1985 Annual Report

Federal Deposit Insurance Corporation

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Federal Deposit Insurance Corporation
Washington, D.C.
August 1, 1986

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 1985.

Very truly yours,

L. William Seidman
Chairman

The President of the U.S. Senate

The Speaker of the U.S. House of Representatives

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Board of Directors

The Board of Directors of the FDIC: (from left) Robert L. Clarke, Comptroller of the Currency; FDIC Chairman L. William Seidman; and Irvine H. Sprague, Director.

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L. William Seidman

L. William Seidman was elected Chairman of the Federal Deposit Insurance Corporation on October 21, 1985. Prior to his appointment to the FDIC, Mr. Seidman pursued an extensive career in the financial arena in both the private and public sectors. He was Dean of the College of Business of Arizona State University and a director of several organizations including the Phelps Dodge Corporation, Prudential-Bache Funds, United Bancorp of Arizona and The Conference Board. He has served as Co-chair of the White House Conference on Productivity, Vice-Chairman of the Phelps Dodge Corporation, Assistant to the President for Economic Affairs and Managing Partner of Seidman & Seidman, Certified Public Accountants, New York. He also was Chairman and Director of the Federal Reserve Bank of Chicago, Detroit Branch. Mr. Seidman received an A.B. degree from Dartmouth College, and earned an L.L.B from Harvard Law School. He also holds an M.B.A. from the University of Michigan. He is a member of the American Bar Association, the American Institute of Certified Public Accountants and several academic honorary fraternities including Phi Beta Kappa. He is the author of two books and numerous articles on business and tax subjects.

Irvine H. Sprague

Irvine H. Sprague, a member of the Federal Deposit Insurance Corporation Board of Directors from 1969 to 1972, and from 1979 through 1985, served as FDIC Chairman from February 1979 to August 1981. He has held a number of other government positions, including Special Assistant to President Lyndon B. Johnson, Deputy Director of Finance for the State of California, and Executive Director of the Steering and Policy Committee in the U.S. House of Representatives. Mr. Sprague, a native of San Francisco, California, is a graduate of the College of the Pacific and of the Advanced Management Program at Harvard University. He also attended George Washington University and Indiana University. Mr. Sprague entered the Army in World War II as a private and retired from the Army Reserve as a lieutenant colonel. He earned the Combat Infantry Badge, Purple Heart, California Medal of Merit and two Bronze Stars.

Robert L. Clarke

Robert L. Clarke became the 26th Comptroller of the Currency on December 2, 1985, and simultaneously became a member of the FDIC's Board of Directors. Before his appointment, Mr. Clarke founded and headed the Banking Section at the Houston, Texas, law firm of Bracewell & Patterson. He joined that firm after completing his military service in 1968. The Banking Section prepared corporate applications and securities registrations, counselled management in expansion opportunities and the effects of deregulatory initiatives, and represented institutions in enforcement matters. Mr. Clarke holds a BA in Economics from Rice University and an LLB from Harvard Law School. He is a member of the bars of Texas and New Mexico. He has served as a director for two state banks, and has been active in a number of civic, political and professional organizations.

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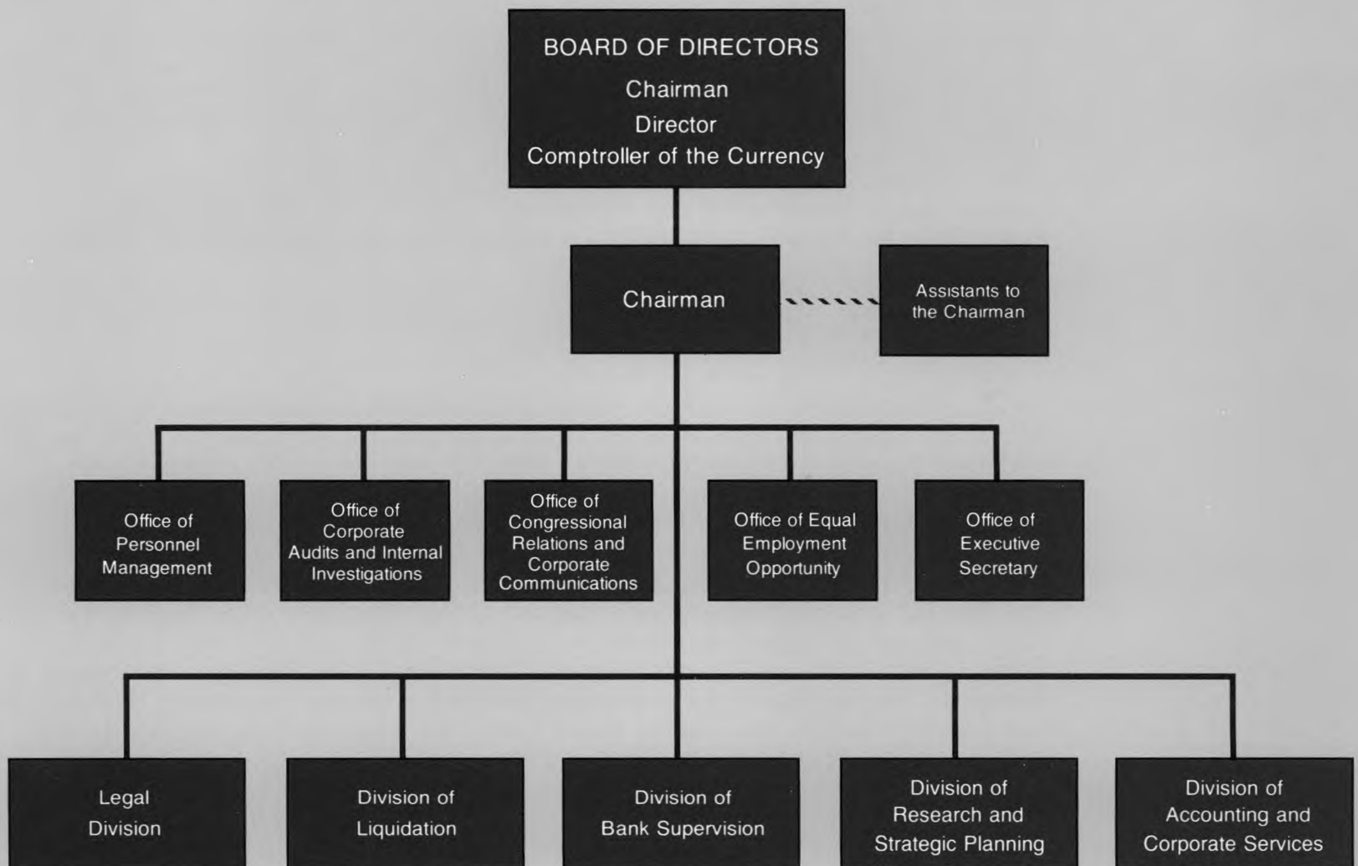

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FDIC Officials

Director, Division of Bank Supervision	**Robert V. Shumway**
General Counsel	**John C. Murphy**
Director, Division of Liquidation	**James A. Davis**
Director, Division of Accounting and Corporate Services	**Stanley J. Poling**
Director, Division of Research and Strategic Planning	**Stanley C. Silverberg**
Assistant to the Chairman	**David C. Cooke**
Deputy to the Appointive Director	**John R. Curtis**
Special Assistant to the Appointive Director	**Kenneth Fulton**
Deputy to the Director (Comptroller of the Currency)	**Dixon L. Mitchell**
Executive Secretary	**Hoyle L. Robinson**
Director, Office of Congressional Relations and Corporate Communications	**Graham T. Northup**
Corporate Communications Officer	**Alan J. Whitney**
Director, Office of Corporate Audits and Internal Investigations	**Robert D. Hoffman**
Director, Office of Personnel Management	**Robert A. Dorbad**
Director, Office of Equal Employment Opportunity	**Mae Culp**

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REGIONAL DIRECTORS
Division of Liquidation

ATLANTA ______ **William M. Dudley**
245 Peachtree Center Avenue, N.E., Suite 1100, Atlanta, Georgia 30303

CHICAGO ______ **Thomas A. Beshara**
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DALLAS ______ **G. Michael Newton**
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KANSAS CITY ______ **Carmen J. Sullivan**
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NEW YORK ______ **Michael J. Martinelli**
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SAN FRANCISCO ______ **Lamar C. Kelly, Jr.**
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REGIONAL DIRECTORS
Division of Bank Supervision

ATLANTA ______ **Edwin B. Burr**
245 Peachtree Center Avenue, N.E., Suite 1200, Atlanta, Georgia 30303

BOSTON ______ **Jesse G. Snyder**
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MEMPHIS ______ **James E. Halvorson**
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MINNEAPOLIS ______ **Walter Thompson**
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NEW YORK ______ **Edward T. Lutz**
452 Fifth Avenue, 21st Floor, New York, New York 10018

SAN FRANCISCO ______ **Anthony S. Scalzi**
25 Ecker Street, Suite 2300, San Francisco, California 94105

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Key Divisional Officials

Division of Bank Supervision. (from left) A. David Meadows, Associate Director, Supervision, Enforcement and Surveillance Branch; Robert V. Shumway, Director; Michael A. Hovan, Jr., Associate Director, Administration and Corporate Applications Branch; Robert F. Miailovich, Associate Director, Planning and Program Development Branch.

Legal Division. (from left) Thomas A. Rose, Deputy General Counsel, Regional and Corporate Affairs Branch; Michael B. Burgee, Deputy General Counsel, Closed Bank Investigation and Litigation Branch; John C. Murphy, Jr., General Counsel; Douglas H. Jones, Deputy General Counsel, Open Bank Regulation, Litigation and Legislation Branch.

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Division of Liquidation. (from left) Stephen N. Graham, Associate Director, Operations; James A. Davis, Director; Jon G. Will, Associate Director, Administration; Steven A. Seelig, Associate Director, Credit.

Division of Accounting and Corporate Services. (from left) Jerald L. Adams, Associate Director, Corporate Services Branch; Billy C. Mullican, Associate Director, Management Information Services Branch; Stanley J. Poling, Director; Michael W. O'Neill, Associate Director, Financial Services Branch.

Division of Research and Strategic Planning. (from left) Wm. Roger Watson, Associate Director; Stanley C. Silverberg, Director.

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Regional Directors

FDIC Regional Directors, Division of Liquidation: (from left) G. Michael Newton, Dallas; Carmen J. Sullivan, Kansas City; Lamar C. Kelly, Jr., San Francisco; Michael J. Martinelli, New York; Thomas A. Beshara, Chicago; William M. Dudley, Atlanta.

FDIC Regional Directors, Division of Bank Supervision: (seated, from left) Walter Thompson, Minneapolis; James E. Halvorson, Memphis; Charles E. Thacker, Kansas City; Roy Jackson, Dallas; (standing, from left) Jesse G. Snyder, Boston; Edward T. Lutz, New York; Paul M. Rooney, Omaha; Edwin B. Burr, Atlanta; Anthony Scalzi, San Francisco; Paul G. Fritts, Chicago.

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Chairman's Statement

L. William Seidman

When I became Chairman in October, the FDIC was in the midst of another year of record levels of problem and failed banks. One hundred twenty banks failed or were financially assisted by the FDIC during 1985. The agency's problem bank list rose to 1,140 banks by year-end. These problem and failed banks substantially increased the workload in all areas of the FDIC.

Despite the costs of so many failed banks and an increase in the reserve for losses, the deposit insurance fund grew from $16.5 billion to $17.9 billion during 1985. Moreover, the fund as a percentage of insured deposits stood at 1.19 percent. The ratio has ranged from 1.16 to 1.24 percent for the past six years.

The FDIC's revenues are in excess of $3 billion annually and liquid assets comprise 90 percent of net worth. The combination of liquidity, income, and planned funds flows has enabled the FDIC to absorb the costs of handling bank closings and assistance transactions while strengthening its insurance reserves.

The deposit insurance fund's reserve for losses was increased by $2.3 billion, raising the total reserves to $4.5 billion. The increase included a $1.3 billion loss allowance relating to the 1984 assistance agreement between the FDIC and Continental Illinois National Bank and Trust Company of Chicago. The increase also included approximately $470 million in loss allowances established for bank failures prior to 1985, and about $642 million in loss allowances for bank failures and assistance transactions that occurred in 1985.

In related action, the FDIC restated the deposit insurance fund's 1984 financial statements. The General Accounting Office took exception to those statements because there was no provision for potential losses related to the Continental assistance transaction. The restatement charges approximately $700 million of the Continental loan loss allowance to 1984 operations and about $600 million against 1985 operations.

Under the FDIC's statutory insurance assessment formula, banks receive a credit against their premium payments only when the assessments are greater than costs. As a result of the increase in the loss reserve, banks in 1985 received no assessment credit.

The continued growth of the FDIC's responsibilities is necessitating a fundamental restructuring of its budget process. We have enhanced the usefulness of the budget by including the costs of anticipated bank closings and planned program goals. The budget will allocate all resources according to the projected needs of functional programs, such as bank examination or liquidation. The budget now will be based on a series of specific, corporate-wide economic and operating assumptions that might affect expenditures during the budget period. Periodic assessment of the status of our financial plan will be achieved through quarterly budget reviews by senior management. Each organizational element will produce a quarterly report of operations.

While it is important to assure that operations remain within a well-conceived budget, it is also important to use available funds productively.

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The FDIC is refining techniques for measuring its productivity in all areas, including collections from the liquidation of failed bank assets. We will evaluate, based on automated collection activity reports, whether current collection methods are producing the maximum return at minimum cost from the disposition of such assets.

The FDIC's inventory of failed bank assets is large and growing. The FDIC's collections process must be streamlined. The traditional way of handling failed banks has been to pass a limited volume of loans to the acquiring banks. We are now developing procedures and incentives to pass substantially more loans. Other improvements include the development of a nationwide automated asset marketing system and an investor profile list and the creation of an agricultural credit manual. The FDIC also has been engaging in more bulk sales of failed bank assets and in selling mortgage loans in the secondary market.

The increasing number of bank failures has intensified the need to reevaluate how bank failures are handled and what the role of deposit insurance should be. Most depositors in failed banks have been fully covered as a result of the purchase and assumption (P&A) transactions that the FDIC traditionally arranges. The increased number of failures, however, has exposed inequities in the deposit insurance system and the manner in which bank failures are handled. Uninsured depositors in small failing banks have sometimes been exposed to loss when a P&A wasn't feasible, but this has not been the case in larger banks.

The FDIC's goal is to achieve fairness in the system so that depositors in large and small failed banks are treated the same. This will be accomplished by doing P&As wherever feasible and eliminating impediments to achieving them. The FDIC also will strive to make fairness mean that all banks, regardless of their type, size or charter, will be subject to uniform regulations.

Cooperation among federal and state bank regulators will be required to achieve this goal, as well as other goals that are mutually important. It is now more important than ever to promote uniformity and consistency among the regulators, and a good foundation has been laid for such interaction. In 1985, federal regulators agreed on a uniform capital ratio for commercial banks of six percent of assets. We have also implemented policies for sharing confidential supervisory information between bank and thrift supervisors. Frequent meetings are held with the Chairman of the Federal Reserve, the Comptroller of the Currency and other federal agency heads to discuss regulatory and supervisory issues.

This brief summary of the challenges the FDIC faces would not be complete without a look at the legislative agenda. The Corporation has proposed legislation in a number of areas to increase its options for dealing with failed banks. We have requested enactment of a federal depositor preference statute to allow an acquiring bank in a P&A to assume a closed institution's insured and uninsured deposit liabilities without risk of exposure to creditor liabilities. With such a statute, the FDIC would recover its outlays before nondepositor creditors get reimbursed, reducing the FDIC's costs and thus permitting the use of P&As

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in more cases. This would result in fewer communities being deprived of banking services.

We also are hampered by restrictive banking statutes. Of the 41 depositor payoffs since May 1984, 36 occurred in states with restrictions on branching. Federal legislation permitting the purchase of a failed bank as a branch could make a P&A transaction possible where the acquisition of a failed bank as a separately chartered and capitalized institution might not be feasible.

The most desirable option for dealing with an insolvent bank is a private sector solution: recapitalization or merger. However, particularly for large ailing banks, restrictions on interstate banking and acquisitions limit private sector solutions. The Garn-St Germain Act of 1982 authorizes interstate acquisitions of failed banks with assets of $500 million or more. But it is a short-term tool which has been subject to several limited extensions. Congress should make the law a permanent part of our program, and reduce the $500 million asset threshold to $250 million.

While the flexibility to arrange interstate acquisitions will help the FDIC arrange mergers for large failed banks, we also need ways to span the gap between a failed bank and an orderly P&A transaction. Legislation should be enacted to allow the FDIC to own and operate a "bridge" bank so we can sort out the bank's affairs and allow potential bidders time to make an informed judgment concerning their purchase of the insolvent institution's portfolio.

In addition, we seek authority to function more like a private insurer through a system of risk-related insurance premiums. Banks that represent a greater exposure risk to the insurance fund should pay a higher premium. This market-oriented approach would make the assessment system fairer. Moreover, directors and shareholders of institutions paying higher premiums would have a strong incentive to question management's performance.

A final issue confronting the FDIC concerns the efforts of the Office of Management and Budget (OMB) to apportion the FDIC deposit insurance fund under provisions of the Antideficiency Act and the Gramm-Rudman-Hollings law. The FDIC's outlays are not paid for by taxpayers or purchasers of U.S. Government debt. Applying laws intended for taxpayer-supported agencies to the FDIC budget would severely curtail the ability of the FDIC to provide deposit insurance coverage and its flexibility to respond to unforeseen emergencies in the banking system. The end result will be more bank failures and higher, not lower, future outlays by the FDIC.

The FDIC has made its position known to Congress. Although the FDIC voluntarily participated in the first round of automatic budget cuts under Gramm-Rudman-Hollings, we will continue to pursue the preservation of our traditional independent role. Maintaining the insurance fund's historic independence from the federal budgetary process is essential to the sound operation of the regulatory system. Now is not the time to experiment with the continued safety and soundness of the banking system.

I wish to express appreciation to all of our customer banks, employees, the former Chairman and former Director for their cooperation and help in my initial period with the Corporation.

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Operations of the Corporation

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The Year's Activities

Supreme Court Justice Sandra Day O'Connor administers the oath of office to L. William Seidman as Mrs. Seidman holds a Bible. Mr. Seidman is the fourteenth Chairman of the FDIC.

The U.S. Senate confirmed the nomination of L. William Seidman to the Board of Directors of the FDIC on October 16, 1985, and the Board elected Mr. Seidman as the 14th FDIC Chairman on October 21, 1985.

During 1985, records were broken in most areas of FDIC activity. The number of problem banks rose to 1,140 and 120 banks were closed or required FDIC assistance. The value of failed bank assets undergoing liquidation by the FDIC climbed to $11.0 billion. The deposit insurance fund reached an all-time high of $17.9 billion. Enforcement actions increased, as did the numbers of deposit insurance and merger applications. The FDIC's workforce rose by approximately 40 percent to 7,125 — the highest level in the Corporation's history — primarily in staff to handle bank failures and the disposition of failed bank assets.

In regulatory actions, the FDIC adopted and also proposed far-reaching rules to achieve greater market discipline of banks, improve bank supervision, and establish capital standards consistent with those of other federal bank regulators.

Efforts to construct a private sector rescue of the failing Bowery Savings Bank proved successful, culminating in an assistance plan that resulted in Bowery's recapitalization as a new stock savings bank owned by a group of private investors. The transaction cost an estimated $273 million. Based upon Bowery's negative book capital and the market depreciation in its asset portfolio, the FDIC estimated that a payoff of the bank's insured depositors would have cost about $620 million. Moreover, one of the oldest of New York City's savings institutions was preserved.

During 1985 the credit problems of agricultural banks, which make up almost one-third of all FDIC-insured institutions, focused nationwide attention on

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Former FDIC Chairman William M. Isaac congratulates L. William Seidman upon his swearing in as Chairman of the FDIC.

the troubled farm economy. About 51 percent of the bank failures in 1985 involved agricultural banks and approximately 37 percent of all problem banks during the year were agricultural banks. While agricultural banks remained strong overall, failures were concentrated in a six-state area. The weakness in the agricultural economy, therefore, was a difficult problem for farm lenders and borrowers. The toll in terms of failures was high, as was public concern about the impact on small institutions in our banking system.

The FDIC continued its supervisory policy of realistically and fairly evaluating farm banks and farm credits during the year. The Corporation also expedited the processing of deposit insurance applications from banks in agricultural states so the public would not be without banking services. An extra effort was made to arrange mergers whenever an institution in the Farm Belt failed, and 36 mergers took place involving failed banks in six states (Nebraska, Iowa, Kansas, Oklahoma, Minnesota and Missouri). As part of this effort, the FDIC injected approximately $215 million into the economies of these states during 1985 in the form of cash advances to institutions that agreed to acquire failed agricultural banks. In addition, the FDIC advanced about $50 million in the mergers of seven failed agricultural banks in Texas, Colorado, Illinois, Oregon and Tennessee.

