FEDERAL DEPOSIT INSURANCE CORPORATION

2010 Annual Performance Plan

TABLE OF CONTENTS

CHAIRMAN'S MESSAGE

I am pleased to present the Federal Deposit Insurance Corporation's (FDIC's) 2010 Annual Performance Plan. During these challenging times for the nation's banking industry, the FDIC's mission of maintaining stability and public confidence in the nation's financial systems is as relevant and vital as ever. In the pages that follow, we carefully lay out performance goals to ensure that we will again accomplish our mission responsibilities in 2010.

The plan includes goals and objectives for our three discrete, but related, core program areas—insurance, supervision, and receivership management:

- Our insurance program protects insured depositors from loss when a bank fails. The FDIC insures over $5.3 trillion of deposits in almost 8,000 insured depository institutions throughout the U.S. As insurer, the FDIC carefully monitors changes in the economy, the financial markets and the banking system to assure the stability and safety of the banking system and the adequacy and viability of the Deposit Insurance Fund, so that taxpayers are not placed at risk.

- Our supervision program, in conjunction with state authorities, regulates about 4,900 state-chartered banks to ensure that they are properly managing risks and complying with consumer protection and other statutes. When necessary, it also performs back-up supervision under our special examination authority for more than 3,000 financial institutions for which we are not the primary federal regulator.

- Our receivership management program markets failed financial institutions and their assets and distributes the proceeds to creditors in ways that maximize recoveries on receivership claims. This will be a high priority in 2010. Since 2008, $600 billion of assets have passed through FDIC receiverships and back into the private sector. We are prepared for the pace to continue in 2010, with bank failures at or above the 140 that we saw in 2009.

As an integral part of our core mission, the FDIC independently assesses the risks that each insured institution poses to the DIF. In 2010, we will seek to implement key lessons learned during the current financial crisis by improving our access to the information needed to assess those risks and, where appropriate, making use of our back-up examination authority for institutions supervised by other federal bank regulatory agencies. We will also continue to refine our risk-based premium system to ensure that insurance assessments are based on the risks posed by each institution, particularly large and complex insured institutions where most of our insurance risk is concentrated.

Throughout our 76-year history, depositors at FDIC-insured institutions have counted on quick and complete access to their insured accounts, promoting stability and public confidence in the nation's financial system. The FDIC will continue this record of achievement in 2010 through the continued hard work and innovation of our dedicated and highly skilled workforce.

Sheila C. Bair
Chairman

MISSION, VISION and VALUES

MISSION

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by:

- insuring deposits,
- examining and supervising financial institutions for safety and soundness and consumer protection, and
- managing receiverships.

VISION

The FDIC is a recognized leader in promoting sound public policies, addressing risks in the nation's financial system, and carrying out its insurance, supervisory, consumer protection, and receivership management responsibilities.

VALUES

The FDIC and its employees have a tradition of distinguished public service. Six core values guide us in accomplishing our mission:

Integrity	We adhere to the highest ethical and professional standards.
Competence	We are a highly skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
Teamwork	We communicate and collaborate effectively with one another and with other regulatory agencies.
Effectiveness	We respond quickly and successfully to risks in insured depository institutions and the financial system.
Accountability	We are accountable to each one another and to our stakeholders to operate in a financially responsible and operationally effective manner.
Fairness	We respect individual viewpoints and treat one another and our stakeholders with impartiality, dignity, and trust.

PROGRAM DESCRIPTIONS AND ANNUAL PERFORMANCE GOALS

INSURANCE

SUPERVISION

RECEIVERSHIP MANAGEMENT

INSURANCE PROGRAM

The FDIC maintains stability and public confidence in the U.S. financial system by providing deposit insurance. By promoting industry and consumer awareness of deposit insurance, the FDIC protects depositors at banks and savings associations of all sizes. When an insured depository institution fails, the FDIC ensures that the financial institution's customers have timely access to their insured deposits and other services. To keep pace with the evolving banking industry and maintain its readiness to protect insured depositors, the FDIC prepares and maintains contingency plans to promptly respond to a variety of insured depository institution failures. The FDIC may approve or deny an application for federal deposit insurance from any prospective depository institution. Before granting access to the federal deposit insurance system, the FDIC evaluates an applicant's potential risk to the Deposit Insurance Fund (DIF). It assesses the adequacy of an applicant's capital, future earnings potential and the general character of its management. The FDIC also considers the convenience and needs of the community to be served and gathers input from other regulatory authorities.

Bank failures during 2009 significantly increased losses to the DIF, resulting in a decline in the reserve ratio. As of December 31, 2009, the reserve ratio stood at negative 0.39 percent (based on unaudited fund balance results), down from positive 0.36 percent at the beginning of the year. The Federal Deposit Insurance Reform Act of 2005 (the Reform Act) requires that the FDIC Board of Directors adopt a restoration plan when the DIF reserve ratio falls below 1.15 percent or is expected to do so within six months. On October 7, 2008, the FDIC Board adopted a Restoration Plan that was projected to raise the reserve ratio to at least 1.15 percent within five years. On February 27, 2009, the FDIC Board first amended the restoration plan to extend its horizon from five years to seven years due to extraordinary circumstances. In May 2009, Congress amended the statutory provision governing establishment and implementation of a Restoration Plan, giving the FDIC eight years in which to bring the reserve ratio back to 1.15 percent, absent extraordinary circumstances. On September 29, 2009, the FDIC adopted amendments to the Amended Restoration Plan that are projected to return the DIF to a reserve ratio of 1.15 percent within eight years.

The FDIC, as part of the Amended Restoration Plan, has increased quarterly deposit insurance assessment rates and levied a special assessment to return the reserve ratio to 1.15 percent within the required time frame. The assessment rate schedule was raised uniformly by seven basis points, effective January 1, 2009. On May 22, 2009, the Board voted to levy a special assessment of five basis points on each FDIC-insured depository institution's assets minus its Tier 1 capital, as of June 30, 2009. In September 2009, the FDIC adopted a three basis point increase in annual risk-based assessment rates, effective January 1, 2011.

The FDIC also had to consider its need for cash to pay for projected near-term failures. After notice and comment, the FDIC Board adopted a rule on November 12, 2009, requiring insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012. The prepaid assessment for these periods was collected on December 30, 2009, along with each institution's regular quarterly risk-based deposit insurance assessment for the third quarter of 2009. Those institutions that were likely to be severely adversely affected by the prepayment were exempted from this requirement. Any prepaid assessment not exhausted after collection of the amount due on June 30, 2013, will be returned to the institution at that time. Should industry conditions improve before that time, the FDIC Board may vote to return funds to the industry sooner. The FDIC collected $45.7 billion from the prepaid assessments – enough to fund current projected liquidity needs.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was signed into law. It temporarily raised the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor, through December 31, 2009. On May 20, 2009, the President signed the Helping Families Save Their Homes Act of 2009, which among other provisions extended the temporary increase to December 31, 2013. After December 31, 2013, the standard maximum deposit insurance amount will return to $100,000.

The FDIC established the Temporary Liquidity Guarantee Program (TLGP) on October 13, 2008, in response to credit market disruptions, which reduced banks' liquidity and impaired their ability to lend. The TLGP has two components, the Debt Guarantee Program (DGP) and the Transaction Account Guarantee Program (TAGP). The DGP guaranteed certain new, senior unsecured debt issued by banks or thrifts and bank holding companies, as well as most thrift holding companies and ended on October 31, 2009. In all, over $618 billion in guaranteed debt was issued under the DGP, and the program generated almost $10 billion in fees paid by participating institutions. The TAGP was extended through June 2010. It provides a full guarantee of all deposits in noninterest-bearing transaction accounts. Under the TAGP, the FDIC guaranteed an estimated $834 billion of deposits in noninterest-bearing transaction accounts that would not have otherwise been insured, and collected approximately $639 million in fees under the program.

Communication and coordination with the other bank regulatory agencies are top priorities. As the insurer, the FDIC by statute has special examination authority for all insured depository institutions. If significant emerging risks or other serious concerns are identified for an insured depository institution for which the FDIC is not the primary federal supervisor, the FDIC and the institution's primary federal supervisor work together to address those risks or concerns.[1]

The FDIC seeks to increase public awareness and understanding of deposit insurance rules and coverage. The FDIC and other federal regulatory agencies ensure that insured depository institutions make accurate disclosures about uninsured products. The FDIC also provides information to depositors and financial institution staff about the application of deposit insurance rules.

---

[1] An institution's charter and its Federal Reserve System membership status determine which federal banking agency is the institution's primary federal supervisor.

This provides the FDIC with tools to assist financial institution employees in interpreting the rules for deposit insurance coverage and responds to deposit insurance questions received from the public and the banking industry through the FDIC Call Center, the Internet and regular mail.

The table below depicts the strategic goal, strategic objectives and annual performance goals for the Insurance Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
Insured depositors are protected from loss without recourse to taxpayer funding.	Customers of failed insured depository institutions have timely access to insured funds and financial services.	Respond promptly to all insured financial institution closings and related emerging issues.
	The FDIC promptly identifies and responds to potential risks to the DIF.	Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders.
	The DIF and the deposit insurance system remain strong and adequately financed.	Set assessment rates to restore the insurance fund reserve ratio to the statutory minimum of at least 1.15% of estimated insured deposits by year-end 2016, in accordance with the Amended Restoration Plan.
		Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance systems.
	The FDIC resolves the failure of insured depository institutions in the manner least costly to the DIF.	Market failing institutions to all known qualified and interested potential bidders.
	The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.	Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.

STRATEGIC GOAL 1:

Insured depositors are protected from loss without recourse to taxpayer funding.

STRATEGIC OBJECTIVE 1.1

Customers of failed insured depository institutions have timely access to insured funds and financial services.

Annual Performance Goal 1.1-1

Respond promptly to all insured financial institution closings and related emerging issues.

Indicators and Targets

1. Number of business days after an institution failure that depositors have access to insured funds either through transfer of deposits to the successor insured depository institution or depositor payout

    - *Depositors have access to insured funds within one business day if the failure occurs on a Friday.*

    - *Depositors have access to insured funds within two business days if the failure occurs on any other day of the week.*

2. Insured depositor losses resulting from a financial institution failure

    - *There are no depositor losses on insured deposits.*

    - *No appropriated funds are required to pay insured depositors.*

Means and Strategies

Operational Processes (initiatives and strategies): When an insured institution is identified as a potential failure, the FDIC prepares a plan to handle the possible resolution of the institution. The FDIC begins the resolution process with an assessment of the institution's assets and liabilities. The FDIC then develops an information package that is used as a marketing tool and is provided to all interested potential assuming institutions. The FDIC solicits proposals from approved bidders to find a buyer for the deposit franchise.

If the federal or state supervisor chooses to close the institution, the FDIC takes control of the failed institution and determines which deposits are insured. Once the FDIC is appointed receiver, it initiates the resolution process for the failed institution and provides the insured depositors with access to their accounts within one or two business days.

The FDIC works with the assuming institution so that the insured deposit accounts are transferred to it as soon as possible. If no assuming institution is found during the resolution process, the FDIC disburses insured deposit balances directly to customers of the failed institution.

As banking industry practices and technologies evolve, the FDIC continues to review and enhance existing plans, processes and systems in response to potential risks that might impact the resolution process.

Human Resources (staffing and training): The 2010 Corporate Operating Budget provides for significant increases in authorized staffing in the Division of Resolutions and Receiverships (DRR) to address potentially elevated resolutions and receivership management workload. Most of the staffing increases will be non-permanent. Authorized 2010 DRR staffing is proposed to increase to 2,310 positions.

Information Technology: Technology is critical to improving the efficiency of deposit insurance determinations and payments. The FDIC is in the midst of a multi-year effort to redesign and automate its deposit insurance claims and payment processes. This project, approved in late 2006, will provide an integrated solution that meets the Corporation's current and future deposit insurance determination needs and will be based on adaptable technology that is compatible with industry standards. In 2010, the Corporation will deploy the new Claims Administration System to replace current systems used for this purpose.

Verification and Validation

In the case of a transfer of insured deposits to a successor institution, the number of business days for depositors to have access to their insured funds will be verified by comparing the date of failure with the date that the successor insured depository institution opens for business and makes insured funds available to the failed institution's depositors. In the case of a depositor payout, this will be verified by comparing the date of failure with the date that deposit insurance checks are mailed to depositors or made available for pickup at the premises of the failed institution.

2009 Performance Results

This annual performance goal and its associated performance indicators and targets are unchanged from 2009. There were 140 insured financial institution failures during 2009, and the FDIC successfully met the performance targets for each failure.

STRATEGIC OBJECTIVE 1.2

The FDIC promptly identifies and responds to potential risks to the DIF.

Annual Performance Goal 1.2-1

Disseminate data and analyses on issues and risks affecting the financial services industry to bankers, supervisors, the public and other stakeholders.

Indicator and Targets

1. Scope and timeliness of information dissemination on identified or potential issues and risks

    - *Disseminate results of research and analyses in a timely manner through regular publications, ad hoc reports and other means.*

    - *Undertake industry outreach activities to inform bankers and other stakeholders about current trends, concerns and other available FDIC resources.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC maintains a vigorous research and publications program on issues and topics of importance to the banking industry. Much of this research is conducted in collaboration with the academic community through the Center for Financial Research (CFR). Research findings are disseminated through CFR working papers, articles in professional journals and presentations at conferences and other events. The FDIC also disseminates information and analyses on industry risks through periodic reports, publications (e.g., the *FDIC Quarterly Banking Profile* and the *FDIC Quarterly*), Financial Institution Letters and participation in industry events and other outreach activities.

