1,686,856
Total liabilities and surplus accounts	**77,891,927**	**87,650,051**	**93,012,515**	**95,589,401**	**107,280,765**	**120,839,827**
Deposits—total	**71,500,831**	**80,571,993**	**84,890,128**	**86,814,415**	**98,126,107**	**110,998,759**
Savings and time deposits—total	70,818,051	79,781,381	84,008,571	85,904,825	97,133,340	109,895,767
Savings deposits	*57,644,100*	*60,573,427*	*57,591,849*	*56,497,626*	*62,050,661*	*67,295,029*
Deposits accumulated for payment of personal loans	*80*	*25*	*476*	*295*	*430*	*1*
Fixed maturity and other time deposits	*13,173,871*	*19,207,929*	*26,416,246*	*29,406,904*	*35,082,249*	*42,600,737*
Demand deposits—total	682,780	790,612	881,557	909,590	992,767	1,102,992
Miscellaneous liabilities—total	**975,996**	**1,114,469**	**1,609,538**	**1,952,443**	**1,815,359**	**1,865,047**
Securities sold under agreements to repurchase	(1)	22,757	26,089	217,561	108,715	69,118
Other borrowings	100,045	98,980	445,901	667,256	465,279	356,329
Other liabilities	875,951	992,732	1,137,548	1,067,626	1,241,365	1,439,600
Total liabilities	**72,476,827**	**81,686,462**	**86,499,666**	**88,766,858**	**99,941,466**	**112,863,806**
Minority interest in consolidated subsidiaries	1	0	0	0	70	61
Surplus accounts—total	**5,415,099**	**5,963,589**	**6,512,849**	**6,822,543**	**7,339,229**	**7,975,960**
Capital notes and debentures	10,456	59,372	114,953	169,460	190,279	213,264
Other surplus accounts	5,404,643	5,904,217	6,397,896	6,653,083	7,148,950	7,762,696
PERCENTAGES						
Of total assets:						
Cash and balances with other banks	1.7%	1.7%	2.0%	2.1%	2.0%	1.8%
U.S. Government and agency securities	6.6	7.3	6.4	6.2	8.8	10.9
Other securities	17.1	18.5	17.1	17.5	19.5	20.5
Loans (including Federal funds sold and securities purchased under agreements to resell)	72.6	70.2	72.2	71.6	66.8	64.0
Other assets	2.0	2.2	2.3	2.5	2.8	2.8
Total surplus accounts	7.0	6.8	7.0	7.1	6.8	6.6
Of total assets other than cash and U.S. Government and agency securities:						
Total surplus accounts	7.6	7.5	7.6	7.8	7.7	7.6
Number of banks	327	326	322	320	329	329

[1] Not reported separately prior to 1972.

Table 111. PERCENTAGES OF ASSETS, LIABILITIES, AND EQUITY CAPITAL OF INSURED COMMERCIAL BANKS OPERATING THROUGHOUT 1976 IN THE UNITED STATES AND OTHER AREAS, DECEMBER 31, 1976

BANKS GROUPED BY AMOUNT OF ASSETS

Asset, liability, or equity capital item	All banks	Banks with assets of— Less than $5 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million
Total assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash and due from banks	12.9	11.0	9.8	9.5	9.3	9.8
U.S. Treasury securities[1]	9.6	16.3	14.0	12.1	11.4	10.9
Obligations of other U.S. Government agencies and corporations[1]	3.4	8.6	7.7	6.4	5.4	4.9
Obligations of States and political subdivisions[1]	10.2	5.3	8.9	12.1	13.8	13.9
Other securities[1]	.7	.7	.5	.7	.8	.8
Federal funds sold and securities purchased under agreements to resell	4.5	6.3	5.2	4.7	4.1	4.0
Loans, net	51.2	49.0	51.0	51.5	51.5	51.8
Unearned income on loans	1.2	1.3	1.4	1.7	1.8	1.8
Reserve for possible loan losses	.6	.4	.4	.4	.5	.5
Loans, gross	53.1	50.7	52.9	53.7	53.9	54.1
Real estate loans	14.9	12.6	15.5	18.1	19.6	19.7
Loans to financial institutions	3.6	.2	.2	.2	.3	.4
Loans to purchase or carry securities	1.5	.1	.1	.2	.2	.4
Loans to farmers (excluding loans on real estate)	2.3	16.2	12.9	8.7	4.7	2.5
Commercial and industrial loans	17.6	7.4	8.8	10.2	11.6	14.1
Instalment loans for personal expenditures	9.3	10.4	11.2	12.0	13.1	12.8
Single payment loans for personal expenditures	2.4	2.9	3.2	3.3	3.5	3.3
All other loans	1.4	.8	.9	.9	.8	.8
All other assets	7.4	2.7	2.8	2.9	3.6	3.8
Total liabilities and equity capital	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Deposits—total	82.0	88.7	89.8	90.3	90.2	89.5
Demand	*33.0*	*36.0*	*32.6*	*31.5*	*30.5*	*30.9*
Time and savings	*49.1*	*52.7*	*57.2*	*58.9*	*59.7*	*58.5*
Individuals, partnerships, and corporations—demand	25.4	31.5	28.2	27.1	26.4	26.5
Individuals, partnerships, and corporations—time and savings	42.4	46.7	51.7	53.2	53.7	52.0
U.S. Government	.3	.3	.4	.4	.5	.5
States and political subdivisions	6.7	9.1	8.4	8.5	8.3	8.5
Foreign governments and official institutions	1.0	(3)	(3)	(3)	(3)	(3)
Commercial banks	5.0	.3	.2	.2	.3	.9
Certified and officers' checks	1.1	.7	.7	.8	.8	.9
Federal funds purchased and securities sold under agreements to repurchase	6.9	.2	.3	.4	.6	1.3
Other liabilities for borrowed money	.5	(3)	(3)	(3)	(3)	(3)
All other liabilities[2]	2.9	.6	.7	1.1	1.3	1.3
Subordinated notes and debentures	.5	(3)	(3)	.1	.2	.3
Equity capital	7.1	10.4	9.0	8.0	7.6	7.5
Number of banks	14,249	1,399	2,826	4,975	2,641	1,309

Asset, liability, or equity capital item	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Total assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash and due from banks	11.1	12.4	12.8	14.1	16.4
U.S. Treasury securities[1]	10.9	9.5	9.1	8.5	7.6
Obligations of other U.S. Government agencies and corporations[1]	5.0	3.3	3.1	2.0	1.2
Obligations of States and political subdivisions[1]	13.2	12.1	11.7	9.5	5.8
Other securities[1]	.9	.8	1.0	.7	.3
Federal funds sold and securities purchased under agreements to resell	4.5	5.5	6.3	5.9	2.8
Loans, net	50.4	51.7	50.7	49.6	52.6
Unearned income on loans	1.6	1.6	1.2	.9	.6
Reserve for possible loan losses	.5	.6	.5	.5	.7
Loans, gross	52.5	54.0	52.5	51.0	54.0
Real estate loans	18.7	17.2	15.9	12.7	9.7
Loans to financial institutions	1.0	1.4	2.8	4.7	8.0
Loans to purchase or carry securities	.6	.9	1.4	1.4	3.4
Loans to farmers (excluding loans on real estate)	1.2	1.3	.9	.7	.7
Commercial and industrial loans	15.7	16.3	16.7	19.6	24.0
Instalment loans for personal expenditures	11.8	12.9	10.0	7.9	5.0
Single payment loans for personal expenditures	2.7	2.9	3.1	2.2	1.0
All other loans	.8	1.0	1.6	1.8	2.1
All other assets	3.9	4.6	5.2	9.6	13.2
Total liabilities and equity capital	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Deposits—total	88.0	85.8	82.8	77.3	73.6
Demand	*31.9*	*33.5*	*34.9*	*33.9*	*34.3*
Time and savings	*56.1*	*52.3*	*48.0*	*43.4*	*39.3*
Individuals, partnerships, and corporations—demand	25.9	26.8	27.2	26.2	22.2
Individuals, partnerships, and corporations—time and savings	48.8	44.9	41.6	37.5	32.0
U.S. Government	.4	.4	.4	.3	.1
States and political subdivisions	9.1	8.6	8.0	6.3	3.2
Foreign governments and official institutions	.1	(3)	(3)	.4	3.4
Commercial banks	2.6	4.1	4.4	5.5	10.9
Certified and officers' checks	.9	.9	1.1	.9	1.6
Federal funds purchased and securities sold under agreements to repurchase	2.9	5.2	7.8	11.6	12.0
Other liabilities for borrowed money	.1	.1	.2	.5	1.2
All other liabilities[2]	1.4	1.5	1.9	3.1	5.6
Subordinated notes and debentures	.4	.4	.6	.7	.5
Equity capital	7.1	6.9	6.6	6.6	6.9
Number of banks	721	145	108	107	18

[1]Securities held in trading accounts are included in "Other assets."
[2]Includes minority interest in consolidated subsidiaries.
[3]Less than 0.05 percent.

Note: For income and expense data by size of bank, see tables 117 and 118. Assets and liabilities (in $000) of insured commercial banks by size of bank are contained in *Assets and Liabilities—Commercial and Mutual Savings Banks* (with 1976 Report of Income), December 31, 1976.

Table 112. PERCENTAGES OF ASSETS AND LIABILITIES OF INSURED MUTUAL SAVINGS BANKS OPERATING THROUGHOUT 1976 IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976
BANKS GROUPED BY AMOUNT OF ASSETS

Asset, liability, or surplus account item	All banks[1]	Banks with assets of– Less than $10.0 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1 billion or more
Total assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash and due from banks	1.8	4.2	2.4	2.5	1.8	2.0	1.9	1.6	1.8
United States Government and agency securities	10.9	14.6	10.9	10.1	10.4	10.7	13.1	11.1	10.5
Corporate bonds	13.1	10.1	7.2	9.2	7.3	9.3	10.3	11.9	15.7
State, county, and municipal obligations	1.9	.1	.8	1.0	1.0	1.6	2.0	1.8	2.1
Other securities	5.6	4.8	5.6	5.6	5.9	5.3	4.7	5.0	6.0
Federal funds sold and securities purchased under agreements to resell	1.1	2.2	1.6	1.5	1.9	1.5	1.7	1.4	.7
Other loans and discounts	62.9	61.8	70.0	67.9	69.2	67.0	63.7	64.3	60.3
Real estate loans–total	60.3	56.6	65.1	63.4	65.0	63.6	60.9	61.9	58.0
Construction loans	*.7*	*.4*	*.5*	*1.0*	*1.5*	*1.3*	*.9*	*.6*	*.5*
Secured by farmland	(2)	*.4*	*.5*	*.2*	*.2*	(2)	(2)	(2)	(2)
Secured by residential properties:									
Insured by FHA	*11.2*	*4.3*	*1.8*	*2.5*	*4.1*	*5.9*	*10.7*	*11.9*	*13.4*
Guaranteed by VA	*9.3*	*.6*	*4.6*	*3.0*	*5.0*	*5.9*	*10.1*	*9.7*	*10.4*
Not insured or guaranteed by FHA or VA	*28.4*	*44.1*	*49.5*	*50.2*	*47.5*	*43.0*	*31.1*	*30.1*	*20.8*
Secured by other properties	*10.6*	*6.8*	*8.1*	*6.5*	*6.5*	*7.5*	*8.1*	*9.6*	*12.9*
Commercial and industrial loans	.5	.5	.5	.2	.2	.2	.2	.3	.7
Loans to individuals for personal expenditures	2.0	4.7	4.3	4.1	3.9	3.0	2.3	2.0	1.4
All other loans including overdrafts	.1	.1	.2	.2	.2	.1	.2	.1	.1
Other assets	2.8	2.1	1.5	2.3	2.5	2.6	2.6	2.9	2.9
Total liabilities and surplus accounts	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Deposits–total	91.9	91.6	92.2	91.5	91.4	91.9	91.9	91.9	91.9
Savings deposits	*55.7*	*76.3*	*58.3*	*59.3*	*58.9*	*56.1*	*57.4*	*59.1*	*53.3*
Deposits accumulated for payment of personal loans	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Fixed maturity and other time deposits	*35.3*	*15.3*	*33.2*	*31.7*	*31.8*	*35.0*	*33.7*	*31.5*	*37.7*
Demand deposits	*.9*	*.1*	*.7*	*.6*	*.8*	*.8*	*.8*	*1.3*	*.8*
Miscellaneous liabilities	1.5	.4	.9	1.0	1.2	1.3	1.1	1.3	1.9
Surplus accounts	6.6	8.0	6.9	7.5	7.4	6.8	6.9	6.8	6.3
Capital notes and debentures	*.2*	*.7*	*.3*	*.1*	*.1*	*.1*	*.1*	*.1*	*.2*
Other surplus accounts	*6.4*	*7.2*	*6.6*	*7.5*	*7.3*	*6.7*	*6.9*	*6.7*	*6.0*
Number of banks	329	6	13	48	82	82	30	36	32

[1] Dollar amounts of assets and liabilities of all mutual savings banks are shown in *Assets and Liabilities–Commercial and Mutual Savings Banks* (with 1976 Report of Income), December 31, 1976.
[2] Zero or less than 0.05 percent.