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The Story of a Bank Failure

Security State Bank, Broken Bow, Nebraska

Of the record 120 banks that failed or were assisted during 1985, 62 were institutions in which agriculture-related loans accounted for 25 percent or more of their loan portfolios. One such bank was Security State Bank in the central Nebraska town of Broken Bow.

Broken Bow encompasses 1.6 square miles, and about 4,000 people live there. There are nearly 1,250 family farms in Custer County, in which Broken Bow is located, comprising almost 94 percent of all the county land. The average size of these farms is 926 acres on which the farmers raise corn, wheat, oats, potatoes, soybeans and livestock.

Security State Bank, founded in 1905, was closed on December 5, 1985. According to state banking authorities, the bank failed as a result of liberal lending policies and collection practices, which were compounded by a depressed local farm economy. The FDIC paid off the insured deposits of approximately $6.9 million because no bids were received for the failed bank.

The following photo essay is the story of the closing of the bank and the payoff of its insured depositors. But, in a sense, it is a story that is representative of all the bank closings during the year. It portrays the response of FDIC personnel to bank failures in 21 states. The closing team's efforts pictured depict the expertise, efficiency and dedication of all the FDIC's closing teams. This photo essay is the story of the smooth coordination of the whole FDIC team at work, carrying out its mission to protect insured depositors and assure the continued safety and soundness of the American banking system.

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1. Members of the Division of Bank Supervision in the Kansas City Regional Office (from left) Karen Kulig, Alice Faber, Ray Pritchett, Regional Director Charles E. Thacker, Steve Reed and Debbie Richardson assemble bid packages containing financial information on Security State Bank and instructions to bidders.

2. FDIC staff members Steve Reed and Ray Pritchett distribute thick information packages on the financial condition of Security State Bank to potential bidders for the bank. Bidders are warned to keep strictly confidential the financial information they receive and the fact that the bank will soon be closed by the Nebraska banking department.

3. Potential bidders for Security State Bank begin the task of studying the bank's financial condition in order to determine whether to offer a bid to buy the bank from the FDIC.

4. Cary Hiner of the FDIC staff in Kansas City explains the bidding procedure to potential bidders for Security State Bank.

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5. Top management of the Division of Liquidation of the Kansas City Regional Office meet to discuss the upcoming closing of Security State Bank, Broken Bow, Nebraska. From left are Diane Dierks, Bank Liquidation Specialist/Commercial; Mitchell Glassman, Deputy Regional Director; Dennis Cavinaw, Regional Manager (Commercial/Real Estate Loans); Carmen Sullivan, Regional Director; Engram Lloyd, Regional Manager (Operations/Other Assets); and Stanley Gish, Closing Manager.

6. Kate McDermott of the Kansas City Regional Office calls motels near Broken Bow, Nebraska, to reserve rooms for 45 FDIC employees who will handle the closing of Security State Bank.

7. Sandi Whitten provides administrative support in the Kansas City Regional Office prior to the closing of Security State Bank.

8. Candy Ruppel, a secretary in the Kansas City Regional Office, works a check list during preparations for the anticipated bank closing.

9. Closing Manager Stanley Gish briefs the FDIC team who will conduct the closing of Security State Bank.

10. Members of FDIC's closing team, (from left) Bill Cole, Bob O'Kane, Mary Kay Rooney, Jerry Hoffman, and Lenny Swanger, enter the bank to begin their work.

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11. J. Paul Ramey, Chief, Failing Banks and Assistance Transactions Section (DBS), reviews information on the failing Security State Bank, Broken Bow, Nebraska. Subsequently, the FDIC received no bids for the bank and conducted a payoff of the bank's insured depositors.

12. Key figures in the liquidation process discuss a payoff of Security State Bank before informing the Board that no bids were received: (from left, clockwise) Charles O. Grubbs, Mulford H. Smith, J. Paul Ramey, Janice M. Smith, William J. Olcheski, and David Stickerod.

13. J. Paul Ramey informs Christie Sciacca (seated at desk), Assistant to the Deputy to the Chairman, that no bids were received for the failed bank and discusses options for dealing with the bank. Listening are Dixon L. Mitchell (standing), Deputy to the Director (Comptroller of the Currency), and John R. Curtis (foreground), Deputy to the Appointive Director.

14. Sciacca tells FDIC Director Irvine H. Sprague (far left) and Chairman L. William Seidman that no bids were received for the closed bank. Curtis (foreground) participates in the briefing.

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15. Chairman Seidman discusses the feasibility of a payoff of insured depositors of the closed bank with Sciacca.

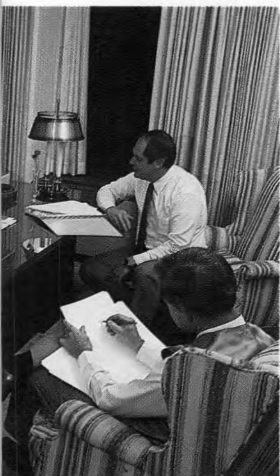
16. Director Sprague receives information on the financial condition of the closed bank in a separate briefing from his Deputy, John Curtis.

17. Ramey (standing) answers Chairman Seidman's questions about the lack of bids for the closed bank, as Director Sprague, Sciacca (center) and Curtis (foreground) participate in the meeting.

18. Mitchell briefs the Comptroller that the FDIC has received no bids for the closed bank.

19. Chairman Seidman conducts the Board meeting to discuss the closed bank with the Comptroller of the Currency, the third member of the FDIC Board, who will cast his vote on the bank by telephone from his office.

20. FDIC Director Sprague participates in the Board's teleconference concerning Security State Bank.



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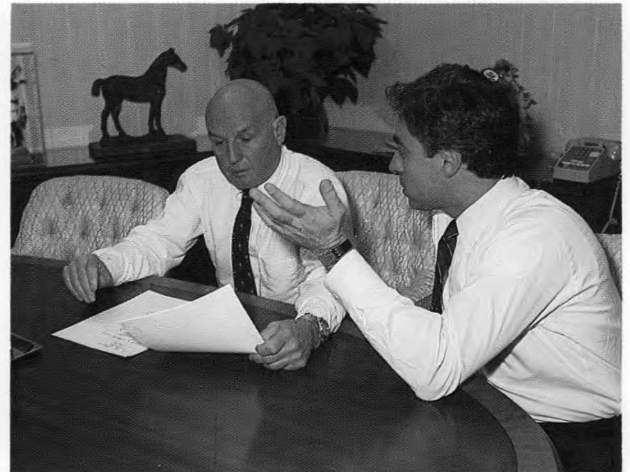

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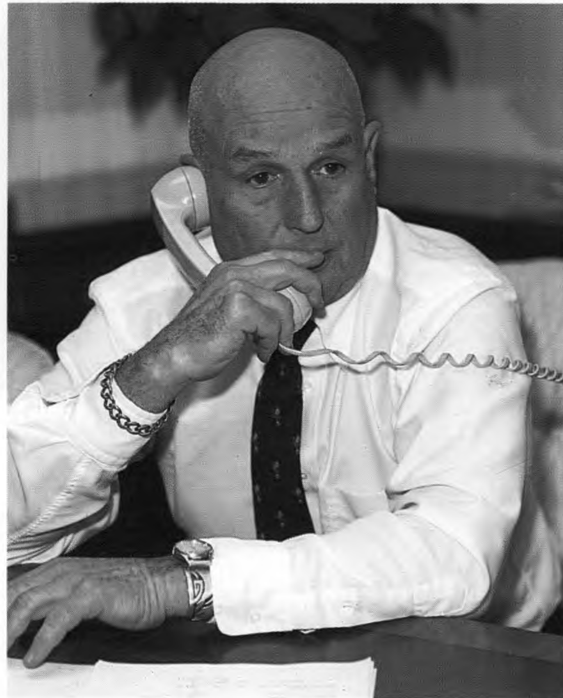

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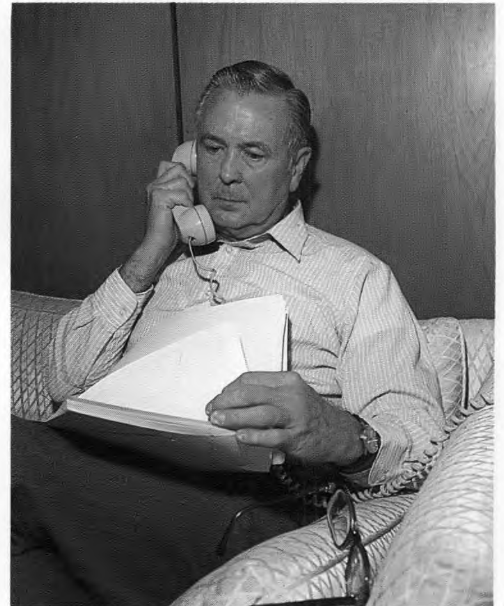

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21. An area resident reads FDIC's Notice To Depositors posted on the bank door that explains the bank is closed and that insured depositors will be paid their claims.

22. Closing Manager Stanley Gish talks with a television reporter about the bank failure.

23. Kathy Pitzl and a bank employee count money in the bank's vault area.

24. FDIC employee Jim Cryan rolls equipment needed for the closing into the bank.

25. Verna Troutman and Valerie Bottoms discuss their work assignments.

26. Jim Cryan and Glen Penrose examine bank records.

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27. Harry Herrell, Randy Birkel, Kathy Bierschbach, Bill Clark, Glen Penrose and Kate McDermott work into the night reviewing Security State Bank records and preparing for the payoff, as a security guard observes.

28. Hungry members of the FDIC closing team feast on carryout pizza in the bank as they put in long weekend hours preparing for the payoff of insured depositors. Foreground (from left): Dan Peters, Dan Waite and Richard Sharpe. Background (from left): Glen Penrose, Diane Dierks and Jerry Hoffman.

29. Dan Peters and Hal O'Donnell of the FDIC closing team work with bank employees as they prepare to do a payoff of insured depositors of Security State Bank.

30. FDIC employee Rosemarie Carr prepares checks that will be used to pay customers of Security State Bank their insured deposits.

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31. Citizens of Broken Bow arrive for an FDIC town meeting and receive 3 x 5 cards on which they will write their questions about the bank failure for FDIC officials to answer.

32. Customers of Security State Bank listen as representatives of the FDIC and the Farmers Home Administration conduct a town meeting to explain why Security State Bank failed and how the payoff will take place. The FDIC conducted many such town meetings with customers of failed banks during 1985.

33. Residents of Broken Bow listen during the FDIC's town meeting regarding the failure of Security State Bank.

34. Closing Manager Stanley Gish calls the Regional Office to give a progress report on the payoff of Security State Bank as (from left) another bank employee, Dave Kruger, and James C. Barbee, Nebraska Director of Banking and Finance, who closed the bank, look on.

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35. FDIC employees Valerie Bottoms and Mick Clark review records in the bank.

36. The FDIC at work in the closed Security State Bank. Foreground (from left): Carl Morgan and Randy Birkel. Background (from left): three bank employees, Tom Matkin, Vickie Thorsen, two more bank employees, and a security guard.

37. Valerie Bottoms signs out a document from the bank's vault.

38. Mark Hesser, Mary Main and Mike Jacobs of the FDIC check bank documents with Security State Bank President Terry Jensen.

39. A bank customer picking up his check for his insured deposit during the payoff talks with FDIC employee Casey Carter.

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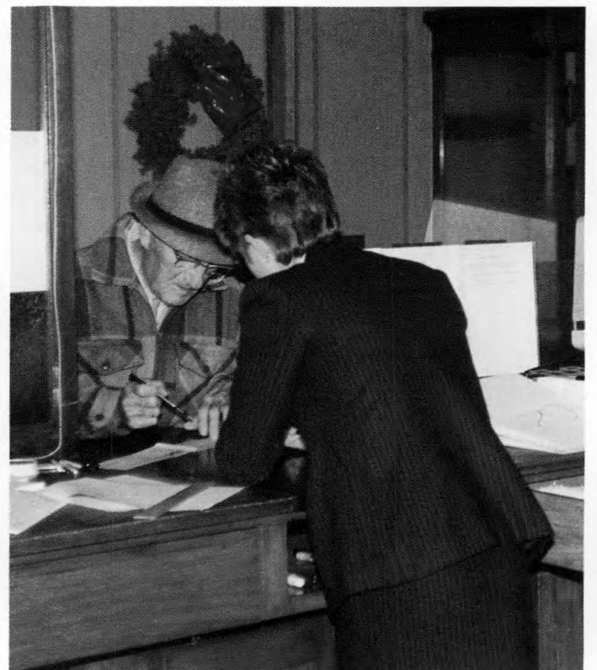

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Supervisory Operations

The last several years have seen dramatic changes in the banking industry, and they have had a profound impact on the FDIC and its Division of Bank Supervision (DBS). As the states have proceeded with deregulation, FDIC-insured institutions have expanded into a variety of nontraditional areas, subjecting themselves and the insurance fund to new forms of risk. Bank consolidations have increased both the size and scope of financial service organizations, making banking a more complicated business and bank supervision a more complex task. As a result, DBS has significantly restructured and refocused its supervisory efforts.

Historically, the Division's resources had been devoted to comprehensive onsite bank examinations. However, the Division has shifted away from the annual full-scope onsite examination and expanded its offsite monitoring programs. Intensive onsite examinations now are reserved for institutions that represent the most risk to the deposit insurance fund, i.e., troubled or large institutions. The Division also has expanded the focus of its activities. Risk containment in state nonmember banks remains the core activity, but the Division now is concerned with the risk any FDIC-insured institution may pose to the fund.

The Division took a number of actions in 1985 that improved the bank examination process in fundamental ways. It aggressively pursued joint examination programs with other financial regulators to obtain a comprehensive picture of the FDIC's risk exposure from banks that it insures but does not regulate. Acting under a 1983 agreement, the FDIC joined with the Comptroller of the Currency (OCC) in 319 simultaneous examinations of national banks. A similar cooperative examination program was initiated with the Federal Home Loan Bank Board (FHLBB) to concurrently examine savings banks chartered by the Bank Board and insured by the FDIC. A number of such examinations, primarily in the New York and Boston FDIC Regions, were conducted in 1985. Also during 1985, the FDIC continued an active program of examination and information sharing arrangements with a number of state banking departments. The FDIC and the Federal Reserve conducted 60 joint examinations in 1985 of banks that are members of the Federal Reserve system.

During the year, the FDIC substantially revised its policy on the frequency and scope of examinations of state nonmember banks to bring the policy even more in line with its goal of identifying and monitoring troubled institutions. Under the new policy, the FDIC aims to examine well-run banks, those rated "1" or "2" under the uniform rating system used by the federal financial regulators, at least once every 36 months. Banks in this group with less than $300 million in total assets may be examined once every 60 months at the discretion of the FDIC regional director. Although the period between full-scale examinations is being increased, a visitation or off-site review will be conducted at least every 12 months. A visita-

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tation is a specialized examination designed, for example, to determine an institution's progress in complying with requirements of a formal corrective order.

Institutions rated "3" under the uniform rating system will be examined by the FDIC at least once every 12 months, or up to 24 months at the regional director's discretion. These banks also will receive a visitation or off-site review every six months.

The FDIC will examine institutions with problems, those rated "4" and "5", every 12 to 18 months, with visitations every three months.

Each newly-chartered and insured institution supervised by the FDIC is examined within the first 12 months of operation and receives visitations at the end of the first 60 days and after the first 120 days of operation. The revised examination policy also includes specific schedules for examinations, visitations and off-site reviews for certain other types of banks or to address special circumstances, such as a change of control.

At year-end, there were 1,140 banks on the FDIC's problem bank list, compared with 848 banks at the end of 1984 and 642 at the conclusion of 1983. Statistics on examinations conducted during the year demonstrate the shift toward limiting examinations of sound institutions and concentrating on the small percentage of troubled banks. DBS conducted 8,504 examinations in 1985 compared with 9,751 in 1984, 12,977 in 1983 and 17,886 in 1982. Included in the total were 2,940 safety and soundness examinations, 1,251 consumer and civil rights compliance examinations, 272 trust department examinations, 422 examinations of data processing facilities, 3,619 investigations/visitations and 2,566 applications reviews.

Bank performance under the Community Reinvestment Act (CRA) was analyzed in approximately 1,300 compliance examinations and 200 compliance visitations. Most banks received a CRA rating of satisfactory or better. During 1985, no CRA complaints were filed with the FDIC Office of Consumer Programs. Protests on CRA grounds against the approval of two branch applications were considered. However, both applications were approved after investigation and informal hearings.

Increased automation has been critical to the success of the FDIC's examination program. During 1985, the FDIC activated the new Extended Monitoring System (EMS), which is designed to improve off-site review of small and medium-sized banks. The system generates component-by-component comparative ratings for specific banks, illustrates changes in key ratios and provides peer percentile ranks. EMS complements the individual bank analytical program implemented during 1984 for large banks.

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A test of the use of microcomputers by FDIC examiners was completed during 1985. Examiners in the Columbus and San Francisco Regions have been testing the use of microcomputers as an aid in examining banks for about one year. The examiners successfully prepared and transmitted examination reports to FDIC regional offices and accessed bank data from the main FDIC data base. The computers expedited examination activities and improved productivity. By the end of 1985, 250 microcomputers were being used by examiners across the country. In several FDIC regions, computers were used in the preparation of information packages on failing banks for potential bidders.

During 1985, the FDIC spent $653,000 for microcomputers to be used by examiners, and $283,000 to train examiners to use the computers. The goal of the Division of Bank Supervision is to provide one microcomputer for every four examiners by the end of 1986.

In addition to bank examinations, the FDIC's supervisory responsibilities include bank trust department oversight, regulation of bank securities activities and applications review. In 1985, the Corporation supervised 2,552 trust departments in commercial banks and 48 in mutual savings banks. Sixty-five new trust departments were approved for operation. The dollar volume of trust account assets subject to FDIC supervision totalled almost $87.3 billion. The FDIC also supervised the securities activities of 250 banks that had more than $1 million in total assets and 500 or more shareholders of any class of equity security. In addition, 319 banks that were registered securities transfer agents were subject to FDIC supervision.

State nonmember banks must apply to the FDIC for deposit insurance and for permission to establish or relocate branches and merge with other banks. The FDIC also has authority over changes of control of banks and, in certain circumstances, over who may serve as a director, officer or employee of an insured bank. Applications for deposit insurance also come from foreign banks seeking insurance for their U.S. branches. During 1985, the FDIC received four such applications, compared with seven in 1984.

During 1985 the FDIC received a number of deposit insurance applications from institutions in Ohio and Massachusetts and other states that had been insured by private deposit insurance systems. The first such application received from a state insured institution as a result of the temporary closing of Ohio savings and loan associations by the the state's superintendent of banks was from Scioto Bank, Columbus, Ohio, formerly Scioto Savings Association. The state-chartered savings and loan association converted to a commercial bank charter following the loss of public confidence in the state's private insurance fund.

Privately insured mutual savings banks and cooperative banks in the State of Massachusetts recognized the potential for a loss of public confidence in their private deposit insurance fund after the failure of Ohio's private fund. The Massachusetts banking department required approximately 100 mutual sav-

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ings banks and 100 cooperative banks to acquire federal deposit insurance from either the FDIC or the Federal Savings and Loan Insurance Corporation (FSLIC). Most of the institutions obtained FDIC deposit insurance. Others withdrew their applications, merged with federally insured institutions or obtained deposit insurance from the FSLIC. A few of the institutions could not meet the FDIC's capital standard, a requirement that is not waived for applicants seeking insurance coverage. Given the public concern over private insurance, the FDIC negotiated with the institutions' insurance funds which provided the required capital level so the banks could qualify for FDIC deposit insurance.

The FDIC also received merger applications involving privately-insured thrift institutions. The first received as a result of the temporary closing of Ohio savings and loan associations was from The Ohio Bank & Savings Company, Findlay, Ohio, a federally-insured state-chartered bank, which applied for consent to merge with The Ottawa Home and Savings Association, Ottawa, Ohio, a non-federally insured thrift institution. The application was filed on March 26, 1985, and the FDIC gave expedited approval on April 10, 1985.

The FDIC Board of Directors and, under delegated authority, other top officials of the Corporation approve or deny various types of applications and review change in bank control notices. The following table shows the FDIC's actions on selected types of applications during the year.