The FDIC conducts outreach sessions several times each year throughout the country. In addition, FDIC employees regularly attend conferences and meet with industry analysts and trade groups to exchange views and analyses. They also present Directors' College outreach sessions to local bank board members. During these sessions, information on current risks, new regulations and other emerging issues is communicated to bank directors. In addition, banker roundtable events are conducted by local FDIC offices nationwide to provide a forum for bankers to receive information and raise questions about new regulatory guidance or emerging risks.

Human Resources (staffing and training): The FDIC employs economists, financial analysts and other staff members who monitor risks within the banking industry and communicate those risks to FDIC management, other regulators, the industry, the public and other stakeholders through a variety of media and forums. In addition, outside scholars participate in the Corporation's risk analysis program, and risk-focused examination training has been incorporated into the FDIC's examination schools. The FDIC also maintains a cadre of staff members throughout the country to conduct banker outreach sessions.

Information Technology: The FDIC's website (www.fdic.gov) is a centralized source of information on FDIC research and analysis on potential areas of risk for the industry, the public and other regulators. The data is in eXtensible Business Reporting Language (XBRL) to provide faster access to financial institution information for all users of the data, including financial institutions, bank regulators and the public.

Verification and Validation

Timely analyses of banking industry risks are included in regular publications or as ad hoc reports. Industry outreach activities aimed at the banking community and industry trade groups promote discussion of current trends and concerns, and inform bankers about available FDIC resources. Publications and outreach events are documented through established reporting processes.

2009 Performance Results

This annual performance goal and its associated performance indicator and targets are unchanged from 2009. In 2009, the FDIC successfully met these performance targets.

STRATEGIC OBJECTIVE 1.3

The DIF and the deposit insurance system remain strong and adequately financed.

Annual Performance Goal 1.3-1

Set assessment rates to restore the insurance fund reserve ratio to the statutory minimum of at least 1.15 percent of estimated insured deposits by year-end 2016, in accordance with the Amended Restoration Plan.

Indicators and Targets

1. Update projections and recommend changes for assessments, as necessary

    - *Provide updated fund projections to the FDIC Board of Directors by June 30, 2010, and December 31, 2010*

    - *Recommend deposit insurance assessment rates for the DIF to the FDIC Board as necessary*

2. Monitor progress in achieving the Amended Restoration Plan.

    - *Provide updates to the FDIC Board by June 30, 2010, and December 31, 2010*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC's Financial Risk Committee (FRC) develops quarterly failure projections and loss estimates to establish contingent loss reserves for the DIF. The FRC continues to enhance the techniques and methodologies used to analyze the nature of risk exposure, including scenario analysis and stress testing. Models that forecast failures and failure resolution costs are maintained and enhanced, as necessary. The FRC regularly reviews adverse events to identify lessons or implications for monitoring and addressing risks and consults with the other federal banking agencies in its deliberations. Based on an analysis of projected failed bank assets and other pertinent information, the FRC recommends to the Chief Financial Officer the level of the contingent loss reserve for the DIF, as determined by the FDIC's reserving methodology. FDIC staff also uses the information provided by the FRC on projected insurance losses as one factor in determining the level of assessment revenue necessary to maintain adequate funding in the DIF. Projected insurance losses, as well as projections of investment revenue, operating expenses and insured deposit growth, are key elements in estimating assessment revenue needs.

As noted above, the FDIC Board adopted a Restoration Plan in October 2008 to restore the reserve ratio to at least 1.15 percent within five years. The continued decline in the DIF balance throughout 2009 and an increase in FDIC's projections for future losses, however, necessitated amendments to the Restoration Plan in February and September 2009. The Amended Restoration Plan adopted by the FDIC Board on September 29, 2009, projects that the DIF will be returned to a reserve ration of 1.15 percent within eight years, absent extraordinary circumstances.

Human Resources (staffing and training): Staff in the FDIC's Washington, D.C., office administers and performs the analytical work associated with deposit insurance pricing. The FDIC will continue to expand its ties to the academic community to broaden the information and analytical perspectives available to the Corporation as steward of the DIF. In 2010, the FDIC will engage an independent consultant to review and evaluate the methodologies and assumptions used by the Corporation to calculate the five-year projections of loss to the DIF and to make recommendations for enhancing the accuracy and reliability of the projections.

Information Technology: The Risk-Rated Premium System (RRPS), the information system supporting the assessment process, calculates the premiums that financial institutions are assessed for deposit insurance. RRPS is updated and tested with any changes in the insurance assessment pricing structure.

Verification and Validation

To ensure that the RRPS identifies higher risk institutions and appropriately assesses higher insurance premiums, a Federal Information Security Management Act (FISMA) self-assessment of RRPS is conducted annually. In addition, the Government Accountability Office annually reviews the methodology used to determine the contingent loss reserve. In 2010, the FRC will again conduct semiannual reviews of the contingent loss reserve methodology through an analysis of the variance between projected and actual losses.

Staff will report semiannually to the FDIC Board of Directors on the FDIC's progress in meeting the goals of the Amended Restoration Plan.

2009 Performance Results

This annual performance goal was revised from 2009 to focus on the Amended Restoration Plan and the Corporation's efforts to return the reserve ratio to 1.15 percent within eight years. The performance indicator and targets have also been updated for 2010. The FDIC successfully met the performance targets established for the goal in 2009.

Annual Performance Goal 1.3-2

Expand and strengthen the FDIC's participation and leadership role in supporting robust international deposit insurance systems.

Indicator and Targets

1. Scope of information sharing and assistance available to international governmental bank regulatory and deposit insurance entities

    - *Undertake outreach activities to inform and train foreign bank regulators and deposit insurers.*

    - *Foster strong relationships with international banking regulators and associations that promote sound banking supervision and regulation, failure resolution and deposit insurance practices.*

    - *Develop methodology for assessing compliance with implementation of the Core Principles for Effective Deposit Insurance Systems.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC demonstrates its leadership role in promoting sound deposit insurance, bank supervision, and bank resolution practices by providing technical guidance, training, consulting services and information to international governmental banking and deposit insurance organizations in many countries around the world. The global crisis that began in the summer of 2007 and intensified in 2008 led many international authorities, including deposit insurers, to take a series of unprecedented actions to restore public confidence and financial stability. In response to this crisis, the International Association of Deposit Insurers (IADI), the FDIC, and the Basel Committee on Bank Supervision (BCBS) jointly led an effort to establish a set of deposit insurance core principles. The collaborative effort culminated in the issuance of the *Core Principles for Effective Deposit Insurance Systems* in June 2009. This was a significant milestone for improving deposit insurance systems worldwide. The *Core Principles* were subsequently recognized by the Financial Stability Board (formerly the Financial Stability Forum) at its inaugural meeting in June 2009.

The FDIC will collaborate with IADI, the International Monetary Fund and the BCBS to develop a methodology for assessing compliance with the *Core Principles for Effective Deposit Insurance Systems*.

Human Resources (staffing and training): The FDIC will consider each international request for assistance from a strategic perspective and will appropriately leverage its resources to address these requests. The FDIC's Office of International Affairs (OIA) plans and coordinates the FDIC's role in the international program. Resources include a small permanent OIA staff and employees on temporary detail assignments. In 2010, the FDIC will continue to balance permanent and temporary staff to support the international program and enhance the FDIC's leadership role in international bank supervision, failure resolution, and international deposit insurance organizations.

Information Technology: Information about international governmental bank regulatory or deposit insurance activities and the FDIC's international program are communicated through the FDIC's website.

Verification and Validation

Achievement of this annual performance goal will be demonstrated in the development of the methodology for assessing compliance with the *Core Principles for Effective Deposit Insurance Systems* and through enhanced FDIC participation and leadership roles in key international organizations. Progress in meeting this annual goal will be tracked by the FDIC's International Affairs Working Group through established reporting processes.

2009 Performance Results

This annual performance goal has been slightly revised and its associated performance indicator and targets changed from 2009. In addition, a performance target was added on developing the assessment methodology. The FDIC successfully met the performance targets for the predecessor goal in 2009.

STRATEGIC OBJECTIVE 1.4

The FDIC resolves the failure of insured depository institutions in the manner least costly to the DIF.

Annual Performance Goal 1.4-1

Market failing institutions to all known qualified and interested potential bidders.

Indicator and Target

1. Scope of qualified and interested bidders solicited

    - *Contact all known qualified and interested bidders*.

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC markets the deposits and assets of failing institutions to all known qualified and interested potential bidders to stimulate as much competition as possible. The FDIC maintains an inventory of qualified financial institutions that may potentially be interested in bidding to purchase a failing institution. In preparing a list of potential bidders for each failing institution, the FDIC takes into account the failed institution's geographic location, competitive environment, minority-owned status, financial condition, asset size, capital level, and regulatory ratings. The FDIC contacts these potential bidders and holds an informational meeting and/or uses the Internet to provide information on the failing institution. Potential bidders are then given the opportunity to perform due diligence on the failing institution's assets and liabilities before determining whether to submit bids.

Human Resources (staffing and training): Franchise marketing is carried out primarily by specialized FDIC personnel with support, as needed, from staff in other disciplines. Staffing requirements are continually assessed within the context of current and projected workload to ensure that the FDIC is appropriately staffed. The FDIC also uses contractor support, non-permanent employees, and employees temporarily assigned from divisions and offices within the Corporation to meet workload demands and mission responsibilities in this area. The Corporation is in the midst of developing a new Resolutions and Receiverships Commissioning Program to ensure the future availability of qualified personnel to handle all of its insurance and receivership management responsibilities, including the resolution of failed institutions.

Information Technology: The FDIC replaced a number of legacy systems with a new asset management and servicing system (4C) in 2007 that utilized more current and secure technology. In August 2008, the FDIC implemented enhancements to 4C that added franchise and asset marketing capabilities. These enhancements replaced several standalone applications that were used to support those functions. Franchise marketing activities are now tracked through 4C.

Verification and Validation

The franchise marketing process is tracked in 4C, and data from this system are used to report on marketing and sales progress.

2009 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2009. The performance target was successfully met for the 140 failures that occurred in 2009.

STRATEGIC OBJECTIVE 1.5

The public and FDIC-insured depository institutions have access to accurate and easily understood information about federal deposit insurance coverage.

Annual Performance Goal 1.5-1

Provide educational information to insured depository institutions and their customers to help them understand the rules for determining the amount of insurance coverage on deposit accounts.

Indicators and Targets

1. Timeliness of responses to deposit insurance coverage inquiries

    - *Respond within two weeks to 90 percent of written inquiries from consumers and bankers about FDIC deposit insurance coverage.*

2. Initiatives to increase public awareness of deposit insurance coverage changes

    - *Conduct at least three Deposit Insurance Coverage Seminars/teleconferences per quarter for bankers.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC uses a variety of means to educate insured financial institution employees and depositors about FDIC deposit insurance coverage. In addition to conducting seminars for bank employees, the FDIC encourages the dissemination of educational information through the banking industry and the media. During 2010, the FDIC will update all deposit insurance coverage educational resources to reflect statutory and regulatory changes made in 2009. The FDIC works with insured financial institutions to encourage them to use these resources and to make them available to bank employees and customers. The FDIC also operates a toll-free call center (877-ASK-FDIC) that answers basic deposit insurance inquiries and refers more complex inquiries to deposit insurance specialists, maintains deposit insurance coverage educational resources on the FDIC's website, publishes articles on insurance coverage rules in the *FDIC Consumer News* (a quarterly newsletter for consumers published by the FDIC), and works to raise awareness of deposit insurance coverage through the national and regional news media.

Human Resources (staffing and training): The FDIC has a dedicated staff of deposit insurance specialists that respond to inquiries and administer public education programs on deposit insurance. Staffing and training needs are reviewed on an ongoing basis to ensure that the resources supporting deposit insurance educational initiatives are adequate and that employees possess the skills and knowledge to implement this program effectively and successfully.

Information Technology: The FDIC tracks the receipt of and response to written banker and public inquiries about the FDIC's deposit insurance program through the Specialized Tracking and Reporting System (STARS). During 2010, the FDIC will update the Electronic Deposit Insurance Estimator (EDIE) to ensure that all enhancements in support of statutory and regulatory changes have been applied, as well as enhancing STARS to address the tracking and reporting of tens of thousands of consumer and banker inquiries. The FDIC will also continue to use the Internet and audio technology to reach large audiences of financial institution employees and to deliver deposit insurance educational tools and materials to the banking community and the public.

Verification and Validation

Progress in meeting the performance targets for this goal will be tracked through STARS and established reporting processes.

2009 Performance Results

This annual performance goal is unchanged for 2010, but the associated performance indicators and targets have been slightly revised. The FDIC successfully met this performance goal and the associated performance targets for 2009.

SUPERVISION PROGRAM

The FDIC's Supervision Program promotes the safety and soundness of FDIC-supervised insured depository institutions, protects consumers' rights and promotes community investment initiatives by FDIC-supervised insured depository institutions. In 2010, the FDIC will continue its efforts to increase the effectiveness and efficiency of all of its supervisory programs. Ongoing industry consolidation, new technologies and product innovation have resulted in larger, more complex organizations. The FDIC will continue to increase the resources dedicated to analyzing the risks posed to the DIF by these larger, more complex financial institutions, particularly those that are systemically important. The FDIC will also continue to assess and modify, as appropriate, its examination procedures for all institutions in light of changing risk profiles for the industry and for individual institutions.

The FDIC is the primary federal regulator for state-chartered banks that are not members of the Federal Reserve System, generally known as state non-member banks. This includes state-licensed insured branches of foreign banks and state-chartered savings institutions. As insurer, the FDIC also has special examination authority for state member banks that are supervised by the Federal Reserve Board (FRB), national banks that are supervised by the Office of the Comptroller of the Currency (OCC) and savings associations that are supervised by the Office of Thrift Supervision (OTS). The FDIC's roles as an insurer and primary supervisor are complementary, and many activities undertaken by the FDIC support both the insurance and supervision programs. Through the review of examination reports, offsite monitoring tools, participation in examinations conducted by other federal regulators, and, where appropriate, special (backup) examination activities, the FDIC regularly monitors the potential risks at all insured institutions, including those for which it is not the primary federal regulator.