Table 113. DISTRIBUTION OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976

BANKS GROUPED ACCORDING TO AMOUNT OF ASSETS AND BY RATIOS OF SELECTED ITEMS TO ASSETS OR DEPOSITS

Ratios (In percent)	All banks	Banks with assets of									
		Less than $5 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Ratios of cash and due from banks to total assets of—											
Less than 5	1,183	126	267	451	196	92	39	6	2	4	0
5.0 to 7.49	3,847	328	825	1,423	795	325	128	11	11	0	1
7.5 to 9.99	3,853	350	704	1,374	755	396	199	41	18	16	0
10.0 to 12.49	2,349	213	436	792	437	240	156	29	21	20	5
12.5 to 14.99	1,319	144	247	428	224	117	79	22	29	27	2
15.0 to 17.49	781	112	150	234	112	65	56	16	13	18	5
17.5 to 19.99	447	66	94	131	57	33	34	7	9	15	1
20.0 to 24.99	395	90	83	99	52	28	22	8	4	7	2
25.0 to 29.99	118	42	26	27	9	7	2	3	1	0	1
30.0 or more	119	44	25	25	5	8	9	2	0	0	1
Ratios of U.S. Treasury securities to total assets of—											
Less than 5	2,823	270	473	1,037	518	281	141	40	24	31	8
5.0 to 9.99	4,063	308	726	1,398	823	416	243	54	49	42	4
10.0 to 14.99	3,103	268	581	1,084	617	307	173	28	21	19	5
15.0 to 19.99	1,854	204	381	649	351	157	85	12	7	7	1
20.0 to 24.99	1,097	141	287	356	170	82	45	9	2	5	0
25.0 to 29.99	639	110	172	216	84	31	23	0	1	2	0
30.0 to 34.99	356	72	107	112	34	19	9	0	2	1	0
35.0 to 39.99	192	32	52	65	28	12	1	2	0	0	0
40.0 to 44.99	117	42	31	30	6	5	1	0	2	0	0
45.0 to 49.99	77	25	22	20	7	1	2	0	0	0	0
50.0 or more	90	43	25	17	4	0	1	0	0	0	0

Ratios of obligations of States and political subdivisions to total assets of–											
Zero	1,186	440	417	287	22	17	3	0	0	0	0
More than 0.0, but less than 1.0	446	181	104	93	41	12	11	2	2	0	0
1.0 to 2.49	537	174	162	132	43	11	13	1	0	1	0
2.5 to 4.99	968	178	289	291	106	48	24	12	5	10	5
5.0 to 7.49	1,403	169	372	465	193	89	48	14	17	26	10
7.5 to 9.99	1,735	107	397	637	286	146	94	21	17	28	2
10.0 to 12.49	2,018	89	343	797	387	191	136	33	21	21	0
12.5 to 14.99	2,024	66	306	736	500	244	126	20	19	6	1
15.0 to 17.49	1,521	43	161	566	388	213	115	15	14	6	0
17.5 to 19.99	1,115	31	130	414	295	151	70	14	5	5	0
20.0 to 24.99	1,044	27	116	406	271	139	66	11	4	4	0
25.0 or more	414	10	60	160	110	50	18	2	4	0	0
Ratios of net loans to total assets of–											
Less than 20	202	71	52	51	18	4	5	0	1	0	0
20.0 to 24.99	203	54	47	67	18	10	6	0	0	1	0
25.0 to 29.99	430	96	104	129	62	22	14	2	0	1	0
30.0 to 34.99	664	101	149	229	98	46	27	8	5	1	0
35.0 to 39.99	1,076	152	237	361	180	76	51	4	7	8	0
40.0 to 44.99	1,550	146	316	528	292	132	87	12	15	20	2
45.0 to 49.99	2,056	168	370	702	406	221	117	27	17	22	6
50.0 to 54.99	2,368	172	412	799	482	264	152	36	24	25	2
55.0 to 59.99	2,457	197	412	846	484	282	149	38	28	16	5
60.0 to 64.99	1,863	151	357	693	382	167	80	13	9	9	2
65.0 to 69.99	1,013	117	238	387	168	66	30	4	1	1	1
70.0 to 74.99	387	59	106	154	42	18	5	1	0	2	0
75.0 or more	142	31	57	38	10	3	1	0	1	1	0
Ratios of total demand deposits to total deposits of–											
Less than 25	2,085	109	395	800	448	211	104	8	7	3	0
25.0 to 29.99	2,537	199	504	907	529	246	116	21	6	8	1
30.0 to 34.99	2,893	275	575	1,024	558	256	156	18	18	11	2
35.0 to 39.99	2,494	232	478	874	455	259	132	27	15	18	4
40.0 to 44.99	1,791	199	366	576	336	148	90	36	18	20	2
45.0 to 49.99	1,170	153	237	383	174	108	63	15	18	17	2
50.0 to 54.99	651	105	120	222	84	44	32	11	13	17	3
55.0 to 59.99	273	59	50	88	32	17	13	2	3	8	1
60.0 to 64.99	190	39	44	50	18	12	7	6	10	4	0
65.0 to 69.99	100	31	32	24	3	6	1	0	0	1	2
70.0 to 79.99	81	32	18	18	3	3	5	1	0	0	1
80.0 to 89.99	41	18	8	10	2	1	2	0	0	0	0
90.0 or more	105	64	30	8	0	0	3	0	0	0	0

Table 113. DISTRIBUTION OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), DECEMBER 31, 1976—CONTINUED

BANKS GROUPED ACCORDING TO AMOUNT OF ASSETS AND BY RATIOS OF SELECTED ITEMS TO ASSETS OR DEPOSITS

Ratios (In percent)	All banks	Banks with assets of									
		Less than $5 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Ratios of total equity capital to total assets of—											
Less than 5	403	13	27	122	79	60	60	17	14	7	4
5.0 to 5.99	1,174	30	129	375	258	166	125	32	24	32	3
6.0 to 6.99	2,728	128	432	980	590	304	185	31	34	39	5
7.0 to 7.99	3,464	231	608	1,271	757	358	178	24	21	14	2
8.0 to 8.99	2,547	228	531	942	479	221	102	25	7	10	2
9.0 to 9.99	1,469	189	346	547	241	91	36	10	5	3	1
10.0 to 10.99	874	131	225	319	124	57	15	0	1	2	0
11.0 to 11.99	547	99	163	186	57	27	12	2	0	0	1
12.0 to 12.99	331	87	106	96	27	10	1	2	2	0	0
13.0 to 14.99	341	102	127	75	20	10	5	2	0	0	0
15.0 to 16.99	169	57	61	38	7	3	3	0	0	0	0
17.0 or more	364	220	102	33	3	4	2	0	0	0	0
Ratios of total equity capital to total assets other than cash and due from banks, U.S. Treasury securities, and obligations of other U.S. Government agencies and corporations of—											
Less than 7.5	971	21	72	289	215	156	128	35	24	27	4
7.5 to 9.99	4,350	151	567	1,571	1,033	535	309	57	60	58	9
10.0 to 12.49	4,177	286	790	1,580	871	393	184	38	17	15	3
12.5 to 14.99	2,151	225	553	808	327	149	68	8	5	6	2
15.0 to 17.49	1,059	195	309	364	122	44	18	4	2	1	0
17.5 to 19.99	550	128	191	171	35	16	7	2	0	0	0
20.0 to 22.49	327	88	114	94	18	8	5	0	0	0	0
22.5 to 24.99	203	65	83	44	5	4	1	1	0	0	0
25.0 to 29.99	250	111	91	32	12	4	0	0	0	0	0
30.0 to 34.99	106	48	42	14	1	1	0	0	0	0	0
35.0 to 39.99	82	51	20	8	2	1	0	0	0	0	0
40.0 or more	185	146	25	9	1	0	4	0	0	0	0
Number of banks	14,411	1,515	2,857	4,984	2,642	1,311	724	145	108	107	18

INCOME OF INSURED BANKS

The income data received and published by the Corporation relate to commercial and mutual savings banks insured by the Corporation.

Commercial banks

Banks having assets of $25 million or more are required to report consolidated income accounts on an accrual basis. Where the results would not be significantly different, certain accounts may be reported on a cash basis. Smaller banks continue to have the option of submitting their reports on a cash or an accrual basis, except that unearned discount on instalment loans, and income taxes, must be reported on an accrual basis.

Prior to 1976, insured banks were required to submit a consolidated Report of Income, including all majority-owned domestic premises subsidiaries and other nonbank subsidiaries that were significant according to certain tests. Beginning in 1976, the consolidated income report must include also all majority-owned Edge Act and Agreement Corporations, and all majority-owned significant foreign subsidiaries and associated companies to the extent that the income of such subsidiaries is remittable.

Banks were required to report income and expenses more frequently beginning in 1976. Banks having assets of $300 million or more submit quarterly statements and other insured banks submit semiannual reports. In this report, income data are included for all insured banks operating at the end of the respective years, unless indicated otherwise. In addition, when appropriate, adjustments have been made for banks in operation during part of the year but not at the end of the year.

Several changes were made in 1976 in the format of the income reports submitted by banks, mainly involving additional separate items on the face of the report. Those changes are indicated in several historical data tables to follow, with explanatory notes where necessary.

In 1976, the method used for determining "Provision for possible loan losses" was changed significantly. Also, beginning in 1976, "memoranda" data in table 114 and elsewhere on charge-offs and recoveries to loan loss reserves include also the gross charge-offs and recoveries on loans by banks not on a reserve basis of accounting (see pp. 257).

"Applicable income taxes" on income before securities gains or losses is an estimate of the tax liability that a bank would incur if its taxes were based solely on operating income and expenses; that is, if there were no security gains or losses, no extraordinary items, etc. The amount reported by each bank consists of Federal, State and local, and foreign income taxes, estimated using the tax rates applicable to the reporting bank. Income taxes currently payable, and deferred income taxes, are included.

The memoranda item "total provision for income taxes" includes applicable taxes on operating income, applicable taxes on securities gains and losses and extraordinary items, and tax effects on differences between the provision for loan losses charged to operating expense and transfers to the reserve for bad debt losses on loans. For banks generally the transfers to reserve for bad debts have exceeded the provision for loan losses and consequently have tended to reduce tax liability. (Since enactment of the Tax Reform Act of 1969, additions to loan loss reserves for Federal tax purposes have been subject to a schedule of limitations that will eventually put these reserves on a current experience basis.)

Mutual savings banks

For a discussion of the report of income and expenses for mutual savings banks prior to 1971, see the 1951 Annual Report, pp. 50-52.

Beginning December 31, 1971, income and expenses for mutual savings banks are reported on a consolidated basis in the same manner as required of commercial banks, including all domestic branches, domestic bank premises subsidiaries, and other significant nonbanking domestic subsidiaries (see page 255).

Beginning in 1972, banks with total resources of $25 million or more are required to prepare their reports on the basis of accrual accounting. All banks are required to report income taxes on an accrual basis.

Under operating income, certain income from securities formerly in the "other" category are shown separately beginning in 1971. Income from U.S. Treasury securities is combined with income from U.S. Government agency and corporation securities. Somewhat fewer items are detailed under operating expenses. Beginning in 1971, actual net loan losses (charge-offs less recoveries) are included as an expense item in the operating section of the report (see discussion below). In 1970 and prior years (table 119), the amounts shown for this expense item were "Recoveries credited to valuation adjustment provisions on real estate mortgage loans" less the "realized losses charged to valuation adjustment provisions on [these] loans," which were reported in those years in the memoranda section.

The nonoperating sections of the report were condensed in 1971, with realized gains and losses on securities, mortgage loans, and real estate reported "net" rather than in separate sections and captions as before. Detailed data formerly reported on reconcilement of valuation adjustment provisions were almost entirely eliminated, except for a simple reconciliation of surplus.

Sources of data

National banks and State banks in the District of Columbia not members of the Federal Reserve System: Office of the Comptroller of the Currency.

State bank members of the Federal Reserve System: Board of Governors of the Federal Reserve System.

Other insured banks: Federal Deposit Insurance Corporation.

REPORTING OF LOSSES AND RESERVES FOR LOSSES ON LOANS, 1948 – 1976

Commercial banks

Use of the reserve method of loan accounting was greatly encouraged when, in 1947, the Internal Revenue Service set formal standards for loan loss transfers to be permitted for Federal tax purposes. In their reports submitted to the Federal bank supervisory agencies prior to 1948, insured commercial banks included in non-operating income the amounts of recoveries on loans (applicable to prior charge-offs for losses) which included, for banks using the reserve method, transfers from loan loss reserves. Direct charge-offs and losses on loans, and transfers to reserves were included together in non-operating expenses. Banks using the reserve method were not required to report separately their actual losses, that is, charges against loan loss reserves. (In statements of condition prior to 1948, insured banks reported loans on a net basis only, after allowance for loan loss reserves. Beginning with the June 30, 1948 report, banks were required to report gross loans, with total valuation reserves, those set up pursuant to Internal Revenue Service regulations, and other reserves shown separately. However, instalment loans ordinarily continued to be reported net if the instalment payments were applied directly to the reduction of the loan.)

Beginning with the year 1948, the income reports were revised to show separately, in a memoranda section, the losses charged to reserves. These items continued to be combined in the non-operating expense section until 1961. Recoveries credited to reserves were also itemized in the memoranda section beginning in 1948, as were the amounts transferred to and from reserves during the year. Each of these debits and credits were segregated as to reserves set up pursuant to IRS regulations, and other reserves. Losses and recoveries, and transfers to and from reserves, but not the specific tax-related transfers, were separately reported in the Corporation's published statistics.

Several important revisions were made in the format of the income reports of commercial banks in 1969. A new entry entitled "Provision for loan losses" was included under operating expenses. This item included actual loan losses (charge-offs less recoveries) during the year or, at the option of the bank, an amount derived by applying the average loan loss percentage for the five most recent years to the average amount of loans during the current year. Banks had the option also of providing a larger amount in any year than the amount indicated by the formula. Beginning in 1976, required use of the formulas was discontinued. Banks are instructed to expense an amount which in the judgment of bank management will maintain an adequate reserve, and to provide a fully reviewable record for bank examination purposes of the basis for the determination of the loan-loss provision.

Also beginning in 1976, banks not on a reserve basis report gross charge-offs and recoveries; the difference—net losses—is reported as the "provision for loan losses" in operating expenses. Banks continue to report all transfers to and from reserves in the memoranda section of the income statement, but this detailed information is not included in the tables to follow.

Mutual savings banks

While mutual savings banks reported loan losses and transfers to loss reserves prior to 1951, the Corporation's published statistics did not show these data separately, as was the case also for recoveries and transfers from reserves. When the reporting form was revised extensively in 1951, these various nonoperating expenses were itemized, and a memoranda section was added to show also the losses and recoveries in reserve accounts. "Realized" losses (and recoveries) for which no provision had been made, and transfers were included in the nonoperating expense (income) section, while direct write-downs and other loan losses for which provision had been made, were reported separately in a memoranda account.

Following 1951, the loan loss section of the reports of condition and income and expense remained unchanged until 1971. Beginning in 1971, the income report was revised in a manner similar to changes in 1969 applicable to commercial banks, to show actual net loan losses as operating expenses. (Mutual savings banks did not have the option available to commercial banks of reporting losses based on recent years average experience.) At the same time, all valuation reserves were merged into surplus accounts on statements of condition submitted to the Federal supervisory agencies.