FDIC APPLICATIONS

	1985	1984
Deposit insurance	231	114
Approved	226	113
Denied	5	1
New Branches	758	951
Approved	756	938
Branches	584	600
Ltd. Branches	85	79
Remote Service Facilities	87	259
Denied	2	13
Mergers	208	197
Approved	207	193
Denied	1	4
Requests for Consent to Serve	61	42
Approved	53	37
Denied	8	5
Notices of Changes in Control	159	137
Reviewed	153	137
Denied	6	0

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The substantial increase in applications for federal deposit insurance reflected the general concern over privately insured or noninsured institutions, precipitated by the crises in Ohio and Maryland. Of the 231 applications for deposit insurance received in 1985, 157 were from operating institutions that did not have federal deposit insurance. Of the 154 approved, 106 were savings or cooperative banks in Massachusetts. The notable decline in the number of remote service facility aplications is a result of a 1984 policy change which replaced the application requirement with a simple notification system.

During 1985, the FDIC continued to review regulations relating to applications, and additional authority to act on certain applications was delegated to the Board of Review, a panel comprised of senior managers, and to the Director of the Division of Bank Supervision. The most significant new delegation to the DBS Director was the authority to approve, subject to certain restrictions, applications for federal deposit insurance submitted by operating noninsured institutions. The more significant delegations to the Board of Review included the authority to approve or deny certain applications to establish branches and relocate offices that previously had been reserved for Board action, and to act on notices of acquisition of control. These delegations reduced the time necessary to process such applications.

During 1985, the FDIC explored other innovative methods for accomplishing its supervisory mission of promoting safe and sound banking practices. The Corporation requested public comment on alternative ways to bring market discipline to bear on bank operations. First, the FDIC Board solicited comment on the use of the "modified payoff" in all bank failures in lieu of traditional methods of handling bank failures. A modified payoff involves the full reimbursement of insured deposits and a cash advance to uninsured depositors and other general creditors of a failed bank equivalent to estimated liquidation recoveries.

The Board also requested comment on raising the total capital requirement for insured banks from 6 to 9 percent of assets, keeping the primary capital requirement at 6 percent and permitting the balance to be satisfied by selling subordinated debt. (Under existing regulations the six percent total capital requirement is a minimum. The FDIC's policy is to evaluate capital adequacy on a case-by-case basis depending on the level of risk in a bank's asset portfolio.)

The FDIC also proposed the establishment of risk-related insurance premiums as a way to protect the deposit insurance fund from unnecessary risk and to alert bank management that their investments may represent more than normal risk. At year end, the Corporation was reviewing comments received on these proposals.

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In two final rules, the FDIC sought specific solutions to supervisory problems. The Board adopted a procedure for notifying the directors of problem institutions of their responsibilities and duties in resolving their bank's deficiencies. The Board established this plan to make bank directors aware of bank problems and the extent of their personal liability if problems remain unresolved. In a separate action, the FDIC adopted a policy statement of the Federal Financial Institutions Examination Council regarding repurchase agreements between depository institutions, securities dealers and others. The policy is intended to help depository institutions avoid adverse consequences that might result from bankruptcies of dealers who sell U.S. Government securities.

In another area, the Division of Bank Supervision conducted a study of off-balance-sheet activity. The study included a review of the use of standby letters of credit, interest rate swaps and other transactions not reflected on a bank's balance sheet. Recommendations for supervising these activities were under development at year-end.

DBS also focused on a number of administrative matters. The consolidation of regional bank supervision offices continued on schedule in 1985 and will be completed by early 1988. When completed, the Division will have six regional offices operating in the same locations as the Division of Liquidation regional offices. The Division increased the number of field examiners from 1,389 to 1,535. If additional planned increases proceed, the field examiner force will number more than 2,000 in 1986. In addition to providing intensive training for new examiners, the Division developed a series of specialized training modules for senior examiners. The modules, covering selected subjects such as agricultural lending or real estate lending, can be combined for short-term seminars tailored to the training needs of examiners in particular geographic areas where banks specialize in certain kinds of investment or lending activities.

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Rules and Regulations

The FDIC's rulemaking activities in 1985, were aimed at expanding public disclosure requirements, managing risk in banking activities and streamlining the FDIC's applications procedures.

The FDIC Board adopted a policy of routinely disclosing to the public all final orders and terminations of final orders in connection with statutory enforcement actions. The policy was to go into effect on January 1, 1986. However, on December 30, 1985, the FDIC Board decided to defer implementation. The delay is intended to permit the FDIC, the Comptroller of the Currency and other federal regulators to develop a uniform disclosure policy.

In another action, the Board adopted revised quarterly reporting requirements for savings banks. Some of the revisions were effective with the December 31, 1985, Reports of Income and Condition. Other revised reporting requirements will be implemented as of the March 31, 1986, reporting date.

The FDIC, acting in concert with the Federal Reserve and the Comptroller of the Currency, in 1985 adopted common capital standards requiring banks without material problems to maintain total capital and reserves of at least six percent of assets. The Board proposed limits on how insured state-chartered banks may exercise their authority to engage in insurance underwriting and real estate development. This proposal was awaiting final action at the end of 1985. During 1984, the FDIC adopted similar regulations governing the securities activities of subsidiaries and affiliates of insured banks. Subsequently, the FDIC received petitions requesting reconsideration of the restrictions in the regulations against a bank and its subsidiary sharing a common name or occupying offices with a common entrance. Final action on the petitions is expected 1986.

The Corporation proposed to require insured banks to report criminal violations of the U.S. Code to the appropriate investigatory and prosecuting authorities, as well as to the FDIC. The proposed rule would assure that timely information will reach investigators and prosecutors and would help the FDIC act to reduce losses in these banks resulting from criminal activity.

The FDIC also proposed a new policy for assessing the competitive impact of potential bank mergers. The definition of the financial marketplace in which merger candidates operate would include thrift institutions and nonbank financial institutions that compete with commercial banks. Both competition for market share among financial institutions and concentration levels in selected major product lines would be examined. The statement of policy would apply to all mergers, consolidations, purchases of assets and assumptions of liabilities involving financially sound institutions where FDIC approval is required.

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The Corporation also proposed new public notification requirements for individuals who intend to acquire a controlling interest in a state nonmember bank. The proposed regulation would require persons who have informed the FDIC that they plan to acquire a bank to publish an announcement of FDIC's acceptance of their notice in a newspaper circulated in the area where the bank is located. The proposal is intended to increase the amount of timely information available to the public and expand the FDIC's sources of information in connection with its statutory review of acquisitions of control.

The FDIC also proposed to amend its rules regarding the records that banks must keep on the ownership of brokered deposits. The proposed amendment would require bank records to reflect the relationship between the owner of a deposit and that depositor's agent. The change would make it easier for the FDIC to determine the insurance status of brokered deposits and would help the FDIC accurately assess its insurance exposure in the event of a bank failure. Public comments on the operation of the rule are currently being considered.

More detailed information concerning the Corporation's actions on proposed and final rules is included in the Legislation and Regulations chapter, beginning on page 52 of this report.

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Legal Activities

The work of the Legal Division during 1985 mirrored the activities of its two principal clients, the Division of Bank Supervision (DBS) and the Division of Liquidation (DOL). As the workload of DBS and DOL grew, due to the increase in the number of problem and failed banks, and there was a corresponding increase in the volume of work in the Legal Division.

One area in which the Legal Division supports DBS is in initiation of enforcement actions against banks. The Division advises DBS and other FDIC units concerning possible violations of the Federal Deposit Insurance Act and other applicable laws and regulations and as to the adequacy of corrective actions taken by banks. In this area the Division is resonsible for handling administrative proceedings related to enforcement activities as well as any related judicial proceedings.

There were 1,140 banks on the FDIC's problem list at year-end 1985, more banks with operating problems than at any other time since the FDIC began maintaining the list. Consequently, the use of both formal and informal administrative enforcement actions to effect corrective measures in troubled banks and to promote safe and sound banking practices grew dramatically. The number of compliance and enforcement actions of every type increased over 1984 year-end tallies. In excess of 95 percent of the enforcement actions were settled by consent agreements. There were 14 administrative hearings conducted in 1985 concerning enforcement matters and the Board of Directors had issued eight final decisions by year-end.

The FDIC acts to correct improper banking practices by issuing cease-and-desist orders (Sections 8(b) and 8(c) of the FDI Act), assessing civil money penalties (Sections 7(a)(1), 7(j)(15), 8(i)(2) and 18(j)(3) of the Act), and terminating deposit insurance (Sections 8(a) and 8(p) of the Act). The FDIC first used its power to issue cease-and-desist orders to correct banks' weaknesses or violations of law in 1971, issuing 37 orders through 1975, and 621 orders between 1976 and 1984. In 1985 alone, by contrast, the FDIC issued 186 such orders. Civil money penalties against 233 individual officers and directors in 46 separate cases were levied in 1985.

Under Section 8(e) of the FDI Act, the FDIC generally may remove an officer, director or other participant in the affairs of an FDIC-insured bank if the person violates a law, rule regulation or final cease-and-desist order, engages in unsafe or unsound banking practices or breaches his or her fiduciary duty. The individual's action must involve personal dishonesty or a willful disregard for the safety or soundness of the bank. Also, the action must cause actual or likely substantial financial loss or other damage to the bank, seriously prejudice the interests of its depositors or result in financial gain to the individual. Section 8(e) also permits the removal of an officer as previously described for acts undertaken at another bank or business institution. During 1985, 37 Section 8(e) proceedings were initiated, compared with 13 such proceedings begun in 1984.

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Finally, the FDIC may initiate termination-of-insurance proceedings against any bank deemed to be in an unsafe or unsound financial condition. The bank's customers must be notified when deposit insurance is terminated, but existing deposits (less subsequent withdrawals) continue to be insured for two years. In 1985, the FDIC initiated 75 termination-of-insurance proceedings, bringing to 414 the number of times it has taken such action since 1933. In 1984, the Corporation commenced 32 such proceedings.

A case-by-case summary of FDIC's 1985 enforcement actions without banks' names may be obtained from the FDIC Corporate Communications Office, 550 17th Street, N.W., Washington, D.C. 20429. Summaries of enforcement actions for prior years are included in the FDIC's annual reports, also available from the Corporate Communications Office.

Cease-and-Desist Orders and Actions to Correct Specific Unsafe or Unsound Practices or Violations of Law or Regulations: 1982, 1983, 1984, and 1985

	1985	1984	1983	1982
Cease-and-desist orders outstanding at beginning of year—total	293	249	106	78
Section 8(b)	284	244	105	78
Section 8(c)	9	5	1	0
Cease-and-desist orders issued during year	186	138	223	69
Section 8(b)	180	125	188	63
Section 8(c)	6	13	35	6
Cease-and-desist orders terminated—total	111	89	80	41
Section 8(b)	108	84	49	36
Section 8(c)	3	5	31	5
Cease-and-desist orders in force at end of year—total	360	293	249	106
Section 8(b)	355	284	244	105
Section 8(c)	5	9	5	1

The Legal Division also supports the Division of Bank Supervision in the regulatory area by participating in the drafting of regulations and legislation, reviewing proposed banking legislation, negotiating and drafting asistance agreements to prevent the closing of insured banks, representing the FDIC in litigation arising from its supervisory role and providing legal opinions on banking issues.

The increase in the number of bank failures and growth in the number and book value of assets under FDIC management also have increased the Legal Division's role in support of the Division of Liquidation. The Liquidation Division is involved in more loan workouts, debt restructurings and litigation than at any time in the past. For example, while the FDIC in 1980 was involved in approximately 4,000 Liquidation-related lawsuits, the number of active suits in 1985 totaled more than 20,000 at year-end 1985.

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More than 99 percent of these cases resulted from the FDIC's receivership and liquidation activities. When an insured bank fails, the FDIC as receiver essentially steps "into the shoes" of the failed bank. The FDIC becomes the representative of all the failed bank's creditors (including uninsured depositors) and shareholders.

As receiver, the FDIC in effect inherits any existing litigation brought by or against the bank. Depending upon such factors as the size and condition of the bank at the time of its closing, the number of matters in litigation can range from perhaps only a few lawsuits to a hundred or more. Particularly where claims of fraud or misconduct are raised by persons who have conducted business with a bank, the amount of claims in litigation against a bank can be substantial. The FDIC also pursues all claims the bank may have, including claims against the bank's debtors and, in cases where warranted, former directors and officers, blanket bond carriers and bank auditors.

A significant proportion of the cases arising out of bank failures involve bankrupt or potentially bankrupt debtors. The FDIC currently has a group of attorneys specializing in bankruptcy matters who were handling over 4,000 bankruptcy cases in-house at year-end 1985 and were working with outside counsel on an additional 1,800 cases.

Deposit insurance claims resulting from bank failures sometimes result in litigation. Such a case, which will set legal precedent, arose out of the failure of Penn Square Bank, N.A., in Oklahoma. The FDIC was sued by Philadelphia Gear, Inc., which claimed an unfunded standby letter of credit issued to it by Penn Square Bank was an insured deposit. The FDIC argued that insurance coverage is available only for actual funds placed in a failed bank to back up a letter of credit. The plaintiff has prevailed at both the district court and circuit court levels. The FDIC petitioned the Supreme Court and the Court will hear arguments early in 1986.

This matter is significant in that there are an estimated $147 billion of unfunded letters of credit currently outstanding. This same issue is currently pending in another suit arising from the 1983 failure of United American Bank, Knoxville, Tennessee. The FDIC has requested that this case be stayed pending the outcome of the Philadelphia Gear case.

Unproven insurance claims also are at issue in the 1985 failure of Golden Pacific National Bank in New York City's Chinatown. The bank had $17 million of unbooked transactions for which it gave "yellow certificates" (so-called because of the color of the paper they were printed on) to customers. The funds were not entered on the bank's books as deposits and the FDIC was unable to determine whether the 228 claims it received from former Golden Pacific customers should be given depositor status. Some, but not all, of the failed bank's customers maintain they were told by bank officials that the certificates represented FDIC-insured deposits. In mid-October, the FDIC filed a lawsuit seeking judicial aid in determining the insured status of the yellow certificate holders who are named as defendants in the case.

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After several meetings with counsel representing the vast majority of certificate holders, a method was developed for proceeding with the case. After the court approved this procedure, an exhaustive question and answer affidavit was prepared, translated into Chinese and filled out under oath by yellow certificate holders in the presence of observers chosen by the parties. Depositions will be taken from issuing officers of the bank and will be taken selectively from some yellow certificate holders. At the close of this procedure in 1986, it is anticipated that a presentation will be made to the court concerning the status of certificate holders.

In other areas of the Legal Division's activities in 1985, there was progress in decentralizing the Division, hiring more attorneys and enhancing ongoing training programs. The decentralization effort is in line with the establishment and realignment of the DBS and DOL regional offices. At the end of 1985, approximately two-thirds of the Legal Division's staff was located outside of Washington, D.C. As recently as 1980, more than 80 percent of the staff worked in Washington in 1980.

Senior members of the Legal Division conducted a number of training programs for attorneys during the year. The first Division-wide Training Conference was held in June, with emphasis on orientation training for new attorneys, developments in FDIC specialty areas and oversight of outside counsel. Management training also was provided during the year and plans were set to develop in-house courses in substantive areas such as litigation.

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Commercial Bank Failures

The 118 insured commercial banks that failed or were assisted in 1985 constituted a post-Depression record. The highest number of insured banks ever to close in one day occurred on May 31, 1985, when seven banks failed. Approximately 80 percent of the failures involved state nonmember banks averaging under $30 million in deposits. In 1984, about 75 percent of the failed banks fell into this category. Total deposits in failed banks in 1985 amounted to $8.0 billion, compared with $2.9 billion in 1984 and $5.5 billion in 1983. The states with the highest number of failures were: Kansas, Oklahoma and Nebraska with 13 each, Texas with 12, and Iowa with 11. The high failure rates in these states were due, in part, to poor performance in the agricultural, energy and real estate industries.

In addition to agriculture, energy and real estate loan problems, the perennial causes figured in bank failures in 1985—deficient management, poor lending practices and controls resulting in loan losses, and insider abuse and fraud, the latter occurring in as many as one-third of the failures. Beyond these immediate causes, other circumstances also were at work. The economic environment of the past several years has been extremely difficult. After more than a decade of accelerating inflation, the economy experienced high and volatile interest rates and two back-to-back recessions, the second the most severe since the 1930s. Although the recovery has been strong in the aggregate, interest rates have continued to fluctuate sharply, real rates remained high during much of the year and major areas of weakness in the economy have persisted.

Agricultural Bank Failures

Sixty-two of the 118 commercial bank failures in 1985 involved agricultural banks, those in which agriculture-related loans account for 25 percent or more of their loan portfolios. Agricultural banks account for only 27 percent of all FDIC-insured institutions. Agricultural loans are defined as those secured by farm land, loans to finance agricultural production and other loans to farmers. Agricultural bank failures in 1984 totaled 25, and there were seven such failures in each of the two preceding years. About 37 percent of the banks on the FDIC's problem bank list at the end of 1985 were agricultural banks.

The problems that surfaced in agricultural banks in 1985 had their roots in the 1970s. In anticipation of continued export growth, increasing commodity prices and inflation in land values, many farmers, especially mid-sized operators, borrowed heavily to expand operations. This higher debt was supported by using appraised land values rather than prospective cash flow. Farm debt doubled from 1976 to 1981 and interest rates spiraled upward, imposing higher debt servicing requirements on farmers. Also during this period, petroleum-derived pesticide and fertilizer prices were at near-historic high levels, increasing production and operating costs.

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The anticipations of the 1970s failed to materialize in the early 1980s. Exports fell and commodity prices declined or stagnated while interest and production costs continued to rise and land values declined. In the major grain-producing areas of the Midwest and Northern Plains states, farm real estate values have fallen by as much as 50 percent from their 1981 peak. Farmers who once used rising land values to finance their operations were forced to rely on generated cash flow, which proved inadequate for many of them. Debt servicing, especially for the mid-sized operator, became a significant problem.

A recent Federal Reserve Board study shows that 8 percent of U.S. farmers who hold 31 percent of the agricultural debt have debt-to-asset ratios of greater than 70 percent. Interest rates have come down from the recent past, but crop prices are low and projected good harvests could depress these prices further. Lower farming returns and increasing supplies of land and equipment on the market could cause a continuation of the decline in loan collateral values, leaving lenders with few options but foreclosure and few buyers for farm land and production surpluses.

In summary, problems within the agricultural economy—production surpluses, low prices, declining land and equipment values, excessive borrowing, and foreign competition—contributed to the failures of agricultural banks in 1985. However, there was no agricultural bank failure during the year that occurred solely because of these economic problems. Rather, weak lending policies and procedures made the agricultural banks that eventually failed vulnerable to external problems. Bank managers who fostered weak policies, and in some cases, engaged in abusive practices, were incapable of correcting their asset-quality problems.

It is difficult to predict whether there will be a reduction in the number of agricultural bank failures during 1986. However, there is no prospect of a major crisis that would affect the safety and soundness of all agricultural banks regardless of their present condition and management abilities. Less than one percent of the nation's 4,000 agricultural lenders are not meeting the FDIC's capital requirements.

The FDIC has responded in a number of ways to agricultural banking problems. The Corporation has maintained a policy of realistic and fair evaluations of farm banks and farm credits and has issued policy directives to examiners over the past three years reinforcing this approach. FDIC management has met with examiners on a frequent basis to discuss agricultural credit issues. Senior management and staff also have met with various groups representing both banking and agriculture on a national, regional and local basis to exchange information and viewpoints and achieve greater mutual understanding.

The FDIC has made a special effort to offer assistance to states where agricultural problems are prominent. Liquidation specialists from the FDIC have provided technical assistance to Iowa and Nebraska in handling certain failed financial institutions even though they were not covered by federal deposit insurance. Also, the Corporation has expedited the processing of applications for deposit insurance

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for new banks and existing noninsured banks in these states so that adequate banking facilities are available to smaller communities.

Commercial Bank Failures and Assistance Transactions

Purchase and assumption (P & A) transactions were conducted in 87 of the 118 commercial bank failures and assistance transactions in 1985. In these cases, healthy institutions assumed the deposits and other liabilities and purchased some of the assets of the failed banks. The FDIC saved more than $40.3 million by using the "P and A" method in dealing with these banks. This savings represents the purchase premiums paid the FDIC by the assuming banks.

In addition, the FDIC provided financial assistance to commercial banks two times during 1985 to facilitate their mergers with sound institutions.

In seven failed banks, the FDIC accomplished a deposit transfer in which insured deposits were made available to their owners by transferring the accounts to a healthy institution instead of directly paying depositors up to the insured limit. A deposit transfer is used when a failed bank has a substantial amount of potential and contingent claims. The FDIC handled 12 failed banks by this method in 1984, and two in 1983, the year in which the deposit transfer approach was first used.