As the primary federal regulator of all insured state non-member banks, the FDIC performs periodic examinations of these institutions to assess their overall financial condition, management policies and practices, and compliance with applicable laws and regulations. Through the examination process, the FDIC also assesses the adequacy of management and internal control systems to identify and control risks and to detect the risks of fraud or insider abuse. In addition, the FDIC has staff dedicated to offsite monitoring programs and enhancing the Corporation's ability to identify emerging safety-and-soundness issues in a timely manner. The FDIC conducts separate examinations to assess institutions' programs for compliance with consumer protection, fair lending, privacy, and Community Reinvestment Act (CRA) statutes. As part of the compliance examination process, the FDIC reviews substantive issues as well as the information and disclosures that are provided to consumers by the institutions.

If weaknesses are identified through the examination process, the FDIC promptly takes appropriate supervisory action. Formal and informal enforcement actions may be issued for institutions identified as having significant weaknesses or found to be operating in a deteriorated financial condition. The institution must operate under the action until these weaknesses are remedied. Noncompliance with consumer protection or fair lending laws can result in civil liability and negative publicity as well as the imposition of formal or informal enforcement actions by the FDIC to correct the identified violations.

The FDIC also investigates consumer complaints about FDIC-supervised insured depository institutions. Consumers write or electronically submit to the FDIC complaints and inquiries regarding consumer protection and fair lending issues. The FDIC attempts, through its investigation of and response to consumer complaints and inquiries, to help consumers better understand their rights under federal consumer protection and fair lending laws. The FDIC monitors the level of public satisfaction with its responses to consumer complaints and inquiries. Information on complaints is also reviewed as part of the supervisory process.

In addition, the FDIC acts on applications from FDIC-supervised insured depository institutions to undertake new or expanded business activities. When institutions apply for expansion of existing activities or locations, various factors are evaluated, including capital adequacy, quality of management, financial condition and compliance with applicable laws and regulations. An institution's compliance with consumer protection, fair lending and privacy laws and its performance under the CRA are also considered when an institution applies to expand its business activities within the insured depository institution system.

Information about the FDIC's supervisory program is available at www.fdic.gov, which includes information about current laws and regulations and regulatory guidance. The FDIC's semiannual *Supervisory Insights* journal provides information about bank supervision for bankers, bank examiners and other practitioners.

The following table depicts the strategic goal, strategic objective and annual performance goals for the Risk Management component of the Supervision Program.

Strategic Goal	Strategic Objective	Annual Performance Goals
FDIC-insured institutions are safe and sound.	The FDIC exercises its statutory authority, in cooperation with primary federal regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.	Conduct onsite risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.
		Take prompt and effective formal or informal supervisory action to address unresolved problems identified during the examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of 3, 4 or 5. Monitor FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions.
		Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.
		More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.

The following table depicts the strategic goal, strategic objectives and annual performance goals for the Compliance and Consumer Affairs components of the Supervision Program.

Strategic Goal	Strategic Objectives	Annual Performance Goals
Consumers' rights are protected and FDIC-supervised institutions invest in their communities.	FDIC-supervised institutions comply with consumer protection, CRA and fair lending laws and do not engage in unfair or deceptive practices.	Conduct onsite CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions.
		Take prompt and effective supervisory action to monitor and address problems identified during compliance examinations of FDIC-supervised institutions that receive a composite 3, 4 or 5 rating for compliance with consumer protection and fair lending laws.
	Consumers have access to accurate and easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.	Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.
	The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.	Establish, in consultation with the FDIC's Advisory Committee on Economic Inclusion and other regulatory agencies, national objectives and methods for reducing the number of unbanked and underbanked individuals.

STRATEGIC GOAL 2:
FDIC-insured institutions are safe and sound.

STRATEGIC OBJECTIVE 2.1

The FDIC exercises its statutory authority, in cooperation with primary federal regulators and state agencies, to ensure that all FDIC-insured institutions appropriately manage risk.

Annual Performance Goal 2.1-1

Conduct onsite risk management examinations to assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions.

Indicator and Target

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy

    - *100 percent of required risk management examinations are conducted on schedule.*

Means and Strategies

Operational Processes (initiatives and strategies): Risk management examinations assess the overall financial condition, management practices and policies, and compliance with applicable laws and regulations of FDIC-supervised depository institutions. The FDIC performs safety and soundness, Bank Secrecy Act, and information technology (IT) reviews at each risk management examination of an FDIC-supervised insured depository institution. As applicable, the FDIC also conducts reviews of trust, registered transfer agent, municipal securities dealer, and government security dealer activities at these examinations. In 2010, the FDIC projects that it will conduct over 2,500 risk management examinations required under statute, FDIC policy, or agreement with state supervisors. The FDIC follows a risk-focused approach to examinations, which allows examiners to focus resources on those areas with the greatest potential risk. The FDIC has several analytical models to identify higher-risk financial institutions by considering factors such as rapid growth, fluctuating earnings, economic downturns and concentrations in vulnerable industry sectors. Examiners use these offsite tools to help them risk-focus during onsite examinations. These models are also used to identify the need for inquiries or onsite visits to FDIC-supervised institutions outside of the regular examination cycle.

The FDIC also continues to focus on risks posed by technology. Onsite examinations review technology-related activities to determine how each FDIC-supervised depository institution manages IT risks. The FDIC proactively monitors indicators of technology risks that may impact FDIC-supervised institutions and provides information to the industry about risks associated with technology outsourcing practices (e.g., contracting for computer services).

The FDIC is engaged in an ongoing dialogue with technology vendors, bank trade associations, and standards and rule-setting entities to identify effective risk management practices for emerging technologies.

During 2010, the FDIC will continue to work closely with state and other federal agencies to monitor institutions most impacted by the downward trend in the real estate market through onsite and offsite programs. Declines in the subprime and nontraditional mortgage lending areas have adversely affected construction and development loan portfolios, which are concentrated in 1- to 4-family residential development loans at numerous institutions. Commercial property markets are also showing signs of overbuilding and weakness, with high concentration levels at many institutions.

The FDIC has cooperative agreements with most states to conduct joint or alternating risk management examinations. However, resource constraints at the state level may impact the completion of scheduled examinations by state agencies in 2010. If a state supervisor responsible for completing an examination experiences scheduling, staffing, or other resource constraints, the statutory examination requirement may not be met. In such cases, the FDIC will work with the state supervisor to ensure that any delinquent examination is expeditiously scheduled and completed. When appropriate, the FDIC may conduct the examination in lieu of the state supervisor.

The number of risk management examinations conducted during 2010 may fluctuate as the number of FDIC-supervised insured depository institutions changes due to mergers, closings, newly approved charters and other actions. In addition, increases in asset size or changes to an institution’s condition or capital levels may accelerate examination cycles and increase the number of required examinations.

Human Resources (staffing and training): The FDIC’s authorized risk management examination workforce increased from 1,723 Full-Time Equivalents (FTEs) in 2009 to 2,014 FTEs in 2010, including examiner trainees assigned to Corporate University. Staffing and training needs are reviewed on an ongoing basis to ensure that the staff resources supporting the examination program are adequate to conduct a high quality examination program and that employees possess the skills and knowledge to effectively and successfully examine emerging risks.

Information Technology: The FDIC employs various automated tools, such as the General Examination System (GENESYS), Examination Documentation (ED) modules, Interest Rate Risk Standard Analysis software (IRRSA), and the Automated Loan Examination and Review Tool to improve the efficiency of its examinations.

Verification and Validation

The actual number of examinations conducted and adherence to required examination time frames is tracked through the ViSION system and reported through established management processes.

2009 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2009. In 2009, the FDIC successfully met this performance target.

Annual Performance Goal 2.1-2

Take prompt and effective formal or informal supervisory action to address unresolved problems identified during the examination of FDIC-supervised institutions that receive a composite Uniform Financial Institutions Rating of 3, 4 or 5. Monitor the compliance of FDIC-supervised insured depository institutions with formal and informal enforcement actions.

Indicator and Targets

1. Percentage of follow-up examinations and onsite visits of 3-, 4- or 5-rated institutions conducted within required time frames

    - *100 percent of required onsite visits are conducted within six months of completion of the prior examination to confirm that the institution is fulfilling the requirements of the corrective program.*

    - *100 percent of required follow-up examinations are conducted within 12 months of completion of the prior examination to confirm that identified problems have been corrected.*

Means and Strategies

Operational Processes (initiatives and strategies): Troubled and problem institutions (those with a composite rating of 3, 4 or 5) are identified primarily through the examination process. While reason and moral suasion are the primary corrective tools, the FDIC has broad enforcement powers to correct practices, conditions or violations of law that threaten an insured depository institution's safe and sound condition. The FDIC may use informal and formal enforcement actions against an institution or responsible individuals to address identified problems. Except in rare instances where it is determined by FDIC management to be unnecessary, a follow-up examination or onsite visit is conducted to review compliance with supervisory actions for each institution that receives a composite CAMELS rating of 3, 4 or 5. Additional follow-up action is taken where the corrective program is determined to have been insufficient in addressing the identified problem.

The responsible case manager and senior regional officials closely monitor each troubled and problem depository institution. In addition to a follow-up examination or onsite visit, progress in complying with an enforcement action is assessed through progress reports from the institution, use of offsite monitoring tools, and direct communication with management of the financial institution.

Human Resources (staffing and training): Case managers and other regional office officials are primarily responsible for finalizing and monitoring compliance with enforcement programs. Follow-up examinations and onsite visits are conducted by field examination staff. The FDIC has increased the number of authorized case managers as well as field examination positions in 2010. Staffing and training needs are reviewed on an ongoing basis to ensure that resources available for this function are adequate and that employees possess the required skills and knowledge.

Information Technology: The ViSION system is used to monitor all enforcement action activity and other significant events at troubled institutions and to schedule on-site visits and follow-up examinations of 3-, 4- and 5-rated institutions.

Verification and Validation

The examination report identifies corrective actions to be taken. If deemed necessary, a formal or informal enforcement action is transmitted to the financial institution along with the report of examination. To ensure that supervisory actions are taken promptly, the FDIC monitors the time it takes to provide examination reports to FDIC-supervised institutions after the completion of an examination. The ViSION system is used to track enforcement actions and the time frame for required onsite visits and follow-up examinations.

The FDIC will also continue to use the Regional Office Internal Control Review program to ensure that regions are effectively monitoring FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions. This review incorporates various components of the supervisory process, including assessment of the appropriateness, implementation and follow-up of formal and informal corrective actions. Any material exceptions noted during the reviews are brought to management's attention for appropriate action.

2009 Performance Results

This annual performance goal and the associated performance indicator and target for follow-up examinations are essentially unchanged from 2009. A new performance target for follow-up onsite visits has been added for 2010. The FDIC successfully met the 2009 performance target.

Annual Performance Goal 2.1-3

Assist in protecting the infrastructure of the U.S. banking system against terrorist financing, money laundering and other financial crimes.

Indicator and Target

1. Percentage of required examinations conducted in accordance with statutory requirements and FDIC policy

    - *100 percent of required Bank Secrecy Act examinations are conducted on schedule*.

Means and Strategies

Operational Processes (initiatives and strategies): Bank Secrecy Act/Anti-Money Laundering (BSA/AML) examinations and Office of Foreign Assets Control (OFAC) reviews assess an institution's overall BSA/AML and OFAC compliance programs. These reviews encompass sound risk management, compliance with recordkeeping requirements, and the ability of the institution to identify and report suspicious activity. The FDIC performs BSA/AML and OFAC reviews as a part of all risk management examinations of FDIC-supervised insured depository institutions. In 2010, the FDIC projects that it will conduct over 2,500 BSA/AML examinations concurrent with risk management examinations (required by the Federal Deposit Insurance Act), FDIC policy, or agreement with state supervisors.

The FDIC will also perform BSA/AML examinations in conjunction with risk management examinations conducted by state regulators for the small number of state bank regulatory agencies (currently six) that do not incorporate BSA/AML examination procedures into their own examinations. The FDIC follows a risk-focused approach to BSA/AML examinations and OFAC reviews, which allows examiners to focus resources on those areas with the greatest potential risk.

In 2010, the FDIC will work with the other federal banking agencies, the Financial Crimes Enforcement Network (FinCEN), the Conference of State Bank Supervisors and OFAC to update the Federal Financial Institutions Examination Council (FFIEC) BSA/AML Examination Manual to ensure that the guidance remains current for existing laws, regulations, and policy interpretations. Further guidance will be provided to risk management staff through written memoranda, participation in the FFIEC BSA/AML Examination Workshop, and attendance at the Advanced BSA/AML Specialists Conference.

Human Resources (staffing and training): The FDIC currently has 310 examiners who are designated as BSA/AML subject matter experts, including 85 with advanced certifications for this discipline. Staffing and training needs are reviewed on an ongoing basis to ensure that the staff resources supporting the BSA/AML examination program are adequate and that employees possess the skills and knowledge to effectively and successfully assess compliance with BSA/AML requirements and detect any emerging risks.