Table 114. INCOME OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1971–1976
(Amounts in thousands of dollars)

Income item	1971	1972	1973	1974	1975	1976[1]
Operating income—total	**36,364,008**	**40,247,555**	**53,036,327**	**68,160,779**	**66,558,502**	**80,663,853**
Interest and fees on loans	23,069,354	25,630,498	35,375,638	47,138,740	43,379,504	51,645,260
Interest on balances with banks[2]	....	....	....	....	....	4,486,655
Income on federal funds sold and securities purchased under agreements to resell in domestic offices	871,167	1,026,550	2,486,695	3,712,304	2,294,621	1,984,757
Interest on U.S. Treasury securities[3]	3,395,663	3,396,365	3,465,192	3,441,273	4,440,640	5,976,210
Interest on obligations of other U.S. Government agencies and corporations[3]	916,559	1,144,761	1,472,467	2,018,561	2,348,937	2,415,164
Interest on obligations of States and political subdivisions of the U.S.[3]	3,127,136	3,493,981	3,864,785	4,453,876	4,918,518	5,134,676
Interest on other bonds, notes, and debentures[3]	238,033	322,239	371,987	467,873	533,244	751,007
Dividends on stock						105,046
Income from direct lease financing[2]	....	....	....	....	....	534,254
Income from fiduciary activities	1,257,807	1,366,455	1,459,879	1,506,206	1,601,968	1,794,732
Service charges on deposit accounts in domestic offices	1,231,470	1,262,022	1,326,992	1,459,858	1,555,360	1,635,463
Other service charges, commissions, and fees	989,432	1,083,104	1,251,651	1,408,525	1,653,549	2,182,927
Other income[3]	1,267,387	1,521,580	1,961,041	2,553,563	3,832,161	2,017,702
Operating expenses—total	**29,651,263**	**32,997,271**	**44,330,459**	**58,910,355**	**57,582,040**	**70,750,168**
Salaries and employee benefits	8,394,983	9,085,213	10,127,808	11,586,433	12,686,720	14,752,297
Interest on time certificates of deposit of $100,000 or more issued by domestic offices[4]	....	....	....	....	....	7,111,054
Interest on deposits in foreign offices[2]	....	....	....	....	....	8,749,673
Interest on other deposits	12,217,994	13,844,020	19,834,817	27,888,772	26,245,936	19,143,238
Expense of federal funds purchased and securities sold under agreements to repurchase in domestic offices	1,095,648	1,429,171	3,899,016	5,985,504	3,322,993	3,311,741
Interest on other borrowed money	139,388	115,240	503,941	917,638	377,195	667,197
Interest on subordinated notes and debentures	142,381	213,532	254,458	283,203	294,098	344,952
Occupancy expense of bank premises, gross	1,730,402	1,926,695	2,152,621	2,438,528	2,754,742	3,262,005
Less: Rental income	*320,212*	*343,157*	*369,665*	*386,183*	*430,098*	*497,201*
Occupancy expense of bank premises, net	*1,410,190*	*1,583,538*	*1,782,956*	*2,052,345*	*2,324,644*	*2,764,804*
Furniture and equipment	1,018,128	1,087,844	1,201,241	1,360,721	1,532,739	1,721,382
Provision for possible loan losses	867,260	973,238	1,264,695	2,286,132	3,612,410	3,691,378
Other expenses	4,365,291	4,665,475	5,461,527	6,549,607	7,185,305	8,492,452
Income before income taxes and securities gains or losses	**6,712,745**	**7,250,284**	**8,705,868**	**9,250,424**	**8,976,462**	**9,913,685**
Applicable income taxes	**1,689,146**	**1,707,495**	**2,121,100**	**2,084,028**	**1,792,696**	**2,290,772**
Income before securities gains or losses	**5,023,599**	**5,542,789**	**6,584,768**	**7,166,396**	**7,183,766**	**7,622,913**
Securities gains (losses), gross	359,279	166,730	−73,458	−161,247	34,376	312,267
Applicable income taxes	146,034	74,274	−46,323	−74,195	−2,690	118,233
Securities gains (losses), net	213,245	92,456	−27,135	−87,052	37,066	194,034
Income before extraordinary items	**5,236,844**	**5,635,245**	**6,557,633**	**7,079,344**	**7,220,832**	**7,816,947**
Extraordinary items, gross	**−12,552**	**23,953**	**30,817**	**17,877**	**46,823**	**28,104**
Applicable income taxes	−11,913	4,800	9,256	5,957	13,044	1,774
Extraordinary items, net	−639	19,153	21,561	11,920	33,779	26,330
Net income	**5,236,205**	**5,654,398**	**6,579,194**	**7,091,264**	**7,254,611**	**7,843,277**

Memoranda						
Dividends declared on equity capital—total	2,230,556	2,196,868	2,429,330	2,768,104	3,032,444	3,036,222
Cash dividends declared on common stock	*2,225,125*	*2,193,052*	*2,425,633*	*2,765,674*	*3,030,230*	*3,033,628*
Cash dividends declared on preferred stock	*5,431*	*3,816*	*3,697*	*2,430*	*2,214*	*2,594*
Provision for income taxes—total	1,651,807	1,598,869	1,715,439	1,759,739	1,727,041	2,410,779
U.S. Federal income taxes	*1,367,492*	*1,288,725*	*1,336,317*	*1,357,394*	*1,225,927*	*1,371,638*
U.S. State and local income taxes	*284,315*	*310,144*	*379,122*	*402,345*	*501,114*	*491,712*
Foreign income taxes[2]	....	....	....	....	....	*547,429*
Net loan losses (recoveries)—total	1,087,200	887,326	1,159,187	1,956,931	3,242,830	3,503,246
Recoveries on loans	*317,320*	*363,663*	*388,846*	*461,350*	*547,380*	*687,401*
Losses on loans	*1,404,520*	*1,250,989*	*1,548,033*	*2,418,281*	*3,790,210*	*4,190,647*
Trading account income, net[2]	....	....	....	....	....	717,655
Average assets, liabilities, and equity capital[5]						
Assets—total	**603,422,720**	**679,113,973**	**776,702,572**	**871,394,495**	**924,946,738**	**1,123,469,176**
Cash and due from banks	95,673,527	102,969,933	110,168,143	122,224,773	126,838,007	194,312,500
U.S. Treasury securities[3]	59,923,562	61,978,490	58,603,925	52,822,043	65,992,148	88,520,749
Obligations of States and political subdivisions[3]	74,606,153	84,210,396	89,241,780	94,524,535	98,953,279	102,733,896
Other securities[3]	18,216,064	23,863,051	29,355,715	35,256,603	39,203,344	51,110,347
Net loans[6]	327,633,687	376,543,347	453,238,907	519,572,131	536,061,723	632,696,842
All other assets	27,369,727	29,548,756	36,094,102	46,994,410	57,898,237	54,094,842
Liabilities and equity capital—total	**603,422,720**	**679,113,973**	**776,702,572**	**871,394,495**	**924,946,738**	**1,123,469,176**
Total deposits	507,101,968	568,240,268	640,806,208	710,029,868	756,948,586	944,238,914
Demand deposits	*251,447,347*	*271,122,732*	*293,708,282*	*307,363,186*	*313,836,391*	*320,488,016*
Time and savings deposits	*255,654,621*	*297,117,536*	*347,097,926*	*402,666,682*	*443,112,195*	*474,499,317*
Deposits in foreign offices	....	....	....	....	....	*149,251,581*
Subordinated notes and debentures	2,548,014	3,546,497	4,044,715	4,204,891	4,328,561	4,865,972
Other borrowings and all other liabilities	51,507,005	61,179,885	80,677,846	100,573,737	101,918,202	105,647,909
Total equity capital	42,265,733	46,147,323	51,173,803	56,585,999	61,751,389	68,716,381
Number of employees on payroll (end of period)	980,660	1,025,997	1,093,616	1,160,585	1,226,415	1,255,025
Number of banks (end of period)	13,612	13,733	13,976	14,228	14,384	14,411

[1] Data are from fully consolidated reports of income, including domestic and foreign offices (see page 255).
[2] Figures not available before 1976.
[3] Securities held in trading accounts are included in "All other assets"; income from these securities is included in "Other income."
[4] Included in "Interest on other deposits" before 1976.
[5] Averages of amounts reported at beginning, middle and end of year. 1976 averages are based on consolidated reports, domestic and foreign.
[6] For years before 1976, data are gross loans (see page 234 and table 109).

Table 115. RATIOS OF INCOME OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1971–1976

Income item	1971	1972	1973	1974	1975	1976[1]
Amounts per $100 of operating income						
Operating income—total	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**
Interest and fees on loans[2]	65.84	66.23	71.39	74.60	68.62	66.49
Interest on balances with banks[3]	......	......	......	......	......	5.56
Interest on U.S. Treasury securities	9.34	8.44	6.53	5.05	6.67	7.41
Interest on obligations of States and political subdivisions of the U.S.	8.60	8.65	7.29	6.53	7.39	6.37
Interest and dividends on other securities	3.17	3.64	3.48	3.65	4.33	4.05
Income from fiduciary activities	3.46	3.40	2.75	2.21	2.41	2.23
Service charges on deposit accounts in domestic offices	3.39	3.14	2.50	2.14	2.34	2.03
Other charges, commissions, and fees	2.72	2.67	2.36	2.07	2.48	2.71
Other income	3.48	3.78	3.70	3.75	5.76	3.16
Operating expenses—total	**81.54**	**81.98**	**83.58**	**86.43**	**86.51**	**87.71**
Salaries and employee benefits	23.09	22.57	19.10	17.00	19.06	18.29
Interest on deposits in domestic offices[3]	33.60	34.40	37.40	40.92	39.43	32.55
Interest on deposits in foreign offices	......	......	......	......	......	10.85
Interest on other borrowed money[4]	3.79	4.37	8.78	10.54	6.00	5.36
Occupancy expense of bank premises, net	3.88	3.93	3.36	3.01	3.49	3.43
Furniture and equipment	2.80	2.70	2.26	2.00	2.30	2.13
Provision for possible loan losses	2.38	2.42	2.38	3.35	5.43	4.57
Other expenses	12.00	11.59	10.30	9.61	10.80	10.53
Income before income taxes and securities gains or losses	**18.46**	**18.02**	**16.42**	**13.57**	**13.49**	**12.29**
Amounts per $100 of total assets[5]						
Operating income—total	6.03	5.93	6.83	7.82	7.20	7.18
Operating expenses—total	4.91	4.86	5.71	6.76	6.23	6.30
Income before income taxes and securities gains or losses	1.11	1.07	1.12	1.06	.97	0.88
Net income	.87	.83	.85	.81	.78	0.70
Amounts per $100 of total equity capital[5]						
Net income	12.39	12.25	12.86	12.53	11.75	11.41
Cash dividends declared on common stock	5.26	4.75	4.74	4.89	4.91	4.41
Net additions to capital from income	7.11	7.49	8.11	7.64	6.84	7.00
Special ratios[5]						
Income on loans per $100 of loans[2]	7.31	7.08	8.35	9.79	8.52	8.48
Income on U.S. Treasury securities per $100 of U.S. Treasury securities	5.67	5.48	5.91	6.51	6.73	6.75
Income on obligations of States and political subdivisions per $100 of obligations of States and political subdivisions	4.19	4.15	4.33	4.71	4.97	5.00
Service charges on demand deposits in domestic offices per $100 of those deposits	.49	.47	.45	.47	.50	0.51
Interest paid on time and savings deposits in domestic offices per $100 of those deposits	4.78	4.66	5.71	6.93	5.92	5.53
Number of banks, December 31, 1976	13,612	13,733	13,976	14,228	14,384	14,411

[1]Based on consolidated (including foreign) reports of income—see table 114, note 1.
[2]Includes Federal funds sold.
[3]Not available before 1976.
[4]Includes interest on Federal funds purchased, subordinated notes and debentures, and other borrowed money.
[5]Ratios are based on averages of assets and liabilities—see table 114 notes 5 and 6.

Table 116. INCOME OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1976
BANKS GROUPED BY CLASS OF BANK
(Amounts in thousands of dollars)

Sources and disposition of income	Total	Members F.R. System		Non-members F.R. System	Operating throughout the year	Operating less than full year
		National	State			
Operating income—total	**80,663,853**	**48,021,410**	**15,621,323**	**17,021,120**	**80,605,310**	**58,543**
Interest and fees on loans	51,645,260	31,031,046	9,870,340	10,743,874	51,612,598	32,662
Interest on balances with banks	4,486,655	2,946,656	1,316,570	223,429	4,484,713	1,942
Income on federal funds sold and securities purchased under agreements to resell in domestic offices	1,984,757	1,229,182	281,913	473,662	1,978,761	5,996
Interest on U.S. Treasury securities	5,976,210	3,193,274	1,055,437	1,727,499	5,969,414	6,796
Interest on obligations of other U.S. Government agencies and corporations	2,415,164	1,210,149	264,994	940,021	2,413,101	2,063
Interest on obligations of States and political subdivisions of the U.S.	5,134,676	2,801,076	885,278	1,448,322	5,131,301	3,375
Interest on other bonds, notes, and debentures	751,007	492,072	119,962	138,973	750,752	255
Dividends on stock	105,046	62,149	27,385	15,512	104,897	149
Income from direct lease financing	534,254	408,438	99,161	26,655	534,167	87
Income from fiduciary activities	1,794,732	1,029,203	595,440	170,089	1,794,205	527
Service charges on deposit accounts in domestic offices	1,635,463	911,467	210,563	513,433	1,633,502	1,961
Other service charges, commissions, and fees	2,182,927	1,441,484	366,643	374,800	2,181,220	1,707
Other income	2,017,702	1,265,214	527,637	224,851	2,016,679	1,023
Operating expenses—total	**70,750,168**	**42,103,393**	**13,818,559**	**14,828,216**	**70,681,523**	**68,645**
Salaries and employee benefits	14,752,297	8,575,522	2,726,032	3,450,743	14,733,573	18,724
Interest on time certificates of deposit of $100,000 or more issued by domestic offices	7,111,054	4,327,891	1,571,161	1,212,002	7,106,947	4,107
Interest on deposits in foreign offices	8,749,673	5,962,140	2,709,850	77,683	8,749,450	223
Interest on other deposits	19,143,238	10,595,809	2,580,003	5,967,426	19,125,752	17,486
Expense of federal funds purchased and securities sold under agreements to repurchase in domestic offices	3,311,741	2,268,120	882,602	161,019	3,310,400	1,341
Interest on other borrowed money	667,197	454,745	183,148	29,304	667,029	168
Interest on subordinated notes and debentures	344,952	179,190	93,763	71,999	344,196	756
Occupancy expense of bank premises, gross	3,262,005	1,879,653	683,782	698,570	3,257,000	5,005
Less: rental income	*497,201*	*331,341*	*86,353*	*79,507*	*496,727*	*474*
Occupancy expense of bank premises, net	*2,764,804*	*1,548,312*	*597,429*	*619,063*	*2,760,273*	*4,531*
Furniture and equipment expense	1,721,382	1,015,489	289,881	416,012	1,718,570	2,812
Provision for possible loan losses	3,691,378	2,250,427	789,155	651,796	3,689,773	1,605
Other expenses	8,492,452	4,925,748	1,395,535	2,171,169	8,475,560	16,892
Income before income taxes and securities gains or losses	**9,913,685**	**5,918,017**	**1,802,764**	**2,192,904**	**9,923,787**	**−10,102**
Applicable income taxes	**2,290,772**	**1,436,755**	**494,477**	**359,540**	**2,291,868**	**−1,096**
Income before securities gains or losses	**7,622,913**	**4,481,262**	**1,308,287**	**1,833,364**	**7,631,919**	**−9,006**
Securities gains or losses, gross	**312,267**	**168,493**	**24,460**	**119,314**	**310,571**	**1,696**
Applicable income taxes	118,233	72,596	9,526	36,111	117,647	586
Securities gains or losses, net	194,034	95,897	14,934	83,203	192,924	1,110
Income before extraordinary items	**7,816,947**	**4,577,159**	**1,323,221**	**1,916,567**	**7,824,843**	**−7,896**
Extraordinary items, gross	**28,104**	**13,303**	**4,229**	**10,572**	**28,192**	**−88**
Applicable income taxes	1,774	−588	1,187	1,175	1,774	0
Extraordinary items, net	26,330	13,891	3,042	9,397	26,418	−88

Table 116. INCOME OF INSURED COMMERCIAL BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1976–CONTINUED
BANKS GROUPED BY CLASS OF BANK
(Amounts in thousands of dollars)