The FDIC made an advance payment of 50 percent to uninsured depositors and other creditors in connection with one deposit transfer. The payment was based on the estimated present value of assets to be liquidated. If the FDIC's actual collections on the assets exceed the advance payments and expenses of administration, uninsured depositors and creditors ultimately will receive additional payments on their claims. But if the present value of collections turns out to be less than the advance payment and administrative expenses, the FDIC insurance fund will absorb the shortfall.

Finally, the FDIC directly paid depositors their insured claims in 22 bank failures in 1985. In four of the payoffs, the FDIC made advance payments to uninsured depositors and other creditors of from 45 percent to 50 percent of uninsured claims.

In the Golden Pacific National Bank failure, insured deposits of approximately $117 million were transferred to The Hongkong and Shanghai Banking Corporation, Hong Kong. Deposits of about $9.8 million exceeded the federal insurance limit of $100,000, and approximately $49 million in claims were not transferred to Hongkong and Shanghai Banking Corporation because their insurance status was indeterminable at the time of the failure. The total included approximately $15.3 million placed through the bank's loan production offices, $6.9 million of international banking facility funds, and $17.0 million of unbooked transactions.

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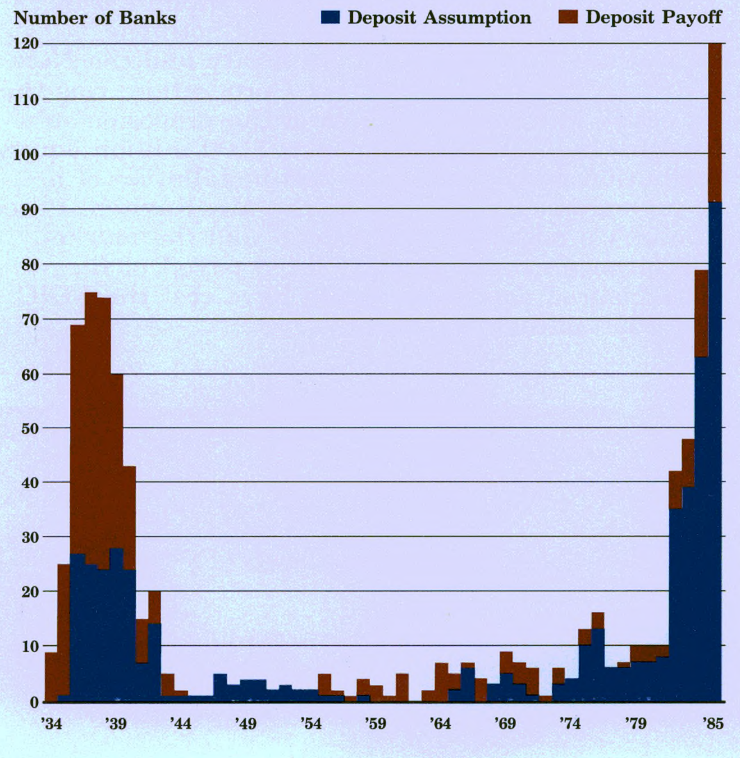
After Golden Pacific was closed, nearly 150 FDIC employees, flown in from around the country, worked around the clock for many days under extremely difficult circumstances to prepare for and complete the deposit transfer. The major problem FDIC employees experienced was a profound language barrier that contributed to a hostile public demonstration by depositors and the need for police protection for the FDIC staff. The language barrier forced FDIC employees to work through translators, some of them other FDIC employees, to explain the complicated situation surrounding the bank's failure to depositors and to the community.

In July, the FDIC was able to determine that approximately $16 million in demand deposit accounts, money market deposit accounts and certificate of deposits accepted at Golden Pacific's domestic loan production offices qualified for deposit insurance coverage. Although the bank was prohibited by law from accepting deposits in its domestic loan production offices, the FDIC decided that the bank's illegal activities should not affect customers who had unwittingly participated in those illegal activities. Subsequently, insured depositors in the bank's five loan production offices were paid their claims.



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Mutual Savings Banks

The FDIC assisted the mergers of two ailing mutual savings banks in 1985—Bowery Savings Bank, New York City, and Home Savings Bank, White Plains, New York. Both mergers were arranged under guidelines established by the FDIC's Voluntary Assisted Merger Program.

In the Bowery case, the Corporation created a financial assistance package to recapitalize the bank and facilitate its acquisition by a private investor group. Bowery was merged into a newly-chartered stock savings bank which retained the Bowery name. This unique FDIC assistance plan provides the bank with the financial strength and leadership to reassume a leading role in the New York market. The plan was carefully structured to resolve Bowery's problems at reasonable cost to the FDIC and to maintain private ownership and control of the bank.

Bowery, a 151-year-old institution, had experienced substantial losses every year since 1979. The losses occurred because rising interest rates drove up the cost of deposits faster than the bank could raise the yield on its loans and investments.

The Bowery assistance package was the culmination of a competitive, nationwide bidding process begun in 1984. A large number of FDIC-insured institutions and other interested parties were invited to submit proposals for the acquisition of the Bowery. A proposal submitted by an investor group led by Richard Ravitch, former chairman of both the Metropolitan Transportation Authority and the New York State Urban Development Corporation, was the least costly and most desirable of the proposals submitted to the FDIC. It included a $100 million equity contribution by the investors and installation of a new management team headed by Mr. Ravitch. Based on Bowery's negative book capital and the market depreciation in its asset portfolio, a payoff of the bank's insured depositors would have cost the FDIC about $620 million.

Main lobby of the Bowery Savings Bank, New York, New York.

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In the merger of Home Savings Bank, White Plains, New York, with Hamburg Savings Bank, Brooklyn, New York, the resulting institution retained the charter of Hamburg Savings Bank but took as its name The Home Savings Bank. Prior to the merger, Hamburg Savings Bank had assets of about $1 billion and Home Savings Bank had assets of about $400 million. The FDIC estimates that it saved $34 million by assisting the merger compared to its projected expenses had Home Savings Bank failed.

Net Worth Certificates

The FDIC's net worth certificate program, authorized by the Garn-St Germain Depository Institutions Act of 1982, has been useful in assisting a number of troubled mutual savings banks. Depository institutions eligible for the program are those that have suffered earnings and capital losses primarily from mortgage lending activities that predated enactment of the 1982 Depository Institutions Act. The net worth certificate program was due to expire under the Act on October 15, 1985, but Congress extended the life of the assistance program to July 15, 1986.

Net worth certificates represent an exchange of promissory notes between the FDIC and an insured bank. The FDIC's promise to pay is available to meet the demands of depositors and other creditors if the bank is liquidated. For regulatory reporting purposes, the FDIC's note is reflected as an "other asset" of the institution whose liability under the certificate is reflected as a segregation of capital. The bank's promise to pay the FDIC is a subordinated obligation and is payable in liquidation only after all other creditors are paid in full.

As of December 31, 1985, the FDIC's net worth certificate program included 21 institutions with aggregate certificates outstanding totaling $705.4 million. At the end of 1984, 23 institutions had net worth certificates outstanding amounting to $578.8 million. There were 23 institutions with such certificates totaling $376.9 million in 1983.

Finally, in regard to savings banks, the FDIC used its authority under Section 5(o)(2)(F) of the Home Owner's Loan Act of 1933 in one instance in 1985. The Act permits the FDIC to determine that severe financial conditions exist that threaten the stability of a bank. The FDIC used this authority to facilitate the conversion of Seamens Bank for Savings into a stock form of ownership. This represented the second time in its history that the FDIC has acted under this provision of the Home Owners Loan Act of 1933.

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Liquidation Activities

Of the 875 insured bank failures since the FDIC began operations in 1934, 494 were deposit assumption cases and 373 were deposit payoffs. Twenty-one failures were resolved by transferring insured deposits to operating banks. Insured deposits in the failed banks totalled $8.06 billion. Total disbursements by the FDIC since January 1, 1934, amounted to $15.6 billion.

Of that amount, the FDIC recovered $7.8 billion and lost $4.6 billion.

The record 120 bank failures and assistance transactions that occurred during 1985 significantly increased the Division's workload. DOL responded by developing new techniques for liquidating assets of failed banks, including a nationwide automated asset marketing system. This data base contains comprehensive information on all marketable assets that the FDIC acquires as receiver of failed banks. The system indexes assets by FDIC region and quality. As a centralized, up-to-date inventory, the marketing system gives the greatest possible exposure of failed bank assets to potential buyers looking for certain kinds of assets in certain geographic areas.

In connection with the marketing system, the FDIC also developed an automated investor profile list. The list includes local, regional and national investors known to the FDIC, the kinds of assets they want to purchase and the cost range they will consider. The list links investors with the data pool of assets, facilitating quicker sales. The Division plans to update the investor list in 1986, with the ultimate goal of including only major investment and mortgage bankers who have a continuous interest in purchasing failed bank assets.

In 1984, the FDIC contracted with a highly reputed, national mortgage servicer to handle quality mortgage loans acquired from failed banks. The arrangement centralizes servicing for the FDIC as well as for buyers of these mortgages, and enhances the marketability and prices of the loans. In 1985, the FDIC sold approximately $100 million dollars worth of mortgage-backed securities through its servicer and obtained 15 percent to 20 percent higher recoveries for those mortgages than for loans the FDIC serviced directly.

Approximately one-half of the bank failures during 1985 were agricultural banks, which means many of the assets acquired for liquidation were farm loans and agriculture-related collateral. Liquidation of these assets requires special expertise. The Division developed an agriculture credit manual in 1985 that describes the planting and harvest process which dictates the cyclic nature of farm borrowings. The manual includes guidelines on agricultural lending, restructuring a farm loan, settling a loan at a discount, foreclosing, and information on how and when to sell collateral such as field crops or farm animals.

Due to the depressed agricultural economy in 1985, Division of Liquidation employees had to quickly enhance their expertise in the very complex and specialized area of agricultural loans and credits. The

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FDIC's locally-hired employees at failed bank sites generally understood farming, but they had to become familiar with FDIC procedures. The agriculture credit manual helped the Division to successfully accomplish these objectives during the year.

Locally-hired employees were critical to the success of the Division during the year. When a bank fails, the FDIC hires employees of the failed bank, retirees and other individuals in the local area who have work experience with finance companies, other banks or savings and loan institutions. These individuals assist in liquidating assets until the majority of a failed bank's assets are sold. During 1985, the FDIC hired approximately one-third more local employees, about 600 individuals, than in the previous year.

DOL also increased its permanent workforce. The number of new field liquidators increased from about 250 at the beginning of 1985 to 325 at year end. The number of support personnel in the Division grew from 2200 to 2800. A new training program was begun during the year for all employees, emphasizing special courses in credit and management.

Many of the Division's objectives in improved asset management will be achieved with the completion of the Liquidation Asset Management Information System (LAMIS), which was under development during the year. LAMIS is an integrated set of automated systems that will support collection activity, servicing of loans, loan delinquency analysis and loan market analysis. All consolidated liquidation offices in the field and the six regional DOL offices will have access to it through a telecommunications network.

LAMIS is designed to alert managers to overdue payments, interest rates in force, tax liabilities coming due, and the existence of liens or other problems that could affect the sale of assets. The new system eventually will give FDIC asset managers an instant summary of the status of assets nationwide.

A six-month test in a single closed bank was conducted during 1985 of one part of LAMIS that tracked individual loans and other assets, such as real estate, along with the linkage they may have with loans at other closed institutions. Results of the test were being evaluated at year-end.

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Income and Expenses

Revenues and the deposit insurance fund continued to increase during 1985 although the record high rate of insured bank failures created large expenses for the FDIC. The fund attained a new year-end high of $17.9 billion, up from a restated $16.5 billion for the year ended December 31, 1984. Gross revenues for the year amounted to $3.4 billion, including $1.6 billion from investments in U.S. Treasury obligations and $1.4 billion from assessments on insured banks.

The average maturity of the Corporation's investment portfolio at year-end 1985 stood at two years and one month compared to two years and four months at the end of 1984. The par value of the portfolio increased from $14.2 billion December 31, 1984, to $15.6 billion at year-end 1985. Its market value grew from $14.4 billion to $16.5 billion during the same period.

The FDIC's total expenses and losses in closed banks and merger activities during 1985 were $1.8 billion. Administrative expenses were $179.2 million, an increase of 18.5 percent over 1984. The total gross expenses and losses for the year were $2.0 billion.

The FDIC gives insured banks a credit against their next year's assessments for insurance coverage, depending on the FDIC's losses and expenses for the year. Due to the size of the loss allowances approved by the FDIC directors, the banking industry will not receive a deposit insurance assessment rebate for 1985 operations. The losses and expenses sustained by FDIC in 1984 resulted in an assessment credit of $67.5 million. The 1984 credit represented an effective assessment rate of 1/12.5 of one percent. The 1984 assessment credit represented 5.12 percent of total assessments.

The Board also voted to restate the deposit insurance fund's 1984 financial statements. The restatement will charge approximately $700 million of the Continental loan loss allowance to 1984 operations, the year in which the assistance transaction occurred. About $642 million of the loss allowance attributable to the Continental transaction is being charged against 1985 operations. The FDIC's estimated losses for Continental reflect all remaining obligations under the assistance plan. The loss reserves do not recognize any potential gains that may be realized through any sale of Continental Illinois Corporation's stock.

(The FDIC's complete 1985 financial statements with footnotes begin on page 36. The U.S. Comptroller General's audit opinion of the FDIC's financial statements is on page 50.)

The FDIC Board increased the deposit insurance fund's reserve for losses by $2.3 billion, raising the total reserve allowance to $4.5 billion. The $2.3 billion increase is comprised of the following components:

- A $1.3 billion loss allowance relating to the 1984 assistance agreement between the FDIC and Continental Illinois National Bank and Trust Company of Chicago.
- An increase of approximately $470 million in loss allowances established for bank failures that occurred prior to 1985.
- An approximately $456 million loss allowance for the 120 bank failures and assistance transactions that occurred during 1985.

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Number of Officials and Employees of the Federal Deposit Insurance Corporation, December 31, 1984 and 1985

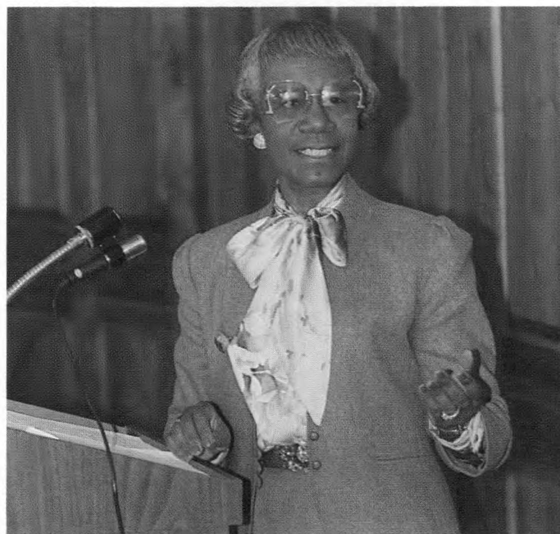
	TOTAL		Washington Office		Regional & Field Offices	
	1985	1984	1985	1984	1985	1984
TOTAL	7125	5076	830	933	6295	4143
Executive Office	67	54	67	52	0	2
Legal Division	487	296	111	148	376	148
Division of Research & Strategic Planning	26	28	26	28	0	0
Division of Liquidation*	3318*	2158	37	28	3281	2130
Division of Bank Supervision	2123	1800	169	160	1954	1640
Division of Accounting & Corporate Services**	973	644	289**	421	684	223
Office of Corporate Audits	54	40	54	40	0	0
Office of Equal Opportunity	7	6	7	6	0	0
Office of Personnel Management	70	50	70	50	0	0

*Division of Liquidation totals include temporary employees, most of whom were employed by failed banks, assigned to field liquidations.
**The decrease in the number of Division of Accounting and Corporate Services employees in the Washington Office during 1985 was due to the official reassignment of field auditors to the regional offices.

Personnel

The FDIC ended 1985 with 7,125 employees, 2,049 more than at the end of 1984. Most of this gain involved temporary employees in the Division of Liquidation hired to cope with the record number of bank closings during the year. Employees assigned to the Division accounted for nearly 46 percent of the Corporation's staff. The increase in hiring activity included the opening of an additional Division of Liquidation regional office in Kansas City, Missouri.

About 29 percent of the FDIC's employees are assigned to the Division of Bank Supervision, of which 78 percent are field examiners. As of December 31, 1985, 144 field examiners had resigned compared to 150 for 1984. Nearly 500 Bank Examiner Trainees were hired during the year.



Former New York Congresswoman Shirley Chisholm speaks to an audience of FDIC employees in observance of Black History Month, and encouraged them to "do all in our power to make the American dream of equality and prosperity and justice become real for every American."

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Statements of Financial Position

(In thousands)

Assets	December 31, 1985	1984(2)
Cash	$ 23,186	$ 4,158
Investment in U.S. Treasury obligations (Note 3)	15,841,869	14,436,286
Other assets, principally accrued interest receivable on investments	499,229	393,944
Certificates, notes and other receivables from insured banks (Note 4)	590,254	560,883
Assets acquired in assistance to an insured bank (Note 5)	2,712,842	3,757,429
Assets acquired from failures of insured banks (Note 6)	2,358,554	2,143,540
Property and buildings (Note 7)	47,164	41,701
Total Assets	$22,073,098	$21,337,941

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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(In thousands)

Statements of Financial Position

Liabilities and the Deposit Insurance Fund	December 31, 1985	1984(2)
Accounts payable, accrued liabilities and escrow funds	$ 80,649	$ 100,479
Net assessment income credits due to insured banks: (Note 8)		
Available July 1, 1986	0	0
Available July 1, 1985	0	0
Liabilities incurred in assistance to insured banks (Note 9)	3,442,752	3,848,342
Liabilities incurred from failures of insured banks (Note 10)	578,367	859,641
Estimated losses from Corporation litigation (Note 11)	14,340	0
Total Liabilities	4,116,108	4,808,462
Deposit Insurance Fund	17,956,990	16,529,479
Total Liabilities and the Deposit Insurance Fund	$22,073,098	$21,337,941

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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Statements of Income and the Deposit Insurance Fund

(In thousands)

	For the year ended December 31, 1985	1984(2)
INCOME:		
Gross assessments earned	$ 1,434,578	$ 1,322,587
Provision for assessment credits	1,081	1,000
Net assessments earned	**1,433,497**	**1,321,587**
Interest on U.S. Treasury obligations	**1,599,745**	**1,495,377**
Interest on notes receivable	**37,531**	**111,730**
Interest on assets in liquidation	**282,012**	**168,580**
Other income	**32,660**	**2,243**
Total Income	**3,385,445**	**3,099,517**
Expenses and Losses:		
Administrative operating expenses	179,209	151,201
Merger assistance losses and expenses	199,377	197,559
Provision for insurance losses (Notes 4, 5, 6 and 12)	1,568,992	1,633,374
Nonrecoverable insurance expenses (Note 13)	10,356	17,084
Total Expenses and Losses	**1,957,934**	**1,999,218**
Net Income	**1,427,511**	**1,100,299**
Deposit Insurance Fund—January 1	**16,529,479**	**15,429,180**
Deposit Insurance Fund—December 31	**$17,956,990**	**$16,529,479**

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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(In thousands)

Statements of Changes in Financial Position

	For the year ended December 31, 1985	1984(2)
Financial resources were provided from:		
Operations:		
Net Income	$1,427,511	$ 1,100,299
Add (deduct) items not involving cash in the period:		
Amortization of U.S. Treasury obligations	57,575	18,104
Loss on sale of U.S. Treasury obligations	0	982
Depreciation on buildings	1,115	977
Income maintenance agreement adjustments	(109,517)	80,753
Amortization of merger assistance agreements	39,128	40,131
Provision for insurance losses	1,568,992	1,633,374
Resources provided from operations	**2,984,804**	**2,874,620**
Other resources provided from:		
Maturity and sale of U.S. Treasury obligations	3,798,500	3,755,184
Collections on notes receivable	259,641	2,528,119
Collections on assets acquired in assistance to an insured bank	549,295	0
Collections on assets acquired from failures of insured banks	924,353	1,701,734
Liabilities incurred in assistance to insured banks	128,027	3,848,342
Liabilities incurred from failures of insured banks	91,999	0
Total financial resources provided	**$8,736,619**	**$14,707,999**
Financial resources were applied to:		
Purchase of U.S. Treasury obligations	$5,261,658	$ 4,218,497
Acquisition of notes receivable	251,527	2,848,342
Assets acquired in assistance to an insured bank	146,708	4,457,429
Assets acquired from failures of insured banks	2,089,501	2,603,638
Additions to property and buildings	6,578	5,709
Decrease (increase) in net assessment income credits due to insured banks	0	164,039
Payments on liabilities incurred in assistance to insured banks	533,617	0
Payments on liabilities incurred in failures of insured banks	302,884	515,006
Increase (decrease) in cash	19,028	(84,627)
Other increases (decreases)	125,118	(20,034)
Total financial resources applied	**$8,736,619**	**$14,707,999**

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

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Notes to Financial Statements

December 31, 1985 and 1984

1. Summary of Significant Accounting Policies:

General. These statements do not include accountability for assets and liabilities of 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 courts, supervisory authorities, and others as required.