Information Technology: BSA/AML reference materials are available on the FDIC's external website at www.fdic.gov/regulations/examinations/bsa/index.html. This link provides the banking industry and the regulatory community with centralized and expanded access to BSA/AML resources. The link also provides updated information and instruction related to BSA/AML examination procedures, interpretive guidance, websites of related agencies, instructions for reporting suspicious activity and terrorist-financing activity, and an overview of governing rules and regulations. In concert with the release of the interagency FFIEC BSA/AML Examination Manual, the federal banking agencies have also made available through the FFIEC website (www.ffiec.gov) a BSA/AML Examination Manual InfoBase. It includes the interagency BSA/AML Examination Manual, BSA regulations, and guidance provided by each federal banking agency. BSA/AML examinations are tracked in the ViSION system.

Verification and Validation

The actual number of examinations conducted and adherence to required examination time frames are tracked in the ViSION system through established management processes.

2009 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2009. The FDIC successfully met this performance target in 2009.

Annual Performance Goal 2.1-4

More closely align regulatory capital with risk and ensure that capital is maintained at prudential levels.

Indicators and Targets

1. Final Basel II Standardized Approach

    - *Complete by December 31, 2010, the rulemaking for implementing the Standardized Approach for an appropriate subset of U.S. banks.*

2. Controls on banks' use of internal or external ratings

    - *Complete by December 31, 2010, the rulemaking for amending the floors for banks that calculate their risk-based capital requirement under the Advanced Approaches capital rule to ensure capital requirements meet safety-and-soundness objectives.*

3. Revisions to the Market Risk Amendment of 1996

    - *Complete by December 31, 2010, the rulemaking for implementing revisions to the Market Risk Amendment of 1996.*

4. Revisions to regulatory capital charges for resecuritzations and asset-backed commercial paper liquidity facilities

    - *Complete by December 31, 2010, the rulemaking for implementing revisions to regulatory capital charges for resecuritizations and asset-backed commercial paper liquidity facilities.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC continues to focus on ensuring that banks' capital is adequate to weather the stresses of a more difficult financial environment. These efforts include revising the capital framework, enhancing offsite monitoring capabilities, and bolstering examination support.

The objective of Basel II is to more closely align regulatory capital with risk in large or multinational banks. Under the Basel II Advanced Approaches final rule, these banks are required to use the most advanced approaches of Basel II for determining their risk-based capital requirements. Implementation of the Basel II Advanced Approaches requires these banks to develop complex internal models to estimate capital requirements. Supervisors will evaluate these processes during a "parallel run" and a minimum three-year transition period during which the agencies will apply floors that limit the amount by which each bank's risk-based capital could decline. Thus far, one U.S. institution has completed a year of the parallel run. A number of other U.S. institutions are expected to start the parallel run in 2010. The FDIC will assess the capital adequacy of this institution and other banks that commence the parallel run phase and determine whether the models appropriately reflect the loss experiences of the recent financial turmoil. The agencies also intend to issue a series of reports that will provide timely and relevant information on the implementation of the advanced approaches.

The agencies issued the Supervisory Review Process of Capital Adequacy (Pillar 2) under the Basel II Advanced Capital Framework in 2008. This guidance provides clarification to support the implementation of the Advanced Approaches final rule. The FDIC intends to monitor banks' progress in implementing the supervisory guidance.

Domestically, the FDIC will seek to improve or strengthen regulatory capital requirements for all banks by directly monitoring bank capital adequacy based on experience with the financial turmoil during this period of stress. This includes tracking institutions whose reported financial data and market indicators are indicative of a heightened risk of capital or liquidity stresses. Other strategies include supporting field examiners involved in determining the appropriate capital levels for securitizations, particularly those securitizations that have been downgraded by the credit rating agencies, and revisions to the domestic capital frameworks for banks, including incorporating proposed revisions to the Basel II Accord, as proposed in the consultative papers published in 2009 and the Market Risk Amendment of 1996.

Internationally, through the FDIC's participation on the Basel Committee on Banking Supervision, the FDIC will continue to work to promote strong international bank capital standards. To accomplish this goal, the FDIC will participate in the Basel Committee's various groups and sub-groups, including the Policy Development Group, the Definition of Capital subgroup, the Trading Book Group, and other international groups and forums.

Although this annual performance goal will be pursued over a multi-year time frame, 2010 will be a year of intensive work. Key efforts include participating in Basel's comprehensive quantitative impact study; calibrating the minimum capital requirement, the new international leverage ratio, and the new liquidity requirements; conducting fundamental reviews of the trading book and counterparty credit risk; implementing regulatory capital charges for central counterparties; implementing new approaches to provisioning and countercyclical capital buffers; and the development of a regulatory capital charge for systemically important financial institutions.

Human Resources (staffing and training): The FDIC will continue in 2010 to expand the number of staff with expertise on bank capital. The breadth and depth of knowledge among FDIC staff on bank capital matters has expanded, due in part to the continued participation and active involvement of these employees in policy development groups. The FDIC will also continue to strengthen its ability to participate actively in the dialogue on capital adequacy through the use of internal and external training to augment skill sets of current staff.

Information Technology: The FDIC will use existing technology to accomplish this annual performance goal.

Verification and Validation

Progress in meeting this annual performance goal will be tracked through periodic meetings and established reporting processes.

2009 Performance Results

This annual performance goal is unchanged. From 2009, however, its associated performance indicators and targets have been updated for 2010. In 2009, the FDIC successfully met all the performance targets for this goal.

STRATEGIC GOAL 3:
Consumers' rights are protected, and FDIC-supervised institutions invest in their communities.

STRATEGIC OBJECTIVE 3.1

FDIC-supervised institutions comply with consumer protection, Community Reinvestment Act (CRA) and fair lending laws and do not engage in unfair or deceptive practices.

Annual Performance Goal 3.1-1

Conduct onsite CRA and compliance examinations to assess compliance with applicable laws and regulations by FDIC-supervised depository institutions.

<u>Indicator and Target</u>

1. Percentage of examinations conducted in accordance with statutory requirements and FDIC policy

    - *100 percent of required examinations are conducted on schedule.*

<u>Means and Strategies</u>

Operational Processes (initiatives and strategies): The FDIC conducts CRA and compliance examinations of FDIC-supervised depository institutions in order to determine compliance with consumer protection and fair lending laws and performance under CRA. The frequency of these examinations is specified by applicable law and FDIC policy. For CRA examinations, the FDIC's examination frequency policy conforms to applicable provisions of the Gramm-Leach-Bliley Act (GLBA), which establishes the CRA examination cycle for most small banks. In 2010, the FDIC estimates that it will conduct approximately 1,900 compliance and/or CRA examinations.

The FDIC's compliance examination approach places great emphasis on an institution's compliance risk-management practices as opposed to exhaustive transactional testing. This approach involves an expanded review of an institution's systems and compliance policies so that transaction testing can be better targeted and focused on areas of greatest risk exposure. This approach creates a more efficient and effective use of examination resources, especially in financial institutions with high compliance risk profiles.

Human Resources (staffing and training): The FDIC's authorized compliance examination workforce increased from 462 in 2009 to 469 in 2010, including examiner trainees assigned to Corporate University (CU). Staffing and training needs are reviewed on an ongoing basis to ensure that staff resources supporting the compliance examination program are adequate and that employees possess the skills and knowledge to effectively implement this program.

Information Technology: The System of Uniform Reporting of Compliance and CRA Examinations (SOURCE) is used to schedule and track financial institution compliance examinations, support pre-examination planning and provide management information.

Verification and Validation

The FDIC will analyze examination-related data collected in SOURCE to determine whether targeted performance levels were achieved during the reporting period. Results will be reported through established management processes.

2009 Performance Results

This annual performance goal and the associated performance indicator and target are unchanged from 2009. In 2009, the FDIC successfully met this performance target.

Annual Performance Goal 3.1-2

Take prompt and effective supervisory action to address unresolved problems identified during compliance examinations of FDIC-supervised institutions that receive a composite 3, 4 or 5 rating for compliance with consumer protection and fair lending laws. Monitor the compliance of FDIC-supervised insured depository institutions with formal and informal enforcement actions.

Indicator and Target

1. Percentage of follow-up examinations or onsite visits of 3-, 4- and 5-rated institutions conducted within required time frames

   - *100 percent of required follow-up examinations or onsite visits are conducted within 12 months of completion of the prior examination to confirm that the institution is fulfilling the requirements of the corrective program and that the identified problems have been corrected.*

Means and Strategies

Operational Processes (initiatives and strategies): Institutions with compliance deficiencies are identified primarily through the examination process. While discussions with bank management are usually sufficient to correct these deficiencies, the FDIC has broad enforcement powers to correct practices, conditions or violations of law that threaten an institution's compliance with consumer protection and fair lending laws or a consumer's rights under those laws. The FDIC may address identified problems through the use of formal or informal enforcement actions against the institution or responsible individuals. Except in rare instances where it is determined by FDIC management to be unnecessary, a follow-up examination or onsite visit is conducted to review compliance with supervisory actions for each institution that receives a composite rating of 3, 4 or 5. Additional follow-up action is taken where the initial corrective program is determined to have been insufficient in addressing the identified problem.

The responsible review examiner and senior regional officials closely monitor each institution that is rated 3, 4 or 5 for compliance with consumer protection and fair lending laws. In addition to a follow-up examination or onsite visit, progress in complying with an enforcement action is assessed through quarterly progress reports from and direct communication with management of the financial institution.

Human Resources (staffing and training): Monitoring and follow-up on enforcement actions is primarily the responsibility of compliance field examination staff and managers. Staffing and training needs are reviewed on an ongoing basis to ensure that resources supporting these functions are adequate and that employees possess the required skills and knowledge.

Information Technology: The SOURCE system is used for examination scheduling and processing. The ViSION system is used to monitor all enforcement action activity.

Verification and Validation

The examination report identifies required corrective actions. If deemed necessary, a formal or informal enforcement action is transmitted to the financial institution with the report of examination. To ensure that supervisory actions are taken promptly, the FDIC monitors the time it takes to provide examination reports to FDIC-supervised institutions after the completion of an examination.

The FDIC will also continue to use the Regional Office Internal Control Review program to ensure that regions are effectively monitoring FDIC-supervised insured depository institutions' compliance with formal and informal enforcement actions. This review incorporates various components of the supervisory process, including an assessment of the appropriateness, implementation and follow-up on formal and informal corrective actions. Any material exceptions noted during the reviews are brought to management's attention for appropriate action.

2009 Performance Results

This annual performance goal and the associated performance indicator and target are essentially unchanged from 2009. The 2009 performance target was successfully met for all 4- and 5-rated institutions, but was not fully achieved for all 3-rated institutions.

STRATEGIC OBJECTIVE 3.2

Consumers have access to easily understood information about their rights and the disclosures due them under consumer protection and fair lending laws.

Annual Performance Goal 3.2-1

Effectively investigate and respond to written consumer complaints and inquiries about FDIC-supervised financial institutions.

Indicator and Target

1. Timely responses to written consumer complaints and inquiries

   - *Respond to 95 percent of written consumer complaints and inquiries within time frames established by policy, with all complaints and inquiries receiving at least an initial acknowledgement within two weeks.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC investigates and responds to written complaints regarding consumer protection and fair lending issues, including those received electronically through the Customer Assistance Form on the FDIC's website. The FDIC projects that it will receive approximately 19,500 written complaints and 3,150 written inquiries in 2010. Complaints regarding FDIC-supervised institutions are investigated by FDIC staff; those regarding institutions with other primary regulators are referred to those agencies. Target response times vary by the type of complaint. The Corporation also provides consumer protection information to financial institutions and the public. When performed effectively, these activities help consumers better understand their rights under consumer protection and federal fair lending laws.

Human Resources (staffing and training): The FDIC's Consumer Response Center responds to consumer complaints and inquiries about consumer protection matters. This centralized program helps maintain staff knowledge and expertise and provides greater flexibility in balancing staff resources and workload.

Information Technology: The FDIC uses STARS to capture and report information, including response time, about complaints.

Verification and Validation

The FDIC will closely monitor the timeliness of its acknowledgment letters and responses using its STARS tracking system. Results will be reported through established management processes. Additionally, the FDIC surveys a sample of consumers who have filed written consumer protection and fair lending complaints in order to assess their satisfaction with the FDIC's investigations and responses. Accepted survey research methods have been employed to ensure the validity of the customer satisfaction survey instrument and to verify the accuracy of the survey results.

2009 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2009. In 2009, the FDIC successfully met this performance target.

STRATEGIC OBJECTIVE 3.3

The public has fair access to banking services and is treated equitably by FDIC-supervised institutions.

Annual Performance Goal 3.3-1

Establish, in consultation with the FDIC's Advisory Committee on Economic Inclusion and other regulatory agencies, national objectives and methods for reducing the number of unbanked and underbanked individuals.

Indicator and Target

1. Completion of initiatives to facilitate progress in improving the engagement of low- and moderate-income individuals with mainstream financial institutions

    - *Facilitate completion of final recommendations on the initiatives identified in the Advisory Committee's strategic plan.*

    - *Implement, or establish plans to implement, Advisory Committee recommendations approved by the FDIC for further action, including new research, demonstration and pilot projects, and new and revised supervisory and public policies.*

Means and Strategies

Operational Processes (initiatives and strategies): Over 25 percent of U.S. households, with 60 million adults residing in them, are currently underserved by the banking industry. This includes both "unbanked" households—those with no checking or savings account—and "underbanked" households—those with a checking or savings account but rely primarily on non-bank alternative financial services and providers, such as money orders, check cashing services, payday loans, rent-to-own agreements, pawn shops, or refund anticipation loans. Certain racial and ethnic groups are more likely to be underserved than the population as a whole. Almost 54 percent of black households, 45 percent of American Indian/Alaskan Native households, and 43 percent of Hispanic households are underserved.