Sources and disposition of income	Total	Members F.R. System		Non-members F.R. System	Operating throughout the year	Operating less than full year
		National	State			
Net income	**7,843,277**	**4,591,050**	**1,326,263**	**1,925,964**	**7,851,261**	**–7,984**
MEMORANDA						
Dividends declared on equity capital–total	**3,036,222**	**1,821,088**	**631,063**	**584,071**	**3,036,109**	**113**
Cash dividends declared on common stock	*3,033,628*	*1,820,000*	*630,876*	*582,752*	*3,033,515*	*113*
Cash dividends declared on preferred stock	*2,594*	*1,088*	*187*	*1,319*	*2,594*	*0*
Provision for income taxes–total	**2,410,779**	**1,508,763**	**505,190**	**396,826**	**2,411,289**	**–510**
U.S. Federal income taxes	*1,371,638*	*857,212*	*201,017*	*313,409*	*1,372,264*	*–626*
U.S. State and local income taxes	*491,712*	*237,106*	*174,398*	*80,208*	*491,596*	*116*
Foreign income taxes	*547,429*	*414,445*	*129,775*	*3,209*	*547,429*	*0*
Net loan losses or recoveries–total	**–3,503,246**	**–2,105,582**	**–815,140**	**–582,524**	**–3,496,662**	**–6,584**
Recoveries on loans	*687,401*	*439,352*	*98,223*	*149,826*	*686,507*	*894*
Losses on loans	*–4,190,647*	*–2,544,934*	*–913,363*	*–732,350*	*–4,183,169*	*–7,478*
Trading account income, net	717,655	473,540	222,193	21,922	717,622	33
Number of employees (end of period)	1,255,025	724,313	198,710	332,002	1,252,459	2,566
Number of banks (end of period)	14,411	4,737	1,023	8,651	14,249	162

Table 117. INCOME OF INSURED COMMERCIAL BANKS OPERATING THROUGHOUT 1976 IN THE UNITED STATES (STATES AND OTHER AREAS)
BANKS GROUPED BY AMOUNT OF ASSETS
(Amounts in thousands of dollars)

Sources and disposition of income	All banks[1]	Banks with assets of— Less than $5 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Operating income—total	**80,605,310**	**356,267**	**1,497,247**	**5,838,691**	**6,544,056**	**6,360,464**	**8,205,064**	**3,952,347**	**5,291,391**	**15,032,891**	**27,526,892**
Interest and fees on loans	51,612,598	204,086	898,590	3,629,016	4,143,748	4,054,994	5,137,113	2,551,366	3,327,625	9,364,010	18,302,050
Interest on balances with banks	4,484,713	3,802	11,830	41,655	49,425	60,227	91,611	37,671	76,885	841,842	3,269,765
Income on federal funds sold and securities purchased under agreements to resell in domestic offices	1,978,761	15,377	54,691	193,913	192,031	170,487	228,235	125,919	169,349	481,673	347,086
Interest on U.S. Treasury securities	5,969,414	55,991	200,430	660,766	690,957	641,380	789,851	333,465	428,838	1,017,655	1,150,081
Interest on obligations of other U.S. Government agencies and corporations	2,413,101	33,128	121,281	382,762	354,638	303,486	407,828	125,016	168,728	270,224	246,010
Interest on obligations of States and political subdivisions of the U.S.	5,131,301	14,819	98,452	502,795	628,846	615,058	742,959	325,395	441,997	983,614	777,366
Interest on other bonds, notes, and debentures	750,752	2,160	7,021	37,575	48,085	49,590	68,900	30,870	44,059	102,685	359,807
Dividends on stock	104,897	177	921	4,465	5,707	5,382	9,774	6,063	8,377	24,533	39,498
Income from direct lease financing	534,167	155	717	4,366	9,729	13,848	25,235	31,370	25,892	129,546	293,309
Income from fiduciary activities	1,794,205	2,709	6,230	22,241	26,468	73,424	169,535	110,795	207,148	571,018	604,637
Service charges on deposit accounts in domestic offices	1,633,502	9,905	47,467	187,248	209,781	183,541	211,315	101,120	129,520	286,715	266,890
Other service charges, commissions, and fees	2,181,220	10,516	35,211	115,616	118,382	121,316	194,130	111,652	158,429	451,206	864,762
Other income	2,016,679	3,442	14,406	56,273	66,259	67,731	128,578	61,645	104,544	508,170	1,005,631
Operating expenses—total	**70,681,523**	**311,372**	**1,295,640**	**4,970,613**	**5,594,742**	**5,489,487**	**7,241,447**	**3,523,216**	**4,684,176**	**13,290,933**	**24,279,897**
Salaries and employee benefits	14,733,573	92,690	328,521	1,137,159	1,226,567	1,226,730	1,652,220	827,672	1,143,018	2,949,496	4,149,500
Interest on time certificates of deposit of $100,000 or more issued by domestic offices	7,106,947	8,688	47,002	246,701	357,096	444,576	712,763	384,175	512,363	1,595,605	2,797,978
Interest on deposits in foreign offices	8,749,450	539	48	761	0	0	6,786	2,908	56,427	1,066,677	7,615,304
Interest on other deposits	19,125,752	125,915	579,129	2,307,454	2,557,103	2,339,624	2,720,499	1,155,482	1,335,252	3,082,838	2,922,456
Expense of federal funds purchased and securities sold under agreements to repurchase in domestic offices	3,310,400	529	2,905	16,091	26,553	56,749	166,405	135,028	273,591	1,092,312	1,540,237
Interest on other borrowed money	667,029	312	1,580	4,212	6,853	7,690	11,602	8,075	19,369	125,951	481,385
Interest on subordinated notes and debentures	344,196	156	1,226	9,882	16,733	20,883	37,273	19,648	29,637	105,686	103,072
Occupancy expense of bank premises, gross	3,257,000	12,814	52,734	194,867	234,144	256,558	384,822	202,091	274,614	723,069	921,287
Less: Rental income	*496,727*	*586*	*2,484*	*10,397*	*18,370*	*30,433*	*65,608*	*36,803*	*52,943*	*168,316*	*110,787*
Occupancy expense of bank premises, net	*2,760,273*	*12,228*	*50,250*	*184,470*	*215,774*	*226,125*	*319,214*	*165,288*	*221,671*	*554,753*	*810,500*
Furniture and equipment expense	1,718,570	9,654	38,135	136,500	151,058	153,623	223,447	118,418	162,136	356,740	368,859
Provision for possible loan losses	3,689,773	11,035	47,906	181,532	212,312	208,992	326,829	181,341	241,245	714,955	1,563,626
Other expenses	8,475,560	49,626	198,938	745,851	824,693	804,495	1,064,409	525,181	689,467	1,645,920	1,926,980
Income before income taxes and securities gains or losses	**9,923,787**	**44,895**	**201,607**	**868,078**	**949,314**	**870,977**	**963,617**	**429,131**	**607,215**	**1,741,958**	**3,246,995**
Applicable income taxes	**2,291,868**	**8,787**	**36,648**	**156,349**	**157,519**	**129,359**	**120,652**	**50,580**	**82,072**	**338,100**	**1,211,802**

Table 117. INCOME OF INSURED COMMERCIAL BANKS OPERATING THROUGHOUT 1976 IN THE UNITED STATES (STATES AND OTHER AREAS)—CONTINUED
BANKS GROUPED BY AMOUNT OF ASSETS
(Amounts in thousands of dollars)

Sources and disposition of income	All banks[1]	Banks with assets of—									
		Less than $5 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Income before securities gains or losses	**7,631,919**	**36,108**	**164,959**	**711,729**	**791,795**	**741,618**	**842,965**	**378,551**	**525,143**	**1,403,858**	**2,035,193**
Securities gains or losses, gross	**310,571**	**3,045**	**13,175**	**47,228**	**46,387**	**41,042**	**52,320**	**10,994**	**28,897**	**23,135**	**44,348**
Applicable income taxes	117,647	448	2,466	11,597	13,193	14,235	22,786	5,063	12,949	10,211	24,699
Securities gains or losses, net	192,924	2,597	10,709	35,631	33,194	26,807	29,534	5,931	15,948	12,924	19,649
Income before extraordinary items	**7,824,843**	**38,705**	**175,668**	**747,360**	**824,989**	**768,425**	**872,499**	**384,482**	**541,091**	**1,416,782**	**2,054,842**
Extraordinary items, gross	**28,192**	**393**	**861**	**6,538**	**3,116**	**7,426**	**4,862**	**1,907**	**2,289**	**800**	**0**
Applicable income taxes	1,774	104	116	712	102	857	640	422	−976	−203	0
Extraordinary items, net	26,418	289	745	5,826	3,014	6,569	4,222	1,485	3,265	1,003	0
Net income	**7,851,261**	**38,994**	**176,413**	**753,186**	**828,003**	**774,994**	**876,721**	**385,967**	**544,356**	**1,417,785**	**2,054,842**
Memoranda											
Dividends declared on equity capital—total	**3,036,109**	**9,140**	**40,292**	**176,705**	**230,695**	**251,485**	**339,149**	**168,264**	**259,504**	**652,023**	**908,852**
Cash dividends declared on common stock	*3,033,515*	*9,138*	*40,269*	*176,480*	*230,378*	*251,084*	*338,147*	*168,127*	*259,233*	*651,807*	*908,852*
Cash dividends declared on preferred stock	*2,594*	*2*	*23*	*225*	*317*	*401*	*1,002*	*137*	*271*	*216*	*0*
Provision for income taxes—total	**2,411,289**	**9,339**	**39,230**	**168,658**	**170,814**	**144,451**	**144,078**	**56,065**	**94,045**	**348,108**	**1,236,501**
U.S. Federal income taxes	*1,372,264*	*7,789*	*33,117*	*143,112*	*145,520*	*119,297*	*111,862*	*42,859*	*63,979*	*231,308*	*473,421*
U.S. State and local income taxes	*491,596*	*1,549*	*6,095*	*25,295*	*25,269*	*24,980*	*31,917*	*13,027*	*27,481*	*64,650*	*271,333*
Foreign income taxes	*547,429*	*1*	*18*	*251*	*25*	*174*	*299*	*179*	*2,585*	*52,150*	*491,747*
Net loan losses (recoveries)—total	**−3,496,662**	**−9,542**	**−39,544**	**−153,742**	**−191,182**	**−198,326**	**−278,485**	**−171,760**	**−237,722**	**−706,949**	**−1,509,410**
Recoveries on loans	*686,507*	*3,016*	*15,148*	*60,198*	*65,667*	*55,459*	*69,123*	*43,778*	*47,973*	*144,070*	*182,075*
Losses on loans	*−4,183,169*	*−12,558*	*−54,692*	*−213,940*	*−256,849*	*−253,785*	*−347,608*	*−215,538*	*−285,695*	*−851,019*	*−1,691,485*
Trading account income, net	717,622	3	45	169	132	1,188	12,380	11,466	39,647	243,826	408,766
Number of employees on payroll (end of period)	1,252,459	9,406	32,415	111,735	122,558	119,594	157,620	76,775	101,215	239,396	281,745
Number of banks (end of period)	14,249	1,399	2,826	4,975	2,641	1,309	721	145	108	107	18

[1] This group of banks is the same as the group shown in table 116 under the heading "Operating throughout the year."

Table 118. RATIOS OF INCOME OF INSURED COMMERCIAL BANKS OPERATING THROUGHOUT 1976 IN THE UNITED STATES (STATES AND OTHER AREAS)[1]
BANKS GROUPED ACCORDING TO AMOUNT OF ASSETS

Income item	Banks with assets of—									
	Less than $5 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Amounts per $100 of operating income										
Operating income—total	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**
Interest and fees on loans	57.28	60.02	62.15	63.32	63.75	62.63	64.50	62.85	62.99	65.91
Interest on balances with banks	1.07	0.79	0.71	0.76	0.95	1.08	1.02	1.13	4.32	12.07
Income on federal funds sold and securities purchased with agreements to resell in domestic offices	4.32	3.65	3.32	2.93	2.68	2.77	3.20	3.26	3.28	1.34
Interest on U.S. Treasury securities[2]	15.72	13.39	11.32	10.56	10.08	9.64	8.42	8.14	7.15	4.18
Interest on obligations of States and political subdivisions of the U.S.[2]	4.16	6.58	8.61	9.61	9.67	9.07	8.21	8.47	6.67	3.00
Interest and dividends on other securities[2]	9.96	8.63	7.28	6.24	5.63	5.92	4.13	4.22	2.70	2.34
Income from fiduciary activities	0.76	0.42	0.38	0.40	1.15	2.07	2.79	3.98	3.68	2.35
Service charges on deposit accounts in domestic offices	2.78	3.17	3.21	3.21	2.89	2.58	2.55	2.47	2.03	0.98
Other charges, commissions, and fees	2.95	2.35	1.98	1.81	1.91	2.36	2.83	2.97	2.93	3.17
Other income[2]	1.01	1.01	1.03	1.16	1.28	1.88	2.35	2.50	4.26	4.66
Operating expenses—total	**87.40**	**86.53**	**85.13**	**85.49**	**86.31**	**88.27**	**89.12**	**88.35**	**88.76**	**88.09**
Salaries and employee benefits	26.02	21.94	19.48	18.74	19.29	20.16	20.89	21.77	19.99	15.19
Interest on deposits in domestic offices	37.78	41.82	43.75	44.54	43.77	41.84	38.97	34.94	32.75	27.34
Interest on deposits in foreign offices	0.15	(4)	0.01	(4)	(4)	0.07	0.10	0.64	4.87	20.75
Expense of federal funds purchased and securities sold under agreements to repurchase in domestic offices	0.15	0.19	0.28	0.41	0.89	2.02	3.43	5.22	7.16	5.74
Interest on other borrowed money	0.09	0.11	0.07	0.10	0.12	0.14	0.20	0.37	0.64	1.77
Interest on subordinated notes and debentures	0.04	0.08	0.17	0.26	0.33	0.45	0.51	0.54	0.78	0.37
Occupancy expense of bank premises, net	3.43	3.36	3.16	3.30	3.56	3.89	4.17	4.22	3.84	2.92
Furniture and equipment	2.71	2.55	2.34	2.31	2.42	2.73	2.99	3.10	2.44	1.38
Provision for possible loan losses	3.10	3.20	3.11	3.24	3.29	3.98	4.58	4.44	4.90	5.58
Other expenses	13.93	13.29	12.77	12.60	12.65	12.98	13.27	13.12	11.38	7.06
Income before income taxes and securities gains or losses	**12.60**	**13.47**	**14.87**	**14.51**	**13.69**	**11.73**	**10.88**	**11.65**	**11.24**	**11.91**
Amounts per $100 of total assets[3]										
Operating income—total	7.18	7.16	7.15	7.17	7.11	7.05	7.06	6.89	6.62	6.61
Operating expenses—total	6.28	6.20	6.08	6.13	6.14	6.23	6.29	6.09	5.88	5.82
Income before income taxes and securities gains or losses	0.90	0.96	1.06	1.04	0.97	0.83	0.77	0.80	0.74	0.79
Net income	0.79	0.84	0.92	0.91	0.87	0.75	0.69	0.72	0.62	0.50
Memoranda										
Recoveries credited to reserve for possible loan losses	0.06	0.07	0.07	0.07	0.06	0.06	0.08	0.06	0.06	0.05
Losses charged to reserve for possible loan losses	0.25	0.26	0.26	0.28	0.28	0.30	0.38	0.37	0.39	0.40
Provision for possible loan losses	0.25	0.23	0.22	0.23	0.23	0.28	0.32	0.31	0.32	0.37

Table 118. RATIOS OF INCOME OF INSURED COMMERCIAL BANKS OPERATING THROUGHOUT 1976 IN THE UNITED STATES (STATES AND OTHER AREAS)[1]—CONTINUED