U.S. Treasury Obligations. Securities are shown at amortized cost which is the purchase price of securities less the amortized premium or plus the accreted discount. Such amortizations and accretions are computed on a daily basis from the date of acquisition to the date of maturity. Interest is also calculated on a daily basis and recorded monthly. For the year ended December 31, 1984, the Corporation changed from the straight-line method to the constant-yield method. This change did not have a material effect on net income.

Deposit Insurance Assessments. The Corporation assesses insured banks at the rate of 1/12 of one percent per year on the bank's average deposit liability less certain exclusions and deductions. Assessments are due in advance for each six-month period and credited to income each month. The Depository Institutions Deregulation and Monetary Control Act of 1980 authorized a percentage of net assessment income to be transferred to insured banks each July 1 of the following calendar year to 60 percent. Additionally, the Act authorized the FDIC Board of Directors to make adjustments to this percentage within certain limits in order to maintain the Deposit Insurance Fund between 1.25 and 1.40 percent of estimated insured deposits. If this ratio falls below 1.10 percent, the FDIC is mandated to reduce the percentage of net assessment income distributed to a limit of 50 percent. If this ratio exceeds 1.40 percent, the FDIC is mandated to increase the percentage of net assessment income distributed by such an amount as it determines will result in maintaining that ratio at not more than 1.40 percent.

Assistance to and Assets Acquired from Insured Banks and the Related Allowance for Losses. The Corporation records as an asset the funds advanced in assisting insured banks and the assets purchased in closing failed banks. The Corporation establishes an estimated allowance for loss shortly after the assistance is provided or the assets are purchased. The allowance for loss represents the difference between the assistance provided and the expected amount of repayment, or the purchase price of the assets of a failed bank less the estimated recovery value, including all liquidation costs. The allowance for loss on the financial statements includes all insured banks which have been assisted or have failed. However, the Corporation has not estimated its contingent liability for those banks financially distressed as of December 31, 1985, which will probably require assistance or closing in the near term. The Corporation's entire Deposit Insurance Fund and borrowing authority are available for any assistance or closing activity.

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Income Maintenance Agreements. The Corporation records its liability under an income maintenance agreement at the present value of each estimated cash outlay at the time the agreement is accepted. Estimated cash outlays are anticipated future payments the Corporation will provide to offset the difference between the annualized cost of funds and the annualized return on the declining volume of earning assets acquired in a merger transaction, plus an amount to cover overhead costs. The charge is recorded to insurance loss. The present value of the liability is then accreted daily and recorded monthly over the term of the agreement. Any differences between the estimated and actual cash outlays are recorded as payment adjustments. The present value of remaining estimated cash outlays is also reviewed and adjusted each year when interest rate changes occurring in the marketplace appear material or permanent in nature. The originally recorded loss, plus or minus any payment and present value adjustments, will then be prorated between insured banks and the Deposit Insurance Fund as provided in Section 7(d) of the Federal Deposit Insurance Act.

Reclassifications. Reclassifications have been made in the 1984 Financial Statements to conform to the presentation used in 1985. In addition, as explained in Note 2, the Corporation has restated its 1984 financial statements to include an additional allowance for loss of $700 million related to the 1984 Continental Illinois National Bank and Trust Company of Chicago (CINB) transaction.

2. Calendar Year 1984 Restatement:

For 1984, the Corporation did not estimate the amount of loss it expected to incur from the assistance program for Continental Illinois National Bank and Trust Company of Chicago (CINB) as required by generally accepted accounting principals. (See Note 5.) Consequently, the loss allowance in the 1984 financial statements was materially understated.

As of December 31, 1985, the Corporation's estimated allowance for losses from assistance to open and closed banks amounted to $4,510,692,000. Of that amount, $700,000,000 was determined to be applicable to 1984 financial transactions related to the acquisition of assets from CINB in 1984. Accordingly, the Corporation has restated its December 31, 1984 financial statements to reflect this adjustment. The following table shows the results of the restatement for the affected line items (in thousands):

Statement Line Item	Original 1984 Amount	Change Add (Deduct)	Restated 1984 Amount
Assets Acquired in Assistance to an Insured Bank	$ 4,457,429	$(700,000)	$ 3,757,429
Total Assets	$22,037,941	$(700,000)	$21,337,941
Total Liabilities	$ 4,876,009	$ (67,547)	$ 4,808,462
Total Liabilities and the Deposit Insurance Fund	$22,037,941	$(700,000)	$21,337,941
Net Assessment Income	$ 1,254,039	$ 67,548	$ 1,321,587
Net Income	$ 1,732,752	$(632,453)	$ 1,100,299
Deposit Insurance Fund	$17,161,932	$(632,453)	$16,529,479

As a result of restating the 1984 loss allowance to include CINB, the 1984 assessment credit was eliminated. As provided by statute, an excess of deductions (expenses) above the assessment income of $599,601 was created. This excess will be offset against future assessment credits that may be granted by the Corporation.

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3. U.S. Treasury Obligations:

All cash received by the Corporation which is not used to defray operating expenses or for outlays related to assistance to banks and liquidation activities is invested in U.S. Treasury securities. The Corporation's investment portfolio consists of the following (in thousands):

		December 31, 1985		December 31, 1984	
Maturity	Description	Book Value	Market Value	Book Value	Market Value
One Day	Special Treasury Certificates	$ 1,682,000	$ 1,682,000	$ 759,127	$ 759,127
Less than 1 year	U.S.T. Bills, Notes and Bonds	3,215,419	3,253,159	2,209,252	2,226,362
1-3 years	U.S.T. Notes and Bonds	6,738,907	7,045,385	6,186,261	6,239,531
3-5 years	U.S.T. Notes and Bonds	4,205,543	4,473,698	5,281,646	5,216,021
		$15,841,869	**$16,454,242**	**$14,436,286**	**$14,441,041**

4. Certificates, Notes and Other Receivables from Insured Banks:

The Corporation's outstanding principal balances on certificates, notes and other receivables from insured banks are as follows (in thousands):

	December 31	
	1985	1984
Certificates:		
Net worth certificates	$219,847	$348,342
Allowance for losses	(136,996)	(182,981
	82,851	**165,361**
Notes receivable to:		
Assist operating banks	27,000	27,000
Facilitate deposit assumptions	90,755	93,374
Facilitate merger agreements	389,648	275,148
	507,403	**395,522**
Other receivables:		
Special Assistance	8,500	0
Allowance for losses	(8,500)	0
	0	0
	$590,254	**$560,883**

The net worth certificate program was established at the FDIC by authorization of the Garn-St Germain Depository Institutions Act of 1982. Under this program, the Corporation would purchase a qualified institution's net worth certificate and, in a non-cash exchange, the Corporation would issue its non-negotiable promissory note of equal value. The total assistance outstanding to qualified institutions as of December 31, 1985 and 1984 is $705,446,000 and $578,791,000 respectively. As of December 31, 1985 and 1984, the financial statements excluded $485,599,000 and $230,449,000 respectively of net worth certificates, for which no losses are expected because of the non-cash exchange nature of the transactions.

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5. Assets Acquired in Assistance to an Insured Bank:

On July 26, 1984, the FDIC, the Federal Reserve Board, the Comptroller of the Currency and a group of major U.S. banks agreed to provide a "permanent assistance program" to the Continental Illinois National Bank and Trust Company of Chicago ("CINB") and its parent, Continental Illinois Corporation. This program, which became effective on September 26, 1984, after Continental Illinois Corporation shareholder approval, replaced a temporary, emergency assistance package among the same parties that had been in effect since May 1984. Major elements of the new package included a financial assistance plan to remove problem loans from CINB and infuse new capital resources into CINB, the continuation of on-going lines of credit from the Federal Reserve Board and a group of major U.S. banks to alleviate liquidity pressures and the installation of a new management team. Additionally, the FDIC agreed to commit more capital or other forms of assistance if the permanent assistance program proves to be insufficient for any reason.

The key aspects of the permanent assistance program applicable to the FDIC are embodied in an Implementation Agreement and an Assistance Agreement between the FDIC and CINB, Continental Illinois Corporation, and Continental Illinois Holding Corporation, a new holding company formed to own all Continental Illinois Corporation stock as of the effective date for the purpose of implementing the FDIC Option. Discussed below are the major aspects of the FDIC's participation in the permanent assistance program and their effect on the FDIC financial statements.

The assets acquired by the FDIC in assistance to CINB are as follows (in thousands):

	December 31	
	1985	**1984**
Loans and related assets purchased	$2,126,894	$2,010,313
Promissory note	927,948	1,447,116
Preferred stock investment	1,000,000	1,000,000
Allowance for losses	(1,342,000)	(700,000)
	$2,712,842	**$3,757,429**

Loans acquired were selected by CINB with the restrictions that such loans were nonperforming, classified or otherwise of poor quality (i.e., "troubled loans"). Certain foreign loans were excluded from selection. On September 26, 1984, after consummation of the permanent assistance program, CINB transferred $2.0 billion of troubled loans to the FDIC. The unpaid legal principal value of these loans was approximately $3.7 billion.

Also, on September 26, 1984, the FDIC received a promissory note from CINB for $1.5 billion. At CINB's option, the promissory note can be paid anytime within three years by transfer of additional troubled loans (subject to the above restrictions) at CINB's book value as of the date of transfer. Until such time as the promissory note is paid, interest will be charged. As of December 31, 1985, CINB transferred $519,168,000 of additional troubled loans to the FDIC as partial repayment on the original promissory note. As a result, the remaining unpaid principal balance on the note is $927,948,000.

The purchase of these assets was, in part, funded by the assumption of $3.5 billion of indebtedness to the Federal Reserve Bank of Chicago (FRB) on behalf of CINB. These borrowings will bear interest at specified rates established by the FRB and the U.S. Treasury. The FDIC will repay these borrowings by making quarterly remittances of its collections, less expenses, on the troubled loans. If there is a shortfall at September 26, 1989, the FDIC will make up such deficiency with its own funds.

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The Implementation Agreement provides for the FDIC to be reimbursed each quarter for its expenses related to administering the transferred loan portfolio and for interest paid on the indebtedness to the FRB which it assumed. Thus, such costs are recorded as assets. The FDIC and CINB have entered into a service agreement whereby CINB will administer the transferred loan portfolio on behalf of the FDIC. The FDIC is also permitted to establish a special reserve account from troubled loan collections. The balance in this account, if any, reverts to the FDIC in those quarters when loan collections have been insufficient to cover interest owed on the indebtedness which it assumed. For financial accounting purposes, cash collections received on the transferred loan portfolio (plus certain other amounts) are applied quarterly in accordance with the Implementation Agreement terms, as follows: 1) to the administrative expenses paid by the FDIC; 2) to the interest owed on the assumed indebtedness; 3) to fund the special reserve account such that this account plus accrued interest thereon is at least $75 million; and 4) to principal owed under the FRB Agreement. The FDIC is entitled to receive interest on the cumulative deficiencies between cash collections and the costs incurred in administering the troubled loans and the interest on the assumed debt. Further, CINB has assigned to the FDIC all its existing and future claims against any party which may be related to any loss incurred in connection with any transferred loan.

Total cash flow consists of the above collections of principal and interest on the transferred loan portfolio, interest payments on the CINB promissory note and interest earned on daily collections. For the year ending December 31, 1985, the FDIC received net cash flow totaling $700,800,000. Cash flow was applied to administrative costs and to interest expense of $19,286,000 and $281,887,000, respectively, to the special reserve account $24,726,000 and to payment of principal owed under the FDIC-FRB agreement amounting to $374,901,000.

Ultimate collection results on the transferred loan portfolio are subject to significant uncertainties because of the financially troubled nature of the borrowers and the effects of general economic conditions on their industries. As of December 31, 1985, the Corporation estimated an allowance for loss amounting to $1,342,000,000. This amount represents the expected loss that the Corporation will sustain on the transferred loan portfolio.

The FDIC holds an option to acquire up to 40.3 million shares of Continental Illinois Corporation common stock. The shares subject to the option are owned by Continental Illinois Holding Corporation, which is owned by the former stockholders of Continental Illinois Corporation. The option cannot be exercised prior to the fifth anniversary of the commencement date, September 26, 1989. Further, the option is excercisable only if the FDIC suffers a loss (disregarding any profit or loss from the FDIC's interest in Continental Illinois Corporation preferred or common stock) on the transferred loan portfolio, including unrecovered administrative costs and interest expense. If the FDIC suffers a loss, the FDIC will be entitled to retain any remaining transferred loans and to exercise the FDIC Option for one share of Continental Illinois Corporation common stock for every $20 of loss, at the exercise price of $0.00001 per share of common stock. Because of uncertainty, no value has been assigned to the FDIC's right to exercise this option as of December 31, 1985. If the FDIC does not suffer any loss under the permanent assistance program, all remaining loans and other assets acquired will be returned to CINB and the option would not be exercisable.

The FDIC also purchased $1 billion of two non-voting, Continental Illinois Corporation, preferred stock issues. The proceeds of these issues were transferred to CINB in the form of a capital contribution. The Junior Perpetual Convertible Preference Stock, in the amount of $720 million, is convertible into 160 million shares of Continental Illinois Corporation common stock upon sale or transfer by the FDIC. Dividends are to be received on this preferred stock only to the extent that dividends are paid on the Continental Illinois Corporation common stock and are equivalent to that which

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would be paid on 160 million shares of common stock. The Adjustable Rate Preferred Stock, Class A, in the amount of $280 million, is a cumulative issue that is callable at the option of Continental Illinois Corporation. The issuer also has the option to pay dividends on this issue in the form of additional shares of this issue or cash until the third anniversary of their original issue date. On December 31, 1985 the Corporation received 1,637,922 additional shares of Adjustable Rate Preferred Stock, Class A in payment of stock dividends on the Class A stock for the initial and quarterly dividend periods from September 26, 1984 through September 30, 1985 and the quarterly dividend period from October 1, 1985 through December 31, 1985.

6. Assets Acquired from Failures of Insured Banks:

Assets acquired from failures of insured banks are as follows (in thousands):

	December 31 1985	December 31 1984
Depositors' claims paid	$1,069,553	$ 731,288
Depositors' claims unpaid	11,136	6,815
Loans and assets purchased in a fiduciary capacity	3,836,002	3,088,354
Assets purchased in a corporate capacity	450,719	377,219
	5,367,410	4,203,676
Allowance for losses	(3,008,856)	(2,060,136)
	$2,358,554	**$2,143,540**

An analysis of the changes in the allowance for losses by account groups is as follows (in thousands):

	Depositors' claims paid	Loans and assets purchased in a: Fiduciary capacity	Loans and assets purchased in a: Corporate capacity	Total
1985				
Balance, January 1	$158,057	$1,537,398	$364,681	$2,060,136
Provision for insurance losses	307,830	617,213	24,185	949,228
Write-off at termination	0	(508)	0	(508)
Balance, December 31	**$465,887**	**$2,154,103**	**$388,866**	**$3,008,856**
1984				
Balance, January 1	$175,832	$ 727,362	$406,549	$1,309,743
Provision for insurance losses	(17,775)	810,036	(41,868)	750,393
Write-off at termination	0	0	0	0
Balance, December 31	**$158,057**	**$1,537,398**	**$364,681**	**$2,060,136**

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7. Property and Buildings:

Property and buildings consist of (in thousands):

	December 31	
	1985	1984
Land	$ 4,014	$ 4,014
Office buildings	49,603	43,025
Accumulated depreciation	(6,453)	(5,338)
	$47,164	**$41,701**

The Corporation's 1776 F Street property is subject to notes payable totaling $9,491,000 and $10,926,000 at December 31, 1985 and 1984, respectively.

8. Assessment Credits Due Insured Banks:

Contingent upon a legislatively specified ratio of the Corporation's Deposit Insurance Fund to estimated insured bank deposits, the Corporation credits a legislatively authorized percentage (currently 60 percent) of its net assessment income to insured banks. This credit is distributed, pro-rata, to each insured bank as a reduction of the following year's assessment. Net assessment income is determined by gross assessments less administrative operating expenses and expenses and losses related to insurance operations. Certain income, expense, and credit amounts do not correspond to amounts reported on the financial statements because of adjustments to prior years' assessment credits not affecting the 1985 and 1984 assessment credit computational amounts.

The Garn-St Germain Depository Institutions Act of 1982 amended Section 7(d)(1) of the Federal Deposit Insurance Act and authorized the Corporation to include certain lending costs in the computation of the net assessment income. The lending costs are the amounts by which the amount of interest earned on each loan made by the Corporation under Section 13 of the Federal Deposit Insurance Act after January 1, 1982, is less than the amount of interest the Corporation would have earned for the calendar year if interest had been paid on the loans at a rate equal to the average current value of funds to the U.S. Treasury for the calendar year.

The computation of net assessment income credits for calendar year 1985 and 1984 are as follows (in thousands):

Net Assessment Income Credit Computation—Calendar Year 1985

Computation:		
Gross assessment income—C.Y. 1985		$1,432,381
Less: Carry-over of net expenses and losses from C.Y. 1984	$599,601	
Administrative operating expenses	179,209	
Merger assistance losses and expenses less amortization and accretion.	194,700	
Provision for insurance losses related to assets acquired in assistance to an insured bank	642,000	
Provision for insurance losses	926,385	
Nonrecoverable insurance expenses	4,956	
Lending costs	145	2,546,996
Excess of losses and expenses over gross assessment income		1,114,615
Less: Assessment credit adjustment—prior years		661
Net excess of losses and expenses over gross assessment income—C.Y. 1985		**$1,113,954**

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Net Assessment Income Credit Computation—Calendar Year 1984

Computation:		
Gross assessments income—C.Y. 1984		$1,319,170
Less: Administrative operating expenses	$151,201	
Merger assistance losses and expenses less amortization and accretion	135,383	
Provision for insurance losses related to assets acquired in assistance to an insured bank	700,000	
Provision for insurance losses	933,374	
Nonrecoverable insurance expenses	17,084	1,937,042
Excess of losses and expenses over gross assessment income		617,872
Less: Assessment credit adjustment—prior years		18,271
Carry-over of net expenses and losses to be applied against 1985 gross assessments		**$ 599,601**

9. Liabilities Incurred in Assistance to Insured Banks:

The Corporation's outstanding principal balances on liabilities incurred in assistance to insured banks are as follows (in thousands):

	December 31	
	1985	**1984**
Federal indebtedness	$3,222,905	$3,500,000
Promissory (exchange) notes	219,847	348,342
	$3,442,752	**$3,848,342**

Maturities of long-term debt for each of the next five years and thereafter:

1986	1987	1988	1989	1990	1991/Thereafter
$ 0	$ 0	$ 0	$3,284,509	$56,655	$101,588

10. Liabilities Incurred from Failures of Insured Banks:

The Corporation's outstanding principal balances on liabilities incurred from failures of insured banks are as follows (in thousands):

	December 31	
	1985	**1984**
Federal indebtedness	$306,083	$442,667
Notes payable	157,196	222,813
Income maintenance agreements	103,952	187,346
Depositor's claims unpaid	11,136	6,815
	$578,367	**$859,641**

Maturities of long-term debt for each of the next five years and thereafter:

1986	1987	1988	1989	1990	1991/Thereafter
$345,591	$39,125	$20,691	$19,355	$22,960	$119,509

Depositors' claims unpaid ($11,136) are current in nature and are not considered long-term debt.

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11. Estimated Losses From Corporation Litigation:

The Corporation is involved in both its receivership and corporate capacity in numerous law suits. The merits of each case and the expected outcome have been evaluated by the Corporation's General Counsel, and, where appropriate, a contingent loss has been established. This estimated loss was $228 million in 1985. Of that amount, a $214 million legal reserve was included in the reserve relating to assets acquired from assistance to an insured bank and from failed banks. The remaining $14 million is included on the financial statements as estimated losses from corporation litigation.