Banks would appear to have a strong financial incentive for pursuing underserved consumers, given the sheer size of the alternative financial services industry. However, according to the "FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked" (February 2009), fewer than 18 percent of banks identify expansion of their services to these consumers as a priority in their business strategies. From a consumer perspective, there are two major benefits to access to mainstream financial institutions. First, FDIC-insured banks provide a safe place for consumer savings. Additionally, mainstream financial institutions are often less costly than alternative financial services.

The FDIC's Advisory Committee on Economic Inclusion supports research, demonstrations, and pilot projects and promotes sound supervisory and public policies to improve the appropriate engagement of underserved households with mainstream financial institutions. Appropriate engagement means that households are using financial products and services that are affordable, easy to understand, and not subject to unfair or unforeseen fees. According to the Advisory Committee's Strategic Plan, during 2010 the Committee will focus its work in certain program areas in order to facilitate progress on improving appropriate engagement with mainstream financial institutions. The Committee's plan focuses on five work groups – transactional accounts, savings, affordable credit, financial literacy, and incentives. Each work group has established a set of initiatives to pursue in the coming year with estimated completion targets for each activity.

The Committee may recommend specific measures of improvement in this area to the FDIC. It recognizes, however, that certain of these measures are national objectives that would require the participation and cooperation of multiple stakeholders, including the FDIC, other federal agencies, federal, state, and local policy makers, the financial services industry, nonprofit and philanthropic groups, and consumer groups.

Human Resources (staffing and training): The activities of the Advisory Committee are supported by staff in several FDIC divisions, including the Division of Insurance and Research, the Division of Supervision and Consumer Protection, and the Legal Division. Staff in these divisions provides appropriate support for the Advisory Committee, including research and demonstration activity.

Information Technology: The FDIC uses Vodium Web Presence to broadcast the public meetings for transparency and to reduce travel costs.

Verification and Validation

Progress in meeting this annual performance goal will be measured by the progress made by the work groups in completing final recommendations to the FDIC on the initiatives identified in the Advisory Committee's strategic plan, and will be monitored through established management reporting processes. Progress in increasing the engagement of low- and moderate-income individuals with mainstream financial institutions will be measured through the ongoing Household and Bank surveys conducted by the FDIC (the next one is expected to be administered in 2011).

2009 Performance Results

This annual performance goal and its associated performance indicator and targets are new for 2010.

RECEIVERSHIP MANAGEMENT PROGRAM

When an insured institution fails, the FDIC is ordinarily appointed as receiver. In its receivership capacity, the FDIC assumes responsibility for efficiently recovering the maximum amount possible from the disposition of the receivership's assets and the pursuit of the receivership's claims. Funds collected from the sale of assets and the dispositions of valid claims are distributed to the receivership's creditors in accordance with the priorities set by law.

The FDIC focuses its receivership management efforts on four goals:

- Resolving institutions in the least costly manner.
- Managing and marketing failed institution assets to maximize return.
- Pursuing monies due to the failed institution.
- Resolving the debts of the institution fairly.

The FDIC assesses and values the assets and liabilities of the failing institution to determine an accurate valuation. Using this information, the FDIC markets and sells various parts of the institution to acquiring institutions and investors. The FDIC markets failed institutions broadly, ensuring that all qualified parties are provided an opportunity to present bids. When the institution fails, the institution is closed, and the FDIC is appointed receiver. After paying the insured depositors their funds (if another institution has not assumed the deposits), the FDIC inventories and values any remaining assets, and uses various strategies to quickly sell the assets. Disposition of certain assets can be a very lengthy process. In the interim, the FDIC performs required asset servicing (such as building maintenance and the processing of loan payments) in order to maintain the value of these assets until they are sold.

Throughout the asset valuation and selling processes, the FDIC also seeks payment from the debtors of the failed institution. FDIC staff identifies and investigates claims due to the receivership, and pursues the claims on behalf of the receivership when it is cost effective to do so and/or when public policy dictates that the FDIC pursue legal action against a debtor (e.g., certain negligence or fraud cases).

The FDIC also works to ensure that legitimate claims against the receivership are satisfied fairly. The FDIC notifies likely claimants of the failed institution and provides them instructions on how to properly file their claims. Once the FDIC receives and validates the information, the claimants are paid, as appropriate.

Following the resolution of receivership claims, disposition of most assets, payment of eligible creditor claims, and allocation of any other funds on behalf of the receivership, the FDIC proceeds with the termination of the receivership.

This involves preparation of final accounting statements and can require approval through the legal system that the obligations of the FDIC as receiver have been met.

The following table depicts the strategic goal, strategic objectives and annual performance goals for the Receivership Management Program.

Strategic Goal	Strategic Objective	Annual Performance Goals
Resolutions are orderly and receiverships are managed effectively.	Receiverships are managed to maximize net return and terminated in an orderly and timely manner.	Value, manage and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.
		Manage the receivership estate and its subsidiaries toward an orderly termination.
	Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.	Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions, and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.

STRATEGIC GOAL 4:
Resolutions are orderly and receiverships are managed effectively.

STRATEGIC OBJECTIVE 4.1

Receiverships are managed to maximize net return and terminated in an orderly and timely manner.

Annual Performance Goal 4.1-1

Value, manage and market assets of failed institutions and their subsidiaries in a timely manner to maximize net return.

Indicators and Targets

1. Percentage of failed institution's assets marketed

    - *For at least 95 percent of insured institution failures, market at least 90 percent of the book value of the institution's marketable assets within 90 days of the failure date (for cash sales) or 120 days of the failure date (for structured sales).*

2. Enhancements to contract management program

    - *Implement enhanced reporting capabilities from the Automated Procurement System.*

    - *Ensure that all newly designated oversight managers and technical monitors receive training in advance of performing contract administration responsibilities.*

    - *Optimize the effectiveness of oversight managers and technical monitors by restructuring work assignments, providing enhanced technical support, and improving supervision.*

Means and Strategies

Operational Processes (initiatives and strategies): By quickly returning the assets of a failed institution to the private sector, the FDIC maximizes net recoveries and minimizes disruption to the local community. During the past two years, whole bank loss-share transactions have been used extensively as a vehicle to sell most of the assets of a failed bank to an acquiring bank. Given adequate time, the FDIC prepares an information package and an asset valuation review for each failing insured depository institution to assist in the solicitation of bidders, analysis of bids received for the assumption of deposits and sale of as many of the institution's assets at resolution or shortly thereafter. The FDIC markets most of these remaining assets within a 120-day period after an insured institution fails.

After the resolution of the failed institution, the FDIC collects and manages the remaining assets in a cost-effective manner to maximize recoveries and preserve value until the assets can be marketed. The failed institution's assets are grouped into pools that will be most appealing to acquirers and are marketed via the Internet. Potential asset purchasers are allowed the opportunity to view all sales information electronically prior to electronic bid submission. The FDIC also complements electronic due diligence with hard-copy due diligence by allowing potential bidders to view all hard-copy sale information at the actual sales site.

Where appropriate, the FDIC manages and disposes of the remaining assets from the failed bank location. The FDIC uses the Standard Asset Valuation Estimation (SAVE) methodology to value and make marketing and disposition decisions regarding most of the assets of the failed institution. The SAVE methodology uses standard assumptions and market information to ensure consistency in valuing assets. The valuation process, methodology and assumptions used to value assets are continually reviewed and, where necessary, updated. The FDIC will continue to update and refine its marketing strategies in order to market assets as quickly and efficiently as possible.

Human Resources (staffing and training): The FDIC maintains a permanent staffing platform to carry out its receivership management functions. When workload increases, as it has during the last two years, these resources are augmented by adding non-permanent staff and contractor resources. On an interim basis, these resources may also be expanded by the deployment of cross-trained employees from elsewhere within the Corporation. Current and projected workload is continually assessed to ensure that adequate staff and contractor resources are available to fulfill the FDIC's receivership management responsibilities.

Authorized staffing for the FDIC's Division of Resolutions and Receiverships (DRR) increased from 847 to 1,356 in 2009 and was further increased to 2,310 in 2010. Three new temporary satellite offices have been established since the beginning of 2009 to address the recent sharp increase in workload. Additional staff has also been authorized in other FDIC organizations to support this work.

The FDIC makes extensive use of contractors in managing and selling the assets of failed institutions. It has in place broad policies and procedures related to contracting and the use of contractors to provide services. These policies cover every phase of the contracting process. Individual FDIC divisions and offices must apply these guidelines and establish controls and internal processes to ensure that these policies and procedures are being strictly followed. The number of contractors supporting the receivership management function increased dramatically in 2009 and is likely to continue to increase in 2010. In 2010, the number of Receivership Assistance Contractors (RAC) could grow substantially if the number of failures continues at the 2009 level.

In order to ensure that these resources are effectively managed, the FDIC will add a substantial number of dedicated contract oversight and management positions to its workforce in 2010. These employees will be fully trained before being deployed to ensure that they are knowledgeable about the FDIC's contracting policies and procedures and fully understand their contract oversight or technical monitoring responsibilities.

In addition, oversight management assignments will be restructured, based upon the type and complexity of individual contracts, to ensure that each oversight manager has a reasonable number of contracts to manage. In addition, enhanced technical support will be provided to oversight managers for regular and recurring tasks, and additional managerial positions will be established to ensure effective supervision of the contract management function.

Information Technology: The FDIC will continue to use new and refined technologies to make its asset management/servicing, sale strategies and other business processes more efficient and to keep pace with changing market and business practices. The Corporation will continue to use the Internet to deliver asset marketing information to potential investors and to auction/sell assets received from failed institutions. The 4C application is the comprehensive source of information related to the resolution of financial institutions and the management, valuation, marketing and sale of assets. In 2010, improvements will be made to 4C to address scalability, high availability, and data throughput. These improvements will ensure future capacity to store and process the increased data volume from failed institutions.

In addition, the Corporation's Automated Procurement System will be modified in 2010 to provide enhanced reporting in support of contract management.

Verification and Validation

Asset-marketing information is compiled from the actual sale initiatives that are offered by the FDIC to bidders prior to and/or within 90 days of failure. The offerings are compared to the beginning inventory of marketable assets prepared by the FDIC at the time of the institution's failure. In addition, new monthly and quarterly reporting requirements will be established to ensure that the Corporation is managing its contracts effectively.

2009 Performance Results

This annual performance goal and the first two performance indicators are unchanged from 2009. The performance targets for those indicators have been updated for 2010. The third performance indicator and its associated performance target are new for 2010. The FDIC successfully met the 2009 performance targets for this goal.

Annual Performance Goal 4.1-2

Manage the receivership estate and its subsidiaries toward an orderly termination.

Indicator and Target

1. Timely termination of new receiverships

    - *Terminate within three years of the date of failure at least 75 percent of new receiverships that are not subject to loss share agreements, structured sales, or other legal impediments.*

Means and Strategies

Operational Processes (initiatives and strategies): The oversight and prompt termination of a receivership preserves value for the uninsured depositors and other receivership claimants by reducing overhead and other holding costs. When the FDIC is appointed as receiver, a unique action plan is established for each receivership. That plan is executed by various asset, liability, finance, and legal staff assigned to the receivership. Receivership staff oversees and monitors the execution of each action plan, including goals and milestones. In addition, an oversight committee, consisting of senior FDIC managers, meets periodically to review and evaluate the quarterly progress on each receivership action plan.

To be eligible for termination, a receivership must be free of impediments that represent material financial or legal risks to the FDIC. These impediments may include outstanding contractual liabilities, outstanding offensive or defensive litigation, potential representation and warranty asset sale claims, open employee benefit plans, open subsidiary corporations where articles of dissolution have not yet been approved, and known or potential environmental contamination liabilities. Once the FDIC has disposed of all of the assets of the receivership, resolved all liabilities, and ensured that no material financial or legal risks to the FDIC remain, a final distribution is made to the creditors of the receivership and the receivership entity is terminated. To the extent that significant, unresolved impediments remain for a substantial number of receiverships, the FDIC may be unable to achieve this goal.

The FDIC continues to work on the resolution of impediments to the termination of its remaining open receiverships. During 2009, 140 new receiverships were added to the FDIC's inventory of receiverships and two were inactivated, leaving a total of 187 active receiverships at the end of 2009.

Human Resources (staffing and training): The FDIC has substantially increased its authorized staffing for the receivership management function over the past year. Workload and staffing requirements are assessed on an ongoing basis to ensure that the FDIC has enough staff to successfully carry out its receivership management responsibilities. As noted earlier, the FDIC utilizes contractor resources and engages in temporary hiring initiatives to supplement resolutions and receivership management staff as workload increases.

Information Technology: Existing technology will be used to accomplish this goal. New technology or automated tools may be developed in support of this goal in 2010.

Verification and Validation

The process of inactivating a receivership is tracked in FDIC systems. Monthly reports of deactivations are reviewed for accuracy. System users validate the data, and any discrepancies are reconciled. Results are reported through established management processes.

2009 Performance Results

This annual performance goal and its associated performance indicator are unchanged from 2009. The performance target has been revised to reflect the large number of receiverships currently being managed by the FDIC, and the longer duration of loss share agreements and structured asset sales. The FDIC successfully met the 2009 performance target.

STRATEGIC OBJECTIVE 4.2

Potential recoveries, including claims against professionals, are investigated and resolved in a fair and cost-effective manner.

Annual Performance Goal 4.2-1

Conduct investigations into all potential professional liability claim areas for all failed insured depository institutions, and decide as promptly as possible to close or pursue each claim, considering the size and complexity of the institution.

Indicator and Target

1. Percentage of investigated claim areas for which a decision has been made to close or pursue the claim

    - *For 80 percent of all claim areas, a decision is made to close or pursue claims within 18 months of the failure date.*

Means and Strategies

Operational Processes (initiatives and strategies): The FDIC investigates potential claims against professionals (e.g., directors, officers, attorneys and others) whose actions may have contributed to losses at the failed institution and assesses the viability of insurance policies and the carriers that provide fidelity insurance to the failed institution. Once the investigation is complete, the FDIC determines whether it has viable, cost-effective claims and whether it should pursue such claims. Most professional liability investigations must be completed and viable claims filed within a three-year statute of limitations period.