BANKS GROUPED ACCORDING TO AMOUNT OF ASSETS

Income item	Banks with assets of—									
	Less than $5 million	$5.0 million to $9.9 million	$10.0 million to $24.9 million	$25.0 million to $49.9 million	$50.0 million to $99.9 million	$100.0 million to $299.9 million	$300.0 million to $499.9 million	$500.0 million to $999.9 million	$1.0 billion to $4.9 billion	$5.0 billion or more
Amounts per $100 of equity capital[3]										
Net income	7.55	9.28	11.41	11.78	11.54	10.63	9.90	10.84	10.26	11.16
Cash dividends declared on common stock	1.77	2.12	2.67	3.28	3.74	4.10	4.30	5.15	4.78	4.92
Net additions to capital from income	6.99	9.13	11.21	11.83	11.30	10.95	8.87	8.52	8.67	15.97
Memoranda										
Recoveries credited to reserve for possible loan losses	0.58	0.80	0.91	0.93	0.83	0.84	1.12	0.96	1.04	1.00
Losses charged to reserve for possible loan losses	2.44	2.88	3.24	3.65	3.78	4.22	5.51	5.51	6.41	8.87
Provision for possible loan losses	2.18	2.54	2.78	3.04	3.12	3.97	4.65	4.60	5.38	8.17
Special ratios[3]										
Income on loans per $100 of loans	8.31	8.36	8.54	8.71	8.66	8.67	8.69	8.41	8.20	7.85
Income on U.S. Treasury securities per $100 of U.S. Treasury securities	6.89	6.83	6.67	6.61	6.55	6.22	6.27	6.22	5.82	5.65
Income on obligations of States and political subdivisions per $100 of obligations of States and political subdivisions	5.58	5.28	5.06	4.96	4.91	4.83	4.80	4.91	5.00	5.03
Income on other securities per $100 of other securities	7.62	7.43	7.21	7.09	6.94	7.00	6.80	6.92	6.22	8.26
Service charges on demand deposits in domestic offices per $100 of those deposits	0.55	0.70	0.73	0.75	0.66	0.57	0.54	0.49	0.43	0.29
Interest paid on time and savings deposits per $100 of those deposits	5.15	5.23	5.31	5.34	5.31	5.25	5.27	5.05	5.21	5.50
Number of banks, December 31, 1976	1,399	2,826	4,975	2,641	1,309	720	146	106	104	23

[1] This group of banks is the same as the group shown in table 116 under heading "Operating throughout the year."
[2] Income from securities held in trading accounts is included in "Other operating income."
[3] Ratios are based on assets and liabilities reported at end of year.
[4] Less than 0.005.

Table 119. INCOME OF INSURED MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1971–1976
(Amounts in thousands of dollars)

Income item	1971	1972	1973	1974	1975	1976
Operating income—total	**4,529,014**	**5,295,449**	**6,064,895**	**6,483,654**	**7,179,294**	**8,312,692**
Interest and fees on real estate mortgage loans, net	3,275,859	3,690,871	4,171,520	4,503,214	4,817,741	5,225,101
Interest and fees on real estate mortgage loans, gross	*3,344,057*	*3,760,908*	*4,240,926*	*4,570,902*	*4,883,664*	*5,290,560*
Less: Mortgage servicing fees	*68,198*	*70,037*	*69,406*	*67,688*	*65,923*	*65,459*
Interest and fees on other loans	163,675	178,126	283,506	337,844	283,416	334,625
Interest on U.S. Government and agency securities	268,370	352,297	414,359	403,940	567,577	869,038
Interest on corporate bonds	546,033	726,665	730,132	743,944	929,613	1,166,755
Interest on State, county, and municipal obligations	12,789	30,857	52,982	47,028	74,858	142,958
Interest on other bonds, notes, and debentures	75,489	91,856	116,901	125,718	150,841	200,849
Dividends on corporate stock	105,592	126,256	148,781	170,273	191,401	207,398
Income from service operations	27,669	30,072	35,771	27,875	32,968	39,825
Other operating income	53,538	68,449	110,943	123,818	130,879	126,143
Operating expenses—total	**581,693**	**671,818**	**811,689**	**938,705**	**1,083,192**	**1,310,921**
Salaries	243,446	270,353	307,030	344,304	388,061	440,284
Pensions and other employee benefits	55,944	63,882	72,567	83,338	98,268	114,310
Interest on borrowed money	7,862	6,713	28,907	66,110	55,168	45,365
Occupancy expense of bank premises (including taxes, depreciation, maintenance, rentals), net	71,113	82,820	96,128	114,206	135,754	158,044
Furniture and equipment (including recurring depreciation)	28,365	32,237	37,104	43,815	52,543	62,285
Actual net loan losses (charge-offs less recoveries)	3,328	4,500	8,994	10,034	21,836	78,732
Other operating expenses	171,635	211,313	260,959	276,898	331,562	411,901
Net operating income before interest and dividends on deposits	**3,947,321**	**4,623,631**	**5,253,206**	**5,544,949**	**6,096,102**	**7,001,771**
Interest and dividends on deposits—total	**3,418,845**	**3,943,233**	**4,480,901**	**4,916,724**	**5,495,842**	**6,287,966**
Savings deposits	3,058,645	3,392,798	3,567,595	3,607,170	3,778,695	4,160,435
Other time deposits	360,200	550,435	913,306	1,309,554	1,717,147	2,127,531
Net operating income after interest and dividends on deposits	**528,476**	**680,398**	**772,305**	**628,225**	**600,260**	**713,805**
Net realized gains (or losses) on—total	**−58,286**	**−14,896**	**−92,357**	**−148,844**	**−63,283**	**20,260**
Securities	−44,290	3,481	−65,973	−111,501	−25,899	49,283
Real estate mortgage loans	−12,133	−25,944	−20,187	−38,556	−22,904	−21,554
Real estate	−1,690	−509	−673	588	−7,169	−423
Other transactions	−173	8,076	−5,524	625	−7,311	−7,046
Less minority interest in consolidated subsidiaries	**0**	**34**	**0**	**0**	**37**	**5**
Net income before taxes	**470,190**	**665,468**	**679,948**	**479,381**	**536,940**	**734,060**
Franchise and income taxes—total	**126,601**	**186,303**	**201,792**	**161,870**	**171,549**	**227,088**
Federal income tax	63,833	108,679	114,500	81,089	66,543	107,801
State and local franchise and income taxes	62,768	77,624	87,292	80,781	105,006	119,287
Net income	**343,589**	**479,165**	**478,156**	**317,511**	**365,391**	**506,972**

Table 119. INCOME OF INSURED MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1971–1976—CONTINUED
(Amounts in thousands of dollars)

Income item	1971	1972	1973	1974	1975	1976
Memoranda						
Change in surplus accounts, net	486,234	534,229	561,695	369,166	407,314	545,665
Discount on securities, total	16,513	19,630	27,805	32,406	109,383	41,722
Average assets and liabilities[1]						
Assets—total	**73,661,663**	**82,995,606**	**90,850,840**	**94,426,708**	**101,714,468**	**114,044,800**
Cash and due from banks	1,156,181	1,329,972	1,676,216	1,825,066	2,067,540	1,934,535
U.S. Government and agency securities	4,437,666	5,740,097	6,299,082	5,950,081	7,823,837	11,482,069
Other securities	11,932,355	15,033,388	16,238,983	16,410,896	19,035,575	23,065,574
Real estate mortgage loans	52,364,759	56,553,602	61,600,178	64,695,689	66,698,116	70,314,531
Other loans and discounts	2,309,498	2,566,460	2,967,740	3,250,960	3,388,551	4,084,414
Other real estate	75,520	116,406	170,868	207,125	320,468	457,255
All other assets	1,385,684	1,655,681	1,897,773	2,086,891	2,380,381	2,706,422
Liabilities and surplus accounts—total	**73,661,663**	**82,995,606**	**90,850,840**	**94,426,708**	**101,714,468**	**114,044,800**
Total deposits	67,443,302	76,226,170	83,212,442	85,994,384	92,850,364	104,554,349
Savings and time deposits	*66,784,186*	*75,472,194*	*82,350,237*	*85,097,902*	*91,885,361*	*103,540,616*
Demand deposits	*659,116*	*753,976*	*862,205*	*896,482*	*965,003*	*1,013,733*
Other liabilities	982,655	1,074,401	1,381,121	1,763,885	1,803,741	1,849,625
Total surplus accounts	5,235,706	5,695,035	6,257,277	6,668,439	7,060,363	7,640,826
Number of employees (end of period)	30,134	32,866	35,668	37,494	40,261	45,040
Number of banks (end of period)	327	326	322	320	329	329

[1] Averages of amounts reported at beginning, middle, and end of year.

Table 120. RATIOS OF INCOME OF INSURED MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1971–1976

Income item	1971	1972	1973	1974	1975	1976
Amounts per $100 of operating income						
Operating income—total	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00
Interest and fees on real estate mortgage loans—net	72.33	69.70	68.78	69.45	67.11	62.86
Interest and fees on other loans	3.61	3.36	4.68	5.21	3.95	4.03
Interest on U.S. Government and agency securities	5.93	6.65	6.83	6.23	7.91	10.45
Interest on corporate bonds	12.06	13.72	12.04	11.47	12.95	14.04
Interest on State, county, and municipal obligations	.28	.58	.87	.73	1.04	1.72
Interest on other bonds, notes, and debentures	1.67	1.74	1.93	1.94	2.10	2.42
Dividends on corporate stock	2.33	2.39	2.45	2.63	2.67	2.49
Income from service operations	.61	.57	.59	.43	.46	.48
Other operating income	1.18	1.29	1.83	1.91	1.82	1.52
Operating expense—total	12.84	12.69	13.38	14.48	15.09	15.77
Salaries	5.37	5.11	5.06	5.31	5.41	5.30
Pensions and other employee benefits	1.24	1.21	1.20	1.29	1.37	1.38
Interest on borrowed money	.17	.13	.48	1.02	.77	.55
Occupancy expense of bank premises (including taxes, depreciation, maintenance, rentals)—net	1.57	1.56	1.58	1.76	1.89	1.90
Furniture and equipment (including recurring depreciation)	.63	.61	.61	.68	.73	.75
Actual net loan losses (charge-offs less recoveries)	.07	.08	.15	.15	.30	.95
Other operating expenses	3.79	3.99	4.30	4.27	4.62	4.96
Net operating income before interest and dividends on deposits	87.16	87.31	86.62	85.52	84.91	84.23
Interest and dividends on deposits—total	75.49	74.46	73.88	75.83	76.55	75.64
Savings deposits[2]	67.54	64.07	58.82	55.63	52.63	50.05
Other time deposits[2]	7.95	10.39	15.06	20.20	23.92	25.59
Net operating income after interest and dividends on deposits	11.67	12.85	12.74	9.69	8.36	8.59
Net realized gains (or losses) on—total	−1.29	−.28	−1.53	−2.30	−.88	.24
Securities	−.98	.07	−1.09	−1.72	−.36	.59
Real estate mortgage loans	−.27	−.49	−.34	−.60	−.32	−.26
Real estate	−.04	−.01	−.01	.01	−.10	−.01
Other transactions	(1)	.15	−.09	.01	−.10	−.08
Less minority interest in consolidated subsidiaries	.00	(1)	.00	.00	(1)	(1)
Net income before taxes	10.38	12.57	11.21	7.39	7.48	8.83
Franchise and income taxes—total	2.79	3.52	3.33	2.49	2.39	2.73
Federal income tax	1.41	2.05	1.89	1.25	.93	1.30
State and local franchise and income taxes	1.38	1.47	1.44	1.24	1.46	1.43
Net income	7.59	9.05	7.88	4.90	5.09	6.10

Table 120. RATIOS OF INCOME OF INSURED MUTUAL SAVINGS BANKS IN THE UNITED STATES (STATES AND OTHER AREAS), 1971–1976—CONTINUED

Income item	1971	1972	1973	1974	1975	1976
Amounts per $100 of total assets[2]						
Operating income—total	6.15	6.38	6.68	6.87	7.06	7.29
Operating expense—total	.79	.81	.90	.99	1.06	1.15
Net operating income before interest and dividends on deposits	5.36	5.57	5.78	5.88	5.99	6.14
Interest and dividends on deposits—total	4.64	4.75	4.93	5.21	5.40	5.51
Net operating income after interest and dividends on deposits	.72	.82	.85	.67	.59	.63
Net realized gains (or losses)—total	–.08	–.02	–.10	–.16	–.06	.02
Net income before taxes	.64	.80	.75	.51	.53	.64
Franchise and income taxes—total	.17	.22	.22	.17	.17	.20
Net income	.47	.58	.53	.34	.36	.44
Special ratios[2]						
Interest on U.S. Government and agency securities per $100 of U.S. Government and agency securities	6.05	6.14	6.58	6.79	7.25	7.57
Interest and dividends on other securities per $100 of other securities	6.20	6.49	6.46	6.62	7.07	7.45
Interest and fees on real estate mortgage loans per $100 of real estate loans	6.26	6.53	6.77	6.96	7.22	7.43
Interest and fees on other loans per $100 of other loans	7.09	6.94	9.55	10.39	8.36	8.19
Interest and dividends on deposits per $100 of savings and time deposits	5.12	5.22	5.44	5.78	5.98	6.07
Net income per $100 of total surplus accounts	6.56	8.41	7.64	4.76	5.18	6.64
Number of banks (end of period)	327	326	322	320	329	329

[1] Less than 0.005.
[2] See note to table 119.

BANKS CLOSED BECAUSE OF FINANCIAL DIFFICULTIES; FDIC INCOME, DISBURSEMENTS, AND LOSSES

Deposit insurance disbursements

Disbursements by the Federal Deposit Insurance Corporation to protect depositors are made when the insured deposits of banks in financial difficulties are paid off, or when the deposits of a failing bank are assumed by another insured bank with the financial aid of the Corporation. In deposit payoff cases, the disbursement is the amount paid by the Corporation on insured deposits. In deposit assumption cases, the principal disbursement is the amount loaned to failing banks, or the price paid for assets purchased from them; additional disbursements are made in those cases as advances for protection of assets in process of liquidation and for liquidation expenses.

Under its section 13(c) authority, the Corporation has made disbursements to four operating banks. The amounts of these disbursements are included in table 125, but are not included in tables 123 and 124.

Noninsured bank failures

Statistics in this report on failures of noninsured banks are compiled from information obtained from State banking departments, field supervisory officials, and other sources. The Corporation received information on one failure during 1976: American Bank and Trust Company of Rhode Island, North Providence. Deposits: $0.8 million; date of closing: 11-12-76.

For detailed data regarding noninsured banks that suspended in the years 1934-1962, see the *Annual Report* for 1963, pp. 27-41. For 1963-1976, see table 121 of the report, and previous reports for respective years.

Sources of data

Insured banks: books of bank at date of closing; and books of FDIC, December 31, 1976.