12. Provision for Insurance Losses:

An analysis of the provision for insurance losses is as follows (in thousands):

	December 31	
	1985	1984
Provision for insurance losses		
Net worth certificates		
Current year provision	$ 0	$ 182,981
Prior year adjustments	(45,985)	0
	(45,985)	**182,981**
Special assistance		
Current year provision	**8,500**	**0**
Assets acquired from assistance to an insured bank		
Current year provision	**642,000**	**700,000**
Assets acquired from failures of insured banks		
Current year provision	433,394	283,219
Prior year adjustments	515,834	467,174
Termination adjustments	909	0
	950,137	**750,393**
Corporation litigations		
Current year provision	14,340	0
	$1,568,992	**$1,633,374**

13. Nonrecoverable Insurance Expenses:

The Corporation's nonrecoverable insurance expenses primarily represent costs associated with (1) preparing and executing the activity in payoff cases and (2) administering and liquidating the assets purchased in a corporate capacity. As of December 31, 1985 and 1984, nonrecoverable insurance expenses included $-0- and $13,136,000 respectively, of interest expense incurred on the Federal Reserve Bank of New York indebtedness related to the administering and liquidating of assets purchased in a corporate capacity.

14. Lease Commitments:

Rent for office premises charged to administrative operating and liquidation overhead expenses were $22,605,000 (1985) and $11,947,000 (1984). Minimum rentals for each of the next five years and for subsequent years thereafter are as follows (in thousands):

1986	1987	1988	1989	1990	1991/Thereafter
$20,587	$15,670	$12,649	$9,222	$8,165	$15,770

Most office premise lease agreements provide for increase in basic rentals resulting from increased property taxes and maintenance expense.

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15. Pension Plan and Accrued Annual Leave:

All of the Corporation's permanent employees are covered by the Civil Service Retirement System. Total Corporation (employer) matching contributions to the Civil Service Retirement System for all permanent employees were approximately $8,356,000 and $7,634,000 for the calendar years ending December 31, 1985 and 1984, respectively.

Although the Corporation funds a portion of pension benefits under the Civil Service Retirement System relating to its permanent employees and makes the necessary payroll withholdings from them, the Corporation does not account for the assets of the Civil Service Retirement System nor does it have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to its permanent employees. These amounts are reported by the Office of Personnel Management for the Retirement System and are not allocated to the individual employers.

The Corporation's liability to employees for accrued annual leave is approximately $8,571,000 and $8,104,000 at December 31, 1985 and 1984, respectively.

16. Subsequent Events:

Subsequent to the calculation of the allowance for losses, the economy experienced some significant events — falling oil prices, further declines in the farm sector, deterioration of foreign loans and lowered interest rates, to name a few. These events may cause major changes in the valuation of the assets acquired in assistance to troubled and failed banks, and consequently in the Corporation's allowance for losses.

The decline in oil prices has impaired the value of some of the more than $2 billion in energy-related assets held by the FDIC as a result of transactions with troubled and failed banks. The decline may also result in an increase in the number of banks that will require future assistance (see Note 1 to the financial statements, *Assistance To and Assets Acquired from Insured Banks and the Related Allowance for Losses).* The impact of the oil price decline has not been reflected in the financial statements, as the price decline occured after December 31, 1985.

17. Commitments and Contingencies:

The Corporation insures total deposits of about $1.5 trillion in over 14,000 insured commercial banks. The Corporation does not estimate its contingent liability for either the potential assistance to insured banks that the regulatory process has identified as distressed or other insured banks that are financially weak but have not yet been identified by the regulatory process. As of December 31, 1985, the Corporation believed it impractical to calculate such an estimate with reasonable certainty. The Corporation, along with the U. S. General Accounting Office, our independent auditor, is continuing to examine this issue.

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GAO United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114831

To the Board of Directors
Federal Deposit Insurance Corporation

We have examined the statements of financial position of the Federal Deposit Insurance Corporation as of December 31, 1985 and 1984, and the related statements of income and the deposit insurance fund, and of the changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As a result of the work performed during our examination of the 1985 financial statements, we have also issued separate reports dated June 16, 1986, on compliance with laws and regulations and on internal accounting controls.

Our opinion on the 1984 financial statements, dated May 3, 1985, was qualified as to the effects of the Corporation not establishing an allowance for loss related to the poor-quality loans and other assets acquired as part of an assistance program to Continental Illinois National Bank and Trust Company of Chicago. As a result of the Corporation's restatement of the 1984 financial statements (see note 2) to reflect an allowance for loss for this assistance and other related adjustments, our present opinion expressed on the 1984 financial statements is no longer qualified.

In our opinion, the financial statements referred to above present fairly the financial position of the Federal Deposit Insurance Corporation as of December 31, 1985 and 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Charles A. Bowsher
Comptroller General
of the United States

June 16, 1986

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Legislation and Regulations

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Legislation 1985

Extension of Garn-St Germain Act

Section 6 of Public Law 99-120, approved October 8, 1985, amends Titles I and II of the Garn-St Germain Depository Institutions Act of 1982 by extending the sunset date from October 15, 1985, to April 15, 1986.

This extension allows the FDIC to continue its emergency assistance and extraordinary acquisition powers established under Title I, and the Net Worth Certificate provisions under Title II until Congress can further consider the merit of these programs.

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Rules and Regulations 1985

Applications, Requests, Submittals, Delegations of Authority, and Notices of Acquisition of Control; and Forms, Instructions, and Reports (12 CFR Parts 303, 304 and 347)

Effective May 30, 1985, the FDIC has amended its regulations to expand the delegated authority of the Director of the Division of Bank Supervision and, where confirmed in writing by the Director, that of the appropriate regional director, to act on the following applications, requests, and notices of acquisition of control: (1) requests for approval of minor or nominal deviations from requirements prescribed by prior FDIC action; (2) applications for deposit insurance submitted on behalf of proposed or newly organized nonmember banks; (3) applications for deposit insurance submitted on behalf of state member banks that have withdrawn from membership in the Federal Reserve System; (4) applications for federal deposit insurance submitted on behalf of operating noninsured banks or institutions; and (5) applications to exercise any trust powers.

The FDIC has also delegated to the Board of Review the authority to act on: (1) applications to establish and operate any new branch or relocate any existing branch; (2) applications to exercise any trust powers; (3) applications for deposit insurance filed by state member banks upon withdrawal from membership in the Federal Reserve System; (4) notices of acquisition of control of insured state nonmember banks; (5) applications to reduce the amount or retire any part of common or preferred capital stock, or retire any part of capital notes or debentures; and (6) requests for approval of any deviations from requirements prescribed by prior action of the Board of Review taken under delegated authority.

Additionally, the FDIC has substituted letter applications for application forms for banks applying to continue deposit insurance upon withdrawal from the Federal Reserve System and for insured state nonmember banks applying to reduce or retire capital.

Finally, Part 303 was reorganized to a significant degree in order to improve its clarity and overall utility to the reader.

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Delegating Authority to Issue Capital Directives and Civil Money Penalties and to Terminate Deposit Insurance by Consent, and Technical Change (12 CFR Parts 303 and 308)

Effective March 25, 1985, the FDIC amended its regulations to authorize its Board of Review to issue a directive to a nonmember banking institution that fails to maintain capital at or above the minimum capital requirement established by FDIC, and to issue civil money penalties for failing to comply with such a directive in violation of the International Lending Supervision Act of 1983, and to enter into certain written agreements. Authority is delegated to FDIC's Executive Secretary to issue an order to terminate, by consent, the deposit insurance of a bank that has ceased to accept deposits other than trust funds. The amendment redesignates the legal officer with certain authority to take specified action in certain enforcement proceedings. Finally, the amendment corrects certain technical errors and omissions in FDIC's rules of practice and procedures and conforms those rules with the amendment to Part 303.

Capital Maintenance (12 CFR Part 325)

Effective April 18, 1985, the FDIC adopted a regulation concerning Capital Maintenance. The FDIC is required to analyze capital adequacy in taking action on various types of applications, such as mergers and branches, and in the conduct of its various supervisory activities related to the safety and soundness of individual banks and the banking system.

Additionally, as a condition of federal deposit insurance all insured banks must remain in a safe and sound condition, including maintaining capital adequacy. The regulation: (a) defines capital; (b) establishes minimum standards for adequate capital; (c) establishes standards to determine when an insured bank is operating in an unsafe and unsound condition by reason of the amount of its capital; and (d) establishes procedures for issuing a directive to require an insured state nonmember bank to achieve and maintain a minimum capital ratio.

Credit Card Agreements and Check Guarantees (12 CFR Parts 332 and 337)

Effective April 15, 1985, the FDIC amended Part 332 of its regulations ("Powers Inconsistent With Purposes of Federal Deposit Insurance Law") which formerly prohibited an insured nonmember bank from guaranteeing the obligations of third parties. Specifically, this amendment is in the form of an exemption designed to allow banks to do two things: (1) to issue check guaranty cards, and (2) to sponsor customers in credit card agreements with other banks.

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The exemption will allow banks to enter into these undertakings as long as they meet certain criteria pertaining to safety and soundness, in conformance with Part 337 of the FDIC regulations ("Unsafe and Unsound Banking Practices"). The language of these two exemptions is broad enough to include arrangements that have similar characteristics, but have been termed differently.

Extension of Corporate Powers (12 CFR Part 333)

Effective March 18, 1985, the FDIC has amended an interpretive ruling, 12 CFR 333.101(b), that prevents an insured nonmember bank not exercising trust powers from offering self-directed Individual Retirement and Keogh Plan accounts without the prior written consent of the FDIC. As amended, the interpretive ruling would permit the offering of such accounts with certain limitations.

Fair Housing (12 CFR Part 338)

Effective October 31, 1985, the FDIC amended its Fair Housing regulation, 12 CFR 338, to revise the recordkeeping exemption threshold. The FDIC now requires metropolitan banks with more than $10 million in assets to keep log sheets of home loan applications. The rule ends the log sheet requirement for log sheet banks that have $50 million or less in assets and have received fewer than 25 home loan applications in the prior calendar year. Raising the threshold should improve the efficiency and effectiveness of consumer affairs examiners through more productive use of examination time and, additionally, should reduce the recordkeeping burden on banks.

Foreign Banks; Establishing the Capital Equivalency Account Requirement at Six Percent of Adjusted Liabilities of the Branch (12 CFR Part 346)

Effective April 18, 1985, the FDIC adopted an amendment to the capital equivalency ledger account provision contained in section 346.20 of its regulations. The changes were made to correspond with the provisions of FDIC's recently adopted capital maintenance regulation, 12 CFR 325. Two changes were made: the minimum required sum to be maintained in the capital equivalency ledger account was raised to six percent, rather than five percent of the branch's liabilities and, in addition, no deduction will be required for assets classified as "Doubtful.

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PROPOSED RULE MAKING

Rules for Publication of and Disclosure of Change in Bank Control Notices (12 CFR Parts 303 and 309)

The Board of Directors of the FDIC solicited comments on three proposals: (1) to require persons who have filed notices with the FDIC under the Change in Bank Control Act of 1978 ("CBCA" or "Act") 12 U.S.C. 1817(j), to publish an announcement of the notice's acceptance in a newspaper, except that in the case of a public tender offer the announcement may be delayed until a tender offer commences; and (2) to make certain information regarding CBCA notices accepted by the FDIC available to the public upon request, except in certain public tender offer situations. These proposals represent a departure from the FDIC's current policy of confidentiality with respect to pending notices, i.e., notices pertaining to acquisitions not yet consummated. These proposals are designed to (1) increase the amount of timely and useful information available to the public and (2) increase the FDIC's sources of information in connection with its statutory review of acquisitions and changes in control, thereby enhancing the FDIC's ability to carry out the purposes of the CBCA, namely, to prevent dishonest or unqualified persons from acquiring control of a federally insured bank. At the time these amendments become final, the FDIC will publish a conforming amendment to its Privacy Act system of records titled "Changes in Bank Control Ownership Records". That amendment would expand the routine uses for which the data in the system may be used without the consent of the individual to whom the data pertains. The proposal was issued for comment on October 10, 1985, with the comment period ending on November 12, 1985.

Disclosure of Information; Release of Notices of Charges (12 CFR 309)

The FDIC has proposed amending its regulations to provide for the release of notices of charges issued by it in administrative proceedings, as well as final orders resulting from such proceedings. The proposal was issued for comment on February 21, 1985, with the comment period ending on March 25, 1985. After much adverse comment, the FDIC Board decided on May 6, 1985, to limit disclosure to final orders issued on or after January 1, 1986, but "reserved the option of expanding [disclosure] policy at a later date to include notices" of charges initiating enforcement actions. Accordingly, this technical amendment to Part 309 that would have authorized release of notices of charges as part of the original proposal was not withdrawn at that time. On December 16, 1985, the FDIC Board acted to defer the January 1 effective date to July 1, 1986, unless superseded in the interim by a new disclosure plan that the Federal bank regulators may develop.

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Brokered Deposits, Limitations on Deposit Insurance (12 CFR 330)

On June 20, 1984, the United States District Court for the District of Columbia entered an Order declaring the Final Rule published by the FDIC at 49 FR 13003 (April 2, 1984) limiting insurance coverage for brokered deposits to be unlawful, enjoining the Rule's implementation and directing that the Order be published. The FDIC published the Order, as directed by the Court, at 49 FR 27294 (July 3, 1984). On January 30, 1985, the U.S. Court of Appeals upheld the U.S. District Court's ruling that the FDIC did not have authority to limit insurance coverage on brokered deposits. The FDIC has determined not to pursue an appeal. The FDIC Board approved formal withdrawal action on December 30, 1985.

Recordkeeping Requirements for Deposits Placed by Deposit Brokers (12 CFR 330)

The FDIC proposed amending certain recordkeeping requirements affecting the manner in which insurance coverage on brokered deposits is determined. The amendments would require disclosure in the account records of the bank of the identity of each person having a beneficial ownership interest in such accounts in order for those persons to obtain insurance coverage. The primary purpose of the amendment is to enable the FDIC to determine quickly and efficiently the extent of insurance coverage on brokered deposits for supervisory and regulatory reasons and to make informed decisions regarding the costs of alternatives considered in handling insured banks which are failing. The proposal was issued for comment on August 2, 1985, with the comment period ending on September 3, 1985.

Powers Inconsistent with Purposes of Federal Deposit Insurance Law (12 CFR 332)

The FDIC proposed amending Part 332 of its regulations to: (1) subject to certain exceptions, prohibit any insured bank (including insured nonmember banks, national banks, state banks that are members of the Federal Reserve System, insured branches of foreign banks, and federally chartered saving banks insured by the FDIC) from directly engaging in the following: underwriting insurance, developing real estate, reinsurance, guaranteeing or becoming surety upon the obligations of others, insuring the fidelity of others, or engaging in a surety business, (2) require any subsidiary of an insured bank that conducts any of the prohibited activities to meet the criteria for a bona fide subsidiary set out in the regulation, (3) require notice to the FDIC of intent to invest in such activities, (4) place certain restrictions on the affiliation of an insured bank with a company that engages in any of the prohibited activities, (5) place certain restrictions on extensions of credit and other transactions between insured banks and their subsidiaries or

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affiliates that engage in any of the prohibited activities, (6) require all insured banks that prior to the publication of this proposal established a subsidiary or became affiliated with a company that engages in the prohibited activities to conform to the regulation (with certain exceptions) within one year from the effective date of the regulation, (7) require any insured bank that as of the publication date of the proposal is directly engaging in any of the prohibited activities to conform to the regulation within one year of the effective date of the regulation with the exception that ongoing real estate developments may be completed, and (8) exclude a bank's direct investment in a subsidiary that engages in prohibited activities from the bank's consolidated capital. The initial proposal was issued on September 12, 1983, with a comment period ending September 13, 1984. A revised notice was issued on June 7, 1985 with a comment period ending July 22, 1985.

Nondiscrimination on the Basis of Handicap (12 CFR 352)

This proposed regulation implements the spirit of section 504 of the Rehabilitation Act of 1973, as amended, which prohibits discrimination on the basis of handicap, as it applies to the programs or activities conducted by various Executive agencies. Although the FDIC does not believe that Congress contemplated coverage of nonappropriated, independent regulatory agencies such as the FDIC, it has chosen to promulgate this proposed regulation to ensure that, to the extent practicable, handicapped persons are provided with equal access to FDIC programs and activities. The proposal was issued for comment on April 18, 1985, with the comment period ending on June 17, 1985.

Reports of Apparent Crimes Affecting Insured Nonmember Banks; Notification of Change in Fidelity Bond Coverage (12 CFR 353)

The FDIC proposed adding Part 353 to its regulations to require insured nonmember banks to report, on a prescribed form, criminal violations of the United States Code that involve or affect such banks to the appropriate investigatory and prosecuting authorities, as well as to the FDIC. Robberies, burglaries and nonemployee larcencies, which are subject to the requirements of 12 CFR 326.5(c), are exempt from the requirements of the proposed rule. The central purpose of the report form requirement is to assure that the information needed by the investigators and prosecutors for effective law enforcement is provided in an orderly and timely fashion. Also, the FDIC, by receiving a copy of the reports, will be better able to monitor, and to act to reduce, losses to insured nonmember banks as a result of criminal activity. The proposed rule also requires, in the interest of reducing losses, that an insured nonmember bank notify the FDIC if its fidelity bond against defalcations and similar losses is cancelled or if the coverage is changed significantly. The proposal was issued for comment beginning October 24, 1985, with the comment period ending November 25, 1985.

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Statistics

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Banks Closed Because of Financial Difficulties: FDIC Income, Disbursements and Losses

The following tables are included in the 1985 FDIC Annual Report:

—Table 122, Number and Deposits of Banks Closed Because of Financial Difficulties, 1934-1985;

—Table 123, Insured Banks Requiring Disbursements by the Federal Deposit Insurance Corporation During 1985;

—Table 125, Recoveries and Losses by the Federal Deposit Insurance Corporation on Principal Disbursements for Protection of Depositors, 1934-1985;

—Table 127, Income and Expenses, Federal Deposit Insurance Corporation, by Year, from Beginning of Operations, September 11, 1933, to December 31, 1985;

—Table 129, Insured Deposits and the Deposit Insurance Fund, 1934-1985.

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 FDIC. In deposit payoff cases, the disbursement is the amount paid by the FDIC on insured deposits. In the modified deposit payoff, an alternative method, the FDIC transfers the failed bank's insured and secured deposits to another bank in the community while uninsured depositors must share with the FDIC and other general creditors of the bank in any proceeds realized from liquidation of the failed bank's assets. In certain modified payoffs, the FDIC may determine that an advance of funds to uninsured depositors and other creditors of a failed bank is warranted. 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. In deposit assumption cases, the Corporation also may purchase assets or guarantee an insured bank against loss by reason of its assuming the liabilities and purchasing the assets of an open or closed insured bank. Under its section 13(c) authority, the FDIC made a disbursement in 1985 to four operating banks.

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 FDIC received no official reports of noninsured bank closings due to financial difficulties in 1985. For detailed data regarding noninsured banks that were suspended in the years 1934-1962, see the FDIC Annual Report for 1963, pages 27-41. For 1963-1985, see Table 122 of this Report, and previous Reports for respective years.

Sources of Data

Insured banks: books of specific banks at date of closing, and books of the FDIC, December 31, 1985.