The FDIC’s attorneys and investigators work together to ensure that valid claims arising from the failure of an insured institution are fully evaluated within the prescribed time period. The team conducts a factual investigation of the events that contributed to losses at the institution as well as legal research and analysis of potential claims. The team prepares additional analysis to determine the likelihood of a recovery exceeding the estimated cost of pursuing each claim. The team then makes recommendations to senior FDIC management on whether a claim should be pursued or the investigation closed.

Human Resources (staffing and training): Dedicated staff in the Division of Resolutions and Receiverships and the Legal Division are responsible for the investigations and pursuit of professional liability claims. Workload requirements are regularly reassessed to ensure that staffing is sufficient to fulfill these responsibilities. The FDIC utilizes contractor resources (including outside legal counsel) and engages in temporary hiring initiatives to supplement staff, as needed.

Information Technology: Data necessary to track failure dates of insured institutions, potential statutes of limitation expiration dates and other pertinent dates are routinely collected and stored in FDIC systems. Status information and decision events are also tracked.

Verification and Validation

Periodic data scrubs and audits are conducted to ensure accuracy and currency of information from FDIC systems. Consistent maintenance of these systems ensures that accurate data needed to measure compliance with the annual goal are readily available. Progress in meeting this goal is reported through established management processes.

2009 Performance Results

This annual performance goal and its associated performance indicator and target are unchanged from 2009. The FDIC successfully met this performance target for this goal for the one receivership that reached the 18-month mark during 2009.

EFFECTIVE MANAGEMENT OF STRATEGIC RESOURCES

Introduction

The FDIC recognizes that it must effectively manage a number of critical strategic resources in order to successfully carry out its mission and realize the annual performance goals set forth for its three major programs. Strategic resource management facilitates the Corporation's mission-critical activities and helps minimize risk to the DIF, while simultaneously aligning and deploying the Corporation's resources to the areas where they are most needed. An overview of planned 2010 initiatives to enhance the Corporation's management of its key strategic resources follows.

Human Capital Management

The FDIC's most important resource is the "intellectual capital" that its employees bring to bear on the accomplishment of its mission. For that reason, the FDIC strives to attract, develop and retain a highly skilled, diverse and results-oriented workforce and to be regarded as a "best place to work," especially among employers whose workforces consist primarily of financial professionals. Because as much as 40 percent of the FDIC's current permanent workforce is projected to retire over the next 10 years, the FDIC will have a unique opportunity to reshape its permanent workforce to provide effective regulatory oversight to meet the challenges that are emerging in the increasingly complex U.S. financial system of the early 21st century. The current dislocations in the financial markets have forced the FDIC to augment its permanent workforce with a cadre of non-permanent employees to deal with the crisis at hand. In 2010, the FDIC will pursue a number of initiatives to continue to build its future permanent workforce while addressing its immediate staffing needs.

Strategic Workforce Planning and Readiness

In 2005, the FDIC adopted a fundamentally different strategy for entry-level staffing of its core mission occupations. This new strategy emphasized the development of a more mobile and flexible workforce that was cross-trained in the Corporation's key mission functions and could be redeployed rapidly to address new workload priorities in response to unexpected external events or changing conditions in the banking industry and the broader economy. These principles were the foundation for the Corporate Employee Program (CEP), which has become the primary vehicle for filling new entry-level positions in the FDIC's bank examination and resolutions and receivership functions.

During the first phase of the CEP training program, participants are provided with basic exposure to each of the FDIC's key business processes: deposit insurance, risk-management examinations, compliance examinations, and resolutions/receivership management. After the completion of the rotational phase of the program, participants are assigned to a specific commissioning track. Upon successful completion of this multi-year training program, employees will have earned a commission in a primary area of specialization and a competency certification in one specialty outside of that primary area. Internal certification programs have been developed for deposit insurance claims, basic compliance examinations, Bank Secrecy Act/Anti-Money Laundering examinations, and franchise and asset marketing. In 2010, new certificate programs in the resolutions and receiverships disciplines will be piloted. The FDIC's field examination workforce included approximately 513 Financial Institution Specialists (FIS) and 78 Financial Institution Examiners (FIE) at the end of 2009. These numbers are expected to increase to an estimated 559 FIS and 182 FIE by the end of 2010. Approximately 35 percent of the field examination workforce will be participating in or will have graduated from the CEP training program by that time.

As part of its workforce planning for the long term, the Corporation has also emphasized the addition of advanced technical skills to its workforce through increased mid-career hiring, the development of advanced internal training curricula (discussed below), and support for numerous other professional certification programs. The primary focus of permanent, mid-career hiring has been on mid-career risk management and compliance examiners who are able to have a more immediate impact on the FDIC's current examination workload; Ph.D. economists and others with advanced quantitative and risk-modeling skills that are needed to assess risk in large insured institutions; consumer protection researchers and specialists; and attorneys with regulatory enforcement, consumer protection, and litigation backgrounds. New entry-level attorneys are hired through the Corporation's Honors Attorney Program, which provides rotational experiences within the FDIC's Legal Division similar to those in the CEP.

In order to ensure readiness in light of the current turmoil in financial markets and parts of the banking industry, the Corporation has temporarily re-employed a number of retired risk management and compliance examiners to assist with the increasing examination workload as well as the growing workload associated with coaching the large number of trainees in the CEP. The Corporation has also temporarily re-employed retired resolutions and receivership specialists, attorneys and other professionals to ensure that the FDIC can successfully address the current institution failure workload.

In 2009 and 2010, the FDIC has established three temporary satellite offices with total authorized staffing of 1,531. These offices are staffed almost entirely with resolutions and receiverships specialists and attorneys on non-permanent appointments to handle the increase in bank closings and follow-on activities. Non-permanent employees are also used to handle the temporary increase in supervision workload that has resulted from the substantial increase in the number of problem institutions. This includes loan review specialists, compliance analysts, and specialists in other supervision-related occupations to assist with the increased supervisory workload. The use of non-permanent appointments to meet the majority of the FDIC's near-term resource needs will allow the FDIC to return its workforce to a more normal size once the crisis is over, without the disruptions that reductions in permanent staff would cause.

Succession Management

The FDIC faces additional challenges as many of its long-term, highly skilled employees move into retirement. To help address these succession management issues, the FDIC will pursue a number of initiatives that are designed to retain, where possible, the skills and knowledge of its current employees for a longer time period, while equipping a new generation of employees to assume the responsibilities of departing employees.

To address these projections, FDIC leadership developed several multi-year programs to assess current and potential leadership strength, identify skill shortages, and shape measures to close whatever gaps are identified:

- Leadership Development Curriculum: The FDIC's new curriculum provides a holistic approach to leadership development and supports the goals of the FDIC's Culture Change Initiative. Enhancements to the curriculum include additional leadership courses for new employees and executives, a comprehensive program of electives integrated with an existing ladder of courses and offered to all employees, an additional focus on action learning, leaders as teachers, simulations, and a proactive approach to developing leaders.

- Knowledge Management Strategic Plan: In 2008, the FDIC drafted a multi-year knowledge management strategic plan focused on a broad spectrum of knowledge management needs and possible approaches. In 2010, FDIC leadership will review and refine the draft plan, discuss initial implementation options, and pilot certain strategies to support knowledge management.

- Video Instructional Design Project: In 2010, the FDIC will implement the Video Instructional Design Project. This project will capture video at closings and related activities to serve as a source for knowledge management by capturing task activity in the environment in which it occurs; using it to identify training needs and design training; incorporating it within handbooks or policy manuals as a way of describing the environment; and providing knowledge management support in designing and implementing the bank-closing simulation lab for future employees when there is less bank failure activity for on-the-job training.

Employee Engagement

Over the past several years, the FDIC and the U.S. Office of Personnel Management (OPM) have conducted annual employee surveys. These surveys have consistently identified major areas of strength as well as opportunities for improvement in employee engagement and satisfaction. These surveys have consistently demonstrated that FDIC employees enjoy their work, believe it is important, and get a sense of personal accomplishment from it. They also have a good understanding of the Corporation's mission and strategic direction and know how their work fits into the FDIC's goals and priorities.

Employees are also highly satisfied with their pay and benefits, as well as the FDIC's family-friendly culture work-life balance programs, physical work environments, and training, technological and other resources. However, the surveys also revealed opportunities for improvement in internal communications, employee empowerment, and leadership. Accordingly, the FDIC began a multi-year initiative in 2008 to fundamentally remake its organizational culture to address these issues. Through the use of cross-organizational teams and a steering committee, the FDIC engaged employees in a process of identifying and implementing changes to improve communications, enhance employee engagement and involvement, and improve leadership behaviors and competencies. A culture change strategic plan was developed, identifying both short- and long- term goals and defining strategies and recommendations for improving the workplace culture.

The 2008 and 2009 employee survey results showed marked improvement in each of the three areas noted above, while maintaining or slightly improving on past areas of strength. A question and answer mailbox and quarterly all-employee teleconferences with the Chairman will continue in 2010 so that employees can provide input, make suggestions and ask questions.

The Culture Change Initiative entered a new phase in 2009 with the selection of a new Program Manager and the reconstitution of the Culture Change Council. The Internal Ombudsman Program provided another avenue for following up on employee issues. Many divisions and offices have worked on initiatives to address specific survey results aimed at enhancing communication, empowering employees, and helping leaders to become more effective. Information on these initiatives will be summarized and shared with employees in 2010. Best practices in public and private sector organizations on sustaining culture and organizational change were studied and will be summarized, with recommendations for sustaining the FDIC's Cultural Change Initiative in 2010 and beyond.

Employee Learning and Growth

The FDIC provides employees with the technical training and leadership development necessary to meet the Corporation's mission. In 2010, the Corporation will continue to develop innovative solutions to quickly prepare new and existing employees for the challenges ahead. By streamlining existing courses, promoting blended learning, and creating online, just-in-time toolkits, the Corporation allows FDIC employees to accomplish their work more efficiently and effectively.

The FDIC promotes the continuous learning and development of its employees and provides numerous internal and external resources to employees for professional development and training. In addition to internally developed and delivered programs, employees can access external training through the Professional Learning Account (PLA) program. The PLA program, which was made permanent in 2009, provides resources to pursue individual career development plans that employees and their supervisors create together.

The FDIC has also developed several training programs to equip employees with advanced technical skills. Many of these programs are in direct support of the FDIC's increased workload related to the financial crisis:

- In 2008, the Corporation began implementing the resolutions and receiverships commissioning programs. Eight trainees were assigned to this commissioning tract in 2009, and another 20 will be assigned to it in 2010.

- In 2010, the FDIC will continue to provide learning and development opportunities that better prepare its examiner workforce for the challenges ahead. The FDIC will add two new training courses to its compliance examiner commissioning program: Introduction to Compliance Examinations School (ICES) and Compliance Management School (CMS). ICES will provide an overview of consumer protection laws and regulations and an introduction to the principles of compliance risk management. At the CMS, students will conduct a complete mock examination from pre-examination planning to examination close-out. In addition, the FDIC will redevelop the Loan Analysis School in 2010 to broaden the training that risk management examiner trainees receive in several loan-related areas, while improving the methods used to deliver this content.

- In 2009, the FDIC designed and executed a multi-faceted training program for resolutions and receiverships staff dealing with agricultural loans. The Agricultural Loan Project provides employees with access to the information necessary to effectively manage and market agricultural loans. The project includes instructor-led training, multi-media presentations, and simulations. In 2010, this multi-pronged approach to developing knowledge and skills will be used to address additional emerging challenges, such as subsidiary management.

The Corporation launched a new learning management system, *FDICLearn*, in 2009. This system allows employees to easily find courses, take online training, register for classroom instruction, check their enrollments, and view their transcripts. In 2010, the Corporation will expand the use of *FDICLearn* to include increased functionality and reporting capabilities. In addition, the FDIC will continue to use all of its learning programs as opportunities to strengthen its organizational culture, build key competencies, and promote the importance of its corporate values.

Financial Resources Management

The FDIC's operational expenses are largely paid from the investment earnings on the DIF and the assessments paid by insured financial institutions. The Corporation takes very seriously its fiduciary responsibilities to use these funds in an efficient and cost-effective manner to meet its mission responsibilities. To that end, the Corporation engages annually in a rigorous planning and budget formulation process to ensure that budgeted resources reflect and are properly aligned with workload projections and designated corporate priorities.

The FDIC's 2010 Corporate Operating Budget totals $3.99 billion. This increase of more than $1.66 billion over 2009 spending is needed to adequately respond to the current turmoil in the banking industry and maintain stability in the banking system. The increase is largely attributable to continuing work associated with recent bank failures and the provision of contingency funding for the possible continuation of an elevated number of bank failures in 2010.

Information Technology Resources Management

Information technology (IT) is a critical resource used by the FDIC in fulfilling its corporate mission. IT resources include a broad range of hardware and software assets. Examples of these assets include desktops, laptops, network infrastructure, the business application portfolio, and the FDIC's public website (www.fdic.gov). For the past two years, the FDIC has substantially expanded its IT infrastructure and operational resources to support the Corporation's workforce expansion and increased bank resolution activity. This expansion will continue in 2010. Activities to advance the long-term IT strategy will also continue, as the FDIC addresses an aging business application portfolio and potential technology obsolescence. Improvements to IT processes and procedures will continue to be made to enhance responsiveness and streamline application delivery.