Table 121. NUMBER AND DEPOSITS OF BANKS CLOSED BECAUSE OF FINANCIAL DIFFICULTIES, 1934–1976

Year	Number					Deposits (in thousands of dollars)				
			Insured					Insured		
	Total	Non-insured[1]	Total	Without disbursements by FDIC[2]	With disbursements by FDIC[3]	Total	Non-insured[1]	Total	Without disbursements by FDIC[2]	With disbursements by FDIC[3]
Total	**679**	**136**	**543**	**8**	**535**	**5,022,564**	**143,500**	**4,879,064**	**41,147**	**4,837,917**
1934	61	52	9	....	9	37,332	35,364	1,968	......	1,968
1935	32	6	26	1	25	13,988	583	13,405	85	13,320
1936	72	3	69	....	69	28,100	592	27,508	......	27,508
1937	84	7	77	2	75	34,205	528	33,677	328	33,349
1938	81	7	74	....	74	60,722	1,038	59,684	......	59,684
1939	72	12	60	....	60	160,211	2,439	157,772	......	157,772
1940	48	5	43	....	43	142,788	358	142,430	......	142,430
1941	17	2	15	....	15	29,796	79	29,717	......	29,717
1942	23	3	20	....	20	19,540	355	19,185	......	19,185
1943	5	....	5	....	5	12,525	....	12,525	......	12,525
1944	2	....	2	....	2	1,915	....	1,915	......	1,915
1945	1	....	1	....	1	5,695	....	5,695	......	5,695
1946	2	1	1	....	1	494	147	347	......	347
1947	6	1	5	....	5	7,207	167	7,040	......	7,040
1948	3	....	3	....	3	10,674	....	10,674	......	10,674
1949	9	4	5	1	4	9,217	2,552	6,665	1,190	5,475
1950	5	1	4	....	4	5,555	42	5,513	......	5,513
1951	5	3	2	....	2	6,464	3,056	3,408	......	3,408
1952	4	1	3	....	3	3,313	143	3,170	......	3,170
1953	5	1	4	2	2	45,101	390	44,711	26,449	18,262
1954	4	2	2	....	2	2,948	1,950	998	......	998
1955	5	....	5	....	5	11,953	....	11,953	......	11,953
1956	3	1	2	....	2	11,690	360	11,330	......	11,330
1957	3	1	2	1	1	12,502	1,255	11,247	10,084	1,163
1958	9	5	4	....	4	10,413	2,173	8,240	......	8,240
1959	3	....	3	....	3	2,593	....	2,593	......	2,593
1960	2	1	1	....	1	7,965	1,035	6,930	......	6,930
1961	9	4	5	....	5	10,611	1,675	8,936	......	8,936
1962	3	2	1	1	....	4,231	1,220	3,011	3,011	....
1963	2	....	2	....	2	23,444	....	23,444	......	23,444
1964	8	1	7	....	7	23,867	429	23,438	......	23,438
1965	9	4	5	....	5	45,256	1,395	43,861	......	43,861
1966	8	1	7	....	7	106,171	2,648	103,523	......	103,523
1967	4	....	4	....	4	10,878	....	10,878	......	10,878
1968	3	....	3	....	3	22,524	....	22,524	......	22,524
1969	9	....	9	....	9	40,134	....	40,134	......	40,134
1970	8[4]	1[4]	7	....	7	55,244[4]	423[4]	54,821	......	54,821
1971	6	....	6	....	6	132,152	....	132,152	......	132,152
1972	3	2	1	....	1	99,784	79,304	20,480	......	20,480
1973	6	....	6	....	6	971,296	....	971,296	......	971,296
1974	4	....	4	....	4	1,575,832	....	1,575,832	......	1,575,832
1975	14[4]	1[4]	13	....	13	340,574[4]	1,000[4]	339,574	......	339,574
1976	17	1	16	....	16	865,659	800	864,859	......	864,859

[1] For information regarding each of these banks, see table 22 in the 1963 *Annual Report* (1963 and prior years), and explanatory notes to tables regarding banks closed because of financial difficulties in subsequent annual reports. One noninsured bank placed in receivership in 1934, with no deposits at time of closing, is omitted (see table 22, note 9). Deposits are unavailable for 7 banks.
[2] For information regarding these cases, see table 23 of the *Annual Report* for 1963.
[3] For information regarding each bank, see the *Annual Report* for 1958, pp. 48–83 and pp. 98–127, and tables regarding deposit insurance disbursements in subsequent annual reports. Deposits are adjusted as of December 31, 1976.
[4] Revised.

Table 122. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1976

Case number	Name and location	Class of bank	Number of depositors or accounts[1]	Date of closing or deposit assumption	First payment to depositors or disbursement by FDIC	FDIC disbursement[2]	Receiver or liquidating agent or assuming bank
Deposit payoff							
307	Mt. Zion Deposit Bank Mt. Zion, Kentucky	NM	388	June 25, 1976	June 28, 1976	$ 541,361	Federal Deposit Insurance Corporation
308	Coronado National Bank Denver, Colorado	N	3,770	June 25, 1976	June 28, 1976	2,423,963	Federal Deposit Insurance Corporation
309	Citizens State Bank Carrizo Springs, Texas	NM	4,088	June 28, 1976	July 8, 1976	8,901,376	Federal Deposit Insurance Corporation
Deposit assumption							
220	The Bank of Bloomfield Bloomfield, New Jersey	NM	15,700	January 10, 1976		18,876,761	First National State Bank of New Jersey Newark, New Jersey
221	Bank of Woodmoor Woodmoor, Colorado	NM	3,590	January 12, 1976		3,084,098	The El Paso County Bank Woodmoor, Colorado
222	The Hamilton National Bank of Chattanooga Chattanooga, Tennessee	N	120,000	February 16, 1976		102,659,315	First Tennessee National Bank Chattanooga, Tennessee
223	South Texas Bank Houston, Texas	NM	6,498	February 25, 1976		5,650,303	South Loop National Bank Houston, Texas
224	First State Bank of Northern California San Leandro, California	NM	34,760	May 21, 1976		28,838,328	Lloyds Bank California Los Angeles, California
225	Northeast Bank of Houston Houston, Texas	NM	9,652	June 3, 1976		6,750,331	First City Bank - Northeast N.A. Houston, Texas
226	First State Bank of Hudson County Jersey City, New Jersey	NM	15,759	June 14, 1976		7,367,491	First Jersey Bank (National Association) Jersey City, New Jersey
227	The New Boston Bank and Trust Company Boston, Massachusetts	NM	2,660	September 14, 1976		4,384,191	Capital Bank and Trust Company Boston, Massachusetts
228	American Bank & Trust Company New York, New York	SM	26,000	September 15, 1976		123,087,171	Bank Leumi Trust Company of New York New York, New York
229	The Hamilton Bank and Trust Company Atlanta, Georgia	NM	8,128	October 8, 1976		23,110,548	The National Bank of Georgia Atlanta, Georgia

230	Centennial Bank Philadelphia, Pennsylvania	NM	13,756	October 19, 1976		6,654,355	Lincoln Bank Bala-Cynwyd, Pennsylvania
231	First State Bank & Trust Co. Rio Grande City, Texas	NM	8,982	November 19, 1976		9,741,761	First National Bank of Rio Grande City Rio Grande City, Texas
232	International City Bank and Trust Company New Orleans, Louisiana	NM	67,000	December 3, 1976		117,068,611	The Bank of New Orleans and Trust Company New Orleans, Louisiana

Case number	Assets[1]							Total	Liabilities and capital accounts			
	Cash and due from banks	U.S. Government obligations	Other securities	Loans, discounts, and overdrafts	Banking house, furniture and fixtures	Other real estate	Other assets		Deposits	Other liabilities	Capital stock	Other capital accounts
Deposit payoff												
307	$ 57,090	$ 49,390	$ 10,000	$ 332,429	$ 4,999	$ 29,544	$ 24,000	$ 507,451	$ 554,603		$ 55,025	$ (102,176)
308	506,207	662,966	212,000	1,039,376	137,922	45,496	8,725	2,612,693	2,609,968		200,000	(197,275)
309	755,174	219,330	3,036,467	11,899,934	90,273	27,788	1,381,018	17,409,983	15,942,717		295,500	1,171,765
Deposit assumption												
220	1,411,426	765,000	4,140,877	24,414,317	756,552	–	163,701	31,651,873	25,968,695	1,398,623	1,023,070	3,261,485
221	91,291	48,953	1,339,521	2,140,537	272,048	132,434	8,272	4,033,056	3,548,559	45,535	200,000	238,963
222	42,454,599	17,370,131	59,228,033	225,638,697	9,255,003	36,189,308	21,971,408	412,107,179	336,292,086	50,091,408	8,250,000	17,473,686
223	873,257	206,578	150,000	5,632,728	273,802	516,103	103,730	7,756,199	7,074,044	79,737	500,000	102,417
224	2,778,646	1,400,798	9,796,242	40,617,138	675,773	263,669	485,883	56,018,148	53,404,510	370,858	1,000,000	1,242,781
225	1,278,901	5,356,963	1,194,412	6,295,816	625,414	3,385,548	4,199	18,141,251	17,451,565	187,391	316,671	185,624
226	1,515,397	–	2,851,916	8,246,898	487,014	541,516	429,357	14,072,098	13,789,671	1,329	1,000,000	(718,903)
227	361,225	196,612	456,625	5,270,261	224,438	21,995	131,026	6,662,182	5,335,391	912,166	750,000	(335,375)
228	16,021,493	11,268,629	27,273,667	153,516,904	1,021,792	–	15,399,838	224,502,323	165,079,261	30,402,232	12,847,400	16,173,430
229	2,320,417	5,622,461	749,438	26,803,626	511,883	482,575	3,584,856	40,075,256	32,022,256	3,772,500	2,500,000	1,780,500
230	922,866	1,657,411	2,799,823	7,759,571	324,757	93,352	112,014	13,669,795	12,311,591	491,729	950,000	(83,525)
231	292,092	307,248	929,387	11,492,887	202,330	–	529,674	13,753,619	12,081,841	325,138	700,000	646,640
232	10,771,986	14,330,680	21,583,693	102,937,772	3,364,173	3,957,213	19,374,057	176,319,574	161,638,640	2,765,730	3,018,116	8,897,088

[1] Figures as determined by FDIC agents after adjustment of books of the bank immediately following its closing.
[2] Includes disbursements made to December 31, 1976, plus additional disbursements required in these cases.

Table 123. DEPOSITORS, DEPOSITS, AND DISBURSEMENTS IN FAILED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, 1934–1976
BANKS GROUPED BY CLASS OF BANK, YEAR OF DEPOSIT PAYOFF OR DEPOSIT ASSUMPTION, AMOUNT OF DEPOSITS, AND STATE

Classification	Number of banks			Number of depositors[1]			Deposits[1] (in thousands of dollars)			Disbursements by FDIC[1] (in thousands of dollars)				
										Principal disbursements			Advances and expenses[2]	
	Total	Payoff cases	Assumption cases	Total	Payoff cases	Assumption cases	Total	Payoff cases	Assumption cases	Total	Payoff cases[3]	Assumption cases[4]	Payoff cases[5]	Assumption cases[6]
All banks	**535**	**303**	**232**	**3,304,942**	**623,006**	**2,681,936**	**4,837,917**	**468,139**	**4,369,778**	**2,039,635**	**325,518**	**1,714,117**	**7,505**	**88,862**
Class of bank														
National	99	36	63	1,492,039	108,812	1,383,227	3,060,050	113,779	2,946,271	843,573	65,237	778,336	2,660	16,918
State member F.R.S.	30	10	20	428,129	88,894	339,235	438,232	34,388	403,844	309,470	26,506	282,964	634	21,741
Nonmember F.R.S.	406	257	149	1,384,774	425,300	959,474	1,339,635	319,972	1,019,663	886,592	233,775	652,817	4,211	50,203
Year[7]														
1934	9	9	...	15,767	15,767	......	1,968	1,968	......	941	941	......	43	.....
1935	25	24	1	44,655	32,331	12,324	13,320	9,091	4,229	8,891	6,026	2,865	108	272
1936	69	42	27	89,018	43,225	45,793	27,508	11,241	16,267	14,460	7,735	6,725	67	934
1937	75	50	25	130,387	74,148	56,239	33,349	14,960	18,389	19,481	12,365	7,116	103	905
1938	74	50	24	203,961	44,288	159,673	59,684	10,296	49,388	30,479	9,092	21,387	93	4,902
1939	60	32	28	392,718	90,169	302,549	157,772	32,738	125,034	67,770	26,196	41,574	162	17,603
1940	43	19	24	256,361	20,667	235,694	142,430	5,657	136,773	74,134	4,895	69,239	89	17,237
1941	15	8	7	73,005	38,594	34,411	29,717	14,730	14,987	23,880	12,278	11,602	50	1,479
1942	20	6	14	60,688	5,717	54,971	19,185	1,816	17,369	10,825	1,612	9,213	38	1,076
1943	5	4	1	27,371	16,917	10,454	12,525	6,637	5,888	7,172	5,500	1,672	53	72
1944	2	1	1	5,487	899	4,588	1,915	456	1,459	1,503	404	1,099	9	37
1945	1	...	1	12,483	.....	12,483	5,695	.....	5,695	1,768	.....	1,768	....	96
1946	1	...	1	1,383	.....	1,383	347	.....	347	265	.....	265	....	11
1947	5	...	5	10,637	.....	10,637	7,040	.....	7,040	1,724	.....	1,724	....	381
1948	3	...	3	18,540	.....	18,540	10,674	.....	10,674	2,990	.....	2,990	....	200
1949	4	...	4	5,671	.....	5,671	5,475	.....	5,475	2,552	.....	2,552	....	166
1950	4	...	4	6,366	.....	6,366	5,513	.....	5,513	3,986	.....	3,986	....	524
1951	2	...	2	5,276	.....	5,276	3,408	.....	3,408	1,885	.....	1,885	....	127
1952	3	...	3	6,752	.....	6,752	3,170	.....	3,170	1,369	.....	1,369	....	195
1953	2	...	2	24,469	.....	24,469	18,262	.....	18,262	5,017	.....	5,017	....	428
1954	2	...	2	1,811	.....	1,811	998	.....	998	913	.....	913	....	145
1955	5	4	1	17,790	8,080	9,710	11,953	6,503	5,450	6,784	4,438	2,346	106	665
1956	2	1	1	15,197	5,465	9,732	11,330	4,702	6,628	3,458	2,795	663	87	51
1957	1	1	...	2,338	2,338	......	1,163	1,163	......	1,031	1,031	......	20	.....
1958	4	3	1	9,587	4,380	5,207	8,240	4,156	4,084	3,026	2,796	230	38	31
1959	3	3	...	3,073	3,073	......	2,593	2,593	......	1,835	1,835	......	51	.....
1960	1	1	...	11,171	11,171	......	6,930	6,930	......	4,765	4,765	......	82	.....