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Table 122. NUMBER AND DEPOSITS OF BANKS CLOSED BECAUSE OF FINANCIAL DIFFICULTIES, 1934-1985

Year	Number					Deposits (in thousands of dollars)					Assets[4] (in Thousands 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	**1,011**	**136**	**875**	**8**	**867**	**36,527,425**	**143,501**	**36,383,924**	**41,147**	**36,342,777**	**45,008,028**
1934	61	52	9	...	9	37,333	35,365	1,968	...	1,968	2,661
1935	32	6	26	1	25	13,988	583	13,405	85	13,320	17,242
1936	72	3	69	...	69	28,100	592	27,508	...	27,508	31,941
1937	84	7	77	2	75	34,205	528	33,677	328	33,349	40,370
1938	81	7	74	...	74	60,722	1,038	59,684	...	59,684	69,513
1939	72	12	60	...	60	160,211	2,439	157,722	...	157,772	181,514
1940	48	5	43	...	43	142,788	358	142,430	...	142,430	161,898
1941	17	2	15	...	15	29,796	79	29,717	...	29,717	34,804
1942	23	3	20	...	20	19,540	355	19,185	...	19,185	22,254
1943	5	...	5	...	5	12,525	...	12,525	...	12,525	14,058
1944	2	...	2	...	2	1,915	...	1,915	...	1,915	2,098
1945	1	...	1	...	1	5,695	...	5,695	...	5,695	6,392
1946	2	1	1	...	1	494	147	347	...	347	351
1947	6	1	5	...	5	7,207	167	7,040	...	7,040	6,798
1948	3	...	3	...	3	10,674	...	10,674	...	10,674	10,360
1949	9	4	5	1	4	9,217	2,552	6,665	1,190	5,475	4,886
1950	5	1	4	...	4	5,555	42	5,513	...	5,513	4,005
1951	5	3	2	...	2	6,464	3,056	3,408	...	3,408	3,050
1952	4	1	3	...	3	3,313	143	3,170	...	3,170	2,388
1953	5	1	4	2	2	45,101	390	44,711	26,449	18,262	18,811
1954	4	2	2	...	2	2,948	1,950	998	...	998	1,138
1955	5	...	5	...	5	11,953	...	11,953	...	11,953	11,985
1956	3	1	2	...	2	11,690	360	11,330	...	11,330	12,914
1957	3	1	2	1	1	12,502	1,255	11,247	10,084	1,163	1,253
1958	9	5	4	...	4	10,413	2,173	8,240	...	8,240	8,905
1959	3	...	3	...	3	2,593	...	2,593	...	2,593	2,858
1960	2	1	1	...	1	7,965	1,035	6,930	...	6,930	7,506
1961	9	4	5	...	5	10,611	1,675	8,936	...	8,936	9,820
1962	3	2	1	1	...	4,231	1,220	3,011	3,011	...	...[5]
1963	2	...	2	...	2	23,444	...	23,444	...	23,444	26,179
1964	8	1	7	...	7	23,867	429	23,438	...	23,438	25,849
1965	9	4	5	...	5	45,256	1,395	43,861	...	43,861	58,750
1966	8	1	7	...	7	106,171	2,648	103,523	...	103,523	120,647
1967	4	...	4	...	4	10,878	...	10,878	...	10,878	11,993
1968	3	...	3	...	3	22,524	...	22,524	...	22,524	25,154
1969	9	...	9	...	9	40,134	...	40,134	...	40,134	43,572
1970	8	1	7	...	7	55,229	423	54,806	...	54,806	62,147
1971	6	...	6	...	6	132,058	...	132,058	...	132,058	196,520
1972	3	2	1	...	1	99,784	79,304	20,480	...	20,480	22,054
1973	6	...	6	...	6	971,296	...	971,296	...	971,296	1,309,675
1974	4	...	4	...	4	1,575,832	...	1,575,832	...	1,575,832	3,822,596
1975	14	1	13	...	13	340,574	1,000	339,574	...	339,574	419,950
1976	17	1	16	...	16	865,659	800	864,859	...	864,859	1,039,293
1977	6	...	6	...	6	205,208	...	205,208	...	205,208	232,612
1978	7	...	7	...	7	854,154	...	854,154	...	854,154	994,035
1979	10	...	10	...	10	110,696	...	110,696	...	110,696	132,988
1980	10	...	10	...	10	216,300	...	216,300	...	216,300	236,164
1981	10	...	10	...	10	3,826,022	...	3,826,022	...	3,826,022	4,859,060
1982	42	...	42	...	42	9,908,379	...	9,908,379	...	9,908,379	11,632,415
1983	48	...	48	...	48	5,441,608	...	5,441,608	...	5,441,608	7,026,923
1984	79	...	79	...	79	2,883,162	...	2,883,162	...	2,883,162	3,276,411
1985[6]	120	...	120	...	120	8,059,441	...	8,059,441	...	8,059,441	8,741,268

[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 seven 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, 1982.

[4]Insured banks only.

[5]Not available.

[6]Includes data for one bank granted financial assistance although no disbursement was required until January, 1986.

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Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1985

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets (000's)	Total Deposits (000's)	FDIC Disbursements (000's)	Date of Closing, Deposit Assumption, or Merger	Receiver, Assuming Bank, Transferee Bank, or Merging Bank
Deposit Payoffs							
Citizens State Bank Edgerton, Wyoming	NM	1,024	2,546	2,554	1,963	January 4, 1985	Federal Deposit Insurance Corporation
State Bank of Dannebrog Dannebrog, Nebraska	NM	1,377	4,259	3,769	3,367	January 7, 1985	Federal Deposit Insurance Corporation
State Bank of Alexandria Alexandria, Nebraska	NM	451	2,563	2,437	2,364	April 10, 1985	Federal Deposit Insurance Corporation
First Enterprise Bank Oakland, California	NM	3,497	36,869	22,388	19,945	April 26, 1985	Federal Deposit Insurance Corporation
Scroggin and Company Bank* Oak, Nebraska	SM	710	3,236	2,907	2,666	May 31, 1985	Federal Deposit Insurance Corporation
Fairfield State Bank* Fairfield, Nebraska	NM	1,539	6,650	5,894	5,156	May 31, 1985	Federal Deposit Insurance Corporation
Farmers State Bank of Dexter Dexter, Kansas	SM	1,040	3,902	3,838	2,640	June 20, 1985	Federal Deposit Insurance Corporation
Crossroads State Bank Oklahoma City, Oklahoma	NM	1,700	16,783	16,354	14,746	July 11, 1985	Federal Deposit Insurance Corporation
First National Bank of Darrouzett Darrouzett, Texas	N	976	11,567	11,493	9,973	July 18, 1985	Federal Deposit Insurance Corporation
State Bank of Herndon Herndon, Kansas	NM	1,197	6,064	5,574	4,870	August 14, 1985	Federal Deposit Insurance Corporation
The Bank of Bronson Bronson, Kansas	NM	2,320	9,125	8,829	7,252	August 23, 1985	Federal Deposit Insurance Corporation
Bank of Clifton Clifton, Colorado	SM	2,697	10,341	10,067	9,069	September 6, 1985	Federal Deposit Insurance Corporation
Elba State Bank Elba, Nebraska	NM	1,183	4,108	3,601	3,417	September 18, 1985	Federal Deposit Insurance Corporation
The Sedan State Bank Sedan, Kansas	NM	4,471	27,304	25,818	22,898	September 25, 1985	Federal Deposit Insurance Corporation
First National Bank in Terral Terral, Oklahoma	N	427	3,399	3,143	2,838	September 27, 1985	Federal Deposit Insurance Corporation
Yellowstone State Bank* Lander, Wyoming	SM	3,100	19,051	19,408	18,893	November 1, 1985	Federal Deposit Insurance Corporation
First National Bank of Teague* Teague, Texas	N	3,139	28,364	26,155	24,166	November 14, 1985	Federal Deposit Insurance Corporation
The Farmers and Merchants State Bank of Rush County La Crosse, Kansas	SM	4,191	32,060	28,308	24,896	November 21, 1985	Federal Deposit Insurance Corporation
Security State Bank Broken Bow, Nebraska	NM	1,318	7,298	6,854	6,854	December 5, 1985	Federal Deposit Insurance Corporation
The Farmers and Merchants National Bank of Hennessy Hennessy, Oklahoma	N	4,012	27,677	26,249	24,433	December 5, 1985	Federal Deposit Insurance Corporation
Farmers and Merchants Bank Comstock, Nebraska	NM	791	3,335	3,199	3,194	December 19, 1985	Federal Deposit Insurance Corporation
Princeton State Bank Princeton, Missouri	NM	4,817	17,814	16,808	15,753	December 19, 1985	Federal Deposit Insurance Corporation

*Dividend advanced by FDIC

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Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1985

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets (000's)	Total Deposits (000's)	FDIC Disbursements (000's)	Date of Closing, Deposit Assumption, or Merger	Receiver, Assuming Bank, Transferee Bank, or Merging Bank
Deposit Transfers to Operating Banks							
Peoples Bank & Trust Co. Wartburg, Tennessee	NM	5,299	26,727	20,389	18,862	February 8, 1985	Citizens Bank and Trust Co. Wartburg, Tennessee
Citizens State Bank of Fulda Fulda, Minnesota	NM	7,984	36,508	35,607	34,391	February 15, 1985	Fulda State Bank Fulda, Minnesota
First Trust Bank of Lakefield Lakefield, Minnesota	NM	3,700	23,445	20,371	19,335	May 31, 1985	Fulda State Bank Fulda, Minnesota
Strong's Bank Dodgeville, Wisconsin	NM	8,200	33,322	30,358	29,283	June 14, 1985	M & I Bank of Dodgeville Dodgeville, Wisconsin
Golden Pacific National Bank New York, New York	N	19,891	166,109	151,497	133,407	June 21, 1985	The Hong Kong & Shanghai Banking Corporation New York, New York
Park West Bank, N.A.* Farmers Branch, Texas	N	1,637	18,318	16,444	15,663	August 15, 1985	Park West State Bank Farmers Branch, Texas
Peoples National Bank of Rockland County Monsey, New York	N	6,472	21,412	18,673	16,135	September 13, 1985	First National Bank of Highland Highland, New York
Deposit Assumptions							
Coast Community Bank Harbor, Oregon	NM	2,751	8,605	8,233	6,185	January 11, 1985	Security Bank of Coos County Myrtle Point, Oregon
First National Bank in Marlow Marlow, Oklahoma	N	1,929	26,200	25,728	14,907	January 24, 1985	First National Bank in Marlow Marlow, Oklahoma
First National Bank in Clarksville Clarksville, Texas	N	4,057	27,771	28,197	17,723	January 24, 1985	Citizens Bank Clarksville, Texas
The Steele State Bank Cherokee, Iowa	NM	5,274	18,444	16,954	11,310	January 25, 1985	Valley Bank & Trust Cherokee, Iowa
Citizens Fidelity Bank Bristol, Tennessee	NM	3,872	18,550	16,688	11,531	February 1, 1985	Energy Bank Oak Ridge, Tennessee
The First National Bank of Woodbine Woodbine, Iowa	N	6,400	24,772	24,858	16,955	February 7, 1985	Iowa Savings Bank Woodbine, Iowa
Farmers National Bank of Erick Erick, Oklahoma	N	1,187	17,224	15,807	7,757	February 7, 1985	First American Bank Erick, Oklahoma
West Valley Bank Woodland Hills, California	SM	2,700	36,653	32,252	31,757	February 8, 1985	First Interstate Bank, LTD. Woodland Hills, California
First National Bank in Eads Eads, Colorado	N	2,285	16,066	14,816	11,869	February 14, 1985	The Omnibank, Kiowa County, N.A. Eads, Colorado
The Inwood State Bank Inwood, Iowa	NM	1,600	6,549	6,325	3,974	February 19, 1985	Security Savings Bank Larchwood, Iowa
Halifax National Bank of Port Orange Port Orange, Florida	N	10,817	36,242	35,457	14,686	March 1, 1985	Barnett Bank of Volusia County Deland, Florida
Citizens State Bank Arapahoe, Nebraska	NM	3,004	14,753	13,492	7,779	March 8, 1985	Farmers & Merchants Bank Edison, Nebraska
The Commercial State Bank Afton, Iowa	NM	3,750	15,865	15,321	11,436	March 8, 1985	Citizens Savings Bank Afton, Iowa

*Dividend advanced by FDIC

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Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1985

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets (000's)	Total Deposits (000's)	FDIC Disbursements (000's)	Date of Closing, Deposit Assumption, or Merger	Receiver, Assuming Bank, Transferee Bank, or Merging Bank
The Taylor State Bank Emington, Illinois	NM	1,150	4,567	4,438	2,944	March 15, 1985	The First National Bank of Dwight Dwight, Illinois
Golden Valley Bank Turlock, California	NM	16,442	72,133	65,825	47,151	March 22, 1985	Farmers & Merchants Bank of Central California Lodi, California
Fidelity Bank of Denver Denver, Colorado	SM	3,400	43,521	27,888	36,770	March 29, 1985	American Bank of Commerce Denver, Colorado
Bank of Hunter Hunter, Oklahoma	NM	465	2,691	2,770	1,969	April 4, 1985	First National Bank in Tonkawa Tonkawa, Oklahoma
Capistrano National Bank Santa Ana, California	N	8,411	46,863	37,965	35,641	April 5, 1985	Farmers & Merchants Bank of Long Beach Long Beach, California
First State Bank of Elgin Elgin, Oregon	NM	5,954	17,296	15,035	12,734	April 12, 1985	U.S. National Bank of Oregon Portland, Oregon
South Coast Bank Costa Mesa, California	SM	5,500	30,082	24,656	19,134	April 12, 1985	Harbor Bank Long Beach, California
Peoples National Bank of Lampasas Lampasas, Texas	N	4,641	30,999	32,659	14,627	April 18, 1985	United Peoples Bank Lampasas, Texas
First National Bank of Springfield Springfield, Colorado	N	2,500	15,196	13,120	9,124	April 18, 1985	Baca State Bank Springfield, Colorado
Peoples State Bank Odebolt, Iowa	NM	3,100	13,261	12,501	8,431	April 26, 1985	Peoples Savings Bank Odebolt, Iowa
The Bank of Commerce Chanute, Kansas	NM	12,500	65,293	61,559	36,480	May 2, 1985	Bank of Commerce Chanute, Kansas
Farmers Savings Bank Massena, Iowa	NM	2,800	15,013	14,787	14,442	May 3, 1985	Union National Bank Massena, Iowa
Farmers State Bank St. Joseph, Missouri	NM	15,640	46,848	46,342	29,157	May 3, 1985	Farmers' State Bank of Buchanan County St. Joseph, Missouri
Story County State Bank Story City, Iowa	NM	6,500	13,727	31,554	17,900	May 9, 1985	Story County Bank & Trust Co. Story City, Iowa
Bank of Newcastle Newcastle, Oklahoma	NM	6,775	31,330	26,713	21,576	May 16, 1985	Allied Oklahoma Bank, N.A., Oklahoma City, Oklahoma
The Energy Bank, N.A. Dallas, Texas	N	2,953	26,882	23,649	17,477	May 16, 1985	Oak Bank & Trust Co. Dallas, Texas
Northwest Bank White Settlement, Texas	NM	11,708	49,674	46,851	27,207	May 23, 1985	Landmark Bank-Northwest White Settlement, Texas
Bank of Taylor Taylor, Nebraska	NM	3,955	13,828	12,242	9,644	May 31, 1985	Union Bank & Trust Co. Lincoln, Nebraska
Bank of Lockesburg Lockesburg, Arkansas	NM	3,125	25,866	23,165	15,162	May 31, 1985	Bank of Lockesburg Lockesburg, Arkansas
Security State Bank Edgar, Nebraska	NM	1,540	6,159	5,645	4,592	May 31, 1985	Guide Rock State Bank Guide Rock, Nebraska
American National Bank of Riverton Riverton, Wyoming	N	8,436	34,130	36,121	19,908	June 11, 1985	First Wyoming Bank, N.A.-Riverton Riverton, Wyoming
The First State Bank Edna, Kansas	NM	1,885	8,373	8,206	5,036	June 13, 1985	First State Bank of Edna Edna, Kansas
Swift County Bank Benson, Minnesota	NM	8,363	39,405	37,216	22,568	June 14, 1985	First Security State Bank of Sleepy Eye Benson, Minnesota

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Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1985

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets (000's)	Total Deposits (000's)	FDIC Disbursements (000's)	Date of Closing, Deposit Assumption, or Merger	Receiver, Assuming Bank, Transferee Bank, or Merging Bank
Urbana Savings Bank Urbana, Iowa	NM	3,299	6,977	6,320	2,263	June 21, 1985	Peoples Bank & Trust Co. Cedar Rapids, Iowa
First City Bank, N.A. Oklahoma City, Oklahoma	N	5,619	87,480	84,017	58,331	June 21, 1985	City Bank & Trust Co. Oklahoma City, Oklahoma
First Bank & Trust Tracy City, Tennessee	NM	5,390	21,792	20,383	10,867	June 28, 1985	First National Bank of Shelbyville Shelbyville, Tennessee
The Madison Bank Madison, Kansas	NM	1,733	9,294	8,598	3,263	July 2, 1985	The First National Bank of Madison Madison, Kansas
The First National Bank of Jacksonville Jacksonville, Alabama	N	13,392	41,896	38,376	14,377	July 5, 1985	AmSouth Bank of Jacksonville Jacksonville, Alabama
Eskridge State Bank Eskridge, Kansas	NM	1,990	9,937	9,280	6,708	July 18, 1985	Flint Hill Bank of Eskridge Eskridge, Kansas
Gilpin County Bank Black Hawk, Colorado	SM	1,493	3,619	3,384	1,016	July 19, 1985	First Interstate Bank of Golden, N.A. Golden, Colorado
Linn County State Bank Linneus, Missouri	NM	1,226	5,120	5,156	3,095	July 19, 1985	United Missouri Bank of Linn County Linneus, Missouri
The First National Bank of Onaga Onaga, Kansas	N	10,000	19,656	19,658	5,152	July 23, 1985	First National Bank of Onaga Onaga, Kansas
First National Bank of Glenrock Glenrock, Wyoming	N	3,705	17,055	16,674	9,499	July 23, 1985	National Bank of Glenrock Glenrock, Wyoming
Kansas American Bank Overland Park, Kansas	NM	4,551	26,361	24,250	12,397	July 25, 1985	MidAmerican Bank & Trust Co. of Overland Park Overland Park, Kansas
Citizens State Bank of El Dorado El Dorado, Kansas	NM	5,453	25,675	24,243	2,863	July 25, 1985	National Bank of El Dorado El Dorado, Kansas
Riverside National Bank of Houston Houston, Texas	N	6,161	18,916	16,790	16,647	August 1, 1985	Peoples Bank, N.A. Houston, Texas
Farmers State Bank Rising City, Nebraska	NM	2,791	13,177	11,678	7,341	August 2, 1985	Union Bank & Trust Co. Lincoln, Nebraska
Farmers State Bank of Round Lake Round Lake, Minnesota	NM	4,373	22,249	20,683	9,934	August 2, 1985	Farmers State Bank of Mountain Lake Mountain Lake, Minnesota
Mineola State Bank Mineola, Iowa	NM	1,549	5,086	4,871	1,265	August 6, 1985	Glenwood State Bank Glenwood, Iowa
Security Bank & Trust Co. Midwest City, Oklahoma	NM	7,884	29,535	28,518	7,550	August 8, 1985	Security Bank of Midwest City Midwest City, Oklahoma
State Bank of Farmersville Farmersville, Illinois	NM	3,100	11,074	10,868	4,871	August 9, 1985	The Litchfield Bank and Trust Co. Litchfield, Illinois
Cardwell State Bank Cardwell, Missouri	NM	1,430	6,188	5,582	1,941	August 28, 1985	Merchants & Planters Bank of Hornersville Hornersville, Missouri
Missouri Delta Bank Hayti, Missouri	NM	1,923	8,684	8,021	1,920	August 28, 1985	Bank of Hayti Hayti, Missouri
Moncor Bank, N.A. Hobbs, New Mexico	N	17,900	204,843	114,011	88,006	August 30, 1985	United Bank of Lea County Hobbs, New Mexico
The Bank of Loretto Loretto, Tennessee	NM	6,622	24,614	24,013	2,304	September 4, 1985	First Farmers & Merchants National Bank of Columbia Columbia, Tennessee

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Table 123. INSURED BANKS REQUIRING DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION DURING 1985

NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets (000's)	Total Deposits (000's)	FDIC Disburse-ments (000's)	Date of Closing, Deposit Assump-tion, or Merger	Receiver, Assuming Bank, Transferee Bank, or Merging Bank
Moncor Bank, N.A. Roswell, New Mexico	N	2,015	32,881	23,671	12,727	September 12, 1985	First National Bank of Chaves County Roswell, New Mexico
First Security Bank of Dickson Dickson, Tennessee	NM	3,566	15,632	15,089	2,209	September 12, 1985	Peoples Bank Vanleer, Tennessee
Western State Bank Denton, Texas	NM	3,048	23,377	21,497	5,216	September 27, 1985	Texas Bank of Denton Denton, Texas
Tower Bank, N.A. Hialeah Gardens, Florida	N	2,646	14,792	14,424	2,570	October 3, 1985	Bayshore Bank of Florida Miami, Florida
Bank of Canton Canton, Oklahoma	NM	4,089	17,442	17,713	5,346	October 10, 1985	Community State Bank of Canton Canton, Oklahoma
Saratoga State Bank Saratoga, Wyoming	SM	3,529	17,066	16,442	4,256	October 11, 1985	First Wyoming Bank-Saratoga Saratoga, Wyoming
First National Bank of St. Joseph St. Joseph, Missouri	N	29,609	174,246	160,571	97,809	October 11, 1985	Commerce Bank of St. Joseph, N.A. St. Joseph, Missouri
Farmers State Bank in Afton Afton, Oklahoma	NM	3,432	10,080	9,434	971	October 17, 1985	Security Bank & Trust Co. Miami, Oklahoma
First State Bank Jet, Oklahoma	NM	2,623	11,117	10,828	3,314	October 18, 1985	Cleo State Bank Cleo Springs, Oklahoma
The Early Bank Early, Texas	NM	2,093	13,005	12,312	3,649	October 18, 1985	Texas Bank Early, Texas
Farmers State Bank of Kanaranzi Kanaranzi, Minnesota	NM	900	6,893	3,700	961	October 18, 1985	Citizens State Bank of Silver Lake Silver Lake, Minnesota
The Citizens Bank Ogden, Utah	NM	13,199	91,210	79,916	41,739	October 18, 1985	Commercial Security Bank Ogden, Utah
Early Savings Bank Early, Iowa	SM	2,703	12,861	11,979	4,129	November 1, 1985	The Citizens First National Bank of Storm Lake Storm Lake, Iowa
The Aurora Bank Aurora, Colorado	SM	2,939	17,415	14,795	4,053	November 1, 1985	Omnibank Iliff, N.A. Aurora, Colorado
Auburn Savings Bank Auburn, Iowa	SM	1,925	7,250	6,534	1,528	November 8, 1985	Carroll County State Bank Carroll, Iowa
Northshore Bank Houston, Texas	NM	8,615	43,718	39,157	17,963	November 8, 1985	Bank of Woodforest Houston, Texas
Decatur County National Bank of Oberlin Oberlin, Kansas	N	2,626	14,830	13,965	9,866	November 21, 1985	The Bank of Oberlin Oberlin, Kansas
The Dill State Bank Dill City, Oklahoma	NM	2,080	15,104	13,447	6,317	November 21, 1985	Home State Bank Hobart, Oklahoma
The Clarksdale Bank of Clarksdale Clarksdale, Missouri	NM	1,708	6,191	5,905	4,109	November 21, 1985	United Missouri Bank of St. Joseph St. Joseph, Missouri
Chester State Bank Chester, Texas	NM	1,334	11,154	10,096	1,945	November 22, 1985	Bank of East Texas Chester, Texas
Allen County Bank and Trust Co. Leo, Indiana	NM	5,600	11,280	10,999	186	November 22, 1985	The Indiana National Bank Indianapolis, Indiana
California Heritage Bank San Diego, California	NM	3,116	22,156	18,341	6,111	November 22, 1985	Grossmont Bank La Mesa, California

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NAME AND LOCATION	Class of Bank	Number of Depositors or Accounts	Total Assets (000's)	Total Deposits (000's)	FDIC Disburse-ments (000's)	Date of Closing, Deposit Assump-tion, or Merger	Receiver, Assuming Bank, Transferee Bank, or Merging Bank
Farmers State Bank of Barry County Exeter, Missouri	NM	2,494	4,096	4,015	1,756	December 13, 1985	Security Bank of Southwest Missouri Exeter, Missouri
Lake National Bank Lake Ozark, Missouri	N	3,908	18,093	19,121	4,506	December 13, 1985	The Central Trust Bank Jefferson City, Missouri
First National Bank of Lincoln County Ruidoso, New Mexico	N	2,600	31,632	26,733	9,574	December 13, 1985	First National Bank of Ruidoso Ruidoso, New Mexico
Bank of Panama Panama, Nebraska	NM	1,403	4,391	4,312	1,420	December 19, 1985	Farmers State Bank Douglas, Nebraska
Farmers State Bank Sargent, Nebraska	NM	2,450	12,149	10,962	2,494	December 19, 1985	First National Bank in Ord Ord, Nebraska
State Bank of Frost Frost, Minnesota	NM	1,350	7,331	5,956	1,394	December 20, 1985	Frost State Bank Frost, Minnesota
First City Bank Glendale, California	NM	3,700	27,731	27,721	6,573	December 20, 1985	Sterling Bank Los Angeles, California
Assistance Transactions							
Bank of Oregon Woodburn, Oregon	NM	21,358	106,342	93,670	19,899	May 31, 1985	Alaska Pacific Bancorporation Anchorage, Alaska
The Commercial Bank** Andalusia, Alabama	NM	12,120	89,000	76,000	0	August 16, 1985	First Alabama Bancshares, Inc. Montgomery, Alabama
Bowery Savings Bank New York, New York	NM	637,676	5,278,834	4,938,423	436,174	October 1, 1985	Bowery Savings Bank, Inc. New York, New York
Home Savings Bank White Plains, New York	NM	64,000	421,754	402,318	23,500	December 31, 1985	The Home Savings Bank Brooklyn, New York

**Disbursement not required until January 1986.

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Table 125. RECOVERIES AND LOSSES BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ON DISBURSEMENTS FOR PROTECTION OF DEPOSITORS, 1934-1985 (Amounts in thousands of dollars)

Liquidation status and year of deposit payoff or deposit assumption	All cases					Deposit payoff cases					Deposit assumption cases[5]				
	Number of banks	Disburse-ments	Recoveries to Dec. 31, 1985	Estimated additional recoveries	Losses[1]	Number of banks	Disburse-ments[2]	Recoveries to Dec. 31, 1985	Estimated additional recoveries	Losses[1]	Number of banks	Disburse-ments[3]	Recoveries to Dec. 31, 1985	Estimated additional recoveries	Losses[1]
Total	**867**	**15,682,461**	**7,855,754**	**3,134,374**	**4,692,333**	**373**	**2,082,638**	**957,193**	**712,158**	**413,287**	**494**	**13,599,823**	**6,898,561**	**2,422,216**	**4,279,046**
Year[4] ..															
1934	9	941	734	...	207	9	941	734	...	207	...	...	...	...	...
1935	25	9,108	6,423	...	2,685	24	6,026	4,274	...	1,752	1	3,082	2,149	...	933
1936	69	15,206	12,873	...	2,333	42	7,735	6,397	...	1,338	27	7,471	6,476	...	995
1937	75	20,204	16,532	...	3,672	50	12,365	9,718	...	2,647	25	7,839	6,814	...	1,025
1938	74	34,394	31,969	...	2,425	50	9,092	7,908	...	1,184	24	25,302	24,061	...	1,241
1939	60	81,828	74,676	...	7,152	32	26,196	20,399	...	5,797	28	55,632	54,277	...	1,355
1940	43	87,899	84,103	...	3,796	19	4,895	4,313	...	582	24	83,004	79,790	...	3,214
1941	15	25,061	24,470	...	591	8	12,278	12,065	...	213	7	12,783	12,405	...	378
1942	20	11,684	10,996	...	688	6	1,612	1,320	...	292	14	10,072	9,676	...	396
1943	5	7,230	7,107	...	123	4	5,500	5,377	...	123	1	1,730	1,730	...	...
1944	2	1,532	1,492	...	40	1	404	364	...	40	1	1,128	1,128	...	...
1945	1	1,845	1,845	...	...	...	...	...	...	...	1	1,845	1,845	...	...
1946	1	274	274	...	...	...	...	...	...	...	1	274	274	...	...
1947	5	2,038	1,979	...	59	...	...	...	...	...	5	2,038	1,979	...	59
1948	3	3,150	2,509	...	641	...	...	...	...	...	3	3,150	2,509	...	641
1949	4	2,685	2,316	...	369	...	...	...	...	...	4	2,685	2,316	...	369
1950	4	4,404	3,019	...	1,385	...	...	...	...	...	4	4,404	3,019	...	1,385
1951	2	1,986	1,986	...	...	...	...	...	...	...	2	1,986	1,986	...	...
1952	3	1,525	733	...	792	...	...	...	...	...	3	1,525	733	...	792
1953	2	5,359	5,359	...	...	...	...	...	...	...	2	5,359	5,359	...	...
1954	2	1,029	771	...	258	...	...	...	...	...	2	1,029	771	...	258
1955	5	7,315	7,085	...	230	4	4,438	4,208	...	230	1	2,877	2,877	...	...
1956	2	3,499	3,286	...	213	1	2,795	2,582	...	213	1	704	704	...	...
1957	1	1,031	1,031	...	...	1	1,031	1,031	...	...	...	...	...	...	...
1958	4	3,051	3,023	...	28	3	2,796	2,768	...	28	1	255	255	...	...
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	19,172	18,886	...	286	2	19,172	18,886	...	286	...	...	...	...	...
1964	7	13,712	12,172	...	1,540	7	13,712	12,172	...	1,540	...	...	...	...	...
1965	5	11,529	7,438	217	3,874	3	10,958	7,013	217	3,728	2	571	425	...	146
1966	7	10,020	9,541	234	245	1	735	735	...	...	6	9,285	8,806	234	245
1967	4	8,097	7,087	...	1,010	4	8,097	7,087	...	1.010	...	...	...	...	...
1968	3	6,476	6,464	...	12	...	...	...	...	...	3	6,476	6,464	...	12
1969	9	42,071	41,910	79	82	4	7,595	7,513	...	82	5	34,476	34,397	79	...
1970	7	51,113	50,841	1	272	4	29,265	28,993	...	272	3	21,848	21,848	...	...
1971	6	171,448	171,232	23	193	5	53,790	53,574	23	193	1	117,658	117,658	...	...
1972	1	16,255	13,874	541	1,840	1	16,255	13,874	541	1,840	...	...	...	...	...
1973	6	434,856	360,856	3,873	70,680	3	16,771	16,771	...	...	3	418,085	343,532	3,873	70,680
1974	4	2,401,658	2,257,555	143,280	823	...	...	...	...	...	4	2,401,658	2,257,555	143,280	823
1975	13	327,827	285,661	23,351	18,815	3	25.992	25,346	554	92	10	301,835	260,315	22,797	18,723
1976	16	595,662	550,109	38,621	6,932	3	11,462	9,208	2,008	246	13	584,200	540,901	36,613	6,686
1977	6	25,782	19,187	4,072	2,523	...	...	...	...	...	6	25,782	19,187	4,072	2,523
1978	7	536,352	480,081	49,944	6,327	1	818	572	52	194	6	535,534	479,509	49,892	6,133
1979	10	87,941	71,161	7,728	9,052	3	9,959	8,742	575	644	7	77,982	62,419	7,155	8,408
1980	10	147,821	104,801	9,482	33,538	3	13,868	9,353	1,388	3,127	7	133,953	95,448	8,904	30,411
1981	10	994,888	351,266	61,389	582,233	2	35,779	25,690	9,547	542	8	959,109	325,576	51,842	581,691
1982	42	2,094,163	418,989	423,805	1,251,369	7	277,350	160,362	27,701	89,087	35	1,816,813	258,427	396,104	1,162,282
1983	48	3,244,933	1,134,623	644,995	1,465,315	9	147,860	78,321	40,262	29,277	39	3,097,073	1,056,302	604,733	1,436,038
1984	79	1,987,708	842,854	649,101	495,753	16	773,866	364,866	281,802	127,198	63	1,213,842	477,988	367,299	368,555
1985	120	2,105,898	321,926	1,073,639	710,333	29	498,429	13,255	347,490	137,684	91	1,607,469	308,671	726,149	572,649

1. Included 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.
5. "Deposit Assumption Cases; include:"
   a) Banks merged with financial assistance from FDIC to prevent probable failure.
   b) $221.3 million of recorded liabilities at book value payable over future years.
   c) $258.2 million of recorded liabilities at present value expected to to be payable over future years.
   d) $347.6 million of disbursements for advances to protect assets and liquidation expenses which had been excluded in prior years.

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Table 127. INCOME AND EXPENSES, FEDERAL DEPOSIT INSURANCE CORPORATION, BY YEAR, FROM BEGINNING OF OPERATIONS, SEPTEMBER 11, 1933 TO DECEMBER 1985 (in millions)

Year	Income				Expenses and losses				
	Total	Assessment Income	Assessment Credits	Investment and other sources[1]	Total	Deposit insurance losses and expenses	Interest on capital stock[2]	Administrative and operating expenses	Net Income added to deposit insurance fund[3]
Total	**26,379.2**	**18,259.0**	**6,709.1**	**14,829.3**	**8,422.3**	**6,359.9**	**80.6**	**1,981.8**	**17,956.9**
1985	3,385.4	1,433.4	...	1,952.0	1,957.9	1,778.7	...	179.2	1,427.5
1984[6]	3,099.5	1,321.5	...	1,778.0	1,999.2	1,848.0	...	151.2	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	969.9	834.2	...	135.7	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	999.8	869.9	...	129.9	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	848.1	720.9	...	127.2	1,226.6
1980	1,310.4	951.9	521.1	879.6	83.6	(34.6)	...	118.2	1,226.8
1979	1,090.4	881.0	524.6	734.0	93.7	(13.1)	...	106.8	996.7
1978	952.1	810.1	443.1	585.1	148.9[4]	45.6	...	103.3	803.2
1977	837.8	731.3	411.9	518.4	113.6	24.3	...	89.3	724.2
1976	764.9	676.1	379.6	468.4	212.3[4]	31.9	...	180.4[5]	552.6
1975	689.3	641.3	362.4	410.4	97.5	29.8	...	67.7	591.8
1974	668.1	587.4	285.4	366.1	159.2	100.0	...	59.2	508.9
1973	561.0	529.4	283.4	315.0	108.2	53.8	...	54.4	452.8
1972	467.0	468.8	280.3	278.5	59.7	10.1	...	49.6	407.3
1971	415.3	417.2	241.4	239.5	60.3	13.4	...	46.9	355.0
1970	382.7	369.3	210.0	223.4	46.0	3.8	...	42.2	336.7
1969	335.8	364.2	220.2	191.8	34.5	1.0	...	33.5	301.3
1968	295.0	334.5	202.1	162.6	29.1	0.1	...	29.0	265.9
1967	263.0	303.1	182.4	142.3	27.3	2.9	...	24.4	235.7
1966	241.0	284.3	172.6	129.3	19.9	0.1	...	19.8	221.1
1965	214.6	260.5	158.3	112.4	22.9	5.2	...	17.7	191.7
1964	197.1	238.2	145.2	104.1	18.4	2.9	...	15.5	178.7
1963	181.9	220.6	136.4	97.7	15.1	0.7	...	14.4	166.8
1962	161.1	203.4	126.9	84.6	13.8	0.1	...	13.7	147.3
1961	147.3	188.9	115.5	73.9	14.8	1.6	...	13.2	132.5
1960	144.6	180.4	100.8	65.0	12.5	0.1	...	12.4	132.1
1959	136.5	178.2	99.6	57.9	12.1	0.2	...	11.9	124.4
1958	126.8	166.8	93.0	53.0	11.6	...	...	11.6	115.2
1957	117.3	159.3	90.2	48.2	9.7	0.1	...	9.6	107.6
1956	111.9	155.5	87.3	43.7	9.4	0.3	...	9.1	102.5
1955	105.7	151.5	85.4	39.6	9.0	0.3	...	8.7	96.7
1954	99.7	144.2	81.8	37.3	7.8	0.1	...	7.7	91.9
1953	94.2	138.7	78.5	34.0	7.3	0.1	...	7.2	86.9
1952	88.6	131.0	73.7	31.3	7.8	0.8	...	7.0	80.8
1951	83.5	124.3	70.0	29.2	6.6	...	...	6.6	76.9
1950	84.8	122.9	68.7	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[5]	-3.0

[1]Includes $635.0 million of interest and allowable return received on funds advanced to receivership and deposit assumption cases and $466.3 million of interest on capital notes and advanced to facilitate deposit assumption transactions and assistance to open banks.

[2]Paid in 1950 and 1951, but allocated among years to which it applied. Initial capital of $289 million was retired by payments to the U.S. Treasury in 1947 and 1948.

[3]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 funding, resulting in no income to the Corporation from assessments during the existence of the temporary insurance funds.

[4]Includes net loss on sales of U.S. Governement securities of $105.6 million in 1976 and $3.6 million in 1978.

[5]Net after deducting the portion of expenses and losses charged to banks withdrawing from the temporary insurance funds on June 30, 1934.

[6]Revised due to restatement of December 31, 1984 financial statements.

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Table 129. INSURED DEPOSITS AND THE DEPOSIT INSURANCE FUND, 1934-1985 (in millions)

Year (December 31)	Insurance Coverage	Deposits in insured banks[1]		Percentage of insured deposits	Deposit insurance fund	Ratio of deposit insurance fund to—	
		Total	Insured			Total Deposits	Insured deposits
1985	**100,000**	**1,974,512**	**1,503,393**	**76.1**	**17,956.9**	**.91**	**1.19**
1984[7]	100,000	1,806,520	1,389,874	76.9	16,529.4	.92	1.19
1983	100,000	1,690,576	1,268,332	75.0	15,429.1	.91	1.22
1982	100,000	1,544,697	1,134,221	73.4	13,770.9	.89	1.21
1981	100,000	1,409,322	988,898	70.2	12,246.1	.87	1.24
1980	100,000	1,324,463	948,717	71.6	11,019.5	.83	1.16
1979	40,000	1,226,943	808,555	65.9	9,792.7	.80	1.21
1978	40,000[6]	1,145,835	760,706	66.4	8,796.0	.77	1.16
1977	40,000[5]	1,050,435	692,533	65.9	7,992.8	.76	1.15
1976	40,000	941,923	628,263	66.7	7,268.8	.77	1.16
1975	40,000	875,985	569,101	65.0	6,716.0	.77	1.18
1974	40,000	833,277	520,309	62.5	6,124.2	.73	1.18
1973	20,000	766,509	465,600	60.7	5.615.3	.73	1.21
1972	20,000	697,480	419,756	60.2	5,158.7	.74	1.23
1971	20,000	610,685	374,568	61.3	4,739.9	.78	1.27
1970	20,000	545,198	349,581	64.1	4,379.6	.80	1.25
1969	20,000	495,858	313,085	63.1	4,051.1	.82	1.29
1968	15,000	491,513	296,701	60.2	3,749.2	.76	1.26
1967	15,000	448,709	261,149	58.2	3,485.5	.78	1.33
1966	15,000	401,096	234,150	58.4	3,252,0	.81	1.39
1965	10,000	377,400	209,690	55.6	3,036.3	.80	1.45
1964	10,000	348,981	191,787	55.0	2,844.7	.82	1.48
1963	10,000	313,304[2]	177,381	56.6	2,667.9	.85	1.50
1962	10,000	297,548[3]	170,210	57.2	2,502.0	.84	1.47
1961	10,000	281,304	160,309	57.0	2,353.8	.84	1.47
1960	10,000	260,495	149,684	57.5	2,222.2	.85	1.48
1959	10,000	247,589	142,131	57.4	2.089.8	.84	1.47
1958	10,000	242,445	137,698	56.8	1,965.4	.81	1.43
1957	10,000	225,507	127,055	56.3	1,850.5	.82	1.46
1956	10,000	219,393	121,008	55.2	1,742.1	.79	1.44
1955	10,000	212,226	116,380	54.8	1,639.6	.77	1.41
1954	10,000	203,195	110,973	54.6	1,542.7	.76	1.39
1953	10,000	193,466	105,610	54.6	1,450.7	.75	1.37
1952	10,000	188,142	101,841	54.1	1,363.5	.72	1.34
1951	10,000	178,540	96,713	54.2	1,282.2	.72	.133
1950	10,000	167,818	91,359	54.4	1,243.9	.74	1.36
1949	5,000	156,786	76,589	48.8	1,203.9	.77	1.57
1948	5,000	153,454	75,320	49.1	1,065.9	.69	1.42
1947	5,000	154,096	76,254	49.5	1,006.1	.65	1.32
1946	5,000	148,458	73,759	49.7	1,058.5	.71	1.44
1945	5,000	157,174	67,021	42.4	929.2	.59	1.39
1944	5,000	134,662	56,398	41.9	804.3	.60	1.43
1943	5,000	111,650	48,440	43.4	703.1	.63	1.45
1942	5,000	89,869	32,837	36.5	616.9	.69	1.88
1941	5,000	71,209	28,249	39.7	553,5	.78	1.96
1940	5,000	65,288	26,638	40.8	496.0	.76	1.86
1939	5,000	57,485	24,650	42.9	452.7	.79	1.84
1938	5,000	50,791	23,121	45.5	420.5	.83	1.82
1937	5,000	48,228	22,557	46.8	383.1	.79	1.70
1936	5,000	50,281	22,330	44.4	343.4	.68	1.54
1935	5,000	45,125	20,158	44.7	306.0	.68	1.52
1934	5,000[4]	40,060	18,075	45.1	291.7	.73	1.61

[1]Deposits in foreign branches are omitted from totals because they are not insured. Insured deposits are estimated by applying to the deposits in the various types of accounts at the regular Call dates the percentages as determined from the Summary of Deposits survey submitted by insured banks.

[2]December 20, 1963.

[3]December 28, 1962.

[4]Initial coverage was $2,500 from January 1 to June 30, 1934.

[5]$100,000 for time and savings deposits of in-state governmental units provided in 1974.

[6]$100,000 for Individual Retirement accounts and Keogh accounts provided in 1978.

[7]Revised due to restatement of December 31, 1984 Financial Statements.

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