Support for Expansion of FDIC Workforce and Bank Resolution Activity

The rapid expansion of the FDIC workforce and bank resolution activity has strained the technical resources of the Corporation. The IT program continues to respond to challenges associated with data storage capacity, network bandwidth requirements, increasing volume of service requests, and related items. Additional staff and contractors will be brought on board in 2010 to support the increased demand for IT resources. This will include engineers, helpdesk operators, and regional/field office support. Improvements to bandwidth capacity will be made to support increased network traffic. The performance and operational capacity of business applications that support bank resolution activities will be improved and increased. Additional resources will be hired to provide IT support for bank closings in 2010, with more resources hired to handle these requests. IT support will be provided for the opening of the Midwest Temporary Satellite Office (MWTSO) located in the Chicago, Illinois, area as well as for build-outs in existing FDIC office sites. Support includes the installation of infrastructure equipment (such as routers, switches and network printers) and the provision of computers to the office staff.

Advancing the IT Strategy

Delivering core IT services in accordance with target service levels and providing bank closing support are the highest priorities in 2010 for the IT program. As time and resources permit, the FDIC will continue to execute the IT strategic plan and respond to other FDIC business needs. Work in 2010 will continue with implementing the target enterprise architecture and addressing potential technology obsolescence in the business application portfolio. Upgrades will be made to database management systems and reporting software.

Application systems will be developed and maintained based on the Lines of Business (LOB) model, which aligns IT resources with FDIC divisions and offices. Work will also continue on the application modernization strategy, where roadmaps are developed for addressing business application replacement and consolidation. Following previously developed roadmaps, development efforts for bank examination system replacements will continue.

Information Security and Corporate Privacy Programs

The FDIC's Information Security and Privacy Programs recognize the strategic value of the FDIC's data and information systems and strive to create an environment for the protection of these assets. External stakeholders, including financial institutions, the general public, and the FDIC community (employees and contractors), must have confidence that FDIC data and information systems are protected. In 2010, the operational focus of the programs will be to sustain a high-performing environment by ensuring the reliability, availability, confidentiality, and integrity of the Corporation's information and data assets. The FDIC will continue to establish policies and implement procedures that provide the highest possible level of protection of sensitive information, while allowing the Corporation to carry out its mission effectively.

Enterprise Risk Management

As an integral part of its stewardship of the DIF, the FDIC maintains a comprehensive risk management and internal control program, which is designed to promote continuous improvements in efficiency, effectiveness, control, and risk-focusing of internal operations throughout the Corporation. The Office of Enterprise Risk Management (OERM) oversees this program by providing guidance and assistance to all divisions and offices on issues such as internal controls, system security, privacy, operational effectiveness and efficiency, post-project reviews, and audit follow-up. In addition to continuing those efforts, OERM will focus in 2010 on key corporate issues, including the six Program Management Office organizations, control testing, and continuous improvements to the FDIC's core business functions.

Contract Management Oversight

The FDIC's total contract expenditures are expected to exceed $2 billion during 2010, a roughly seven-fold level of growth compared to pre-crisis contract spending and more than double the amount spent in 2009. This continuing growth necessitates further enhancements of the new management controls established during 2009 to ensure that that the Corporation is receiving appropriate service and value for the contract dollars it spends, and that all related operations are free from errors and abuse. During 2009, all contracting processes were mapped, and management confirmed the reasonableness of internal controls throughout those processes. In 2010, the Corporation's contract management efforts will focus on contract transaction sampling, invoice reviews, and improved metrics and performance data to support management decisions.

One key challenge for the year will be to ensure that sufficient numbers of oversight managers and technical monitors are available to provide the necessary controls for day-to-day contract oversight responsibilities. The Corporation will also direct increased attention to outreach efforts to minority- and women-owned businesses and law firms to ensure that they have the opportunity to participate in FDIC contracting and asset sales opportunities.

APPENDICES

Appendix A Program Resource Requirements

Appendix B The FDIC's Planning Process

Appendix C Program Evaluation

Appendix D Interagency Relationships

Appendix E External Factors

APPENDIX A

Program Resource Requirements

The FDIC's annual corporate operating budget is developed in a manner that allows the budget to be broken out for its three major programs (Insurance, Supervision and Receivership Management). The chart below presents the budgetary resources that the FDIC projects it will expend for these programs during 2010 to pursue the strategic goals and objectives and the annual performance goals set forth in this Plan, and to carry out other program-related activities. The estimates reflect each program's share of common support services that are provided by the Corporation on a consolidated basis.

Supervision	$926,704,175
Insurance	$205,339,071
Receivership Management	$2,658,867,970
Corporate Expenses	$198,368,573
TOTAL	$3,989279,789

APPENDIX B

The FDIC's Planning Process

The FDIC has a long-range strategic plan that identifies strategic goals and objectives for its three major programs: Insurance, Supervision, and Receivership Management. The plan is reviewed and updated every three years. The Corporation also develops Annual Performance Plans that identify annual goals, indicators, and targets for each strategic objective.

In developing its Strategic and Annual Performance Plans, the FDIC uses an integrated planning process in which guidance and direction are provided by senior management, and plans and budgets are developed with input from program personnel. Business requirements, industry information, human capital, technology and financial data are considered in preparing annual performance plans and budgets. Factors influencing the FDIC's plans include changes in the financial services industry, program evaluations and other management studies, and prior period performance.

The FDIC's strategic goals and objectives and its annual performance goals, indicators, and targets are communicated to its employees via the FDIC's internal website and through internal communication mechanisms, such as newsletters and staff meetings. The Corporation also establishes on an annual basis additional "stretch" objectives that further challenge FDIC employees to pursue strategic initiatives and results. FDIC pay and award/recognition programs are structured to reward employee contributions to the achievement of the Corporation's annual goals and objectives.

Throughout the year, progress reports are reviewed by FDIC senior management. After the year ends, the FDIC submits its *Annual Report* to Congress. That report includes a comparison of actual performance results to the annual performance goals and targets. It is also posted on the FDIC's website (www.fdic.gov).

APPENDIX C

Program Evaluation

The Office of Enterprise Risk Management has primary responsibility for coordinating and reporting on evaluations of the Corporation's programs. This role is independent of the program areas; however, program evaluations are interdivisional, collaborative efforts, and they involve management and staff from all affected divisions and offices. Such participation is critical to fully understanding the program being evaluated. The results of program evaluations are the basis for annual assurances made by division and office directors to the Chairman that operations are effective and efficient; financial data and reporting are reliable; laws and regulations are followed; and internal controls are adequate. These results are also considered in making strategic decisions for the FDIC.

Over the past three years, numerous program evaluations have been carried out in each of the Corporation's three program areas:

- Insurance – implementation of Deposit Insurance Reform and implementation of major initiatives of the Temporary Liquidity Guarantee Program;

- Supervision – monitoring or addressing regulatory concerns regarding areas of heightened risk, such as subprime and nontraditional real estate lending practices; unfair and deceptive lending practices; niche and *de novo* banks; concentrations in commercial real estate; effects of economic decline in certain sectors; and situations of rapid growth; and

- Receivership Management – maintaining readiness and productivity of the receivership functions and transitioning resources to conduct financial institution closings.

During the period covered by this Plan, the FDIC will continue to perform risk-based reviews in each strategic area of the Corporation. Results of these reviews will assist management by confirming that programs are strategically aligned or by identifying changes that need to be made to a particular program. Program evaluation activities in 2010 will focus on key corporate issues, including the six Program Management Office organizations, control testing, and continuous improvements to the FDIC's core business functions.

APPENDIX D

Interagency Relationships

The FDIC has very productive working relationships with agencies at the state, federal and international levels. It leverages those relationships to achieve the goals outlined in this Plan and to promote confidence in the U.S. banking system. Listed below are examples of the many important relationships that the FDIC has built with other agencies, seeking to promote strength, stability and confidence in the financial services industry.

■ Other Federal Financial Institution Regulatory Agencies

The FDIC works closely with other federal financial institution regulators—principally the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS)—to address issues and programs that transcend the jurisdiction of each agency. Regulations are, in many cases, interagency efforts. For example, the rulemaking that addressed accounting changes for securitization and the majority of supervisory policies are written on an interagency basis. Examples include policies addressing capital adequacy, structured products, liquidity risk management, fraud information-sharing, and offsite monitoring systems. In addition, the Comptroller of the Currency and the OTS Director are members of the FDIC Board of Directors, which facilitates crosscutting policy development and regulatory practices among the FDIC, the OCC, and the OTS.

The FDIC, the FRB, the OCC, and the OTS also work closely with the National Credit Union Administration (NCUA), which supervises and insures credit unions; the Conference of State Bank Supervisors (CSBS), which represents the state regulatory authorities; and individual state regulatory agencies.

■ The Federal Financial Institutions Examination Council (FFIEC)

The FFIEC is a formal interagency body empowered to prescribe uniform principles, standards and report forms for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of financial institutions. The member agencies of the FFIEC are the FDIC, FRB, OTS, OCC and NCUA. As the result of legislation in 2006, the Chair of the FFIEC State Liaison Committee now serves as a sixth member of the FFIEC. The State Liaison Committee is composed of five representatives of state supervisory agencies. To foster interagency cooperation, the FFIEC has established interagency task forces on consumer compliance, examiner education, information sharing, regulatory reports, surveillance systems, and supervision. The FFIEC has statutory responsibilities to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data for each metropolitan statistical area. The FFIEC publishes handbooks, catalogs and databases that provide uniform guidance and information to promote a consistent examination process among the agencies and make information available to the public.

This includes a central data repository for Community Reinvestment Act (CRA) ratings and Public Evaluations. The FFIEC now also provides an online Consumer Help Center that connects consumers with the appropriate federal regulator for a particular financial institution.

■ **State Banking Departments**

The FDIC works closely with state banking departments as well as the Conference of State Bank Supervisors to provide greater efficiencies in examining financial institutions and promote a uniform approach to the examination process. In most states, alternating examination programs reduce the number of examinations at financial institutions, thereby reducing regulatory burden. Joint examinations at larger financial institutions also optimize the utilization of state and FDIC resources when examining large, complex, and problem FDIC-supervised financial institutions.

■ **Basel Committee on Banking Supervision**

The FDIC participates on the Basel Committee on Banking Supervision (BCBS), a forum for international cooperation on matters relating to financial institution supervision, and on numerous subcommittees of the committee. The Committee aims to improve the consistency of capital regulations internationally, make regulatory capital more risk-sensitive and promote enhanced risk-management practices among large internationally active banking organizations. The Basel II Capital Accord is an effort by international banking supervisors to update the original international bank capital accord (Basel I), which has been in effect since 1988. Throughout 2009, the FDIC and the other federal banking agencies worked closely with the Committee to implement improvements in the Basel II Capital Accord to strengthen the resiliency of the banking sector and improve liquidity risk management. The FDIC also established working relationships with international regulatory authorities to ensure effective supervision of domestic insured institutions that are wholly owned by foreign entities, which includes coordination of efforts to implement the Basel II Capital Accord.

■ **BCBS - International Liaison Group**

In addition to the FDIC's membership on the BCBS, the FDIC is a member of a BCBS subcommittee called the International Liaison Group (ILG). The ILG provides a forum for deepening engagement and cooperation with supervisors from around the world on a broad range of issues involving banking and supervision. In addition to the United States, the ILG has senior representatives from seven other member countries, including France, Germany, Italy, Japan, the Netherlands, Spain, and the United Kingdom.

■ **Interagency Country Exposure Review Committee**

The Interagency Country Exposure Review Committee (ICERC) was established by the FDIC, the FRB, and the OCC to ensure consistent treatment of the transfer risk associated with banks' foreign exposures to both public and private sector entities. The ICERC assesses the degree of transfer risk inherent in cross-border and cross-currency exposures of U.S. banks, assigns ratings based on its risk assessment and publishes annual reports of these risks by country.

■ International Association of Deposit Insurers

The FDIC plays a leadership role in the International Association of Deposit Insurers (IADI) and participates in associated activities. The IADI contributes to the stability of the financial system by promoting international cooperation in the field of deposit insurance. Through IADI, the FDIC focuses its efforts to build strong bilateral and multilateral relationships with foreign regulators and insurers, U.S. government entities, and international organizations. The FDIC also provides technical assistance and conducts outreach activities with foreign entities to help in the development and maintenance of sound banking and deposit insurance systems. The FDIC's Vice Chairman currently serves as President of the IADI.

■ Association of Supervisors of Banks of the Americas

The FDIC, as Director of the North American Group, exercises a leadership role in the Association of Supervisors of Banks of the Americas (ASBA) and actively participates in the organization's activities. The ASBA develops, disseminates, and promotes sound banking supervisory practices throughout the Americas in line with international standards. The FDIC supports the organization's mission and activities by actively contributing to ASBA's research and guidance initiatives and its education and training services.

■ Shared National Credit Program

The FDIC participates with the other federal financial institution regulatory agencies in the Shared National Credit Program, an interagency effort to perform a uniform credit review of financial institution loans that exceed $20 million and are shared by three or more financial institutions. The results of these reviews are used to identify trends in industry sectors and banks' credit risk-management practices. These trends are typically published in September of each year to aid the industry in understanding economic and credit risk-management trends.

■ Joint Agency Task Force on Discrimination in Lending

The FDIC participates on the Joint Agency Task Force on Discrimination in Lending with all five of the federal financial institution regulators (FDIC, FRB, OCC, OTS and NCUA) along with the Department of Housing and Urban Development, the Federal Housing Finance Agency, the Department of Justice (DOJ), and the Federal Trade Commission. The agencies exchange information about fair lending issues, examination and investigation techniques, and interpretations of statutes, regulations and case precedents.

■ European Forum of Deposit Insurers

The FDIC shares mutual interests with the European Forum of Deposit Insurers (EFDI) and supports the organization's mission to contribute to the stability of financial systems by promoting European cooperation in the field of deposit insurance.