1961	5	5	...	8,301	8,301	...	8,936	8,936	...	6,201	6,201	...	154	...
1962	...	...	...	...	...	...	...	...	...	...	...	...	...	...
1963	2	2	...	36,433	36,433	...	23,444	23,444	...	19,230	19,230	...	347	...
1964	7	7	...	19,934	19,934	...	23,438	23,438	...	13,744	13,744	...	597	...
1965	5	3	2	15,817	14,363	1,454	43,861	42,889	972	11,431	10,958	473	635	123
1966	7	1	6	95,424	1,012	94,412	103,523	774	102,749	8,732	735	7,997	35	1,603
1967	4	4	...	4,729	4,729	...	10,878	10,878	...	8,126	8,126	...	241	...
1968	3	...	3	12,850	...	12,850	22,524	...	22,524	5,586	...	5,586	...	1,113
1969	9	4	5	27,374	6,544	20,830	40,134	9,012	31,122	37,624	7,604	30,020	296	4,355
1970	7	4	3	31,433	20,403	11,030	54,821	33,489	21,332	49,120	29,354	19,766	696	1,770
1971	6	5	1	71,950	31,850	40,100	132,152	74,605	57,547	162,090	53,791	108,299	768	9,523
1972	1	1	...	23,655	23,655	...	20,480	20,480	...	16,275	16,275	...	369	...
1973	6	3	3	349,699	8,382	341,317	971,296	25,795	945,501	398,947	16,939	382,008	1,159	793
1974	4	...	4	704,283	...	704,283	1,575,832	...	1,575,832	173,053	...	173,053	...	7,458
1975	13	3	10	110,367	21,925	88,442	339,574	39,902	299,672	301,933	25,991	275,942	484	9,002
1976	16	3	13	340,731	8,246	332,485	864,859	18,859	846,000	524,639	11,866	512,773	525	5,583
Banks with deposits of														
Less than $100,000	107	83	24	38,347	29,695	8,652	6,418	4,947	1,471	5,000	4,309	691	88	154
$100,000 to $250,000	109	86	23	83,370	65,512	17,858	17,759	13,920	3,839	12,906	11,554	1,352	209	173
$250,000 to $500,000	62	37	25	92,179	57,287	34,892	22,315	12,921	9,394	15,615	10,549	5,066	164	611
$500,000 to $1,000,000	72	36	36	160,388	74,296	86,092	54,424	26,820	27,604	36,062	20,967	15,095	428	2,340
$1,000,000 to $2,000,000	57	21	36	209,818	70,334	139,484	76,462	27,888	48,574	44,267	22,068	22,199	694	3,713
$2,000,000 to $5,000,000	55	22	33	293,164	89,123	204,041	178,925	70,384	108,541	107,332	52,067	55,265	1,137	7,660
$5,000,000 to $10,000,000	33	7	26	293,248	50,445	242,803	225,526	55,867	169,659	124,550	38,063	86,487	895	10,819
$10,000,000 to $25,000,000	20	9	11	337,294	146,430	190,864	320,475	148,314	172,161	192,629	109,220	83,409	1,708	8,630
$25,000,000 to $50,000,000	7	1	6	308,637	12,481	296,156	257,585	40,176	217,409	118,525	9,700	108,825	575	26,271
$50,000,000 to $100,000,000	6	1	5	244,265	27,403	216,862	525,377	66,902	458,475	343,796	47,021	296,775	499	15,364
$100,000,000 to $500,000,000	5	...	5	279,232	...	279,232	775,713	...	775,713	564,609	...	564,609	334	12,056
$500,000,000 to $1,000,000,000	1	...	1	335,000	...	335,000	931,955	...	931,955	374,342	...	374,342	774	...
$1,000,000,000 or more	1	...	1	630,000	...	630,000	1,444,982	...	1,444,982	100,000	...	100,000	...	1,069
State														
Alabama	4	2	2	9,170	2,059	7,111	6,170	3,985	2,185	3,567	2,572	995	94	91
Arizona	1	...	1	2,692	...	2,692	5,044	...	5,044	5,081	...	5,081	...	215
Arkansas	8	6	2	6,350	4,541	1,809	4,836	1,942	2,894	3,408	1,576	1,832	43	188
California	6	3	3	390,819	17,890	372,929	1,032,658	46,220	986,438	429,048	12,946	416,102	1,445	2,121
Colorado	8	4	4	18,852	6,082	12,770	24,748	6,403	18,345	13,928	4,614	9,314	255	2,015
Connecticut	2	2	...	5,379	5,379	...	1,526	1,526	...	1,242	1,242	...	8	...
Florida	5	2	3	14,082	1,725	12,357	17,665	2,668	14,997	11,171	2,139	9,032	65	698
Georgia	11	8	3	17,538	8,797	8,741	33,981	1,870	32,111	24,731	1,551	23,180	33	229
Idaho	2	2	...	2,451	2,451	...	1,894	1,894	...	1,493	1,493	...	29	...
Illinois	23	10	13	101,651	44,379	57,272	115,259	28,972	86,287	80,350	23,924	56,426	507	2,080
Indiana	20	15	5	30,006	12,549	17,457	13,595	3,933	9,662	6,197	3,096	3,101	39	384
Iowa	10	5	5	23,824	5,736	18,088	24,364	8,535	15,829	14,425	6,469	7,956	148	500
Kansas	11	6	5	8,065	3,824	4,241	7,665	4,358	3,307	5,672	3,601	2,071	60	194
Kentucky	26	20	6	40,313	19,352	20,961	16,077	5,768	10,309	12,484	5,046	7,438	139	577
Louisiana	5	4	1	75,999	8,999	67,000	171,374	9,735	161,639	129,607	5,038	124,569	148	238
Maine	1	...	1	9,710	...	9,710	5,450	...	5,450	2,346	...	2,346	...	665
Maryland	5	2	3	22,567	6,643	15,924	4,566	828	3,738	3,109	735	2,374	9	371
Massachusetts	5	1	4	42,280	23,655	18,625	38,696	20,480	18,216	27,226	16,275	10,951	368	1,380
Michigan	14	5	9	172,607	10,452	162,155	194,399	13,477	180,922	142,510	12,242	130,268	206	12,138
Minnesota	5	5	...	2,650	2,650	...	818	818	...	640	640	...	17	...

Table 123. DEPOSITORS, DEPOSITS, AND DISBURSEMENTS IN FAILED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, 1934–1976–CONTINUED

BANKS GROUPED BY CLASS OF BANK, YEAR OF DEPOSIT PAYOFF OR DEPOSIT ASSUMPTION, AMOUNT OF DEPOSITS, AND STATE

Classification	Number of banks			Number of depositors[1]			Deposits[1] (in thousands of dollars)			Disbursements by FDIC[1] (in thousands of dollars)				
										Principal disbursements			Advances and expenses[2]	
	Total	Payoff cases	Assumption cases	Total	Payoff cases	Assumption cases	Total	Payoff cases	Assumption cases	Total	Payoff cases[3]	Assumption cases[4]	Payoff cases[5]	Assumption cases[6]
Mississippi	4	3	1	14,351	1,651	12,700	15,686	334	15,352	12,023	257	11,766	5	350
Missouri	52	38	14	55,554	37,977	17,577	29,151	18,166	10,985	21,293	14,027	7,266	276	1,178
Montana	5	3	2	1,500	849	651	1,095	215	880	639	186	453	6	21
Nebraska	8	8	...	7,773	7,773	......	11,644	11,644	......	8,116	8,116	......	150	.....
New Hampshire	1	...	1	1,780	.....	1,780	296	.....	296	117	.....	117	....	8
New Jersey	42	13	29	563,917	113,692	450,225	250,383	49,122	201,261	121,951	40,049	81,902	516	21,334
New York	28	3	25	925,621	28,440	897,181	1,755,500	13,286	1,742,214	310,084	10,836	299,248	366	11,916
North Carolina	7	2	5	10,408	3,677	6,731	3,266	1,421	1,845	2,387	1,156	1,231	23	179
North Dakota	29	18	11	14,103	6,760	7,343	3,830	1,552	2,278	2,656	1,397	1,259	24	203
Ohio	5	2	3	21,251	7,585	13,666	102,838	2,345	100,493	90,758	1,610	89,148	7	2,394
Oklahoma	12	8	4	27,650	20,149	7,501	18,920	11,053	7,867	10,284	7,936	2,348	178	565
Oregon	2	1	1	3,439	1,230	2,209	2,670	1,368	1,302	1,948	986	962	11	81
Pennsylvania	31	8	23	182,590	43,828	138,762	96,907	14,340	82,567	66,803	10,133	56,670	75	10,166
South Carolina	3	1	2	68,080	403	67,677	113,553	136	113,417	60,650	136	60,514	....	5,386
South Dakota	23	22	1	12,515	11,412	1,103	2,988	2,862	126	2,411	2,388	23	26	9
Tennessee	13	8	5	132,358	9,993	122,365	338,234	1,620	336,614	127,937	1,164	126,773	28	2,540
Texas	46	33	13	125,964	80,941	45,023	210,252	142,044	68,208	137,986	97,550	40,436	1,640	2,530
Utah	1	...	1	3,254	.....	3,254	5,992	.....	5,992	3,538	.....	3,538	....	300
Vermont	3	2	1	11,057	8,687	2,370	3,725	3,375	350	3,445	3,259	186	21	22
Virginia	9	4	5	35,715	12,638	23,077	17,779	7,652	10,127	8,263	3,867	4,396	303	505
Washington	1	...	1	4,179	.....	4,179	1,538	.....	1,538	935	.....	935	....	512
West Virginia	3	3	...	8,346	8,346	......	2,006	2,006	......	1,458	1,458	......	11	.....
Wisconsin	33	20	13	62,247	18,739	43,508	112,627	5,966	106,661	116,802	5,096	111,706	54	4,559
Wyoming	1	...	1	3,212	.....	3,212	2,033	.....	2,033	202	.....	202	....	19
Other Areas														
Virgin Islands	1	1	...	11,073	11,073	......	14,219	14,219	......	8,712	8,712	......	173	.....

[1]Adjusted to December 31, 1976. In assumption cases, number of depositors refers to number of deposit accounts.
[2]Excludes $874 thousand of nonrecoverable insurance expenses in cases that were resolved without payment of claims or a disbursement to facilitate assumption of deposits by another insured bank and other expenses of field liquidation employees not chargeable to liquidation activities.
[3]Includes estimated additional disbursements in active cases.
[4]Excludes excess collections turned over to banks as additional purchase price at termination of liquidation.
[5]These disbursements are not recoverable by the Corporation; they consist almost wholly of field payoff expenses.
[6]Includes advances to protect assets and liquidation expenses of $81,566 thousand, all of which have been fully recovered by the Corporation, and $7,296 thousand of nonrecoverable expenses.
[7]No cases in 1962 required disbursements. Disbursements totals for each year relate to cases occurring during that year, including disbursements made in subsequent years.
Note: Due to rounding differences, components may not add to totals.

Table 124. RECOVERIES AND LOSSES BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ON PRINCIPAL DISBURSEMENTS FOR PROTECTION OF DEPOSITORS, 1934–1976

(Amounts in thousands of dollars)

Liquidation status and year of deposit payoff or deposit assumption	All cases					Deposit payoff cases					Deposit assumption cases				
	Number of banks	Principal disburse-ments	Recoveries to Dec. 31,1976	Estimated additional recoveries	Losses[1]	Number of banks	Principal disburse-ments[2]	Recoveries to Dec. 31, 1976	Estimated additional recoveries	Losses[1]	Number of banks	Principal disburse-ments[3]	Recoveries to Dec. 31,1976	Estimated additional recoveries	Losses[1]
Total	**535**	**2,039,635**	**945,555**	**845,924**	**248,156**	**303**	**325,518**	**244,803**	**42,805**	**37,910**	**232**	**1,714,117**	**700,752**	**803,119**	**210,246**
Status															
Active	73	1,699,233	633,908	845,924	219,401	30	200,482	136,604	42,805	21,073	43	1,498,751	497,304	803,119	198,328
Terminated ...	462	340,402	311,647	.....	28,755	273	125,036	108,199	....	16,837	189	215,366	203,448	.....	11,918
Year[4]															
1934	9	941	734	....	207	9	941	734	....	207	..	......	.....	....	.....
1935	25	8,891	6,206	3	2,682	24	6,026	4,274	....	1,752	1	2,865	1,932	3	930
1936	69	14,460	12,127	.....	2,333	42	7,735	6,397	....	1,338	27	6,725	5,730	.....	995
1937	75	19,481	15,808	.....	3,672	50	12,365	9,718	....	2,647	25	7,116	6,090	.....	1,025
1938	74	30,479	28,055	.....	2,425	50	9,092	7,908	....	1,184	24	21,387	20,147	.....	1,241
1939	60	67,770	60,618	.....	7,152	32	26,196	20,399	....	5,797	28	41,574	40,219	.....	1,355
1940	43	74,134	70,338	.....	3,796	19	4,895	4,313	....	582	24	69,239	66,025	.....	3,214
1941	15	23,880	23,290	.....	591	8	12,278	12,065	....	213	7	11,602	11,225	.....	378
1942	20	10,825	10,136	.....	688	6	1,612	1,320	....	292	14	9,213	8,816	.....	396
1943	5	7,172	7,048	.....	123	4	5,500	5,376	....	123	1	1,672	1,672	.....	.....
1944	2	1,503	1,462	.....	40	1	404	363	....	40	1	1,099	1,099	.....	.....
1945	1	1,768	1,768	.....	.....	..	.....	.....	....	....	1	1,768	1,768	.....	.....
1946	1	265	265	.....	.....	..	.....	.....	....	....	1	265	265	.....	.....
1947	5	1,724	1,667	4	54	..	.....	.....	....	....	5	1,724	1,667	4	54
1948	3	2,990	2,349	.....	641	..	.....	.....	....	....	3	2,990	2,349	.....	641
1949	4	2,552	2,183	.....	369	..	.....	.....	....	....	4	2,552	2,183	.....	369
1950	4	3,986	2,601	.....	1,385	..	.....	.....	....	....	4	3,986	2,601	.....	1,385
1951	2	1,885	1,885	.....	.....	..	.....	.....	....	....	2	1,885	1,885	.....	.....
1952	3	1,369	577	.....	792	..	.....	.....	....	....	3	1,369	577	.....	792
1953	2	5,017	5,017	.....	.....	..	.....	.....	....	....	2	5,017	5,017	.....	.....
1954	2	913	654	.....	258	..	.....	.....	....	....	2	913	654	.....	258
1955	5	6,784	6,554	.....	230	4	4,438	4,208	....	230	1	2,346	2,346	.....	.....
1956	2	3,458	3,245	.....	213	1	2,795	2,582	....	213	1	663	663	.....	.....
1957	1	1,031	1,031	.....	.....	1	1,031	1,031	....	....	..	......	.....	.....	.....
1958	4	3,026	2,998	.....	28	3	2,796	2,768	....	28	1	230	230	.....	.....
1959	3	1,835	1,738	.....	97	3	1,835	1,738	....	97	..	......	.....	.....	.....
1960	1	4,765	4,765	.....	.....	1	4,765	4,765	....	....	..	......	.....	.....	.....
1961	5	6,201	4,699	.....	1,502	5	6,201	4,699	....	1,502	..	......	.....	.....	.....
1963	2	19,230	18,792	108	330	2	19,230	18,792	108	330	..	......	.....	.....	.....
1964	7	13,744	11,949	165	1,630	7	13,744	11,949	165	1,630	..	......	.....	.....	.....
1965	5	11,431	6,672	382	4,376	3	10,958	6,346	382	4,230	2	473	326	.....	146
1966	7	8,732	8,217	33	484	1	735	735	....	....	6	7,997	7,482	33	484
1967	4	8,126	6,779	178	1,169	4	8,126	6,779	178	1,169	..	......	.....	.....	.....
1968	3	5,586	5,572	4	11	..	.....	.....	....	....	3	5,586	5,572	4	11
1969	9	37,624	37,276	234	115	4	7,604	7,444	45	115	5	30,020	29,832	189	.....
1970	7	49,120	45,188	3,106	825	4	29,354	25,857	2,773	725	3	19,766	19,331	333	100
1971	6	162,090	143,220	17,654	1,215	5	53,791	41,434	11,142	1,215	1	108,299	101,786	6,512	.....
1972	1	16,274	10,628	1,647	4,000	1	16,274	10,628	1,647	4,000	..	......	.....	.....	.....
1973	6	398,947	80,328	168,351	150,269	3	16,939	16,644	296	....	3	382,008	63,684	168,055	150,269
1974	4	173,053	40,306	128,647	4,100	..	.....	.....	....	....	4	173,053	40,306	128,647	4,100
1975	13	301,933	134,073	132,815	35,045	3	25,991	2,701	18,590	4,700	10	275,942	131,372	114,225	30,345
1976	16	524,640	116,737	392,595	15,308	3	11,867	836	7,481	3,550	13	512,773	115,901	385,114	11,758

[1] Includes estimated losses in active cases. Not adjusted for interest or allowable return, which was collected in some cases in which the disbursement was fully recovered.
[2] Includes estimated additional disbursements in active cases.
[3] Excludes excess collections turned over to banks as additional purchase price at termination of liquidation.
[4] No case in 1962 required disbursements.

Note: Due to rounding differences, components may not add to totals.

Table 125. ANALYSIS OF DISBURSEMENTS, RECOVERIES, AND LOSSES IN DEPOSIT INSURANCE TRANSACTIONS, JANUARY 1, 1934–DECEMBER 31, 1976
(In thousands)

Type of disbursement	Disbursements	Recoveries[1]	Losses
All disbursements—total[2]	**$2,299,681**	**$2,014,650**	**$285,031**
Principal disbursements in deposit assumption and payoff cases—total	**2,039,635**	**1,791,479**	**248,156**
Loans and assets purchased in liquidations (232 deposit assumption cases):			
To December 31, 1976	1,504,617	700,752	210,246
Estimated additional	....	593,619	......
Notes purchased to facilitate deposit assumptions, mergers, or consolidations:			
To December 31, 1976	209,500	9,000	–0–
Estimated additional	....	200,500	......
Deposits paid (303 deposit payoff cases):			
To December 31, 1976	324,238	244,803	37,910
Estimated additional	1,280	42,805	......
Advances and expenses in deposit assumption and payoff cases—total	**$ 96,367**	**$ 81,566**	**$ 14,801**
Expenses in liquidating assets:			
Advances to protect assets	50,906	50,906	–0–
Liquidation expenses	30,660	30,660	–0–
Insurance expenses[3]	7,296	–0–	7,296
Field payoff and other insurance expenses in 303 deposit payoff cases[3]	7,505	–0–	7,505
Other disbursements—total	**$ 163,679**	**$ 141,605**	**$ 22,074**
Corporation purchases:			
To facilitate termination of liquidations:			
To December 31, 1976	9,828	5,049	4,000
Estimated additional	....	779	......
To purchase assets from operating insured banks:			
To December 31, 1976	32,777	1,256	17,200
Estimated additional	....	14,321	......
Unallocated insurance expenses[3]	874	–0–	874
Assistance to operating insured banks:			
To December 31, 1976[4]	120,200	83,200	–0–
Estimated additional	....	37,000	......

[1] Excludes amounts returned to closed bank equity-holders and $58.7 million of interest and allowable return received by the FDIC.
[2] Includes estimated amounts for pending and unpaid claims in active cases.
[3] Not recoverable.
[4] Excludes $32 million originally disbursed as assistance to Farmers Bank of the State of Delaware and subsequently applied to assets purchased from operating insured banks.

Table 126. INCOME AND EXPENSES, FEDERAL DEPOSIT INSURANCE CORPORATION, BY YEAR, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933, TO DECEMBER 31, 1976

(In millions)

Year	Income			Expenses and losses				Net income added to deposit insurance fund[4]
	Total	Deposit insurance assessments[1]	Investments and other sources[2]	Total	Deposit insurance losses and expenses	Interest on capital stock[3]	Administrative and operating expenses	
1933–76	**$8,476.2**	**$4,335.9**	**$4,140.3**	**$1,207.6**	**$286.0**	**$80.6**	**$841.0**	**$7,268.6**
1976	764.9	296.5	468.4	212.3[5]	31.9	.....	180.4[5]	552.6
1975	689.3	278.9	410.4	97.5	29.8	.....	67.7	591.8
1974	668.1	302.0	366.1	159.2	100.0	.....	59.2	508.9
1973	561.0	246.0	315.0	108.2	53.8	.....	54.4	452.8
1972	467.0	188.5	278.5	59.7	10.1	.....	49.6	407.3
1971	415.3	175.8	239.5	60.3	13.4	.....	46.9	355.0
1970	382.7	159.3	223.4	46.0	3.8	.....	42.2	336.7
1969	335.8	144.0	191.8	34.5	1.0	.....	33.5	301.3
1968	295.0	132.4	162.6	29.1	.1	.....	29.0	265.9
1967	263.0	120.7	142.3	27.3	2.9	.....	24.4	235.7
1966	241.0	111.7	129.3	19.9	.1	.....	19.8	221.1
1965	214.6	102.2	112.4	22.9	5.2	.....	17.7	191.7
1964	197.1	93.0	104.1	18.4	2.9	.....	15.5	178.7
1963	181.9	84.2	97.7	15.1	0.7	.....	14.4	166.8
1962	161.1	76.5	84.6	13.8	0.1	.....	13.7	147.3
1961	147.3	73.4	73.9	14.8	1.6	.....	13.2	132.5
1960	144.6	79.6	65.0	12.5	0.1	.....	12.4	132.1
1959	136.5	78.6	57.9	12.1	0.2	.....	11.9	124.4
1958	126.8	73.8	53.0	11.6	....	.....	11.6	115.2
1957	117.3	69.1	48.2	9.7	0.1	.....	9.6	107.6
1956	111.9	68.2	43.7	9.4	0.3	.....	9.1	102.5
1955	105.7	66.1	39.6	9.0	0.3	.....	8.7	96.7
1954	99.7	62.4	37.3	7.8	0.1	.....	7.7	91.9
1953	94.2	60.2	34.0	7.3	0.1	.....	7.2	86.9
1952	88.6	57.3	31.3	7.8	0.8	.....	7.0	80.8
1951	83.5	54.3	29.2	6.6	....	.....	6.6	76.9
1950	84.8	54.2	30.6	7.8	1.4	.....	6.4	77.0
1949	151.1	122.7	28.4	6.4	0.3	.....	6.1	144.7
1948	145.6	119.3	26.3	7.0	0.7	0.6	5.7	138.6
1947	157.5	114.4	43.1	9.9	0.1	4.8	5.0	147.6
1946	130.7	107.0	23.7	10.0	0.1	5.8	4.1	120.7
1945	121.0	93.7	27.3	9.4	0.1	5.8	3.5	111.6
1944	99.3	80.9	18.4	9.3	0.1	5.8	3.4	90.0
1943	86.6	70.0	16.6	9.8	0.2	5.8	3.8	76.8
1942	69.1	56.5	12.6	10.1	0.5	5.8	3.8	59.0
1941	62.0	51.4	10.6	10.1	0.6	5.8	3.7	51.9
1940	55.9	46.2	9.7	12.9	3.5	5.8	3.6	43.0
1939	51.2	40.7	10.5	16.4	7.2	5.8	3.4	34.8
1938	47.7	38.3	9.4	11.3	2.5	5.8	3.0	36.4
1937	48.2	38.8	9.4	12.2	3.7	5.8	2.7	36.0
1936	43.8	35.6	8.2	10.9	2.6	5.8	2.5	32.9
1935	20.8	11.5	9.3	11.3	2.8	5.8	2.7	9.5
1933–34	7.0	(4)	7.0	10.0	0.2	5.6	4.2[6]	−3.0

[1] For the period from 1950 to 1976, inclusive, figures are net after deducting the portion of net assessment income credited to insured banks pursuant to provisions of the Federal Deposit Insurance Act of 1950, as amended. Assessment credits to insured banks for these years amount to $4,435 million.

[2] Includes $13 million of interest and allowable return received on funds advanced to receivership and deposit assumption cases and $46 million of interest on capital notes advanced to facilitate deposit assumption transactions and assistance to open banks.

[3] Paid in 1950 and 1951, but allocated among years to which it applies. Initial capital of $289 million was retired by payments to the U.S. Treasury in 1947 and 1948.

[4] Assessments collected from members of the temporary insurance funds which became insured under the permanent plan were credited to their accounts at the termination of the temporary funds and were applied toward payment of subsequent assessments becoming due under the permanent insurance fund, resulting in no income to the Corporation from assessments during the existence of the temporary insurance funds.

[5] Includes net loss on sales of U.S. Government securities of $105.6 million.

[6] Net after deducting the portion of expenses and losses charged to banks withdrawing from the temporary insurance funds on June 30, 1934.

Table 127. PROTECTION OF DEPOSITORS OF FAILED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, 1934–1976

Item	All cases (535 banks)		Deposit payoff cases (303 banks)		Deposit assumption cases (232 banks)	
	Number or amount	Percent	Number or amount	Percent	Number or amount	Percent
Number of depositors or accounts—total[1]	**3,304,942**	**100.0**	**623,006**	**100.0**	**2,681,936**	**100.0**
Full recovery received or available	**3,298,314**	**99.8**	**616,378**	**98.9**	**2,681,936**	**100.0**
From FDIC[2]	3,250,847	98.4	568,911[3]	91.3	2,681,936	100.0
From offset[4]	41,046	1.2	41,046	6.6	....	....
From security or preference[5]	3,279	0.1	3,279	0.5	....	....
From asset liquidation[6]	3,142	0.1	3,142	0.5	....	....
Full recovery not received as of December 31, 1976	**6,628**	**0.2**	**6,628**	**1.1**	....	....
Terminated cases	3,443	0.1	3,443	0.6	....	....
Active cases	3,185	0.1	3,185	0.5	....	....
Amount of deposits (in thousands)—total	**4,837,917**	**100.0**	**468,139**	**100.0**	**4,369,778**	**100.0**
Paid or made available	**4,818,237**	**99.6**	**448,459**	**95.8**	**4,369,778**	**100.0**
By FDIC[2]	4,695,370	97.0	325,592[7]	69.6	4,369,778	100.0
By offset[8]	23,136	0.5	23,136	4.9	....	....
By security or preference[9]	53,035	1.1	53,035	11.3	....	....
By asset liquidation[10]	46,696	1.0	46,696	10.0	....	....
Not paid as of December 31, 1976	**19,680**	**0.4**	**19,680**	**4.2**	....	....
Terminated cases	2,682	0.1	2,682	0.6	....	....
Active cases[11]	16,998	0.3	16,998	3.6	....	....

[1]Number of depositors in deposit payoff cases; number of accounts in deposit assumption cases.
[2]Through direct payment to depositors in deposit payoff cases; through assumption of deposits by other insured banks, facilitated by FDIC disbursements of $1,714,117 thousand, in deposit assumption cases.
[3]Includes 60,033 depositors, in terminated cases, who failed to claim their insured deposits (see note 7).
[4]Includes only depositors with claims offset in full; most of these would have been fully protected by insurance in the absence of offsets.
[5]Excludes depositors, paid in part by the FDIC, whose deposit balances were less than the insurance maximum.
[6]The insured portions of these depositor claims were paid by the Corporation.
[7]Includes $208 thousand unclaimed insured deposits in terminated cases (see note 3).
[8]Includes all amounts paid by offset.
[9]Includes all secured and preferred claims paid from asset liquidation; excludes secured and preferred claims paid by the Corporation.
[10]Includes unclaimed deposits paid to authorized public custodians.
[11]Includes $5,715 thousand representing deposits available, expected through offset, or expected from proceeds of liquidations.

Table 128. INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, 1934–1976

Year (December 31)	Deposits in insured banks (in millions)		Percentage of deposits insured	Deposit insurance fund (in millions)	Ratio of deposit insurance fund to–	
	Total	Insured[1]			Total deposits	Insured deposits
1976	$941,923	$628,263	66.7%	$7,268.6	.77%	1.16%
1975	875,985	569,101	65.0	6,716.0	.77	1.18
1974	833,277	520,309	62.5	6,124.2	.73	1.18
1973	766,509	465,600	60.7	5,615.3	.73	1.21
1972	697,480	419,756	60.2	5,158.7	.74	1.23
1971	610,685	374,568[4]	61.3[4]	4,739.9	.78	1.27[4]
1970	545,198	349,581	64.1	4,379.6	.80	1.25
1969	495,858	313,085	63.1	4,051.1	.82	1.29
1968	491,513	296,701	60.2	3,749.2	.76	1.26
1967	448,709	261,149	58.2	3,485.5	.78	1.33
1966	401,096	234,150	58.4	3,252.0	.81	1.39
1965	377,400	209,690	55.6	3,036.3	.80	1.45
1964	348,981	191,787	55.0	2,844.7	.82	1.48
1963	313,304[2]	177,381	56.6	2,667.9	.85	1.50
1962	297,548[3]	170,210[4]	57.2[4]	2,502.0	.84	1.47[4]
1961	281,304	160,309[4]	57.0[4]	2,353.8	.84	1.47[4]
1960	260,495	149,684	57.5	2,222.2	.85	1.48
1959	247,589	142,131	57.4	2,089.8	.84	1.47
1958	242,445	137,698	56.8	1,965.4	.81	1.43
1957	225,507	127,055	56.3	1,850.5	.82	1.46
1956	219,393	121,008	55.2	1,742.1	.79	1.44
1955	212,226	116,380	54.8	1,639.6	.77	1.41
1954	203,195	110,973	54.6	1,542.7	.76	1.39
1953	193,466	105,610	54.6	1,450.7	.75	1.37
1952	188,142	101,842	54.1	1,363.5	.72	1.34
1951	178,540	96,713	54.2	1,282.2	.72	1.33
1950	167,818	91,359	54.4	1,243.9	.74	1.36
1949	156,786	76,589	48.8	1,203.9	.77	1.57
1948	153,454	75,320	49.1	1,065.9	.69	1.42
1947	154,096	76,254	49.5	1,006.1	.65	1.32
1946	148,458	73,759	49.7	1,058.5	.71	1.44
1945	157,174	67,021	42.4	929.2	.59	1.39
1944	134,662	56,398	41.9	804.3	.60	1.43
1943	111,650	48,440	43.4	703.1	.63	1.45
1942	89,869	32,837	36.5	616.9	.69	1.88
1941	71,209	28,249	39.7	553.5	.78	1.96
1940	65,288	26,638	40.8	496.0	.76	1.86
1939	57,485	24,650	42.9	452.7	.79	1.84
1938	50,791	23,121	45.5	420.5	.83	1.82
1937	48,228	22,557	46.8	383.1	.79	1.70
1936	50,281	22,330	44.4	343.4	.68	1.54
1935	45,125	20,158	44.7	306.0	.68	1.52
1934	40,060	18,075	45.1	291.7	.73	1.61

[1] Figures estimated by applying, to the deposits in the various types of account at the regular Call dates, the percentages insured as determined from special reports secured from insured banks.
[2] December 20, 1963.
[3] December 28, 1962.
[4] Revised.

INDEX

INDEX