As such, the FDIC contributes its expertise and experience in supervision and deposit insurance, and openly shares this expertise through discussions and exchanges on issues that are of mutual interest and concern (e.g., cross-border issues, bilateral and multilateral relations, and financial customers' protections).

■ **Bank Secrecy Act, Anti-Money Laundering, Counter-Financing of Terrorism, and Anti-Fraud Working Groups**

The FDIC works with the Department of Homeland Security and the Office of Cyberspace Security through the Finance and Banking Information Infrastructure Committee (FBIIC) to improve the reliability and security of the financial industry's infrastructure. Other members of FBIIC include: the Commodity Futures Trading Commission (CFTC), FRB, NCUA, OCC, OTS, the Securities and Exchange Commission (SEC), the Department of the Treasury, and the National Association of Insurance Commissioners (NAIC).

The FDIC participates in several other interagency groups, described below, to assist in efforts to combat fraud and money laundering, and to implement the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act):

- The Bank Secrecy Act Advisory Group, a public/private partnership of agencies and organizations that meets to discuss strategies and industry efforts to address money laundering controls.

- The National Secrecy Act Advisory Group, a public/private partnership of agencies and organizations that meets to discuss strategies and industry efforts to curb money laundering.

- The FFIEC Bank Secrecy Act/Anti-Money Laundering Working Group, composed of representatives from the federal bank regulatory agencies, FinCEN and the CSBS, whose purpose is to coordinate BSA/AML training and awareness efforts and to improve communications among the agencies. The BSA/AML working group builds on existing activities and works to strengthen initiatives that are already being pursued by other formal and informal interagency groups providing oversight of various BSA/AML-related matters.

- The National Bank Fraud Working Group, which is sponsored by the DOJ.

- The Check Fraud Working Group (a subcommittee of the National Bank Fraud Working Group), which is co-chaired by the FDIC and the Federal Bureau of Investigation (FBI) and is composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the Internal Revenue Service (IRS), the Bureau of Public Debt (BPD), and the U.S. Postal Service.

- The Cyber Fraud Working Group (a subcommittee of the National Bank Fraud Working Group), which is composed of the federal bank regulatory agencies, DOJ, the FBI, FinCEN, the IRS, and the BPD.

- The National Money Laundering Strategy Steering Committee, which is co-chaired by DOJ and the Department of the Treasury.

- The Terrorist Finance Working Group, which is sponsored by the State Department to assist in the AML training effort internationally and the assessment of foreign countries' financial structures for potential money laundering and terrorist financing vulnerabilities.

- Other working groups that are sponsored by the Department of the Treasury to develop USA PATRIOT Act rules, interpretive guidance, and other relevant BSA materials applicable to insured financial institutions.

■ Money Services Business Working Group

The FDIC is working with FinCEN, the Money Transmitters Regulators Association, the CSBS, and the IRS to address the discontinuance of banking services to money services businesses (MSBs). The group submitted a survey to all states and U.S. territories to better understand state licensing and AML requirements.

■ Financial Literacy and Education Commission

The FDIC is a member of the Financial Literacy and Education Commission (FLEC), as mandated by the Fair and Accurate Credit Transactions (FACT) Act of 2003. The FDIC actively supports the FLEC's efforts to improve financial literacy in America by assigning experienced staff to work with the Office of Financial Education; providing leadership in the development and maintenance of Commission initiatives, such as the My Money hotline and toolkits; and participating in ongoing meetings that address issues affecting the promotion of financial literacy and education.

■ Financial Education

The FDIC launched the Money Smart initiative in 2001 to help individuals outside the financial mainstream enhance their money skills and create positive banking relationships. The FDIC has partnered with several federal agencies on this initiative. In 2008, the FDIC signed a partnership agreement with the U.S. Office of Personnel Management (OPM) that provides for FDIC and OPM collaboration to provide financial literacy and education resources and training to over 300 federal government benefits officers and 1,500 benefits specialists nationwide. Work done as a result of this agreement during 2009 resulted in approximately 140 benefits staff from various federal agencies being trained in the Money Smart program and Money Smart being highlighted by OPM at training events for benefits staff.

- **Alliance for Economic Inclusion**

The FDIC established and leads the Alliance for Economic Inclusion (AEI), a national initiative to bring all unbanked and underserved populations into the financial mainstream. The AEI is comprised of broad-based coalitions of financial institutions, community-based organizations and other partners in 11 markets across the country. The coalitions work to increase banking services for underserved consumers in low- and moderate-income neighborhoods, minority and immigrant communities, and rural areas. These expanded services include savings accounts, affordable remittance products, targeted financial education programs, short-term loans, alternative delivery channels, and other asset-building programs.

- **Government Performance and Results Act Financial Institutions Regulatory Working Group**

In support of the Government Performance and Results Act (GPRA), the interagency Financial Institutions Regulatory Working Group, comprising all five federal financial institution regulators (OTS, FRB, OCC, NCUA and FDIC), was formed in October 1997. This group works to identify the general goals and objectives that cross these organizations and their programs and activities, as well as other general GPRA requirements.

- **Federal Trade Commission, National Association of Insurance Commissioners, and the Securities and Exchange Commission**

The Gramm-Leach-Bliley Act (GLBA) was enacted in 1999. It permitted insured financial institutions to expand the products they offer to include insurance and securities. This act also included increased security requirements and disclosures to protect consumer privacy. The FDIC and other FFIEC agencies coordinate with the FTC, the SEC, and NAIC to develop industry research and guidelines relating to these products.

GLBA also requires the SEC to consult and coordinate with the appropriate federal banking agency on certain loan-loss allowance matters involving public bank and thrift holding companies. The SEC and the agencies have an established consultation process designed to fully comply with this requirement, while avoiding unnecessary delays in processing holding company filings with the SEC and providing these institutions access to the securities markets.

In addition, the accounting policy staffs of the FDIC and the other FFIEC agencies and the SEC's Office of the Chief Accountant meet quarterly to discuss accounting matters of mutual interest and maintain ongoing communications on accounting issues relevant to financial institutions, either on an individual agency or interagency basis, depending on the circumstances.

APPENDIX E

External Factors: The Economy and Its Impact on the Banking Industry and the FDIC

Economic conditions at the national, regional, and local levels affect banking strategies and the industry's overall performance. Economic conditions also affect the performance of businesses and consumers, which impact loan growth and credit exposure for the banking industry. Overall business conditions and macroeconomic policies are key determinants of inflation, domestic interest rates, the exchange value of the dollar, and equity market valuations, which in turn influence the lending, funding, and off-balance-sheet activities of FDIC-insured depository institutions.

Adverse economic conditions, such as a national or regional economic downturn, raise the risk profile of the banking industry or select groups of insured institutions. An economic downturn may lead to an increase in problem banks, which accelerates examination frequencies, and may increase the incidence of failures, resolution costs, and the pace at which the FDIC markets assets and terminates receiverships. Adverse economic scenarios may also divert FDIC staff from other activities to address these or other operational concerns.

Slow economic recovery expected in 2010. After four consecutive quarters of decline during the second half of 2008 and first half of 2009, the U.S. economy now appears to have entered a fragile recovery period. The recession that began in December 2007 was the longest and deepest since World War II, with a 3.7 percent decline in output through the second quarter of 2009 and 8.4 million lost jobs through January 2010. Credit markets experienced severe disruptions during the second half of 2008, but they largely recovered during 2009 following unprecedented government stabilization initiatives.

While economic conditions show some signs of improvement, they remain at generally weak levels and continue to place a strain on banking industry performance. Consumer spending rose in the third and fourth quarters of 2009, but weak labor markets and reduced household wealth continue to pose risks to consumer credit performance. The housing sector shows signs of improvement in sales and prices, but concerns remain about how the market will perform after federal tax credits and the Federal Reserve's mortgage market intervention end in the first half of 2010. In addition, while manufacturing and business investment have shown some improvement recently, commercial real estate and business loan portfolios remain under pressure.

The economic recovery still faces several downside risks—including weak labor markets and the waning impact of fiscal stimulus—that may contribute to continued stress on the banking industry over the coming year. Non-farm payrolls continue to decline, though at a much slower pace than a year ago, and the unemployment rate remains near a 26-year high at 9.7 percent. The economic recovery depends to a large extent on the results of U.S. and foreign government fiscal stimulus efforts and initiatives to restore financial stability.

The events surrounding the financial crisis of 2008 continue to have an effect on U.S. economic performance and FDIC-insured institutions. Government stabilization efforts, including several FDIC initiatives, have helped to preserve public confidence and mitigate the impact of the economic downturn. However, most analysts believe that the maximum impact of the fiscal stimulus on GDP growth was reached during the third quarter of 2009 and will make little to no contribution after mid-2010. Any further deterioration in labor, credit, consumer, or housing markets poses threats to an already weak economic recovery.

Banking industry performance in 2009 reflected the continued impacts of the economic slowdown. FDIC-insured commercial banks and savings institutions reported net income of $12.5 billion for the year, up from $4.5 billion in 2008, but well below the $100 billion that insured institutions earned in 2007. The average return on assets (ROA) was 0.09 percent, compared to 0.03 percent in 2008. These are the two lowest annual ROAs for the industry in the past 22 years, and most of the year-over-year improvement in industry profitability occurred at the largest institutions. Almost two out of every three insured institutions (63.2 percent) reported a lower ROA in 2009 than in 2008, and 29.5 percent of all institutions reported a net loss for the year. This is the highest percentage of unprofitable institutions in the 26 years for which data are available.

High expenses for credit-quality problems have been the principal cause of earnings weakness. Insured institutions set aside $247.7 billion in loan-loss provisions during 2009, compared to $176.2 billion a year earlier. Total loss provisions in 2009 represented 38 percent of the industry's net operating revenue (net interest income plus total non-interest income) for the year, the largest proportion in any year since the creation of the FDIC. Increases in provisions were outweighed by increases in net operating revenue, which totaled $656.3 billion, an increase of $90.9 billion (16.1 percent) over 2008. Net interest income was $38.1 billion (10.7 percent) higher than a year earlier, while non-interest income increased by $52.8 billion (25.4 percent).

The industry's troubled loans continued to increase in 2009. At the end of December, the amount of loans and leases that were noncurrent (90 days or more past due or in nonaccrual status) was $391.3 billion, compared to $233.6 billion at the end of 2008. Non-current loans and leases represented 5.37 percent of all loans and leases, the highest percentage in the 26 years that insured institutions have reported non-current loan data. Residential mortgage loans accounted for more than half (51.2 percent) of the total increase in non-current loans in 2009, rising by $80.7 billion. Non-current real estate construction and development loans rose by $20.3 billion, noncurrent loans to commercial and industrial (C&I) borrowers increased by $16.7 billion, and noncurrent real estate loans secured by nonfarm nonresidential properties increased by $24.3 billion.

Net charge-offs of loans and leases totaled $186.8 billion in 2009, compared to $100.4 billion in 2008. Net charge-offs of credit card loans totaled $37.5 billion for the year, net charge-offs of residential mortgage loans were $33.9 billion, C&I loan charge-offs totaled $31.8 billion, and net charge-offs of real estate construction and development loans were $27.3 billion.

Total assets of insured institutions registered an historic decline in 2009. Assets fell by $731.7 billion (5.3 percent) during the year, the largest annual percentage decline since the inception of the FDIC. The asset decline was led by a $640.9 billion (8.3 percent) decline in net loans and leases. C&I loan balances declined by $273.2 billion (18.3 percent), residential mortgage loans fell by $128.5 billion (6.3 percent), and real estate construction and development loans declined by $139.4 billion (23.6 percent). Real estate loans secured by nonfarm nonresidential properties (up $25.2 billion, or 2.4 percent) were the only major loan category that had meaningful growth in 2009.

In contrast to the shrinkage in industry assets, deposit balances increased, rising by $191.1 billion (2.1 percent). Nondeposit liabilities fell by $1 trillion (31.3 percent) during the year. At year end, deposits funded 70.4 percent of total industry assets, the highest proportion since March 31, 1996.

The number of insured institutions on the FDIC's "Problem List" rose from 252 institutions with assets of $159 billion to 702 institutions with assets of $403 billion at the end of 2009. This is the largest number and asset total of "problem" institutions since the middle of 1993. While these institutions have been determined to have financial, operational, or managerial weaknesses that threaten their viability, historical analysis shows that most problem institutions do not fail, even in periods of banking industry distress.

The costs associated with recent and anticipated bank failures have pushed the DIF balance below zero. In 2009, there were 140 failures with a combined $172 billion in assets. At year-end 2009, the DIF stood at negative $20.9 billion, down from positive $34.6 billion a year earlier, and the reserve ratio was negative 0.39 (based on unaudited fund balance results). Total reserves (the DIF balance plus the contingent loss reserve) were $23.1 billion. The FDIC adopted an amended restoration plan on September 29, 2009, that will raise risk-based assessment rates and make other changes to restore the DIF reserve ratio to at least 1.15 over an eight-year period. At that time, total DIF losses for the period 2009-2013 were projected to be $100 billion, most of which had already been incurred or reserved for as of year- end 2009. In order to address liquidity needs to fund projected failure resolutions, the FDIC adopted a rule on November 12, 2009, that required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. Insured institutions prepaid approximately $45.7 billion in assessments on December 30, 2009.

The banking industry has the capacity to provide the necessary backing to the insurance fund, given its historically strong capital levels. As of the fourth quarter of 2009, 95.5 percent of all FDIC-insured institutions were well-capitalized according to the regulatory capital definition for Prompt Corrective Action. This capacity, together with the backing of the full faith and credit of the U.S. government, provides confidence that the FDIC will continue to protect insured depositors.